2008 Annual Report

vivendi

a world leader in communications and entertainment

vivendi

2008 Annual Report

The Annual Report in English is a translation of the French "Document de référence" for information purposes.
This translation is qualified in its entirety by reference to the "Document de référence".

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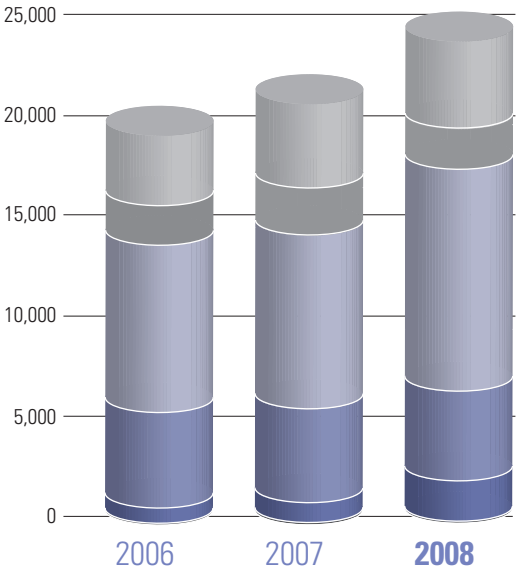
Revenues by Business Segment

December 31 – in millions of euros



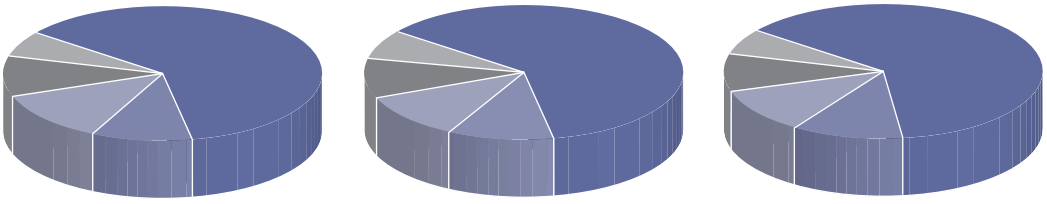
	2006	2007	**2008**
Activision Blizzard (1)	804	1,018	2,091
Universal Music Group	4,955	4,870	4,650
SFR (2)	8,678	9,018	11,553
Maroc Telecom Group	2,053	2,456	2,601
Canal+ Group	3,630	4,363	4,554
Including non-core operations and others, and elimination of intersegment transactions	(76)	(68)	(57)
Total	**20,044**	**21,657**	**25,392**

(1) Includes Activision, consolidated since July 10, 2008.

(2) Includes Neuf Cegetel, consolidated since April 15, 2008.

Revenues by Geographical Zone

December 31 – in millions of euros

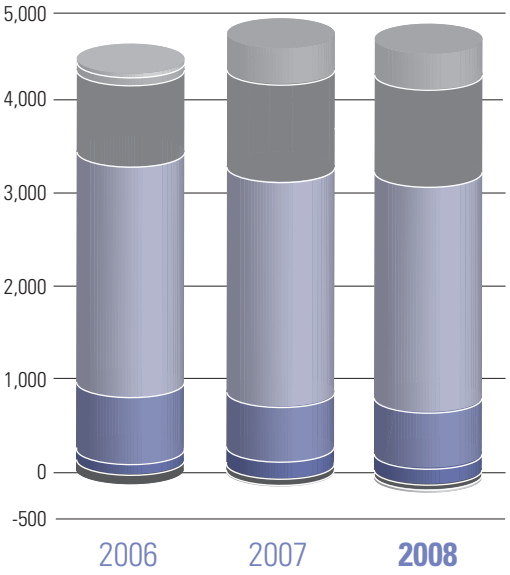


2006 2007 **2008**

	2006	2007	**2008**
France	12,372	13,403	15,967
Rest of Europe	2,081	2,352	2,766
USA	2,448	2,319	2,889
Morocco	1,960	2,139	2,221
Rest of the World	1,183	1,444	1,549
Total	**20,044**	**21,657**	**25,392**

EBITA by Business Segment

December 31 – in millions of euros



	2006	2007	**2008**
Activision Blizzard (1)	115	181	34
Universal Music Group	744	624	686
SFR (2)	2,583	2,517	2,542
Maroc Telecom Group	912	1,091	1,224
Canal+ Group	75	400	568
Holding & corporate	(113)	(81)	(60)
Non-core and others	54	(11)	(41)
Total	**4,370**	**4,721**	**4,953**

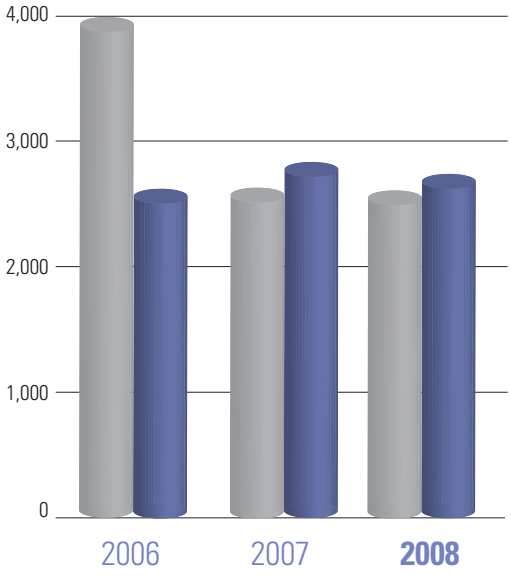
(1) Includes Activision, consolidated since July 10, 2008.

(2) Includes Neuf Cegetel, consolidated since April 15, 2008.

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.

Earnings Attributable to Equity Holders of the Parent and Adjusted Net Income

December 31 – in millions of euros



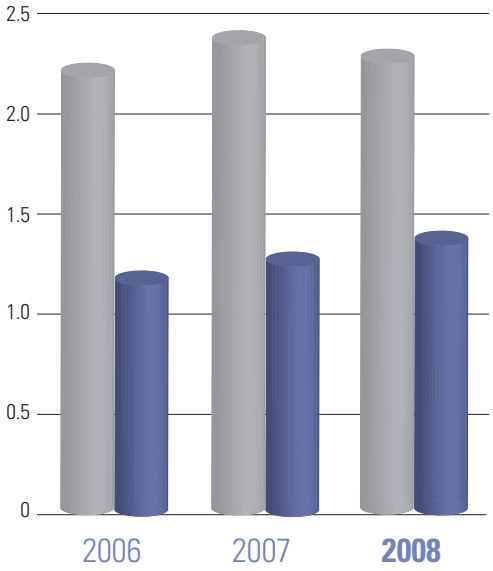
	2006	2007	**2008**
Earnings attributable to equity holders of the parent	4,033	2,625	2,603
Adjusted Net Income	2,614	2,832	2,735

Vivendi considers Adjusted Net Income, a non-GAAP measure, as a relevant indicator of the group's operating and financial performance. Vivendi's management uses Adjusted Net Income because it provides a better illustration of the performance of continuing operations excluding most non-recurring and non-operating items.

1

Adjusted Net Income per Share and Dividend per Share

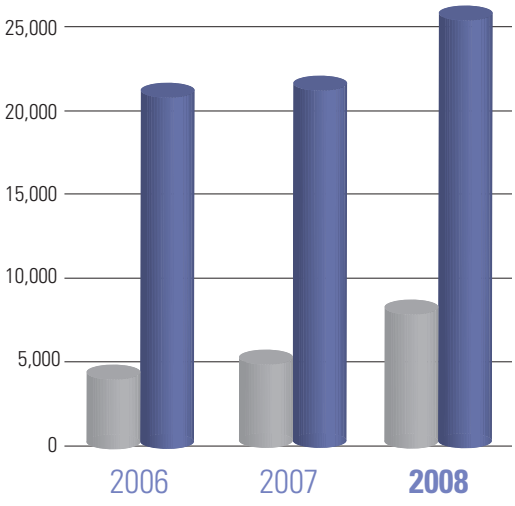
December 31 – in euros



	2006	2007	**2008**
Adjusted Net Income per share	2.27	2.44	2.34
Dividend per share	1.20	1.30	1.40

Financial Net Debt and Equity

December 31 – in millions of euros



	2006	2007	**2008**
Financial Debt	4,344	5,186	8,349
Equity	21,864	22,242	26,626

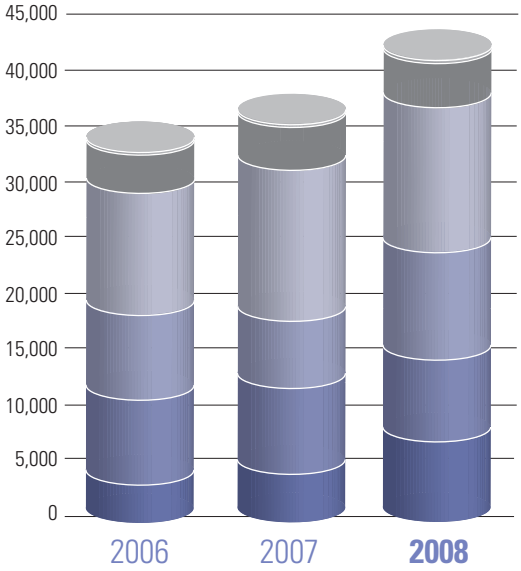
Vivendi considers Financial Net Debt, a non-GAAP measure, to be an important indicator measuring Vivendi's indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities as reported on the Consolidated Statement 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, and 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 debt covenants of Vivendi.

Headcount by Business Segment

December 31



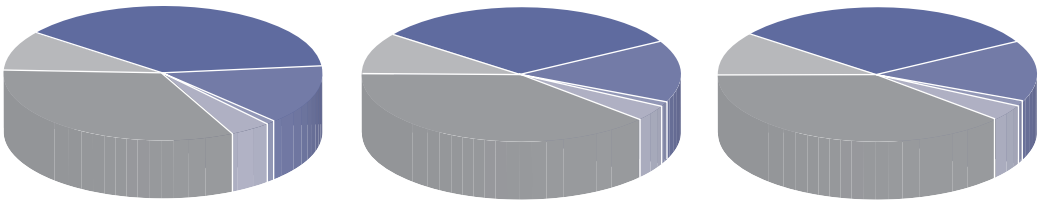
	2006	2007	**2008**
Activision Blizzard (1)	3,567	4,437	7,408
Universal Music Group	7,869	8,114	7,720
SFR (2)	8,014	6,209	10,086
Maroc Telecom Group	11,259	14,075	13,411
Canal+ Group	3,699	4,061	4,252
Corporate	271	262	250
Others	15	65	81
Total	**34,694**	**37,223**	**43,208**

(1) Includes Activision, consolidated since July 10, 2008.

(2) Includes Neuf Cegetel, consolidated since April 15, 2008.

Headcount by Geographical Zone

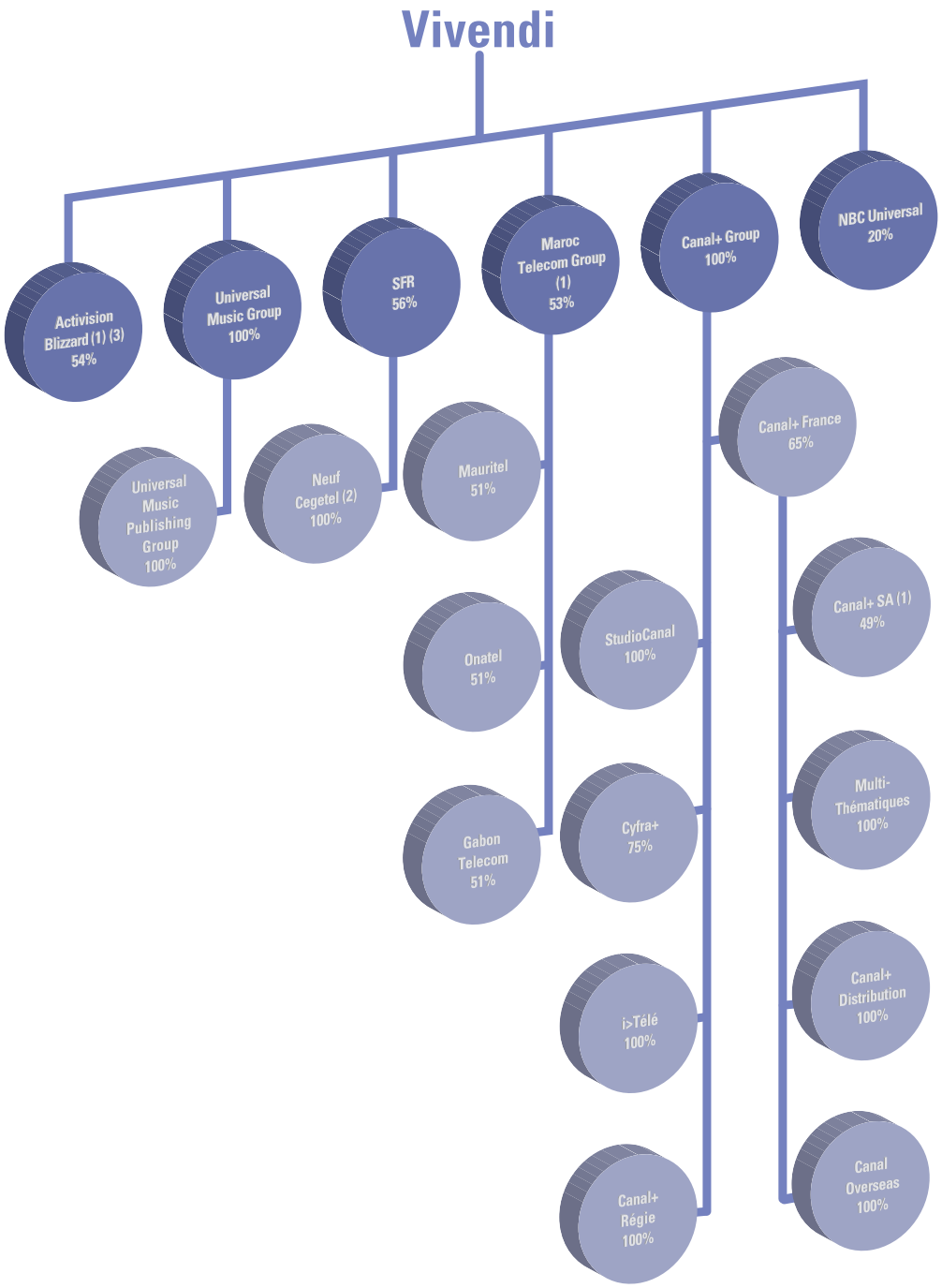
December 31



	2006	2007	**2008**
France	13,243	11,869	15,717
North America	5,006	5,448	7,520
South and Central America	350	391	405
Asia-Pacific	1,445	1,478	1,459
Africa	11,424	14,218	13,583
Europe (excluding France)	3,226	3,819	4,524
Total	**34,694**	**37,223**	**43,208**

1

Simplified Organization Chart (December 31, 2008)



(1) Listed company.

(2) Between April 15 and June 24, 2008, SFR acquired the 60.15% equity interest in Neuf Cegetel that it did not already own. For more information on this transaction see Chapter 4, Annual Financial Report, Section 1.1.1. "Take over of Neuf Cegetel by SFR".

(3) On July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games, and hence Vivendi Games became a wholly-owned subsidiary of Activision which was renamed Activision Blizzard. Activision Blizzard now conducts the combined business operations of Activision and Vivendi Games. For more information on this transaction see Chapter 4, Annual Financial Report, Section 1.1.2. "Creation of Activision Blizzard".

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Description of the Group and its Businesses – Litigation – Risk Factors

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2

Section 1 Description of the Group

Vivendi is a leading global communications provider: number one worldwide in video games, number one worldwide in music, number two in France in telecommunications, number one in Morocco in telecommunications and number one in France in pay-TV.

- Activision Blizzard: the world leader in video games and an independent producer of online and console games with a leading position in most segments of the fast growing interactive entertainment industry.
- Universal Music Group: the world leader in recorded music, accounting for more than one out of every four albums sold worldwide and holding the largest catalog of music rights.
- SFR: the second largest telecommunications operator in France, with 19.7 million mobile customers and 3.9 million high-speed Internet customers. The new SFR, created from the merger of SFR and Neuf Cegetel, is the largest alternative mobile and fixed line operator in Europe.
- Maroc Telecom: Morocco's largest fixed and mobile telecommunications operator and Internet access provider with 14.4 million cell phone customers and approximately 1.3 million fixed line customers; it is also the largest operator in Burkina Faso, Gabon and Mauritania.
- Canal+ Group: the largest French premium and theme channels producer and paid TV offerings distributor with more than 10.6 million subscribers; it is also a major player in France and Europe in film production and distribution.

Vivendi owns 20% of NBC Universal, a major media player active in producing and distributing films and television programs, promoting TV channels and operating theme parks.

1.1. Strategy

Vivendi's strategy is aimed at strengthening its leading position in telecommunications and entertainment through the production and distribution of content and services, by capitalizing on the needs of the entertainment industry, the strength of its engineers, creative teams and major brands.

In 2008, Vivendi completed two major strategic transactions: the acquisition of Neuf Cegetel by SFR, creating the largest alternative telecommunications operator in Europe, and the merger between Vivendi Games and Activision, creating Activision Blizzard, the world's leading video games company.

Vivendi's ambition is to contribute to the development of each of its business units within their major sectors and markets.

The Vivendi group's business lines have numerous common points: they each belong to the digital and new technologies sector and they are aimed specifically at end-consumers through the leveraging of strong brands (i.e., Activision Blizzard, UMG, SFR, Maroc Telecom and Canal+) which provide customers with subscription-based access to digital quality and creative content. These common points give Vivendi competitive advantages through fruitful know-how and advanced technology sharing, which in turn generate considerable expertise in the management of subscribers, brands, distribution platforms, creation and copyrights.

Vivendi intends to rely on the success of its subscriber-based economic model: the group's expertise mainly relies on subscriber gains and the management of subscribers' revenue and loyalty. This model gives Vivendi a significant advantage, because it is a recurring and therefore predictable source of revenue. Combined with a high level of customer response, it allows the group to offer innovative new services to address the growing demand for mobility and high-speed services.

The digitalization of content and the development of online consumer communities, together with the increasing development of high-speed communications, create major challenges and opportunities that Vivendi strives to anticipate in order to identify the growth drivers of its business units.

Section 1 Description of the Group

1.2. Highlights

1.2.1. 2008 Highlights

January
- StudioCanal announces the proposed acquisition of Kinowelt, the largest independent German group specialized in film acquisition and distribution.
- Maroc Telecom rolls out mobile 3G+ services in Morroco's major cities and launches innovative and attractive new services in addition to its 3G+ mobile high-speed Internet.
- SFR offers the first package combining Eee-PC, an ultra compact laptop, with an unlimited mobile Internet offering enabling its customers to access their e-mails, surf and chat without limitations.

February
- Vivendi enters into a €3.5 billion syndicated loan agreement underwritten by a syndicate of banks in anticipation of funding requirements associated with SFR's acquisition of Neuf Cegetel.
- UMG and Univision Communications, Inc., the leading Spanish-language media company in the United States, enter into an agreement regarding the acquisition of Univision Music Group by UMG, including its recorded music and music publishing divisions.
- The Canal+ Group is awarded exclusive broadcasting rights in France for nine out of the ten television lots for League 1 football for four seasons (2008-2012) and undertakes to pay €465 million per year for four years.

March
- Vivendi joins the United Nations Global Compact and undertakes to comply with 10 principles relating to human rights, labor standards, the environment and anti-corruption.

April
- Vivendi raises US$1.4 billion in notes consisting of two tranches of 5 years and 10 years. This new financing is made in connection with the contemplated acquisitions of Activision and Neuf Cegetel.
- Following receipt of authorization from the public anti-trust authorities, SFR acquires Neuf Cegetel, increasing its shareholding in Neuf Cegetel to 68.30%.

May
- In compliance with the Universal Service Program Agreement, Maroc Telecom undertakes to provide cell phone coverage for 7,338 additional cities until 2011 (representing 80% of the Program Agreement), corresponding to an estimated investment of 2.8 billion Moroccan dirhams.
- Canal+ on demand ("*à la demande*"), the Canal+ pay-per-view television service, becomes accessible on TV through Free's ADSL television service.
- Universal Music France and Société Générale combine their strengths to launch "So Music", a "co-branded" bank card. In particular, it allows customers, consisting mainly of young people, to download music from Universal Music's catalog.
- The Canal+ Group renews its agreements with Disney-ABC International Television and enters into a multi-year agreement for NewLine Cinema films.

June
- The Professional Football League International awards Canal+ Events, a subsidiary of the Canal+ Group, the French League 1 and League 2 Championships broadcasting rights for eight years.
- The Canal+ Group is given the authorization to broadcast Canal+ and i>Télé, two of its channels in Personal Mobile Television ("PMT").
- SFR exceeds the symbolic threshold of 100,000 paying subscribers for its unlimited and permanent music downloading service on cell phones and PCs, due to *Illimythics* subscriptions.
- As a result of the success of its simplified tender offer ("OPAS") for Neuf Cegetel shares, SFR holds 97.44% of Neuf Cegetel.
- Blizzard Entertainment holds its fourth Worldwide Invitational event for the first time in Paris. Approximately 11,000 people gather to celebrate the communities and game universes of Blizzard Entertainment's *World of Warcraft*, *Diablo* and *StarCraft*.

July
- Canal+ and French cinema organizations (Blic, ARP, Bloc, APC and UPF) enter into an agreement relating to catch-up TV. Pursuant to this agreement, Canal+ subscribers are allowed to watch all French and European films acquired by the channel before their release and upon demand.

2

Section 1 Description of the Group

- Vivendi and Activision finalize the transaction announced on December 2, 2007, creating Activision Blizzard, the world's most profitable pure-play publisher of online and console-based video games. Activision Blizzard becomes the world leader in video games and is traded on Nasdaq under the stock symbol ATVI.
- UMG enters into a long-term agreement with the Rolling Stones granting exclusive recording rights to their future albums.

August

- The Canal+ Group launches Canal+ high-definition programming on TNT with 32 hours of HD programming each week for the first time in France.
- Activision Blizzard launches the Russian version of *World of Warcraft* and its expansion pack, *The Burning Crusade*.

September

- Vivendi launches *Create Joy*. This program aims to provide entertainment to young people in difficulty and to support their talents by introducing them to the group's activities. *Create Joy* is launched in France, Great Britain, Africa and the United States.
- SFR launches "*Ma Sfere*", the one-click access service to an entire universe of personal content (including text, MMS, e-mails, contacts and photos), available on a cell phone or by computer at www.sfr.fr.
- UMG partners with MySpace, Sony BMG Music Entertainment and Warner Music Group to create MySpace Music. This ad-supported service offers the best choice of music and audible video on the market.

October

- Canal Overseas launches the TNTSat Caraïbes service via its CanalSat Caraïbes subsidiary. TNTSat Caraïbes is offering 11 digital quality channels and 6 digital quality radio stations free of charge. It is available in 100% of the territories in the French West Indies (Antilles) and Guyana and requires no paid subscription.
- Neuf Box becomes SFR's Neuf Box, with a triple-play offering including SFR Services (guaranteed set-up and 48 hour support).
- Activision Publishing releases *Guitar Hero: World Tour*. For two years, the *Guitar Hero* license generated over US$1 billion in revenue. More than 32 million copies of the *Guitar Hero* video game franchise have been sold worldwide since its launch.

November

- Canal+ launches its new set-top box, "+Le Cube", offered exclusively to Canal+ and Canalsat subscribers by satellite. With an HD satellite terminal with Internet connection, subscribers are able to watch episodes or series before they are broadcast to the general public.
- Activision Blizzard simultaneously releases *World of Warcraft*: *Wrath of the Lich King* in several countries. This game surpasses the one-day pc-game sales record, with more than 2.8 million copies sold in 24 hours.
- Activision Blizzard releases the fifth series of the war game *Call of Duty*: *World at War*, available on Xbox 360, PS2 and 3, Wii, NDS and PC.
- Maroc Telecom launches a prepaid Internet 3G+ service providing a greater number of people total mobility with mobile access to the Internet, without commitment, subscription or invoicing. Customers gain Internet access including full search functionality, messaging, navigation and downloading functions.
- SFR creates SFR Business Team, an entity aimed at professionals and firms, created by the combination of SFR and Neuf Cegetel.

December

- *World of Warcraft*, Blizzard Entertainment's online multi-player role game, exceeds 11.5 million subscribers.
- The Canal+ Group renews its UEFA Champions League service for the next three seasons (2009 to 2012) (133 direct exclusive matches per season, i.e., 21 additional matches).
- Out of eighteen films co-produced and distributed by StudioCanal in 2008, seven drew more than one million viewers, a first for a distributor since 2004.
- Maroc Telecom offers customers who subscribe to its *Forfaits Particuliers* ("Private Subscription") the opportunity to call their landline correspondents in Europe and North America at domestic call rates.
- Despite a 25.86% decline in 2008, Vivendi ranked fifth on the best performers list of the CAC 40 Index as of December 31, 2008, with the fifth largest weighted-average market capitalization on the index.[1]
- SFR expands its ADSL television coverage to 13 million homes/customers as a result of the use of MPEG-4 for content distribution.

1. Floating capital.

Section 1 Description of the Group

1.2.2. 2009 Highlights

January

- Vivendi issues bonds for €1 billion aimed at optimizing its debt structure and increasing its average debt maturity.
- Canal+ launches "The Canal+ bouquet", a group of French-language satellite channels in Algeria, Morocco and Tunisia which constitute the first French-language television service approved by law in the Maghreb.
- SFR's Environmental Management System is ISO 14001 certified. With a more ambitious scope than in 2007, this certification includes all maintenance and deployment operations of the SFR network's strategic technical sites, as well as its major tertiary sites.

February

- The 51st annual Grammy Awards recognizes numerous UMG artists with a total of 40 awards. Robert Plant and Alison Krauss receive 5 Grammys, including Record of the Year, Album of the Year and Best Pop Vocal Performance.
- On February 12th, Elektrim is ordered to pay €1.9 billion in damages to Vivendi.
- The annual "*Victoires de la Musique*" awards again praises UMG artists. Alain Bashung receives not only Male Artist of the Year but also Song/Variety Album of the Year and Musical Show of the Year. Other "*Victoires*" went to Martin Solveig (Electronic/Dance Artist of the Year), Arthur H (Pop/Rock Album of the Year), Abd Al Malik (Urban Music Album of the Year), Rokia Traore (World Music Album of the Year), Thomas Dutronc (Original Song of the Year) and Vanessa Paradis (Music DVD of the Year).

1.3. Financial Communications Policy and Value Creation

1.3.1. Investment Policy

Shareholder value creation requires increased profitability from the group's businesses and investments to develop and improve their positions in their respective markets, while maintaining a level of indebtedness allowing Vivendi to distribute dividends and to maintain a quality rating from rating agencies.

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

- the ability to generate growth having an 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; and
- in-depth risk assessment.

They are reviewed by the Vivendi Investment Committee, followed by the Management Board, while the most significant investments are reviewed by the Strategy Committee of the Supervisory Board followed by the Supervisory Board itself. Each investment is also subject to a "post-acquisition audit" intended to analyze and assess actual results.

1.3.2. Financial Communication Policy

The purpose 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 procedures adopted pursuant to applicable French standards, including the French Financial Security Act of 2003 and International Financial Reporting Standards ("IFRS") and the benchmarks set forth in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") report.

The following documents, in French and English, are made available to shareholders or sent to them upon request: the Annual Report and the Report on Sustainable Development, quarterly financial statements, half year financial statements, press releases and financial notices. Shareholders may 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 domestic 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 permanent relationships with analysts at brokerage firms, investment fund managers and analysts. The department provides information on a regular basis to convey to financial markets a clear understanding of the various events impacting the group's current and future performance. This team also manages the analyst/investor relations section of the group's website (www.vivendi.com) which is updated regularly. This section is primarily directed at institutional investors.

Vivendi's communications with institutional investors is conducted through meetings organized in the main financial markets worldwide and by its executives' participation in investors' conferences.

2

Section 1 Description of the Group

In 2008, 503 institutions participated in meetings to comment upon the group's position and outlook. Sixty days of roadshows and conferences were organized with investors. These events were followed up by meetings with analysts and investors throughout the year. Executive officers of Vivendi and its subsidiaries participated in 15 investors' conferences. With the collaboration of the Sustainable Development Division, 32 meetings were organized with analysts and Socially Responsible Investments ("SRI") investors in Paris, London and the Netherlands.

Vivendi's Investor Relations team received the Best 2008 IR Team award within the European media sector. Vivendi's Head of Investor Relations received the individual accolade for Best IR Professional in the sector. These two awards were also obtained in 2006 and 2007. Based on an accurate and independent assessment of investor relation operations, 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 7,500 professionals, managers and investors from 62 countries.

1.3.3. Value Creation in 2008

In 2008, the group continued to focus on its results and the development of its businesses' performance, and to invest in the strengthening of its businesses in their respective markets as well as growth creation.

In 2008, the Vivendi group continued to invest in its businesses by helping them develop their products and services with net capital expenditures of €2 billion.

The following major strategic acquisitions were performed during the year 2008:

- SFR acquired all of Neuf Cegetel pursuant to the acquisition of the Louis Dreyfus Group's interest in Neuf Cegetel followed by a simplified tender offer and squeeze-out of the remaining Neuf Cegetel share capital. This transaction gave rise to a new generation operator active in all telecommunication market sectors with the capacity for significant investment in fiber optics. For SFR, which has been active in the fixed-line segment since 1997, this was an opportunity to hasten the implementation of growth vectors while accelerating the fixed mobile convergence strategy of its businesses and consumers.
- Vivendi and Activision finalized the creation of Activision Blizzard, the world's most profitable online and console-based video game publisher. Under the terms of the agreement, Vivendi agreed to contribute Vivendi Games, valued at approximately US$8.1 billion, together with approximately US$1.7 billion in cash to acquire 54% of Activision Blizzard (52% after total dilution) at closing on July 9, 2008.

As of December 31, 2008, the group's financial net debt amounted to €8.349 billion. As of that date, the average economic maturity of the group's debt was approximately 4 years and Vivendi SA had €5.2 billion in available credit lines, net of treasury bills. Vivendi had a solid financial position allowing it to continue its value creating strategy, fulfilling its commitment to a dividend pay-out ratio representing at least 50% of its adjusted net income and maintaining its quality rating (BBB).

Share Price

Vivendi shares are listed on compartment A of Euronext Paris (ISIN code FR0000127771). In 2008, Vivendi shares performed significantly better than the CAC 40, Media and Telecom indices. On December 31, 2008, Vivendi shares traded at €23.27, a 25.86% decrease compared to December 31, 2007. During the same period, the CAC 40 and the Dow Jones Stoxx Media and Dow Jones Stoxx Telecommunications indices fell 42.68%, to 40.40% and 36.48% respectively. Vivendi was the fifth best performer on the CAC 40 in 2008 with the fifth largest weighted-average market capitalization as of December 31, 2008.[2]

2. Market capitalization.

Dividend per Share

A dividend of €1.30 per share was paid in 2008 for fiscal year 2007, representing a total distribution of €1.5 billion. The payment of a dividend of €1.40 per share in 2009 for fiscal year 2008 (an approximately 8% increase compared to fiscal year 2007), for a total distribution of €1.64 billion, will be submitted for the approval of the Combined Ordinary and Extraordinary Shareholders' Meeting to be held on April 30, 2009. The dividend will be payable in cash or newly issued shares on June 4, 2009.

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1.4. Sustainable Development Policy

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

Vivendi's efforts with regard to sustainable development take into consideration economic, corporate, social and environmental responsibilities related to its activity and geographic positioning.

Pursuant to this approach, Vivendi is required to report on its values and commitments to all of its partners, including its customers, shareholders, employees, suppliers, authorities and the 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 rating agency, as well as the Ethibel Sustainability Index ("ESI") set up by Ethibel.

In addition, in June 2008, Goldman Sachs ranked Vivendi as one of the three best positioned companies in the European media sector in terms of economic performance and sustainable development criteria.

In March 2008, Vivendi joined the United Nations Global Compact. Its membership forms part of the commitments it had already established and reflects its two essential concerns: reaffirming the group's commitment to human rights during the process of gaining new markets and contributing to the communications and entertainment needs of the disadvantaged.

1.4.1. Specific Challenges to Vivendi

In 2003, as Vivendi focused on its strategic businesses, three 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 resulting from the combination of mobile telephony and broadband.

With regard to the issue of protecting minors, 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. Cell 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 a group level is a cooperative effort among business units and its 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 in 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 and televisual expression, promoting local talent and enhancing an understanding of our heritage are all concerns shared by the group's various businesses.

Sharing knowledge supports Vivendi's goal of achieving the following objectives: to deliver quality content, to develop a dialog among different cultures, to facilitate access to new technologies and to raise public awareness regarding sustainable development challenges. Through its position as a global company, the group exerts a certain level of 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. The group participates in the European Commission's Internet Confidence program and is a partner of the UNESCO Global Alliance for Cultural Diversity. In 2008, Vivendi expanded its ties to the university world by associating itself with New York University in the United States.

1.4.2. Implementation of the Sustainable Development Policy

Each year, Vivendi publishes a Sustainable Development Report. In 2009, the group combined the Sustainable Development Report with the Activity Report. The group also publishes a document entitled "Social Data and Environmental Policy," including indicators required under the New Economic Regulations Act ("NRE Act"). These documents are available on the group's website under the "Sustainable Development" tab.

For the seventh consecutive year, the 2008-2009 Sustainable Development Report will be reviewed by Salustro Reydel, a member firm of KPMG International, one of Vivendi's statutory auditors, which will render an external opinion on the

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Section 1 Description of the Group

procedures implemented by the group to report, validate and consolidate social and environmental performance indicators and to check a selection of indicators. This review will be of a moderate level of comfort compared to the review of agreed upon procedures from previous years and will confirm the group's progress with regard to the reporting of social and environmental data.

The Chairman of the Management Board regularly sets the challenges of sustainable development on the agenda of the Board or the Risk Committee. He invites experts from civil society to attend meetings during which he can share with them an analysis of 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.

It works in close collaboration with the Investor Relations Department and the Audit Department to assess, measure and control risks and opportunities relating to sustainable development.

The Sustainable Development Department is backed up by a Sustainable Development Committee, which has been operating since 2003. Members of this committee are individuals dedicated to sustainable development issues within the group's businesses and representatives of the functional corporate departments. The committee meets six times a year.

1.4.3. *"Create Joy"* Solidarity Program

This solidarity program was launched in September 2008. It forms part of a social responsibility initiative: Vivendi seeks to ensure that the needs of young people in difficulty to be entertained and to expand their horizons are better met.

Create Joy aims to promote the development of these young people by seeking to provide them with entertainment or skills to better prepare them for the future through projects related to its businesses: video games, music, telecommunications, the Internet, television and cinema.

This program supports projects developed by associations and NGOs. It is deployed in countries where Vivendi is active. Initially, in 2008 and 2009, the countries selected were France, the United States, Great Britain and certain African countries (including Morocco, Mali and Burkina Faso).

Create Joy already finances approximately twenty projects supported by 16 associations, including Starlight Children's Foundation in the United States, Fairbridge in Great Britain, the Auteuil Foundation in France and *Un Film à la Mer* and Biblio' Brousse in Africa.

1.5. Human Resources

Vivendi is committed to ensuring that the fruits of its employees' contributions are rewarded equitably. Consequently, the group has implemented a profit-sharing policy that exceeds legal requirements. Similarly, beyond these internal provisions, Vivendi has applied a citizen policy to promote jobs for individuals experiencing difficulty in regions that have been deeply hit by unemployment and industrial restructurings.

1.5.1. Employee Share Ownership and Employee Savings Plans

In 2008, the policy of promoting employee share ownership within the Vivendi group changed significantly with the simultaneous launch of "Opus 08," a leveraged share capital increase with an investment guarantee, in France and abroad, and the customary annual rights issue for employees of the group's French companies.

Development of Employee Savings Plans in France

Employee share ownership and savings were increased in 2008, with a sharp rise in the amounts paid by the group's French companies under various participatory compensation systems (profit-sharing, incentives and employer's contribution): the allocation of a significant share of these employee savings to employee shareholding was maintained, and, at the same time, employees continued to diversify their savings within the various investment options offered to them by the Vivendi Group Savings Plan ("PEG") and investment formulas specific to their company agreements.

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In 2008, net amounts paid by the group's French companies for optional profit sharing (*intéressement*), statutory profit sharing (*participation*) and the employer's contribution to the group's savings plan (*Plan d'épargne groupe* or PEG) reached €100.7 million. This total represents a 33.2% increase compared to 2007, i.e., a 20.6% increase on a comparable basis of companies eligible to participate in the Vivendi PEG.

The total amount of new employee savings amounted to €86.7 million (a 14% increase compared to 2007), €64.3 million of which were invested in the various PEG funds, with the remaining €22.4 million being allocated by employees to various funds or plans specific to their companies.

Share Capital Increase for the Benefit of Employees

On May 13, 2008, the Management Board approved the annual share capital increase for the benefit of the group's employees through the PEG, pursuant to authorizations given by the General Shareholders' Meeting of April 24, 2008. The transaction was successfully completed on July 24, 2008. For the first time, the transaction involved the simultaneous launch of a customary employee offering (in France) and a French and international leveraged transaction with an investment guarantee entitled "Opus 08". "Opus 08" was offered to employees of major countries in which the group operates, e.g., France, the United States, Great Britain, Morocco and Germany.

"Opus 08" achieved significant success with the offered amount of 3.5 million Vivendi shares oversubscribed by approximately 110%, resulting in a reduction of subscription demand from employees.

Overall, the two portions of the offering (customary and leveraged) resulted in a capital increase totaling more than triple that of the previous year: €95.1 million (compared to €31.4 million in 2007), including €74.2 million for "Opus 08" and €20.9 million for the customary employee offering. Pursuant to this transaction, 4,493,593 new shares, i.e., 0.39% of Vivendi's share capital, were issued, including 3,500,000 shares under "Opus 08" and 993,593 shares under the customary employee offering.

10,530 employees subscribed to the capital increase, including 8,815 through "Opus 08" (of which 2,461 were employees outside France) and 4,883 in the customary employee offering in France. The overall participation rate of eligible employees amounted to 34% in total under the two plans, including 28.6% for "Opus 08" alone (40.5% of which in France and 16.2% outside France). In France, 52% of the employees participated in at least one of the two employee offering plans.

Considering the success of the "Opus 08" transaction, on December 17, 2008, the Board of Directors resolved to engage in a similar transaction in 2009 entitled "Opus 09", as part of the employee share capital offering.

Grant of Shares of Restricted Stock to all Employees as of December 12, 2006

On December 15, 2008, shares were issued and registered in favor of employees pursuant to a plan to grant 15 Vivendi shares to all group employees as approved by the Management Board on December 12, 2006.

This restricted stock allotment plan ("AGA") was offered to employees of the French companies of the group. Under current French law, this plan has a four-year term, following which the beneficiaries may freely dispose of their shares.

In a certain number of countries other than France, due to tax-related difficulties in applying the French AGA law, a plan open to all employees was implemented in the form of a grant of 15 "equivalent shares" (or Restricted Stock Units, "RSUs"), which replicates the AGA plan's features, in particular regarding the value of the grants made to employees and the term of the plan.

As a result, a total of 33,573 employees of Vivendi and its subsidiaries benefited from this extraordinary plan, including 12,856 in France under a restricted stock plan.

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Section 1 Description of the Group

1.5.2. Dialog between Management and Labor

In 2008, 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 conducted throughout the year and included a three-day training seminar for members of the European Authority for Dialog between Management and Labor and members of the group Works' Council to keep them aware of the group's operations and applicable social norms and laws.

In addition, pursuant to an agreement entered into with the corporate partners, an Intranet site for the Group Works' Council and the European Authority for Dialog between Management and Labor was set up in coordination with the Communications Department.

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," pursuant to which it undertook to hire apprentices and students to assist them in obtaining all required employment qualifications, to increase the number of apprentices within the group and to observe cultural and ethnic diversity when recruiting. At year-end 2008, Vivendi employed 307 trainees (compared to 215 trainees in 2007, on a comparable basis).

The Vivendi group's training policy encourages employees to acquire and strengthen the skills required to fulfill their objectives and to pursue their career 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 dedicated to training in the group remains much higher than that required under French law.

In 2005, Vivendi and its subsidiaries entered into a partnership with INSEAD (the European Business Administration Institute) to improve their future leaders' skills. This made-to-measure training program had the following goals: to develop the skills needed to better understand the national and international business environment, to anticipate major future business trends, to learn best practices and to confront and redefine accepted experiences and beliefs.

In 2008, the Vivendi group continued to focus on occupational health and safety. In 2008, the frequency of industrial accidents increased slightly to 2.99 compared to 2.72 in 2007. Since the rate is higher in on-site jobs, specific prevention programs were implemented in that field, e.g., at SFR, Maroc Telecom and Canal+. In 2008, 3,699 group employees received safety training.

Vivendi has 79 groups dedicated to industrial health and safety. These groups include professionals and personnel representatives who analyze issues relating to the group's industrial health, sanitation and safety. These studies are followed up by assessments of training in prevention, industrial safety and working conditions performed by each group, including at Vivendi's headquarters.

The Vivendi group encourages mobility among its different businesses with the assistance of its "*In vivo*" application on the group's Intranet site. This tool ensures the distribution and update of internal vacancies for each business unit. In addition, regular meetings of the intra-group "mobility/employment" network encourage an ongoing exchange among various businesses of the group. In 2008, 898 employees were able to take advantage of transfer opportunities, either within their own entity or to another business unit.

1.5.3. Contribution to Employment Development

In 2004, Vivendi took up the French government's challenge to create jobs in certain areas significantly affected by unemployment and industrial restructurings. These commitments were illustrated in two ways:

- 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 (North of France) in late 2006. Each center provides 300 full-time equivalent jobs, i.e., a total of 600 jobs at year-end 2007.
  As of December 31, 2008, 863 jobs had been created across these two call centers, i.e., 829 full-time equivalent jobs: 497 in Belfort and 332 in Douai.
- the contribution to the creation of jobs in regions selected by the Ministry of Economy, Industry and Employment (€5 million per year over a five-year period – i.e., a total of €25 million – 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 creation or expansion business projects.

Section 1 Description of the Group

As of December 31, 2008, 3,874 jobs had been approved by the commitments committee and 2,535 jobs were created. Since the first employment area set up in March 2005, Vivendi took only three years to fulfill its five-year global commitment and exceeded it by 50% in only four years.

In the Arles and Oise employment areas, job creation exceeded three-year objectives by 65%. At Dreux, Chalon and in Pas-de-Calais, more than 80% of the goal was achieved within two and a half years, pursuant to which Vivendi, with the consent of public authorities, suspended its operations in mid-2008. This was also the case in the Somme area where, within one and a half years, 70% of the three-year goals were met, with validated scheduled jobs exceeding the goal by 50%.

Companies in charge of economic development in these areas are still present to ensure that the scheduled jobs have actually been created.

In the Autun and Château-Chinon basins, approved jobs are distributed more or less equally over the two territories. Haut-Jura in the vicinity of Saint Claude, the most recent employment development region to be so designated, is developing normally.

Approximately 80% of the companies which were offered assistance in the employment areas were in the industrial, agribusiness, construction and industrial services businesses and 15% were related to the trade and craft industry. The remaining percentage is related to tourism and homecare 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 approved projects are performed by companies originating from these areas. Dreux is the only exception, with 60% of projects coming from companies located outside the area.

Out of the €26 million relating to contractual global commitment regarding the 11 operational employment areas since 2005, €22.91 million were allocated at the end of the fourth year. Loans and subsidies granted represented 70% of the total allocated amount; the remaining 30% represented external service provider fees.

1.5.4. Equality of Opportunity

By creating the "Telecom Engineer Passport" (*Passeport Ingénieur Télécoms*) in 2005, SFR and the French public authorities intend 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 examples of the academic and professional success of young people within neighborhoods and companies using the appeal of 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 momentum with the creation of the "*Cercle passeport promotions télécoms*". This program, headed by the Chairman and CEO of SFR, brings together SFR and major telecommunications equipment manufacturers and operators in France (Alcatel, 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 Education) have made concrete commitments to equal opportunity and the professional development of young people from depressed areas.

In June 2008, 311 students who received tutoring, 135 of them through SFR, took the entrance exams for an engineering or business management school. 90% of them passed the exam.

For the 2008-2009 academic year, over 500 students will benefit from individual tutoring from the *Cercle*. 73% of the students assisted by the *Cercle* hold scholarships from the French government. In addition over 1,000 youths benefit, through corporate partners, from group tutoring in preparatory classes or in one of the partner schools. The Gemalto group joined the *Cercle* initiative and SFR will coordinate implementation of the approach at *La Réunion*.

Vivendi is a partner with SFR in the "A Future Together" program, created and managed by the Office of the Grand Chancellor of the Legion of Honor. This involves sponsoring a deserving student until the completion of his/her schooling and monitoring him/her on his/her academic track.

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Section 1 Description of the Group

1.5.5. Mobi3

Mobi3 is a program launched in 2008, offered to participants based on an entrance examination by five companies active in the cell phone life cycle: Dassault, DLA Piper, IBM, Nokia and SFR, in partnership with *IMS-Entreprendre pour la Cité*. It challenges teams of high school students to develop the cell phone of the future as part of their DP3 (3-hour professional discovery) option. Consequently, the students study the life cycle of a cell phone from 3D design to sale, including marketing, legal aspects and logistics.

Mobi3 forms part of the "Engage" program, supported by the Ministry of Education and the Academy of Versailles, with the aim of developing a citizen's commitment among employees across Europe.

High schools expressed their interest in working with companies on such a project for the 2008-2009 school year. The Ministry of Education has decided to renew the program in 2009.

1.6. Insurance

Vivendi has a centralized risk management policy[3] with insurance programs applicable to its majority-controlled businesses.

The insurance programs supplement on-site risk prevention procedures. In addition, business continuity plans and backups have been implemented in the event of a disaster affecting a critical location for a given business activity and environmental protection processes have been put into effect.

In 2008, Vivendi subscribed to or renewed the following main insurance programs:

Damages and Operating Losses
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 legal constraints within each relevant country/state) and consequential operating losses.

General Liability
Policies covering operating and product liability resulting from damages to third parties are in effect for a total amount of €150 million per annum for the entire group. This amount is in excess of the various so-called "first-line" policies directly subscribed to by subsidiaries of the group (including Universal Music Group, SFR, Maroc Telecom and Canal+ Group) for amounts between US$2 and US$16 million or €2 and €16 million, as applicable.

Industrial Accidents
Certain policies are specific to business operations performed in the US, in particular those covering industrial accidents which the employer is required to provide by law. Workers' compensation policies are in effect which meet the requirements of the various Federal and State laws.

3. Activision Blizzard has its own insurance programs.

Section 2 Description of the Group's Businesses

2.1. Activision Blizzard

Activision Blizzard, the world leader in video games for both online and console-based games, was formed by combining two major players in the field of interactive entertainment: Activision and Vivendi Games.

The Activision Publishing ("Activision") business develops, markets and sells products directly, by license, or through third-party publishers. Its products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person shooter, music and strategy. These games are intended for a broad customer base that ranges from casual players to game enthusiasts, and children to adults.

Activision develops and publishes multi-console and PC video games through internally developed franchises and license agreements. Activision primarily offers games developed for the Sony (PlayStation 2, 3 and PSP), Nintendo (Wii and DS) and Microsoft (Xbox 360) platforms.

Section 2 Description of the Group's Businesses

In 2008, Activision launched a number of new games. The company was number one in independent publishing in North America[4] and number one in independent publishing on Wii in North America and Europe.[5] In 2008, two of its most widely-renown games, *Call of Duty* and *Guitar Hero*, were among the Top 5 console games and three of its titles, *Guitar Hero World Tour, Call of Duty World at War* and *Guitar Hero: Legend of the Rock*, were in the Top 10 of all game platform categories.[5]

Guitar Hero is a music video game in which the player directs a rock musician by pressing the color buttons on a guitar symbolizing the notes to be played. The notes scroll on the screen following the sound track with avatars of rockers and scenes from concerts in the background. In the latest version, the players can form a band by using new wireless instruments including drums and a microphone; the game also includes a virtual recording studio. *Guitar Hero* is experiencing worldwide success and has become the benchmark for music video games because of the quality of its wireless instruments, the customization options available and its online functionalities. *Guitar Hero* offers a broad range of music from among the greatest rock hits (such as those of Metallica and Aerosmith) and its contents are adapted by geographical area.

Call of Duty, another major success of Activision, is a video game in which the player embodies a soldier in the middle of war (the Second World War or a contemporary war). The realism of the fight and of the gaming environment contributes to making *Call of Duty* the number one war game on the market.

Both *Guitar Hero* and *Call of Duty* are among the franchises having recorded the best sales in North America and Europe in both 2007 and 2008.

Blizzard Entertainment is a world class development studio and publisher best known as the creator of *World of Warcraft*, *Diablo*, *StarCraft* and *Warcraft*.

Blizzard generates revenues worldwide through various means, including: subscription revenues (players of *World of Warcraft*, prepaid-cards and other ancillary online revenues), retail sales of physical "boxed" products and licensing revenue distribution agreements with local partners.

With the success of *World of Warcraft*, Blizzard is the world leader in terms of subscriber base and revenues generated on the subscription-based MMORPG (*Massively Multi-Player Online Role-Playing Games*) market.

A massively multiplayer online role-playing game is a video game played only online via an Internet connection simultaneously with thousands of other connected players. 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 is required 24 hours a day, seven days a week. This service is provided by "game masters" who step in at any time to help players overcome their difficulties, whether they be technical incidents, or problems related to their success in the game or to the illicit behavior of other players. Managers of communities of players take notes of ideas, comments and complaints from subscribers' comments in discussion forums.

During 2008, Blizzard released *World of Warcraft*: *Wrath of the Lich King*, the second expansion pack of *World of Warcraft*, simultaneously in several countries. Blizzard also released a Russian-language version of *World of Warcraft* and expanded the sale of support for *World of Warcraft* in Russia and in the Spanish-speaking countries of Latin America.

In the Asian market, Blizzard distributes *World of Warcraft* directly through its local subsidiaries (Korea) and through partners and license agreements. Blizzard entered into a license agreement with The 9 for the distribution of *World of Warcraft* in China and with SoftWorld in Taiwan. In addition, in 2008, Blizzard granted a license to NetEase.com, Inc. for the operation in China of *StarCraft II*, *Warcraft III: Reign of Chaos, Warcraft III: The Frozen Throne* and for the Battle.net platform.

World of Warcraft is now available in North America, Europe (including Russia), China, Korea, Taiwan, Australia, New Zealand, Malaysia, Thailand and Hong Kong.

2.1.1. 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 seasonal nature of the business can be expanded by releasing flagship titles at times other than the end-of-year holiday season.

4. Source: NPD Group.
5. Source: NPD Group, Charttrack and GfK.

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Section 2 Description of the Group's Businesses

2.1.2. Regulatory Environment

Activision Blizzard voluntarily participates in self-regulatory rating systems established by various game industry organizations around the world. In the US for example, the group 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 Activision Blizzard displays the age group for which a particular product is intended on its product packaging and advertising, respects advertising guidelines and online privacy principles and provides a brief description of the product's content on its packaging.

Since 2005, Blizzard implemented parental control for parents whose children share the adventures of the MMORPG *World of Warcraft*. The system allows parents, as the account holders, 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 (e.g., weekends exclusively or one or several predetermined weekdays between certain hours) and the frequency of breaks (e.g., every thirty minutes or once an hour). Anyone attempting to log on to the game outside the authorized times will not be allowed access to the game.

2.1.3. Piracy

Piracy is a serious concern for video game publishers. Through its anti-piracy department, Activision Blizzard combats this issue on its own and in collaboration with third parties such as publishers and trade associations. Activision Blizzard has pursued emerging business models, such as MMORPG games by Blizzard Entertainment, which embrace the Internet and at the same time use 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. Activision Blizzard is pursuing aggressive investigations to address these threats and intends to launch legal proceedings against high-priority targets.

2.1.4. Competition

Activision Blizzard is the leader in the subscription-based MMORPG games market due to Blizzard's *World of Warcraft*. *World of Warcraft* is the only MMORPG that has experienced major success in all key markets. Competitors also publishing MMORPG games include NCSoft, Sony Online Entertainment, Electronic Arts and Funcom.

Competitors in the console and PC games segment include Electronic Arts, Konami, Take-Two Interactive, THQ and Ubisoft entertainment, as well as Nintendo, Sony and Microsoft which publish video games for their own platforms.

2.1.5. Raw Materials

The principal raw materials used in the Activision Blizzard businesses are polycarbonate for the production of CDs and DVDs, paper for the packaging of its products and plastic materials for the game peripherals for consoles and PCs. These raw materials do not experience price fluctuations that could have a material impact on the Activision Blizzard business. Only the plastic materials used for peripherals (guitars, drums, etc.) can experience price variations due to the fluctuation in oil prices. The business activities of Activision Blizzard are not dependent on any raw material suppliers.

2.1.6. Research and Development

Capitalized software development costs comprise amounts paid to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software development, graphics and editorial content), direct costs incurred during the internal development of products and the acquisition costs of developed software. 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 Activision Blizzard as part of the games development process and are amortized using the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues) for a given product. Non-capitalized software development costs are immediately recorded as research and development costs.

For the year ended December 31, 2008, research and development costs amounted to €560 million, of which €208 million were capitalized.

Section 2 Description of the Group's Businesses

2.2. Universal Music Group

6. Source: Music & Copyright.

Universal Music Group ("UMG") is the largest music content company in the world.[6] The business is comprised of three divisions: recorded music, music publishing and artist services and merchandising.

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

In the music publishing business, UMG owns and acquires rights to musical compositions in order to license them for use in recordings and related uses, such as in films, advertisements or live performances.

The artist services and merchandising business was developed following the acquisition of the Sanctuary Group Plc. ("Sanctuary") in 2007 and has enabled UMG to diversify its business into new areas of rapid growth, such as artist management and musical events.

2.2.1. Recorded Music

UMG's recorded music business is the largest in the world[6] with particularly strong positions in the important North American and European markets which together account for nearly 75% of global sales. UMG is not dependent on any particular artist or music trend due to its diverse array of labels, covering the major markets and the majority of local markets 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 (such as 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) and classical and jazz labels (such as Decca, Deutsche Grammophon and Verve).

Best-selling albums in 2008 included the *Mamma Mia! The Movie* soundtrack, the debut release from Duffy and the Amy Winehouse and Rihanna albums released the previous year. Other best sellers included the releases from Lil Wayne (the bestselling album in the US market according to SoundScan), Guns N' Roses and Jack Johnson. Regional best-sellers included titles from Japan's Greeeen and Kou Shibasaki, Germany's Rosenstolz and France's Renan Luce.

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, Serge Gainsbourg, 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, 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 promotes its artists through advertising and exposure in magazines, on radio and TV, via the Internet and cell phones and through point-of-sale material. Public appearances and performances are also important elements in the marketing process, which is carried out on a country-by-country basis, although global priorities and strategies for certain artists are determined centrally. Television advertising plays an increasing role in the marketing of compilations and new albums.

UMG has outsourced the bulk of its manufacturing and distribution activities to third parties.

UMG plays a leading role in the expansion of the digital music market and actively participates in the development of new business models. In 2008, digital sales grew strongly with significant increases in full track downloads over both the Internet and via cell phones. UMG benefits from the online use of its music videos through streaming broadcasts financed by advertising, i.e., on YouTube, and the expansion of mobile applications such as ringtones. Several new business models were launched during the year, including MySpace Music, a fully integrated global music solution from MySpace, one of the world's biggest social networks, and Comes With Music ("CWM"), a service from Nokia that includes a 12 month unlimited music subscription in the price of certain phones. Strong growth across the digital sector is expected in 2009. In addition to growth

in the core digital market place, UMG expects to take an increasing share of new revenue streams, sign new strategic partnerships to expand into the digital market and to further capture digital growth by increasing direct-to-consumer business.

2.2.2. Music Publishing

7. *Source: Music & Copyright.*

Universal Music Publishing Group is the world's leading music publishing company.[7] 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 live 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 owners, such as other music publishers and authors who have retained or re-acquired rights.

UMG's music publishing company is a global leader in both classical music and the Production Music Library businesses. Through its classical music business, UMG controls publishing rights to an impressive list of traditional classical composers such as Verdi, Puccini, Ravel, Debussy, Stravinsky and many others. The Production Music Library business provides a vast catalog of original music and arrangements (through numerous libraries and niche branding) created for use in films, television and advertising and new media industries, essentially as an economical alternative to live or popular music.

UMG's combined publishing catalog controls in excess of two million titles either 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." Some of the significant artists / songwriters whose works are represented include Justin Timberlake, ABBA, The Mamas & The Papas, 50 Cent, Coldplay, The Beach Boys, Mariah Carey, T-Pain, Jon Bon Jovi, Maroon 5, Juanes, Gloria Estefan, Linkin Park, Prince, André Rieu, Mika, Andrew Lloyd Webber, Eminem and U2. Legendary composers include Leonard Bernstein, Paul Simon, Elton John, Bernie Taupin and Henry Mancini. During 2008, UMG acquired a number of new publishing deals, including Adele, Salif Keita, Missy Elliott, Black Kids and Snow Patrol.

2.2.3. Artist Services and Merchandising

The artist services and merchandising division was established in 2007 following the acquisition of Sanctuary, allowing UMG to gain access to a broader range of music related revenue streams.

The artist service division is comprised of artist management and event management units. The artist management group includes renowned companies such as Twenty First Artists and Trinifold, and represents artists including The Who, Elton John, Robert Plant, James Blunt, Mick Fleetwood, ZZ Top and David Bisbal. In 2008, UMG established Universal Classical Management and Productions, leveraging UMG's leading position in the classical music sector. Artists represented include Anna Netrebko and Rolando Villazón. UMG has also formed artist management units in several major music markets outside of the US and the UK which focus on local repertoire.

UMG's merchandising division trades as Bravado, a leading company in this business. During the course of 2008, merchandising activity was developed in all major UMG territories, bolstered by certain strategic acquisitions in the UK, France and Germany. Bravado leveraged UMG's artist portfolio entering into agreements with Kanye West and The Killers while also growing non-music related merchandising activity, including an agreement with Harley Davidson. Building upon the traditional concert artist tour business, Bravado is expanding into new channels, such as fashion and mass merchandising and direct-to-consumer activities. Bravado also enjoys synergies with the Recorded Music division, including engaging in cross-promotion opportunities.

2.2.4. Seasonality

Music sales are weighted towards the last quarter of the calendar year, when approximately one-third of annual revenues are generated.

Section 2 Description of the Group's Businesses

2.2.5. Regulatory Environment

UMG's businesses are subject to the laws and regulations of each country 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 that for the next twenty years, they would not make the receipt of any co-operative advertising fund 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 to fix, raise or stabilize prices or price levels for the sale of audio or video products in the US and any agreements with such entities to prohibit non-deceptive advertising for audio or video products in the United States.

Also in the US, 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 return for early clearance by the European Commission for its acquisition of BMG Music Publishing, UMG agreed to divest certain limited music publishing assets to a third party and not to reacquire direct or indirect influence over such assets for a period of 10 years from May 2007. The divestment was completed in February 2008. In addition, following notification by UMG of its acquisition of certain assets of BMG Music Publishing Canada, Inc. under the Investment Canada Act, UMG undertook with the Minister of Canadian Heritage in April 2008 to regularly attend music events and venues with a view to scouting Canadian songwriter talent, promote Canadian titles and continue to be an active participant in and supporter of Canadian music publishing.

2.2.6. Piracy

In view of the very negative effects of piracy on the recorded music sector, UMG and the entire music industry have adopted an approach that is both educational and dissuasive.

It was based on this dual approach that the "Olivennes Agreements" were signed in France in November 2007, at the behest of the President of the French Republic and the three ministers involved (Culture, Justice and Economics). This agreement is based on three points:

- preventive and dissuasive measures adapted to "ordinary pirating", which are in the process of being incorporated into French law, involving a system of warnings followed by penalties which may ultimately result in the temporary suspension of Internet access;
- two incentive measures: the suspension of technical protection measures on the French music catalog (for the sale of individual files) and the reduction in time between the release of a film in theatres and its release on VOD; and
- an experimental measure involving technologies to identify and recognize illegal content on networks.

Content owners and ISPs are engaged in related discussions in other countries. These discussions are made possible due to the growing share of content in technical supplies (web 2.0 platforms, hosts and access suppliers), for whom anti-piracy measures are a true challenge. The peer-to-peer trafficking of illegal content occupies a significant portion of Internet access suppliers (up to 80% in certain countries, according to iPoque). In Europe and the United States, this encourages them to find original solutions to cooperate with rights holders.

Finally, the music industry, together with the movie industry, is making efforts to pass laws to promote greater copyright protection, e.g., in the United States, through the adoption of the "Pro-IP Act" in 2008. This law strengthens anti-counterfeiting measures and gives greater visibility to intellectual property issues by the appointment of an individual reporting to the President of the United States, whose task will be to propose a plan to combat counterfeiting and piracy to the United States Congress.

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Section 2 Description of the Group's Businesses

2.2.7. 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 Music 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 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 (please refer to section 2.2.6. "Piracy" of this chapter).

2.2.8. Raw Materials

The principal raw materials used in the Universal Music Group businesses are polycarbonate for the production of CDs and DVDs and paper for the packaging of its products. These raw materials do not experience price fluctuations that could have a material impact on the Universal Music Group business. The Universal Music Group's business activities are not dependent on any raw material suppliers.

2.2.9. Research and Development

UMG's goal is to exploit opportunities for digital distribution and to protect its copyrights and those of its artists against any unauthorized digital or physical distribution. UMG has created eLabs in its structure which analyze and study emerging technologies applicable to UMG's activities, such as technological defences against piracy and new physical formats. UMG's research and development expenses are not significant.

2.3. SFR

Following the takeover of Neuf Cegetel in April 2008, SFR became the largest alternative fixed and mobile telephony operator in Europe and the second largest global telecommunications operator in France, with ownership of its own network infrastructure.

SFR provides telecommunication services to its customers in metropolitan France, La Réunion and Mayotte via *Société Réunionnaise du Radiotéléphone* ("SRR"), its wholly-owned subsidiary. It provides:

- to individual customers:
  - mobile telephony retail services, access to mobile multimedia data services (messaging (SMS, MMS) and image and sound broadcasting) and mobile Internet access (transmission and receipt of emails and Internet navigation). SFR offers these services through subscription (post-paid) or by phone card (pre-paid), with or without handsets;
  - fixed telephony retail services and broadband Internet access, including "multiplay" offerings that combine broadband Internet access, telephone subscription, Internet Protocol ("IP") telephony, ADSL television and other non-package services; and
  - traditional Switched Voice services such as preselected telephony and special toll-free numbers.

- 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, "Machine-to-Machine" solutions in data communications, telemetry, electronic banking and security, and security for assets and individuals; and
  - «multiplay» data services: telephone subscriptions, IP telephony, high-speed Internet access, virtual private network and other services.

- to operators as customers:
  - wholesale mobile telephony services to Mobile Virtual Network Operators ("MVNO") to enable them to provide a set of retail access and mobile outgoing call services, as MVNOs are not authorized to use frequencies; and
  - wholesale services, including "data" offerings, switched voice services and network and hosting infrastructure solutions for electronic communications operators.

As of December 31, 2008, SFR had 19.7 million mobile customers and 3.9 million high-speed Internet customers, representing 33.8% of the mobile telephony market and 21.9% of the French high-speed Internet market (Source: Electronic Communications and Mail Regulation Authority ("ARCEP") and SFR data).

2.3.1. Performance and services

2008 was characterized by the takeover of Neuf Cegetel in April, which constituted a major step in SFR's strategy. This acquisition accelerated the implementation of growth vectors due to the expansion of Neuf Cegetel and SFR's naturally complementary operations, customer bases, networks and employee teams. The goal is to address new challenges faced by the telecom sector, such as:

- a decline in market growth and the competitive environment;
- the spread of the Internet;
- the emergence of the fixed mobile convergence, particularly in the "business" sector; and
- the conversion to very high-speed connection, including the necessary installation of fiber optic networks.

Mobile

According to the ARCEP, the mobile telecommunications market continued to expand in France in 2008, with a customer base that rose by 2.7 million (a net annual growth of 4.9%). The number of mobile customers in France (including overseas territories) totaled 58.1 million as of December 31, 2008 and the market penetration rate was 91.3% at year-end 2008, compared to 87.6% at year-end 2007.

In 2008, the French market was again driven by regulatory pressures and intense competition due to:

- cuts in regulated tariffs imposed by regulators;
- the development of subscription offerings, and in particular the migration from pre-paid cards to subscriptions (the share of subscription customers among mobile telephony customers in France rose from 65.6% at year-end 2007 to 67.6% at year-end 2008);
- the continued development of MVNOs within the French market;
- the expansion of unlimited bundled offers (voice and data) and growth in third generation telephony offerings (3G/3G+) penetration;
- the development of fixed/mobile convergent offerings, especially for businesses; and
- the explosion of mobile Internet.

SFR recorded 886,000 new mobile customers over 2008 (32.6% of net market sales), including 425,000 during the fourth quarter, and increased its customer base to 19.7 million, a 4.7% increase compared to 2007. SFR is also number one in 3G/3G+ with approximately 5.9 million customers in 2008 compared to 4.1 million at year-end 2007. According to internal estimates, SFR hosts 1.1 million customers on its network for MVNOs, representing approximately 38.8% of all Virtual Network Operator ("VNO") customers in the market. SFR's share of the mobile telephony market in France, excluding MVNOs, was 33.8% in 2008, compared to 33.9% in 2007 (Source: ARCEP).

The use of "data" services continued to grow in 2008. At year-end 2008, "data" services represented 17.7% of services revenue, compared to 13.7% at year-end 2007.

Mobile Internet grew substantially and SFR was a leader in this field with the marketing of highly successful innovative offerings:

- "Illimythics" – packages that offer all mobile Internet uses on an unlimited basis, without restriction on time or downloads, were subscribed to by more than 1.4 million customers at year-end 2008, when the remote access customer base totaled 315,000 SIM cards, including 190,000 Internet 3G+ Keys (instantaneous mobile Internet access from portable PCs, with no installation necessary); and
- the growth in mobile Internet was also driven by the arrival on the market of increasingly high performance handsets (including storage capacity, screen size and 3G/3G+) and the launch of Mobile Internet Devices ("MID"), handsets developed specifically for this type of usage.

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Section 2 Description of the Group's Businesses

Other mobile services offered by SFR to consumers include the following:

- the transmission of text and multimedia messages which continued to rise with 14.6 billion SMSs at year-end 2008, compared to 7.3 billion in 2007 (a 100% increase);
- mobile music, due specifically to strategic agreements entered into with major record companies pursuant to which SFR can offer a music catalog of over 1 million singles. In 2008, SFR was the largest mobile music downloading platform in France, with more than 10 million downloads (a 60% increase compared to 2007);
- TV-VoD on mobile, with over 2.1 million subscribers at year-end 2008 and 81 channels (including 54 channels within the CanalSat package, with approximately 100,000 customers at year-end 2008, the five channels of the Canal+ package and the 22 channels of Pass TV) and content adapted to the mobile medium VoD and content loops; and
- games, with more than 5.7 million video games downloaded in 2008 and over 800 games available for download, including eight multi-player online games and approximately fifteen high-definition games.

With the launch of "*Ma Sfere*" in 2008, SFR became the first European operator to offer a mass market service with fixed/mobile convergence, offering simple access to all personal content (contacts, messages and content).

Fixed and High-Speed Internet

In 2008, the high-speed Internet market continued to grow in France, with a 2.2 million increase in household customers, i.e., a 14% annual net growth. The total number of customer households in France (including overseas territories) was 17.7 million at year-end 2008.

Following the October 2008 launch of the SFR neufbox, combining high-speed Internet, TV, fixed telephony and customer services, SFR posted 27% net sales on the market in the fourth quarter of 2008, increasing its customer base to 3.9 million customer households.

At year-end 2008, SFR had completed the dissemination of every TV channel offered through its neufbox in the MPEG4 format, making 13 million households eligible for these offerings.

Businesses

2008 was driven by the creation of the "SFR Business Team" brand in November, offering unique fixed/mobile solutions to this market, as well as major strategic innovations.

These solutions generated:

- a 20% growth in the number of "business" customer lines compared to 2007 on a comparable basis;
- very strong growth in data services, including a 35% increase in one year in the number of remote access lines and a 51% increase in the "Business Mail" mobile messaging offerings;
- a sharp increase in machine communications – the mobile machine-to-machine base more than doubled in one year and now has over 400,000 lines; and
- a 12% increase in the number of business sites connected to the group network, from 173,000 sites at year-end 2007 to 194,000 sites at year-end 2008.

Investments

SFR is deploying a strategy of investing in its own telecommunication network infrastructures, particularly in its Universal Mobile Telecommunication Service ("UMTS" or "3G") network, with the introduction of the High Speed Downlink Packet Access function ("HSDPA" or "3G+"). HSDPA allows (i) more available voice capacity and higher data transfer speeds and (ii) better quality to customers. The SFR 3G / 3G+ network is now broadly deployed and covers 72% of the French population compared to 70% in 2007. Investments in the Mobile network and information systems total approximately €800 million.

Investments were also made in Subscriber Connection Unit ("SCU") connections, in order to continue expanding the decentralized network and allow it to consolidate its independence from the historic operator. As a result, 600 supplementary SCUs were connected to the SFR fiber optic network. As the first European "decentralizer," at year-end 2008, SFR had 2,300 SCUs and over 4,500 DSLAMs on its network with over 19.5 million decentralized lines, i.e., approximately half of the French market.

SFR has invested in new generations of "full IP" equipment to respond to the increased usage of business networks and services.

SFR continued its investment in fiber optics with a national fiber optic cable infrastructure totaling approximately 50,000 kilometers at year-end 2008, as well as the deployment of a fiber optic capillary network to households.

Section 2 Description of the Group's Businesses

SFR has extended its commercial coverage throughout France with a total of approximately 6,000 points of sale, including 800 "*espace SFR*" boutiques.

2.3.2. Network

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

At year-end 2008, the SFR GSM / GPRS network covered nearly 99% of the French population and more than 92% of French territory, and the UMTS (3G / 3G+) network covered 72% of the French population.

In 2008, SFR deployed the HSDPA (3G+) function on its entire 3G network at year-end 2008 (under this technology, the theoretical transfer rate was 3.6 Mbit/s and up to a maximum of 7.2 Mbit/s in some specific locations) and the High Speed Uplink Packet Access ("HSUPA") service, with an upload speed of 1.4 Mb/s. In 2009, these speeds will be gradually increased to 2 Mb/s.

In addition, SFR decided to improve its GSM / GPRS coverage by introducing the Enhanced Data for Global Evolution ("EDGE") standard in areas not covered by the UMTS network, to offer its business customers higher communication speeds compared to those provided by the GSM / GPRS network. At year-end 2008, the EDGE/3G/3G+ high-speed network covered 95% of the French territory.

Under the terms of renewal of its GSM license, which expired on March 25, 2006, SFR has agreed to pay an annual fee for a 15-year term from the date of expiry that includes a fixed portion of €25 million and a variable portion of 1% of the related revenues. In addition, in 2001, SFR was granted a UMTS license by the French government for a period of 20 years (2001-2021) in consideration of a €619 million payment, comprising a lump sum payment made in September 2001 and an annual fee equal to 1% of future revenues generated by this third-generation network.

In 2008, Wi-Fi technology was available to SFR customers through national and international agreements via 80,000 hotspots (point or terminal allowing for wireless communication) worldwide and over 30,000 hotspots in France. SFR continued its efforts to deploy the urban Wi-Fi network with the installation of 400 hotspots at the expense of the city of Paris in 2007 and, with the addition of the Neuf Cegetel hotspots, now owns approximately 800 hotspots.

SFR, through *Société du Haut Débit* ("SHD"), deployed 88 WiMAX radio sites in the *Ile-de-France* and the *Provence-Alpes-Côte d'Azur* regions where it was granted WiMax authorizations in 2006. At year-end 2008, SHD connected Numéo, its first FAI, which markets fixed WiMax retail solutions in the ADSL dead zones of these two regions.

SFR initiated the transition of its network towards the implementation of converged IP access and services to ensure an "all-IP" core network by 2009. This method is considered as the data transfer protocol of the future, providing flexibility, upgradeability and security at the lowest cost. SFR has continued the installation of a new switching architecture based on software servers ("Softswitch") and the R4 technology, which until mid-2009 will gradually replace the traditional switching elements of its network. At year-end 2008, more than 12.5 million SFR subscribers were generating traffic under the R4 environment.

At year-end 2008, pursuant to the acquisition of Neuf Cegetel, SFR had the largest alternative fixed network in France, with nearly 50,000 km of high-speed fiber optic cables connecting neighboring countries including Italy and Switzerland. This modern capillary network connects 2,300 Subscriber Connection Units ("SCUs"), providing high-speed data services, including ADSL 2+ and fiber optics, at costs optimized to cover the widest range of the French population of all alternative operators and 100% of France Telecom's subscriber switches (including 452 autonomous routing switches connected at year-end 2008), pursuant to which SFR may offer Switched Voice services and benefit from favorable connection rates.

SFR also benefits from the opportunity afforded to alternate operators to access fiber optics through France Telecom in order to connect new SCUs and thus extend the coverage of its decentralized network.

In 2008, it continued to develop fiber to the home ("FTTx") networks, strengthening its direct consumer connections strategy.

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2.3.3. Seasonality

SFR's sales (gross customer acquisitions) are characterized by significant seasonal variations at year-end. Approximately 30% of customer acquisitions occurs in the final three months of the year.

2.3.4. Regulatory Environment

2.3.4.1. Changes in regulation

In terms of regulation, 2008 was characterized by numerous decisions concerning SFR, both in France and in Europe.

In France:

- ARCEP Decision 08-0835 of July 24, 2008 on access to wire loop infrastructure, i.e., the local copper loop on the one hand, and civil infrastructure (including insulation and chambers) to deploy fiber optic lines up to the subscriber on the other hand. This decision will facilitate the expansion of SFR's decentralized network, specifically with the possibility of using France Telecom's fiber optics to offer triple-play offerings to new decentralized customers. It represents an initial stage in setting up the regulatory framework necessary for the development of new FTTH networks in compliance with the French Economic Modernization Act ("LME");
- ARCEP Decision 08-0896 of July 31, 2008 regarding voice call termination rates to the fixed networks of SFR and France Telecom. For SFR, under a multi-year schedule until October 1, 2010, this decision decreases the costs to reach France Telecom subscribers from its fixed or mobile network and the termination rates it receives from operators to reach its own fixed subscribers;
- ARCEP Decision 08-1176 of December 2, 2008 regarding termination rates for voice calls to the mobile network. SFR's voice call terminations will decrease from 4.5 euro cents as of July 1, 2009 to 3 euro cents as of July 1, 2010.

At the European level, current regulations are extensive as well:

- Negotiations regarding the second phase of the European Commission's international roaming tariffs regulation plan presented on September 23, 2007: this new plan imposes ceilings on SMS tariffs (at 11 euro cents per SMS, compared to an estimated average of 29 euro cents), an accelerated reduction in the ceilings on retail tariffs, which should reach 34 euro cents in 2012, compared to 46 euro cents currently and the termination of per-minute tariffs in favor of per-second tariffs for roaming calls. Finally, with regard to roaming data, the plan gives consumers the ability to set a maximum usage amount beyond which service will have to be terminated by the operator and creates a wholesale tariff ceiling in order to decrease the highest tariffs.
  The Commission's proposal (the so-called anti-bill shock measure in relation to surprisingly high invoices received by certain consumers) was approved at the Council of Ministers' meeting of November 27, 2008. On the Parliament's side, the ITRE Commission began work in late 2008. If the proposal is approved by the two institutions, the decrease in tariffs will apply beginning July 2009 and the anti-bill shock measure will apply the following year;
- Review of the telecom package at the negotiating table during the French presidential election: on November 27, 2008, the European Council of Ministers met in order to reach an agreement on a joint position concerning the review of European Community laws impacting the telecom sector (following proposals from the European Commission published more than a year ago and pursuant to the European Parliament's vote on these projects on September 22, 2008). The goal is to reach a satisfactory compromise between the three institutions before the end of this European legislative session, i.e., in the spring of 2009.

The Fall of 2008 was characterized by significant changes in the telecoms industry:

- the French government established a 0.9% tax on operator revenue to finance the elimination of public television advertising;
- the France Numérique 2012 digital plan was adopted by the French government and is aimed at ensuring that the entire French population has access to high-speed and very high-speed networks with a broad range of content and services. Operators will contribute to them through investments in fiber optics and 3G/3G+, followed by Long-Term Evolution, next generation ("LTE"), associated with the supply of wireless mobile services; and
- in the matter of the 4th UMTS license, the French Prime Minister announced on January 12, 2009 that available frequencies at 2.1 GHz would be divided into three lots of 5 MHz each: one lot reserved for a new operator and two lots open to all operators. The call for bids procedure is expected to be launched by the ARCEP. The amount and terms and conditions for the payment of royalties owed pursuant to the allotment of these frequencies will be set by decree. The deadline for filing bids is expected to be June 2009 and the decision regarding frequency allotments could be made before the end of the year.

Certain legal provisions of the Economic Modernization Act ("LME", August 2008) have an impact on SFR's operations:

- in order to facilitate progress on territorial coverage in third-generation mobile radio broadcasting, after public consultation, and no later than six months after promulgation of the law, the ARCEP is expected to determine the terms and conditions under which 3G network facilities sharing will be implemented and the population coverage threshold above which such sharing is made;
- each operator will disclose the list of new gray areas covered during the year and communicate to the ARCEP those areas it anticipates covering;
- the future of TV: an article setting forth the information to be addressed to consumers on the terms and conditions and time schedule for the elimination of analog television broadcasts; and
- a specific tariff offered to low-income individuals will be subject to an agreement entered into between the Government and mobile telephony operators.

The digital dividend

The World Radiocommunications Conference ("WRC") held in November 2007 allowed for the identification of a digital dividend of 72 MHz, sending a strong signal to manufacturers to begin developing base stations and mobile handsets in the 790-862 MHz band. In December 2008, the French Prime Minister approved this decision at the national level with, beginning November 30, 2011, the allocation of these frequencies to the electronic communications mobile services in the National Frequency Band Distribution Table ("TNRBF"), and several other European countries did the same. In February 2008, the ARCEP authorized SFR to re-use its 900-MHz frequencies to install 3G. These two decisions have contributed to the development of high-speed and very high-speed for the least populated areas and those most difficult to cover.

2.3.4.2. Dead Zones

At year-end 2008, over 96% of cities under the dead-zone coverage plan defined in 2003 were covered by SFR through 2G mobile services. Upon completing the program, operators even exceeded their initial commitment, which was to cover 3,000 cities identified as dead zones.

SFR has agreed, pursuant to a national agreement entered into in February 2007, to cover those axes defined as priority transmission axes by year-end 2009.

Dead zones constitute a challenge for the fixed services provided by LDCollectivités, a wholly-owned subsidiary of SFR, which builds and operates public networks in partnership with local authorities. For example, *Manche Telecom*, the public utility subsidiary of LDCollectivités, has installed over 215 technical sites on the territory of *La Manche* to increase high-speed coverage from 96% to over 99.9% of the total number of households.

2.3.4.3. Health and the Environment

The rapid development of mobile telephony in recent years has opened up an international debate regarding the potential risks of electromagnetic fields on human health. Thus, at the end of 2000, SFR set up a department supported by a scientific board comprised of an epidemiologist, an environmental specialist and a sociologist. Its objectives are to monitor the research and recommend, where necessary, appropriate measures validated by a sustainable development committee chaired by its Chairman and Chief Executive Officer. A steering committee was also formed in order to monitor and adapt the measures to be taken.

SFR is closely monitoring the works of international experts on this subject. With regard to base station antennas, the World Health Organization ("WHO") and French health authorities do not share the assumption that those living in the vicinity of base station antennas are at risk. This finding is corroborated by the observation over several decades of populations living in the vicinity of much more powerful transmitters, such as television and FM radio transmitters.

In respect of this issue, as well as that of the installation of base station antennas, SFR has adopted a systematic information and harmonization approach with its counterparts, whether they be elected officials, as part of the "Guide to relationships between cities and operators" entered into between the Association of French Mayors ("AMF") and the French Association of Mobile Operators ("AFOM"), or consumers, via the distribution of a brochure entitled "An antenna near me," published by the AFOM. The mobilization of SFR's regional technical teams continues, with intensified campaigns to measure electromagnetic fields and the holding of numerous public information meetings.

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Section 2 Description of the Group's Businesses

With regard to cell phones, no evidence of risk to user health has been established. The International Agency for Research on Cancer ("IARC") was authorized by the WHO to conduct a large scale epidemiological study called Interphone, involving thirteen countries. A comprehensive summary is still to be published, though several countries (nine at the end of 2008) have already published their individual results. Certain issues deserve to be studied in great depth, particularly regarding the effects of long term and intensive use. Pending these results, expert groups recommend certain precautions for use.

In this context, SFR has strengthened its customer information efforts. In 2008, the brochure "My cell phone and my health," updated and published by the AFOM, was sent to all new customers in the package containing their SIM card and distributed at SFR stores. A new AFOM brochure, "My cell phone and me," directed toward teens, was also released this year to supplement the parents' user guide entitled "Your child and cell phones." All these documents may be downloaded from the SFR and AFOM websites.

More generally, SFR communicates to users precautions to reduce exposure to electromagnetic waves through the use of a pedestrian kit (provided free of charge in all SFR packages) and discloses exposure levels of its telephones on its websites, in its sales brochures and on shelf displays throughout its distribution network.

SFR is continuing its support for the "Health and radiofrequencies" research foundation, recognized as a public interest entity in January 2005.

Regarding the environment, in December 2008, SFR obtained ISO 14001 certification of its Environmental Management System ("EMS") for its efforts relating to mobile telecommunications activities (maintenance and installation of strategic sites and base station antennas) and activities involving the operation and maintenance of its principal tertiary sites.

With respect to SFR's principal environmental policy actions in 2008, 95% of the new base station antennas that have been installed were adapted to the surrounding landscape and over 100,000 used cell phones were collected throughout the entire "SFR space" distribution network.

SFR participates in the Ordi 2.0 program launched by the Digital Economy Secretariat to give new life to computer hardware and contribute to reducing digital waste. Nearly 3,200 computers have been collected by SFR to benefit schools and associations.

2.3.5. Piracy

SFR has continued to offer solutions and services with attractive content in order to provide its subscribers with a genuine alternative to piracy and encourage them to act in accordance with the law. A legal and unlimited music downloading service was incorporated into its ADSL triple-play offering in 2007 and an unlimited music downloading service without DRM on cell phones was launched in 2008. SFR seeks to find the best solutions to problems posed by piracy with respect to each party's rights and obligations. This commitment is further evidenced by its active participation in the "Olivennes Agreements".

2.3.6. Competition

SFR faces very strong competition in the French mobile telephony market from Orange France and Bouygues Telecom. Its competitors also include MVNOs such as Virgin Mobile, Breizh Mobile, Carrefour Mobile, Numéricâble and Tele2 Mobile, as well as ISPs offering convergent solutions.

The respective market shares held by its mobile competitors are: Orange France 43.4%, Bouygues Telecom 16.5% and the MVNOs and other operators in France (excluding French overseas territories) 5%, compared with SFR's 33.8% market share (Source: ARCEP).

SFR's mobile network market share, including the MVNOs on its network, was approximately 35.8% at year-end 2008 (compared to approximately 37% in 2007) (Source: ARCEP and SFR estimates).

SFR's competitors in fixed telephony/high-speed Internet are primarily France Telecom and Iliad (Free). Other players are also active in the market: the cable operator Numéricâble and Bouygues Télécom, which launched its fixed telephony and high-speed Internet offerings in October 2008.

At year-end 2008, the respective market shares of its high-speed Internet competitors were: France Telecom 47.1%, Iliad 23.8% and other Internet access providers (Numéricâble, Darty and Bouygues Télécom) 7.2%, compared with SFR's 21.9% market share.

Section 2 Description of the Group's Businesses

2.3.7. Raw Materials

The principal raw materials used in SFR's businesses are copper for laying cables, petroleum-based polymers for laying fiber optics, steel for the construction of pylons and paper for the packaging of its products. These raw materials do not represent a sufficient portion of the price as to have a material impact on SFR's business. SFR's business activities are not dependent on any raw material suppliers.

2.3.8. Research and Development

In 2008, SFR's efforts in research and development were primarily focused on three areas: the quality of customer service, service platforms and the exploration of new telecommunications technologies in radio (video-broadcast, HSxPA, WiMax) and core network (IMS/SIP, IPV6) or handsets.

SFR has adopted a network research strategy (academic and industrial) through collaborative projects, the results of which have generated new patents, particularly in the fields of networks, security and multimedia services.

SFR has also elected to control the specifications and development of fixed connection terminals for decentralized lines for both voice and data services, as well as for video and TV.

Its research and development expenses are estimated at €63 million in 2008, the same level as that in 2007.

2.4. Maroc Telecom

Maroc Telecom was formed in 1998, following its spin-off from the *Office National des Postes et Télécommunications* ("ONPT"), 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 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% interest 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.

In 2006, the Kingdom of Morocco sold 0.1% of Maroc Telecom's share capital to the market. On July 2, 2007, the Moroccan State sold 4% of the capital of Maroc Telecom on the Casablanca Stock Exchange. This sale was reserved for Moroccan and international institutional investors. Following completion of the transaction, the Moroccan State decreased its share of the capital and voting rights of Maroc Telecom to 30% and the free float of the share capital rose from 15% to 19%.

In December 2007, pursuant to a share exchange transaction with *Caisse de Dépôt et de Gestion du Maroc*, Vivendi acquired an additional 2% interest in Maroc Telecom. Following 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 has intensified its development outside Morocco. With a 51% interest in the share capital of Mauritel (Mauritania's historical operator) held together with a group of local investors since April 2001, Maroc Telecom made new acquisitions in late 2006 and early 2007. Through international calls for tenders, Maroc Telecom acquired a 51% stake in the historical operators of Burkina Faso (Onatel, on December 29, 2006) and Gabon (Gabon Télécom, 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.

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Section 2 Description of the Group's Businesses

2.4.1. Mobile Telephony

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

In July 2006, Maroc Telecom secured one of the 3G mobile telecommunications licenses following an international call for tenders.

At year-end 2008, the market penetration rate for mobile telephony in Morocco was 74% and Maroc Telecom held a 63.4% market share, a 3.1 point decrease from December 2007 (Source: ANRT). In 2008, Maroc Telecom's mobile customer base increased by 1.1 million, an approximately 8.5% increase, to 14.5 million customers, 96% of which were prepaid customers. The prepayment system meets customers' needs by giving them better control of their communications costs and helping to avoid overusage.

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

In 2008, in the prepaid segment, Maroc Telecom continued its promotions policy by means of unlimited voice and data communication offerings during specific periods and promotions on phone cards, while at the same time developing new formulas to conform to the new regulations imposed on this industry by regulatory authorities.

In addition, in 2008, Maroc Telecom introduced 3G+ voice offerings, available to all its customers, both subscribers and pre-paid customers, and the sale of 3G Internet service for pre-paid customers to give them access to high-speed mobile connections starting at 10 dirhams (less than one euro) per day.

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

Maroc Telecom, a leader in the Moroccan telecom business, continued to promote value-added services such as the BlackBerry®, the 3G mobile Internet, personalized ringtones, mobile instant messaging and address books. Furthermore, in order to equip all its customers while retaining their loyalty, Maroc Telecom expanded its range of handsets and reduced its rates, with packages starting at 199 dirhams (approximately €18) including tax.

As a result of the rapid growth of its customer base in 2007 (+2.6 million), the average churn rate stood at 34.9% in 2008 (compared to 25.4% in 2007). Due to the combined effect of a sharp growth in the customer base and a drop in communications prices, Average Revenue Per User ("ARPU") amounted to 99 dirhams (approximately €9), an 8.4% decrease compared to 2007, despite a highly competitive environment and more restrictive promotions regulation.

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 2008, more than 2.1 billion SMSs were sent on the Maroc Telecom network, a 49% increase compared to 2007.

2.4.2. Fixed-line Telephony, Data and Internet

Until year-end 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 grant of fixed-line licenses to two new operators that began 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 telecom operators;
- Internet services (which include Internet access services and related services such as hosting); and
- television via ADSL.

Section 2 Description of the Group's Businesses

The number of fixed lines[8] was 1.299 million at year-end 2008, a 2.8% decrease compared to 2007. At year-end 2008, the residential customer base totaled approximately 775,000 lines, a 6% decrease compared to 2007. The product line dedicated to this segment, marketed under the El Manzil brand, includes calling plans, packages and capped-fee plans with recharge options. In September 2006, in order to build customer loyalty and attract new clients, Maroc Telecom launched a new unlimited fixed telephony offering under the brand "Phony", allowing customers to make unlimited local and national calls to Maroc Telecom fixed-line numbers.

The number of professional and corporate users was more than 364,000 at year-end 2008, representing a 3.7% increase compared to 2007.

Public telephony is comprised of a network of telephone booths and an extensive network of phone shops. At year-end 2008, the number of lines reached more than 160,000, the same level as in 2007.

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 2008, as a result of both the regular ADSL rate decreases and regular promotions, Maroc Telecom had nearly 482,000 subscribers to its Internet access services, approximately 99% of whom were ADSL subscribers. Added to this base of Maroc Telecom fixed-line users are the 30,000 high-speed Internet subscribers using the Maroc Telecom Mobile 3G+ network.

In 2006, Maroc Telecom launched television via ADSL, a first in Morocco, Africa and within the Arab world, offering its customers four different network packages and more than 80 national and international channels, including Canal+. This offer is regularly enhanced with additional channels.

2.4.3. Distribution

Maroc Telecom has an extensive direct and indirect distribution network comprising more than 45,000 points-of-sale which are subject to distribution agreements entered into with local resellers or national retailers.

As of December 31, 2008, the various distribution channels were as follows:
- a direct network, comprised of 304 sales agencies;
- a local indirect network comprised of independent resellers which are subject to exclusivity agreements and 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; and
- retailers with nationwide networks whose main business is not telecommunications (supermarkets, newspaper and magazine retailers, tobacco shops or Moroccan post offices).

2.4.4. Network

Maroc Telecom's fixed-line telephony and data transmission network has a switching capacity of nearly 1.9 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 digital network and 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 25.1 Gbits/s at year-end 2008. In July 2007, in response to the increasing need for international bandwidth for offshore activities and Internet broadband in Morocco, Maroc Telecom installed a submarine cable network named Atlas Offshore between Asilah and Marseille 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 2008, Maroc Telecom had more than 5,400 2G sites (compared to 5,000 in 2007) and over 1,100 3G stations (compared to 400 in 2007) covering more than 97% of the Moroccan population. As of December 31, 2008, Maroc Telecom had entered into a total of 466 roaming agreements with operators in 214 countries for its post-paid customers. In addition, Maroc Telecom also offers its pre-paid customers roaming through 89 operators in 54 countries, MMS and GPRS roaming through 116 operators in 75 countries, and 3G services with 12 operators in 11 countries.

8. As of January 1, 2008, Maroc Telecom's customer base is reported on an equivalence basis, taking into account the number of lines for each access.

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Section 2 Description of the Group's Businesses

2.4.5. 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*, "CMC") and then sold 20% of its stake to a group of Mauritanian investors. In 2003, Maroc Telecom allocated 3% of Mauritel SA's shares to the company's employees. CMC currently holds 51.5% of the share capital of Mauritel; CMC in turn is 80% owned by Maroc Telecom. In late November 2007, it merged Mauritel SA with Mauritel Mobiles, its wholly-owned subsidiary.

Mauritel 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 2008, the customer base for fixed-lines represented more than 49,000 lines, a 35% increase compared to 2007, due to the success of the CDMA offerings, representing an estimated 1.5% penetration rate. In 2006, the Mauritanian telecom regulator ("ARE") granted a fixed-line telecommunications license to a new operator, Chinguitel, which began operations in 2007. As of December 31, 2008, Mauritel held an estimated 95% of the fixed-line market and 88% of the Internet access market (Source: Mauritel).

The Mauritel customer base for mobile services increased to more than 1.14 million customers at year-end 2008 (a 26% increase compared to 2007). The penetration rate for mobiles in Mauritania is estimated at approximately 62%. (Source: Maroc Telecom estimates).

Mauritel Mobiles is the leading mobile telecommunications operator in Mauritania with an estimated 56% market share, ahead of its competitor *Mauritano-Tunisienne de Télécommunications* ("Mattel"), which holds a 30% market share (Source: Maroc Telecom estimates). In 2006, ARE granted a 3G license to Mauritel Mobiles and second and third generation licenses to Chinguitel. During 2007, Chinguitel launched its mobile services by using Code Division Multiple Access ("CDMA") technology. At year-end 2008, Chinguitel's market share is estimated at 13% (Source: Maroc Telecom estimates).

2.4.6. 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 bid for tender for the privatization of the company. The Onatel Group comprises Onatel and Telmob, its wholly-owned subsidiary. Onatel is the only fixed-line telecommunications operator in Burkina Faso.

The estimated fixed-line penetration rate was approximately 1.1%. At year-end 2008, Onatel's fixed customer base totaled approximately 145,000 lines, a 19% increase compared to 2007 and the number of Internet subscribers totaled approximately 17,000, representing an increase of approximately 42% for the same period.

At year-end 2008, the estimated mobile telecommunications penetration rate in Burkina Faso was approximately 19%. Three operators participate in the market: Telmob, Zain (formerly Celtel) and Moov (formerly Telecel). As of December 31, 2008, their respective estimated market shares were as follows: Zain 51%, Telmob 37% and Moov 12%. At year-end 2008, Telmob's customer base totaled 977,000 active customers, a 73% increase compared to year-end 2007.

2.4.7. Gabon Télécom Group

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

Currently, Gabon Télécom is the only fixed-line operator in Gabon, where the fixed telecommunications penetration is estimated at 2.2%. The fixed-line telephony customer base of Gabon Télécom reached approximately 33,000 lines at year-end 2008, a 38% increase compared to year-end 2007.

At year-end 2008, Libertis' mobile telephony customer base reached approximately 447,000 customers, a 16% increase compared to year-end 2007.

The estimated mobile telephony penetration rate was 91% at year-end 2008. Three operators participate in the market: Libertis, Zain (formerly Celtel) and Moov (formerly Telecel). As of December 31, 2008, their respective estimated market shares were as follows: Zain 58%, Libertis 33% and Moov 9%.

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2.4.8. 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 2008, the combined customer base of Mobisud in France and Belgium totaled approximately 163,000 customers.

2.4.9. Seasonality

In Morocco, revenues traditionally increase with the return of Moroccans residing abroad, in the two-week period preceding Aïd El Adha (which was on December 9th in 2008) and in the summer months (primarily in mobile and public telephony). The month of Ramadan is a low point in consumption for both fixed-line and mobile telephony.

2.4.10. Regulatory Environment

The ANRT prepares research and regulatory acts regarding the telecommunications sector and verifies operators' compliance with the regulations in force. As such, among other things, it prepares and implements the procedures for the grant of licenses through competitive bidding, manages and oversees, on behalf of the Morrocan 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 fair competition conditions in the market.

The ANRT published a policy paper regarding the liberalization of the telecommunications sector for the 2004-2008 period.

The various steps in the liberalization process of that sector were as follows:
- two fixed-line telephony licenses were granted: one in July 2005 to Médi Télécom, including a local loop without mobility restriction for national and international traffic and another in September 2005 to Maroc Connect (later renamed Wana), including a local loop with mobility restriction for national and international traffic;
- in 2006, three third-generation mobile licenses ("UMTS") were granted to Maroc Telecom, Wana and Médi Télécom;
- the pre-selection of the carrier has been effective since July 8, 2006;
- complete unbundling has been operational since July 8, 2008 and partial and complete unbundling offers were included in the Maroc Telecom fixed telephony interconnection catalog for 2008 at a tariff of 35 dirhams and 100 dirhams per month; and
- on June 1, 2007, number portability became operational in agreement with the ANRT and all operators.

In 2008, the ANRT issued a call for competitive bids for the allotment of a license to establish a third second generation license. This license was allotted to Wana in February 2009.

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 telecommunication services including: telephone service of a specified quality at affordable prices, value-added services, the content and performance standards being 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 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.

2.4.11. Competition

Nineteen telecommunications operator licenses have been allocated in Morocco to date:
- three public fixed telecommunications network operator licenses (Maroc Telecom, Médi Télécom and Wana);
- three GSM operator licenses (Maroc Telecom, Médi Télécom and Wana);
- three UMTS licenses (Maroc Telecom, Médi Télécom and Wana);
- five licenses for operators of 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).

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Section 2 Description of the Group's Businesses

2.4.11.1. Fixed-line Telephony

Operators holding the two new fixed-line licenses launched their services in 2007. However, there was already competition in the public telephony market sector and the professional sector before these new licenses were granted.

In the public telephony market, competition started in 2004 with the opening of phone shops using GSM technology by Médi Télécom. At year-end 2008, Maroc Telecom's market share in the public telephony market represented approximately 91% 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. At year-end 2008, Maroc Telecom's market share in this segment was over 97%.

In data transmission services, there is competition among Internet Service Providers ("ISPs"), satellite operators and Equant, an international operator.

Users of Wana's limited mobility services using Code Division Multiple Access ("CDMA") technology totaled 1.7 million customers at year-end 2008 (Source: ANRT).

2.4.11.2. Mobile

Maroc Telecom's main competitor in this sector is Médi Télécom, a mobile license holder since August 1999. The majority shareholders of Médi Télécom are Telefónica and Portugal Telecom, each holding 32.18% of the share capital, and a group of Moroccan investors led by Banque Marocaine du Commerce Extérieur. In June 2008, Wana, holding a 3G license, introduced its mobile offerings using CDMA technology. At year-end 2008, Maroc Telecom held 63.4% of the mobile market, a 3.1 percentage point decrease compared to year-end 2007 (Source: ANRT).

2.4.11.3. Internet

Maroc Telecom holds more than 67% of the Internet market, all access methods combined. Its main competitors include Wana, holding a market share of approximately 24%, Médi Télécom, holding a 7% market share and other ISPs.[18] Maroc Telecom has a very strong position in the ADSL market, representing 64% of the Internet market, and holds a market share of more than 98% (Source: ANRT).

2.4.12. Raw Materials

The principal raw materials used in Maroc Telecom's businesses are copper for laying cables, petroleum-based polymers for laying fiber optics, steel for the construction of pylons and paper for the packaging of its products. These raw materials do not represent a sufficient portion of the price as to have a material impact on Maroc Telecom's business. Maroc Telecom's business activities are not dependent on any raw material suppliers.

2.4.13. Research and Development

Maroc Telecom has a research and development department that works on the company's products. Maroc Telecom's research and development operations focus on the introduction of new Maroc Telecom products and/or services and the development or improvement of existing products. These research activities may not be considered inventions or processes with the potential to be patented.

As in 2006 and 2007, Maroc Telecom's research and development expenses were immaterial in 2008.

2.5. Canal+ Group

2.5.1. Pay-TV in France

The Canal+ Group is the largest pay-TV group in France. It is a leader in the production of premium and specialized channels and has 10.6 million subscriptions to its different product offerings. The Canal+ Group is also a pioneer in the development of new television services and a major player in the production and distribution of theater films.

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2.5.1.1. Programming Activities

The Canal+ channels

The Canal+ Group offers five premium channels with exclusive, original and innovative programming. Set up in 1984, Canal+ offers a unique genre of general channels, including films, sports, news, drama, documentaries and entertainment programs. In addition to Canal+, the Canal+ Group has created four high value-added channels with their own programming and identity: Canal+ Cinéma, Canal+ Sport, Canal+ Family and Canal+ Décalé. This offering is marketed under the brand name "*Les Chaînes Canal+*."

In 2008, the Canal+ channels broadcast 570 films, including 400 on Canal+ alone, and more than 35 original releases monthly. Canal+ offers subscribers all genres of film, as well as exclusive coverage of major film industry events (including the *Cannes Film Festival*, the *Césars* and the Oscars). In 2008, Canal+ invested approximately €152 million in the acquisition of original French-language films.

Canal+ has developed widely recognized expertise in sports coverage, characterized by exclusive programs, the absence of commercial breaks, pre-match and half-time programs, immediate reactions at the final whistle, accurate and relevant commentary with prestigious experts and enhanced production with original camera angles and technical innovations. In total, the Canal+ channels cover approximately sixty sports competitions, including the most important French competitions: League 1 soccer, major foreign championships (including the English Premier League), the Champions League, the rugby Top 14, tennis (including Wimbledon), golf, boxing and marathons. In 2008, partly due to the Olympic Games, approximately 5,400 hours of sports coverage were broadcast, primarily directly.

As of December 31, 2008, the Canal+ premium channel had 5.3 million subscriptions (collective and individual, in France and within French overseas departments and territories), 81% of which were digital. In 2008, there were approximately 600,000 new individual subscriptions in Metropolitan France.

TPS Star completes the Canal+ premium offer, primarily by broadcasting movies, sports, series and magazines. It is distributed over the principal satellite, cable and ADSL networks, and is the second largest premium channel distributed on TNT. An exclusive, first-release channel, TPS Star offers films 24 hours a day, 7 days a week. Starmag is the only daily program dedicated to current films. TPS Star also broadcasts major European soccer programming, e.g., the Bundesliga and Series A matches.

Theme Channels

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

2.5.1.2. Distribution Activities

CanalSat

The Canal+ Group assembles and distributes the widest selection of high quality theme channels in a traditional offering: CanalSat. Available by satellite, ADSL and TNT, CanalSat offers nearly 300 channels, 55 of them exclusive. At year-end 2008, CanalSat had 5.3 million subscribers. In 2008, CanalSat recruited over 680,000 new subscribers. Following its merger with TPS in January 2007, the Canal+ Group performed the technical migration of all TPS subscribers to CanalSat. This tremendously large operation specifically required reorienting the dishes aimed at the Eutelsat satellite toward the Astra satellite, which was chosen as the sole partner. The project was successfully completed by the end of 2008 after migrating nearly one million TPS subscribers, after which the signal was permanently cut off on December 31, 2007.

ADSL TV

The Canal+ Group began television broadcasting via ADSL during the first quarter of 2004 in order to reach new households, especially those in large cities. The Canal+ Group's offerings, Canal+ and CanalSat channels are available via neufbox, SFR Box, Orange, Free and Darty Box.

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Section 2 Description of the Group's Businesses

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, Paris Première, TF6 and LCI, 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 2007, the Canal+ Group launched TNTSat, i.e., free DTT via satellite. This service offers the entire French population the possibility of receiving the 18 free-to-air DTT channels, 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. In December, TNTSat surpassed the one million threshold of households installed.

In August 2008, on the occasion of the Olympic Games in Beijing, Canal+ became the largest French channel distributed in HD on DTT. At year-end 2008, it covered approximately 90% of the French population.

2.5.1.3. New Services

A digital pioneer in Europe and in new television practices, the Canal+ Group is a leader in on-demand and high-definition television.

+Le Cube
In November 2008, the Canal+ Group introduced its new set-top box: +Le Cube. A high-definition satellite terminal with Internet connection, +Le Cube is equipped with a very large capacity hard disk for hours of recording and direct control. Its smart program guide automatically recommends to users programs likely to interest them. Its advanced, high-end functionality allows all episodes of Canal+ series available now or in the future to be identified prior to their distribution in France.

High-Definition ("HD") Television
As a satellite HD innovator in France, the Canal+ Group offers the most complete and diversified HD package in the market, with 13 channels: Canal+, TF1, France 2, M6, Arte, National Geographic HD, CinéCinéma Premier, Disney Cinémagic HD, 13ème Rue HD, Sci-Fi HD, Ushuïa TV HD, Eurosport HD and MTV HD. HD offerings on Canal+ and CanalSat are also available on cable, ADSL and DTT.

Catch-up TV
Canal+ on demand is the Canal+ Group's catch-up TV service. This service, included in a subscription, allows a selection of programs to be viewed several times at the viewer's convenience. It is available directly on television via satellite or ADSL and on PC. Used by an increasing number of subscribers (approximately one in two eligible customers at year-end 2008), as of December 31, 2008, Canal+ on demand offered approximately 70% of Canal+'s programming and had 1 million downloads each month. In December 2008, CanalSat introduced an identical service.

Legal Downloading of Videos
CanalPlay is the legal video downloading service of the Canal+ Group. CanalPlay offers approximately 6,000 titles, including more than 3,500 high-definition films, available on PCs or directly on television via cable or ADSL. In June 2008, CanalPlay became the first on-demand video service available on the Sony PSP portable game console. Since its launch in late 2005, CanalPlay has exceeded nine million downloads. The service will soon be available by satellite on the new +Le Cube set-top box.

The Clé Canal+
In order to allow its customers to watch their programs wherever they travel, in 2008, the Canal+ Group launched the Clé Canal+, a DTT HD pocket set-top box which uses the format of a USB key. Once connected to a PC, the Clé Canal+ gives access to Canal+ channels on DTT in high definition.

Personal Mobile Television ("PMT")
An MPT pioneer in France, since 2005, the Canal+ Group has been experimenting with the DVB-H standard, designed specifically to capture television channels with video and audio quality comparable to DTT. In May 2008, the CSA granted two authorizations to the Canal+ Group to broadcast the Canal+ and i>Télé channels in PMT.

Section 2 Description of the Group's Businesses

2.5.1.4. Overseas and international pay-TV activities

Canal Overseas
Canal Overseas is the Canal+ and CanalSat operator within the French overseas territories and departments, as well as in sub-Saharan Africa. The only French overseas network, Canal Overseas exploits four satellite platforms (Africa, Caribbean, Indian Ocean and Pacific) covering a potential 500 million individuals around the world and two-thirds of French-speaking countries. Through its Multi TV Afrique subsidiary, Canal Overseas also produces the Canal+ Horizons and Canal+ Essentiel channels. At year-end 2008, Canal Overseas had approximately one million active individual subscribers within the French overseas territories and departments and Africa. Canal Overseas also manages the Cyfra+Polish satellite platform and the development of the Canal+ Group outside France.

Cyfra+ (Poland)
The Canal+ Group is a television leader in Poland through Cyfra+, a 75% owned subsidiary. Cyfra+ produces the premium Canal+ package of channels, including Canal+, Canal+Film, Canal+Film HD, Canal+Sport, Canal+Sport 2 and Canal+Sport HD. It also produces five theme channels: Ale Kino, ZigZap, Miniminil, Planète and Kuchnia TV.
Cyfra+ offers its subscribers a package of 80 television and radio channels, including 63 channels in Polish, as well as approximately one hundred additional channels clearly accessible by satellite. At year-end 2008, Cyfra+ had approximately 1.4 million subscribers.

2.5.2. Film production and distribution activity

StudioCanal
StudioCanal, a wholly-owned subsidiary of the Canal+ Group, is the European leader in the production, acquisition and distribution of motion pictures in all media: theater, video, audiovisual and video-on-demand.
The company exploits an extensive film library with more than 5,000 French, British and American titles, including *Basic Instinct, Les Bronzés, The Pianist* and *Podium*. Each year, StudioCanal distributes approximately 20 films in theaters and 150 films on video.

In 2008, of the 18 films released in theaters and produced by StudioCanal, seven exceeded 1 million viewers, including *Disco, Paris*, *Parlez-Moi de la Pluie*, *Burn After Reading* and *Le Premier jour du reste de ta vie*, which also won three César awards.

Outside France, StudioCanal operates directly in the U.K. and Germany, the two major European markets. StudioCanal's English operations are conducted through its subsidiary Optimum Releasing, acquired in May 2007 and specializing in film distribution to all media. In 2008, Optimum Releasing experienced significant growth, primarily due to the relationships it developed with independent producers. Films distributed by Optimum in 2008 included *The Wrestler* with Mickey Rourke and *Vicky Cristina Barcelona* by Woody Allen. In January 2008, StudioCanal expanded its operations in Germany and entered into an agreement for the acquisition of Kinowelt, a major player in the theater distribution of films and a leader in its country's video market. Kinowelt also plays an important role in the sale of audiovisual rights locally and internationally. Based in Leipzig, the company exploits the largest library of German films.

Along with its distribution activities, StudioCanal is active in international production and sales, in particular remakes and sequels of films from its catalog. StudioCanal has also developed relationships with independent studios of global repute, such as Working Title.

Theater releases scheduled for 2009 include *Le Code a Changé* (Change of Plans) by Danièle Thompson; *Coco* by Gad Elmaleh; *State of Play* by Kevin McDonald, with Russell Crowe and Ben Affleck; *Green Zone* by Paul Greengrass, with Matt Damon; and *Frost/Nixon* by Ron Howard.

2.5.3. Other Businesses

Early in 2008, the Canal+ Group completed the acquisition of Occade, a company specializing in the organization and commercial management of sporting events. Occade has been incorporated within the Canal+ Group's production division, in the Acquisitions and Sports Events Department under the Canal+ Events brand. The goal is to strengthen the Canal+ Group's presence in the value chain of sports events, from organization to broadcast, including all marketing activities for an event.

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Section 2 Description of the Group's Businesses

Sporting events organized by Canal+ Events include the Grand Prix de Tennis de Lyon (the Lyon Tennis Tournament), the French Masters of tennis, the Lyon Marathon, the new Golf Trophy of Saint-Nom-la-Bretèche (European PGA) and the VIP operations at Roland Garros. Canal+ Events also invests in the management of the ASVEL basketball club, the Chambéry handball club and ice hockey at Lyon.

Canal+ Events became a major international player after acquiring and distributing the international broadcast rights for the French League 1 and League 2 soccer championships, the League Cup and more recently those for OM TV, the French basketball team and the French basketball championship, distributing these products in all five continents.

2.5.4. Seasonality

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

2.5.5. Regulatory Environment

The audiovisual communications industry in Europe is subject to national laws and regulations 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. It was extended for another five years following a decision by the CSA on November 22, 2005 (published in France's official gazette, the "*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 (see below), the premium channel's terrestrial broadcasting license was renewed for a ten-year period.

The European Union regularly adopts directives governing the activities of the Canal+ Group and their effect on competition. The European Union also adopted a series of directives that have a direct impact on the communications industry (for example, the "Television Without Frontiers" directive) and directives on intellectual property, e-commerce, data protection and telecommunications.

The Canal+ Group, through its subsidiary Canal+ France, holds a controlling interest in Canal+ SA, the company authorized to broadcast the Canal+ premium channel, listed on compartment B of Euronext Paris. Furthermore, a non-EU shareholder may not hold more than 20% of a company holding a broadcasting license.

The Canal+ Group currently holds six DTT authorizations: five for the pay channels (Canal+ HD (since July 22, 2008, Canal+ has been authorized to convert standard broadcast into HD broadcast), Canal+ Cinéma, Canal+ Sport, Planète and TPS Star) and one free channel (i>Télé). The number of authorizations a single company may own, directly or indirectly, for a digitally broadcast national television service is seven.

In addition, on May 27, 2008, following a call for bids, the CSA selected the Canal+ and i>Télé channels for broadcast on personal mobile television ("MPT").

The Television-for-the-Future Law, adopted on February 22, 2007 by the French Parliament, also grants an additional DTT authorization to Canal+ upon termination of the analog signal.

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). This undertaking is subject to various arrangements as part of agreements entered into in the fall of 2008 with producer and actor organizations; they will not apply until the corresponding regulatory provisions are amended.

Section 2 Description of the Group's Businesses

With regard to film, pursuant to agreements entered into with professional film organizations effective as of January 1, 2008 for a period of five years:

- Canal+ must dedicate at least 12% of its revenues to acquiring 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;
- Canal+ must dedicate 80% of its French obligations to pre-purchase films prior to the first day of filming;
- since 2006, Canal+ has offered full-length films to its subscribers every evening of the week; and
- the channel also seeks to contribute to the financing of a wide variety of films and participates equally across all financing segments of the market. To this end, Canal+ dedicates 17% of its obligation to acquire original French film work to films with a budget of less than or equal to €4 million.

In addition, Canal+ may dedicate one-third of its digital broadcast offerings to shows other than those of the premium channel, allowing it to enhance its audiovisual offerings.

Moreover, under French Law 86-1067 of September 30, 1986 on the Freedom of Communications, the Canal+ Group is subject to the must-carry system, pursuant to which distributors of services on networks that do not use terrestrial frequencies allocated by the CSA (in particular, cable, satellite and ADSL) must comply with the following requirements:

- to make channels owned by the France Télévision group (France 2, France 3 and France 5), Arte and TV5 as well as the services specifically intended for viewers within France (excluding its overseas territories) programmed by RFO available free of charge to their subscribers, 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 the RFO services that are broadcast via the terrestrial network within the community available free of charge to their subscribers in French overseas territories, 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 French parliamentary channel) free-to-air and at their own expense, using broadcast technologies equivalent to those employed by French national television companies, unless such broadcast is denied by *La Chaîne Parlementaire* producers;
- to provide services for the deaf and hearing-impaired together with the television services freely available to the general public (the required technical measures are at their expense); and
- any service distributor via a non-satellite network not using the frequencies allocated by the CSA must make the local public initiative services intended to provide local information available to its subscribers, subject to certain limitations and conditions as set forth in Decree 2005-1355 on notification requirements for the distributors of audiovisual communication services, dated October 31, 2005.

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, combined the new video-on-demand method of film distribution with the timing of the media's release schedule. New discussions are currently in progress among interested parties.

Vivendi and the Canal+ Group made 59 significant commitments to ensure that the merger of TPS and the Canal+ Group would not have an anti-competitive impact on any of the relevant markets. These commitments are described in section "2.5.7 Competition."

2.5.6. Piracy

The Canal+ Group actively combats audiovisual piracy by promoting technological innovation and monitoring, as well as by pursuing violators in order to protect its commercial interests and those of its beneficiaries.

The Canal+ Group acts effectively through teams dedicated to technological monitoring and consultants specializing in the analysis and design of security components (particularly smart cards), and maintains ongoing contact with manufacturers of set-top boxes and systems to provide conditional access. This collaboration has allowed improvements to the new Merlin conditional access card, sent to subscribers beginning March 2008.

In terms of legal actions the Canal+ Group takes all required legal measures, including criminal measures, against pirates, in light of the spread and sophistication of piracy techniques, in particular those consisting of Internet use for the sharing of subscriptions (i.e., a single subscriber card shared by several users) or the ongoing redistribution of channels by servers or peer-to-peer ("P2P") systems.

The Canal+ Group also actively collaborates with the film industry to limit Internet distribution of copies of promotional DVDs before their release in theaters.

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Section 2 Description of the Group's Businesses

2.5.7. Competition

The 59 commitments entered into between the Canal+ Group and the Minister of the Economy after notice from the Anti-Trust Council as a consequence of the decision of August 30, 2006 on the operation of the merger of the pay-TV activities of the Canal+ Group and TPS remain subject to strict application and control monitored by the relevant authorities. These commitments were made for a maximum of six years (some for five years), and are intended to correct any anti-competitive impact identified by anti-trust authorities which might result from merger activities in one of the relevant markets.

New commitments relating to the pay-TV market have been agreed by the Canal+ Group as a consequence of the recent merger between SFR and Neuf Cegetel authorized by the Minister of the Economy's decision of April 15, 2008. The Canal+ Group is specifically committed for five years to provide any xDsl or FTTX distributor that might so request access to two of the channels it produces: the series and fiction channel known as Jimmy and the family cinema channel known as Ciné Cinéma Famiz. The opening of the secondary market for the production and distribution of theme channels has also been strengthened by the termination of exclusive distribution rights on xDsl held by the Canal+ Group on the channels produced by the M6 group. Finally, the Canal+ Group had to reiterate the commitments entered into as part of the merger between SFR and Tele2, authorized by the European Commission on July 18, 2007, aimed specifically at not offering more favorable conditions to the Vivendi group and its subsidiaries (including SFR and Neuf Cegetel) with regard to the distribution of theme channel packages, Canal+ audiovisual services and pay-per-view services.

The French pay-TV market is experiencing significant changes, characterized by, among other things,the increase in the number of distribution platforms and technologies, and particularly by the development of new offers by Internet Service Providers ("ISPs"). One of them, Orange, was recently positioned in the market upstream of the acquisition of audiovisual rights as well as on the secondary market for the production and distribution of channels. It is now a serious competitor for the acquisition of premium quality sports and film content, in particular certain broadcast rights for the League 1 soccer championship for the 2008-2011 seasons and certain rights acquired from US studios or French producers as part of multi-year agreements. The rights thus acquired are exploited by this operator on channels reserved solely for telephone and high-speed Internet subscribers. They are offered by satellite in areas where ADSL speed is not sufficient enough to allow television reception.

The competition is also structured around new, non-linear services, which offer quality and premium content on VOD. These services constitute a real vector of growth for ISPs, allowing a rapid pay-TV offering for television viewers without production and regulatory restrictions imposed on the producers of a television service.

Beyond the ISPs, competitive pressure from the cable operator Numéricâble also remains significant and poses a threat due to the development of fiber optic networks. These new networks allow this operator to diversify its subscriber-based service offering. This operator is also investing funds to acquire broadcast rights and produce sports theme channels.

Finally, the unquestionable success of DTT in France is radically changing the audiovisual landscape and has substantially opened up the market to new competition from producers of free TV.

2.5.8. Raw Materials

The principal raw materials used in the Canal+ Group's businesses are polycarbonate for the production of DVDs and paper for the packaging of its products. These raw materials do not experience price fluctuations that could have a material impact on the Canal+ Group's business. The Canal+ Group's business activities are not dependent on any raw material suppliers.

2.5.9. Research and Development

As in 2007, the Canal+ Group did not incur significant research and development expenses in 2008.

2.6. Other Activities

2.6.1. NBC Universal

NBC Universal ("NBCU"), one of the world's leading media companies, was created in May 2004 pursuant to the merger of Vivendi Universal Entertainment and NBC businesses. Vivendi holds 20% of NBCU.

Section 2 Description of the Group's Businesses

NBCU is a diversified media and entertainment company engaged in the production and distribution of film and television programming, the broadcast of network television through owned and affiliated television stations within the United States, the operation of cable/satellite networks around the world, the operation of theme parks and investment and programming activities in digital media and the Internet.

The NBC television network is one of four major commercial television networks in the US, where it is broadcast by 210 affiliated television stations. NBCU owns and operates Telemundo, a US Spanish-language broadcast television network. As of December 31, 2008, NBCU owned and operated 26 television stations, each subject to US Federal Communications Commission ("FCC") regulation. NBCU has secured exclusive US television rights to the Olympic Games in 2010 and 2012, National Football League (Sunday Night Football) and the Super Bowl in 2009 and 2012.

NBCU operations also include programming, distribution and investment activities in cable television. It owns USA Network, Bravo, CNBC, the SciFi Channel, MSNBC, Oxygen, UniHD, Chiller, Sleuth, mun2 and branded channels across Europe, Asia and Latin America. NBCU has equity investments in Arts and Entertainment, The History Channel, ValueVision Media, Inc. and a non-voting interest in ION Media Networks. In 2008, NBCU along with Bain Capital Partners LLC and The Blackstone Group acquired The Weather Channel Companies, with NBCU taking a 25% equity stake and entering into an asset management agreement.

NBCU owns Universal Pictures, a film company which is engaged in the production and worldwide distribution of theatrical, home entertainment and television programming. NBCU also owns Universal Hollywood, operates and holds an ownership interest in the Universal Studios Florida theme parks and brands, designs and develops international theme parks under exclusive licenses.

2.6.2. Vivendi Mobile Entertainment

Vivendi Mobile Entertainment ("VME"), formed in early 2007, is a wholly-owned subsidiary of Vivendi dedicated to marketing to end-consumers (primarily in the 15-35 age group) multi-media services and content primarily for cell phones but also for PCs, including games, short programs, music downloads and all related products for personalizing cell phones, such as ringtones and wallpapers.

VME seeks to create an entertaining new distribution channel, to exploit the Vivendi group's content and to relay the content of other groups. VME also produces its own content and works with many independent producers and creators. Its services are available on the Internet and cellular phone networks.

After a period of development, VME launched its subscription- based offering in the French market through its portal zaOza (awarded the Brand Creation Strategies Grand Prize and the Youth Marketing Grand Prize). zaOza is a rich, international concept that meets two strong public expectations: unlimited downloading of quality content for a monthly subscription fee and the possibility of legally sharing that content, for the first time, with your friends and family in a simple and entertaining way, over your PC or cell phone.

In late April 2008, VME inaugurated its commercial offering through a communications campaign. zaOza quickly earned an excellent reputation among its target consumers, with more than 350,000 registered active members, most of them paying members, since the summer of 2008.

Section 3 Litigation

Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively, "Legal Proceedings") in the normal course of its business.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including, to the company's knowledge, any pending or threatened proceedings) which may have or have had in the previous twelve months a material impact on the company and on its group's financial position, profit, business and property, other than those described herein.

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Section 3 Litigation

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 Mr. 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. 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 with a different composition.

Investigation by the Financial Department of the Parquet de Paris

In October 2002, the financial department of the Parquet de Paris launched an investigation on the publication of false or misleading information regarding the financial situation or forecasts of the company, and the publication of untrue or inaccurate financial statements (for financial years 2000 and 2001). Joined with this investigation were additional charges related to purchases by the company of its own shares between September 1, 2001 and December 31, 2001, following the submission of an AMF investigation report on June 6, 2005 to the Parquet de Paris. Vivendi joined the investigation as a civil party. On January 15, 2008, the judges notified the parties of the end of the investigation. On January 23, 2009, the Public Prosecutor submitted a final prosecutor's decision of dismissal to the judge and civil parties.

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, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders seeking damages for an unspecified amount. Vivendi contests these allegations and has not set aside any sums in its accounts for this contingency.

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. On March 12, 2008, Vivendi filed a motion for reconsideration of the Court's class certification decision with respect to the French shareholders included in the class. The Court has not yet ruled on this motion.

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 likely to commence in May 2009.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. Messier and Hannezo in the United States District Court for the Southern District of New York 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. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934, as well as additional claims under New York State Law. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action for pre-trial purposes and may be tried separately.

Section 3 Litigation

Derivative action in the United States

In September 2002, a derivative action was commenced before the Superior Court of the State of California by a US shareholder, on behalf of Vivendi, against certain of its former directors, for alleged breaches of the law of the State of California between April 2001 and July 2002 (false and misleading statements and issue of false and misleading financial results). This action had been stayed since February 7, 2003. On November 12, 2008, the Court ordered the case to be dismissed.

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. Only those proceedings in which there were developments in 2008 are discussed below. For the other proceedings (in particular the arbitrations in Geneva and Vienna, the arbitration against the Polish State and the tort claim initiated by T-Mobile against Telco before the Warsaw tribunal), please refer to the previous Annual Reports, in particular pages 53 and 54 of the 2007 Annual Report and Note 27 of the Consolidated Financial Statements for the Year Ended December 31, 2007.

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 (the "Vienna Award") on November 26, 2004. The case was remanded to the Warsaw Tribunal of first instance.
On June 18, 2008, the Warsaw Tribunal of first instance recognized the Vienna Award dated November 26, 2004, including the fourth point ruling that "the Arbitration Tribunal has no jurisdiction over Telco, and that all the DT claims against Telco cannot be fulfilled through an arbitral procedure". Telco and DT appealed this decision. On December 10, 2008, the Warsaw Court of Appeals decided it would seek advice from Austrian judicial authorities on the impact of the decision under Austrian law.

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 litigation relates to the breaches by Elektrim of the Third Amended and Restated Investment Agreement entered into on September 3, 2001 by and among Elektrim, Telco, Carcom, Vivendi and VTI governing the conditions of the Vivendi investment and the relations between Vivendi and Elektrim within Telco and Carcom (the "TIA").
On May 22, 2006, the LCIA arbitral tribunal rendered a partial award confirming the validity of the TIA challenged by Elektrim. On September 18, 2008, the Warsaw Court of Appeal recognized this award in Poland.

On March 19, 2008, the arbitral tribunal issued an award in favor of Vivendi and found that Elektrim breached the basic principles 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.

On February 12, 2009, the arbitral tribunal rendered a final award. The tribunal awarded damages to Vivendi in an amount of €1.876 billion (plus accrued interest from February 2005) for intentional breaches by Elektrim of the TIA.

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. Vivendi has made an indemnity claim in the amount of €1.8 billion against DT. On March 18, 2008, the Paris Commercial Court dismissed Vivendi's action. Vivendi appealed this decision.

Declaratory proceedings before the Polish Courts

In December 2004, following the Vienna Award dated November 26, 2004, Telco initiated proceedings on the merits with the intention of obtaining a declaratory judgment confirming that it is the rightful owner of the PTC shares. On May 22, 2007, Telco's request for a declaratory judgment was denied on jurisdictional grounds. Telco appealed this decision. On May 21, 2008, the Warsaw Court of Appeal reversed the first instance decision and confirmed that the Polish courts had jurisdiction with respect to the ownership of the PTC shares, an issue that was not resolved by the Vienna Award dated November 26, 2004. The case has been sent back to a court of first instance.

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Section 3 Litigation

Proceedings 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 the 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 US$7.5 billion. On June 5, 2008, the Seattle Court determined that it lacked jurisdiction and dismissed Vivendi's claim. Vivendi appealed this decision.

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 dated November 26, 2004. Elektrim is claiming compensation in the 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. On January 5, 2009, the Warsaw Tribunal dismissed Elektrim's claim. Elektrim appealed this decision.

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 in progress.

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 Argentinian subsidiary Compañia de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentinian 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 Argentinian 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. On May 22, 2008, the ICSID appointed an ad hoc committee to review this application. The main hearing is scheduled for July 2009.

Fermière de Cannes
On March 19, 2003, Anjou Grandes Opérations, Anjou Patrimoine and Anjou Services, three subsidiaries of Vivendi resulting from the demerger of Compagnie Immobilière Phénix ("CIP"), a former subsidiary of Vivendi, became the subject of an action brought by shareholders of Fermière de Cannes (*ut singuli*) 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 the company officers of CIP and Fermière de Cannes jointly and severally to pay €67 million for the offences of collusion and concealment of the misuse of company assets in the exercise of their functions. The case against Anjou Services and the former subsidiaries of CIP was dismissed. The company officers of both companies have filed an appeal before the French Supreme Court. On January 14, 2009, the Criminal Chamber of the French Supreme Court denied the appeal.

Inquiry into PSG Transfers
An investigation to be carried out by an investigating magistrate (*juge d'instruction*) has been opened in connection with the terms and conditions of the transfer of PSG soccer players and the payment of intermediaries' fees between 1998 and 2002. PSG is a former subsidiary of the Vivendi group. The investigation is ongoing. In 2008, the judges carried out additional investigations.

Action of Unibail against Anjou Patrimoine
Unibail has brought an action relating to the guarantee given by Anjou Patrimoine (a former subsidiary of Vivendi) in the context of the sale of CNIT offices in 1999. On July 3, 1997, the Nanterre High Court (*tribunal de grande instance*) ordered the indemnification by Anjou Patrimoine of Unibail's liability for taxes relating to the creation of offices, and denied all other

Section 3 Litigation

claims. On October 31, 2008, the Versailles Court of Appeal overturned the judgment of the court, denied all the claims of Unibail and ordered it to reimburse Anjou Patrimoine for all the sums paid in the context of the first ruling. On November 27, 2008, Anjou Patrimoine appealed this decision.

Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a subsidiary of Vivendi) against FIG to obtain the release of a portion of the amount remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the cancellation of the sale by a judgment of the Berlin Court of Appeal, which invalidated a judgment rendered by the Berlin High Court. Vivendi was ordered to repurchase the buildings and to pay damages in an amount to be determined. Vivendi delivered a guarantee so as to pursue settlement negotiations. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the judgment execution. On October 8, 2008, the Berlin Court rejected CGIS BIM demands. Vivendi appealed before the Federal Court.

SCI Carrec Claim

On October 4, 2006, SCI Carrec filed a claim against Gambetta Défense V before the tribunal of first instance of Nanterre, seeking indemnification for damages suffered in connection with the sale of a building in 1988, with respect to the difference between the size of the property's surface as agreed and that actually delivered. As part of this sale, SCI Carrec was granted an indemnity by Compagnie Générale des Eaux, Vivendi's predecessor. On December 24, 2008, the parties entered into a settlement agreement. This case is now closed.

Complaint of Centenary Holdings III Limited

On January 9, 2009, the liquidator of Centenary Holdings III Limited ("CH III"), a former Seagram subsidiary divested in January 2004 and placed into liquidation in July 2005, sued certain of its former directors, along with Vivendi and its former auditors. The liquidator, acting on behalf of the creditors of CH III, alleges that the defendants breached their fiduciary duties. A response from the defendants is due by April 8, 2009.

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 Paris Court of Appeal on December 12, 2006, confirming the order rendered by the French Competition Council (i) ordering SFR to pay a fine of €220 million and (ii) acknowledging that an illegal agreement existed due to the exchange of information among French mobile telephone operators between 1997 and 2003 and imposing a fine on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed. A hearing on the pleadings took place on January 20, 2009 and a decision is scheduled to be rendered on March 11, 2009.

On March 11, 2008, customers and the UFC-Que Choisir consumer association which brought litigation proceedings before the Commercial Court of Paris withdrew their claims.

Complaint of Bouygues Telecom against SFR and Orange in connection with call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on call termination and mobile markets. On March 13, 2008, SFR received a notification of grievances. On May 19, 2008, SFR submitted its observations in response. The Competition Council rendered its report on August 4, 2008. The hearing before the French Competition Council is scheduled for March 2009 and a decision is expected to be rendered by the end of the second quarter of 2009.

Complaint of SFR against Orange on its "Unik 1 euro" offer

On December 5, 2008, SFR brought a claim before the French Competition Council against Orange for unfair trading practices relating to its "Unik 1 euro" offer.

UFC-Que Choisir consumer association against the decision of the Minister of Economy dated April 15, 2008

On July 7, 2008, the UFC-Que Choisir consumer association filed a claim before the French State Council challenging the decision of the Ministry of Economy, Industry and Employment dated April 15, 2008 authorizing the acquisition of Neuf Cegetel by SFR. On December 2, 2008, UFC-Que Choisir filed its decision to withdraw its claim.

Universal Service

Neuf Cegetel and the operators which are members of the *Association Française des Opérateurs de Réseaux et de Services de Télécommunications* (French Association of Telecommunications Networks and Services Operators, "AFORST") challenged the legality of the Universal Service's funding before the Paris Administrative Court on the grounds that (i) it was not proven that the provision of the Universal Service constituted an undue burden on its provider and (ii) there existed an absence of

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Section 3 Litigation

transparency in the fee calculation method. The overall amount claimed by Neuf Cegetel is €31.1 million. On March 1, 2007, the Paris Administrative Court ordered the State to refund the amount of the contributions paid by Cegetel from 1998 to 2000. The State lodged an appeal against this judgment and refused to refund the relevant sum on the grounds that these contributions were allegedly paid pursuant to the decree of April 16, 2007. On November 24, 2008, the Paris Administrative Court denied the appeal lodged by the State.

Application fees

Following a ruling of the Paris Administrative Court dated June 19, 2003, Neuf Telecom (now "Neuf Cegetel") and its subsidiaries challenged the validity of management taxes invoiced by the ARCEP. On June 7, 2007, the Paris Administrative Court ordered the French State to refund the sums paid by Neuf Cegetel for the annual file administration tax of 2000. On October 17, 2007, the French State paid €2.8 million corresponding to the principal amount due. In May 2008, Neuf Cegetel requested a refund of the interest paid on amounts in arrears. It also initiated similar actions in respect of management and control taxes for a total amount of €14 million. On March 30, 2007, the Paris Administrative Court dismissed the claims made for 1998 (€10.1 million). On May 30, 2007, Neuf Cegetel lodged an appeal before the Paris Administrative Court.

Neuf Cegetel against France Telecom regarding the broadcast of the Orange Foot channel

On June 27, 2008, Neuf Cegetel voluntarily joined a proceeding initiated by Free against France Telecom regarding the broadcast of the Orange Foot channel. On February 23, 2009, the Commercial Court ruled in favor of a request from Free and Neuf Cegetel and determined that the Orange Foot channel offer, which had as a condition to its subscription a prior subscription to Internet Orange, constituted a related sale transaction prohibited by the French Code of Consumption. Consequently, the Court ordered France Telecom to terminate its related sale practices in respect of the Orange Foot channel within one month or suffer penalties, and appointed an expert to produce a report evaluating the amount of loss suffered by Neuf Cegetel and Free.

Tenor against Groupe SFR Cegetel, Groupe France Telecom and Bouygues Télécom

Tenor (a fixed operators association, which became ETNA) brought a claim before the French Competition Council alleging anti-competitive practices by France Telecom, Cegetel, SFR and Bouygues Télécom in the telecommunications sector. On October 14, 2004, the French Competition Council fined SFR, among others, for abuse of dominant position. On November 20, 2004, SFR filed an appeal. On April 12, 2004, the Court of Appeal overturned the decision of the Competition Council, having decided that the allegations were not proven. On April 29, 2005, ETNA appealed against that ruling before the French Supreme Court. On May 10, 2006, the Supreme Court overruled the decision of the Court of Appeal stating that it should have examined whether the alleged practices had an adverse impact on competition. On April 2, 2008, the second Court of Appeal denied the requests made by SFR. On April 30, 2008, SFR appealed to the French Supreme Court. On March 3, 2009, the French Supreme Court reversed the decision dated April 2, 2008 considering that "price scissoring" practices may not, as such, constitute anti-competitive practices.

Parabole Réunion

In July 2007, the group Parabole Réunion filed a legal action before the Paris Tribunal of First Instance 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, the Canal+ Group was enjoined, under fine, from allowing the broadcast of these channels by third parties, unless it offered to Parabole Réunion the replacement of these channels by other similarly attractive channels, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal reversed the judgment dated September 18, 2007 and dismissed Parabole Réunion's main claims against Groupe Canal+. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. Parabole Réunion also initiated arbitration proceedings before the Paris Mediation and Arbitration Center relating to certain aspects of the Canal+ channel's self-broadcasting and it claims damages. On December 12, 2008, Groupe Canal+ requested the suspension of the arbitration until a definitive decision is reached in the proceedings pending before the Paris Commercial Court regarding its request to compel the performance of an agreement dated May 30, 2008 and proposed that Parabole Réunion enter into a new agreement under non-discriminatory price conditions.

Voluntary investigation by the French Competition Council on practices implemented in the pay television sector

Further to its voluntary investigation and a complaint by France Telecom, the French Competition Council sent Vivendi and Groupe Canal+ a notification of grievances at the beginning of January 2009. The Competition Council alleges that Groupe Canal+ has abused its dominant position in certain markets of the pay-tv sector and that Vivendi and Groupe Canal+ colluded with TF1 and M6 on one hand and Lagardère on the other. Vivendi and Groupe Canal+ deny these allegations and intend to defend themselves vigorously against them.

Section 3 Litigation

French Competition Council against Sportfive
On June 18, 2008, Sportfive received a notification of grievances in connection with the ongoing proceedings before the French Competition Council relating to unfair practices in the management of professional soccer rights and advertising in the stadiums sectors. The potential financial consequences resulting from such an investigation are covered by a commitment granted by Groupe Canal+ and RTL pursuant to the transfer of Sportfive. This commitment gave Groupe Canal+ the right to participate in Sportfive's defense. On September 15, 2008, Sportfive filed its brief in response to the notice. On February 5, 2008, the *rapporteur* of the Competition Council sent its answering brief to Sportfive, and a non -confidential version was transmitted to Groupe Canal+.

Complaint against France Telecom before the French Competition Authority
On February 11, 2009, Neuf Cegetel and Groupe Canal+ jointly filed a complaint before the French Competition Authority against France Telecom for abuse of dominant position and collusion with the Professional League of Football. The plaintiffs claim that France Telecom uses a strategy by which it restricts the marketing of its cinematographic and sporting rights to its exclusive ADSL subscribers only.

Complaint against France Telecom before the European Commission for abuse of dominant position
On March 2, 2009, Vivendi and Free jointly filed a complaint before the European Commission against France Telecom for abuse of dominant position. Vivendi and Free claim that France Telecom imposed excessive tariffs on its offerings in respect of fixed-line and telephone subscription access.

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. In November 2008 and January 2009, the Department of Justice and New York State Attorney General, respectively, closed these investigations without taking any legal action against UMG.

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. The plaintiffs alleged, among other things, that Activision's directors failed to fulfill their fiduciary duties with regard to the business combination, that those breaches were aided and abetted by Vivendi and certain of its subsidiaries, and that the preliminary proxy statement filed by Activision on January 31, 2008 contains statements that are false and misleading. On June 24, 2008, the plaintiffs filed their conclusions dismissing the Vivendi defendants from the lawsuit. On June 30, 2008, the Court entered its order dismissing the Vivendi defendants from the action. On July 1, 2008, the Court denied the plaintiffs' motion for preliminary injunction. In February 2009, the plaintiffs filed an amended complaint.

Section 4 Risk Factors

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 laws and regulations, particularly those that govern the telecommunications and broadcasting sectors.

Substantial changes in the nature, interpretation or application of these laws and regulations by governmental, administrative, judicial or other authorities, particularly with respect to competition law could result in Vivendi incurring additional costs or altering the services that it offers, which could significantly affect its business, financial situation, financial results and development prospects.

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Section 4 Risk Factors

In addition, certain activities of the group are dependent upon obtaining or renewing licenses issued by regulatory authorities (e.g., ARCEP, CSA, ANRT). The process for obtaining or renewing such licenses can be long, complex and costly. If Vivendi were unable to obtain or renew in a timely manner the licenses required to conduct, continue or expand its activities or if it were 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.

A detailed description of the regulatory environment of each of the group's activities is presented in Section 2 of this chapter.

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.

The principal proceedings or investigations in which the group is involved are described in Note 27 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2008, and in the "Litigation" section of this chapter.

Vivendi recognizes a provision for expenses that may result from a proceeding whenever a risk becomes likely and it is possible to estimate the potential cost associated with such risk. Although Vivendi considers it unlikely that current proceedings will have a significant negative impact on the group's financial situation, no assurance can be given as to the outcome of these proceedings.

Risks associated with commitments given by Vivendi

Vivendi has a certain number of contingent liabilities, the most significant of which are described in Note 26 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2008. Certain of these commitments are not limited in their duration or amount. If Vivendi were obliged to make a payment in respect of one or more of these contingent liabilities the related costs could have a negative impact on its financial results and financial situation.

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.

Vivendi is dependent on the decisions of the public or administrative authorities and their determination to find efficient ways to fight piracy. The continued difficulties in passing and applying suitable laws and in enforcing court rulings, particularly in certain regions of the world where the group is present and where piracy is endemic 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 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. For the same reasons, in the absence of adequate means to prevent piracy and counterfeiting, Vivendi's activities related to the production and distribution of cinematographic films and the production and publication of interactive games may experience a significant decline in revenues.

Section 2 of this chapter contains a detailed analysis of the effects of piracy on each of the group's business units and of the measures being taken by each of the group's business units to combat it.

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 industry concentration among existing companies or the entry of new competitors into the relevant markets; and Vivendi could lose customers if it does not manage to supply products and services that are competitive in terms of price and quality.

In addition, Vivendi's development depends in part on its ability to adapt its products and services to the preferences of an increasingly demanding customer base, in industries that are subject to rapid and significant changes in technology.

Section 4 Risk Factors

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.

Risks associated with lack of commercial success of the audio recordings, films and interactive games produced, published and distributed by the group

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.

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

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

- fluctuations in currency exchange rates (particularly the rate of exchange between the US dollar and the Euro) and currency devaluations;
- restrictions imposed on the repatriation of capital;
- unexpected changes in the regulatory environment;
- the various tax systems that may have an adverse effect on Vivendi's operating results or its cash flows, and in particular 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;
- insufficient coverage for pension liabilities; and
- the local political and economic situation.

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

Potential risks to health posed by cell phones 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 cell phones and mobile transmission sites. Vivendi is not currently aware of any tangible evidence that demonstrates the existence of risks to human health associated with the use of cell phones, the emission of radio frequencies or such electromagnetic fields.

Nevertheless, the potential risks or those perceived by the public may have a significant negative effect 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.

A detailed description of these risks and of the action being taken to ensure that they are monitored at the applicable business units is presented in the "Regulatory Environment" sections of this chapter.

Industrial Risks or Risks Associated with the Environment

The group's activities do not pose significant industrial or environmental risks since they are by nature largely non manufacturing and a large proportion of its assets are intangible in nature. However, the group remains alert to any environmental damage that could arise or be discovered in the future, and has set up programs intended to ensure that it complies with current regulations relating to the environment as well as health and safety in all its facilities in the various countries in which the group is present.

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Section 4 Risk Factors

Risks Associated with Current Economic Conditions

The current crisis being experienced by credit and capital markets may significantly affect Vivendi's ability to access these markets in the future

The disruptions and extreme volatility affecting credit and capital markets for more than a year have reached unprecedented levels in the past few months. In some case, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers.

If, in the future, Vivendi should require additional liquidity to conduct its operations or finance future transactions, it may have to seek additional financing. However, the availability of such financing could depend on a variety of factors which are not within Vivendi's control, such as market conditions, the general availability of credit and Vivendi's credit rating.

The crisis that the credit and capital markets are currently experiencing may also limit Vivendi's access to capital. As such, Vivendi may be forced to delay raising capital or bear an unattractive cost of capital which could decrease its profitability and constrain its financial flexibility. Vivendi's earnings, financial condition and cash flows could be affected by this.

The general economic situation could affect Vivendi's revenues and those of its subsidiaries, damaging the group's business and leading to impairment charges

Extreme disruptions currently affecting numerous economic agents and global financial markets have served to severely tighten the credit markets, led to high equity market volatility and reduced future expectations for economic growth. Unfavorable changes in economic conditions (whose extent and length it is impossible to predict) including declining in consumer purchasing power and confidence, inflation or recession, may lead customers to postpone or reduce their expenditure on the products and services offered by the group, or affect their ability to pay for them, which could have a material negative effect on Vivendi's revenues and earnings.

Each year, Vivendi carries out impairment tests of goodwill and assets with indefinite lives, to assess whether their book value exceeds their recoverable value. In addition, Vivendi carries out impairment tests of assets with definite lives and other assets each time that the circumstances and operating conditions of the assets under consideration suggest that their book value exceeds their recoverable value. When the book value of an asset exceeds its recoverable value, an impairment charge is accounted for. Current economic circumstances could well lead to Vivendi having to make impairment charges against such assets.

Market Risks

Note 24 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2008 contains a detailed analysis of market risks (e.g., interest and exchange rates, liquidity and shares).

TELECOMS INTERNET TELEVISION CINEMA GAMES MUSIC TELECOMS INTERNET
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Section 1 General Information Concerning the Company

1.1. Corporate and Commercial Name

Pursuant to Article 1 of the by-laws, the corporate name of the company is Vivendi.

1.2. Place of Registration and Registration Number

The company is registered with the *Registre du Commerce et des Sociétés de Paris* (Paris Commercial and Corporate Registry) under reference number 343 134 763. Its Siret number is 343 134 763 00048 and its APE code is 6420Z.

1.3. Date of Incorporation and Term

As set forth in Article 1 of the by-laws, the company's term is 99 years from the date of December 18, 1987. The company's term shall expire on December 17, 2086, except in the event of extension or early dissolution.

1.4. Registered Office, Legal Form and Legislation Applicable to the Business of Vivendi

Pursuant to Article 3 of the by-laws, the registered office of the company is located at 42, avenue de Friedland - 75380 Paris Cedex 08 - France.

Pursuant to Article 1 of the by-laws, Vivendi is a limited liability company (*société anonyme*) with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de surveillance*). The company is governed by the French legislative and regulatory provisions on corporations and, in particular, by the provisions of the French Commercial Code (*Code de Commerce*).

1.5. Fiscal Year

Pursuant to Article 18 of the by-laws, the company's fiscal year shall commence on January 1st and end on December 31st of each year.

1.6. Access to Legal Documents and Regulated Information

Legal documents regarding the company may be examined at the company's registered office. Permanent or temporary regulated information may be found on the company's website (www.vivendi.com) under "Regulated Information".

Section 2 Additional Information Concerning the Company

2.1. Memorandum and By-Laws

2.1.1. Corporate Purpose

Pursuant to Article 2 of the by-laws, the main purposes of the company, directly or indirectly, in France and in all countries are as follows:

- to provide any communication and telecommunication activities, directly or indirectly, and any interactive services, to individual, business or public sector customers;
- to market any products and services related to the foregoing;
- to engage in any commercial, industrial, financial, stock, share and real estate transactions, directly or indirectly, related to the aforementioned purpose or to any other similar or related purpose, or contributing to the achievement of such purposes; and
- more generally, the management and acquisition, either by subscription, purchase, contribution, exchange or through any other means, of shares, bonds and any other securities of companies already in existence or yet to be formed, including the right to sell such securities.

2.1.2. Description of Rights, Preferences and Restrictions Attached to the Company's Shares and to Each Class of Existing Shares, if Applicable

Pursuant to Articles 4 and 5 of the by-laws, the shares are all of the same class and take the form of registered shares or bearer shares, subject to applicable laws and regulations.

Section 2 Additional Information Concerning the Company

Pursuant to Article 6 of the by-laws, each share carries a right of ownership of the company's assets and liquidation surplus, in a proportion equal to the portion of the share capital it represents. Whenever the accumulation of several shares is necessary in order to exercise any rights, shareholders may only exercise such rights if they combine the necessary shares. The subscription rights attached to shares belong to the usufruct holder ("*usufruitier*").

2.1.3. Description of Action Necessary to Change the Rights of Shareholders

In connection with any changes in share capital or rights attached to shares, the company's by-laws do not contain any provisions more stringent than those required by law.

2.1.4. Shareholders' Meetings

Pursuant to Article 16 of the by-laws, Shareholders' Meetings are convened and held in accordance with applicable law.

Shareholders' Meetings are held at the company's registered office or at any other place indicated in the meeting notice. When convening the meetings, the Management Board may decide to publicly broadcast the Shareholders' Meeting in full, via videoconference or teletransmission. If applicable, this decision shall be published in the meeting notice.

Two members of the Workers' Committee, appointed by said Committee, may also attend Shareholders' Meetings. The Chairman of the Management Board or any other authorized person notifies the Workers' Committee of the date and location of Shareholders' Meetings by any means.

Each shareholder, without regard to the number of shares held, is entitled, upon proof of his/her identity and capacity as a shareholder, to participate in Shareholders' Meetings, subject to (i) the recording of his/her shares on the third business day preceding the Shareholders' Meeting (the "*Record Date*"), as of 0:00 am (Paris time), whereby:

- registered shareholders shall be comprised of those shareholders identified in the nominative share register on file with the company; and
- bearer shareholders shall be comprised of those shareholders identified as holders of record in the bearer share register on file with the authorized intermediary;

and, (ii) if necessary, the provision to the company of any documents required to prove such shareholders' identity, in accordance with applicable law.

The registration or recording of shares in the bearer share register on file with the authorized intermediary is authenticated by a shareholding certificate ("*attestation de participation*") delivered by said intermediary in accordance with legal and statutory provisions.

Pursuant to Article 17 of the by-laws, voting rights attached to shares belong to usufruct holders ("*usufruitiers*") in Ordinary Shareholders' Meetings and to legal owners of title ("*nu-propriétaires*") in Extraordinary Shareholders' Meetings, unless otherwise agreed by both parties, provided that the company is notified of such agreement.

Subject to applicable laws and regulations, shareholders may send their proxy and voting forms for any Shareholders' Meeting by mail, either in paper form or, where decided by the Management Board and published in the notice of meeting, by teletransmission. Proxy and voting forms must be received by the company prior to 3:00 pm (Paris time) on the day prior to the Shareholders' Meeting.

The proxy or voting form may, if necessary, contain the shareholder's electronic signature, authenticated via a reliable security process, enabling the identification of the shareholder and his or her vote.

The Management Board may decide to permit shareholders to participate and vote in any Shareholders' Meetings by videoconference and/or teletransmission, subject to applicable laws and regulations. In such case, shareholders participating in the Shareholders' Meeting by videoconference or by any other means of telecommunication, in accordance with applicable laws and regulations, shall be deemed to be present at the meeting for purposes of calculating quorum and majority requirements.

Shareholders' Meetings are chaired by the Chairman of the Supervisory Board.

Each shareholder is entitled to a number of votes equal to the number of shares he/she owns or represents.

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Section 2 Additional Information Concerning the Company

2.1.5. Fixation, Allocation and Distribution of Net Earnings

Pursuant to Article 19 of the by-laws, the statement of income summarizes income and expenses for the fiscal year, showing statutory net income for the fiscal year as the difference between the two, after deducting amortization, depreciation and provisions.

At least 5% of the fiscal year's earnings, reduced, where applicable, by deferred losses, shall be withheld for allocation to the statutory reserve fund. This withholding ceases to be mandatory when the statutory reserve fund reaches an amount equal to 10% of the share capital. Such deductions shall resume if, for any reason, the legal reserve falls below this percentage.

The Shareholders' Meeting shall set aside such amounts as the Management Board deems appropriate for transfer to contingency funds, ordinary or extraordinary revenue reserves, retained earnings or for distribution.

Distributable earnings are equal to the net income for the fiscal year, less losses carried forward and amounts allocated to reserves, pursuant to applicable law or the company's by-laws, plus earnings carried forward from previous fiscal years.

Dividends are first paid out of current earnings.

Except in the event of a reduction in share capital, no dividends shall be distributed to shareholders when shareholders' equity is, or would become as a result of such distribution, less than the amount of the share capital plus reserves which are not permitted to be distributed under applicable law or the company's by-laws.

Revaluation surpluses may not be distributed, but may be wholly or partially capitalized.

The Shareholders' Meeting may resolve to distribute funds from available reserves by specifically identifying the reserve line items from which such funds shall be distributed.

The terms of dividend payments are determined by the Shareholders' Meeting or, upon failing to make such determination, by the Management Board. Dividends must be paid out no later than nine months following the end of the fiscal year, unless the period is extended by court order.

The Shareholders' Meeting has the right to grant each shareholder the option, with respect to all or part of the dividend or interim dividend distributed, to receive such dividend in the form of cash, shares or payment in kind.

Dividends remaining unclaimed after a period of five years from the date of payments of such dividends are no longer distributable under applicable statutes of limitation.

2.1.6. Description of Provisions Having the Effect of Delaying, Deferring or Preventing a Change in Control

The by-laws do not contain any provision that would have the effect of delaying, deferring or preventing a change in control of the company.

2.1.7. Provisions Governing the Ownership Threshold Above Which Shareholder Ownership Must be Disclosed

Pursuant to Article 5 of the by-laws, the company may, at any time, in accordance with applicable laws and regulations, request the relevant central depository for financial instruments to provide it with information relating to company securities conferring a voting right (either immediately or in the future) at Shareholders' Meetings.

Personal data and information obtained will be used solely for the purpose of identifying the owners of bearer shares and analyzing the structure of Vivendi share ownership on any given date. In accordance with the provisions of the Law dated January 6, 1978, owners of securities have the right to access, amend and delete any personal information. In order to do so, a request must be submitted to Vivendi's Legal Department or at the following email address: tpi@vivendi.com.

Failure by shareholders or intermediaries to comply with the above requirement may lead to the suspension or suppression of dividends and/or voting rights, as permitted by law.

Section 2 Additional Information Concerning the Company

Any person acting alone or in concert who directly or indirectly becomes the holder of a fraction of the capital, voting rights or securities giving rights to the share capital of the company equivalent to or in excess of 0.5% or a multiple thereof, shall send a notice to the company, by registered letter with acknowledgment of receipt, within 15 calendar days of crossing any of these thresholds, specifying the total number of shares, voting rights or securities giving rights to the share capital of the company which such person directly or indirectly holds, whether alone or in concert.

A person who fails to comply with this notification requirement is subject to penalties in accordance with applicable law, upon the request, as recorded in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 0.5% of the company's share capital.

Any person, acting alone or in concert, shall inform the company within 5 trading days if the percentage of share capital or voting rights which such person holds falls below any of the above-mentioned thresholds.

2.1.8. Description of the Provisions Governing Changes in Share Capital Where Such Conditions are More Stringent than Required by Law

None.

2.2. Share Capital

2.2.1. Amount of Issued Capital

As of December 31, 2008, the company's share capital amounted to €6,436,085,909 divided into 1,170,197,438 shares, with a nominal value of €5.50 per share.

All shares may be held in registered or bearer form and are freely negotiable. The shares are traded on the compartment A of Euronext Paris (ISIN Code: FR0000127771).

2.2.2. Shares not Representing Capital

None.

2.2.3. Amount of Authorized but Non-Issued Capital

List of delegated powers and authorizations approved by the Combined General Meetings held on April 19, 2007 and April 24, 2008 and submitted for the approval of the Combined General Meeting to be held on April 30, 2009

Issues with preferential subscription rights maintained

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and marketable securities giving rights to the share capital)	7th-2007	26 months (June 2009)	**(a, d)** €1 billion i.e., 15.71% of the share capital
	11th-2009	26 months (June 2011)	**(a, d)** €1.5 billion i.e., 23.31% of the share capital
Capital increase by incorporation of reserves	9th-2007	26 months (June 2009)	**(b)** €500 million i.e., 7.8% of the share capital
	17th-2009	26 months (June 2011)	**(c)** €800 million i.e., 12.42% of the share capital

Section 2 Additional Information Concerning the Company

Issues without preferential subscription rights

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and any marketable securities giving rights to shares)	8th-2007	26 months (June 2009)	**(b)** €500 million i.e., 7.8% of the share capital
	12th-2009	26 months (June 2011)	**(c, d)** €800 million i.e., 12.42% of the share capital
Contributions in kind made to the company	14th-2009	26 months (June 2011)	**(f)** 10% of the share capital

Issues reserved for employees of Vivendi

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Characteristics
Increase of share capital through the group's Savings Plan (PEG)	19th-2008	26 months (June 2010)	**(b, e)** Maximum of 2.5% of the share capital on the date of the Management Board's decision
	20th-2008	18 months (Oct. 2009)	
	15th-2009	26 months (June 2011)	**(c)** Maximum of 2.5% of the share capital on the date of the Management Board's decision
	16th-2009	18 months (Oct. 2010)	
Stock options (subscription options only), Exercise price fixed without discount	17th-2008	38 months (June 2011)	**(c)** Maximum of 2.5% of the share capital on the date of the Management Board's decision
Grant of performance shares already existing or to be issued	18th-2008	38 months (June 2011)	**(c)** Maximum of 0.5% of the share capital on the date of grant

Share repurchase program

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Characteristics
Share repurchases	15th-2008	18 months (Oct. 2009)	Maximum purchase price: €40
	9th-2009	18 months (Oct. 2010)	Maximum purchase price: €35
Cancellation of shares	16th-2008	26 months (June 2010)	10% of the share capital over a 24-month period
	10th-2009	18 months (Oct. 2010)	

(a) Aggregate maximum amount for capital increases, all transactions included.
(b) This amount shall be deducted from the aggregate nominal amount of €1 billion set forth in the seventh resolution of the 2007 Combined Shareholders' Meeting.
(c) This amount shall be deducted from the aggregate nominal amount of €1.5 billion set forth in the eleventh resolution of the 2009 Combined Shareholders' Meeting.
(d) Amount that could be increased to the upper limit of 15% in the event that the issue is oversubscribed (seventh and eighth resolutions – 2007 and thirteenth resolution – 2009).
(e) Authorization in 2008 in the amount of 4.5 million shares, i.e., 0.38% of the share capital.
(f) This amount shall be deducted from the aggregate nominal amount of €800 million set forth in the twelfth resolution of the 2009 Combined Shareholders' Meeting.

Section 2 Additional Information Concerning the Company

2.2.4. Shares Held by the Company

2.2.4.1. Summary of the Previous Share Repurchase Program

Aggregate number of purchases and sales/transfers of shares from November 6, 2007 to October 17, 2008 (excluding the liquidity agreement)

	Purchases	Transfers/Sales
Number of securities	7,118,181	**(a)** 7,118,181
Average price per share (in euros)	30.01	**(b)** 32.12
Total value (in euros)	213,616,612	228,635,974

(a) Number of shares exchanged for 2% of the share capital of Maroc Telecom pursuant to a transaction with the Caisse de Dépôts et de Gestion du Maroc.
(b) Share price used in the above-mentioned transaction, closing quotation as of December 6, 2007.

Number of shares cancelled during the last 24 months: 1,300,389. These shares were previously allocated to the hedging of options to purchase ADRs granted to U.S. employees, which served no purpose following the delisting of the company from the New York Stock Exchange.

2.2.4.2. Aggregate number of Purchases and Sales/Transfers of Shares from January 1, 2008 to December 31, 2008 (Excluding the Liquidity Agreement)

	Purchases	Transfers/Sales
Number of securities	None	None
Average price per share (in euros)	na	na
Total value (in euros)	na	na

na: not applicable.

2.2.4.3. Current Share Repurchase Program

Upon delegation of the Management Board dated October 20, 2008, a share repurchase program was implemented on October 20, 2008, pursuant to the authorization granted under the fifteenth resolution of the Combined Shareholders' Meeting held on April 24, 2008.

The maximum percentage of repurchases authorized is 10% of the share capital, with a maximum price of €35 per share, in accordance with the maximum amount set forth by the Shareholders' Meeting.

The purpose of this program is the market making of Vivendi shares through a financial intermediary pursuant to a liquidity agreement established in compliance with the AMAFI professional code of ethics approved by the *Autorité des Marchés Financiers* (AMF).

2.2.4.4. Treasury Shares (Excluding the Liquidity Agreement)

Position as of December 31, 2008
As of December 31, 2008, Vivendi held 79,114 of its own shares, each having a nominal value of €5.50, representing 0.0068% of the share capital of the company, all reserved for the hedging of stock purchase plans. As of December 31, 2008, the book value of shares held by the company amounted to €1.9 million, representing a market value of €1.8 million.

2.2.4.5. Liquidity Agreement

Since January 3, 2005, Vivendi has implemented a liquidity agreement established in compliance with the code of ethics of the AMAFI. The term of this agreement is one year, renewable by tacit agreement.

As part of the implementation of this liquidity agreement, in 2008, Vivendi repurchased a total of 10,448,330 shares, representing 0.89% of the share capital, for a value of €252.6 million and sold a total of 10,448,330 shares for a value of €253.4 million.

In connection with this liquidity agreement, as of December 31, 2008, the following resources were held in the liquidity account of the company: 0 shares and €50.7 million. In 2008, the company recognized capital gains in the amount of €0.8 million pursuant to this liquidity agreement. For the year 2008, the management fee for the liquidity agreement amounted to €143,750 (excluding VAT).

2.2.4.6. Cross-Shareholding

As of December 31, 2008, subsidiaries of Vivendi held 450 shares of the company.

2.2.4.7. Open Positions on Derivative Financial Instruments as of December 31, 2008

Call options purchased by the company in order to hedge stock option plans allocated to employees of the group expired in 2008 due to the expiration of said plans in 2008. As of December 31, 2008, no open positions remained on the derivative financial instruments.

2.2.5. Convertible Securities, Exchangeable Securities or Warrant Securities

2.2.5.1. Bonds Convertible into New Shares or Exchangeable into Existing Shares (OCEANEs)

There are no outstanding OCEANEs.

2.2.5.2. Bonds Mandatorily Redeemable in Shares (ORAs)

There are no outstanding ORAs.

2.2.5.3. Warrants (BSAs)

There are no outstanding BSAs.

2.2.6. Stock Option Plans

2.2.6.1. Grant Criteria

Grants of purchase or subscription options depend on three factors, which include the degree of responsibility, performance and the identification of executives with great potential or whose contributions were significant.

Stock subscription plans
Since 2002, stock subscription plans have been implemented. These plans have a ten-year term except for the plans granted in 2002 and January 2003, which have an eight-year term.

As of December 31, 2008, 35,464,547 options were outstanding under all existing stock option plans (after deducting the number of stock options exercised or cancelled pursuant to the termination of employment of certain beneficiaries), representing a maximum nominal share capital increase of €195,055 million or 3.03% of the current share capital of the company.

As a result of the termination of Vivendi's ADR program and its delisting from the NYSE, stock options exercisable into ADRs granted to certain directors and employees of the group residing in the United States were converted into Stock Appreciation Rights (SARs), instruments which settle in cash and which do not themselves represent shares and therefore do not result in an increase of the share capital. The trading value of the SARs is the average of the high and low prices of Vivendi's ordinary shares as quoted on Euronext Paris on that trading day, converted from Euros to US dollars based on the daily Euro/US dollar exchange rate as published by the European Central Bank on the date of exercise of the SARs.

Stock purchase plans set up in December 2000 for the benefit of the group's employees and having an eight-year term expired in 2008. No stock purchase options were exercised. Stock purchase plans granted in 2001 and 2002 will expire in 2009 and 2010, respectively (please refer to the appendix of this section).

Section 2 Additional Information Concerning the Company

2.2.6.2. Plan Characteristics

Standard option plans (2002 to 2006 plans)
The options vest annually in one-thirds over three-year periods. The options are exercisable on one or more occasions up to two-thirds of the total grant two years after the date of grant and up to 100% three years after the date of grant.

Since 2007, the rights resulting from stock options are fully acquired by the beneficiaries after a three-year period and may be exercised on one or more occasions. Shares resulting from the exercise of the options can be freely transferred, subject, for beneficiaries who are French tax residents, to the expiration of the beneficial holding period applicable under French tax law (currently a four-year period).

Beginning 2009, and as decided at the Annual General Meeting of April 24, 2008, the grant of options is subject to the same performance conditions and quantitative methods of allocation as those used for performance shares (see paragraph 3.3).

For all the plans, in the event of a tender offer for Vivendi shares, the options will vest and become immediately exercisable. In addition, the underlying shares will be freely transferable.

SO IV (over-performance options)
This plan expired on December 11, 2008.

2.2.7. Shares of Performance Stock

Please refer to section 3.3.2 below and to the appendix of this section.

2.2.8. Acquisition Rights or Obligations in Respect of Authorized but Non-Issued Capital

None.

2.2.9. Conditional or Unconditional Options or Agreements on any Member of the Group

None.

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Section 2 Additional Information Concerning the Company

2.2.10. Change in Share Capital over the Last Five Years

Transactions	Amount				Successive amounts of share capital	
	Date	Share Nominal value	Premium per share (in euros)	Number of issued shares	Total number of shares outstanding	In euros
Share capital as of December 31, 2002	12/31/02	5.50		530,126	1,068,148,584	5,874,817,212.00
2002 Group Savings Plan	01/15/03	5.50	4.96	2,402,142	1,070,550,726	5,888,028,993.00
ORAs redemption	01/29/03	5.50	-	455,510	1,071,006,236	5,890,534,298.00
Cancellation - Reallocation	01/29/03	5.50	na	(451,562)	1,070,554,674	5,888,050,707.00
ORAs redemption	07/01/03	5.50	-	209,557	1,070,764,231	5,889,203,270.50
Cancellation - Reallocation	07/01/03	5.50	na	(213,505)	1,070,550,726	5,888,028,993.00
2003 Group Savings Plan	07/24/03	5.50	6.73	955,864	1,071,506,590	5,893,286,245.00
ORAs redemption	12/09/03	5.50	-	1,787,700	1,073,294,290	5,903,118,595.00
Redemption of 8.25% ORAs	12/09/03	5.50	-	1,920	1,073,296,210	5,903,129,155.00
Cancellation - Reallocation	12/09/03	5.50	na	(1,787,700)	1,071,508,510	5,893,296,805.00
ORAs redemption	02/03/04	5.50	-	111,300	1,071,619,810	5,893,908,955.00
Redemption of 8.25% ORAs	02/03/04	5.50	-	181	1,071,619,991	5,893,909,950.50
Cancellation - Reallocation	02/03/04	5.50	na	(111,300)	1,071,508,691	5,893,297,800.50
Redemption of 8.25% ORAs	02/29/04	5.50	-	135	1,071,508,826	5,893,298,543.00
ORAs redemption	02/29/04	5.50	-	1,500	1,071,510,326	5,893,306,793.00
ORAs redemption	03/31/04	5.50	-	228,800	1,071,739,126	5,894,565,193.00
ORAs redemption	04/30/04	5.50	-	76,800	1,071,815,926	5,894,987,593.00
ORAs redemption	05/31/04	5.50	-	275,140	1,072,091,066	5,896,500,863.00
Redemption of 8.25% ORAs	06/26/04	5.50	-	2,422	1,072,093,488	5,896,514,184.00
ORAs redemption	06/29/04	5.50	-	20,800	1,072,114,288	5,896,628,584.00
Cancellation - Reallocation	06/29/04	5.50	na	(603,040)	1,071,511,248	5,893,311,864.00
2004 Group Savings Plan	07/27/04	5.50	12.70	831,171	1,072,342,419	5,897,883,304.50
ORAs redemption	07/30/04	5.50	-	216,740	1,072,559,159	5,899,075,374.50
Redemption of 8.25% ORAs	09/30/04	5.50	-	180	1,072,559,339	5,899,076,364.50
Stock option exercises	10/30/04	5.50	* 6.29	225,764	1,072,785,103	5,900,318,066.50
ORAs redemption	10/30/04	5.50	-	25,560	1,072,810,663	5,900,458,646.50
ORAs redemption	11/30/04	5.50	-	61,100	1,072,871,763	5,900,794,696.50
Stock option exercises	12/30/04	5.50	* 6.29	56,000	1,072,927,763	5,901,102,696.50
ORAs redemption	12/30/04	5.50	-	139,898	1,073,067,661	5,901,872,135.50
Cancellation - Reallocation	12/31/04	5.50	na	(443,298)	1,072,624,363	5,899,433,966.50
Redemption of 8.25% ORAs	04/28/05	5.50	na	(470)	1,072,624,833	5,899,436,581.50
ORAs redemption	04/28/05	5.50	na	367,812	1,072,992,645	5,901,459,547.50
Stock option exercises	04/28/05	5.50	* 7.30	94,300	1,073,086,945	5,901,978,197.50
Cancellation - Reallocation	04/28/05	5.50	-	(367,812)	1,072,719,133	5,899,955,231.50
2005 Group Savings Plan	07/26/05	5.50	13.96	1,399,097	1,074,118,230	5,907,650,265.00
Redemption of 8.25% ORAs	11/29/05	5.50	na	78,669,500	1,152,787,730	6,340,332,515.00
Redemption of 8.25% ORAs	12/05/05	5.50	na	2,445	1,152,790,175	6,340,345,962.50
ORAs redemption	12/05/05	5.50	na	188,280	1,152,978,455	6,341,381,502.50
Stock option exercises	12/05/05	5.50	* 8.23	362,527	1,153,340,982	6,343,375,401.00
Cancellation - Reallocation	12/05/05	5.50	na	(116,520)	1,153,224,462	6,342,734,541.00
ORAs redemption	12/31/05	5.50	na	240	1,153,224,702	6,342,735,861.00
Stock option exercises	12/31/05	5.50	* 7.79	252,859	1,153,477,561	6,344,126,585.50
Cancellation - Reallocation	12/31/05	5.50	-	(240)	1,153 477,321	6,344,125,265.50
Stock option exercises	01/31/06	5.50	* 8.90	116,465	1,153,593,786	6,344,765,823.00
Stock option exercises	02/28/06	5.50	* 9.64	19,532	1,153,613,318	6,344,873,249.00
ORAs redemption	02/28/06	5.50	-	4,340	1,153,617,658	6,344,897,119.00
Stock option exercises	03/31/06	5.50	* 10.90	152,440	1,153,770,098	6,345,735,539.00
ORAs redemption	03/31/06	5.50	-	224,003	1,153,994,101	6,346,967,555.50
Stock option exercises	04/30/06	5.50	* 9.45	94,680	1,154,088,781	6,347,488,295.50
ORAs redemption	04/30/06	5.50	-	40	1,154,088,821	6,347,488,515.50

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Transactions	Amount				Successive amounts of share capital	
	Date	Share Nominal value	Premium per share (in euros)	Number of issued shares	Total number of shares outstanding	In euros
Stock option exercises	05/31/06	5.50	* 8.90	40,500	1,154,129,321	6,347,711,265.50
ORAs redemption	05/31/06	5.50	-	1,600	1,154,130,921	6,347,720,065.50
Stock option exercises	06/30/06	5.50	* 11.22	258,180	1,154,389,101	6,349,140,055.50
Cancellation - Reallocation	06/30/06	5.50	-	(229,983)	1,154,159,118	6,347,875,149.00
2006 Group Savings Plan	07/19/06	5.50	15.22	1,471,499	1,155,630,617	6,355,968,393.50
Stock option exercises	07/30/06	5.50	* 9.03	76,650	1,155,707,267	6,356,389,968.50
Stock option exercises	08/30/06	5.50	* 8.90	13,333	1,155,720,600	6,356,463,300.00
ORAs redemption	09/30/06	5.50	-	214,560	1,155,935,160	6,357,643,380.00
Stock option exercises	10/30/06	5.50	* 8.52	765,666	1,156,700,826	6,361,854,543.00
Stock option exercises	11/30/06	5.50	* 7.43	327,470	1,157,028,296	6,363,655,628.00
ORAs redemption	11/30/06	5.50	-	4,316,085	1,161,344,381	6,387,394,095.50
Cancellation - Reallocation	11/30/06	5.50	na	(4,530,645)	1,156,813,736	6,362,475,548.00
Stock option exercises	12/31/06	5.50	* 7.02	220,000	1,157,033,736	6,363,685,548.00
Stock option exercises	01/31/07	5.50	* 10.05	165,416	1,157,199,152	6,364,595,336.00
Stock option exercises	02/28/07	5.50	* 10.40	12,500	1,157,211,652	6,364,664,086.00
Stock option exercises	03/30/07	5.50	* 9.07	58,992	1,157,270,644	6,364,988,542.00
Cancellation	03/30/07	5.50	na	(1,300,389)	1,155,970,255	6,357,836,402.50
Stock option exercises	04/30/07	5.50	* 9.15	426,164	1,156,396,419	6,360,180,304.50
Stock option exercises	05/31/07	5.50	* 9.70	557,978	1,156,954,397	6,363.249,183.50
Stock option exercises	06/30/07	5.50	* 9.44	5,462,245	1,162,416,642	6,393,291,531.00
2007 Group Savings Plan	07/18/07	5.50	19.10	1,276,227	1,163,692,869	6,400,310,779.50
Stock option exercises	07/31/07	5.50	* 10.73	313,145	1,164,006,014	6,402,033,077.00
Stock option exercises	08/31/07	5.50	* 8.90	2,900	1,164,008,914	6,402,049,027.00
Stock option exercises	09/30/07	5.50	* 8.90	73,452	1,164,082,366	6,402,453,013.00
Stock option exercises	10/31/07	5.50	* 8.98	139,501	1,164,221,867	6,403,220,268.50
Stock option exercises	11/30/07	5.50	* 12.30	170,200	1,164,392,067	6,404,156,368.50
Stock option exercises	12/31/07	5.50	* 10.88	351,093	1,164,743,160	6,406,087,380.00
Grant of shares of restricted stock	12/31/07	5.50	na	60	1,164,743,220	6,406,087,710.00
Grant of shares of restricted stock (2006 AGA)	04/14/08	5.50	na	423,516	1,165,166,736	6,408,417,048.00
Stock option exercises	01/31/08	5.50	11.02	36,806	1,165,203,542	6,408,619,481.00
Stock option exercises	02/29/08	5.50	8.90	6,800	1,165,210,342	6,408,656,881.00
Stock option exercises	03/31/08	5.50	13.06	11,100	1,165,221,442	6,408,717,931.00
Stock option exercises	04/16/08	5.50	9.90	62,500	1,165,283,942	6,409,061,681.00
Stock option exercises	05/31/08	5.50	13.94	34,580	1,165,318,522	6,409,251,871.00
Stock option exercises	06/30/08	5.50	11.54	61,600	1,165,380,122	6,409,590,671.00
2008 Group Savings Plan	07/24/08	5.50	15.58	4,361,052	1,169,741,174	6,433,576,457.00
2008 Group Savings Plan	07/24/08	5.50	18.215	132,541	1,169,873,715	6,434,305,432.50
Stock option exercises	07/31/08	5.50	* 13.36	19,900	1,169,893,615	6,434,414,882.50
Stock option exercises	08/31/08	5.50	* 8.90	5,000	1,169,898,615	6,434,442,382.50
Grant of shares of restricted stock (AGA September 2006)	09/22/08	5.50	na	3,295	1,169,901,910	6,434,460,505.00
Stock option exercises	09/30/08	5.50	* 13.36	23,166	1,169,925,076	6,434,587,918.00
Stock option exercises	10/31/08	5.50	* 8.90	53,650	1,169,978,726	6,434,882,993.00
Stock option exercises	11/30/08	5.50	* 8.90	2,000	1,169,980,726	6,434,893,993.00
Stock option exercises	12/10/08	5.50	* 8.90	6,850	1,169,987,576	6,434,931,668.00
Grant of shares of restricted stock (AGA 15 - December 12, 2006)	12/15/08	5.50	na	184,245	1,170,171,821	6,435,945,015.50
Grant of shares of restricted stock (AGA December 12, 2006)	12/15/08	5.50	na	1,067	1,170,172,888	6,435,950,884.00
Stock option exercises	12/31/08	5.50	* 10.02	24,550	1,170,197,438	6,436,085,909.00

na: not applicable

* Weighted-average premium in euros.

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On December 31, 2008, taking into account:

- 35,464,547 outstanding stock options, which could result in the issuance of 35,464,547 shares; and
- 986,827 shares of restricted stock granted in 2007 and 2008; the potential share capital was €6,636,568,466 divided into 1,206,648,812 shares.

2.2.11. Market Information

2.2.11.1. Places of Listing – Stock Exchange Quotation

Source: Euronext Paris.

Stock exchange quotation for Vivendi ordinary shares

Compartment A – Euronext Paris Code: FR0000127771 (in euros)	Average quotation	High	Low	Number of securities traded	Transactions (in euros)
2006					
January	26.10	26.88	25.00	170,604,128	4,438,770,472
February	25.63	26.61	24.74	171,299,931	4,388,792,475
March	27.63	29.35	25.00	269,057,166	7,373,488,690
April	28.47	29.13	27.36	150,409,523	4,278,720,958
May	28.01	29.60	26.95	351,534,814	9,911,875,236
June	27.42	28.79	26.08	215,514,326	5,908,267,577
July	26.34	27.55	25.25	121,748,285	3,196,339,455
August	26.56	27.18	25.71	96,283,235	2,555,489,829
September	27.52	28.65	26.73	131,317,848	3,612,292,636
October	28.88	30.39	28.03	132,313,345	3,830,862,869
November	29.63	30.63	28.61	148,263,051	4,394,752,873
December	29.39	29.94	28.62	107,095,993	3,130,593,430
2007					
January	31.42	32.55	29.80	147,503,510	4,632,215,707
February	31.01	32.08	29.61	143,947,874	4,452,776,103
March	29.62	30.65	28.20	169,221,512	4,991,974,981
April	31.13	31.99	30.15	134,673,973	4,179,229,957
May	31.23	32.41	30.12	136,605,063	4,262,441,222
June	31.57	32.52	30.67	135,603,131	4,274,162,835
July	31.77	33.04	30.98	150,414,525	4,781,953,202
August	29.72	30.90	27.92	152,432,215	4,525,851,032
September	29.56	30.44	28.52	121,312,952	3,586,209,393
October	30.20	31.85	29.01	148,080,236	4,482,123,814
November	30.19	31.45	29.05	132,959,230	4,008,876,168
December	31.61	32.68	30.72	115,061,647	3,643,817,333
2008					
January	28.93	31.60	25.01	183,743,901	5,227,919,965
February	26.95	28.62	25.80	141,166,245	3,809,343,051
March	24.84	26.64	23.05	181,594,363	4,469,288,530
April	25.73	26.16	24.60	117,221,215	3,012,148,059
May	26.04	27.12	24.75	152,798,352	3,995,938,859
June	25.56	27.44	23.58	132,007,481	3,373,587,307
July	25.43	27.20	23.23	148,658,714	3,778,492,951
August	26.23	27.39	25.16	95,595,999	2,511,831,340
September	24.31	26.68	21.41	159,815,708	3,846,959,108
October	20.55	23.01	16.32	263,975,166	5,366,988,481
November	20.81	22.49	19.01	141,619,349	2,950,969,128
December	22.55	23.75	20.80	120,956,256	2,725,739,929
2009					
January	21.12	24.00	19.25	122,453,987	2,571,234,382
February	19.63	21.10	18.28	95,714,353	1,873,527,042

Section 2 Additional Information Concerning the Company

Stock exchange quotation for Vivendi bonds – Euronext Paris

Notes 6.50% 1997* Value code (FR0000207581) nominal value : €762.25	Average quotation (% nominal value)	High (% nominal value)	Low (% nominal value)	Number of securities traded	Transactions (in euros)
2006					
January	107.79	108.40	107.17	59	48,978
February	107.93	108.95	107.06	123	101,463
March	107.02	107.15	106.92	35	28,783
April	106.36	106.66	105.51	70	57,411
May	105.19	106.20	103.22	143	116,773
June	102.40	103.01	101.18	40	31,928
July	103.56	104.04	103.07	25	20,352
August	105.15	106.19	104.10	16	13,359
September	104.36	105.28	104.36	6	4,994
October	103.62	104.20	103.30	106	87,682
November	105.03	106.40	103.32	28	23,500
December	103.23	104.29	102.17	99	82,138
2007					
January	103.31	104.78	102.10	83	66,848
February	103.55	103.61	103.45	49	38,791
March	103.41	103.76	103.00	64	50,896
April	102.75	103.36	102.10	61	48,425
May	102.87	103.02	102.50	25	19,953
June	102.34	102.70	101.80	209	166,977
July	101.72	102.00	101.50	36	28,752
August	101.73	101.88	100.90	131	105,028
September	102.33	102.75	101.90	44	35,747
October	101.30	101.66	101.00	13	10,481
November	99.31	100.03	99.07	113	90,172
December	99.30	99.30	99.30	5	4,009
2008					
January	99.50	99.51	99.50	15	11,912
February	100.19	100.23	100.15	11	8,427
March	100.67	100.70	100.66	18	13,957
April	100.07	100.13	100.05	15	11,592
May	100.38	101.00	100.10	592	462,675
June	100.06	100.21	100.00	156	121,815
July	100.00	100.00	100.00	27	21,244
August	100.26	101.40	99.00	162	128,290
September	99.76	100.02	99.05	66	52,359
October	99.54	100.04	99.02	72	57,299
November	99.26	99.97	98.25	203	162,096
December	99.78	100.20	99.27	129	104,113
2009					
January	99.91	100.00	99.51	66	53,398

* The notes were delisted in January 2009.

2.2.12. Financial Securities Intermediary

BNP Paribas
Securities Services – Service Emetteurs
Immeuble Tolbiac
75450 Paris cedex 09 – France

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Section 2 Additional Information Concerning the Company

2.3. Major Shareholders

2.3.1. Share Ownership and Voting Rights

As of December 31, 2008, the company's share capital amounted to €6,436,085,909, divided into 1,170,197,438 shares. The corresponding number of voting rights, considering that treasury shares have no voting rights, amounted to 1,170,117,874.

To the Management Board's knowledge, the major shareholders holding shares in registered form or having sent a share ownership notice to the company were as follows:

Groups	% of capital share	% of voting rights	Number of shares	Number of voting rights
Capital Research and Management	4.91	4.91	57,398,503	57,398,503
Natixis (Ixis Corporate & Investment Bank)	4.30	4.30	50,318,033	50,318,033
CDC – Caisse des Dépôts et Consignations	3.71	3.71	43,371,350	43,371,350
Groupe Crédit Agricole	3.58	3.58	41,878,478	41,878,478
Natixis Asset Management	3.43	3.43	40,137,236	40,137,236
Paris International Investment	2.97	2.97	34,711,040	34,711,040
Group savings plan Vivendi	1.25	1.25	14,676,652	14,676,652
Prudential Plc	0.94	0.94	11,051,279	11,051,279
BNP – Paribas	0.72	0.72	8,437,673	8,437,673
UBS Investment Bank	0.71	0.71	8,261,846	8,261,846
ADIA (Abu Dhabi Investment Authority)	0.66	0.66	7,746,017	7,746,017
Crédit Suisse Securities (Europe) Limited	0.58	0.58	6,742,613	6,742,613
Rothschild – Asset Management	0.54	0.54	6,270,887	6,270,887
Groupama Asset Management	0.53	0.53	6,194,697	6,194,697
HBOS Plc	0.51	0.51	5,914,429	5,914,429
Merrill Lynch	0.50	0.50	5,907,947	5,907,947
FIPAR International (CDG Maroc)*	0.50	0.50	5,848,914	5,848,914
RCAR (Régime collectif d'allocation de retraite) – CDG Maroc	0.50	0.50	5,848,904	5,848,904
Société Générale	0.49	0.49	5,736,142	5,736,142
AQR Capital Management	0.49	0.49	5,701,349	5,701,349
Pension Reserve Fund (Fonds de réserve pour les retraités)	0.47	0.47	5,489,679	5,489,679
SRM Advisers (Monaco) S.A.M.	0.43	0.43	5,043,275	5,043,275
HERMES Equity (BT Pension Scheme Trustees Limited)	0.43	0.43	5,015,621	5,015,621
TPG-Axon	0.37	0.37	4,316,348	4,316,348
Group savings plan Veolia Environnement	0.24	0.24	2,795,000	2,795,000
Treasury shares	0.01	0.00	79,564	0
Other shareholders	66.23	66.24	775,303,962	775,303,962
Total	**100.00**	**100.00**	**1,170,197,438**	**1,170,117,874**

* Aggregate number of shares held by CDG Maroc as of December 24, 2008: 11,697,818, i.e., 1% of the share capital.

2.3.2. Pledge of Company Shares

As of December 31, 2008, pledges on shares of the company held in registered form by individual shareholders amounted to 1,318,382 shares, representing 0.11% of the share capital of the company.

2.3.3. Control of the Company – Shareholders' Agreements

To the company's knowledge, as of December 31, 2008, no shareholder held more than 5% of the company's share capital or voting rights and there is no shareholders' agreement, whether publicly disclosed or not, relating to Vivendi's securities.

Section 2 Additional Information Concerning the Company

2.3.4. Notices made to the company regarding legal and statutory thresholds

In 2008, the company did not receive any notice regarding the crossing of any legal thresholds. It received notices in respect of the crossing, upwards or downwards, of statutory thresholds (0.5% or any multiple of this percentage), including notices from Natixis Asset Management, UBS Investment Bank, Crédit Suisse Securities (Europe) Limited, Société Générale Asset Management, TPG Axon Capital, Merrill Lynch, Groupama Asset Management, HBOS Plc, Prudential Plc, Fipar and RCAR (CDG Maroc), details of which are contained in the table below.

2.3.5. Changes in Share Ownership and Voting Rights over the Last Three Years (as of December 31st)

	2008			2007			2006		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Capital Research and Management	57,398,503	4.91	4.91	57,398,503	4.93	4.93			
Natixis (Ixis Corporate & Investment Bank)	50,318,033	4.30	4.30	50,318,033	4.32	4.32	28,102,800	2.43	2.43
CDC – Caisse des Dépôts et Consignations	43,371,350	3.71	3.71	43,371,350	3.72	3.72	40,551,350	3.51	3.51
Crédit Agricole	41,878,478	3.58	3.58	41,878,478	3.60	3.60			
Natixis Asset Management	40,137,236	3.43	3.43	36,880,598	3.17	3.17			
Paris International Investment	34,711,040	2.97	2.97	34,711,040	2.98	2.98			
Group Savings Plan - Vivendi	14,676,652	1.25	1.25	10,852,671	0.93	0.93	11,109,743	0.96	0.96
Prudential Plc	11,051,279	0.94	0.94						
BNP Paribas	8,437,673	0.72	0.72	8,437,673	0.72	0.72	11,646,798	1.01	1.01
UBS	8,261,846	0.71	0.71	17,438,617	1.50	1.50	22,440,051	1.94	1.94
Abu Dhabi Investment Authority	7,746,017	0.66	0.66						
Crédit Suisse Securities (Europe) Limited	6,742,613	0.58	0.58	12,645,852	1.09	1.09	5,867,826	0.51	0.51
Rothschild – Asset Management	6,270,887	0.54	0.54	6,270,887	0.54	0.54	6,270,887	0.54	0.54
Groupama Asset Management	6,194,697	0.53	0.53	3,191,849	0.27	0.27	5,420,967	0.47	0.47
HBOS Plc	5,914,429	0.51	0.51						
Merrill Lynch	5,907,947	0.50	0.50						
FIPAR International (CDG Maroc)	5,848,914	0.50	0.50	7,118,181	0.61	0.61			
RCAR (Régime collectif d'allocation de retraite) (CDG Maroc)	5,848,904	0.50	0.50						
Société Générale	5,736,142	0.49	0.49	5,745,662	0.49	0.49	8,411,757	0.73	0.73
AQR Capital Management	5,701,349	0.49	0.49						
Pension Reserve Fund (fonds de réserve pour les retraités)	5,489,679	0.47	0.47	5,489,679	0.47	0.47	5,489,679	0.47	0.48
SRM Advisers (Monaco) S.A.M.	5,043,275	0.43	0.43	6,200,000	0.53	0.53			
Hermès Equity (BT Pension Scheme Trustees Limited)	5,015,621	0.43	0.43						
TPG Axon Capital	4,316,348	0.37	0.37						
Group Savings Plan - Veolia Environnement	2,795,000	0.24	0.24	2,847,000	0.24	0.24	3,497,000	0.30	0.30
CSCS Partners				600,000	0.05	0.05			
Sebastian Holdings Inc.				100,000	0.01	0.01	13,702,926	1.18	1.19
Treasury shares	79,564	0.01	0.00	79,564	0.01	0.00	1,379,503	0.12	0.00
Other shareholders	775,303,962	66.23	66.24	813,167,583	69.82	69.83	993,141,999	85.83	85.93
Total	**1,170,197,438**	**100.00**	**100.00**	**1,164,743,220**	**100.00**	**100.00**	**1,157,033,736**	**100.00**	**100.00**

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Section 2 Additional Information Concerning the Company

Appendix

Details of Stock Purchase and Stock Subscription Options and Restricted Stock Plans

Stock purchase plans (in euros)

	Date of the Shareholders' Meeting	Date of the Board of Directors Meeting	Grant date	Number of options granted				Vesting date for options exercise	Expiration date	Adjusted exercise price (a)	Number of options		
				Total number		Of which number granted to members of governing bodies					Exercised in 2008 (adjusted number) (a)	Cancelled in 2008 (adjusted number) (a)	Outstanding as of 12/31/2008 (adjusted number) (a)
				of beneficiaries	of options	Number of beneficiaries	Number of options						
	05/15/98	03/10/00	03/10/00	2	5,000			03/11/02	03/10/08	103.42		5,142	-
	05/15/98	05/23/00	05/23/00	1,047	2,783,560	12	914,000	05/24/02	05/23/08	108.37		2,622,085	-
	09/21/00	11/23/00	11/23/00	1	20,000			11/24/02	11/23/08	81.43		20,568	-
	09/21/00	11/23/00	11/23/00	511	3,114,000			11/24/02	11/23/08	81.43		2,722,360	-
	09/21/00	12/11/00	12/11/00	1,988	5,508,201	12	1,489,771	12/12/02	12/11/08	76.47		4,450,991	-
SO IV	09/21/00	12/11/00	12/11/00	65	3,700,000	12	1,925,000	12/12/06	12/11/08	76.47		2,416,713	-
	09/21/00	03/09/01	03/09/01	1	2,000			03/10/03	03/09/09	67,83			1,368
	09/21/00	04/24/01	04/24/01	2	11,000			04/25/03	04/24/09	73.42			11,312
	09/21/00	09/25/01	10/10/01	1,545	6,999,322	14	1,553,157	10/11/03	10/10/09	46.87		9,611	6,010,031
	11/13/00	09/25/01	10/10/01	41	304,959	3	62,254	10/11/03	10/10/09	46.87			295,061
	04/17/00	09/25/01	10/10/01	361	917,995	2	32,080	10/11/03	10/10/09	46.87			694,605
	04/17/00	09/25/01	10/10/01	33	586,950	2	54,180	10/11/03	10/10/09	57.18			485,947
	09/21/00	01/24/02	01/24/02	46	56,392			01/25/04	01/24/10	53.38			36,424
	09/21/00	01/24/02	01/24/02	1	200,000			01/01/07	01/24/10	53.38			205,668
	09/21/00	04/24/02	04/24/02	2	404,000			04/25/03	04/24/10	37.83			4,114
	09/21/00	05/29/02	05/29/02	1	75,000			05/30/04	05/29/10	33.75			75,000
										Total		**12,247,470**	**7,819,530**

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend out of available reserves.

Section 2 Additional Information Concerning the Company

SARs and ex-ADS plans converted into SARs (in US dollars)

	Date of the Shareholders' Meeting	Date of the Board of Directors, Supervisory Board or Management Board Meetings	Grant date	Number of SARs granted				Vesting date for SARs	Expiration date	Adjusted exercise price (a)	Number of SARs		
				Total number		Of which number granted to members of governing bodies							
				of beneficiaries	of SARs	Number of beneficiaries	Number of SARs				Exercised in 2008 (adjusted number) (a)	Cancelled in 2008 (adjusted number) (a)	Outstanding as of 12/31/2008 (adjusted number) (a)
	09/21/00	12/11/00	12/11/00	1,693	5,378,697	2	1,605,400	12/12/02	12/11/08	65.74		4,584,544	-
SO IV	09/21/00	12/11/00	12/11/00	26	1,500,000	3	700,000	12/12/06	12/11/08	65.74		1,264,329	-
	09/21/00	03/09/01	03/09/01	2	127,500			03/10/03	03/09/09	63.75			7,740
	09/21/00	09/25/01	10/10/01	1,271	6,334,305	6	1,653,265	10/11/03	10/10/09	42.88	8,234		4,347,212
	04/17/00	09/25/01	10/10/01	15	75,712			10/11/03	10/10/09	42.88			58,576
	04/17/00	09/25/01	10/10/01	4	78,260			10/11/03	10/10/09	52.31			59,029
	09/21/00	01/24/02	01/24/02	4	1,200,000	1	150,000	01/25/03	01/24/10	45.64			1,238,389
	09/21/00	03/05/02	03/20/02	1	200,000			03/21/04	03/20/10	37.98			206,424
	09/21/00	04/24/02	04/24/02	2	200,000			04/25/04	04/24/10	33.26			51,609
	09/21/00	05/29/02	09/25/02	1	20,000			05/30/04	05/29/10	31.62			20,000
	09/21/00	09/25/02	10/10/02	38	1,168,300	1	100,000	10/11/04	10/10/10	11.79	38,200		159,667
	04/29/03	05/28/03	05/28/03	75	752,000	1	180,000	05/29/05	05/28/13	16.44	5,600		191,699
	04/29/03	09/12/03	12/09/03	51	705,000	-	-	12/10/05	12/09/13	22.59	26,334		242,333
	04/29/03	06/05/04	05/21/04	138	1,012,400	-	-	05/22/06	05/21/14	24.61	47,535		578,216
	04/29/03	09/03/05	04/26/05	184	1,786,400	1	125,000	04/27/07	04/26/15	30.63	108,203	7,001	1,311,067
	04/28/05	06/28/05	06/28/05	4	39,000	-	-	06/29/07	06/28/15	30.63	13,534		-
	04/28/05	02/28/06	04/13/06	2	192,000	1	112,000	04/14/08	04/13/16	34.58			192,000
	04/28/05	03/21/06	04/13/06	154	1,058,320	-	-	04/14/08	04/13/16	34.58	61,328	21,308	909,547
	04/28/05	09/22/06	09/22/06	1	24,000	-	-	09/23/08	09/22/16	34.58			24,000
	04/28/05	03/06/07	04/23/07	1	112,000	1	112,000	04/24/10	04/23/17	41.34			112,000
	04/28/05	02/27/07	04/23/07	177	1,168,660	-	-	04/24/10	04/23/17	41.34		30,660	1,093,720
										Total	**308,968**	**5,907,842**	**10,803,228**

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend out of available reserves.

Section 2 Additional Information Concerning the Company

Stock subscription plans (in euros)

Date of Shareholders' Meeting	Date of the Board of Directors, Supervisory Board or Management Board Meeting	Grant date	Number of options granted				Vesting date for options	Expiration date	Exercise price	Number of outstanding options		
			Total numbers		Of which number granted to members of governing bodies							
			of beneficiaries	of options	Number of beneficiaries	Number of options				Exercised in 2008	Cancelled in 2008	Outstanding as of 12/31/2008
09/21/00	09/25/02	10/10/02	13	2,451,000	6	1,800,000	10/11/04	10/10/10	12.10			90,350
09/21/00	01/29/03	01/29/03	34	1,610,000	8	1,175,000	01/30/05	01/29/11	15.90			651,667
04/29/03	05/28/03	05/28/03	414	10,547,000	9	3,000,000	05/29/05	05/28/13	14.40	235,106		3,793,726
04/29/03	12/09/03	12/09/03	29	310,000	-	-	12/10/05	12/09/13	19.07			116,665
04/29/03	05/06/04	05/21/04	425	8,267,200	8	2,320,000	05/22/06	05/21/14	20.67	102,230	2,000	7,201,982
04/29/03	03/09/05	04/26/05	472	7,284,600	11	2,595,000	04/27/07	04/26/15	23.64	11,166	15,470	6,665,217
04/28/05	02/28/06	04/13/06	11	2,008,000	10	1,880,000	04/14/08	04/13/16	28.54			2,008,000
04/28/05	03/21/06	04/13/06	495	3,473,520	-	-	04/14/08	04/13/16	28.54		85,162	3,119,554
04/28/05	09/22/06	09/22/06	33	58,400	-	-	09/23/08	09/22/16	28.54		2,134	46,666
04/28/05	12/12/06	12/12/06	3	24,000	-	-	12/13/08	12/12/16	29.41			16,000
04/28/05	03/06/07	04/23/07	6	1,304,000	6	1,304,000	04/24/10	04/23/17	30.79			1,304,000
04/28/05	02/27/07	04/23/07	570	4,414,220	5	528,000	04/24/10	04/23/17	30.79		188,620	4,149,920
04/28/05	09/17/07	09/17/07	7	42,400	-	-	09/18/10	09/17/17	30.79			42,400
04/28/05	10/25/07	10/25/07	4	63,200	-	-	10/26/10	10/25/17	30.79			63,200
04/28/05	02/26/08	04/16/08	646	4,839,200	3	304,000	04/17/11	04/16/18	25.13		120,000	4,719,200
04/28/05	02/28/08	04/16/08	7	732,000	7	732,000	04/17/11	04/16/18	25.13			732,000
04/28/05	02/28/08	04/16/08	7	732,000	7	* 732,000	04/17/11	04/16/18	25.13			732,000
04/24/08	12/16/08	12/16/08	1	12,000			12/17/11	12/16/18	25.13			12,000
									Total	**348,502**	**413,386**	**35,464,547**

* Options granted subject to performance conditions linked to 2008 financial indicators (adjusted net income and cash flow from operations). Grantees are entitled to all options if the weighted sum of the two financial indicators reaches 100% of the target; alternatively, grantees are entitled to 50% of the options if the weighted sum of the two indicators reaches the minimum threshold. Grantees receive no entitlement if the weighted sum of these two indicators falls below the minimum threshold.

Section 2 Additional Information Concerning the Company

SARs plans (ex-ADS Seagram) (in US dollars)

Plan opening date	Number of SARs granted				Vesting date for SARs	Expiration date	Adjusted exercise price (a)	Number of SARs		
	Total number		Of which number granted to members of governing bodies					Exercised in 2008 (adjusted number) (a)	Cancelled in 2008 (adjusted number) (a)	Outstanding as of 12/31/2008 (adjusted number) (a)
	of beneficiaries	of SARs	Number of beneficiaries	Number of SARs						
02/09/98	5	52,747			02/10/99	02/09/08	45.23		37,927	-
01/19/98	18	53,195			01/20/99	01/19/08	37.28		640	-
02/09/98	1	1,860			02/10/99	02/09/08	37.28		1,920	-
02/09/98	850	3,748,655	3	224,000	02/10/99	02/09/08	45.23	39,870	2,024,747	-
07/01/98	2	80,000			07/02/99	07/01/08	49.62		41,282	-
08/12/98	1	16,000			08/13/99	08/12/08	40.50		8,257	-
10/01/98	1	80,000			10/02/99	10/01/08	33.84		82,553	-
11/09/98	3	2,200,000	2	2,000,000	11/10/99	11/09/08	43.45		2,229,099	-
11/16/98	1	80,000			11/17/99	11/16/08	41.75		82,568	-
12/07/98	1	2,000			12/08/99	12/07/08	44.10		826	-
02/17/99	819	3,520,994	2	124,000	02/18/00	02/17/09	58.02		9,413	2,667,440
04/05/99	1	56,000			04/06/00	04/05/09	63.70			57,794
05/11/99	421	1,441,553	1	80,000	05/12/00	05/11/09	71.88		7,639	892,700
06/18/99	2	72,000			06/19/00	06/18/09	61.01			33,030
11/03/99	1	428,000			11/04/00	11/03/09	57.04			28,899
01/04/00	1	120,000			01/05/01	01/04/10	54.88			123,849
02/15/00	1,490	5,979,780	3	780,000	02/16/01	02/15/10	74.41		23,248	4,675,336
03/27/00	1	6,400			03/28/01	03/27/10	74.04			6,605
04/03/00	1	8,000			04/04/01	04/03/10	72.29			8,257
04/05/00	1	48,000			04/06/01	04/05/10	68.54			49,541
05/02/00	1	225,200			05/03/01	05/02/10	65.03			146,956
06/22/00	2	380,000			06/23/01	06/22/10	71.92			61,919
08/16/00	12	491,360			08/17/01	08/16/10	68.66			505,044
							Total	**39,870**	**4,550,119**	**9,257,370**

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend out of available reserves.

Section 2 Additional Information Concerning the Company

SARs plans (ex-ADS ex-MP3) (in US dollars)

Plan opening date and date of the Board of Directors Meeting	Number of SARs granted		Vesting date for SARs	Expiration date	Adjusted exercise price (a)	Number of SARs		
	Total number					Exercised in 2008 (adjusted number) (a)	Cancelled in 2008 (adjusted number) (a)	Outstanding as of 12/31/2008 (adjusted number) (a)
	of beneficiaries	of SARs						
07/20/99	23	22,021	07/20/00	07/20/09	150.06			5,598
10/18/99	33	958	10/18/00	10/18/09	426.05			14
12/20/99	75	25,383	12/20/00	12/20/09	338.30			1,182
12/20/99	28	47,526	12/20/00	12/20/09	338.30			1,150
07/03/00	54	95,432	07/03/01	07/03/10	145.37			700
08/07/00	5	5,915	08/07/01	08/07/10	95.80			2,799
09/25/00	3	367	09/25/01	09/25/10	42.21			147
10/30/00	309	363,562	10/30/01	10/30/10	37.85			3,708
11/13/00	3	1,762	11/13/01	11/13/10	37.52			93
05/01/00	221	50,900	05/01/01	05/01/10	75.03			467
09/11/00	1	1,808	09/11/01	09/11/10	60.63			1,866
10/30/00	1	1,356	10/30/01	10/30/10	37.52			1,400
							Total	**19,124**

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend out of available reserves.

SARs plans (ex-ADS USA Networks) (in US dollars)

Opening date and date of the Board of Directors Meeting	Total number of beneficiaries	Vesting date for SARs	Expiration date	Adjusted exercise price (a)	Number of options		
					Exercised in 2008 (adjusted number) (a)	Cancelled in 2008 (adjusted number) (a)	Outstanding as of 12/31/2008 (adjusted number) (a)
12/18/00	62	12/18/01	12/18/10	13.7960			10,802
12/18/00	175	12/18/01	12/18/10	19.0205	4,039		47,810
07/16/01	1	07/16/02	07/16/11	19.0460			9,000
09/24/01	1	09/24/02	09/24/11	18.8928			14,689
01/25/02	1	01/25/03	01/25/12	27.0626			114,202
12/15/98	98	12/15/99	12/15/08	12.7654	15,272	1,225	-
12/20/99	243	12/20/00	12/20/09	20.6710			21,860
12/20/99	291	12/20/00	12/20/09	28.4988	490		40,432
04/25/01	165	04/25/02	04/25/11	16.7033	252		20,204
04/25/01	170	04/25/02	04/25/11	23.0288	368		20,616
			Total		**20,421**	**1,225**	**299,615**

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend out of available reserves.

Section 2 Additional Information Concerning the Company

Performance shares plans

Date of the Shareholders' Meeting	Date of the Supervisory Board or the Management Board Meeting	Grant date	Number of performance shares granted				Acquisition date (a)	Date of disposal	Number of performance shares		
			Total number		Of which number granted to members of governing bodies				Cancelled in 2008	To be created at the end of the acquisition period	Outstanding as of 12/31/2008
			of beneficiaries	of performance shares	Number of beneficiaries	Number of performance shares					
04/28/05	02/28/06	04/13/06	11	167,338	10	156,671	04/14/08	04/14/10		167,338	-
04/28/05	03/21/06	04/13/06	495	289,630	-	-	04/14/08	04/14/10	6,832	256,178	-
04/28/05	09/22/06	09/22/06	33	4,861	-	-	09/23/08	09/23/10	767	3,295	-
04/28/05	12/12/06	12/12/06	3	2,001	-	-	12/15/08	12/15/10	267	1,067	-
04/28/05	12/12/06	12/12/06	23,562	353,430	4	60	12/15/08	12/15/10	* 167,925	184,245	-
04/28/05	12/12/06	01/24/07	578	8,670	-	-	01/26/09	01/26/11	45		8,595
04/28/05	03/06/07	04/23/07	6	108,669	6	108,669	04/24/09	04/24/11			108,669
04/28/05	02/27/07	04/23/07	570	368,048	5	44,003	04/24/09	04/24/11	18,395		344,473
04/28/05	09/17/07	09/17/07	7	3,536	-	-	09/18/09	09/18/11			3,536
04/28/05	10/25/07	10/25/07	4	5,266	-	-	10/26/09	10/26/11			5,266
04/28/05	02/26/08	04/16/08	646	403,493	3	25,335	04/19/10	04/19/12	10,208		393,285
04/28/05	02/28/08	04/16/08	7	122,003	7	122,003	04/19/10	04/19/12			122,003
04/24/08	12/16/08	12/16/08	1	1,000			12/17/10	12/17/12			1,000
								Total	**204,439**	**612,123**	**986,827**

* Including 167,355 rights cancelled due to the grant of 15 shares to the beneficiaries of Maroc Telecom paid in cash bonuses due to local tax constraints.

(a) First day of quotation at the end of a 2-year period.

Restricted stock units (RSUs) plans

Date of the Shareholders' Meeting	Date of the Supervisory Board or the Management Board Meeting	Grant date	Number of RSUs granted				Acquisition date (a)	Date of disposal	Number of RSUs	
			Total number		Of which number granted to members of governing bodies				Cancelled in 2008	Outstanding as of 12/31/2008
			of beneficiaries	of RSUs	Number of beneficiaries	Number of RSUs				
04/28/05	02/28/06	04/13/06	2	16,001	1	9,334	04/14/08	04/14/10		16,001
04/28/05	03/21/06	04/13/06	154	88,249	-	-	04/14/08	04/14/10	2,348	78,962
04/28/05	09/22/06	09/22/06	1	2,000	-	-	09/23/08	09/23/10		2,000
04/28/05	12/12/06	12/12/06	9,433	141,495	-	-	12/15/08	12/15/10		**(b)** 105,240
04/28/05	03/06/07	04/23/07	1	9,334	1	9,334	04/24/09	04/24/11		9,334
04/28/05	02/27/07	04/23/07	177	97,444	-	-	04/24/09	04/24/11	2,557	91,195
								Total	**4,905**	**302,732**

(a) First day of quotation at the end of a 2-year period.

(b) Due to several cancellations and settlements.

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Section 3 Corporate Governance

3.1. Directors, Senior Management and Supervisory Bodies

3.1.1. Supervisory Board

3.1.1.1. General Provisions

The Supervisory Board is comprised of a maximum of eighteen members (currently thirteen 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 one thousand company shares during his/her term of office (Article 7-2 of the by-laws). In addition, at its meeting held on February 28, 2008, the Supervisory Board decided that each of the members must own a number of Vivendi shares equivalent to one year of paid directors' fees.

Pursuant to the AFEP and MEDEF joint recommendations published in the corporate governance code of publicly traded companies of December 2008, the use of derivative financial instruments as a means to hedge transactions of any nature is prohibited.

Throughout the periods defined below and those communicated to the members of the Supervisory Board by the General Counsel of the company, sale and purchase transactions in the company's securities performed 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 during the period:

- from the date on which members of the Supervisory Board become aware of specific market information regarding the company's day-to-day business or prospects which, if made public, would be likely to have a material impact on the company's share price, up to the date on which this information is made public; and
- 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 members of the Supervisory Board of any material purchase, subscription, sale or swap transaction relating to securities issued by the company which, while not falling within the scope of the above paragraph, are entered into by any parent of or entities connected with such a member or his/her parents, and where such transaction has been recommended by such member or such member 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 that are declared pursuant to the above 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 (eleven members as of the date of this report). A member is deemed independent when he/she has no direct or indirect relationship of any kind, other than a non-substantial shareholding in the company, with the company, its group or its management which could interfere with the exercise of his/her independent judgment (as defined in the corporate governance code for publicly traded companies amended in December 2008 and to which the Company has been voluntarily adhering since 2003).

The independent director classification and the criteria used to make such determination are reviewed by the Corporate Governance Committee when it considers and discusses candidates for appointment to the Supervisory Board. The Corporate Governance Committee examines, as necessary, any change in the situation of a member of the Board during his/her term of office.

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 via videoconferencing or other electronic telecommunication methods (Article 10 of the by-laws).

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3.1.1.2. Composition of the Supervisory Board

On the date of publication of this annual report, the Supervisory Board has thirteen members, eleven of whom are independent directors. Five members are of a nationality other than French, including four citizens of European Union member states and one American citizen.

Detailed information about the members of the Supervisory Board is included in the "Main Activities of Current Members of the Supervisory Board" section.

In 2008, the Supervisory Board met six times. The attendance rate at meetings of the Supervisory Board was 95%.

List of current Supervisory Board Members, including date of appointment and number of shares held

Full Name	Position	Age as of March 1, 2009	Date of initial appointment and latest renewal to the Supervisory Board	Committee Member	End of term	Number of shares held
Jean-René Fourtou	Chairman of the Supervisory Board	69	04/28/2005 04/24/2008	-	AGM 2012	644,119*
Henri Lachmann	**(a)** Vice-Chairman and Member of the Supervisory Board	70	04/28/2005 04/24/2008	B and C	AGM 2012	7,000
Claude Bébéar	Member of the Supervisory Board	73	04/28/2005 04/24/2008	A and D	AGM 2012	5,000
Gérard Brémond	**(a)** Member of the Supervisory Board	71	04/28/2005 04/24/2008	A and C	AGM 2012	3,161
Jean-Yves Charlier	**(a, b)** Member of the Supervisory Board	45	04/24/2008	B	AGM 2012	5,000
Mehdi Dazi	**(a)** Member of the Supervisory Board	42	03/06/2007 04/24/2008	A	AGM 2012	2,200
Philippe Donnet	**(a)** Member of the Supervisory Board	48	04/24/2008	B	AGM 2012	1,000
Fernando Falcó y Fernández de Córdova	**(a, b)** Member of the Supervisory Board	69	04/28/2005 04/20/2006	C and D	AGM 2010	3,000
Sarah Frank	**(a, b)** Member of the Supervisory Board	62	04/28/2005	A and C	AGM 2009	3,515
Gabriel Hawawini	**(a)** Member of the Supervisory Board	61	04/28/2005	B and D	AGM 2010	4,000
Andrzej Olechowski	**(a, b)** Member of the Supervisory Board	61	04/28/2005	A and D	AGM 2009	3,140
Pierre Rodocanachi	**(a)** Member of the Supervisory Board	70	04/28/2005 04/24/2008	B and C	AGM 2012	4,400
Karel Van Miert	**(a, b)** Member of the Supervisory Board	67	04/28/2005 04/24/2008	A and D	AGM 2012	3,700

(a) Independent member.
(b) Non-French citizen.
A: Strategy Committee; B: Audit Committee; C: Human Resources Committee; D: Corporate Governance Committee.
* Includes 128,622 shares held in beneficial ownership.

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Main activities of current members of the Supervisory Board

Jean-René Fourtou, Chairman of the Supervisory Board

69, 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 École 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, Member of the Supervisory Board
Axa Millésimes SAS, Member of the Board of Directors

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

Vivendi, Chairman-Chief Executive Officer
Axa, Vice-Chairman of the Supervisory Board
Axa Assurances IARD Mutuelle, Vice-Chairman of the Board of Directors and Axa's Permanent representative to the Board
Finaxa, Permanent Representative of AXA Assurances IARD Mutuelle

Henri Lachmann, Vice Chairman and Member of the Supervisory Board

70, French nationality.

Business address

Schneider Electric - 43-45, boulevard 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 (HEC) and holds an accounting degree. In 1963, he joined Arthur Andersen, the international auditing firm, where he served first 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 Chairman of the group. 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 has been the Chairman of the Supervisory Board of the Schneider Electric group.

Positions currently held

Schneider Electric SA, Chairman of the Supervisory Board

Axa Group

Axa, Member of the Supervisory Board
Axa Assurances IARD Mutuelle, Director

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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, Chairman
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
73, 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 École 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. He served as Chairman of the Supervisory Board until 2008. Currently, Claude Bébéar is Honorary Chairman of the Axa Group.
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, Honorary Chairman
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
Axa, Chairman of the Supervisory Board
Finaxa, Chairman and Chief Executive Officer
Axa Group, Director of various Axa companies
Schneider Electric SA, Director
Axa Courtage Assurance Mutuelle, Director

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Gérard Brémond, Member of the Supervisory Board
71, 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 building 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 the leading tourism operators in Europe. Mr. Brémond also founded two communications companies (television and film production).

Positions currently held
SA Pierre et Vacances Group
Pierre et Vacances SA, Chairman and Chief Executive Officer
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, Chairman
SAS Newcity Aparthotels, Chairman
SAS Adagio Holding, Chairman

SA Société d'Investissement Touristique et Immobilier
SA Société d'Investissement Touristique et Immobilier - SITI, Chairman and Chief Executive Officer
SA Lepeudry et Grimard, Director

GB Développement SA
SAS GB Développement, Chairman

Other
Center Parcs Europe NV (Netherlands), Member of the Supervisory Board
SITI R (SC), Manager

Positions previously held that expired during the last five years
Permanent representative of SA Société d'Investissement
Touristique et Immobilier - SITI in the companies Peterhof, SERL, Lepeudry et Grimard, C.F.I.C.A., SITA Participation and SITI Participation 2, permanent representative
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 SI (Spain), Director
Ciné B, Permanent Representative for GB Développement SA
Holding Green BV (Netherlands), Director
SA Pierre et Vacances Maeva Tourisme, Chairman
Groupe Maeva SAS, Director

Jean-Yves Charlier, Member of the Supervisory Board
45, Belgian nationality.
Business address
Promethean House, Lower Philips Road, Blackburn, Lancashire BB1 5TH, United Kingdom.

Expertise and experience
Mr. Jean-Yves Charlier, born November 29, 1963 in Belgium, holds a Master of Business Administration (MBA) in strategy and marketing from the Wharton Business School. In 1987, Jean-Yves Charlier joined the Wang group in France and served in several different sales and marketing positions. From 1993 to 1995, he was responsible for the integration services division in Europe based in London, before becoming Vice-President of Wang International in 1995. In 1996, he was appointed President

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of the Equant group first for the integration services division and then for all worldwide group marketing, sales and services operations. In 2002, Jean-Yves Charlier joined the BT group, with responsibility for Europe and operations within the Global Services division. In 2004, he joined the Fidelity International group as Vice President and was appointed Chairman and CEO of Colt Telecom Group with responsibility for restructuring the European telecommunications operator. Since 2007, Jean-Yves Charlier has served as Chairman and Chief Executive Officer of Promethean, a company that specializes in interactive educational products and educational media for teachers.

Positions currently held
Promethean (Great Britain), Chairman and Chief Executive Officer

Positions previously held that expired during the last five years
Colt Telecom Group (Luxembourg), Chairman-Chief Executive Officer

Mehdi Dazi, Member of the Supervisory Board
42, French and Algerian nationalities.
Business address
Emerging Capital Partners – 63, avenue des Champs Elysées, 75008 Paris, France.

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 first as a research analyst and then as 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 Emerging Capital Partners where he currently holds the position of Co-Chief Executive Officer. He is also Adviser for Emirates International Investment Company.

Positions currently held
ECP MENA Fund (Emerging Capital Partners), Co-Chief Executive Officer
Abu Dhabi Islamic, Director
Paradigm Investment Bank, Director
Finaccess (Morocco), Director
Agromed (Tunisia), Director
BACIM Bank (Mauritania), Director

Positions previously held that expired during the last five years
Paris International Investment, Chairman
Emirates International Investment Company, Chief Executive Officer
Estithmaar Ventures, Director
JV Deutsche Bank and TIO, Director
Orascom Telecom (Algeria), Director
Global Alumina (Canada), Director

Philippe Donnet, Member of the Supervisory Board
48, French nationality.
Business address
Wendel Investissement – 89, rue Taitbout, 75009 Paris, France.

Expertise and experience
Mr. Philippe Donnet, born July 26, 1960 in France, is a graduate of the École Polytechnique and a certified member of the Institut des actuaires français (IFA). In 1985, he joined Axa in France. From 1997 to 1999, he served as Deputy Managing Director of Axa Conseil (France), before becoming Deputy Director of Axa Assicurazioni in Italy in 1999, and then joined the Axa Executive Committee as Senior Vice President for the Mediterranean region, Latin America and Canada in 2001. In March 2002, he was also appointed as Chairman-CEO of Axa Re and President of Axa Corporate Solutions. In March 2003, Philippe Donnet was appointed Chief Executive Officer of Axa Japan where he successfully led a recovery by implementing new management and launching innovative and very profitable products. In October 2006, Philippe Donnet was appointed Chairman of Axa Japan and Chief Executive for the Asia-Pacific region. In April 2007, he joined Wendel as Chief Executive for Asia-Pacific. He continues to serve as non-executive Chairman of the Axa Japan Board of Directors.

Positions currently held
Wendel, Chief Executive Officer for Asia-Pacific
La Financière Miro (Albingia), Member of the Supervisory Board
Pastel et Associés, member of the Board of Directors
Winvest Conseil (Luxembourg SARL), Manager
Winvest International SA SICAR (Luxembourg company), Director
Axa Japan, Chairman

Positions previously held that expired during the last five years
Axa Japan Holding, Chairman and Chief Executive Officer
Axa Insurance Life, Chairman and Chief Executive Officer
Axa Direct Japan, Chairman
Axa Asia Pacific Holding, Director

Fernando Falcó y Fernández de Córdova, Member of the Supervisory Board
69, 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 Deusto, 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 of 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 the 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 represents 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 Construcciones y Contratas (FCC) (Spain), Director
FCC Construcción (Spain), Director
Realia (Spain), Director
Vinexco (Falcó group) (Spain), Director

Positions previously held that expired during the last five years
Comite Organizador del salón internacional del automóvil of Madrid (Spain), Chairman
Sogecable (Spain), Director and Vice-Chairman
Digital+, Vice-Chairman

Sarah Frank, Member of the Supervisory Board
62, American nationality.
Business address
1 Lincoln Plaza, Second Floor, New York, NY 10023, USA.

Expertise and experience
Mrs. Sarah Frank was born on June 25, 1946 and has been active in business for nearly 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, Mrs. 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 the association of New York Women in Communications. Mrs. 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. Mrs. 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 and a multimedia study program for secondary education and universities based on this same work.

Positions currently held
Foundation of the New York Chapter of the National Academy of Television, Arts and Sciences (New York), Director
Lightspeed Audio Labs, Inc., Member of the Advisory Board
Leadership Committee of the UROP program at the University of Michigan, Member
New York Women's Forum, Member
CQCM - Coalition for Quality Children's Media, Honorary Director
Lightworks Enterprises, Inc., 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
61, 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 US Banking Industry (published by North Holland in 1991) and Finance for Executives: Managing for Value Creation (South Western Publishing, 2007) 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
61, Polish nationality.
Business address
Ul. Traugutta 7/9, 00-067 Warsaw, Poland.

Expertise and experience
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, in 1992, he became Minister of Finance and from 1993 to 1995, he was 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

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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 and he is currently a member of its 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
70, 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 Special Olympics France and the Institut du mécénat de solidarité (IMS) where he serves as treasurer and was one of the founders.
Mr. Rodocanachi is Chairman of the Strategic Committee at Booz Allen Hamilton, an international strategy and management consultancy firm which became Booz & Company in 2008. He joined the group 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 the Operations Committee of Booz Allen Hamilton Inc. as well as 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 Ordre National du Mérite and 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
LPCR, Chairman of the Supervisory Board

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
"Commentaire" (a political economy journal), Director

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Karel Van Miert, Member of the Supervisory Board
67, Belgian nationality.
Business address
Putte Straat n°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, Vice President of the European Commission at that time. After starting his political career with the Belgian Socialist Party where he served 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 whose appointments to the Supervisory Board are being proposed at the Combined Ordinary and Extraordinary Shareholders' Meeting to be held on April 30, 2009:

Mrs. Maureen Chiquet
Mrs. Maureen Chiquet, born on March 9, 1963 in Saint Louis (United States), graduated summa cum laude from Yale University with a Bachelor of Arts (B.A.) in comparative literature.
Maureen Chiquet began her career at L'Oreal Paris in 1985 as a Product Manager. In 1988 she moved to San Francisco to join Gap as an Assistant Merchandiser in the Accessories Division. She spent six years at the Gap division, working in various merchandising positions. In 1994, she moved to Old Navy as a Divisional Merchandise Manager. After eight years she became Executive Vice President of Merchandising, Planning and Production, growing the brand from 35 to 850 stores.
In 2002 she was named President of Banana Republic where she was responsible for overseeing the entire organization, including all stores and operations in the U.S. and Canada.
Mrs. Chiquet joined Chanel in 2003 and in October 2004 was named President of Chanel, Inc. in the United States. During her two years as President and Chief Operating Officer of Chanel, Inc., Mrs. Chiquet directed all U.S. operations for Fragance & Beauté, Fashion, Watches and Fine Jewelry. She has worked to ensure the consistency of the global brand and reinforce its luxury positioning and timeless modernity in the US Maureen Chiquet has acted as Global CEO of Chanel since January 2007.

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Mr. Christophe de Margerie
Born in 1951, Mr. Christophe de Margerie is a graduate of the *Ecole Supérieure de Commerce de Paris*. He joined the financial department of Total in 1974, first responsible for budgeting and then for the financing of the company's exploration and production subsidiaries. In 1987 he became Group Treasurer. In May 1990, he moved to Total Trading and Middle East where he was successively CFO, Vice-President for the Middle East, President for the Middle East and Senior Executive Vice-President in March 1992, at which time he also joined the Group's Management Committee.
In June 1995, he was appointed President of Total Middle East and in May 1999, President of Exploration & Production of TotalFina. In March 2000, following the merger with Elf, he was appointed Senior Executive Vice-President and in January 2002, President of Exploration and Production of TotalFinaElf which became Total on May 6, 2003. He has been a member of Total's Executive Committee since May 1999 and a Director of Total since May 2006.
On February 14, 2007, Christophe de Margerie was appointed Chief Executive Officer of Total and Chairman of the Executive Committee.
Christophe de Margerie is *Chevalier de la Légion d'Honneur* and an Officer in the *Ordre National du Mérite*.

3.1.1.3. Family Relationships

There are no family relationships among members of the Supervisory Board.

3.1.1.4. Absence of Conflicts of Interest

To the company's knowledge, 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.

3.1.1.5. Absence of any Sentence for Fraud, Liability Associated with a Business Failure or Public Incrimination and/or Sanction

To the company's knowledge, over the last five years:
- no member of the Supervisory Board has been convicted of any fraud-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.

3.1.1.6. Agreements Between the Company and a Member of the Supervisory Board – Service Contracts

There is no service agreement or contract between a member of the Supervisory Board and the company or one of its subsidiaries which grants benefits under the terms of such a contract.

3.1.1.7. 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.

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3.1.1.8. 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 purpose and objectives.

Internal Regulations
The Internal Regulations of the Supervisory Board is 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.

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 €300 million;
- issues of securities giving rights to the share capital of the company directly or indirectly 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 providing for the renewal of debt obligations under terms more favorable than those granted to the company;
- proposals of share repurchase programs for approval at the Ordinary Shareholders' Meeting and 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 securities, including endorsements and guarantees, by the Management Board, in favor of third parties subject to the dual limitation of €100 million per obligation and €1 billion in respect of all obligations. This authorization, given to the Management Board for 12 months, is reviewed 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 a similar purpose or effect;
- granting stock options or shares of restricted stock or any other mechanisms with a similar purpose or effect to members of the Management Board and setting forth 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.

3.1.1.9. Information Provided to the Supervisory Board

Members of the Supervisory Board shall be provided with all information necessary for the fulfillment of their functions. Prior to any meeting, they may request all documents they consider useful. The rights 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 of the financial situation, cash flows and obligations of the company on a regular basis, as well as of any significant events and transactions relating to the company. The Management Board provides 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 due notice is given to the Chairman of the Supervisory Board.

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Collective nature of the Supervisory Board's deliberations and confidentiality of information

The Supervisory Board works and deliberates collectively; its decisions bind all its members. Members of the Supervisory Board and any person attending meetings of the Supervisory Board are bound by confidentiality obligations with respect to confidential information 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 the Management Board.

If the Supervisory Board is aware of confidential information of a precise nature which, if published, could have even an immaterial impact 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, members of the Supervisory 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.

3.1.1.10. Activities of the Supervisory Board in 2008

In 2008, the Supervisory Board met six times. The average attendance rate was 95%. It considered the following matters, among others:

- the review of the consolidated and statutory financial statements for fiscal year 2007, the 2008 budget, the half-year 2008 condensed financial statements prepared by the Management Board and the 2009 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 strategy and communication on the position of the group's main business units;
- information and approval of disposals, mergers and acquisitions;
- follow-up on the Activision Blizzard and Neuf Cegetel transactions;
- the maintenance of Vivendi's holding in NBC Universal and monitoring of the telecommunications assets in Poland;
- the approval of the Activision Blizzard stock buyback program;
- the assessment of the quality and structure of the group's balance sheet;
- refinancings;
- the assessment of the risks given the economic situation and the consequences of the global financial crisis;
- the strategy and operational performance of the group's principal activities;
- the renewal of the terms of members of the Management Board;
- the assessment of the Management Board and its Chairman;
- the distribution of directors' fees;
- the monitoring of current investigations and legal proceedings; and
- the review of the situation of Vivendi corporate officers under the AFEP and MEDEF recommendations of October 2008 on executive compensation for publicly traded companies and the implementation of those recommendations, and a review of the press release issued by the company on December 18, 2008 pursuant to those recommendations.

3.1.1.11. Evaluation of the Performance of the Supervisory Board

On a regular basis, and at least once every three years, the Supervisory Board performs a formal assessment of its performance under the direction of the Corporate Governance Committee.

This formal assessment of the operations of the Board was completed in January 2009 on the basis of a questionnaire given to each member of the Supervisory Board and individual interviews organized by the General Counsel and conducted with each member. The report was presented to the Corporate Governance Committee and to the Supervisory Board on February 26, 2009. The assesment found the performance of the Supervisory Board and decision-making practises within the company satisfactory and consistent with best practises of French and international governance. However, as a result of this evaluation, the Company has decided to implement a few additional provisions.

In addition, at one meeting every year one item on the agenda is dedicated to a discussion of the performance of the Supervisory Board and the Management Board.

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3.1.1.12. Recommendations of the AFEP and MEDEF

Vivendi's Supervisory Board, at its meeting of December 18, 2008, reviewed the AFEP and MEDEF recommendations on executive compensation in publicly traded companies.

The Supervisory Board, on the recommendation of the Corporate Governance Committee and the Human Resources Committee, resolved to apply all these recommendations, a majority of which had already been generally anticipated and applied to corporate officers.

As stated in the press release issued on December 18, 2008, the consolidated Code of the AFEP and MEDEF recommendations constitute the corporate governance code to which Vivendi has voluntarily agreed to abide by in preparing the report required under Article L. 225-68 of the French Commercial Code.

3.1.1.13. Committees of the Supervisory Board

Organization and operating procedures of the Committees

The Supervisory Board has set up four specialized Committees and has determined their composition and the powers conferred to them: the Strategy Committee, the Audit Committee, the Human Resources Committee and the Corporate Governance Committee.

The purposes and objectives of each Committee may not have the effect of delegating to a Committee powers granted to the Supervisory Board by law or by the company's by-laws, or the reduction or limitation of the powers of the Management Board. Within the scope of the powers granted to it, 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 Supervisory 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 that may be agreed 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. Minutes of each Committee meeting are drafted 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 and to all members of the Supervisory Board. 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 chapter.

Each Committee may request from the Management Board any document it deems useful for the fulfillment of its purpose and objectives. 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 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 comprised 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.

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Purpose 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 stated strategy; and
- major financing transactions or transactions that are likely to have a material impact on the financial structure of the company.

The Strategy Committee met twice in 2008, including a three-day seminar. 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 five-year strategic plan;
- the composition of the company's shareholding structure;
- the financial position of the group;
- a review of the economic, market and financial environment;
- developments in telecommunications, games and the Internet;
- maintaining the company's holding in NBC Universal;
- monitoring telecommunication assets in Poland;
- television growth prospects outside France; and
- the development of digital music sales.

Audit Committee

Composition

The Audit Committee is comprised of five members, all of whom are independent and have finance or accounting expertise. Its members are Henri Lachmann (Chairman), Jean-Yves Charlier, Philippe Donnet, Gabriel Hawawini and Pierre Rodocanachi.

Purpose and activities

The Audit Committee shall have a sufficient period of time to review the company's financial statements. In compliance with the Supervisory Board's internal rules, this period of time shall not be less than two days before the financial statements are delivered to the Supervisory Board. Following their appointment, members of the Committee are informed of the accounting, financial and operational standards used within the company and the group.

The Audit Committee's main activities involve the following matters:

- the review of the annual consolidated and half-year condensed 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 policies or risks and their accounting impact;
- the review of the assessment of the operating and financial risks of the company, their coverage and the review of the insurance programs;
- internal control methods and standards;
- the consistency and effectiveness of the company's internal control procedures and the review of the report of the Chairman of the Supervisory Board to the Shareholders' Meeting on the conditions governing the preparation and organization of the Supervisory Board's procedures and 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 assignments and monitoring rules ensuring their independence;
- monitoring work performed by external and internal auditors and the review of their work conclusions;
- the application of accounting methods and principles, the scope of the company's consolidation, risks and off-balance sheet commitments of the company;
- the review of the annual assessment of the company's Compliance Program, proposals to improve the efficiency of this program and, if necessary, the issuance of an opinion related thereto; the 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; the review of any potential procedural failure or corruption case.

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In 2008, the Audit Committee met four times. The attendance rate was 100%. Its activities primarily comprised the review of:
- the financial statements for fiscal year 2007, half-year financial statements for 2008 and the Statutory Auditors' reports;
- the report of the Chairman of the Supervisory Board on the conditions for preparing and organizing the work of the Supervisory Board and internal control procedures;
- the financial position of the group, its debt and liquid assets;
- the internal audit and internal control procedures within the group;
- the activities of the Risks Committee;
- the fees due to Statutory Auditors;
- control of the implementation and follow-up of compliance procedures as applied within each business unit; and
- security mechanisms for subscriber and customer personal data within operational business units.

Human Resources Committee

Composition

The Human Resources Committee has five members, all of whom are independent. Its members are Pierre Rodocanachi (Chairman), Gérard Brémond, Fernando Falcó y Fernández de Córdova, Sarah Frank and Henri Lachmann.

Purpose 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 grants of shares of restricted stock, or any other mechanisms with a similar purpose or effect.

In 2008, the Human Resources Committee met five times, including a joint meeting with the Corporate Governance Committee to review the AFEP and MEDEF recommendations of October 6, 2008. The attendance rate was 80%.
Its activities primarily involved:
- the fixed and variable compensation, representation and travel expenses of corporate officers and top executives;
- the stock option and bonus share plans for corporate officers and employees of the group;
- a review and definition of the performance conditions applicable to stock option plans that could be granted under the authority granted by the combined Ordinary and Extraordinary Shareholders' Meeting of April 24, 2008;
- a review of the employment contracts of several executives of the group and business units;
- the annual capital increase reserved for employees of the group and the leveraged "Opus 08" and "Opus 09" transactions; and
- the review and implementation of the AFEP and MEDEF recommendations on compensation for corporate officers of publicly traded companies, jointly with the Corporate Governance Committee.

Corporate Governance Committee

Composition

The Corporate Governance Committee has five members, four of whom are independent. Its members are Claude Bébéar (Chairman), Gabriel Hawawini, Fernando Falcó y Fernández de Córdova, Andrzej Olechowski and Karel Van Miert.
The Chairman of the Supervisory Board may attend certain meetings of this Committee depending on the agenda.

Purpose and activities

The Corporate Governance Committee's main activities involve the following matters:
- appointment of members of the Supervisory Board, its Committees and the Management Board;
- set up and review of independence criteria for members of the Supervisory Board;
- terms of payment and distribution of directors' fees granted to the Members of the Supervisory Board and its Committees;
- succession plans for certain members of the Management Board; and
- assessment of the organization and performance of the Supervisory Board.

The Corporate Governance Committee met three times in 2008, including a joint meeting with the Human Resources Committee to review the AFEP and MEDEF recommendations of October 6, 2008. The attendance rate was 75%.
Its activities primarily involved:
- the selection and proposed renewal of the terms of office of several members of the Supervisory Board in 2008;
- the membership of the Supervisory Board and its Committees;
- changes in the membership of the Management Board;

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- the assessment of the Supervisory Board's functions;
- the assessment of the Management Board's functions and those of its Chairman;
- the distribution of directors' fees; and
- the review and implementation of the AFEP and MEDEF recommendations on the compensation of corporate officers in publicly traded companies, jointly with the Human Resources Committee.

3.1.2. Management Board

3.1.2.1. General Provisions

In accordance with the company's by-laws (Article 12), the Management Board shall be comprised 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 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 occasions, for a period not exceeding two years in total (Article 12 of the by-laws).

3.1.2.2. Composition of the Management Board

The Management Board is currently comprised of six members, including four French citizens, one German 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 a four-year term, expiring on April 27, 2009. Mr. Philippe Capron was appointed by the Supervisory Board on April 19, 2007 to replace Mr. Jacques Espinasse until April 27, 2009. At its meeting held on February 26, 2009, the Supervisory Board decided to renew the terms of the Management Board members for a four-year period, effective from April 27, 2009 until April 26, 2013.

In 2008, the Management Board met a total of fourteen times. The attendance rate at Management Board meetings was 95%. In accordance with Article 14 of the company's by-laws, each member of the Management Board may attend meetings by videoconference or teleconference.

Information about individual members of the Management Board is included in the "Main activities of current members of the Management Board" section.

List of the Management Board Members as of December 31, 2008

Full Name	Primary Position	Number of shares held directly or through the PEG*
Jean-Bernard Lévy	Chairman	**(a)** 124,980
Abdeslam Ahizoune	Chairman of the Management Board of Maroc Telecom	19,801
Philippe Capron	Chief Financial Officer of Vivendi	29,509
Frank Esser	Chairman and Chief Executive Officer of SFR	96,963
Bertrand Meheut	Chairman of the Management Board of Groupe Canal+	**(b)** 116,119
René Pénisson	Chairman of Activision Blizzard and Senior Executive Vice President, Human Resources	77,739

(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.
* Shares held in the group Savings Plan (PEG) are valued on the basis of the Vivendi share price at close of business on December 31, 2008, i.e., €23.265.

In compliance with Article 12 of the by-laws, the term of Management Board member of Mr. Doug Morris, Chairman of Universal Music Group, expired on November 22, 2008.

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Main activities of current members of the Management Board

Jean-Bernard Lévy, Chairman of the Management Board

54, 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
Activision Blizzard, 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

Vivendi Games, Inc. (United States), Director
VU Net, Chairman and Chief Executive Officer
VTI, Chairman and Chief Executive Officer
UGC, Director
Cegetel, Member of the Supervisory Board

Abdeslam Ahizoune, Member of the Management Board

53, 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 positions 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 Axa Assurance Maroc and Holcim SA (since 2007); 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 Mohammed VI pour l'environnement) (since June 2001). Since the end of 2006, he has also served as Chairman of the Royal Moroccan Federation of Athletics. In 2008, he was appointed Chairman-Chief Executive Officer of Medi1sat (Moroccan satellite channel).

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Positions currently held
Maroc Telecom Group
Maroc Telecom (Morocco), Chairman of the Management Board
Medi1Sat (Morocco), Chairman-Chief Executive Officer

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
Moroccan Association of Telecom Professionals (MATI)

Positions previously held that expired during the last five years
CMC SA (Mauritania), Chairman of the Board of Directors
Mauritel SA (Mauritania), Permanent representative of Maroc Telecom on the Board of Directors
Mauritel Mobiles (Mauritania), Director
Onatel (Burkina Faso), Director
Mobisud SA (France), Chairman of the Board of Directors
Gabon Telecom (Gabon), Director

Philippe Capron, Member of the Management Board
50, 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 Duménil Leblé (the Cérus 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 as Chief Administrative Officer. He was appointed to the Management and as Chief Financial Officer in April 2007.

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 (Morocco), Member of the Supervisory Board and Chairman of the Audit Committee
Activision Blizzard, Inc. (United States), Director
NBC Universal, Inc. (United States), Director

Other
Groupe Virbac, Member of the Supervisory Board, Chairman of the Audit Committee
Tinibu Square, Director
Member of the Société d'Economie Politique

Positions previously held that expired during the last five years
Vivendi Games, Inc. (United States), Director
Arcelor Packaging International, Chairman and Chief Executive Officer
Solvi, Chairman and Chief Executive Officer

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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
50, 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 Cologne. Mr. Esser was appointed Chairman of SFR in December 2002 and has been with the SFR group since September 2000, when he was appointed Chief Executive Officer. He was appointed to Vivendi's Management Board on April 28, 2005. He is also President of the French Telecommunications Federation. 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
Neuf Cegetal, Chairman and Chief Executive Officer
Jet Multimédia, Member of the Supervisory Board
Vivendi Telecom International, Director
SHD, 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 and Arcor, Member of the Supervisory Board
Faurecia, Director
LTB-R, Permanent Representative of SFR on 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
SHD, Chairman and Chief Executive Officer
GSM Association, Director

Bertrand Meheut, Member of the Management Board
57, 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'Ecole 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 executive positions 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.

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Positions currently held
Groupe Canal+, Chairman of the Executive Board
Canal+ France, Chairman of the Management Board
Canal+, Chairman of the Board of Directors
Canal+ International Développement, Chairman of the Board of Directors
Kiosque Sport, Chairman of the Board of Directors
StudioCanal, Chairman of the Supervisory Board
SFR, Director
Kiosque, Permanent Representative of Groupe Canal+ and Manager
Canal Overseas, Member of the Management Board
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
Canal+ Distribution, Chairman of the Board of Directors
Cegetel, Director
StudioCanal, Chairman of the Board of Directors
Holding Sports & Evénements, Chairman of the Board of Directors
NPA Production, permanent representative of Canal+ and Manager
Multithématiques, Director
PSG Football, Director
Sportfive, member of the Supervisory Board
CanalSatellite, Director
Canal+ Active, Chairman
Société d'exploitation d'un service d'exploitation (SESI), permanent representative of its Manager, Canal+

René Pénisson, Member of the Management Board
67, 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
Activision Blizzard, Inc. (United States), Chairman
Canal+ France, Member of the Supervisory Board

Positions previously held that expired during the last five years
Vivendi Games, Inc. (United States), Chairman
Blizzard Entertainment Holdings Inc., Chairman
Vivendi Games Europe, Director

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3.1.2.3. Family Relationships

There are no family relationships among the members of the Management Board.

3.1.2.4. Absence of Conflicts of Interest

To the company's knowledge, there are no actual or potential conflicts of interest between Vivendi and the members of the Management Board with regard to their personal interests or other responsibilities.

3.1.2.5. Absence of any Sentence for Fraud, Liability Associated with a Business Failure or Public Incrimination and/or Sanction

To the company's knowledge, over the past five years, no member of the Management Board has been convicted of any fraud-related matter, no official public incrimination and/or sanction has been delivered against any member of the Management Board, no member of the Management Board has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body of a public company nor 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.

However, Mr. Philippe Capron, in his capacity as former permanent representative of Arcelor Packaging International and director of the SAFET company, is cited along with other members of the SAFET Board of Directors in the proceedings related to an insolvency action filed on May 26, 2008.

3.1.2.6. Agreements between the Company and Members of the Management Board – Service Contracts

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 has been suspended since April 28, 2005, the date of his election as Chairman. It is anticipated, upon renewal of his term on the Board and as Chairman of the Management Board, that Mr. Jean-Bernard Lévy will waive his employment contract, in compliance with the AFEP and MEDEF recommendations of October 2008 on the compensation of corporate officers of publicly traded companies.

No member of the Management Board is covered by a service contract entered into with Vivendi or any of its subsidiaries, nor do they expect that any benefits will be granted under the terms of such contract.

3.1.2.7. Loans and Guarantees granted to Members of the Management Board

The company has not granted any loans or issued any guarantees to any member of the Management Board.

3.1.2.8. 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 attributed to the Supervisory Board and/or the Shareholders' Meetings 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 an internal 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 has amended its Internal Regulations 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.

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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 manages the following matters:

- review and drafting of financial statements, forecasts, cash flows, debt obligations and company liabilities;
- 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;
- development of human resources policies and industrial relations;
- development of communication policies;
- compliance activities;
- development of internal audit and internal control procedures;
- monitoring of risk assessments and duties of the Risks Committee;
- monitoring of litigation and legal proceedings;
- monitoring of environmental matters; and
- 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 (please refer to the Internal Regulations of the Supervisory Board above).

3.1.2.9. Activities of the Management Board in 2008

The Management Board met fourteen times in 2008. Its activities primarily focused on the following:

- the review and approval of the statutory and consolidated financial statements for fiscal year 2007, the 2008 budget, the quarterly and half-year 2008 condensed financial statements and the 2009 preliminary budget;
- the preparation of quarterly reports for the Supervisory Board;
- growth forecasts for the group, principal strategic initiatives and opportunities and the 5-year strategic plan;
- the group's financial position;
- an assessment of the accuracy and structure of the group's balance sheet;
- refinancings;
- the review of securities given or received;
- an assessment of the risks related to the economic situation;
- the outlook in the context of the magnitude of the global financial crisis;
- the outlook for each of the group's businesses based on the financial situation and their operations within the economic environment;
- an assessment of the risks of the economic situation and the consequences of the global financial crisis;
- the group's financial communications;
- joint training sessions for young executives from the various entities of the group;
- the market position of the group's main business units;
- the implementation of an EMTN program and the issue of bonds;
- the review and adoption of merger, acquisition and disposal transactions;
- follow-up on the Activision Blizzard and Neuf Cegetel transactions;
- the approval of the Activision Blizzard stock buyback program;
- the maintenance of Vivendi's holding in NBC Universal;
- monitoring of the telecommunications assets in Poland;
- the forecast for pay television outside France;
- the acquisition of sports television rights;
- the progress of digital music sales;
- the notice of meeting for the combined ordinary and extraordinary Shareholders' Meeting of April 24, 2008;
- stock options and performance shares to be granted;
- the capital increase reserved for employees of the group through an international FCPE;
- monitoring of legal investigations and proceedings;
- the implementation of a «Level 1» ADR program in the United States;
- the group's communications plan and the development of its image;
- the review of the Sustainable Development report;
- the review of the business report and the environmental and employee data report;
- the review of the Compliance Program; and
- membership in the UN Global Pact setting forth ten principles relating to human rights, labor standards, the environment and anti-corruption.

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3.2. Compensation of Directors and Officers

3.2.1. Compensation of the Members of the Supervisory Board and its Chairman

3.2.1.1. Compensation of the Chairman of the Supervisory Board

As presented to the Annual Shareholders' Meeting held on April 24, 2008, the Supervisory Board, at its meeting held on February 28, 2008, upon recommendation of the Human Resources Committee at its meeting held on February 27, 2008, resolved to maintain the level of the annual gross compensation of its Chairman at €1 million. He receives no director's 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 (in euros)				
	2008	2007	2006	2005*
Fixed	1,000,000	1,000,000	1,000,000	666,667

* Chairman of the Supervisory Board since April 28, 2005.

3.2.1.2. Directors' Fees

Within the limitations set forth by the Combined Shareholders' Meeting held on April 24, 2008 (€1.5 million per year), payment of directors' fees to 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, starting in 2007, directors' fees would be paid on a half-yearly basis. The gross amount of directors' fees paid in 2008 was €1,107,430, compared to €955,434 in 2007.

The amount of directors' fees paid during the first half of 2008 amounted to €548,680. Directors' fees for the second half of 2008, paid in January 2009, amounted to €558,750. Details of directors' fees paid on an individual basis are described below.

The Supervisory Board, at its meeting held on June 27, 2008, upon the recommendation of the Corporate Governance Committee at its meeting held on May 28, 2008, decided to change the procedures for the allocation of directors' fees to take into account two new members and the number of meetings held.

The allocation is as follows: each member of the Supervisory Board receives a fixed director's fee of €23,000 for a full year of service and a variable amount of €4,100 per meeting, dependent upon actual attendance at meetings. Each member of the Audit Committee receives a fixed director's 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 €3,900 per meeting, dependent upon actual attendance at meetings. Each member of the Strategy Committee, the Human Resources Committee and the Corporate Governance Committee receives a fixed director's fee of €16,100 for a full year of service, which is doubled for the Chairman of the Committees, and a variable amount of €3,300 per meeting, dependent upon actual attendance at meetings. A 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 and other compensation received by members of the Supervisory Board (in euros – rounded off) (Table 3 of the AMF recommendations):

	Amounts paid for 2007	Amounts paid for 2008
Jean-René Fourtou **(a)**	None	None
Claude Bébéar	108,500	111,661
Gérard Brémond	88,500	90,376
Jean-Yves Charlier **(b)**	na	59,959
Mehdi Dazi	61,534	62,692
Philippe Donnet **(b)**	na	56,459
Fernando Falcó y Fernández de Córdova	83,500	88,510
Sarah Frank	91,400	96,576
Gabriel Hawawini	100,000	106,226

	Amounts paid for 2007	Amounts paid for 2008
Henri Lachmann	107,700	126,176
Andrzej Olechowski	88,000	85,093
Pierre Rodocanachi	121,900	131,393
Karel Van Miert	104,400	92,309
Total	**955,434**	**1,107,430**

na: not applicable.
(a) Mr. Fourtou waived his rights to receive directors' fees allocated to board members of the company and its subsidiaries.
(b) Members of the Supervisory Board since April 24, 2008.

Members of the Supervisory Board do not receive any other compensation from the company.

3.2.2. Compensation of Members and Chairman of the Management Board

Compensation of corporate officers and the company's principal executives is determined by the Supervisory Board upon recommendation of the Human Resources Committee. The compensation is made up of a fixed component and a variable component.

Upon recommendation of the Human Resources Committee at its meeting held on February 27, 2008, the variable component of compensation for 2008 was set by the Supervisory Board at its meeting held on February 28, 2008 based on 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 for their entity (60%) and (c) priority objectives for their entity (25%). At its meeting held on February 26, 2009, the Supervisory Board analyzed the criteria for the determination of the variable component.

For 2009, upon recommendation of the Human Resources Committee at its meeting of February 25, 2009, the variable component of compensation was set by the Supervisory Board on February 26, 2009 based on the following criteria: (1) for corporate officers and executives at the corporate offices: (a) financial objectives (68%) linked to both adjusted net income attributable to equity holders of the parent (43%) and cash flows from operations (25%) and (b) achievement of general management's priority objectives (32%), and (2) for corporate officers (including the subsidiaries' chairmen or executives): (a) group financial objectives (15%), (b) the financial objectives for their entity (60%) and (c) priority objectives for their entity (25%).

Summary of compensation, options and performance shares granted to each member of the Management Board (Table 1 of the AMF recommendations):

in euros	2007	2008
Jean-Bernard Lévy **Chairman of the Management Board**		
Compensation for the year (*detailed in table 3.2.2.2*)	2,518,631	2,576,609
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	2,030,400	1,281,600
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	879,000	620,100
Total	**5,428,031**	**4,478,309**
Abdeslam Ahizoune **Member of the Management Board and Chairman of the Management Board of Maroc Telecom**		
Compensation for the year (*detailed in table 3.2.2.2*)	1,287,706	1,420,147
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	767,040	569,600
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	332,086	275,613
Total	**2,386,832**	**2,265,360**

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in euros	2007	2008
Philippe Capron **Member of the Management Board and Chief Financial Officer of Vivendi**		
Compensation for the year (*detailed in table 3.2.2.2*)	754,478	893,279
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	631,680	569,600
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	273,486	275,613
Total	**1,659,644**	**1,738,492**
Frank Esser **Member of the Management Board and Chairman-CEO of SFR**		
Compensation for the year (*detailed in table 3.2.2.2*)	1,904,843	1,796,610
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	1,263,360	797,440
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	546,943	385,846
Total	**3,715,146**	**2,979,896**
Bertrand Meheut **Member of the Management Board and Chairman of the Management Board of Groupe Canal+**		
Compensation for the year (*detailed in table 3.2.2.2*)	1,994,847	1,893,088
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	1,263,360	797,440
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	546,943	385,846
Total	**3,805,150**	**3,076,374**
Doug Morris **Member of the Management Board until November 22, 2008 and Chairman-CEO of Universal Music Group**		
Compensation for the year (*detailed in table 3.2.2.2*)	11,824,933	11,316,749
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	* 807,966	398,720
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	* 306,727	192,933
Total	**12,939,626**	**11,908,402**
René Pénisson **Member of the Management Board and Chairman of Activision Blizzard**		
Compensation for the year (*detailed in table 3.2.2.2*)	1,480,035	1,547,162
Book value of options upon grant during the year (*detailed in tables 3.3.1.1 and 3.3.1.2*)	1,263,360	797,440
Book value of performance shares upon grant during the year (*detailed in tables 3.3.2.1 and 3.3.2.2*)	546,943	385,846
Total	**3,290,338**	**2,730,448**

* Valuation of financial instruments (Stock Appreciation Rights and Restricted Stock Units) at the euro/dollar rate at the date of grant, i.e., April 23, 2007 (1.3557).

3.2.2.1. Position and Compensation of the Chairman of the Management Board

Mr. Jean-Bernard Lévy's employment contract has been suspended since April 28, 2005, the date he was appointed Chairman of the company's Management Board.

The compensation of the Chairman of the Management Board for 2008 was set by the Supervisory Board on February 28, 2008, upon recommendation of the Human Resources Committee at its meeting held on February 27, 2008, as follows: a gross annual fixed salary of €885,800 and a target bonus of 140% determined according to the aforementioned criteria, up to a maximum of 240%. His travel expenses and other expenditures incurred in connection with his duties are paid by the company. In 2008, the Chairman of the Management Board was granted 360,000 non-discounted stock options with an exercise price of €25.13 and 30,000 performance shares based on the achievement of certain performance targets (refer to section 3.3.2).

Mr. Jean-Bernard Lévy announced his intention to waive his employment contract upon the renewal of his term of office on April 27, 2009, in accordance with the AFEP and MEDEF recommendations of October 2008 on the compensation of corporate officers of publicly traded companies.

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The Supervisory Board meeting held on February 26, 2009 noted this intention and, upon recommendation of the Human Resources Committee at its meeting held on February 25, 2009 and the meeting of the Corporate Governance Committee held on February 26, 2009, reviewed the situation of Mr. Jean-Bernard Lévy, Chairman of the Management Board, and set the following principles for his compensation and benefits in kind:

- fixed compensation for 2009: €912,400;
- variable compensation with target bonus of 140% and maximum bonus of 240%. This compensation is subject to the satisfaction of financial objectives and the Group's priority measures mentioned above;
- eligibility to stock option grants, subject to the satisfaction of performance conditions set by the Supervisory Board and to the relevant plan regulations with respect to their acquisition and exercise conditions;
- eligibility to performance share grants subject to the satisfaction of performance conditions set by the Supervisory Board and to the relevant plan regulations with respect to their acquisition and exercise conditions;
- benefit of a car and a driver;
- travel expenses incurred in connection with his corporate duties are paid by the company in accordance with the policy set up by the Board at its meeting held on June 29, 2004 upon recommendation of the Human Resources Committee;
- eligibility to participate in the basic Social Security, AGIRC and ARRCO schemes;
- eligibility to participate in the complementary pension plan adopted in 1985 and the additional pension plan of 2005 as approved by the Combined Shareholders' Meeting held on April 20, 2006; and
- eligibility to participate in the insurance schemes (mutual and life-illness policies) subscribed for company employees, under similar conditions.

3.2.2.2. Compensation upon Termination of Employment of the Chairman of the Management Board

Pursuant to the AFEP and MEDEF recommendations of October 2008 on compensation of executive directors of listed companies, the Supervisory Board at its meeting held on February 26, 2009, on the joint recommendations of the Human Resources and Corporate Governance Committees, reviewed the situation of Mr. Jean-Bernard Lévy, Chairman of the Management Board.

At its meeting on February 26, 2009, the Supervisory Board resolved that, subject to a favorable vote at the Shareholders' Meeting to be held on April 30, 2009, Mr. Jean-Bernard Lévy would, save in the case of serious misconduct and subject to performance conditions, receive compensation upon termination of his term of office in accordance with the AFEP and MEDEF recommendations.

This compensation would be based on an increase formula linked to his seniority and would amount to six months' pay plus one additional month's pay for each year of service within the group after 2002. It would be subject to the satisfaction of the following minimum performance conditions: the compensation would not be payable if the group's financial results (adjusted net income and cash flow from operations) were less than 2/3 of the budget for two consecutive years and if the performance of Vivendi shares were less than 2/3 of the average performance of a composite index (1/3 CAC 40, 1/3 DJ Stoxx Telco and 1/3 DJ Stoxx Media) for two consecutive years. It would not be payable in the event Mr. Jean-Bernard Lévy were to leave after the age of 62 years, when he would be entitled to assert his pension rights, or if he left the Company at his own initiative. This compensation would, by definition, be in an amount equal to 21 months or less.

At the same meeting, the Supervisory Board also resolved that in the event that Mr. Jean-Bernard Lévy left the Company under the conditions set forth above (entitling him to compensation), his rights to stock options and performance shares not yet acquired by him on the date of his departure would be maintained, subject to the satisfaction of the relevant performance conditions, and would remain subject to the relevant plan rules with respect to the conditions governing their acquisition and exercise.

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3.2.2.3. Compensation of Members of the Management Board

Summary table of the compensation of each member of the Management Board (Table 2 of the AMF recommendations):

in euros	2007		2008	
	Amounts paid	Amounts due	Amounts paid	Amounts due
Jean-Bernard Lévy **Chairman of the Management Board**				
Fixed compensation	860,000	860,000	885,800	885,800
Variable compensation for 2006	1,485,000	-	-	-
Variable compensation for 2007	-	1,651,000	1,651,000	-
Variable compensation for 2008	-	-	-	1,683,100
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	7,631	7,631	7,709	7,709
Total	**2,352,631**	**2,518,631**	**2,544,509**	**2,576,609**
Abdeslam Ahizoune **Member of the Management Board**				
Fixed compensation	527,947	527,947	568,998	568,998
Variable compensation for 2006	375,878	-	-	-
Variable compensation for 2007	-	752,325	752,325	-
Variable compensation for 2008	-	-	-	845,000
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	7,434	7,434	6,149	6,149
Total	**911,259**	**1,287,706**	**1,327,472**	**1,420,147**
Philippe Capron (a) **Member of the Management Board**				
Fixed compensation	325,000	325,000	334,750	334,750
Variable compensation for 2006	na	na	-	-
Variable compensation for 2007	na	na	423,000	-
Variable compensation for 2008	-	-	-	535,600
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	6,478	6,478	22,929	22,929
Total	**331,478**	**754,478**	**780,679**	**893,279**
Frank Esser **Member of the Management Board**				
Fixed compensation	685,000	685 000	705,500	705,500
Variable compensation for 2006	1,150,000	-	-	-
Variable compensation for 2007	-	1,195,000	1,195,000	-
Variable compensation for 2008	-	-	-	1,060,000
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	24,843	24,843	31,110	31,110
Total	**1,859,843**	**1,904,843**	**1,931,610**	**1,796,610**
Bertrand Meheut **Member of the Management Board**				
Fixed compensation	685,000	685,000	705,500	705,500
Variable compensation for 2006	1,248,000	-	-	-
Variable compensation for 2007	-	1,288,000	1,288,000	-
Variable compensation for 2008	-	-	-	1,165,000
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	21,847	21,847	22,588	22,588
Total	**1,954,847**	**1,994,847**	**2,016,088**	**1,893,088**

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in euros	2007 Amounts paid	2007 Amounts due	2008 Amounts paid	2008 Amounts due
Doug Morris (b) **Member of the Management Board**				
Fixed compensation	4,436,453	4,436,453	3,863,911	3,863,911
Variable compensation for 2006	8,714,211	-		-
Variable compensation for 2007	-	7,268,857	7,268,857	-
Variable compensation for 2008	-	-	-	7,326,644
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	119,623	119,623	126,193	126,193
Total	**13,270,287**	**11,824,933**	**11,258,961**	**11,316,749**
René Pénisson **Member of the Management Board**				
Fixed compensation	485,000	485,000	499,600	499,600
Variable compensation for 2006	854,000	-	-	-
Variable compensation for 2007	-	970,000	970,000	-
Variable compensation for 2008	-	-	-	999,200
Exceptional compensation	na	na	na	na
Directors' fees	na	na	na	na
Benefits in kind*	25,035	25,035	48,362	48,362
Total	**1,364,035**	**1,480,035**	**1,517,962**	**1,547,162**

na: not applicable.
(a) Member of the Management Board since April 19, 2007.
(b) Member of the Management Board until November 22, 2008.
* The amount of benefits in kind takes into account employer contributions to retirement and insurance schemes exceeding the legal deductible threshold which have been included in the taxable wage and the benefits in kind corresponding to a company car, the profit-sharing for the year 2007 paid in 2008 and the valuation of leave days transferred from the time savings plan to the retirement savings plan.

Members of the Management Board as of the date of this report do not benefit from any indemnity other than those provided in their employment contracts (please refer to section 3.2.2.3 of the Annual Report 2007, page 106).

3.2.3. Pension Plans (Information required in Table 10 of the AMF recommendations)

Members of the Management Board holding an employment contract with Vivendi and the Chairman as a corporate officer 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 2008, no amendments were made to these pension plans, which are described in the 2005 Annual Report (page 97).

For the year 2008, a provision of €2,053,561 was recorded under the pension plan for members of the Management Board.

In 2008, members of the Management Board acquired pension rights under the supplemental pension plan calculated on the basis of the fixed salary paid in 2008 and the variable portion for 2007 paid in 2008; this basis is capped at 60 times the social security upper limit which was €1,996,560 for 2008. The acquisition of these rights is calculated at a rate of 1.25% and represented 0.98% of the capped gross salary of the Chairman of the Management Board, which was €24,957 in 2008.

3.2.4. Indemnities Under a Non-Compete Clause (Information required in Table 10 of the AMF recommendations)

No member of the Management Board benefits from this type of indemnity.

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3.2.5. Compensation of Group Senior Executives

The aggregate gross amount of the top ten compensation packages paid by Vivendi SA globally in 2008 was €12.90 million, including benefits in kind. In 2008, the aggregate gross amount of the top ten compensation packages paid to senior executives within the group globally (none of whom are French citizens) was €73.2 million, including benefits in kind.

In accordance with governance rules existing within the Vivendi group, all senior executives waived their rights to receive directors' fees as compensation for serving as board members or permanent representatives within controlled subsidiaries, in accordance with Article L. 233-16 of the French Commercial Code.

3.3. Stock Options and Performance Shares

The Management Board, at its meeting held on February 26, 2008, and the Supervisory Board at its meeting held on February 28, 2008, approved a stock option plan consisting of 6.3 million shares representing 0.54% of the share capital and a grant of 525,496 performance shares representing 0.04% of the share capital, as detailed below. The grant of stock options to members of the Management Board in 2008 represented 1.46 million options or 23.2% of the total grant and 0.12% of the share capital. The grant of performance shares to the members of the Management Board in 2008 represented 122,003 shares or 23.2% of the total grant and 0.01% of the share capital. The shares granted to the Chairman of the Management Board totaled 360,000 options and 30,000 performance shares, or 5.70% of the total grant of options and performance shares.

At its meeting held on December 18, 2008, the Supervisory Board set the maximum percentage of stock options and shares to be granted to members of the Management Board at 7.5% of the total grant for the Chairman and 25% for the Management Board (Chairman included).

The definitive acquisition of performance shares and stock options is subject to the satisfaction of performance conditions including henceforth an external indicator in accordance with the AFEP and MEDEF recommendations. These performance conditions are broken down as follows: adjusted net income (50%), cash flow from operations (30%) and the performance of Vivendi shares compared under three trading indicators – DJ Stoxx Media, DJ Stoxx Telco and CAC 40 (20%).

Objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee. The satisfaction of the objectives is reviewed over two years for performance shares and over one year for the stock options.

3.3.1. Options Granted

3.3.1.1. Stock options granted to members of the Management Board by the Company on April 16, 2008, at a unit price of €25.13. (Plan 2008-04-1 with an exercise period from April 2011 to April 2018) (Table 4 of the AMF recommendations)

	Valuation of the options under the method used for the consolidated financial statements (in euros)	Number of options granted during the year (a)
Jean-Bernard Lévy	1,281,600	360,000
Abdeslam Ahizoune	569,600	160,000
Philippe Capron	569,600	160,000
Frank Esser	797,440	224,000
Bertrand Meheut	797,440	224,000
Doug Morris **(b)**	398,720	112,000
René Pénisson	797,440	224,000
Total	**5,211,840**	**1,464,000**

(a) For the 2008 grant, the definitive acquisition of half the number of options granted to the members of the Management Board is subject to the same performance conditions and quantitative grant conditions as those used for the performance share grant (cf. infra). As the performance conditions set for 2008 were reached, the numbers indicated in the table above correspond to the number of options definitively granted.

(b) Member of the Management Board until November 22, 2008.

The exercise price of Vivendi stock options granted in 2008 is €25.13. The value of the unit advantage used is the value that is showed in the financial statements in accordance with IFRS, i.e., €3.56.

3.3.1.2. History of stock options and Stock Appreciation Rights (SARs) granted to members of the Management Board (Table 8 of the AMF recommendations)

	Granted in 2008	2007	2006	2005
Date of the Shareholders' Meeting approving option grant	AGM of 04/28/05	AGM of 04/28/05	AGM of 04/28/05	AGM of 04/29/03
Date of the Supervisory Board meeting	02/28/08	03/06/07	02/28/06	03/09/05
Grant Date	04/16/08	04/23/07	04/13/06	04/26/05
Maximum number of options that may be granted under the Shareholders' Meeting approval	29,129,168	28,893,333	28,836,933	37,541,852
Maximum number of options that may be granted during the year, taking into account options already granted	9,670,883	9,592,586	9,534,861	15,948,252
Total number of options granted in April	6,303,200	5,718,220	5,481,520	9,071,000
Total number of SARs granted in April	Nil	1,280,660	1,250,320	na
Number of options cancelled due to the departure of beneficiaries	120,000	75,680	108,320	174,500
Number of SARs cancelled due to the departure of beneficiaries	Nil	44,280	16,000	na
Total number of options that may be granted at December 31	29,242,936	17,691,840	23,322,923	6,877,252
Number of options granted to members of the Management Board				
Mr. Jean-Bernard Lévy - Chairman	360,000	360,000	360,000	400,000
Mr. Abdeslam Ahizoune	160,000	136,000	112,000	125,000
Mr. Philippe Capron	160,000	112,000	-	-
Mr. Jacques Espinasse **(a)**	-	136,000	224,000	280,000
Mr. Frank Esser	224,000	224,000	224,000	250,000
Mr. Bertrand Meheut	224,000	224,000	224,000	250,000
Mr. Doug Morris **(b)**	112,000	112,000	112,000	125,000
Mr. René Pénisson	224,000	224,000	224,000	250,000
Total	**1,464,000**	**1,528,000**	**1,480,000**	**2,080,000**
Unit exercise price of the stock options and SARs granted	€25.13	€30.79/$41.34	€28.54/$34.58	€23.64/$30.63
Expiration date	04/16/18	04/23/17	04/13/16	04/26/15

na: not applicable.
(a) Member of the Management Board until April 19, 2007.
(b) Member of the Management Board until November 22, 2008.

All grants were made below the 0.83% annual threshold of share capital authorized by the shareholders' meetings. They represented an average of 0.5% of the share capital on the date of grant.

3.3.2. Grant of performance shares

3.3.2.1. Grant and performance conditions

Grants of shares of performance stock to members of the Management Board are determined by the Supervisory Board upon recommendation of the Human Resources Committee. In 2008, as in 2007 and 2006, they were granted subject to conditions linked to financial indicator targets for the year of grant (group's adjusted net income and operating cash flow). The entire grant of performance shares is definitively vested if the weighted sum of the two financial indicators equals or exceeds 100% of target; 50% of the grant of shares is vested if the weighted sum of the two financial indicators equals the minimum threshold amount defined by the Supervisory Board, and no share is vested if the weighted average of the two financial indicators is below the minimum threshold amount.

The shares are vested at the end of a period of two years from the grant date and must be retained by the beneficiaries for an additional two years after the vesting period.

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3.3.2.2. 2008 Grant of performance shares (Table 6 of the AMF recommendations)

As the performance objectives were achieved in 2008, the data in the table below shows the number of shares definitively granted.

	Plan No. and date	Number of shares allotted during the year	Valuation of shares under the method used for consolidated statements (in euros)	Vesting date	Availability date	Performance conditions
Jean-Bernard Lévy	2008-04-1	30,000	620,100	04/17/10	04/19/12	Yes
Abdeslam Ahizoune	2008-04-1	13,334	275,613	04/17/10	04/19/12	Yes
Philippe Capron	2008-04-1	13,334	275,613	04/17/10	04/19/12	Yes
Frank Esser	2008-04-1	18,667	385,846	04/17/10	04/19/12	Yes
Bertrand Meheut	2008-04-1	18,667	385,846	04/17/10	04/19/12	Yes
Doug Morris **(a)**	2008-04-1	9,334	192,933	04/17/10	04/19/12	Yes
René Pénisson	2008-04-1	18,667	385,846	04/17/10	04/19/12	Yes
Total		**122,003**	**2,521,797**			

(a) Member of the Management Board until November 22, 2008.

The value used for granting the unit right to Vivendi performance shares granted in 2008 is the value used in the financial statements pursuant to IFRS, i.e., 20.67 euros.

3.3.2.3. History of performance shares and Restricted Stock Units (RSUs) grants to members of the Management Board in 2008

	Granted in 2008	2007	2006
Date of the Shareholders' Meeting authorizing the share grant	AGM of 04/28/05	AGM of 04/28/05	AGM of 04/28/05
Date of the Supervisory Board Meeting	02/28/08	03/06/07	02/28/06
Grant date	04/16/08	04/23/07	04/13/06
Maximum number of shares that may be granted pursuant to the Shareholders' Meeting authorization	5,825,833	5,785,169	5,767,387
Maximum number of shares that may be granted based on allotments already made	4,506,989	4,951,844	5,767,387
Total number of shares granted in April	525,496	476,717	456,968
Total number of RSUs granted in April	None	106,778	104,250
Number of shares cancelled due to the departure of beneficiaries	10,208	5,180	11,700
Number of RSUs cancelled due to the departure of beneficiaries	None	3,692	1,334
Total number of shares that may be granted as at December 31	5,849,987	4,504,872	4,967,909
Number of shares granted to members of the Management Board			
Mr. Jean-Bernard Lévy	30,000	30,000	30,000
Mr. Abdeslam Ahizoune	13,334	11,334	9,334
Mr. Philippe Capron	13,334	9,334	-
Mr. Jacques Espinasse **(a)**	-	11,334	18,667
Mr. Frank Esser	18,667	18,667	18,667
Mr. Bertrand Meheut	18,667	18,667	18,667
Mr. Doug Morris **(b)**	9,334	9,334	9,334
Mr. René Pénisson	18,667	18,667	18,667
Total	**122,003**	**127,337**	**123,336**
Vesting date	04/17/10	04/24/09	04/14/08
Date of availability	04/19/12	04/24/11	04/14/10

(a) Member of the Management Board until April 19, 2007.
(b) Member of the Management Board until November 22, 2008.

All grants were made below the 0.5% threshold authorized by the shareholders' meeting. They represented an average of 0.04% of the share capital on the grant date.

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3.3.2.4. Performance shares that became available in 2008 (Information required in Table 7 of the AMF recommendations)

No performance shares available for grant to the members of the Management Board were available in 2008.

3.3.3. Options Exercised in 2008 by Corporate Officers (Information required in Table 5 of the AMF recommendations)

In 2008, Bertrand Meheut, Member of the Management Board, exercised 23,000 stock options at a price of €14.40 (plan No. 2003-04-1).

3.3.4. Principal Grants and Options Exercised in 2008 (Information required in Table 9 of the AMF recommendations)

The eleven principal executives and other employees of the group, who are not corporate officers, received an aggregate of 860,000 stock options representing 13.64% of the total number of options granted in 2008 and 0.07% of the share capital as of December 31, 2008.

The exercise price of these stock options is €25.13.

The eleven principal executives and other employees of the group, who are not corporate officers, exercised a total of 135,150 stock options at an average price of €17.

3.3.5. Conditions under which Corporate Officers Hold Shares Pursuant to the Exercise of Stock Options and Grants of Performance Shares

Pursuant to Articles L. 225-185 and L. 225-197-1 of the Commercial Code, the Supervisory Board, at its meeting of March 6, 2007, established the rules for the members of the Management Board regarding the retention of shares obtained from the exercise of stock options and performance shares granted as of 2007.

Members of the Management Board must keep, in a registered account, until the end of their terms of office, a number of shares from the exercise of options and performance shares granted under the 2007 plan equal to 20% of the net acquisition value generated each year, if any, when the options are exercised or the performance shares are sold.

3.3.6. Conditions Specific to Vivendi

In addition, since January 1, 2007, the Supervisory Board has requested the members of the Management Board and General Management to allocate every year the equivalent of 50% of the net gain, if applicable, resulting from the exercise of their stock options and/or the sale of their shares of performance stock to the creation (within a period of 5 years) of a portfolio of holding of Vivendi shares corresponding to three years of gross compensation (fixed compensation and target bonus) for the Chairman of the Management Board, 2 years for the members of the Management Board and 1 year for General Management.

3.4. Trading in Company Securities

Vivendi complies with the General Regulations of the AMF and the recommendations of the AFEP and MEDEF and therefore purchase and sale transactions of company shares or financial instruments are prohibited during the period from the date on which the member of the Supervisory Board or the Management Board becomes aware of precise market information concerning the company's day-to-day business or prospects which, if made public, would be likely to have a material impact on the company's share price, up to the date on which this information is made public. In addition, they are also prohibited during 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.

Finally, pursuant to AFEP and MEDEF recommendations dated January 9, 2007, the Management Board, at its meeting held on January 24, 2007, prohibited the use of derivative financial instruments as a means to hedge transactions upon the exercise of stock options.

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3.4.1. Transactions in Company Securities by Directors in 2008

Pursuant to Article 223-26 of the General Regulations of the AMF, transactions in company securities performed by directors in 2008, as notified to the company and to the AMF, are detailed in the table below:

	Purchase			Sale		
Name	Date	Quantity	Unit price (in euros)	Date	Quantity	Unit price (in euros)
Jean-Bernard Lévy	03/13/08	10,000	23.46		None	
Philippe Capron	03/19/08	1,790	24.25		None	
	03/25/08	2,710	25.41			
	06/05/08	220	27.30			
	10/10/08	5,000	17.997			
Jean-René Fourtou	10/01/08	79,176	21.7978		None	
	10/02/08	11,600	22.4041			
	10/03/08	12,100	22.64			
	10/06/08	13,665	21.9495			
	10/08/08	14,199	20.3775			
	12/17/08	119	22.620			
Claude Bébéar	03/04/08	3,000	25.8878		None	
Jean-Yves Charlier	12/12/08	2,500	21.505		None	
	12/12/08	2,500	21.730			
Fernando Falcó y Fernández de Cordóva	03/12/08	1,500	23.72		None	
Sarah Frank	07/21/08	250	26.69		None	
Gabriel Hawawini	01/24/08	519	27.30	01/16/08	250	29.78
	03/03/08	1,000	25.85			
	03/12/08	500	24.38			
	07/01/08	200	23.695			
	11/18/08	300	19.68			
Henri Lachmann	02/29/08	3,000	26.42		None	
Andrzej Olechowski	03/18/08	2,152	24.50		None	
Pierre Rodocanachi	03/06/08	2,600	26.10		None	

3.5. Compliance Program

The objective of the Compliance Program is to make employees aware of their professional responsibilities and to provide them with a reference guide that will assist them in determining the most appropriate conduct.

It establishes rules of conduct based on general principles of international law (OECD, ILO and European law) as well as prevailing legislation in various countries (mainly France and the United States).

It sets forth the general ethical rules applicable within the group. These general rules are applied in each operational business unit and are adapted to both local legislation and business activities as required.

At its meeting held on March 16, 2004, the Board of Directors of Vivendi, upon recommendation of its Audit Committee, adopted a Financial Code of Ethics. This code was maintained following the company's change of organizational structure. It applies to the senior executives of Vivendi SA responsible for communications and financial and accounting reports.

The legal departments and Compliance Officers of the business units work to ensure overall consistency in coordination with Vivendi's General Counsel's office. An annual progress report is prepared and presented to the Audit Committee, which then reports to the Supervisory Board.

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3.5.1. Reasons for the Program

The Compliance Program addresses the following main concerns:
- the new national and international standards under which companies must report on how they comply with their economic and social responsibility; and
- the emergence of new rating criteria aimed at assessing the policies that companies have set up to assume this responsibility.

3.5.2. Objectives

The Compliance Program has two major purposes:
- to raise the awareness of the group's employees and to provide them with a reference tool which gives them guidance, as necessary, in determining appropriate types of behavior; and
- to reduce the risks of triggering civil and criminal liability by the group employees and group companies.

3.6. Financial Information and Communication Procedures Committee

This Committee, set up in 2002, is responsible for the regular evaluation of the company's procedures for preparing and publishing financial data and for reviewing financial information published quarterly.

3.6.1. Composition

The Committee Members are appointed by the Chairman of the Management Board. At a minimum, the Committee shall be comprised of 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 the Legal Department.

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.

3.6.2. Powers

The Committee assists the Chairman of the Management Board and the group's Chief Financial Officer in ensuring 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 Euronext Paris in France.

3.6.3. Purpose

In carrying out its purpose and objectives, 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 the regulatory authorities is reported within the deadlines stipulated by applicable laws, regulations and notifications;
- all communications are subject to appropriate verification 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 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 are likely to affect Vivendi's procedures for controlling information and its internal control procedures. The Committee issues recommendations, as necessary, for

Section 3 Corporate Governance

changes to be made to these controls and procedures. The Committee monitors the implementation of changes 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 ensured that they will receive all information they may request.

3.6.4. 2008 Proceedings

The Committee meets at the request of the Chairman of the Management Board, the Chief Financial Officer, the Committee 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 2008. Its proceedings primarily involved 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;
- progress questionnaires for assessing internal controls within the Business Units;
- the financial information published in the annual, half-year and quarterly results and published in the Annual Report;
- the Sustainable Development report; and
- the business report and the environmental and employee data report.

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, as necessary.

3.7. Risks Committee

The Risks Committee was set up in January 2007. Its task is to make recommendations or issue opinions to the Management Board in the following areas:
- the identification and assessment of potential risks that could arise from operations performed by the Vivendi group;
- the review of the adequacy of risk coverage and the level of residual risk;
- the formulation of recommendations with a view to improving risk coverage;
- the review of the insurance programs; and
- the list of risk factors and forward-looking statements as disclosed in the documents published by the Company.

3.7.1. Composition

The Committee is chaired by the Chairman of Vivendi's Management Board. It is comprised of at least four members in addition to its Chairman, including:
- the Chief Financial Officer;
- the General Counsel; and
- the Director of Internal Audit and Special Projects.

3.7.2. Powers

The Committee aims to promote the exchange of best practices within the group in the area of risk prevention and management and to provide support to subsidiaries in their ongoing efforts to improve risk management. It is dependent upon contacts within the business units responsible for implementing the risk prevention policy and for monitoring the progress of corrective or preventive action plans.

The Risks Committee passes on its principal conclusions and recommendations to the Audit Committee of Vivendi's Supervisory Board.

3.7.3. 2008 Proceedings

In 2008, its proceedings included a presentation of the group risk mapping, a presentation of the principal challenges in sustainable development, outsourcing pension commitments, a review of Vivendi's insurance program, a review of the mechanisms to monitor technological and regulatory risks for the group with an emphasis on the development of current measures in the Canal+ Group and SFR, an analysis of the impact of the global financial crisis on the group's financing and pension commitments, legal regulations and the marketing approach towards the protection of the group's personal data.

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3.8. General Management

Chairman of the Management Board	Jean-Bernard Lévy
Member of the Management Board, Chairman of Activision Blizzard and Senior Executive Vice President, Human Resources of Vivendi	René Pénisson
Member of the Management Board and Chief Financial Officer	Philippe Capron
Executive Vice President, General Counsel and Secretary of the Management and Supervisory Boards	Jean-François Dubos
Senior Executive Vice President, Strategy and Development	Régis Turrini
Executive Vice President, Communications	Simon Gillham

3.9. Principal Accountant Fees and Services

Fees paid by the company to its statutory auditors and members of their firms in 2008

	Salustro Reydel (Member of KPMG International)				Ernst & Young et Autres				Total	
	Amount		Percentage		Amount		Percentage			
(in millions of euros)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Statutory audit, certification, consolidated and individual financial statements audit										
– Issuer	0.7	0.7	13%	10%	1.2	1.2	12%	11%	1.9	1.9
– Fully consolidated subsidiaries	3.5	4.5	60%	64%	5.8	6.5	59%	59%	9.3	11.0
Other work and services directly related to the statutory audit										
– Issuer	0.1	0.1	1%	1%	0.1	0	1%	0%	0.2	0.1
– Fully consolidated subsidiaries	0.7	0.6	12%	9%	2.0	3.3	21%	30%	2.7	3.9
Sub-total	5.0	5.9	86%	84%	9.1	11.0	93%	100%	14.1	16.9
Other services provided by the network to fully consolidated subsidiaries										
– Legal, tax and social matters	0.2	0.4	4%	6%	0.1	0	1%	0%	0.3	0.4
– Other	0.6	0.7	10%	10%	0.6	0	6%	0%	1.2	0.7
Sub-total	0.8	1.1	14%	16%	0.7	0	7%	0%	1.5	1.1
Total	**5.8**	**7.0**	**100%**	**100%**	**9.8**	**11.0**	**100%**	**100%**	**15.6**	**18.0**

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

Pursuant to Article L. 225-68 of the French Commercial Code and the joint recommendations of the AFEP and the MEDEF as published in the Corporate Governance Code for listed companies of December 2008, this report will be presented to the Combined General Meeting of Vivendi Shareholders to be held on April 30, 2009. This report was prepared with the assistance of the General Management, the office of the General Counsel and the Internal Audit and Special Projects Department, and was reviewed by the Audit Committee prior to its approval by the Supervisory Board on February 26, 2009.

Vivendi has operated as a French corporation (*société anonyme*) with a dual board structure including a Management Board and a Supervisory Board since 2005. As a result, the functions of management and control are segregated, allowing the principal officers of the business units to be fully incorporated into the group's administration and management.

In addition, throughout the year, within the framework of rigorous processes implemented by the Management Committees, the group's principal business units present the following to their respective management teams: an analysis of their operational and strategic positioning, their target figures as established during the preparation and actualization of the budgets, their action plans and topics of significant interest.

At its meeting held on December 18, 2008, Vivendi's Supervisory Board reviewed the AFEP and MEDEF recommendations on the compensation of members of corporate senior management of listed companies and, upon the proposal of the Corporate Governance Committee and the Human Resources Committee, resolved to apply all these recommendations, a majority of which had already been largely anticipated and applied by Vivendi.

The Consolidated Code of AFEP and MEDEF recommendations constitute the corporate governance code to which Vivendi voluntarily adhered in its preparation of this report.

4.1. Conditions Governing the Preparation and Organization of the Work of the Supervisory Board – Corporate Governance

The Supervisory Board currently has thirteen members, eleven of whom are independent. Five of its members are of a nationality other than French, including three citizens of European Union member states (excluding France) and one American citizen. Detailed information on each member of the Supervisory Board is presented in Chapter 3, section 3 of the Annual Report.

An internal regulation defines the rules surrounding the composition of the Supervisory Board to ensure the independence of its decisions and its role and authority, supplementing legal and statutory provisions as well as those determining its relationship with the Management Board and its Chairman. It meets and exceeds the most recent European and national standards for corporate governance.

In addition to the powers conferred to it by law and regulation, the Supervisory Board reviews and approves the following prior to their implementation: material transactions, the company's strategic orientation, acquisitions and divestitures of holdings and assets in amounts liable to alter the composition of the company's balance sheet and, in any event, all transactions where the relevant amounts are equal to or greater than €300 million, as well as internal restructuring transactions, that may have an impact on the organization of the group's operations. The Supervisory Board reviews and approves standard bond issues in excess of €500 million and the issues of sureties, endorsements and guarantees in favor of third parties for amounts in excess of €100 million per commitment, or where the total amount of the sureties, endorsements and guarantees exceeds an annual cap of €1 billion.

Vivendi's Supervisory Board met six times during 2008. The average attendance rate at Supervisory Board meetings was 95%.

The Supervisory Board has set up four committees: the Audit Committee (four meetings in 2008), the Strategy Committee (two meetings in 2008, including a three-day seminar), the Human Resources Committee (five meetings in 2008, including a joint meeting with the Corporate Governance Committee) and the Corporate Governance and Nominating Committee (three meetings in 2008, including a joint meeting with the Human Resources Committee). A summary of the work performed in 2008 by the Supervisory Board and its committees is presented in Chapter 3, section 3 of the Annual Report.

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Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

4.1.1. Information Provided to the Supervisory Board

Members of the Supervisory Board receive all appropriate information and necessary documents required for them to accomplish their mission and prepare their deliberations. Prior to any meeting, they may obtain any additional documents that they consider useful. The Supervisory Board is kept informed of any significant event or transaction concerning the company by the Management Board or its Chairman on an ongoing basis and by use of any means.

The members of the Supervisory Board may meet with the members of the Management Board as well as the principal senior managers of the company, after having so informed the Chairmen of the Supervisory and Management Boards.

The Management Board presents a quarterly business report to the Supervisory Board on the following matters: key financial data; business unit activities (financial results, commercial and operational performance and significant events); strategy and development of the group's operations; principal disputes and litigation concerning the group and its business units; human resources matters; and communication and investor relations matters. In 2008, the Management Board met fourteen times, with an attendance rate of 95%. A description of the work performed by the Management Board in 2008 is presented in Section 3.1.2.9.

4.1.2. Collective Nature of the Supervisory Board – Deliberations – Confidentiality of Information – Dealings in Company Securities

The Supervisory Board is a collective body; its deliberations are binding on all of its members.

Members of the Supervisory Board and any person attending Supervisory Board meetings are bound by a strict obligation of confidentiality and discretion with respect to any information the company communicates to them which they receive in the context of the Board and Committee deliberations and regarding information of a confidential nature or which is presented as such by the Chairman of the Supervisory Board or of the Management Board.

Vivendi complies with the provisions of the General Regulations of the AMF and the AFEP and MEDEF recommendations, and thus any sale and purchase transactions involving the company's securities or financial instruments are prohibited during the period from the date on which the members of the Supervisory Board or of the Management Board become aware of specific market information concerning the business or its prospects which, if made public, would be likely to have a material effect on the share price, up to the date on which this information is made public. Likewise, such transactions are prohibited during the 30 calendar days up to and including the publication date of the quarterly, half-year and annual results of the company. Finally, the use of hedging transactions involving the purchase/short sale of stock or any other derivative product or other option mechanism is prohibited.

4.1.3. Assessment of the Supervisory Board's Performance

Pursuant to its internal regulations, the Supervisory Board carries out a formal assessment of its own performance at least once every three years, using a questionnaire and individual interviews carried out by the General Counsel, with oversight by the Corporate Governance Committee. A formal assessment was performed in February 2009. The assessment found the performance of the Supervisory Board and decision-making practices within the company satisfactory and consistent with the best practices of French and international governance. However, as a result of this evaluation, the Company has decided to implement a few additional provisions.

Moreover, at one meeting per year, an item on the agenda is dedicated to a discussion on the performance of the Supervisory Board and Management Board.

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

4.1.4. Determination of Compensation and Benefits granted to Members of the Management Board

Compensation of members of the Management Board and of the principal senior managers of the company is set by the Supervisory Board based on input received from the Human Resources Committee. In this context, the Human Resources Committee relies on comparative studies carried out by external and independent advisers that take into account the compensation of company officers in a range of French, European and international companies which operate in business sectors identical or similar to those of Vivendi and its subsidiaries. The compensation of Management Board members is comprised of a fixed and a variable component conditioned upon the achievement of certain performance objectives.

For 2008, at its meeting held on February 28, 2008, the Supervisory Board, upon recommendation of the Human Resources Committee at its meeting held on February 27, 2008, set the fixed component of Management Board Members' compensation. The variable portion of compensation was determined based on the following criteria: (1) for corporate officers and senior executives of the headquarters: (a) financial targets (67%) and (b) accomplishment of general management's priority objectives (33%), and (2) for corporate officers (including the subsidiaries' Chairmen or executives): (a) group financial targets (15%), (b) financial targets of their entity (60%) and (c) priority actions for their entity (25%). A detailed description of the compensation received by each member of the Management Board is presented in Chapter 3, section 3.2.2.2 of the Annual Report.

The Management Board and the Supervisory Board at their meetings held on February 26, 2008 and February 28, 2008, respectively, approved a stock option plan consisting of 6.3 million shares (i.e., 0.54% of the share capital) and a grant of 525,496 shares of performance stock (i.e., 0.04% of the share capital), a breakdown of which is provided below.
In 2008, 1.46 million options (i.e., 23.2% of the total grant and 0.12% of the share capital) and 22,003 shares of performance stock (i.e., 23.2% of the total grant and 0.01% of the share capital) were granted to members of the Management Board.
The Chairman of the Management Board was awarded 360,000 options, including 180,000 options which are subject to performance conditions (i.e., 5.70% of the total grant) and 30,000 shares of performance stock (i.e., 5.70% of the total grant).
An individual breakdown of the grants is provided in Chapter 3, section 3.3.1.1 of the Annual Report.

For the 2008 grant, the definitive allocation of half the number of options granted to members of the Management Board was subject to the same performance and quantitative conditions as applied to grants of shares of performance stock.

The Supervisory Board (based upon the proposals of the Human Resources Committee) has established a target grant of shares of performance stock for each of the individual members of the Management Board. In 2008, as in 2007 and 2006, the number of shares of performance stock actually received by members of the Management Board was based on the financial results of the group, as measured by the group's adjusted net income and operating cash flow. For each of these two financial indicators, a minimum threshold and target amount are determined. If the weighted sum of the two financial indicators equals or exceeds 100% of target, then Management Board members will receive their entire grant of shares of performance stock. If the weighted average of the two financial indicators equals the minimum threshold amount, then Management Board members will receive 50% of their grant of shares of performance stock. If the weighted average of the two financial indicators is below the minimum threshold amount, then Management Board members do not receive any shares under their grant of performance stock. A breakdown of the individual grants is presented in Chapter 3, section 3.3.2.2 of the Annual Report.

Members of the Management Board benefit from the retirement plans implemented by the company as approved by the Combined General Shareholders' Meeting of April 20, 2006 (see Chapter 3, section 3.2.3 of the Annual Report).

The information concerning the deferred compensation and pension benefits is included in Note 25.1 of the Notes to the Consolidated Financial Statements for the year ended December 31, 2008.

Pursuant to the AFEP and MEDEF recommendations of October 2008 on the compensation of members of corporate senior management of listed companies, upon the joint proposal of the Human Resources and Corporate Governance Committees, the Supervisory Board, at its meeting held on February 26, 2009, reviewed the position of Mr. Jean-Bernard Lévy, Chairman of the Management Board.

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Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

On February 26, 2009, the Supervisory Board, upon the proposal of the Human Resources Committee of February 25, 2009, resolved that, subject to a positive vote at the General Shareholders' Meeting to be held on April 30, 2009, Mr. Jean-Bernard Lévy would, save in the case of serious misconduct and subject to certain performance conditions, receive severance compensation upon termination of his term of office in accordance with the AFEP and MEDEF recommendations. The other members of the Supervisory Board are not entitled to severance compensation.

This severance compensation would be based on an increase formula linked to his seniority and would amount to six months' pay plus one additional month's pay for each year of service within the group after 2002. It would be subject to the satisfaction of the following minimum performance conditions: the compensation would not be payable if the group's financial results (adjusted net income and cash flow from operations) were less than 2/3 of the budget for two consecutive years and if the performance of Vivendi shares is less than 2/3 of the average performance of a composite index (1/3 CAC 40, 1/3 DJ Stoxx Telco and 1/3 DJ Stoxx Media) for two consecutive years. It would not be payable in the event Mr. Jean-Bernard Lévy were to leave after the age of 62 years, when he would be entitled to assert his pension rights, or if he left the Company at his own initiative. This compensation would, by definition, be in an amount equal to 21 months or less.

At the same meeting, the Supervisory Board also resolved that in the event that Mr. Jean-Bernard Lévy left the company under the conditions of his departure set forth above (entitling him to compensation), his rights to stock options and performance stock not vested on the date of his departure would be maintained, subject to the satisfaction of the relevant performance conditions, and would remain subject to the relevant plan rules with respect to the conditions governing their acquisition and exercise.

4.1.5. Holding Periods for Shares obtained upon the Exercise of Stock Options and for Shares of Performance Stock held by Board Members

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, and as in 2007, the Supervisory Board, at its meeting held on February 28, 2008, set forth the following rules applicable to the members of the Management Board relating to the holding period for the shares obtained upon the exercise of stock options and shares of performance stock granted under the 2008 plans.

Members of the Management Board must, until the end of their terms, hold in a registered account, a number of shares obtained upon the exercise of stock options and shares of performance stock granted under the 2007 and 2008 plans, equal to 20% of the net gain, if any, resulting from the exercise of stock options or sale of shares of performance stock.

Terms and Conditions Specific to Vivendi

In addition, effective from January 1, 2007, members of the Management Board are requested to allocate every year the equivalent of 50% of the net gain resulting from the exercise of their stock options and/or the sale of their shares of performance stock, to the creation within 5 years of a portfolio of Vivendi shares corresponding to 3 years of gross compensation (fixed compensation and target bonus) for the Chairman of the Management Board, 2 years of gross compensation for the other members of the Management Board and 1 year for members of General Management at corporate headquarters and the senior managers of main operational subsidiaries.

4.1.6. Conditions for Shareholder Participation in Shareholders' Meetings

Pursuant to Articles 16 and 17 of the by-laws, any shareholder, regardless of the number of shares he or she owns, upon proving his or her identity and capacity, is entitled to participate in general shareholders' meetings provided that such shareholder has registered his or her ownership of the shares by midnight (Paris time) of the third business day preceding the general shareholders' meeting.

Registration in the bearer share registration books maintained by the authorized financial intermediary is to be authenticated by a certificate of participation furnished by the financial intermediary in accordance with legal and regulatory provisions.

Each shareholder has as many votes as shares he owns or represents in all shareholders' meetings.

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

4.2. Internal Control and Risk Management Procedures

Vivendi strives to maintain the highest standards of internal control and financial disclosure. To this end, the Financial Information and Communication Procedures Committee meets on a regular basis. A Risks Committee chaired by the Chairman of the Management Board is tasked with strengthening management and risk prevention measures within the group.

4.2.1. Definition and Objectives of Internal Control

The company views internal control as a set of procedures established by Vivendi's Management Board and implemented by its employees in order to ensure that the following objectives are achieved:

- the implementation of the guidelines and strategies established by the Management Board;
- compliance with laws, regulations and the group's values;
- the prevention and control of operational and financial risks as well as the risks of error or fraud;
- the optimization of internal processes to ensure the effectiveness of operations and the efficient use of resources; and
- the quality and validity of accounting and financial disclosure information as well as management information.

In order to achieve each of these objectives, Vivendi has defined and implemented general principles of internal control based to a large degree on the framework established by the report of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published in 1992 and on the reference framework of internal control and the recommendations published by the *Autorité des Marchés Financiers* ("AMF").

These principles are based upon:

- a policy that contributes to the development of a culture of internal control and integrity principles;
- the identification and analysis of risk factors that could adversely impact the achievement of the group's objectives;
- a system to support the implementation of the goals defined by the Management Board;
- the periodic review of control activities and the continuing search for areas of improvement; and
- the process of distributing information relating to internal control.

However, as with any system of control, these principles, when applied, cannot provide an absolute guarantee that all risks will be fully eliminated or controlled.

4.2.2. Scope of Internal Control

Vivendi is organized into five business units (Activision Blizzard, Universal Music Group, SFR, Maroc Telecom and Groupe Canal+) and holding activities. Each of them must implement the strategies determined by the Management Board, including objectives in the field of internal control. Each entity has a set of tailored internal control measures which include both the implementation of the group's procedures and the definition and implementation of procedures specific to each of the business units according to its organization, culture, identified risk factors and operational specificities. As the parent company, Vivendi ensures that such internal control measures exist and are adequate, in particular with respect to the accounting and financial procedures applied by the consolidated entities of the group.

Activision Blizzard, a US company whose shares are listed on the NASDAQ, also has its own internal control system.

4.2.3. Internal Control Components

4.2.3.1. Control Environment

Rules of conduct and ethics applicable to all employees

Vivendi ensures that all aspects of its corporate responsibility are taken into account. Vivendi has therefore adopted a charter of the group's values which includes consumer focus, creativity, ethics and social responsibility in particular.

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Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

It has also established a Compliance Program which contains general rules of ethics applicable to all the employees of the group regardless of their seniority and position. The purpose of the Compliance Program is to make group employees aware of their responsibilities in their activities, specifically in order to reduce the risks of liability.

The program established rules of behavior based on the general principles of international law (OECD, ILO and European Community law) and national law (particularly French and Anglo Saxon). It defines general rules of ethics applicable at the group level.

These general rules are applied downstream, by each business unit, in all territories where the group is present, to incorporate the specificities of the subsidiaries' activities as well as the particularities of local laws. In this way, each entity has established an additional code of ethics.

At its meeting of March 16, 2004, the Vivendi Management Board adopted a code of financial ethics upon the proposal of the Audit Committee. This code was retained during the change in the company's management structure. It applies to the members of Vivendi's senior management responsible for communications and for the preparation of financial and accounting information.

The benefits of the Compliance Program are two-fold:
- raising the awareness of group employees and providing them with a reference tool which gives them guidance, as necessary, in determining appropriate types of behavior; and
- reducing the risks of triggering civil and criminal liability by group employees and companies.

Implementation of the Compliance Program addresses:
- the new national and international standards requiring companies to report on how they are assuming their economic and social responsibilities; and
- the emergence of new rating criteria aimed at assessing the policies companies implement to assume these responsibilities.

The consistency of the whole is ensured by the legal teams and Compliance Officers of the principal business units, coordinated by the headquarters' General Counsel. An annual activity report, prepared by the Vivendi General Counsel, is sent to the Audit Committee which reports it to the Supervisory Board.

In 2008, Vivendi also updated its data protection and privacy charter. This charter defines the group's commitments vis-à-vis its clients with regard to protecting personal data collected as part of its activities.

Responsibilities and commitments in respect of the General Management of each business unit

The Chairman and Chief Financial Officer of each of the five business units sign a representation letter every six months certifying compliance with internal control procedures relating to the preparation of financial statements and financial, industry-based and operational information items.

Delegation of powers

The delegation of operational powers, whether on a single occasion or on a recurring basis, is one of the responsibilities of the General Management of Vivendi and of the General Management of each of the business units. These delegated powers are updated and formalized on a regular basis according to the evolving role and responsibilities of the persons to whom such powers are granted.

Resources dedicated to the definition of internal control procedures

Vivendi and each of its business units have set up a team in charge of defining internal control procedures.

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

4.2.3.2. Risk Monitoring and Management

Vivendi's Risks Committee is in charge of identifying and managing risks likely to affect the achievement of the group's objectives. This Committee - chaired by the Chairman of the Management Board - comprises the Chief Financial Officer, General Counsel and the Director of Internal Audit as permanent members. The business units are invited to attend meetings depending on the matters covered by the agenda. The Committee provides the Audit Committee of the Supervisory Board with its principal conclusions and recommendations.

The Risks Committee is responsible for making recommendations to the Management Board in the following areas:
- the identification and assessment of risks that can arise from the activities conducted within the Vivendi group, including risks relating to tax, employee and environmental matters, risks in terms of compliance with laws and regulations, risks relating to ethics, competition and conflicts of interest and risks associated with the security of information systems;
- the review of the adequacy of risk coverage and the level of residual risk;
- the review of insurable risks and of the insurance program; and
- the list of risk factors and forward-looking statements as disclosed by the group in its public documents.

The assessment of the risks at the group level is based on a qualitative and quantitative approach taking into account its contribution to the group's principal financial indicators.

The Risks Committee met three times in 2008 and once in February 2009. The main topics addressed were:
- measures for monitoring and preventing any health risk due to electromagnetic waves;
- a review of measures to monitor technology and regulatory risks at the group level with emphasis on the development of current measures in the Canal+ Group and SFR;
- analysis of the impact of the global financial crisis on the group's retirement plans and commitments;
- analysis of the risk of unpaid receivables within each business unit, particularly the impact of the change in the economic environment on such risk in 2009 projections;
- legal regulations and the marketing approach to protecting the group's personal data;
- the presentation of major challenges relating to sustainable development; and
- the review of Vivendi's insurance program.

The major risks faced by the company are described in Chapter 2 of the Annual Report, in the section relating to risk factors, and in Chapter 4 Note 24 of the Consolidated Financial Statements for the year ended December 31, 2008 relating to risk management and financial derivative instruments.

Operational risks are primarily managed by the business units which implement risk management procedures that are adapted to fit their specific activities (e.g., risks associated with the infringement of intellectual property rights for the music business; risks associated with piracy and counterfeiting for the film and music businesses).

The General Counsel's office provides for the prevention and management of risks related to ethics, competition and conflicts of interest.

The management of financial risks (liquidity, interest and exchange rates) is handled by Vivendi's Finance and Treasury Department through a centralized organization at the corporate headquarters.

Coverage of insurable risks (damage and operating losses from a disaster, third-party liabilities) is monitored by the Risk Management Department of Vivendi in collaboration with the Finance and Legal Departments. Current insurance programs are described in Chapter 2 of the Annual Report.

The Risks Committee promotes the exchange of best practices within the group in the areas of risk prevention and management and provides support to the business units in their continuing improvement efforts.

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Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

4.2.3.3. Control Activities

Control activities are primarily carried out by the functional and operational management teams in accordance with existing procedures.

The following bodies ensure the monitoring of internal control measures implemented under the Vivendi Management Board's responsibility:

The Audit Committee

The Audit Committee is comprised of independent members of the Supervisory Board. Within the powers conferred to it, the Audit Committee prepares the decisions of the Supervisory Board and provides recommendations or issues opinions to it on a range of matters, including, in particular:

- the review of the annual and half-year consolidated financial reports and the annual unconsolidated financial statements of Vivendi SA, prepared by the Management Board, prior to their review by the Supervisory Board;
- the monitoring of the company's cash and alerting the board to potential issues relating thereto;
- the accounting standards, the company's scope of consolidation, its risks and off-balance sheet commitments;
- the consistency and effectiveness of internal control measures, the review of this Report;
- the review of material internal control weaknesses and, when applicable, the review of corruption cases;
- the review of ethics and competition compliance;
- the annual review of the Compliance Program, the proposal of any measure likely to improve its effectiveness, and, if necessary, the formulation of an opinion on its review;
- the review of the assessment and coverage of operational and financial risks, and of insurance programs; and
- the appointment and fees of external auditors.

The Committee's Chairman systematically submits a report to the Vivendi Supervisory Board.

Vivendi chairs the Audit Committees of the following subsidiaries: SFR, Maroc Telecom and Canal+ France.

Vivendi's Audit Committee met four times in 2008. These meetings included the review of the annual and half-year financial report and the consolidated financial statements for 2007 and the first half of 2008, the report of the Chairman of the Supervisory Board on corporate governance and internal control procedures, the group's financial situation and its debt and liquidity situation, the external Auditors' fees, the impact of the activities of Activision Blizzard and Neuf Cegetel on the consolidated financial statements, the security of personal data of subscribers and clients, especially within SFR, Groupe Canal+ and Maroc Telecom, the annual Compliance Program report, the 2009 annual audit plan, particularly tasks related to Neuf Cegetel and Activision Blizzard, the summary of internal audit actions and the Risks Committee's activities.

The Internal Audit and Special Projects Department

The Internal Audit and Special Projects Department (18 auditors for financial audit and external auditors for IT audit) reports to the Chairman of the Management Board and is responsible for assessing, in an independent manner, the quality of internal controls at every level of the organization. Its operations are governed by a Charter approved by the Audit Committee.

The Internal Audit Department of SFR (12 Auditors, including 4 from Neuf Cegetel), Canal+ France (4 auditors), Activision Blizzard (6 auditors) and Maroc Telecom's Financial Audit Department (8 Auditors) currently reinforce these resources dedicated to internal control. During its daily operations, the group may be confronted with cases of fraudulent behavior which are systematically brought to the attention of the Audit Committee and could lead to specific investigations and possible penalties being imposed on the persons involved. The annual audit plan systematically provides for the performance of joint missions between the business unit audit teams and the Vivendi audit team.

The Internal Audit Department is responsible for performing an independent assessment of the effectiveness of the internal control processes, based on an annual audit plan which is approved by the Chairman of the Management Board and the office of the General Counsel of the Group and presented to the Audit Committee. This plan is developed from both an independent analysis of the operational, IT and financial risks of each business unit and the consultation with the General Management of

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

each entity. Reports on the audit work carried out are communicated to Vivendi's General Management, and to operational and functional management and their superiors. A summary of the principal reports is presented at each Audit Committee meeting along with any observations made by the Group's external Auditors.

Follow-up audits are generally performed within twelve months in order to ensure that recommended action plans and agreed corrective measures have been implemented.

Self-assessment questionnaires

In December 2008, self-assessment questionnaires on internal control containing approximately 40 questions and dealing with the five main components of internal control as defined by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) report published in 1992 were sent jointly by the General Counsel and the Internal Audit Department. These questionnaires, which have been sent since 2006 to all business units (this year including Activision Blizzard and Neuf Cegetel), cover the following topics:

- ethics and human resources: the existence and dissemination of a specific code of ethics, reference checking procedures upon hiring, procedures for applying exceptions to the Compliance Program, measures for protecting personal data;
- financial reporting: the dissemination of group procedures, particularly accounting procedures and the systematic referral to the Vivendi financial consolidation and reporting team of specific accounting adjustments;
- organizational: the regular update of powers of attorney and review of the principles of separation of tasks, procedures for the assessment and monitoring of risks of the business lines and the existence and update of a backup and continuity plan;
- information technologies: computer security procedures and regular data backup; and
- control and monitoring activities: description of the resources allocated to internal control, closing prices and budget monitoring.

No major action plan has been reported. Moreover, a number of future or recent initiatives have been prioritized, such as: the continuing adaptation of the environment for the control of entities joining the group during the financial year, Blizzard's compliance with Activision's Sarbanes-Oxley compliance procedures, the integration of new critical information systems in the activity recovery plan, the formalization of the referral procedure in cases of fraud, the formation of a committee responsible for reviewing conflicts of interest and a strengthening within all business units of measures to protect personal data that have been collected.

The answers to these questionnaires are reviewed by the Internal Control Monitoring Committee of the group's Financial Information and Communication Procedures Committee. The documentation containing the answers to the questionnaires and the conclusions relating thereto are also reviewed by the business units' external auditors.

Financial Information and Communication Procedures Committee

This Committee assists the Chairman of the Management Board and the Chief Financial Officer in their task of ensuring that Vivendi SA fulfills its obligations with regard to the disclosure of information to investors, the public and the regulatory and market authorities in France. It is chaired by the General Counsel and is comprised of representatives from all of the operational departments at the head office. Twelve meetings of this committee were held in 2008.

The disclosure of information included within the Committee's area of competence includes documents containing periodic information distributed to investors and to the financial markets in compliance with French financial market regulations, press releases related to the quarterly, half-year and annual financial results and documents used in presentations to investors and financial analysts.

4.2.3.4. Information and Communication

The group's values, the Compliance Program and the data protection and privacy charter are accessible to employees and the public at www.vivendi.com.

Group procedures to assist with the preparation of financial and accounting information are updated at least once per year, and are available in French and English on the group's intranet site. These procedures, which must be applied by each of the Group's business units and holding entities, include: the IFRS accounting principles and chart of accounts of the Vivendi group;

the principles and procedures applicable to treasury transactions (banking relationships, foreign exchange, finance and investment); the procedures applicable to investment transactions, sales of assets, short and long-term financing transactions and the monitoring of disputes; the monitoring of sureties, endorsements and guarantees; and the rules relating to advance approval for non-audit engagements to be carried out by the external auditors of Vivendi SA.

The IFRS (International Financial Reporting Standards) and the IFRIC (International Financial Reporting Interpretations Committee) interpretations adopted by the European Union with a mandatory application as of December 31, 2008 or voluntary application before that date, and which, in terms of the financial statements for fiscal year 2008, do not differ from the accounting standards published by the IASB (International Accounting Standards Board), and training materials relating to the application of IFRS standards within the Group are available online and accessible to all employees.

The General Counsel, as Chairman of the Financial Information and Communication Procedures Committee, and the group's Chief Financial Officer regularly inform the finance directors and teams in charge of the procedures and internal control about the principal steps of the group's methodology and the objectives expected to be achieved in the area of internal control. Awareness campaigns are also organized by the General Management and the Finance Departments of certain business units.

4.2.3.5. Internal Control Monitoring

One of the responsibilities of Vivendi's Management Board, the General Management of Vivendi and the General Management of each of the five business units is to monitor the internal control process.

The policy of formalizing and assessing internal control is implemented by dedicated teams within each business unit. These teams report on the progress made and any actions planned by the business units to a steering committee which in turn reports to the General Management of each business unit.

The work carried out by the external auditors to review and assess internal control is summarized in a detailed presentation to the General Management of the business units concerned. A summary of their conclusions is presented to Vivendi's Audit Committee.

4.2.4. Key Processes for Financial and Accounting Information

The processes listed below help reinforce internal controls concerning the treatment of financial and accounting information disclosed by Vivendi. Contents of the guide for applying internal control procedures related to financial disclosures contained in internal control reference materials published by the AMF was taken into account during the update of these procedures.

- *Consolidation and financial reports:* the consolidated financial statements of the group and its financial reporting are prepared in accordance with international accounting standards (IFRS) based on accounting data prepared under the responsibility of management for each business unit. The IFRS standards and the IFRIC interpretations used are those adopted by the European Union with a mandatory application as of December 31, 2008, or voluntary application before that date, and which, in terms of financial statements, do not differ from the accounting standards published by the IASB. The main topics addressed in the financial report are subject to specific requirements. These requirements include, in particular, an impairment test of assets held by the company during the fourth quarter of each fiscal year, an assessment of the liquidity risk, the valuation of employee benefits, duties and taxes (see below) and off-balance sheet commitments. The consolidated financial statements are closed by the Management Board quarterly. The annual and half-year financial statements are reviewed by the Supervisory Board, in reliance on the observations of the Audit Committee. The group's consolidated financial statements are published quarterly. They are subject to an annual audit and limited semi-annual reviews by the group's Statutory Auditors, as required by law.

- *Budget and management control:* every year, each business unit must present its strategy and its annual budget for the following year to the group's General Management. After validation by Vivendi's Management Board, a summary is then presented to the Supervisory Board. Quantitative and qualitative targets used as a basis to assess performance are then set for each business unit's management in the context of the priority actions which are monitored on a monthly basis and evaluated annually. These budgets are updated three times a year and are subject to a specific reporting process.

Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

- *Investments/divestments:* all investment and divestment transactions exceeding €15 million must receive prior authorization from the Investment Committee chaired by the Chairman of the Management Board. This procedure applies to all capital transactions (including the acquisition of equity stakes and the launch of new businesses) and to any other financial commitment (including the purchase of rights and property contracts) that was not provided for in the annual budget. The Investment Committee meets as often as necessary to review exploratory analyses, documents and reports prepared by the group's Strategy and Development Department. The Chairman of the Committee ensures that the coordination with the respective business unit or units is satisfactory and that the Finance Department is present at each meeting. Any transaction involving amounts greater than €100 million and €300 million must receive prior approval of the Management Board and the Supervisory Board respectively, pursuant to the provisions set forth in their Internal Regulations. In the case of Activision Blizzard, whose rules of governance are defined in its by-laws, any investment decision involving a sum greater than US$30 million not provided for in the budget must be approved by its Management Board, consisting of a majority of members appointed by Vivendi.

- *Follow-up of investment transactions:* Vivendi's Management Board strengthened the process of reviewing the "ex post" integration of investment operations, supplementing the existing budgetary reviews and quarterly financial reporting. The analysis takes into account both the progressive integration of companies acquired by the business units and the impact of changing market conditions and competition following the acquisition. The first phase aims to validate the implementation of controls and initiatives contributing to value creation. Conclusions are reviewed by Vivendi's Internal Audit Department and presented to Vivendi's General Management and the Management Board for major issues.
  The second phase consists of a review of projected financial performance. A summary is presented by Vivendi's Internal Audit Department to the Management Board on a half-year basis.

- *Monitoring of financial commitments:* as part of the financial reporting process, the business units compile – four times a year – an inventory of the commitments given and received. These commitments are presented by the business units' legal and finance officers at meetings held with Vivendi's Management which take place as part of the annual financial statements' closing process.

- *Sureties, endorsements and guarantees:* pursuant to the provisions of the company's by-laws and the Internal Regulations of the Supervisory Board, the granting of sureties, endorsements and guarantees by Vivendi SA to its subsidiaries is subject to prior approval in accordance with the following dual limitations:
  - any commitment under €100 million where the cumulative amount of commitments is under €1 billion is subject to the approval of the Management Board which may delegate such power. The approval is confirmed by signatures of both the Chief Financial Officer and the General Counsel; and
  - any commitment in excess of €100 million where the cumulative amount of commitments exceeds €1 billion is subject to the approval of the Supervisory Board. The approval is confirmed by the Chairman of the Management Board's signature.

- *Treasury, financing and liquidity:* the management of cash flows and hedging transactions (including foreign exchange and interest rates) is centralized by Vivendi SA using treasury "hubs." Liquidity positions at the group level and the business unit level, as well as exposure to foreign exchange and interest rate risks are monitored on a bi-monthly basis by a finance committee. Short and long-term financing activities mainly take place at the head office and are subject to the prior approval of the Management Board and Supervisory Board, in accordance with the provisions of their Internal Regulations. Since the merger of Vivendi Games and Activision in July 2008, a cash management agreement has defined the services to be performed by Vivendi SA on behalf and at the direction of Activision Blizzard and under the responsibility of Activision Blizzard.

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Section 4 Report of the Chairman of the Supervisory Board of Vivendi on the Preparation and Organization of the Work of the Supervisory Board and on Internal Control Procedures – Fiscal Year Ended December 31, 2008

- *Duties and taxes:* the validation of current tax, deferred tax and taxes paid as well as the calculation of the effective tax rate are carried out by the group's Tax Department, in collaboration with the Consolidation and Financial Reporting Departments. To this end, centralized reporting has been introduced progressively in each of the group's business units. In addition, within the framework of the Consolidated Global Tax System ("*Bénéfice Mondial Consolidé*" – BMC), a complete collection of statutory accounts has been organized to ensure the proper translation of results under local accounting rules into results that comply with French tax legislation. The calculation and accounting treatment of income obtained under the Consolidated Global Tax System is the subject of quarterly monitoring. The Tax Department also acts as an advisor to the group's subsidiaries, with the exception of companies in the Activision Blizzard group and ensures the defense of these entities' interests with respect to local tax authorities.

- *Litigation:* major disputes and investigations are monitored directly or coordinated by the General Counsel and the Legal Department. The preparation of the litigation report of Vivendi and its business units is monitored by the General Counsel and the Legal Department of the group in collaboration with the general counsel and the legal directors of the main business units. A summary report is provided to the Management Board on a monthly basis. A table of current litigations, investigations and disputes is updated for each quarterly closing based on the information provided by each business unit. A summary of this table is included in the quarterly business report of the Management Board to the Supervisory Board. In addition, the Supervisory Board and the Management Board are kept informed of the main ongoing litigations by the General Counsel on a regular basis.

4.3. Perspectives

In 2009, the Vivendi group will promote and encourage its business units in their objective to improve their internal control procedures, in particular those of entities that have recently joined the group.

Paris, February 26, 2009
Jean-René Fourtou
Chairman of the Supervisory Board

Section 5

Statutory Auditors' Report, prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Supervisory Board of Vivendi – Fiscal Year Ended December 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Vivendi SA, hereinafter referred to as "the Company', and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Supervisory Board of the Company in accordance with Article L. 225-68 of the French Commercial Code for the fiscal year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company which also contains the other disclosures required by Article L. 225-68 of the French Commercial Code, particularly those related to the corporate governance measures.
It is our responsibility:

- to inform you of our comments on the information set out in the Chairman's report with respect to the internal control procedures relating to the preparation and processing of the accounting and financial information, and
- to confirm that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with the professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

Those standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report concerning the internal control procedures related to the preparation and processing of accounting and financial information. The procedures consisted mainly of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and of existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and also of existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information, noted in the course of our engagement, are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report concerning the description of the Company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report of the Chairman of the Supervisory Board prepared in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We hereby attest that the Chairman's report includes the disclosures required by Article L. 225-68 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, February 27, 2009

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Benoît Lebrun

Marie Guillemot

Dominique Thouvenin

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Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments – Fiscal Year Ended December 31, 2008

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

1. Authorized agreements and commitments concluded in the year and subsequently to the closing
In accordance with Article L. 225-88 of the French commercial code (Code de Commerce), we have been advised of certain related party agreements and commitments which were authorized by your supervisory board.

We are not required to ascertain the existence of any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R. 225-58 of the French commercial code (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of engagement and commitment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1.1. Granting of a €3 billion loan to SFR
Directors concerned:
MM. Philippe Capron, Frank Esser, Jean-Bernard Lévy, Bertrand Meheut and your company.

At its meeting of February 28, 2008, your supervisory board authorized your management board to provide SFR with a 4 billion euros loan within the framework of the acquisition by SFR of 60.15% of Neuf Cegetel capital not held by the company.

Your company agreed on a €3 billion revolving facility at market conditions, maturing on December 31, 2012. This credit line is reduced to €2 billion as of July 1, 2009 and to €1 billion from July 1, 2010.

As at December 31, 2008 the credit line has been fully drawn for €3 billion by SFR. The total amount of interests received by your company for 2008 amounts to €106.3 million.

1.2. Granting of a $1.025 billion loan to Activision
Directors concerned:
MM. Philippe Capron, Jean-Bernard Lévy and René Pénisson.

At its meeting of February 28, 2008, your supervisory board authorized your management board, as part of the Activision Blizzard transaction, to provide Activision with a $1.025 billion loan, at market conditions.

This loan is designed to finance, on the one hand, the repurchase by Activision of its own shares, and on the other hand, of its working capital requirement.

As at December 31, 2008, there remained only one revolving tranche of $475 million maturing on March 31, 2011. The non utilization commission of the credit line invoiced to Activision Blizzard amounts to €0.713 million.

1.3. Reorganization of the English pension fund VUPS
At its meeting of April 24, 2008, your supervisory board authorized your management board, as part of the VUPS pension fund reorganization, to provide the trustees of this fund with a guarantee.

Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments – Fiscal Year Ended December 31, 2008

As part of the VUPS pension fund reorganization designed for UK current and former employees, and further to the split into three distinct funds, your company issued a guarantee valid until January 3, 2011 and equal to 125% of the VUPS plan deficit after reorganization, as defined for the « Pension Protection Fund », in accordance with British regulation.

As at December 31, 2008, the total guarantee amounts to £19.1 million.

1.4. Support agreement between your company and SFR, which has been approved by your shareholders' meeting of April 24, 2008 and which remains current during the year

Directors concerned:
MM. Philippe Capron, Frank Esser, Jean-Bernard Lévy, Bertrand Meheut and your company.

Your company signed in 2003 a support agreement with its subsidiary SFR for a five-year period. In return, from January 1, 2006, SFR pays your company an annual lump sum of €6 million and 0.3% of its consolidated revenue, excluding revenue from equipment sales.

On March 6, 2008, a rider to this agreement was signed. Applicable from April 1, 2007, SFR pays your company a sum corresponding to 0.2% of its consolidated revenue, excluding revenue from equipment sales. This rider was authorized by your supervisory board on February 28, 2008 and approved by your shareholders' general meeting on April 24, 2008.

The income received by your company in 2008 relating to this agreement amounted to €23.3 million before taxes.

1.5. Conditional severance payment of Mr. Jean-Bernard Lévy, Chairman of the Management Board, upon termination of his term of office

At its meeting on February 26, 2009, the supervisory board noted the intention of Mr. Jean-Bernard Lévy, the chairman of the management board, to renounce his employment contract (which had been suspended since April 25, 2005, the date of his appointment as chairman of the company's management board) upon the renewal of his term of office on April 27, 2009, and resolved that Mr. Jean-Bernard Lévy would, save in the case of serious misconduct and subject to performance conditions, receive compensation upon termination of his term of office in accordance with the AFEP and MEDEF recommendations.

This compensation is based on an increase formula linked to his seniority and amounts to six months plus one month for each year of service within the group after 2002. It would be subject to the satisfaction of the following minimum performance conditions: the compensation would not be payable if the group's financial results (adjusted net income and cash-flow from operations) were less than ⅔ of the budget for two consecutive years and if the performance of Vivendi's shares were less than ⅔ of the average performance of a composite index (⅓ CAC 40, ⅓ DJ Stoxx Telco and ⅓ DJStoxx Media) during two consecutive years. It would not be payable also in case of Mr. Jean-Bernard Lévy's leaving after the age of 62, when he would be entitled to assert his pension rights, or if he left the company at his own initiative. The amount of this compensation would, by definition, be equal to twenty one months or less.

At the same meeting, the supervisory board also resolved that in case of Mr. Jean-Bernard Lévy's leaving the company under the conditions set forth above (entitling him to the compensation), his rights to stock options and performance shares, not yet acquired by him at the date of his departure, would be maintained, subject to the satisfaction of the relevant performance conditions, and would remain subject to the relevant plan rules with respect to the conditions governing their acquisition and exercise.

2. Agreements and commitments authorized in prior years and which remain current during the year

However, in accordance with the French commercial code (Code de Commerce), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

2.1. Revolving credit line

On December 13, 2006, your supervisory board authorized your management board to provide SFR with a revolving credit line of €700 million, for a three-year period.

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Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments – Fiscal Year Ended December 31, 2008

The credit line agreement was signed with SFR on December 19, 2006. Under this agreement, minimum tranches of €50 million could be drawn for variable periods of 1, 3, 6 or twelve months, with interest payable at the EURIBOR rate for the period + 0.15%.

As at December 31, 2008 the credit line had been fully drawn for €700 million. The total amount of interests received by your company for 2008 amounts to €31.4 million.

2.2. Agreement on the additional retirement benefits

Your supervisory board authorized the implementation of an additional pension plan for senior executives, including the members of the management board holding an employment contract with your company.

The main terms and conditions of the additional pension plan are as follows: a minimum of three years in office, the progressive acquisition of rights according to seniority (over a period of twenty years); a reference salary for the calculation of the pension equal to the average of the last three years; dual upper limit: reference salary capped at 60 times the social security limit, acquisition of rights limited to 30% of the reference salary; application of the Fillon Act (rights maintained in the event of retirement at the initiative of the employer after the age of 55); and payment of 60% in the event of the beneficiary's death. The benefits are lost in the event of a departure from the company, for any reason, before the age of 55.

The provisional amount recognized in the financial statements for 2008 for the additional retirement benefits for management board members amounts to €2,041,535.

2.3. Agreement to waiver interest on the amounts due from subsidiaries

In the treasury agreements between your company and its subsidiaries such as VTI, and Scoot Europe NV, the latter were granted advances bearing interest at the one-month EURIBOR rate plus a 2.5% margin, capitalized on a quarterly basis.

Your company agreed to waiver the interests due on these amounts. The waiver became effective as of April 1, 2003 for VTI, and as of July 1, 2003 for Scoot Europe NV. It will be implemented until the companies recover a stable financial position by selling off assets or increasing capital, or until the companies are liquidated.

The amounts owed to your company as of December 31, 2008 were €145.8 million by Scoot Europe NV and €1,623 million by VTI.

Outstanding interests due to your company in 2008 amount respectively to €8.1 million for Scoot Europe NV and €90.3 million for VTI.

2.4. Agreement with Vinci

As of December 30, 1998, your company, Vinci and Compagnie Générale de Bâtiment et de Construction (CBC) signed a rider to the agreement entered into on June 30, 1997 concerning the sale of CBC shares to Vinci, along with the associated guarantees and better fortune clauses.

In 2008, your company did not receive any credit notes or payments related to this agreement.

Paris-La Défense and Neuilly-sur-Seine, February 27, 2009

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Benoît Lebrun Marie Guillemot Dominique Thouvenin

TELECOMS INTERNET TELEVISION
MUSIC TELECOMS INTERNET TELEVISION CINEMA GAMES
MUSIC TELECOMS INTERNET TELEVISION CINEMA GAMES
TELECOMS INTERNET TELEVISION MUSIC
TELEVISION

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Note: In accordance with European Commission Regulation (EC) 809/2004 (Article 28) which sets out disclosure obligations for issuers of securities listed on a regulated market within the European Union (The "Prospectus Directive"), the followings items are included as reference:

- the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2007, prepared under IFRS and the related Statutory Auditors' Report presented in pages 129 through 259 of the Document de Référence No. D08-131, filed on March 18, 2008 with the French Autorité des Marchés Financiers (AMF), and in pages 129 to 256 of the English translation of this Document de Référence ; and
- the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2006, prepared under IFRS and the related Statutory Auditors' Report presented in pages 121 through 283 of the Document de Référence No. D07-0240, filed on March 28, 2007 with the AMF, and in pages 118 to 273 of the English translation of this Document de Référence.

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Selected Key Consolidated Financial Data

Consolidated data	Year ended December 31, 2008	2007	2006	2005	2004
Revenues (a)	25,392	21,657	20,044	19,484	17,883
EBITA (a) (b)	4,953	4,721	4,370	3,985	3,504
Earnings attributable to equity holders of the parent	2,603	2,625	4,033	3,154	3,767
Adjusted net income (b)	2,735	2,832	2,614	2,218	1,498
Financial Net Debt (b)	8,349	5,186	4,344	3,768	4,724
Equity	26,626	22,242	21,864	21,608	18,092
o/w attributable to equity holders of the parent	22,625	20,342	19,912	18,769	15,449
Cash flow from operations, before capital expenditures, net (CFFO before capex, net)	7,056	6,507	6,111	5,448	5,358
Capital expenditures, net (capex, net) (c)	2,001	1,626	1,645	1,291	1,004
Cash flow from operations (CFFO) (b)	5,055	4,881	4,466	4,157	4,354
Financial investments	3,947	846	3,881	1,481	394
Financial divestments	(352)	(456)	(1,801)	(155)	(5,264)
Dividends paid in respect to previous fiscal year	1,515	1,387	1,152	689	-
Per share amounts					
Weighted average number of shares outstanding	1,167.1	1,160.2	1,153.4	1,149.6	(d) 1,144.4
Adjusted net income per share	**2.34**	**2.44**	**2.27**	**1.93**	**1.31**
Number of shares outstanding at the end of the period (excluding treasury shares)	1,170.1	1,164.7	1,155.7	1,151.0	(d) 1,144.9
Equity per share attributable to equity holders of the parent	19.34	17.47	17.23	16.31	13.49
Dividends per share paid in respect to previous fiscal year	**1.30**	**1.20**	**1.00**	**0.60**	**0.00**

In millions of euros, number of shares in millions, data per share in euros.

(a) An analysis of revenues and EBITA by operating segment is presented in Section 4.1 of this Financial Report and Note 3 to the Consolidated Financial Statements for the year ended December 31, 2008.

(b) 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, 2008. These indicators should be considered in addition to, and 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 in the Financial Report. Moreover, it should be emphasized that other companies may define and calculate these indicators differently than Vivendi, thereby affecting comparability.

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

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

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Preliminary Comments

On February 24, 2009, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2008, which were presented to the Audit Committee on February 25, 2009. On February 26, 2009, the Supervisory Board reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2008, as approved by the Management Board on February 24, 2009.

The Consolidated Financial Statements for the year ended December 31, 2008 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 the 2008, 2007 and 2006 Main Developments

Over the last four 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".

In addition, over the last three years, Vivendi achieved the following:

2008

- On February 6, after completing a bidding process, Canal+ Group was awarded nine out of the ten television lots offered for League 1 broadcasting rights by the French Professional Football League (2008-2009 to 2011-2012).
- On February 25, UMG completed the sale of certain music publishing catalogs.
- In February, Vivendi obtained a €3.5 billion syndicated loan.
- On April 2, StudioCanal acquired the entire share capital of Kinowelt.
- On April 15, SFR took over Neuf Cegetel.
- In April, Vivendi early redeemed all of its outstanding bonds exchangeable for Sogecable shares.
- In April, Vivendi raised $1.4 billion from the issuance of US dollar bonds.
- On May 5, UMG acquired Univision Music Group.
- In May, Vivendi paid a dividend of €1.30 per share for the fiscal year 2007, representing a total distribution of €1,515 million.
- On June 24, Neuf Cegetel was de-listed from Euronext Paris as a result of the successful completion of the SFR tender offer made under the simplified procedure between May 19 and June 13.
- On July 9, Activision Blizzard was created.
- On November 21, SFR announced the transactions with Jet Multimédia group.

2007

- On January 4, Canal+ Group and TPS combined their pay-TV operations in France.
- On February 9, Maroc Telecom Group acquired a 51% stake in Gabon Telecom.
- In April, Vivendi paid a dividend of €1.20 per share for fiscal year 2006, representing a total distribution of €1,387 million.
- On May 25, UMG acquired BMG Music Publishing.
- On July 20, SFR acquired the fixed and ADSL operations of Tele2 France.
- On August 2, UMG consolidated Sanctuary Group Plc, an artists services group.
- On December 7, Vivendi acquired a 2% stake in Maroc Telecom Group, increasing its stake from 51% to 53%.

2006

- On February 7, 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 of €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 had been trading on Euronext Paris since October 24, 2006.
- At the beginning of June, Vivendi and the United States Internal Revenue Service (IRS) agreed 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 6, Vivendi sold its residual 5.3% stake in Veolia Environnement.
- On August 3, 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 US Securities Exchange Act of 1934.

Summary of the 2008, 2007 and 2006 Main Developments

- On December 14, Vivendi amended its agreement with General Electric Company regarding certain liquidity rights with respect to Vivendi's stake in NBC Universal.
- On December 29, Maroc Telecom Group acquired a 51% stake in Onatel (Burkina Faso).

2009 events

Despite the current market conditions, Vivendi has the ability to resist, due to its subscription based model and the quality of its contents and services, added to continuous cost control. The profitable growth is expected to continue. Vivendi expects its EBITA will show strong growth in 2009.

Section 1 2008 Main Developments

1.1. Main Developments in 2008

1.1.1. Take over of Neuf Cegetel by SFR

On April 15, 2008, the French Minister of the Economy, Industry and Employment gave permission to Vivendi and SFR to proceed with the purchase of the Louis Dreyfus Group's equity stake in Neuf Cegetel, as a condition precedent to the take over of Neuf Cegetel by SFR. As a result, pursuant to the agreement announced on December 20, 2007, SFR acquired the 60.15% equity interest in Neuf Cegetel that it did not already own (excluding restricted stocks and Neuf Cegetel treasury shares), as follows:

- On April 15, 2008, SFR acquired, from the Louis Dreyfus Group, its entire interest in Neuf Cegetel (i.e., 28.45%) at €34.50 per share (2007 coupon of €0.60 per share attached), for a purchase price of €2,074 million, and hence SFR gained control of Neuf Cegetel on that same date by reaching a 68.30% aggregate voting equity interest in Neuf Cegetel.
- Between April 25 and May 2, 2008, SFR acquired an additional interest of approximately 10% in Neuf Cegetel at an average price of €36.40 per share, for a purchase price of €752 million, thus reaching a 77.90% aggregate ownership interest in Neuf Cegetel.
- As a result of the successful completion of the SFR tender offer made under the simplified procedure between May 19 and June 13, 2008 inclusive, followed by a squeeze-out for the shares of Neuf Cegetel implemented on June 24, 2008, SFR acquired an additional interest of approximately 19% in Neuf Cegetel at €35.90 per share (2007 coupon of €0.60 per share detached), for a purchase price of €1,497 million, thereby reaching an approximate 97.44% aggregate ownership interest in Neuf Cegetel.
- In addition, SFR and almost all of the executives and employees of Neuf Cegetel who were granted restricted shares, currently in a holding or vesting period, entered into reciprocal put and call option agreements pursuant to which SFR may obtain, in the future, 2.51% of the share capital of Neuf Cegetel for an estimated amount of €140 million.

Therefore, as a result of the squeeze-out for the shares of Neuf Cegetel and taking into account the Neuf Cegetel treasury shares (0.58% of the share capital), as well as the reciprocal put and call option agreements with the beneficiaries of restricted shares, SFR held more than 99.99% of Neuf Cegetel's share capital, 60.15% of which was acquired at an aggregate price of €4,485 million (including transaction costs and fees). SFR financed this acquisition using debt, notably by Vivendi granting a €3 billion credit facility to SFR under market terms. As agreed with its shareholders, in order to repay this loan, SFR will reduce the amount of dividend payments which otherwise could have been made over the three fiscal years (2008, 2009 and 2010). Thus, on January 30, 2009, the Board of Directors of SFR resolved to pay an interim dividend of €750 million for fiscal year 2008, corresponding to €420 million for Vivendi.
For a detailed description of this transaction and its impact on the accounts, please refer to Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2008.

On April 15, 2008, the Minister granted its approval in consideration of new commitments made by Vivendi and its subsidiaries. These commitments relate to providing access to wholesale markets on SFR's fixed and mobile networks to competitors and new market entrants, acceptance of an independent television distributor on the fixed network if such a player appears, as well as, on a non-exclusive basis, broadband ADSL availability of eight new leading channels in their particular themes (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV).

With 19 million mobile customers, 3.6 million Internet broadband customers, 10,000 employees and annual revenues totalling €12 billion, the newly expanded company will become, due to its size, a major operator capable of responding to the needs of all market segments: the general public, corporate and wholesale. This new-generation telecommunications company will play a leading role in the fields of innovation, development of new services and convergent issues as well as in the rolling out of very high-speed fixed (fiber optic) and mobile (3G/3G+) broadband networks in the best interests of consumers.

Section 1 2008 Main Developments

On September 29, 2008, SFR became the single brand of the new entity resulting from the take over of Neuf Cegetel by SFR. The new label "SFR. Et le monde est à vous", a new logo and SFR's "neufbox" services were revealed on that date.

1.1.2. Creation of Activision Blizzard

On December 1, 2007, Vivendi, Activision, Inc. ("Activision") and certain of their respective subsidiaries entered into a business combination agreement (the "BCA") to combine Vivendi Games with Activision. The transactions contemplated by the BCA received approval from the US competition authorities and the European Union merger control regulators on January 16, and April 16, 2008, respectively, were approved by Activision's stockholders at a special stockholder meeting on July 8, 2008, and were consummated on July 9, 2008.

Pursuant to the BCA, at closing, a wholly-owned subsidiary of Activision, merged with and into Vivendi Games, thereby Vivendi Games became a wholly-owned subsidiary of Activision. In the merger, a subsidiary of Vivendi received approximately 295.3 million newly issued shares of Activision common stock, this number is based upon valuing Vivendi Games at $8,121 million and a per share price for Activision common stock of $27.50 (pre-stock split[1]). Concurrently with the merger, Vivendi purchased approximately 62.9 million newly issued shares of Activision common stock, at a price of $27.50 per share (pre-stock split, or approximately 126 million shares at a price of $13.75 per share post-stock split) for a total of $1,731 million in cash, resulting in a total Vivendi ownership interest in Activision Blizzard of approximately 54.47% of shares outstanding (approximately 52% on a fully diluted basis). Upon closing of the transactions, Activision was renamed Activision Blizzard, Inc. ("Activision Blizzard") and continues to operate as a public company traded on the NASDAQ under the ticker symbol ATVI. Activision Blizzard now conducts the combined business operations of Activision and Vivendi Games including Blizzard Entertainment.

1. *On July 11, 2008, Activision Blizzard announced that its Board of Directors approved a two-for-one stock split of its outstanding shares of common stock to be effected in the form of a common stock dividend. On September 5, 2008, stockholders received one additional share for each share of common stock issued and outstanding as of close of business on August 25, 2008. Upon completion of the split, trading began on a split-adjusted basis on September 8, 2008 and the number of Activision Blizzard's common shares outstanding is approximately 1.3 billion.*

In accordance with the terms of the BCA, on July 16, 2008, Activision Blizzard commenced a $4,028 million all-cash tender offer to purchase up to 146.5 million Activision Blizzard common shares at $27.50 per share (pre-stock split, or 293 million common shares at a price of $13.75 per share post-stock split). As a result of this tender offer, that expired on August 13, 2008, 85,916 shares of Activision Blizzard common stock (pre-stock split, or 171,832 shares post-stock split) were properly tendered for a total cost of approximately $2.4 million in cash; Vivendi's total ownership interest in Activision Blizzard remained unchanged at approximately 54.47%.

In addition, under the terms of the BCA, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction, notably certain representations and warranties and undertakings, which expired upon the closing of the transaction. The parties have also entered into various ancillary agreements at the closing of the transaction, including an investor agreement and tax sharing and indemnity agreements.

On July 9, 2008, Vivendi gained control of Activision Blizzard. From that date, Vivendi has had the ability to appoint a majority of the members of the board of directors of Activision Blizzard, and therefore has the power to govern the financial and operational policies of Activision Blizzard in order to obtain benefits from its operations; thus, Activision Blizzard has been fully consolidated by Vivendi. Prior to the fifth anniversary of the closing date, the approval of certain matters by the Activision Blizzard board of directors requires the affirmative vote of (a) a majority of the votes present or otherwise able to be cast on the board, and (b) at least a majority of the independent directors on the board. However, after the first anniversary of the closing date, the distribution of any dividend by Activision Blizzard will not require the affirmative vote of a majority of the independent directors if Activision Blizzard's pro forma net debt, after giving effect to such dividend, does not exceed $400 million.

From an accounting perspective, Vivendi Games is deemed to be the accounting acquirer of Activision. The combination of Vivendi Games and Activision is accounted for as:

- the dilution by approximately 45.53% of Vivendi's interest in Vivendi Games; the dilution gain is €2,318 million ($3,642 million); and
- the acquisition of a controlling interest of approximately 54.47% in Activision for a consideration of €3,534 million ($5,554 million); the preliminary allocation of the purchase price results in preliminary goodwill amounting to €1,861 million ($2,924 million), after allocation of the purchase price to the assets and liabilities of Activision.

For a detailed description of this transaction and its impacts on the accounts of Vivendi, please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2008. Moreover, the reconciliation between the Activision Blizzard data published by Vivendi and the data published by Activision Blizzard (revenues and EBITA) is included in Appendix "II – Unaudited supplementary financial data".

Section 1 2008 Main Developments

On November 5, 2008, Activision Blizzard announced that its Board of Directors had authorized a stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of $1 billion. In addition, Vivendi does not intend to sell any of its Activision Blizzard shares in that program and does not have any current plans to buy additional Activision Blizzard shares. As of December 31, 2008, Activision Blizzard repurchased approximately 13 million shares of its common stock for $126 million (€85 million).

In addition, as a result of the aforementioned stock repurchase program, the exercise of stock options, restricted stocks and other dilutive instruments by Activision's employees and the purchase of Activision Blizzard's shares by Vivendi on the market, Vivendi's ownership interest in Activision Blizzard could fluctuate from time to time. As of December 31, 2008, Vivendi holds a 54.76% interest in Activision Blizzard (compared to 54.47% upon completion of the transactions described above).

1.1.3. Other Acquisitions/Divestitures of Investments

Sales of certain music publishing catalogs by UMG: 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 for the acquisition of BMG Music Publishing by UMG in May 2007.

Acquisition of Kinowelt by StudioCanal: On April 2, 2008, StudioCanal completed the acquisition of the entire share capital of Kinowelt, the leading German independent film company, specializing in the acquisition and distribution of films. As a result of this transaction, which followed the acquisition of Optimum Releasing in 2006 in the UK, StudioCanal became the European leader in film distribution. Its operations cover the three main European markets (UK, France and Germany) through locally wholly-owned subsidiaries. StudioCanal has also joined the American majors as the only companies to offer an all-media distribution network (theaters, videos, audiovisuals and VODs) covering a population of more than 230 million people. This transaction allows StudioCanal to strengthen its production tool and international sales in order to create a unique alternative for international filmmakers and directors, and has substantially increased StudioCanal's European and American film catalog, which already contained more than 5,000 titles.

Acquisition of Univision Music Group by UMG: On May 5, 2008, UMG completed the acquisition of Univision Music Group from Univision Communications Inc., for an acquisition price of €92 million (including acquisition costs).

Early redemption of the Vivendi bonds exchangeable for Sogecable shares: Please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2008.

Transactions with Jet Multimedia Group: On December 19, 2008, Jet Multimedia, a subsidiary of Neuf Cegetel, sold its Publishing and International Division comprising all Jet Multimedia subsidiaries for €20 million, with the exception of Jet Multimedia France which was purchased by SFR on that same day. Subsequently, Neuf Cegetel, as majority shareholder of Jet Multimedia, intends to file a squeeze out for the remaining publicly held Jet Multimedia shares with the French Autorité des Marchés Financiers (AMF).

1.1.4. Risk Management of Retirement Pension Obligations

At the end of 2000, Vivendi inherited significant obligations from Seagram related to pension plans and post-retirement benefits, mainly in the United States and the United Kingdom, for the employees and retired employees of 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) (which business was sold to General Electric in the middle of 2004).

Starting with a generally balanced position at the end of 2000, Vivendi's pension funds have been widely exposed to the decrease in market interest rates, the steep decline in equity markets and a higher inflation forecast, resulting from financial markets conditions in 2001 and 2002. At the end of 2002, for these reasons, the total deficit in pension and post-retirement benefit plans was approximately €1 billion. Vivendi established a risk management strategy to meet its retirement pension obligations based on the following approaches:

- capping financial risks related to these obligations by ceasing further benefit accruals under defined benefit plans and transferring active employees to defined contribution plans;
- investing pension plan assets in bonds rather than corporate equities;

- limiting financial risks related to the plans by using financial derivatives (interest rate, inflation and equity derivatives) to hedge actuarial liabilities and the related plan assets; and
- extinguishing financial risks through the definitive transfer of the pension plans to insurance companies whenever market conditions are favorable.

As of December 31, 2008, according to the evaluations performed on these plans by independent actuaries, the obligations related to pension benefits and post-retirement benefits totaled €617 million, excluding the United Kingdom's main defined benefit pension plan described below, broken down as follows:

- pension benefit obligations totaling €482 million, covered by financial assets of €189 million, resulting in a deficit of €293 million, against which net provisions of €262 million were recorded on the balance sheet; and
- post-retirement benefit obligations totaling €135 million, not covered by financial assets, against which net provisions of €153 million were recorded on the balance sheet after deducting unrecognized actuarial gains.

Since 2006, the strategy conducted by Vivendi has therefore consisted of transferring financed pension plans outside the group, after ensuring that the obligation is covered fully. The aim is to transform certain actuarial and highly volatile liabilities with regards to pension obligations into financial, controlled and hedged liabilities, and to remove all risks for Vivendi related to funding commitments with regards to those plans, i.e., to protect Vivendi from supplementary contributions for the financing of the actuarial liability. In this respect, Vivendi has primarily 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;
- in December 2007, Vivendi purchased an insurance policy for $476 million (€349 million), in order to cover obligations under its principal US defined benefit plan (including approximately 10,000 Seagram Spirits and Wine, UMG and VUE vested members and retirees);
- in December 2007, Vivendi entered into an agreement with Mr. Edgar Bronfman, Jr., in order to settle its commitments to Mr. Bronfman arising pursuant to a supplementary pension plan (Benefit Equalization Plan); and
- in November 2008, a plan covering Seagram Spirits and Wine and UMG retirees in the United Kingdom, Vivendi's principal defined benefit pension plan in the United Kingdom, purchased an insurance policy for £135 million (€172 million) to cover its obligations; the settlement of this pension plan will become final upon completion of the required legal and administrative process which Vivendi currently expects to last at least one year, after which Vivendi will be definitively and legally relieved of its obligations towards the beneficiaries of this plan.

At year-end 2008, Vivendi considers it has completed the external transfer of the majority of the funded pension plans wherever feasible, given the relatively high financial cost that would result from taking similar actions with respect to the remaining plans, under current financial market conditions.

As a result, the actions undertaken during fiscal years 2006, 2007 and 2008 as part of the risk management of retirement pension obligations led to the purchase of insurance policies for €606 million and a decrease in the balance sheet provision of €266 million. After taking into account the associated plan assets of those pension plans, the net cash contribution by Vivendi amounted to €167 million. The total impact on EBITA generated a net income of €87 million.

Consequently, the pension and post-retirement benefits liability decreased to €428 million as of December 31, 2008 (compared to €770 million as of December 31, 2005), against which net provisions of €415 million were recorded on the balance sheet (compared to €689 million as of December 31, 2005). At year-end 2008, considering the risk management actions undertaken and the current financial market conditions, Vivendi considers it is exposed to a limited risk of a significant increase in its obligations related to pension benefits and post-retirement benefits, as well as a limited risk of a significant decrease in the value of its pension plan assets.

For a detailed presentation of employee benefit obligations, please refer to Note 20 to the Consolidated Financial Statements for the year ended December 31, 2008.

1.1.5. Other

Results of the League 1 soccer bidding process: On February 6, 2008, after completing a bidding process, Canal+ Group was awarded nine out of the ten television lots offered for League 1 broadcasting rights by the French Professional Football League (2008-2009 to 2011-2012). Canal+ Group therefore continues to broadcast all League 1 football events on its channels. 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 pays

Section 1 2008 Main Developments

€465 million per season for these rights (compared to €600 million for each of the last three seasons), representing an aggregate of €1,860 million for the four seasons.

Canal+ Events: On May 23, 2008, the French Professional Football League awarded Canal+ Events the international rights to broadcast the League 1 and League 2 French Championship matches, and the French Coupe de la Ligue for a period of 8 years, with a reciprocal exit right that may be exercised by either party at the end of the first four-year period (i.e., 2012). The guaranteed minimum payments will total €68 million for the first four seasons, beginning with a €15 million payment in the first year and gradually increasing to €19 million in 2012. This is a major step in the development of Canal+ Events.

Voluntary redundancy plan at SFR: On October 2, 2008, as part of an information and consultation phase launched in July 2008, all of the employee representative bodies of SFR and Neuf Cegetel issued their opinion on the new organization project aimed at reorganizing SFR and Neuf Cegetel operating teams. On that date, the new organization became effective and a voluntary redundancy plan began and will run until March 31, 2009 for the employees in the "Ile de France" region and until June 30, 2009 for the employees in other regions. Based on headcount as of September 30, 2008 and pursuant to the terms and conditions of Book IV of the French Labor Code, this plan, based on voluntary participation, could result in the termination of 784 jobs and the creation of 334 jobs. Assuming that under the most likely hypothesis the number of voluntary redundancies reaches the aforementioned maximum of 784 positions, the total cost to SFR would be €88 million.

New borrowings set up by Vivendi SA and SFR (please refer to Sections 5.3 and 5.4 of this Financial Report).

Dividend paid with respect to fiscal year 2007: At the Annual Shareholders' Meeting held on April 24, 2008, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2007. As a result, the dividend was set at €1.30 per share, representing a total distribution of approximately €1.5 billion which was paid beginning May 14, 2008.

Information regarding the stake in PTC: Due to the pending litigation among Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim SA, the legal uncertainty surrounding the ownership of Telco's stake in PTC prevents Telco from exercising joint control over PTC, as provided in the by-laws of PTC. As a result, Vivendi does not consolidate its stake in PTC, whose carrying value is nil.

Launch of zaOza: At the end of March 2008, the zaOza offer was launched in France. Pursuant to this offer, subscribers can share new and exclusive content (music, games and videos) and have an unlimited access on both PC and mobile telephone screens to this content for a subscription fee of €3 per month. The company's objective is to expand zaOza internationally focusing initially on Europe and beginning with Germany.

1.2. Main Developments since December 31, 2008

The main developments that occurred between December 31, 2008 and February 24, 2009, the date of the Management Board meeting which approved the financial statements for the fiscal year 2008, are as follows:

- Financing put into place by Vivendi SA and SFR after December 31, 2008: please refer to Sections 5.4.1. and 5.4.6. of this report;
- On January 30, 2009, the Board of Directors of SFR resolved to pay an interim dividend of €750 million for fiscal year 2008, corresponding to €420 million for Vivendi; and
- Cash contributions to NBC Universal (please refer to Note 25 to the Consolidated Financial Statements for the year ended December 31, 2008).

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Section 2 Earnings Analysis

2.1. Consolidated Earnings and Consolidated Adjusted Net Income

Consolidated statement of earnings			Adjusted statement of earnings		
(in millions of euros, except per share amounts)	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007	
Revenues	**25,392**	**21,657**	**25,392**	**21,657**	**Revenues**
Cost of revenues	(12,492)	(9,876)	(12,492)	(9,876)	Cost of revenues
Margin from operations	**12,900**	**11,781**	**12,900**	**11,781**	**Margin from operations**
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(7,753)	(6,901)	(7,753)	(6,901)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations
Restructuring charges and other operating charges and income	(194)	(159)	(194)	(159)	Restructuring charges and other operating charges and income
Amortization of intangible assets acquired through business combinations	(653)	(301)			
Impairment losses of intangible assets acquired through business combinations	(40)	(34)			
EBIT	**4,260**	**4,386**	**4,953**	**4,721**	**EBITA**
Income from equity affiliates	260	373	260	373	Income from equity affiliates
Interest	(354)	(166)	(354)	(166)	Interest
Income from investments	5	6	5	6	Income from investments
Other financial charges and income	579	(83)			
Earnings from continuing operations before provision for income taxes	**4,750**	**4,516**	**4,864**	**4,934**	**Adjusted earnings from continuing operations before provision for income taxes**
Provision for income taxes	(1,051)	(747)	(920)	(881)	Provision for income taxes
Earnings from continuing operations	**3,699**	**3,769**			
Earnings from discontinued operations	-	-			
Earnings	**3,699**	**3,769**	**3,944**	**4,053**	**Adjusted net income before minority interests**
Attributable to:					*Attributable to:*
Equity holders of the parent	**2,603**	**2,625**	**2,735**	**2,832**	**Adjusted net income**
Minority interests	1,096	1,144	1,209	1,221	Minority interests
Earnings attributable to equity holders of the parent per share – basic (in euros)	**2.23**	**2.26**	**2.34**	**2.44**	**Adjusted net income per share – basic** (in euros)
Earnings attributable to equity holders of the parent per share – diluted (in euros)	**2.23**	**2.25**	**2.34**	**2.43**	**Adjusted net income per share – diluted** (in euros)

Section 2 Earnings Analysis

2.2. Earnings Review

Preliminary note regarding the revenues recognition of Activision Blizzard:

Beginning in the fourth quarter of 2008, revenues from the sale of boxes for video-games with significant online functionality, are recorded ratably as revenue over the estimated customer life beginning, upon the month following shipment of boxes for video-games developed by Activision Blizzard and upon activation of boxes for Massively Multiplayer Online Role Playing Games (MMORPG) of Blizzard (World of Warcraft and its expansion packs). Regarding Activision, the impact of this accounting treatment is new due to the recent growth in use for related online enabled video-games. Regarding the MMORPG of Blizzard, this new revenue recognition method represents a change in accounting treatment. Indeed, revenues from the sale of boxes for MMORPG, as well as revenues from the sale of boxes for other offline video-games, were previously recognized by Blizzard upon transfer of the ownership and related risks to the distributor. For a detailed description of accounting treatments related to Activision Blizzard's revenue recognition and the change in accounting method applied by Blizzard, please refer to the appendix to this Financial Report ("Reconciliation of US GAAP revenue and EBITA to IFRS" as well as to Note 1.3.4.4. to the Consolidated Financial Statements for the year ended December 31, 2008.

In 2008, **adjusted net income** was a profit of €2,735 million, or €2.34 per share, compared to €2,832 million, or €2.44 per share in 2007, a decrease of €97 million (-3.4%), which included the negative impact of integration costs and restructuring charges that resulted from the acquisition of Neuf Cegetel and Activision (-€245 million) on EBITA, the negative impact of the deferral of net revenues and the margin from the sale of boxes for video-games with significant online functionality (deferral of net revenues of approximately -$776 million and deferral of margin of approximately -$554 million) on EBITA, as well as the increase in interest primarily resulting from the financing of the take over of Neuf Cegetel and the acquisition of Activision (estimated at approximately -€160 million). In summary, the decrease of €97 million in adjusted net income was primarily due to the impact of the following items:

- a €232 million increase in EBITA, which amounted to €4,953 million. This evolution reflected strong cost control in all the group's activities. It also reflected the good performance of Canal+ Group (+€168 million), Maroc Telecom Group (+€133 million), Universal Music Group (+€62 million) and the lower performance of SFR (+€25 million), offset by the decline of Activision Blizzard (-€147 million compared to Vivendi Games in 2007).
  The consolidation of Neuf Cegetel by SFR since April 15, 2008 and Activision by Vivendi Games since July 10, 2008, resulted in integration costs incurred by SFR (-€123 million) following the take over of Neuf Cegetel and by Vivendi Games (-€122 million) following its combination with Activision. In addition, the adoption of the deferral of revenue recognition accounting principle from the sale of boxes for online enabled video-games by Activision Blizzard during the fourth quarter of 2008 resulted in a deferral of margin of -$554 million (-€416 million), of which -$188 million related to the change in revenue recognition method of World of Warcraft. Finally, EBITA also included a charge related to share-based compensation plans amounting to €41 million in 2008 compared to €154 million in 2007, a positive impact of €113 million. Moreover, in 2007, EBITA included the positive impact of the settlement of a tax litigation (+€73 million) and the sale of real estate assets in Germany (+€59 million) at Holding & Corporate;
- a €113 million decrease in income from equity affiliates;
- a €188 million increase in interest;
- a €12 million decrease in earnings attributable to minority interests; and
- a €39 million increase in tax expenses.

Breakdown of the main items from the Statement of Earnings

Revenues were €25,392 million compared to €21,657 million in 2007, an increase of €3,735 million (+17.2%, representing +18.3% at constant currency). For a breakdown of revenues by business segment, please refer to Section 4 "Business segment performance analysis".

Costs of revenues amounted to €12,492 million (compared to €9,876 million in 2007), representing an additional charge of €2,616 million.

Margin from operations increased by €1,119 million to reach €12,900 million (compared to €11,781 million in 2007).

Selling, general and administrative expenses, excluding amortization losses of intangible assets acquired through business combinations amounted to €7,753 million (compared to €6,901 million in 2007), representing an additional charge of €852 million.

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Section 2 Earnings Analysis

Depreciation and amortization of tangible and intangible assets are part of either cost of revenues or selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, were €1,938 million (compared to €1,498 million in 2007), representing an additional charge of €440 million. This increase is primarily due to the increase in amortization of fixed telecommunication network assets following the consolidation of Neuf Cegetel since April 15, 2008.

Restructuring charges and other operating charges and income represented a charge of €194 million (compared to €159 million in 2007), representing an increase of €35 million. In 2008, it mainly included restructuring charges at SFR (-€123 million), Activision Blizzard (-€57 million, excluding the write-off of certain of Vivendi Games titles and other non-recurring costs resulting from the combination of Activision and Vivendi Games (-€65 million), which were recorded as costs of revenues and selling, general and administrative expenses) and UMG (-€53 million). In 2007, it mainly included restructuring charges at UMG, resulting from the acquisition of BMG Music Publishing and Sanctuary, and from the restructuring of the recorded music division (-€67 million), and at Canal+ Group, resulting from its voluntary redundancy plan (-€31 million), and the impact of certain litigations, in particular at Holding & Corporate. These items were notably offset by the positive impact of the settlement, in Vivendi SA's favor, of a litigation it instigated regarding its right to deduct VAT (+€73 million) and the sale of real estate assets in Germany (+€59 million).

EBITA was €4,953 million compared to €4,721 million in 2007, an increase of €232 million (+4.9%, representing +5.6% at constant currency). For a breakdown of EBITA by business segment, please refer to Section 4 "Business segment performance analysis".

Amortization of intangible assets acquired through business combinations were €653 million compared to €301 million in 2007, an additional charge of €352 million, notably due to the amortization of intangible assets acquired from Activision in July 2008 (+€220 million including mainly internally developed franchises, developments in progress, game engines and retail customer relationships), customer lists and trade names acquired from Neuf Cegetel and Tele2 France (+€90 million), and UMG's music catalogs acquired in 2007 and 2008 (+€31 million), including the amortization of BMG Music Publishing's catalogs.

Impairment losses of intangible assets acquired through business combinations were €40 million compared to €34 million in 2007. In 2008, they were primarily comprised of the write-off of certain UMG music catalogs and goodwill related to Sierra's operations that Activision Blizzard either exited or wound down. In 2007, they were essentially comprised of the write-off of the TPS trade name at Canal+ Group following the termination of the TPS branded program bouquet.

EBIT was €4,260 million compared to €4,386 million for 2007, a decrease of €126 million (-2.9%).

Income from equity affiliates was €260 million compared to €373 million in 2007. Vivendi's pro rata share of income earned by NBC Universal represented €255 million in 2008 compared to €301 million in 2007, a decrease of €46 million that is approximately evenly split between the decrease in NBC Universal's performance and the decline of the US dollar against the Euro. In addition, between January 1 and April 14, 2008, Vivendi's pro rata share of income from Neuf Cegetel amounted to €18 million compared to €78 million in 2007 (12 months), and since April 15, 2008, Neuf Cegetel has been fully consolidated by SFR.

Interest increased to €354 million compared to €166 million in 2007, representing an increase of €188 million. Interest expense on borrowings amounted to €450 million in 2008, compared to €276 million in 2007. This increase was mainly driven by the increase in average outstanding borrowings (€9.6 billion in 2008 compared to €7.2 billion in 2007), primarily resulting from the financing of the Neuf Cegetel acquisition by SFR (€4.3 billion) and the Activision acquisition (€1.1 billion), as well as the consolidation of Neuf Cegetel's Financial Net Debt (approximately €1 billion) from April 15, 2008. Interest also increased due to a rise in the average interest rate on borrowings to 4.69% in 2008, compared to 4.18% in 2007. Moreover, between January 1 and May 25, 2007, the amount of capitalized interest relating to the acquisition of BMG Music Publishing had a positive impact of €25 million on interest.
Interest income earned on cash and cash equivalents amounted to €96 million in 2008 compared to €110 million in 2007. This decrease was mainly driven by the decrease in the average amount of cash equivalents to €2.6 billion in 2008 compared to €2.7 billion reported in 2007 and in the average interest income rate to 3.72% in 2008 compared to 4.07% in 2007. As of December 31, 2008, the amount of cash and cash equivalents included Activision Blizzard's cash and cash equivalents of €2,117 million (please refer to Section 5.2. of this Financial Report).

Section 2 Earnings Analysis

Finally, the incremental impact of the acquisition of Neuf Cegetel and Activision in 2008 on interest expense related to the financing of these acquisitions was an additional net charge, estimated at approximately €160 million. For more information, please refer to Section 5 of this Financial Report and to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2008.

Other financial charges and income generated a net income of €579 million compared to a net charge of €83 million in 2007, a positive difference of €662 million. In 2008, it mainly resulted from the consolidation gain (+€2,318 million) following the creation of Activision Blizzard, as well as the capital gain resulting from the early redemption of the Vivendi bonds exchangeable into Sogecable shares (+€83 million) following the tender offer launched by Prisa for the share capital of Sogecable, mainly offset by the depreciation of the 20% stake in NBC Universal (-€1,503 million), the impact of certain non-cash adjustments relating to the acquisition of Neuf Cegetel by SFR (-€77 million) and the effect of the undiscounting of long-term assets and liabilities (-€45 million). In 2007, it primarily included the consolidation gain on the sale of a 10.18% equity interest in Canal+ France to Lagardère (+€239 million), partially offset by the write-off of the minority stake in Amp'd (-€65 million), and the effect of the undiscounting of long-term assets and liabilities (-€75 million). For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2008.

Provision for income taxes was a net charge of €1,051 million compared to a net charge of €747 million in 2007. This increase mainly resulted from the decline in the expected savings from the Consolidated Global Profit Tax System in 2009 following the anticipated utilization by SFR in 2009 of Neuf Cegetel's net operating losses carried forward. Excluding the impact of items excluded from adjusted net income, income taxes amounted to a net charge of €920 million, compared to €881 million in 2007, representing an effective tax rate of 20.0% compared to 19.3% in 2007.

Earnings attributable to minority interests amounted to €1,096 million compared to €1,144 million in 2007. This decrease resulted primarily from the decrease in SFR's contribution in 2008, notably due to the costs related to the acquisition of Neuf Cegetel, and by the negative contribution of Activision Blizzard's minority interests due to costs related to the combination of Vivendi Games and Activision (please refer to Section 1.1.2 of this Financial Report).

In 2008, **earnings attributable to equity holders of the parent** was a profit of €2,603 million, or €2.23 per share, compared to €2,625 million, or €2.26 per share in 2007, a decrease of €22 million (-0.8%).

The reconciliation of earnings attributable to equity holders of the parent with adjusted net income is further described in Note 7. to the Consolidated Financial Statements for the year ended December 31, 2008. In 2008, this reconciliation notably included the consolidation gain (+€2,318 million), i.e., the gain on the dilution of Vivendi's interest in Vivendi Games by 45.53% generated by the combination of Activision and Vivendi Games following the creation of Activision Blizzard, and the capital gain resulting from the early redemption of bonds exchangeable into Sogecable shares (+€83 million), offset by the depreciation of its 20% stake in NBC Universal (-€1,503 million), the impact of certain non-cash adjustments related to the purchase price allocation of Neuf Cegetel by SFR (-€77 million), the decline in savings expected from the Consolidated Global Profit Tax System in 2009 (-€378 million) following the anticipated utilization by SFR in 2009 of Neuf Cegetel's net operating losses carried forward, as well as the amortization and impairment losses of intangible assets acquired through business combinations (-€693 million, before tax and minority interests). In 2007, this reconciliation mainly included the dilution gain on the sale of a 10.18% equity interest in Canal+ France to Lagardère (+€239 million), the write-off of the minority stake in Amp'd (-€65 million), as well as the amortization and impairment losses of intangible assets acquired through business combinations (-€335 million, before tax and minority interests).

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Section 2 Earnings Analysis

Adjusted net income performance measurement at constant perimeter

In March 2008, Vivendi announced that, based on the perimeter of the group at this date (i.e., excluding the impact of the proposed Neuf Cegetel and Activision transactions, which had not been closed at this time), its outlook for the year 2008 was to achieve a profit growth similar to 2007.

As of December 31, 2008, at constant perimeter, i.e., excluding the impact of the Neuf Cegetel and Activision acquisitions and the impact of operations subsequently discontinued or sold (Broadband Internet and fixed operations previously developed by SFR, and Sierra Entertainment) growth in adjusted net income was 8.4% (+€239 million). This growth rate was determined as follows:

- Following the acquisition of Neuf Cegetel and Activision, the group consolidated their operations and also recorded the impact of the discontinuation or disposal of certain existing operations: (i) Broadband Internet and fixed operations previously developed by SFR were discontinued following the consolidation of Neuf Cegetel, and (ii) certain operations included in the former Vivendi Games perimeter were discontinued or sold following the creation of Activision Blizzard. Since such operations were discontinued or sold during 2008, it is not possible to determine their contribution to the 2008 net income based on the 2007 perimeter. Therefore, in order to calculate the increase in adjusted net income for the year 2008 excluding the impact of the operations acquired in 2008 (Neuf Cegetel, Activision) and the impact of discontinued or sold operations in 2008 (Broadband Internet and fixed operations previously developed by SFR, and Sierra Entertainment), their respective net contributions were neutralized. In addition, the impact of the change in accounting principle in respect of the recognition of revenue at Blizzard was neutralized.

  Based on these assumptions, the increase in EBITA of the operations whose perimeter remained unchanged in 2008 was 9.6% (+€451 million). This perimeter primarily included the operations of SFR Mobile, Universal Music Group, Canal+ Group, Blizzard Entertainment (excluding the impact of the change in accounting principle and deferral of revenue), Maroc Telecom Group, Holding & Corporate and others.
- The impact of these assumptions on interest, income tax expense and minority interests was included in the growth rate calculation.
- It also included the change in the Group's share in the net income of NBC Universal.

Section 3 Cash Flow from Operations Analysis

Preliminary comment: *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, and not as substitutes for, other GAAP measures as reported in Vivendi's cash flow statement described in the group's Consolidated Financial Statements.*

In 2008, cash flow from operations before capital expenditures, net (CFFO before capex, net) generated by business operations amounted to €7,056 million (compared to €6,507 million in 2007), a €549 million increase (+8.4%) due to the growth in EBITDA after changes in net working capital (+€804 million), in particular at SFR (+€539 million, notably related to the consolidation of Neuf Cegetel by SFR from April 15, 2008), as well as, to a lesser extent, at Canal+ Group (+€239 million), despite the increase in content investments (+€194 million), in particular at Canal+ Group (+€128 million) and Activision Blizzard (+€53 million). In addition, in 2007, EBITDA after changes in net working capital included the favorable impact at Holding & Corporate of the repayment of tax payments previously made by Vivendi SA following the settlement in Vivendi's favor of the litigation instigated by Vivendi concerning its right to deduct VAT (+€50 million). Moreover, the decrease in dividends received from equity affiliates (-€42 million) and the increase in restructuring charges paid (+€18 million) had a lesser negative impact.

After capital expenditures, net, cash flow from operations (CFFO) was €5,055 million compared to €4,881 million in 2007, an increase of €174 million (+3.6%). In 2008, capital expenditures, net amounted to €2,001 million compared to €1,626 million in 2007, an increase of €375 million (+23.1%), due primarily to SFR (+€285 million), mainly reflecting capital expenditures of Neuf Cegetel (+€327 million).

After interest paid and other cash items related financial operations as well as income tax paid, cash flow from operations after interest and income tax paid (CFAIT) was €3,720 million compared to €3,594 million in 2007, an increase of €126 million or +3.5%. The increase in interest and other cash items related to financial operations resulted from new borrowings set up to finance acquisitions made in 2008 (+€188 million), partly offset by gains realized on foreign currency transactions in 2008 by Holding Corporate (+€82 million) and the decrease in income tax paid, net (-€57 million).

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Section 3 Cash Flow from Operations Analysis

(in millions of euros)	Year ended December 31, 2008	2007	% change
Revenues	25,392	21,657	17.2%
Operating expenses excluding depreciation and amortization	(18,284)	(15,375)	-18.9%
EBITDA	*7,108*	*6,282*	*13.1%*
Restructuring charges paid	(117)	(99)	-18.2%
Content investments, net	(159)	(97)	-63.9%
o/w payments to artists and repertoire owners, net at UMG			
payment to artists and repertoire owners	*(633)*	*(638)*	*0.8%*
recoupment of advances and other movements	*609*	*605*	*0.7%*
	(24)	*(33)*	*27.3%*
o/w film and television rights, net at Canal+ Group			
acquisition of film and television rights	*(838)*	*(676)*	*-24.0%*
consumption of film and television rights	*794*	*719*	*10.4%*
	(44)	*43*	*na**
o/w sports rights, net at Canal+ Group			
acquisition of sports rights	*(709)*	*(785)*	*9.7%*
consumption of sports rights	*706*	*727*	*-2.9%*
	(3)	*(58)*	*94.8%*
o/w advances to games' developers, net at Activision Blizzard			
payment of advances	*(70)*	*(58)*	*-20.7%*
recoupment of advances	*63*	*19*	*x 3.3*
	(7)	*(39)*	*82.1%*
Neutralization of change in provisions included in EBITDA	(248)	19	na*
Other cash operating items excluded from EBITDA	(68)	41	na*
Other changes in net working capital	241	20	x 12.1
Net cash provided by operating activities before income tax paid **(a)**	***6,757***	***6,166***	***9.6%***
Dividends received from equity affiliates **(b)**	296	340	-12.9%
o/w NBC Universal	*294*	*305*	*-3.6%*
Dividends received from unconsolidated companies **(b)**	3	1	x3
Cash flow from operations, before capital expenditures, net (CFFO before capex, net)	**7,056**	**6,507**	**8.4%**
Capital expenditures, net (capex, net) **(c)**	(2,001)	(1,626)	-23.1%
o/w SFR	*(1,305)*	*(1,020)*	*-27.9%*
o/w Maroc Telecom Group	*(418)*	*(363)*	*-15.2%*
Cash flow from operations (CFFO)	**5,055**	**4,881**	**3.6%**
Interest paid, net **(d)**	(354)	(191)	-85.3%
Other cash items related to financial activities **(d)**	34	(24)	na*
Financial activities cash payments	***(320)***	***(215)***	***-48.8%***
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System	548	603	-9.1%
Other taxes paid	(1,563)	(1,675)	6.7%
Income tax paid, net **(a)**	***(1,015)***	***(1,072)***	***5.3%***
Cash flow from operations after interest and income tax paid (CFAIT)	**3,720**	**3,594**	**3.5%**

na*: not applicable.

(a) As presented in the operating activities section of Vivendi's Consolidated Statement of Cash Flows (please refer to Section 5.3).

(b) As presented in the investing activities section of Vivendi's Consolidated Statement of Cash Flows (please refer to Section 5.3).

(c) Consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets as presented in the investing activities section of Vivendi's Consolidated Statement of Cash Flows (please refer to Section 5.3).

(d) As presented in the financing activities section of Vivendi's Consolidated Statement of Cash Flows (please refer to Section 5.3).

Section 4 Business Segment Performance Analysis

4.1. Revenues, EBITA and Cash Flow from Operations by Business Segment

(in millions of euros)	Year ended December 31, 2008	2007	% change	% change at constant rate
Revenues				
Universal Music Group	4,650	4,870	-4.5%	-0.2%
Canal+ Group	4,554	4,363	4.4%	4.0%
SFR	11,553	9,018	28.1%	28.1%
Maroc Telecom Group	2,601	2,456	5.9%	7.0%
Activision Blizzard	2,091	1,018	x 2.1	x 2.1
Non-core operations and others, and elimination of intersegment transactions	(57)	(68)	16.2%	16.2%
Total Vivendi	**25,392**	**21,657**	**17.2%**	**18.3%**
EBITA				
Universal Music Group	686	624	9.9%	11.6%
Canal+ Group	568	400	42.0%	41.3%
SFR	2,542	2,517	1.0%	1.0%
Maroc Telecom Group	1,224	1,091	12.2%	13.5%
Activision Blizzard	34	181	-81.2%	-78.2%
Holding & Corporate	(60)	(81)	25.9%	29.4%
Non-core operations and others	(41)	(11)	x 3.7	x 3.8
Total Vivendi	**4,953**	**4,721**	**4.9%**	**5.6%**
Cash flow from operations (CFFO)				
Universal Music Group	521	559	-6.8%	
Canal+ Group	383	317	20.8%	
NBC Universal dividends	294	305	-3.6%	
SFR	2,752	2,551	7.9%	
Maroc Telecom Group	1,037	1,001	3.6%	
Activision Blizzard	313	283	10.6%	
Holding & Corporate	(200)	(123)	-62.6%	
Non-core operations and others	(45)	(12)	x 3.8	
Total Vivendi	**5,055**	**4,881**	**3.6%**	

The information presented above takes into account the consolidation of the following entities from the reported dates:

- at UMG: Univision Music Group (May 5, 2008), BMG Music Publishing (May 25, 2007) and Sanctuary (August 2, 2007);
- at Canal+ Group: Kinowelt (April 2, 2008);
- at SFR: Neuf Cegetel (April 15, 2008), the fixed and ADSL operations of Tele2 France (July 20, 2007) and Debitel France (December 1, 2007);
- at Maroc Telecom Group: Gabon Telecom (March 1, 2007); and
- at Vivendi Games: Activision (July 10, 2008). On July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games, thereby Vivendi Games became a wholly-owned subsidiary of Activision which was renamed Activision Blizzard. On that date, Vivendi held a 54.47% (non-diluted) controlling interest in Activision Blizzard, which conducts the combined business operations of Activision and Vivendi Games. From an accounting perspective, Vivendi Games is deemed the acquirer of Activision, thereby the figures reported in this Financial Report under the "Activision Blizzard" caption correspond to: (a) Vivendi Games' historical figures in 2007; (b) Vivendi Games' historical figures from January 1 to July 9, 2008; and (c) the combined business operations of Activision and Vivendi Games from July 10, 2008.

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Section 4 Business Segment Performance Analysis

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

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

(in millions of euros, except for margins)	Year ended December 31, 2008	2007	% change	% change at constant rate
Physical sales	2,589	3,149	-17.8%	-14.2%
Digital sales	842	645	30.5%	35.4%
License and others	448	459	-2.4%	-3.2%
Recorded music	**3,879**	**4,253**	**-8.8%**	**-4.8%**
Artist services and merchandising	173	66	x 2.6	x 2.8
Music publishing	648	589	10.0%	15.6%
Elimination of intercompany transactions	(50)	(38)	-31.6%	-41.9%
Total revenues	**4,650**	**4,870**	**-4.5%**	**-0.2%**
Recorded music	570	573	-0.5%	0.7%
Artist services and merchandising	3	3	0.0%	-16.8%
Music publishing	205	159	28.9%	35.7%
Total EBITDA	**778**	**735**	**5.9%**	**8.2%**
EBITA	**686**	**624**	**9.9%**	**11.6%**
EBITA/Revenues (%)	***14.8%***	***12.8%***	***+ 2.0 pts***	
Cash flow from operations (CFFO)	**521**	**559**	**-6.8%**	
Breakdown of recorded music revenues by geographical area				
North America	41%	43%		
Europe	42%	42%		
Asia	12%	10%		
Rest of the world	5%	5%		
	100%	**100%**		

Recorded music:
Best-selling titles (physical and digital album units sold, in millions)

2008		2007	
Artist	**Units**	**Artist**	**Units**
Mamma Mia! Movie Soundtrack	5	Amy Winehouse	6
Duffy	5	Hannah Montana 2	4
Amy Winehouse	4	High School Musical 2	4
Lil' Wayne	3	Mika	4
Rihanna	3	Rihanna	4
Guns N' Roses	3	Nelly Furtado	4
Jack Johnson	3	Timbaland	3
Jonas Brothers	3	Maroon 5	3
Miley Cyrus	3	Kanye West	3
Taylor Swift	2	Fergie	3
Metallica	2	Fall Out Boy	3
Mariah Carey	2	Bon Jovi	3
Take That	2	50 Cent	3
The Killers	2	Akon	3
High School Musical 3	2	Rascal Flatts	3

Section 4 Business Segment Performance Analysis

Revenues

For the full year 2008, Universal Music Group's (UMG) revenues of €4,650 million showed a slight decline of 0.2% at constant currency (a 4.5% decline in actual currency). Revenues increased in music publishing, artist services and merchandising following the acquisitions of BMG Music Publishing and Sanctuary in 2007, countering a 4.8% decrease at constant currency (a 8.8% decline in actual currency) in recorded music sales.

Digital sales grew 31% at constant currency, driven by strong online growth in all large countries, and higher mobile sales outside of North America.

Best sellers of the year included the "Mamma Mia!" soundtrack, the debut release from Duffy and new releases from Lil' Wayne and Jack Johnson, in addition to carryover titles from Amy Winehouse and Rihanna.

EBITA

UMG's EBITA of €686 million increased 11.6% at constant currency (a 9.9% increase in actual currency) compared to 2007 reflecting continued effective cost management, the consolidation of BMG Music Publishing in the full year results, and higher license income including copyright settlements. EBITA includes €53 million of restructuring costs (compared to €67 million in 2007) including costs associated with the integration of acquisitions and the rationalization of the recorded music division.

Cash flow from operations (CFFO)

For the full year 2008, cash flow from operations totaled €521 million, a €38 million decline compared to 2007, reflecting an increase in working capital due primarily to the growth in music publishing, artist services and merchandising, and restructuring charges.

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

(in millions of euros, except for margins)	Year ended December 31,		
	2008	2007	% change
Pay-TV in France (a)	3,853	3,747	2.8%
Other operations (b)	701	616	13.8%
Total revenues	**4,554**	**4,363**	**4.4%**
EBITDA	**744**	**628**	**18.5%**
EBITA, excluding transition costs related to the combination with TPS	636	490	29.8%
Transition costs related to the combination with TPS	(68)	(90)	24.4%
Total EBITA	**568**	**400**	**42.0%**
EBITA/Revenues (%)	***12.5%***	***9.2%***	***+ 3.3 pts***
Cash flow from operations (CFFO)	**383**	**317**	**20.8%**
Subscriptions (in thousands)			
Analog	918	1,432	-35.9%
Digital	3,513	3,119	12.6%
Individual subscribers	4,431	4,551	-2.6%
Collective	465	440	5.7%
Overseas (individual and collective)	232	215	7.9%
Africa (individual and collective)	137	114	20.2%
Total Canal+ (premium channel)	**5,265**	**5,320**	**-1.0%**
CanalSat	5,326	5,224	2.0%
Total pay-TV subscriptions in France	**10,591**	**10,544**	**0.4%**

(a) Canal+ France includes pay-TV operations in metropolitan France as well as Canal Overseas.
(b) "Other operations" include cinema operations (including Kinowelt, consolidated since April 2, 2008), pay-TV operations in Poland (Cyfra+), Canal+ Régie and i>Télé.

Section 4 Business Segment Performance Analysis

Revenues

In 2008, Canal+ Group's revenues were €4,554 million, a 4.4% increase compared to 2007.

Revenues from pay-TV operations in France increased 2.8% driven by increased subscription revenues from Canal+ and CanalSat, as well as increased advertising revenues in an adverse economic climate.
On December 31, 2008, Canal+ Group's pay-TV offers totalled 10.6 million subscriptions (individual and collective France, including overseas territories; Africa; and excluding Poland), of which 5.3 million is attributable to Canal+ and 5.3 million to CanalSat. Net portfolio growth over the past 12 months amounted to approximately 50,000 subscriptions, including an actual increase of approximately 175,000 and a negative adjustment of approximately 125,000, resulting from the portfolio change of scope to include viable contracts only and final TPS migration.
Canal+ subscriptions remained strong, comparable to those reported in 2007, approximately 600,000 new individual subscriptions in mainland France. In 2008, the digitization of the Canal+ subscriber base accelerated with nearly 350,000 upgrades from analog to digital offers. For the first time, Canal+ digital subscribers exceeded 80% of the total base, compared to 71% at end December 2007. CanalSat subscriptions were up compared to 2007 (+680,000), despite termination of TPS subscription sales. In 2008, nearly one million TPS subscribers were transferred to the CanalSat platform.
A positive subscription performance, despite the current economic downturn, was achieved by offering flexible solutions to subscribers. This flexibility primarily impacted the churn rate of recent subscribers while the over-one-year subscriber base remained loyal with a satisfying churn rate of 10.6%. On average, excluding the temporary effects of the change of scope, the churn rate for both Canal+ and CanalSat was 14.7%.

Canal+ Group's other revenues grew significantly by 13.8% to €701 million, due mainly to international operations and despite unfavorable currency rate fluctuations which have had no adverse effect. Canal+ in Poland recorded portfolio growth exceeding 310,000 new subscribers to reach 1.4 million.

EBITA

Canal+ Group reported EBITA, excluding transition costs linked to the TPS merger, of €636 million, an increase of 29.8%. Including transition costs (€68 million), EBITA was €568 million, an increase of 42%.
This strong increase was driven by pay-TV operations in France that reported year-end EBITA excluding transition costs up €120 million, due to higher revenues, cost savings in soccer rights and other synergies linked to the TPS merger. Therefore the initial target of €350 million should be met – or even surpassed – as early as 2009.

EBITA from Canal+ Group's other operations increased by €26 million, driven by the good performance of each Canal+ Group's subsidiaries (StudioCanal, i >Télé, Canal+ in Poland).

Cash flow from operations (CFFO)

For the full year 2008, cash flow from operations totaled at €383 million, a 20.8% increase compared to 2007.

4.2.3. SFR (56% Vivendi Economic Interest)

(in millions of euros, except for margins)	Year ended December 31,				
	As published (a)			Comparable basis (unaudited) (b)	
	2008	2007	% change	2007	% change
Mobile service revenues	8,576	8,391	2.2%	8,423	1.8%
Equipment sales, net	414	403	2.7%	419	-1.2%
Mobile	**8,990**	**8,794**	**2.2%**	**8,842**	**1.7%**
Broadband Internet and fixed	2,882	233	x 12.4	2,888	-0.2%
Elimination of intercompany transactions	(319)	(9)	x 35.4	(310)	2.9%
Total revenues (c)	**11,553**	**9,018**	**28.1%**	**11,420**	**1.2%**
Mobile	3,501	3,476	0.7%	3,474	0.8%
Broadband Internet and fixed	457	(45)	na*	472	-3.2%
Total EBITDA (d)	**3,958**	**3,431**	**15.4%**	**3,946**	**0.3%**
EBITA excluding restructuring charges	2,665	2,517	5.9%	2,685	-0.7%
Restructuring charges (d)	(123)	-	na*	-	na*
Total EBITA	**2,542**	**2,517**	**1.0%**	**2,685**	**-5.3%**
EBITA/Revenues (%)	***22.0%***	***27.9%***	***-5.9 pts***		
Capital expenditures, net (capex, net)	**1,305**	**1,020**	**27.9%**		
Cash flow from operations (CFFO)	**2,752**	**2,551**	**7.9%**		
Mobile					
Customers (end of period, in thousands) (e)					
Postpaid	13,582	12,294	10.5%		
Prepaid	6,070	6,472	-6.2%		
Total SFR Group	**19,652**	**18,766**	**4.7%**		
Wholesale customer base (estimated) (f)	1,123	1,213	-7.4%		
Total SFR Group network	**20,775**	**19,979**	**4.0%**		
3G customers (in thousands)	**5,934**	**4,082**	**45.4%**		
Market share (SFR Group customer base) (e)	**33.8%**	**33.9%**	**-0.1 pt**		
ARPU (in euros/year)					
Postpaid	549	570	-3.7%		
Prepaid	180	191	-5.8%		
Total	**428**	**440**	**-2.7%**		
Data ARPU (in euros/year)	81	64	26.6%		
Text messages (in billions)	14.6	7.3	x 2		
Data revenues compared to total mobile service revenues (in %)	17.7%	13.7%	+4.0 pts		
Acquisition costs of postpaid customers (euro per acquisition)	211	214	-1.4%		
Acquisition costs of prepaid customers (euro per acquisition)	22	25	-8.6%		
Cost of acquisition compared to total mobile service revenues (in %)	7.4%	7.5%	-0.1 pt		
Cost of retention compared to total mobile service revenues (in %)	6.4%	5.3%	+1.1 pt		
Broadband Internet and fixed					
Broadband Internet EoP customer base (in thousands) (g)	3,879	415	x 9.3	3,602	7.7%
Enterprise data links (in thousands)	194	ns**	na*	173	12.1%

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

(a) Includes fixed and ADSL operations of Tele2 France, consolidated since July 20, 2007, and Neuf Cegetel, consolidated since April 15, 2008.

(b) Comparable basis illustrates: the consolidation of the fixed and ADSL operations of Tele2 France as if this acquisition had taken place on January 1, 2007; the consolidations of Neuf Cegetel and Club Internet as if these acquisitions had taken place on April 15, 2007; and 2007 data adjustment in accordance with IFRIC Interpretation 12 – Service Concession Arrangements.

(c) From 2008, mobile revenues and Broadband Internet and fixed revenues correspond to revenues before elimination of intercompany transactions within SFR. As a result, 2007 intercompany transactions within SFR, totaling €9 million, were reclassified to comply with this presentation.

(d) As of December 31, 2008, restructuring charges of €123 million, of which €88 million resulting from the voluntary redundancy plan, are recorded below EBITDA.

(e) Source: Arcep.
(f) In 2007, the wholesale customer base included Debitel and Neuf Mobile offers to their customers. In 2008, these customers were included in SFR's customer base (438,000 customers added in SFR customer base at the end of June 2008).
(g) From September 30, 2008, broadband Internet customers are disclosed excluding Neuf Cegetel customers who subscribed but are not activated.

Revenues

In 2008, SFR's revenues increased 28.1% to €11,553 million compared to 2007, due to the consolidation of Neuf Cegetel on April 15, 2008 and of the fixed and ADSL operations of Tele2 France on July 20, 2007. On a comparable basis, SFR's revenues grew by 1.2%, mainly due to the favorable impact of an increase in mobile customer base and mass market broadband Internet customers, along with increased usage – especially in access, data, fixed and mobile Internet services.

Mobile revenues increased 2.2% to €8,990 million compared to 2007 (+1.7% on a comparable basis). Mobile service revenues increased 2.2% to €8,576 million. Excluding the impact of mobile voice termination rate cuts (13%) on January 1, 2008, SFR mobile service revenues would have increased by 4.1%.
SFR added 886,000 net new mobile customers, thereby increasing its registered customer base to 19.652 million, and improving the customer mix (percentage of postpaid customer in customer base) by 3.6 percentage points in one year. In 2008, SFR added 1,288,000 net new postpaid mobile customers, increasing its registered base to 13.582 million, which represents a 10.5% year-on-year increase.
3G customers reached 5.9 million at end December 2008, compared to 4.1 million at end December 2007. Net growth in data revenues from mobile services improved by 32.1%, mainly due to interpersonal services (SMS and MMS), corporate segment operations and the development of mobile Internet for the mass market. SFR also confirmed the success of the Illimythics offers launched in late 2007, with 1.4 million customers at end December 2008.

Broadband Internet and fixed revenues reached €2,882 million, decreasing by 0.2% compared to 2007 on a comparable basis, due to the decline of wholesale (consolidation of the French market) and switched voice operations, offset by the growth in mass market broadband Internet services and the Enterprise segment. Excluding the impact of the decrease in switched voice revenues, broadband Internet and fixed revenues increased by 4.2%.
The launch of the "neufbox by SFR" was the key success of the year ended December 31, 2008. As a result, SFR achieved an excellent performance during the fourth quarter of 2008, adding 149,000 net new broadband Internet active customers.
In 2008, SFR's broadband Internet customer base increased 7.7% compared to 2007 on a comparable basis and totalled 3.879 million. SFR connected 194,000 Enterprise data links to the SFR network.

EBITA

For the full year 2008, mobile EBITDA was €3,501 million, an increase of €27 million on a comparable basis. The 2.2% growth in mobile service revenues and the strong control of other costs were offset by a 1.1 percentage point increase in customer retention costs (to 6.4% of mobile service revenues). There were also new cuts in voice termination rates and an increase in interconnection costs following the success of unlimited voice, data and messaging offers.
Broadband Internet and fixed EBITDA, including Neuf Cegetel operations since April 15, 2008 and Tele2 France operations since July 20, 2007, was €457 million, a decrease of €15 million on a comparable basis.
SFR's EBITDA was €3,958 million and EBITA was €2,542 million, increasing by €12 million and decreasing by €143 million respectively compared to 2007 on a comparable basis. EBITA included depreciation and €123 million of provisions and restructuring charges following the integration of Neuf Cegetel by SFR.

Cash flow from operations (CFFO)

For the full year 2008, SFR's cash flow from operations amounted to €2,752 million, representing a 7.9% increase compared to 2007. This increase was mainly due to mobile EBITDA growth (+€25 million to reach €3,501 million), the decrease in mobile net capital expenditure (-€27 million, i.e., -2.8%, to €922 million), and the impact of the integration of Neuf Cegetel by SFR, in particular €20 million due to restructuring charges.

4.2.4. Maroc Telecom Group (53% Vivendi Economic Interest)

(in millions of euros, except for margins)	Year ended December 31, 2008	2007	% change	% change at constant rate
Mobile	1,864	1,721	8.3%	9.5%
Fixed and Internet	1,000	989	1.1%	2.2%
Elimination of intercompany transactions	(263)	(254)	-3.5%	-4.7%
Total revenues	**2,601**	**2,456**	**5.9%**	**7.0%**
EBITDA	**1,554**	**1,397**	**11.2%**	**12.6%**
Mobile	943	852	10.7%	11.9%
Fixed and Internet	281	239	17.6%	19.3%
Total EBITA	**1,224**	**1,091**	**12.2%**	**13.5%**
EBITA/Revenues (%)	***47.1%***	***44.4%***	***+ 2.7 pts***	
Capital expenditures, net (capex, net)	**418**	**363**	**15.2%**	
Cash flow from operations (CFFO)	**1,037**	**1,001**	**3.6%**	
Mobile				
Maroc Telecom SA				
Number of customers (end of period, in thousands) (a)	14,456	13,327	8.5%	
% of prepaid customers	*96%*	*96%*		
Market share (as per ANRT)	66%	67%		
ARPU (in euros/month)				
Postpaid	57.6	62.5	-7.8%	
Prepaid	6.8	7.5	-9.3%	
Total	**8.7**	**9.7**	**-10.3%**	
Churn rate (in %/year)				
Postpaid	14%	14%	-	
Prepaid	36%	26%	+ 10 pts	
Total	**35%**	**25%**	**+ 10 pts**	
Subsidiaries				
Number of customers (in thousands)	2,728	2,015	35.4%	
Fixed and Internet (in thousands)				
Maroc Telecom SA				
Number of lines (b)				
Residential	775	825	-6.1%	
Public phone (c)	160	160	-	
Professional and corporate	364	351	3.7%	
Total	**1,299**	**1,336**	**-2.8%**	
Number of Internet subscribers	**482**	**476**	**1.3%**	
o/w number of ADSL subscribers	477	470	1.5%	
Subsidiaries				
Number of fixed lines	227	182	24.7%	
Number of Internet customers	40	27	48.1%	

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

(b) Since January 1, 2008, Maroc Telecom SA's fixed customer base has been displayed in numbers of equivalent lines. It was previously displayed in numbers of accesses.

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

Section 4 Business Segment Performance Analysis

Revenues and EBITA

In 2008, bolstered by continuing strong mobile revenue growth, Maroc Telecom Group reported consolidated annual revenues of €2,601 million, an increase of 5.9% (+6.2% in constant currency and at constant perimeter[2]). Driven by revenue growth and cost control, Maroc Telecom Group EBITA rose to €1,224 million in 2008, an increase of 12.2% (+13.6% at constant currency and at constant perimeter), generating an operating margin of 47%, an increase of 2.7 points versus 2007).

In Morocco, the domestic operations reported revenues of €2,485 million an increase of 4.9% (+6.3% at constant currency) and EBITA of €1,194 million, an increase of 10.9% (+12.3% at constant currency), reflecting significant margin improvements in the mobile and fixed-line segments.
Maroc Telecom SA's mobile EBITA reached €903 million, an increase of 10.8% (+12.2% at constant currency), supported by revenue growth and tight customer acquisition cost control within an intensely competitive operating environment. In a market that continued to expand, Maroc Telecom SA maintained its leadership position, notably in the postpaid segment, while increasing its operating margin by 1.9 points to 55.3%.
Maroc Telecom SA's fixed and Internet EBITA amounted to €291 million, an increase of 11.1% (+12.5% at constant currency). Contributions factors include a revenue growth of 2.5% at constant currency, lower interconnection costs and cost control measures. The operating margin increased by 3.1 points to 34.1%.

Mauritania Group EBITA was €33 million, a decrease of 5.6% (-5.8% at constant currency) despite improvements in operating expenses and cost of sales. This decline was attributable to two factors. Firstly, revenue growth was constrained by inflationary and competitive pressures, and secondly, amortization expenses increased as a result of higher expenditure.

In Burkina Faso, in an environment of cost of living increases and higher amortization expenses associated with the ramp-up of network infrastructure (50% increase in GSM base stations installed during the year), Onatel Group EBITA amounted to €19 million, a decrease of 1.8% (-1.8% at constant currency) compared to 2007.

Thanks to the restructuring efforts at Gabon Telecom, operating losses dropped to €1 million, compared to a €15 million loss in 2007.

Cash flow from operations (CFFO)

For the full year 2008, Maroc Telecom Group's cash flow from operations increased by 3.6% to €1,037 million. The cash flow generated through EBITDA increased by €157 million over the year, (+11.2%), partially offset by an increase in capital expenditures (+7.7% to €525 million). In addition, the growth in working capital continued to be tightly managed within the group with a global improvement of +€8 million in 2008 (compared to +€92 million in 2007).

2. Constant perimeter illustrates the full consolidation of Gabon Telecom, consolidated since March 1, 2007, as if this transaction had occurred on January 1, 2007.

4.2.5. Activision Blizzard (Approximately 54% Vivendi Economic Interest, Non-diluted)

Non-GAAP measurement in comparable basis (unaudited) (US GAAP basis) (in millions of US dollars)	Year ended December 31,		
	2008	2007	% change
Activision	3,279	2,472	32.6%
Blizzard	1,343	1,107	21.3%
Distribution	410	408	0.5%
Net revenues of core operations	**5,032**	**3,987**	**26.2%**
Activision	469	411	14.1%
Blizzard	704	568	23.9%
Distribution	27	15	80.0%
Operating income/(loss) of core operations	**1,200**	**994**	**20.7%**
% platform net revenues			
MMOG (massively, multiplayer, online game)	38%	76%	
Console	43%	11%	
Hand-held	8%	5%	
PC	3%	7%	
Other (distribution and non-core operations)	8%	1%	
Breakdown of net revenues by geographical area			
North America	49%	46%	
Europe	42%	41%	
Asia Pacific and rest of the world	8%	12%	
Other (non-core operations)	1%	1%	

As published by Activision Blizzard, the non-GAAP measurement in comparable basis (US GAAP basis) illustrates the full consolidation of Activision as if this combination had taken place on January 1, 2007. The reconciliation of data published by Activision Blizzard (net revenues and EBITA) to data relating to Activision Blizzard established by Vivendi in accordance with IFRS standards is described in an appendix to this Financial Report ("II – Unaudited supplementary financial data").

IFRS measurement, as published by Vivendi (a) (in millions of euros, except for margins)	Year ended December 31,			
	2008	2007	% change	% change at constant rate
Activision	1,146	(b) 197	x 5.8	x 5.7
Blizzard	770	814	-5.4%	0.0%
Distribution	164	-	na*	na*
Total net revenues of core operations (c)	**2,080**	**1,011**	**x 2.1**	**x 2.1**
Non-core operations (d)	11	7	57.1%	71.4%
Total net revenues	**2,091**	**1,018**	**x 2.1**	**x 2.1**
Total EBITDA	**190**	**234**	**-18.8%**	**-15.6%**
Activision	(76)	(b) (1)	na*	na*
Blizzard	323	350	-7.7%	-1.1%
Distribution	15	-	na*	na*
Total EBITA of core operations (c)	**262**	**349**	**-24.9%**	**-22.2%**
Non-core operations (d)	(228)	(168)	-35.7%	-38.2%
Total EBITA	**34**	**181**	**-81.2%**	***-78.2%***
EBITA/Net revenues (%)	***1.6%***	***17.8%***	***-16.2 pts***	
Cash flow from operations (CFFO)	**313**	**283**	**10.6%**	

na*: not applicable.

(a) On July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games, thereby Vivendi Games became a wholly-owned subsidiary of Activision which was renamed Activision Blizzard. On that date, Vivendi held a 54.47% (non-diluted) controlling interest in Activision Blizzard, which conducts the combined business operations of Activision and Vivendi Games. From an accounting perspective, Vivendi Games is deemed the acquirer of Activision, thereby the figures reported in this table under the "Activision Blizzard" caption correspond to: (a) Vivendi Games' historical figures in 2007; (b) Vivendi Games' historical figures from January 1 to July 9, 2008; and (c) the combined business operations of Activision and Vivendi Games from July 10, 2008.

Section 4 Business Segment Performance Analysis

(b) Includes revenues and EBITA of Sierra Entertainment's studios which were assumed by Activision.

(c) Net revenues and EBITA of core operations, as defined by Activision Blizzard, include (i) Activision Publishing ("Activision"): publishing of interactive entertainment software and peripherals which also includes certain studios, assets and titles of Sierra; (ii) Blizzard: publishing of traditional games and subscription-based games in the MMORPG category; and (iii) Distribution: distribution of interactive entertainment software and hardware products.

(d) Net revenues and EBITA of non-core exit operations comprises revenues and EBITA from the historical Vivendi Games businesses that Activision Blizzard has exited or is winding down and exit costs from cancelled projects.

Revenues and EBITA

On July 9, 2008 Vivendi and Activision completed the combination of Activision Blizzard, the world's most profitable pure-play online and console game publisher.

In 2008, Activision Blizzard has four of the top-10 best-selling games worldwide for the year. In North America and Europe, for the calendar year, Activision Blizzard has two of the top-five best-selling franchises on the consoles across all platforms – *Guitar Hero* and *Call of Duty*, and is the #1 third-party publisher for the Wii platform, according to The NPD Group, Charttrack and Gfk. *World of Warcraft*, the global #1 subscription-based massively multiplayer online role-playing game's subscriber base exceeded 11.5 million players worldwide (versus 10 million subscribers at the end of 2007). Additionally, Blizzard Entertainment's *World of Warcraft®: Wrath of the Lich King™* was the #1 PC title in North America and Europe in 2008. More than 4 million copies were sold in the first month of sales.

In accordance with Vivendi's IFRS GAAP standards, Activision Blizzard's 2008 revenues were €2,091 million and EBITA was €34 million. These reported results include the negative impact of the change in deferred net revenues and the related cost of sales which resulted in a €416 million ($554 million) reduction in EBITA, non-core exit operations losses of €127 million and €122 million in one-time costs related to the Vivendi transaction, integration and restructuring.

On a US non-GAAP comparable basis (the industry standard for publishers and a more accurate reflection of best performance), Activision Blizzard delivered record 2008 results. Activision Blizzard finished the year as the largest and most profitable third-party publisher with more than $5 billion in net revenues and US non-GAAP comparable-basis operating income of $1.2 billion. The company is one year ahead of the 2009 financial goals ($4.3 billion in US non-GAAP net revenues and a US non-GAAP operating income of $1.1 billion) outlined when the combination of Activision and Blizzard was announced.

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Section 4 Business Segment Performance Analysis

4.2.6. Holding & Corporate

(in millions of euros)	Year ended December 31, 2008	2007
EBITA	(60)	(81)
Cash flow from operations (CFFO)	(200)	(123)

EBITA

Holding & Corporate EBITA was -€60 million, a €21 million improvement compared to 2007. This improvement resulted principally from a net decrease in the provision for share-based compensation plans (+€57 million). In 2007, EBITA notably included the positive impacts of the settlement, in Vivendi SA's favor, of a litigation instigated by Vivendi regarding its right to deduct VAT (+€73 million) and the sale of real estate assets in Germany (+€59 million), offset by the impact of certain legal proceedings for -€84 million.

Cash flow from operations (CFFO)

Cash flow from operations amounted to -€200 million in 2008, compared to -€123 million in 2007, representing a €77 million decrease. In 2008, it notably included the settlement of certain litigations (-€68 million) that were expensed in 2007. In 2007, it notably included the repayment of tax payments previously made by Vivendi SA following the settlement in Vivendi SA's favor of the litigation instigated by Vivendi concerning its right to deduct VAT (+€50 million).

4.2.7. Non-core Operations and Others

(in millions of euros)	Year ended December 31, 2008	2007
Non-core operations and others	5	11
Elimination of intersegment transactions	(62)	(79)
Total revenues	**(57)**	**(68)**
EBITA	(41)	(11)
Cash flow from operations (CFFO)	(45)	(12)

Revenues

Non-core and others revenues amounted to €5 million (compared to €11 million in 2007), representing a €6 million decrease, following the group's divestitures.

EBITA

Non-core and others EBITA amounted to -€41 million (compared to -€11 million in 2007), representing a €30 million decrease.

Section 5 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 for a reader's understanding of Vivendi's 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 read in conjunction with the other financial statements, provides information that enables readers 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 (including maturity, rating and financial covenants). This analysis consists of the following elements:

- Summary of Vivendi's exposure to credit, liquidity and market risks (Paragraph 5.1);
- Financial Net Debt changes (Paragraph 5.2);
- Analysis of Financial Net Debt changes (Paragraph 5.3); and
- Main financing characteristics and credit ratings (Paragraph 5.4).

In addition, the detailed analysis of borrowings (nominal and effective interest rates, maturity), and a breakdown of their nominal values by currency, maturity and interest rate characteristics (fixed and floating), is disclosed in Note 22 to the Consolidated Financial Statements. The fair value of borrowings is disclosed in Note 23 to the Consolidated Financial Statements. A description of the risk management and financial derivative instruments on borrowings (risks related to interest rate, foreign currency, credit concentration and counterparty, and liquidity), is included in Note 24 to the Consolidated Financial Statements.

Preliminary comments

- *Vivendi considers Financial Net Debt, a non-GAAP measure, to be an important indicator in 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, and 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 debt covenants of Vivendi.*
- *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 SA centralizes daily cash surpluses (cash pooling) of all controlled entities (a) which do not have significant minority shareholders and (b) which are not subject to local regulations restricting the transfer of financial assets or (c) are not subject to contractual agreements. Alternatively, cash surpluses are not pooled by Vivendi SA but rather distributed via dividends or, as the case may be, used to finance investments of the relevant subsidiaries concerned or to reimburse borrowings used to finance their investments. This case notably concerns SFR, Maroc Telecom and Activision Blizzard. Regarding Activision Blizzard, for a five-year period commencing on July 9, 2008, the approval of certain matters by Activision Blizzard board of directors, including the payment of a dividend, requires the affirmative vote of (a) a majority of the votes present or otherwise able to be cast on the board, and (b) at least a majority of the independent directors on the board. However, after the first anniversary of the closing date, the distribution of any dividend by Activision Blizzard will not require the affirmative vote of a majority of the independent directors if Activision Blizzard's pro forma net debt, after giving effect to such dividend, does not exceed $400 million.*

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Section 5 Treasury and Capital Resources

5.1. Summary of Vivendi's Exposure to Credit, Liquidty and Market Risks

The main factors to be considered in assessing Vivendi's financial flexibility are as follows:

- As of December 31, 2008, Vivendi's Financial Net Debt amounted to €8.3 billion, including the financial liability recorded in respect of the put option granted to TF1/M6 on their 15% stake in Canal+ France (approximately €1 billion), which is exercisable in February 2010, as well as the net cash position of Activision Blizzard (approximately €2.1 billion as of December 31, 2008; please refer to section 5.2, below).
- Vivendi's credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's). This rating was confirmed by the agencies after Vivendi decided, in September 2008, to abandon the capital increase it had announced at the end of 2007 (please refer to Section 5.4.3, below).
- As of February 24, 2009, the total amount of Vivendi SA and SFR bonds amounted to €5.7 billion, including bonds recently issued in the aggregate amount of €1.4 billion, i.e., the bond issued in January 2009 by Vivendi SA for an amount of €1.0 billion, and two extensions, launched in December 2008, and issued and collected in January 2009 for an amount of €200 million each, of the original bonds issued by Vivendi SA and SFR (please refer to Section 5.4.1, below). Following these last issues, the total amount of bonds represented 57% of borrowings compared to 44% as of December 31, 2008 and 65% as of December 31, 2007.
- As of December 31, 2008, the total amount of Vivendi SA and SFR bank facilities for which banks have some commitments amounted to €11.2 billion, of which €4.1 billion were drawn and €6.3 billion undrawn, taking into account commercial paper backed on these lines for €0.8 billion. These bank facilities are divided among a minimum of twenty banks, none of which has a commitment greater than 12% of the total amount for Vivendi. All banks participating in revolving facilities have a credit rating of A at a minimum.
- As of February 24, 2009, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2008, the available undrawn facilities of Vivendi SA, net of commercial paper, amounted to approximately €7.1 billion, and available credit lines of SFR, net of commercial paper, amounted to approximately €1 billion at the same date. The bank facilities of Vivendi SA and SFR as well as of its subsidiary Neuf Cegetel, have to comply with certain financial covenants. In the event of non-compliance with such financial covenants, the lenders could require the cancellation or early repayment of the bank facilities. As of December 31, 2008, Vivendi SA, SFR and Neuf Cegetel were in compliance with their financial covenants (please refer to Section 5.4.5 below).
- Consequently, Vivendi has significant available bank credit lines up to 2011 and, excluding the €1.5 billion tranche under a bridging loan, restructured into a revolving facility, which will expire at the end of August 2009, no reimbursement or cancellation of significant borrowing should occur before 2011.
- The economic average term of the group's consolidated financial debt was 4.1 years at year-end 2008 (please refer to Section 5.4.4, below).

Vivendi thus believes that cash flows generated by its operations, its cash and cash equivalents, and amounts available through its current credit lines, will be sufficient to match its operating expenses and capital expenditures , its debt service, and dividend payments for the next twelve months.

Section 5 Treasury and Capital Resources

5.2. Financial Net Debt Changes

As of December 31, 2008, Financial Net Debt amounted to €8,349 million, compared to €5,186 million as of December 31, 2007:

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	December 31, 2008	December 31, 2007
Borrowings and other financial liabilities		11,630	7,376
o/w long-term **(a)**	22	*9,975*	*5,610*
o/w short-term **(a)**	22	*1,655*	*1,766*
Derivative financial instruments in assets **(b)**	15	(99)	(69)
Cash deposits backing borrowings **(b)**	15	(30)	(72)
		11,501	**7,235**
Cash and cash equivalents **(a)**	17	(3,152)	(2,049)
o/w Activision Blizzard's cash and cash equivalents		*(2,117)*	*(102)*
Financial Net Debt		**8,349**	**5,186**

(a) As presented in the Consolidated Statement of Financial Position.
(b) Included in the Financial Assets items of the Consolidated Statement of Financial Position.

In 2008, Financial Net Debt increased by €3,163 million. This increase resulted mainly from the impact of the take over of Neuf Cegetel by SFR and the acquisition of Activision by Vivendi finalized on July 9, 2008. The impact of these transactions can be analyzed as follows:

- The increase in Financial Net Debt resulting from the take over of Neuf Cegetel by SFR amounted to €5,339 million including the cash payment of the purchase price for the acquisition of the 60.15% equity interest in Neuf Cegetel not yet owned by SFR (€4,323 million), as well as the consolidation of Neuf Cegetel's Financial Net Debt (borrowings amounting to €1,219 million and cash position of €215 million).
- The acquisition of Activision resulted in a €613 million decrease in Financial Net Debt, mainly due to the consolidation of Activision's net cash and cash equivalents as of July 9, 2008 (€730 million), net of the impact of the purchase of Activision Blizzard's shares by Vivendi on the market (€24 million) and other payments related to the transaction (€93 million). In addition, the cash payment of €1,101 million ($1,731 million) made by Vivendi for the subscription of a dedicated share capital increase of Activision had no impact on the group's Financial Net Debt, as such cash is included in Activision's net cash position, and therefore consolidated by Vivendi.

(in millions of euros)	Cash and cash equivalents	Borrowings and other (a)	Impact on Financial Net Debt
Financial Net Debt as of December 31, 2007	**(2,049)**	**7,235**	**5,186**
Outflows/(inflows) generated by:			
Operating activities	(5,742)	-	(5,742)
Investing activities	5,297	1,281	6,578
Financing activities	(463)	2,925	2,462
Foreign currency translation adjustments	(195)	60	(135)
Change in Financial Net Debt over the period	**(1,103)**	**4,266**	**3,163**
Financial Net Debt as of December 31, 2008	**(3,152)**	**11,501**	**8,349**

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

Section 5 Treasury and Capital Resources

5.3. Analysis of Financial Net Debt Changes

In 2008, the analysis of Financial Net Debt changes is presented as follows:

(in millions of euros)		Refer to section	Year ended December 31, 2008		
			Impact on cash and cash equivalents	Impact on borrowings and other	Impact on Financial Net Debt
EBIT		2	**(4,260)**	**-**	**(4,260)**
Adjustments			(2,415)	-	(2,415)
Content investments, net			159	-	159
Gross cash provided by operating activities before income tax paid			***(6,516)***	**-**	***(6,516)***
Other changes in net working capital			(241)	-	(241)
Net cash provided by operating activities before income tax paid		3	***(6,757)***	**-**	***(6,757)***
Income tax paid, net		3	1,015	-	1,015
Operating activities	**A**		**(5,742)**	**-**	**(5,742)**
Financial investments					
Purchases of consolidated companies, after acquired cash			3,735	1,241	4,976
o/w take over of Neuf Cegetel by SFR (April-June):		1.1.1	*4,131*	*1,208*	*5,339*
- Payment in cash			*4,323*	-	*4,323*
- Financial Net Debt assumed			*(215)*	*1,219*	*1,004*
- Fees and other costs			*23*	*(11)*	*12*
o/w creation of Activision Blizzard (July):		1.1.2	*(613)*	-	*(613)*
- Payment in cash			*1,101*	-	*1,101*
- Net cash acquired			*(1,831)*	-	*(1,831)*
- Purchase of Activision Blizzard's shares on the market			*24*	-	*24*
- Fees and other costs			*93*	-	*93*
o/w acquisition of Univision Music Group by UMG (May)		1.1.3	*69*	-	*69*
Purchases of investments in equity affiliates			114	-	114
o/w subscription of NBC Universal capital increase **(a)**			*86*	-	*86*
Increase in financial assets			98	(3)	95
Total financial investments			***3,947***	***1,238***	***5,185***
Financial divestments					
Proceeds from sales of consolidated companies, after divested cash			6	(2)	4
Sales of investments in equity affiliates			(18)	-	(18)
Decrease in financial assets			(340)	45	(295)
Total financial divestments			***(352)***	***43***	***(309)***
Financial investment activities			**3,595**	**1,281**	**4,876**
Dividends received from equity affiliates		3	(296)	-	(296)
Dividends received from unconsolidated companies			(3)	-	(3)
Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, net			**3,296**	**1,281**	**4,577**
Capital expenditures			2,105	-	2,105
Proceeds from sales of property, plant, equipment and intangible assets			(104)	-	(104)
Capital expenditures, net		3	***2,001***	**-**	***2,001***
Investing activities	**B**		**5,297**	**1,281**	**6,578**

Please refer to the next page for the end of this table.

For further information about net cash provided by operating activities before income tax, income tax paid and capital expenditures, net, please refer to Section 3 "Cash flow from operations analysis" above.

(a) Mainly includes the subscription to NBC Universal's capital increase aimed at partly financing Vivendi's pro rata share of the cost of NBC Universal's acquisition of "The Weather Channel".

Section 5 Treasury and Capital Resources

Continued from previous page

(in millions of euros)		Refer to section	Year ended December 31, 2008		
			Impact on cash and cash equivalents	Impact on borrowings and other	Impact on Financial Net Debt
Transactions with shareholders					
Net proceeds from issuance of common shares			(101)	-	(101)
o/w exercise of stock options by executive management and employees			*(6)*	-	*(6)*
o/w capital increase subscribed by employees in connection with the stock purchase plan			*(95)*	-	*(95)*
(Sales) purchases of treasury shares (Activision Blizzard)			85	-	85
Dividends paid by Vivendi SA, €1.30 per share (May)			1,515	-	1,515
Dividends paid by consolidated companies to their minority shareholders			636	-	636
o/w SFR			*237*	-	*237*
o/w Maroc Telecom SA			*331*	-	*331*
Total dividends and other transactions with shareholders			***2,135***	***-***	***2,135***
Transactions on borrowings and other financial liabilities					
Establishment of long-term borrowings and increase in other long-term financial liabilities			(3,919)	3,919	-
o/w Vivendi SA's US dollar bonds of $1.4 billion **(b)**			*(896)*	*896*	-
o/w SFR's additional redeemable bonds			*(200)*	*200*	-
o/w Vivendi SA's revolving facility of €2.0 billion			*(1,850)*	*1,850*	-
o/w SFR's revolving facility			*(920)*	*920*	-
Principal payments on long-term borrowings and decrease in other long-term financial liabilities			612	(612)	-
o/w SFR's syndicated loan ("Club deal" Neuf Cegetel)			*404*	*(404)*	-
o/w MAD 6 billion notes - tranche B: 4 billion			*175*	*(175)*	-
Principal payments on short-term borrowings			605	(822)	(217)
o/w early redemption of the Vivendi bonds exchangeable for Sogecable shares **(c)**			*14*	*(231)*	*(217)*
o/w Vivendi SA's bonds			*70*	*(70)*	-
o/w Vivendi SFR's bonds			*400*	*(400)*	-
Other changes in short-term borrowings and other financial liabilities			(216)	169	(47)
o/w Vivendi SA's revolving facility **(d)**			-	-	-
o/w Vivendi SA's commercial paper			*(315)*	*315*	-
Non cash transactions			-	271	271
Interest paid, net		3	354	-	354
Other cash items related to financial activities		3	(34)	-	(34)
Total transactions on borrowings and other financial liabilities			***(2,598)***	***2,925***	***327***
Financing activities	**C**		**(463)**	**2,925**	**2,462**
Foreign currency translation adjustments	D		(195)	60	(135)
Change in Financial Net Debt	**A+B+C+D**		**(1,103)**	**4,266**	**3,163**

(b) In April 2008, Vivendi SA agreed to sell $700 million (€450 million) in aggregate principal amount of 5.75% senior bonds due 2013, at a price equal to 99.397% of the principal amount thereof and $700 million (€450 million) in aggregate principal amount of 6.625% senior bonds due 2018 at a price equal to 99.675% of the principal amount thereof in an offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-US persons in compliance with Regulation S under the Securities Act. The objective of this new borrowing was to rebalance Vivendi's debt structure between bank debt and bond debt and to lengthen the maturity profile of its debt. This financing is a substitute to drawings under bank facilities which were available to Vivendi.

(c) Please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2008.

(d) In February 2008, Vivendi obtained a €3.5 billion syndicated loan which consists of one tranche of €1.5 billion under a bridging loan maturing in August 2009, restructured into a revolving facility in November 2008, and two tranches of €1 billion each under a "revolving" facility maturing in February 2011 and February 2013, respectively. As of December 31, 2008, all of these facilities remained undrawn.

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Section 5 Treasury and Capital Resources

5.4. Main Financing Characteristics and Credit Ratings

5.4.1. Financing Put into Place after December 31, 2008

In January 2009, Vivendi SA put into place the following financings:
- a new tranche of €200 million of the €500 million original bond issue dated October 2006 with an October 2013 maturity. This new tranche is denominated in euros with a 4.5% coupon, and an issue price of 87.550% of the nominal value, corresponding to a 7.738% yield; and
- a new bond issue of €1 billion aimed at optimizing debt structure and increasing its average maturity. This fixed-rate bond is denominated in euros with a 5-year maturity, a 7.75% coupon, and an issue price of 99.727%, corresponding to a 7.82% yield.

On January 14, 2009, SFR placed a €200 million increase of its €800 million original bond issue, dated July 2005 with a 2012 maturity. This increase was in addition to a €200 million first increase of this bond issue in May 2008. This new tranche of the 2012 original bond issue is denominated in euros with a 3.375% coupon, and an issue price of 94.212% of the nominal value, corresponding to a 5.236% yield.

5.4.2. Available Undrawn Facilities as of February 24, 2009

Vivendi SA

As of February 24, 2009, the date of Vivendi's Management Board meeting which approved the financial statements for the year ended December 31, 2008, Vivendi SA had available committed bank facilities in the amount of €7.5 billion, as follows:
- bank facilities already put into place at year-end 2007 including a syndicated loan facility of €2 billion (maturing in April 2012) and a syndicated loan facility of €2 billion whose initial maturity was extended from August 2012 to August 2013 for €1.7 billion; both were undrawn; and
- in February 2008, Vivendi obtained a €3.5 billion syndicated loan, consisting of a €1.5 billion tranche under a bridge loan maturing in August 2009, restructured in November 2008 into a revolving facility and two tranches of €1 billion each under a revolving facility (maturing in February 2011 and February 2013, respectively); both were undrawn.

Considering the amount of commercial paper issued, as of February 24, 2009, and backed on bank facilities for €0.4 billion, these lines were available in an aggregate amount of €7.1 billion.

SFR

As of February 24, 2009, the date of Vivendi's Management Board meeting which approved the financial statements for the year ended December 31, 2008, SFR had available committed bank facilities in the amount of €3.7 billion, notably including a €1.2 billion credit line (maturing in April 2011), a €450 million credit line (maturing in November 2012) as well as €850 million credit line (maturing in April 2013).
At this date, they were drawn for €2.1 billion. Considering the amount of commercial paper issued at this date and backed on bank facilities for €0.6 billion, these three credit lines were available for an aggregate amount of €1 billion.

Activision Blizzard

In addition, on April 29, 2008, Vivendi SA granted a loan to Activision Blizzard as part of the Activision Blizzard transaction. This facility, only available from the date Activision Blizzard was created (this transaction occurred on July 9, 2008), initially consisted of 3 tranches:
- a first tranche of up to $400 million, aimed at funding that portion of the post-closing tender offer consideration, if any, in excess of $3,628 million;
- a second tranche, of up to $150 million, aimed at reimbursing, after the closing of the transaction, the borrowing outstanding at that date, under a Vivendi Games credit line, if, after the completion of the tender offer, Activision Blizzard did not have sufficient cash on hand to reimburse this credit line; and
- a revolving tranche of $475 million, maturing on March 31, 2011, with a 1.20% margin based on the LIBOR rate, aimed at funding, in particular, working capital needs after completion of the transaction.

The first and second tranches were cancelled and none of these tranches were drawn. On February 24, 2009, Activision Blizzard had only the third tranche as described above available for its financing requirements, which is undrawn at this date.

Section 5 Treasury and Capital Resources

5.4.3. Credit Ratings

As of February 24, 2009, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2008, 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	Stable
		Short-term *corporate*	A-2	
		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

5.4.4. Average Maturity of Financial Debt

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

- The "accounting" average term, under which definition a short-term draw-down on a medium-term credit line is only taken into account for the term of the short-term draw-down. At year-end 2008, the "accounting" average term of the group's financial debt was 2.0 years, compared to 2.7 years at the end of 2007.
- The "economic" average term, under which definition all undrawn amounts on available medium-term credit lines may be used to reimburse group borrowings with the shortest term. At year-end 2008, the "economic" average term of the group's financial debt was 4.1 years, compared to 4.2 years at the end of 2007.

5.4.5. Description of Main Financial Covenants

Vivendi and its subsidiaries SFR and Neuf Cegetel are subject to certain financial covenants which require them to maintain various financial ratios, as described hereunder. As of December 31, 2008, Vivendi and its subsidiaries SFR and Neuf Cegetel were in compliance with those 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) as well as the €3.5 billion loan (set up in February 2008 and consisting of three tranches) contain customary provisions related to events of default and restrictions in terms of negative pledge, and divestiture and merger transactions. In addition, at the end of each half-year, Vivendi is required to maintain a ratio of Proportionate Financial Net Debt[3] to proportionate EBITDA[4] at a maximum of three for the duration of the loans. Non-compliance with this ratio could result in the early repayment of the facilities if they were drawn, or their cancellation. As of December 31, 2008, Vivendi SA was in compliance with these financial ratios.

At SFR, the three credit lines of €1.2 billion, €450 million and €850 million respectively contain customary default, negative pledge, and merger and divestiture restrictions. These facilities are subject to a change in ownership provision. In addition, at the end of each half-year, SFR must comply with the two following financial ratios: (i) a ratio of Financial Net Debt to consolidated EBITDA not exceeding 3.5, and (ii) a ratio of consolidated earnings from operations (consolidated EFO) to consolidated net financing costs (interest) equal to or greater than 3. Non-compliance with these ratios could result in the early repayment of the facilities if they were drawn, or their cancellation. As of December 31, 2008, SFR was in compliance with these financial ratios.

At Neuf Cegetel, a €740 million syndicated loan (Club deal), a €300 million securitization program and a €100 million structured financing (UK lease) include standard default and limitation provisions for this type of loan. In 2008, contracts under the syndicated loan and of the securitization program were renegotiated with the lenders in order to align the provisions relating to financial covenants, internal reorganization and change of control with SFR's provisions. The structured financing (UK lease), whose negotiation is being finalized, is the only one remaining subject to different conditions, notably including compliance with two financial ratios computed at the end of each half-year (consolidated net debt/consolidated EBITDA not exceeding 3, and consolidated EBITDA/consolidated net financing costs (interest) equal to or greater than 5) and restrictive provisions relating to change of control and internal reorganization. Non-compliance with these financial ratios would constitute a default that could among others result in the cancellation or the early repayment of the different loans. As of December 31, 2008, Neuf Cegetel was in compliance with these financial ratios.

3. Defined as Vivendi Financial Net Debt less the share of Financial Net Debt attributable to minority shareholders of SFR, Maroc Telecom Group and Activision Blizzard.

4. Defined as Vivendi modified EBITDA less modified EBITDA attributable to minority shareholders of SFR, Maroc Telecom Group and Activision Blizzard plus the dividends received from entities that are not fully or proportionately consolidated.

The renewal of credit lines when they are drawn and the launch of a securitization program are contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations.

Lastly, on January 4, 2005, SPT "Société de Participations dans les Télécommunications" issued a MAD 6 billion loan to finance the acquisition of a 16% interest in Maroc Telecom. The loan was 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, of which MAD 2 billion was early reimbursed in May 2008. In connection therewith, Vivendi has granted a security (jointly liable guarantee) to SPT which contains ratios identical to those included in the €2 billion syndicated loan, set up in April 2005.

Bonds

Bonds issued by Vivendi (for a total amount of €3,638 million as of December 31, 2008) and its subsidiary SFR (€800 million as of December 31, 2008) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking). In addition, bonds issued since October 2006 by Vivendi SA for a total amount of €3,402 million, of which €1,200 million and $1,400 million are recorded in the Statement of Financial Position as of December 31, 2008, and €1,200 million issued after the closing date, contain a change-of-control trigger if their rating is downgraded below investment grade status (Baa3/BBB-) as a result of such an event.

5.4.6. Financial Net Debt of SFR, and Net Cash Position of Maroc Telecom Group and Activision Blizzard

As of December 31, 2008, the Financial Net Debt of SFR amounted to €7,083 million (compared to €2,813 million as of December 31, 2007) and included borrowings of €7,431 million (compared to €2,982 million as of December 31, 2007). As of December 31, 2008, borrowings notably included a revolving facility of €3,700 million granted by Vivendi SA to SFR as follows:

- €700 million granted as of December 2006, maturing in December 2009, with a margin of 0.15% based on Euribor rate; and
- €3 billion granted as of April 4, 2008, repayable in the amount of €1 billion at each maturity date period, i.e., July 1, 2009, July 1, 2010 and December 31, 2012, with a margin of 0.35% based on Euribor rate.

In addition, early 2009, Vivendi SA and SFR are considering setting up an approximate €1.5 billion loan to SFR. As of February 24, 2009, the terms and conditions of this financing, at arm's length, were not yet approved by the parties.

As of December 31, 2008, Maroc Telecom Group's positive net cash position amounted to €32 million (compared to €126 million as of December 31, 2007).

As of December 31, 2008, Activision Blizzard's positive net cash position was €2,117 million (compared to €1,831 million as of July 9, 2008, the date of the acquisition of Activision Blizzard).

Section 6 Forward Looking Statements

This report contains forward-looking statements with respect to the financial condition, results of operations, business, strategy and plans of Vivendi. Although Vivendi believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from these forward-looking statements as a result of a number of risks and uncertainties, many of which are outside of Vivendi's control, including but not limited to, the risks described in the documents of the group filed with the Autorité des marchés financiers (AMF) (the French securities regulator) and which are also available in English on Vivendi's web site (www.vivendi.com). These forward-looking statements are made as of the date of the present report and Vivendi disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Section 7 Disclaimer

This report is an English translation of the French version of the report and is provided for information purposes. This translation is qualified in its entirety by the French version which is available on the company's web site (www.vivendi.com). In the event of any inconsistencies between the French version of this report and the English translation, the French version will prevail.

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II – Appendix to Financial Report: Unaudited Supplementary Financial Data

Reconciliation of US GAAP Revenue and EBITA to IFRS

As reported below, the reconciliation of Activision Blizzard's US GAAP revenue and EBITA to IFRS as of December 31, 2008 is based on:

- Activision Blizzard's data prepared in compliance with US GAAP standards, in US dollars, contained in its Form 10-K for the year ended December 31, 2008 available on Activision Blizzard's website (http://investor.activision.com/results.cfm), and non-GAAP comparable measures, published by Activision Blizzard in its earnings release on February 11, 2009; and
- Data relating to Activision Blizzard established in accordance with IFRS standards, in euros, as published by Vivendi in its Audited Consolidated Financial Statements for the year ended December 31, 2008.

Combination of Vivendi Games and Activision on July 9, 2008

As a reminder, on July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games, and hence Vivendi Games became a wholly-owned subsidiary of Activision, which was renamed Activision Blizzard. On that date, Vivendi holds a 54.47% (non-diluted) controlling interest in Activision Blizzard, which conducts the combined business operations of Activision and Vivendi Games. From an accounting perspective, Vivendi Games is deemed the acquirer of Activision; hence the figures reported under the "Activision Blizzard" caption correspond to: (a) Vivendi Games' historical figures in 2007; (b) Vivendi Games' historical figures from January 1 to July 9, 2008; and (c) the combined business operations of Activision and Vivendi Games from July 10, 2008.

Non-GAAP measures at Activision Blizzard

Activision Blizzard provides net revenues, net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with US GAAP) and excluding (non-GAAP) the impact of:

(a) the change in deferred net revenues and related costs of sales; as explained below in paragraphs "Deferral of Activision revenue" and "Change in recognition of revenue at Blizzard", Activision Blizzard's non-GAAP results exclude the impact of the change in deferred revenues and related costs of sales related to certain of the company's online-enabled games for certain of the Microsoft, Sony, Nintendo and PC platforms and for World of Warcraft boxed software, including the sale of expansion packs and other ancillary revenues, in order to provide comparable year-over-year performance (see below);

(b) Activision Blizzard's non-core exit operations (which is the operating results of products and operations from the historical Vivendi Games, Inc. businesses that the company has exited or is winding down);

(c) expenses related to equity-based compensation costs;

(d) one-time costs related to the business combination of Activision, Inc. and Vivendi Games, Inc. (including transaction costs, integration costs, and restructuring activities);

(e) the amortization of intangibles and the associated changes in cost of sales resulting from purchase price accounting adjustments from the business combination; and

(f) the associated tax benefits.

Deferral of Activision revenue

For most of Activision Blizzard's console game titles released through September 30, 2008, the on-line functionality has not been an important component of gameplay and accordingly, for these titles, revenue is considered to be earned and recognized upon delivery.

However, as online functionality becomes a more important component of gameplay, certain of the company's online-enabled games for certain platforms contain a more-than-inconsequential separate service deliverable in addition to the product, and the company's performance obligations for these games extends beyond the sale of the games. Vendor-specific objective evidence of fair value does not exist for the online services, as the company does not plan to separately charge for this component of online-enabled games. As a result, the company recognizes all of the revenues from the sale of these games ratably over the estimated service period, beginning the month following shipment. In addition, the company defers the costs of sales of those titles to match revenues.

Pursuant to IAS 18 – Revenue, the same treatment applies in IFRS. See footnote (a) for detailed impacts in US GAAP and IFRS.

Change in recognition of revenue at Blizzard

Following the completion of the Activision-Vivendi Games merger in July, Activision Blizzard began a review of the accounting policies and principle of Vivendi Games in order to insure that they were consistent with Activision's. Upon review of the accounting treatment for the revenue generated by the *World of Warcraft*'s first expansion pack, *The Burning Crusade*, Activision Blizzard determined that deferring the revenue generated by the box sale of the expansion pack over the estimated subscriber life was a preferable accounting method to the historical accounting of recognizing the revenue upon the sell-in to the retailer.

Reconciliation of US GAAP Revenue and EBITA to IFRS

This conclusion was reached by Activision Blizzard based upon the view that the expansion pack was dependent on the initial *World of Warcraft* boxed software and the ongoing subscription service in order for the consumer to realize the full benefit of the game, and also upon the recent data gathered since the launch of *The Burning Crusade*.

Therefore, revenues related to the sale of *World of Warcraft* boxed software, including the sale of expansion packs and other ancillary revenues, are deferred and recognized ratably over the estimated customer life beginning upon activation of the software and delivery of the services.

Accordingly, in the third quarter of 2008, Activision Blizzard reflected this retroactive application of the accounting principle in its US GAAP financial statements.

In IFRS, until the third quarter of 2008 and in accordance with IAS 18 – Revenue, revenues from the sale of boxes for Blizzard *World of Warcraft* titles were recorded upon transfer of the ownership and related risks to the distributor, net of a provision for estimated returns and rebates. Revenues generated by subscriptions and prepaid cards for online video-games were recorded on a straight-line basis over the duration of the service.

In the fourth quarter of 2008, Vivendi has aligned the IFRS accounting treatment for the year ended December 31, 2008 with that of US GAAP, by recording a cumulative catch-up adjustment through the current period statement of earnings. Given the non-materiality of the impacts for Vivendi Consolidated Financial Statements, the cumulative adjustment was recorded through the current period statement of earnings, hence was not retroactively brought as an adjustment to prior years' statement of earnings. For a more detailed description of the impacts of the reconciliation of US GAAP to IFRS, please refer to footnote (a) below.

Note:
For a definition of EBITA, please refer to Note 1.2.3 to the Consolidated Financial Statements for the year ended December 31, 2008.

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Reconciliation of US GAAP Revenue and EBITA to IFRS

Reconciliation of US GAAP revenue to IFRS	Year ended December 31, (unaudited) 2008	2007
Non-GAAP Measurement (US GAAP basis):		
Comparable Basis Net Revenues of Core Operations (in millions of dollars)	**5,032**	**3,987**
Eliminate comparable basis adjustments:		
Activision - operations prior to July 10, 2008	(1,310)	(2,608)
Non-GAAP Net Revenues of Core Operations (in millions of dollars)	**3,722**	**1,379**
Eliminate non-GAAP adjustments:		
Changes in deferred net revenues **(a)**	(713)	(40)
Net revenues of non-core exit operations **(b)**	17	10
US GAAP Measurement:		
Net Revenues in US GAAP (in millions of dollars)**, as published by Activision Blizzard**	**3,026**	**1,349**
Eliminate US GAAP vs. IFRS differences:		
Effect of alignment of deferred net revenues balance with US GAAP **(a)**	(63)	40
Other	-	2
IFRS Measurement:		
Net Revenues in IFRS (in millions of dollars)	**2,963**	**1,391**
Translate from dollars to euros:		
Net Revenues in IFRS (in millions of euros)**, as published by Vivendi**	**2,091**	**1,018**
of which: Activision	1,146	197
Blizzard	770	814
Distribution	164	-
Non-core operations	11	7

Reconciliation of US GAAP EBITA to IFRS	Year ended December 31, (unaudited) 2008	2007
Non-GAAP Measurement (US GAAP basis):		
Comparable Basis Operating Income/(Loss) of Core Operations (in millions of dollars)	**1,200**	**994**
Eliminate comparable basis adjustments:		
Activision - operating income/(loss) generated prior to July 10, 2008	(167)	(439)
Non-GAAP Operating Income/(Loss) of Core Operations (in millions of dollars)	**1,033**	**555**
Eliminate non-GAAP adjustments:		
Changes in deferred net revenues and cost of sales **(a)**	(496)	(38)
Results of non-core exit operations **(b)**	(266)	(198)
Equity-based compensation expense **(c)**	(90)	(137)
One time costs related to the Vivendi transaction, integration and restructuring **(d)**	(122)	1
Amortization of intangibles acquired through business combinations and purchase price accounting related adjustments **(e)**	(292)	(4)
US GAAP Measurement:		
Operating Income/(Loss) in US GAAP (in millions of dollars)**, as published by Activision Blizzard**	**(233)**	**179**
Eliminate US GAAP vs. IFRS differences:		
Effect of alignment of deferred net revenues balance with US GAAP **(a)**	(58)	38
Equity-based compensation expense **(c)**	30	21
One time costs related to the Vivendi transaction, integration and restructuring **(d)**	-	-
Other	8	4
IFRS Measurement:		
Operating Income/(Loss) in IFRS (in millions of dollars)	**(253)**	**242**
Eliminate items excluded from EBITA:		
Impairment of intangible assets acquired through business combinations	7	-
Amortization of intangible assets acquired through business combinations **(e)**	302	-
EBITA in IFRS (in millions of dollars)	**56**	**242**
Translate from dollars to euros:		
EBITA in IFRS (in millions of euros)**, as published by Vivendi**	**34**	**181**
of which: Activision	(76)	(1)
Blizzard	323	350
Distribution	15	-
Non-core operations	(228)	(168)

Reconciliation of US GAAP Revenue and EBITA to IFRS

(a) Deferral of revenues and related costs, as explained in paragraph "Deferral of Activision revenue" and in paragraph "Change in recognition of revenue at Blizzard" (see above).

- In US GAAP, deferral of 2008 revenues is $713 million, which net impact was a $496 million decrease in 2008 operating income;
- In IFRS, deferral of 2008 revenues is $776 million, which net impact was a $554 million decrease in 2008 EBITA. In these amounts, the impact on revenues and EBITA of the change in accounting principle for Blizzard *World of Warcraft* titles is $209 million and $188 million respectively, including catch-up adjustments with US GAAP of $63 million and $58 million respectively, in order to align Activision Blizzard's deferred revenue balance with US GAAP as of December 31, 2008;
- In both US GAAP and IFRS, as of December 31, 2008, the deferred revenue balance is $923 million (€661 million).

(b) Reflects the results of products and operations from the historical Vivendi Games businesses that the Activision Blizzard has exited or wound-down.

- Includes the $61 million write-off of cancelled titles.

(c) Expenses related to equity-based compensation costs.

- In IFRS, existing Activision stock options were neither re-measured at fair value nor allocated to the cost of the business combination at the closing date; hence the incremental fair value recorded in US GAAP is reversed, net of costs capitalized.

(d) Includes one-time costs related to the business combination with Vivendi Games (including transaction costs, integration costs, and restructuring activities).

- Fees, and other transaction costs incurred by Vivendi Games until July 9, 2008, are capitalized in IFRS, and expensed as incurred under US GAAP;
- restructuring activities includes severance costs, facility exit costs, and balance-sheet write down and exit costs from the cancellation of projects. In IFRS, accrual for restructuring activities is recorded at the time the company is committed to the restructuring plan. In US GAAP, the corresponding expense is recorded on the basis of the actual timing of the restructuring activities;
- also includes the write-off of certain Vivendi Games balance sheet items (goodwill or intangible assets allocated to Sierra businesses).

(e) Reflects amortization of intangible assets and the increase in the fair value of inventories and associated cost of sales, all of which relate to purchase price accounting adjustments. Increase in the fair value of inventories and associated cost of sales are not excluded from EBITA.

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III – Consolidated Financial Statements for the Year Ended December 31, 2008

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Statutory Auditors' Report on the Consolidated Financial Statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general shareholders' meetings, we hereby report to you for the year ended December 31, 2008 on:

- The audit of the accompanying Consolidated Financial Statements of Vivendi SA, hereinafter referred to as "the Company";
- The justification of our assessments;
- The specific verifications required by law.

These Consolidated Financial Statements are the responsibility of the Management Board of your Company. Our role is to express an opinion on the financial statements, based on our audit.

I. Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the Consolidated Financial Statements are free from material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.
In our opinion, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and results of all the consolidated entities in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- Note 1.1 to the Financial Statements, which describes the change in accounting method due to your Company's early application of IFRS 8;
- Note 1.3.4.4 to the Financial Statements, which describes the change in the method used to account for revenue generated by Activision Blizzard's *World of Warcraft* game.

II. Justification of our Assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the following matters:

- In connection with our assessment of the accounting principles implemented by your Company:
  - We ensured that Notes 1.1 and 3 to the Consolidated Financial Statements provided the appropriate disclosures on the effects of the early application of IFRS 8;
  - We ensured that the aforementioned change in method used to account for revenue and the resulting presentation in Note 1.3.4.4 to the Consolidated Financial Statements was appropriate.
- Following the takeover of Neuf Cegetel by SFR and Activision Blizzard, your Company performed a preliminary allocation of the acquisition costs for the two transactions, as described in Notes 2.1 and 2.2 to the Consolidated Financial Statements. In connection with our assessment of the accounting policies implemented by your Company, we examined the methods used to perform the preliminary cost allocation and ensured that Notes 2.1 and 2.2 provide appropriate disclosures thereon.
- In the fourth quarter of each year, your Company systematically performs impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of other tangible and intangible assets, according to the methods described in Note 1.3.5.7 to the Consolidated Financial Statements. We examined the methods used to test for impairment and ensured that Notes 1.3.5.7 and 9 provide appropriate disclosures thereon.
- Your Company reassessed the value of its equity interests in NBC Universal, according to the methods described in Note 14 to the Consolidated Financial Statements. The reassessment gave rise to an impairment loss of US $2.1 billion. We examined the valuation methods used by your Company, which were based on the report of an independent expert. We also examined the report and assessed the assumptions made therein.

Statutory Auditors' Report on the Consolidated Financial Statements

- Your Company records provisions for financial commitments, share-based compensation plans, retirement benefits, litigation, income taxes, tax risks and other liabilities as described in Notes 6, 19, 20, 21 and 27 to the Consolidated Financial Statements. We have assessed the methods used by your Company, as described in the Notes, based on the information currently available, and have performed tests to ensure that the methods have been applied correctly.

Our assessments were an integral part of our audit of the Consolidated Financial Statements as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. Specific Verifications

We have also carried out the specific verifications required by law of the information provided 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 27, 2009

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Benoît Lebrun

Ernst & Young et Autres

Marie Guillemot

Dominique Thouvenin

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Consolidated Statement of Earnings

	Note	Year ended December 31, 2008	2007
Revenues	4.1	**25,392**	**21,657**
Cost of revenues	4.1	(12,492)	(9,876)
Selling, general and administrative expenses		(8,406)	(7,202)
Restructuring charges and other operating charges and income		(194)	(159)
Impairment losses of intangible assets acquired through business combinations	4.4	(40)	(34)
Earnings before interest and income taxes (EBIT)		**4,260**	**4,386**
Income from equity affiliates	14	260	373
Interest	5	(354)	(166)
Income from investments		5	6
Other financial charges and income	5	579	(83)
Earnings from continuing operations before provision for income taxes		**4,750**	**4,516**
Provision for income taxes	6.2	(1,051)	(747)
Earnings from continuing operations		**3,699**	**3,769**
Earnings from discontinued operations		-	-
Earnings		**3,699**	**3,769**
Attributable to:			
Equity holders of the parent		**2,603**	**2,625**
Minority interests		1,096	1,144
Earnings from continuing operations attributable to equity holders of the parent per share - basic	8	2.23	2.26
Earnings from continuing operations attributable to equity holders of the parent per share - diluted	8	2.23	2.25
Earnings attributable to equity holders of the parent per share - basic	8	**2.23**	**2.26**
Earnings attributable to equity holders of the parent per share - diluted	8	2.23	2.25
Adjusted net income	8	**2,735**	**2,832**
Adjusted net income per share - basic	8	**2.34**	**2.44**
Adjusted net income per share - diluted	8	2.34	2.43

In millions of euros, except per share amounts, in euros.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Disclaimer: The English translation of the Consolidated Financial Statements, which were originally prepared in French, has been prepared solely for the convenience of English-speaking readers. Despite all efforts devoted to this translation, certain errors, omissions or approximations may subsist. Vivendi, its representatives and employees decline all responsibility in this regard. In the event of a discrepancy, the French-language version will prevail.

Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2008	December 31, 2007
ASSETS			
Goodwill	9	22,612	15,427
Non-current content assets	10	4,012	3,127
Other intangible assets	11	3 872	2,772
Property, plant and equipment	12	6,317	4,675
Investments in equity affiliates	14	4,441	6,825
Non-current financial assets	15	709	1,215
Deferred tax assets	6	2,195	1,422
Non-current assets		**44,158**	**35,463**
Inventories		763	429
Current tax receivables	6	588	646
Current content assets	10	927	964
Trade accounts receivable and other	16	6,777	5,208
Short-term financial assets	15	287	187
Cash and cash equivalents	17	3,152	2,049
		12,494	**9,483**
Assets held for sale		14	133
Current assets		**12,508**	**9,616**
TOTAL ASSETS		**56,666**	**45,079**
EQUITY AND LIABILITIES			
Share capital		6,436	6,406
Additional paid-in capital		7,406	7,332
Treasury shares		(2)	(2)
Retained earnings and other		8,785	6,606
Equity attributable to Vivendi SA's shareholders	18	**22,625**	**20,342**
Minority interests		4,001	1,900
Total equity		**26,626**	**22,242**
Non-current provisions	19	1,585	1,594
Long-term borrowings and other financial liabilities	22	9,975	5,610
Deferred tax liabilities	6	1,305	1,096
Other non-current liabilities	16	1,480	1,078
Non-current liabilities		**14,345**	**9,378**
Current provisions	19	719	705
Short-term borrowings and other financial liabilities	22	1,655	1,766
Trade accounts payable and other	16	13,218	10,784
Current tax payables	6	97	204
		15,689	**13,459**
Liabilities associated with assets held for sale		6	-
Current liabilities		**15,695**	**13,459**
Total liabilities		**30,040**	**22,837**
TOTAL EQUITY AND LIABILITIES		**56,666**	**45,079**

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2008	2007
Operating activities			
EBIT		4,260	4,386
Adjustments		2,415	1,857
o/w amortization and depreciation of tangible and intangible assets	4.4	*2,631*	*1,833*
Content investments, net	10	(159)	(97)
Gross cash provided by operating activities before income tax paid		***6,516***	***6,146***
Other changes in net working capital		241	20
Net cash provided by operating activities before income tax paid		***6,757***	***6,166***
Income tax paid, net		(1,015)	(1,072)
Net cash provided by operating activities		**5,742**	**5,094**
Investing activities			
Capital expenditures		(2,105)	(1,647)
Purchases of consolidated companies, after acquired cash	2	(3,735)	(398)
Investments in equity affiliates	14	(114)	(254)
Increase in financial assets	15	(98)	(194)
Investments		***(6,052)***	***(2,493)***
Proceeds from sales of property, plant, equipment and intangible assets		104	21
Proceeds from sales of consolidated companies, after divested cash	2	(6)	304
Disposals of equity affiliates	14	18	23
Decrease in financial assets	15	340	129
Divestitures		***456***	***477***
Dividends received from equity affiliates	14	296	340
Dividends received from unconsolidated companies		3	1
Net cash provided by (used for) investing activities		**(5,297)**	**(1,675)**
Financing activities			
Net proceeds from issuance of common shares		101	149
Sales (purchases) of treasury shares	18	(85)	(212)
Dividends paid by Vivendi SA to its shareholders		(1,515)	(1,387)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders		(636)	(1,048)
Transactions with shareholders		***(2,135)***	***(2,498)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	22	3,919	758
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	22	(612)	(180)
Principal payment on short-term borrowings	22	(605)	(1,805)
Other changes in short-term borrowings and other financial liabilities	22	216	181
Interest paid, net	5	(354)	(191)
Other cash items related to financial activities		34	(24)
Transactions on borrowings and other financial liabilities		***2,598***	***(1,261)***
Net cash provided by (used for) financing activities		**463**	**(3,759)**
Foreign currency translation adjustments		195	(11)
Change in cash and cash equivalents		**1,103**	**(351)**
Cash and cash equivalents			
At beginning of the period		**2,049**	**2,400**
At end of the period		**3,152**	**2,049**

The accompanying notes are an integral part of these Consolidated Financial Statements.

In 2008, investing and financing activities that did not have an impact on cash amounted to €263 million and mainly related to the early redemption of the Vivendi bonds exchangeable for Sogecable shares for €231 million (please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2008). In 2007, they amounted to €229 million and related to the acquisition of a 2% stake in Maroc Telecom Group pursuant to an exchange of Vivendi shares.

Consolidated Statement of Changes in Equity

Year ended December 31, 2008

(in millions of euros, except number of shares)	Note	Attributable to Vivendi SA shareholders									Minority interests	Total equity
		Common shares		Additional paid-in capital	Treasury shares	Retained earnings and other				Equity, attributable to equity holders of the parent		
		Number of shares (in thousands)	Amount			Retained earnings	Net unrealized gains (losses)	Foreign currency translation adjustments	Total			
BALANCE AS OF DECEMBER 31, 2007		**1,164,743**	**6,406**	**7,332**	**(2)**	**9,209**	**134**	**(2,737)**	**6,606**	**20,342**	**1,900**	**22,242**
Dividends paid by Vivendi SA (€1.3 per share)		-	-	-	-	(1,515)	-	-	(1,515)	(1,515)	-	(1,515)
Exercise of stock options	21	348	2	4	-	-	-	-	-	6	-	6
Employee Stock Purchase Plans (July 24, 2008)	21	4,494	25	70	-	-	-	-	-	95	-	95
Other transactions with shareholders		612	3	-	-	40	-	-	40	43	-	43
Dividends and other transactions with Vivendi SA shareholders		**5,454**	**30**	**74**	**-**	**(1,475)**	**-**	**-**	**(1,475)**	**(1,371)**	**-**	**(1,371)**
Creation of Activision Blizzard (July 9, 2008)		-	-	-	-	-	-	-	-	-	1,399	1,399
Dividends		-	-	-	-	-	-	-	-	-	(440)	(440)
Other transactions with minority interests		-	-	-	-	(69)	-	-	(69)	(69)	4	(65)
Transactions with minority interests		**-**	**-**	**-**	**-**	**(69)**	**-**	**-**	**(69)**	**(69)**	**963**	**894**
Earnings		-	-	-	-	2,603	-	-	2,603	2,603	1,096	3,699
Charges and income directly recognized in equity		-	-	-	-	302	(151)	969	1,120	1,120	42	1,162
Total recognized charges and income for the period		**-**	**-**	**-**	**-**	**2,905**	**(151)**	**969**	**3,723**	**3,723**	**1,138**	**4,861**
Total changes over the period		***5,454***	***30***	***74***	**-**	***1,361***	***(151)***	***969***	***2,179***	***2,283***	***2,101***	***4,384***
BALANCE AS OF DECEMBER 31, 2008		**1,170,197**	**6,436**	**7,406**	**(2)**	**(a) 10,570**	**(17)**	**(1,768)**	**8,785**	**22,625**	**(b) 4,001**	**26,626**

The accompanying notes are an integral part of these Consolidated Financial Statements.

(a) Mainly includes previous years' earnings which were not distributed and 2008 earnings attributable to equity holders of the parent.

(b) Includes cumulative foreign currency translation adjustments of -€24 million.

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Consolidated Statement of Changes in Equity

Year ended December 31, 2007

(in millions of euros, except number of shares)	Note	Attributable to Vivendi SA shareholders									Minority interests	Total equity
		Common shares		Additional paid-in capital	Treasury shares	Retained earnings and other				Equity, attributable to equity holders of the parent		
		Number of shares (in thousands)	Amount			Retained earnings	Net unrealized gains (losses)	Foreign currency translation adjustments	Total			
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 SA (€1.2 per share)		-	-	-	-	(1,387)	-	-	(1,387)	**(1,387)**	-	**(1,387)**
Exercise of stock options	21	7,733	43	74	-	-	-	-	-	**117**	-	**117**
Employee Stock 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 SA 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		**-**	**-**	**-**	**-**	**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**	**134**	**(2,737)**	**6,606**	**20,342**	**(a)1,900**	**22,242**

The accompanying notes are an integral part of these Consolidated Financial Statements.

(a) Includes cumulative foreign currency translation adjustments of -€53 million.

Consolidated Statement of Recognized Charges and Income

(in millions of euros)	Note	Year ended December 31, 2008			Year ended December 31, 2007		
		Attributable to Vivendi SA's shareholders	Minority interests	Total	Attributable to Vivendi SA's shareholders	Minority interests	Total
Net income		**2,603**	**1,096**	**3,699**	**2,625**	**1,144**	**3,769**
Foreign currency translation adjustments		**(a) 969**	**66**	**1,035**	**(a) (1,058)**	**(17)**	**(1,075)**
Assets available for sale	15	(85)	-	(85)	2	-	2
Valuation gains/(losses) taken to equity		*(2)*	-	*(2)*	*2*	-	*2*
Transferred to profit or loss on divestiture		*(83)*	-	*(83)*	-	-	-
Hedging instruments	24	**(b)** (82)	(37)	(119)	**(b)** 38	2	40
Tax		16	13	29	(2)	(1)	(3)
Unrealized gains (losses)		**(151)**	**(24)**	**(175)**	**38**	**1**	**39**
Charges and income directly recorded in equity related to equity affiliates		(3)	-	(3)	(2)	-	(2)
Asset revaluation surplus	2.1	**(c)** 341	-	341	-	-	-
Other		(36)	-	(36)	4	-	4
Other impacts on retained earnings		**302**	**-**	**302**	**2**	**-**	**2**
Charges and income directly recognized in equity		**1,120**	**42**	**1,162**	**(1,018)**	**(16)**	**(1,034)**
Total recognized charges and income for the period		**3,723**	**1,138**	**4,861**	**1,607**	**1,128**	**2,735**

(a) Includes changes in foreign currency translation adjustments relating to the investment in NBC Universal of €160 million in 2008 and -€481 million in 2007.

(b) Includes the impact of the fluctuation in the fair value of cash flow hedging instruments (-€91 million in 2008 compared to €27 million in 2007) and net investment hedging instruments (€9 million in 2008 compared to €11 million in 2007).

(c) Includes the positive revaluation of Neuf Cegetel's assets and liabilities.

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Notes to the Consolidated Financial Statements

Vivendi is a limited liability company (*société anonyme*) incorporated under French law, subject to French commercial company law 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 the term is extended. Its registered office is located at 42 avenue de Friedland - 75008 Paris (France). Vivendi is listed on Euronext Paris of NYSE – Euronext Paris SA (Compartment A).

Vivendi is a world leader in communications and entertainment and comprised of Universal Music Group (#1 in music worldwide), Activision Blizzard (#1 in video games worldwide), SFR (#2 in mobile and fixed telecom in France), Maroc Telecom Group (#1 in mobile and fixed telecom in Morocco), Canal+ Group (#1 in pay-TV in France), and a 20% interest in NBCU (a leading US media and entertainment group).

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 24, 2009, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2008, which were presented to the Audit Committee on February 25, 2009. On February 26, 2009, the Supervisory Board reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2008, as approved by the Management Board on February 24, 2009.

On April 30, 2009, the Consolidated Financial Statements for the year ended December 31, 2008 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 SA have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU) with mandatory application as of December 31, 2008. These standards and interpretations applied to Vivendi's financial statements present no difference to the standards published by the International Accounting Standards Board (IASB).

In addition, Vivendi applied the following options in the preparation of its 2008 Consolidated Financial Statements and its 2007 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 value of minority interests acquired as goodwill; and
- 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 value 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 the 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 mandatory application for Vivendi on or after January 1, 2010, but not yet endorsed in the EU, it has been maintained in 2008 in order to apply a uniform and identical accounting treatment to the relevant 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 value of minority interests acquired, deducted from equity attributable to Vivendi SA shareholders.

Vivendi applied the following new standards and interpretations to its Consolidated Financial Statements for the years ended December 31, 2008 and December 31, 2007:

- amendments to IAS 1 – Presentation of Financial Statements, notably related to the presentation of the Financial Statement of changes in equity, which mandatorily comes into effect for accounting periods beginning on or after January 1, 2009. The early adoption of revised IAS 1 had no material impact on the Consolidated Financial Statements of Vivendi.
- IFRS 8 – Operating Segments, on segment data, which comes into mandatory effect for accounting periods beginning on or after January 1, 2009. Vivendi has voluntarily opted for the early application of IFRS 8.
  This standard was published by the IASB on November 30, 2006, adopted by the EU on November 21, 2007 and published in the EU Official Journal on November 22, 2007. It replaces IAS 14 which was previously applicable.

Pursuant to IAS 14, the primary level of segment data in 2007 consisted of Vivendi's five communication and entertainment businesses and the second level of segment data consisted of five geographical regions. Based on an analysis of IFRS 8 and the structure of its internal financial reporting, Vivendi considered that the operating segment financial information disclosed in the notes to its Consolidated Financial Statements was consistent with the primary level of segment data disclosed until 2007 in accordance with IAS 14.
Pursuant to IFRS 8, Vivendi's operating segments remain comprised of five communication and entertainment businesses: Universal Music Group, Canal+ Group, SFR, Maroc Telecom Group and Activision Blizzard. Consequently, the early adoption of IFRS 8 had no material impact on segment data presented by Vivendi. For detailed information, please refer to Note 3.

- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, published by the IASB on July 3, 2008, but not yet adopted by the EU. IFRIC 16 provides guidance on the accounting for foreign currency exposure resulting from net investment denominated in foreign currencies within a group. The accounting treatment adopted by Vivendi is consistent with this interpretation and, therefore, its early adoption had no impact on Vivendi's financial statements.

1.2. Presentation of the Consolidated Financial Statements

1.2.1. Presentation of the Consolidated Statement of Earnings

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 includes a subtotal known as "EBIT" which is the difference between charges and income that does 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 changes 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, 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 Operating Segment and of the Group

EBITA
Vivendi Management evaluates the performance of the operating 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 its operating segments as reported in the segment data. The method used in calculating EBITA eliminates the accounting impact of the amortization of intangible assets acquired through business combinations. This enables the operating performance of the operating 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.

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Notes to the Consolidated Financial Statements

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.

(*) Items as presented in the Consolidated Statement of Earnings.
(**) Items as reported by each operating segment.

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).

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 intragroup items and transactions. Vivendi has a December 31 year-end. Subsidiaries that do not have a December 31 year-end prepare interim financial statements, except when their year-end falls within the three months prior to December 31.

Subsidiaries acquired are included in the Consolidated Financial Statements from the date of acquisition, or, for convenience 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 1.3.5.8, 1.3.7 and 23);
- revenue recognition: estimates of provisions for returns and price guarantees, and benefits granted as part of loyalty programs 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 1.3.5.2 and 2);
- 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 (CGU) determined by future cash flows and discount rates (please refer to Notes 1.3.5.7 and 9); and
- UMG content assets: estimates of the future performance of beneficiaries who were granted advances recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10).

In light of the current financial crisis and the recommendations of the AMF relating to the 2008 fiscal year, Vivendi reviewed the valuation of all its financial instruments, both assets and liabilities. This review did not have a material impact on the 2008 Consolidated Financial Statements.

1.3.2. Principles of Consolidation

A list of Vivendi's major subsidiaries, joint ventures and other associated entities is set forth in Note 28.

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 benefits from their operations, are fully consolidated.
A controlling position is deemed to exist when Vivendi holds, directly or indirectly, a voting interest exceeding 50% and no other shareholder or group of shareholders may exercise substantive participation rights that would enable it to veto or 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 of such entity 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 that Vivendi does not exercise significant influence. 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.

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Notes to the Consolidated Financial Statements

1.3.3. Foreign Currency Translation

The Consolidated Financial Statements are presented in millions of euros. The presentation currency of Vivendi SA 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 date of the transaction. 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 borrowings 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 Consoldiated 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, these adjustments are not taken to earnings on the subsequent divestiture of the subsidiaries, joint ventures or other associated entities, whose functional currency is not the euro.

1.3.4. Revenues from Operations and Associated Costs

Revenues from operations are reported when it is both probable that future economic benefits will be obtained by the group and these revenues can be reliably measured. Revenues are reported net of granted discounts.

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
Until the Condensed Financial Statements for the nine months ended September 30, 2008, revenues from the sale of "digital" recorded music were recognized upon notification by the distribution platform (on-line or mobile music distributor) to UMG of a sale to the final customer.
From the fiscal year 2008, as a result of the availability of sufficient, accurate and reliable data from certain distributors, it became possible to accrue revenue from certain on-line and mobile "digital" sales by the end of the month in which those sales were made to the final customer. This change in accounting estimate regarding revenue recognition has been applied prospectively in the Consolidated Financial Statements for the year ended December 31, 2008.

Cost of revenues
Cost of revenues includes manufacturing and distribution costs, royalty and 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.

Notes to the Consolidated Financial Statements

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. Subscriber management and acquisition costs, as well as television distribution costs, are included in selling, general and administrative expenses.

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 Group

Separable elements of a bundled offer

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 equipment), 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.

Content sales

Sales of services provided to customers managed by SFR and Maroc Telecom Group 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.

Custom contracts

Service access and installation costs invoiced primarily to operator clients on the installation of services such as a broadband connection, bandwidth service or IP connection, are recognized over the expected duration of the contractual relationship and the supply of the primary service.

Access to these telecommunication infrastructures is provided to clients pursuant to various types of contracts: lease arrangements, hosting contracts or Indefeasible Right of Use (IRU) agreements. IRU agreements, in particular in the telecommunication sector, confer an exclusive and irrevocable right to use an asset (cables, fiber optic or bandwidth) during a generally quite long defined period without a transfer of ownership of the asset. Revenue generated by leases, hosting contracts in the Netcenters and infrastructure IRU agreements are recognized over the duration of the corresponding contracts.

In the case of IRU agreements and certain leases or services contracts, services are paid in advance the first year. These non-refundable advance payments are recognized in deferred income and amortized over the contract term. The amortization period is between 10 and 25 years for IRU agreements and 1 and 25 years for leases or service contracts.

Cost of revenues

Cost of revenues comprises purchasing costs (including purchases of mobile phones), interconnection and access costs, network and equipment costs. Selling, general and administrative expenses notably include commercial costs relating to marketing and customer care expenses.

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Notes to the Consolidated Financial Statements

1.3.4.4. Activision Blizzard

As of December 31, 2008, revenues from the sale of boxes for video-games with significant online functionality, are recorded ratably as revenue over the estimated customer life beginning, upon the month following shipment of boxes for video-games developed by Activision Blizzard and upon activation of boxes for Massively Multiplayer Online Role Playing Games (MMORPG) of Blizzard (*World of Warcraft* and its expansion packs). Regarding Activision, the impact of this accounting treatment is new due to the recent growth in use for related online enabled video-games. Regarding the MMORPG of Blizzard, this new revenue recognition method represents a change in accounting treatment.

Deferral of Activision revenue

For most of Activision Blizzard's console game titles released through September 30, 2008, the on-line functionality has not been an important component of gameplay and accordingly, for these titles, revenue is considered to be earned and recognized upon delivery.

However, as online functionality becomes a more important component of gameplay, certain of the company's online-enabled games for certain platforms contain a more-than-inconsequential separate service deliverable in addition to the product, and the company's performance obligations for these games extends beyond the sale of the games. Vendor-specific objective evidence of fair value does not exist for the online services, as the company does not plan to separately charge for this component of online-enabled games. As a result, the company recognizes all of the revenues from the sale of these games ratably over the estimated service period, beginning the month following shipment.

Regarding games which can be played with hardware, Activision Blizzard has determined that the hardware components have stand alone values with established fair values, as the hardware is either currently being sold separately or will be sold separately in the future. As a result, Activision Blizzard recognizes revenue for the hardware upon sale and defers the software over the estimated service period, based on the relative fair value of the components.

Change in recognition of revenue at Blizzard

Following the completion of the Activision-Vivendi Games merger in July 2008, Activision Blizzard began a review of the accounting policies and principle of Vivendi Games in order to insure they were consistent with Activision's. Upon review of the accounting treatment for the revenue generated by the *World of Warcraft*'s first expansion pack, *The Burning Crusade*, Activision Blizzard determined that deferring the revenue generated by the box sale of the expansion pack over the estimated subscriber life was a preferable accounting method to the historical accounting of recognizing the revenue upon the sell-in to the retailer.

Activision Blizzard reached this conclusion based upon the view that the expansion pack was dependent on the initial *World of Warcraft* boxed software and the ongoing subscription service in order for the consumer to realize the full benefit of the game, and also upon recent data gathered since the launch of *The Burning Crusade*.

Therefore, revenues related to the sale of *World of Warcraft* boxed software, including the sale of expansion packs and other ancillary revenues, are deferred and recognized ratably over the estimated customer life beginning upon activation of the software and delivery of the services.

Accordingly, in the third quarter of 2008, Activision Blizzard reflected this retroactive application of the accounting principle in its US GAAP financial statements.

In IFRS, until the third quarter of 2008, revenues from the sale of boxes for Blizzard *World of Warcraft* titles were recorded upon transfer of the ownership and related risks to the distributor, net of a provision for estimated returns and rebates, if any. For the year ended December 31, 2008, Vivendi has aligned the IFRS accounting treatment with that of US GAAP. This new revenue recognition method represents a change in accounting principle, whose impact on 2008 revenues and EBITA is -$209 million (-€157 million) and -$188 million (-€141 million) respectively. In these amounts, the cumulative catch-up adjustment related to prior years' on 2008 revenues and EBITA is -$63 million (-€47 million) and -$58 million (-€43 million) respectively. Given the non-materiality of the impacts on Vivendi's Consolidated Financial Statements, the cumulative adjustment was recorded through the current period statement of earnings, hence was not retroactively brought as an adjustment to prior years' Statement of Earnings.

Other revenues

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
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 and price guarantees are deducted from sales of products to customers through distributors. They are estimated based on past sales statistics and they take into account the economic environment and product sales forecasts to final customers.

The recognition of awards associated with loyalty programs and granted by SFR, Maroc Telecom SA and Canal+ Group to their customers in the form of free or discounted goods or services, are recorded according to the IFRIC 13 – IAS 18. The IFRIC 13 – Interpretation relies upon the principle of valuing loyalty awards at their fair value. This is defined as the excess price over the sales incentive that would be granted to any new customer, and, should any such excess price exist, would result in deferring the revenue recognition associated with the subscription for the amount of this excess price. Thus:

- whenever a loyalty award is granted to an existing customer and does not constitute an excess price over the sales incentive that would otherwise be granted to a new customer at the inception date of a subscription or upon 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 lifetime, and recognized upon utilization of this award by the customer; and
- whenever loyalty points are convertible into free services, the revenue corresponding to the value of those points is deferred and then recognized upon utilization of these points by the customer.

Selling, general and administrative expenses principally include salaries and employee benefits, rents, consulting and service fees, insurance costs, travel and entertainment expenses, administrative department costs (e.g., Finance department, General Counsel including the legal department), 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 Activision Blizzard 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. Capitalized Financial Interests

Vivendi does not capitalize financial interests incurred during the building and acquisition period of intangible assets, property, plant and equipment.

1.3.5.2. Goodwill and Business Combinations

In accordance with the provisions of IFRS 1, Vivendi elected not to restate business combinations that occurred prior to January 1, 2004.

In accordance with the provisions of IFRS 3, business combinations are recorded using the purchase method. Under this method, upon 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 date of the acquisition. 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 in the Statement of Earnings directly.

Subsequently, goodwill is measured at cost less recorded accumulated impairment losses (please refer to Note 1.3.5.7 hereof).

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 value of minority interests acquired is recognized as goodwill; and
- goodwill is not amortized.

1.3.5.3. 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 during which the sale of the product occurs, 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 and 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 and 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 produced or acquired film and television rights that are sold after their first television exhibition (i.e., after their 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 respectively on the estimated revenue method.

Notes to the Consolidated Financial Statements

Activision Blizzard

Licensing activities and internally developed franchises

Licensing activities and internally developed franchises are recognized as content assets at their acquisition cost or development cost (please refer to Note 1.3.5.4 below) and are amortized over their estimated useful life based on the rate at which the related economic benefits are consumed. Where appropriate, impairment loss is fully recognized against earnings of the period during which the loss is identified.

1.3.5.4. 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 amounts paid to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software development, graphics and editorial content), direct costs incurred during the internal development of products and the acquisition costs of developed software. 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 Activision Blizzard as part of the games development process and are amortized using the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues) for a given product, which generally leads to the amortization of costs over a maximum period of 6 months commencing on a product's release. Technical feasibility is determined on a product-by-product basis. Non-capitalized software development costs are immediately recorded as research and development costs. The future recoverability of capitalized software development costs and intellectual property license costs is assessed every quarter. When their recoverable value is less than their carrying value, an impairment loss is recognized against earnings of the period. Purchased game engines are also recorded at acquisition cost in the cost of software for rental, sale or marketing and amortized over their useful estimated life based on the rate at which the related economic benefits are consumed.

Cost of internal use software

Direct internal and external costs incurred for the development of computer software for internal use, including website 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.

1.3.5.5. 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 the acquisition date. The historical cost model is applied to intangible assets after they have been recognized. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Other intangible assets include trade names, customer bases and licenses. Music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

SFR and Maroc Telecom Group

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 their 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 in France, to 1% of the revenues generated by the activity) is recorded as an expense when incurred.

1.3.5.6. 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, the costs directly attributable to moving an asset to its physical location and preparing it for use in operations, the estimated costs for the demolition and the collection of property, plant and equipment, and the rehabilitation of the physical location, resulting from the incurred obligation.

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Notes to the Consolidated Financial Statements

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 1 to 25 years. The useful lives of the main parts are as follow:

- buildings: over 8 to 25 years;
- pylons: over 15 to 20 years;
- radio and transmission equipment: over 3 to 10 years;
- switch centers: 8 years; and
- servers and hardware: over 1 to 8 years.

Indefeasible Right of Use (IRU) concessions confer an exclusive and irrevocable right to use an asset during a defined period. IRU agreements are capitalized if they include a specific right of use for a defined portion of the underlying asset in the form of dedicated fibers or wavelengths and if the agreement period covers the major part of the economic useful life of the underlying asset. IRU contract costs are capitalized and amortized over the contract term.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and of the market value and the related debt is recorded as "Borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life, in general the duration applicable to property, plant and equipment from the same category. Amortization expenses on assets acquired under such leases are included in amortization expenses.

After 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 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 Group telecommunications services (please refer to Note 26.1).

As part of the Broadbrand Internet and fixed operations of SFR, some contracts for the supply of telecom services are recorded as assets financed by finance lease contracts.

1.3.5.7. 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 intangible assets in progress are all subject to an annual impairment test during the fourth quarter of each fiscal year. This test is performed in order to compare the recoverable amount of its Cash Generating Unit (CGU) or, if necessary, groups of CGU to the carrying value of the corresponding assets (including goodwill). A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is determined as the higher of the value in use and of 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 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 CGU, 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 future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the 2009 budget and the most recent forecasts prepared by the operating segments. 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 beyond the period covered, are consistent with growth rates estimated by the company by extrapolating the growth rates used in the budgets, 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 value of an asset or group of assets, an impairment loss is recognized in EBIT for the difference in the amounts. 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 value, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed.

1.3.5.8. 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 acquisition cost (including associated acquisition 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 period end. For financial assets for which there exists no published market price in an active market, fair value is then 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 future (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 value 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.

1.3.5.9. 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 selling costs.

1.3.5.10. Trade Accounts Receivable

Trade accounts receivable are initially 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 lost customers or on customers with whom Vivendi is involved in litigation or a dispute are generally depreciated in full.

1.3.5.11. 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 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 of more than three months without the possibility of early termination and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls) 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 value may be recovered principally through its divestiture and not by its continuing utilization. To meet this definition, the asset must be available for immediate sale and the 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 the difference between the fair value (net of divestiture fees) and the carrying value, or 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 of 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 considered.

1.3.7. Financial Liabilities

Long and short-term borrowings and other financial liabilities include:
- bonds and facilities, as well as miscellaneous other borrowings (including commercial paper 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 options) 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 standards:
- 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 in 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, or, as part of a forecasted transaction relating to a non-financial asset or liability, at the initial cost of the asset or liability. 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 in earnings, or, as part of a forecasted transaction relating to a non-financial asset or liability, they are recognized at the initial cost of the asset or liability. 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 (including sports, audiovisual and film rights) 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 consist of 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 economic benefits in the form of outflow of resources 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 retirement indemnities) 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 2007 and 2008, and the means of determining these assumptions, are presented in Note 20.

In this way, the group recognizes pension-related assets and liabilities and the related net expense.

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 past service cost 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 cost 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 at the beginning of the fiscal year, and the fair value of plan assets, are divided by the expected average working life of beneficiaries.

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 the 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 closing between the tax base value of assets and liabilities and their carrying value 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 value (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying value (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 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 value 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 required to increase or decrease the carrying value 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 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 its executive management and employees with its shareholders' interest by providing them with an additional incentive to improve the company's performance and increase its share price on a long-term basis, Vivendi maintains several share-based compensation plans (share purchase plans and restricted stocks) or other equity instruments based on the value of the Vivendi share price (stock purchase plans – until first half-year 2002 – and stock option plans), which are settled either in equity instruments or in cash. Grants under these plans are approved by the Management Board, and subsequently by the Supervisory Board. The acquisition of rights related to certain plans depends on the achievement of specific performance objectives.

In addition, Activision Blizzard maintains several share-based compensation plans (share purchase plans and restricted stocks) or other equity instruments based on the value of the Activision Blizzard share price (stock purchase plans or stock option plans), which are settled either in equity instruments or in cash. Grants under these plans are approved by the Board of Directors of Activision Blizzard. The acquisition of rights related to certain plans depends on the achievement of specific performance objectives.

Lastly, Universal Music Group and Blizzard, a subsidiary of Activision Blizzard, maintain Equity Incentive Plans. Under these plans, certain key executives are awarded equity units. These equity units are phantom stock units whose value is intended to reflect the value of UMG and Blizzard, respectively, and are settled either in equity instruments or in cash.

Please refer to Note 21 for a detail of these plans' characteristics.

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 regarding the plans of Vivendi, 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, apart from specific cases.

Vivendi and Activision Blizzard use 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 the relevant shares, the risk-free discount rate, the expected dividend yield and the probability of relevant employees remaining within the group until the exercise of their rights.

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Notes to the Consolidated Financial Statements

However, depending on whether the equity instruments granted are equity-settled through the issuance of shares or cash-settled, the valuation and recognition of the expense differs:

- Instruments settled through the issuance of shares:
  - the expected term of the option granted is deemed 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 grant date; and
  - the expense is recognized with a corresponding increase in equity.
- Instruments settled in cash:
  - the expected term of the instruments granted is deemed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the average of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights;
  - the value of 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; and
  - 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.

A share-based compensation cost is allocated to each operating segment, pro rata the number of equity instruments or equivalent instruments granted to their managers and employees.

The dilutive effect of stock options and restricted stock plans settled through the issuance of Vivendi or Activision Blizzard 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, Vivendi elected to retrospectively apply 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.

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 of pledges and guarantees with banks and financial institutions;
- the review of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies with internal and/or external legal counsels;
- 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 of insurance coverage for unrecorded contingencies with the risk management department and insurance agents and brokers with which the group contracted;
- the review of related-party transactions for guarantees and other given or received commitments; and
- more generally, the review of main contracts and agreements.

Notes to the Consolidated Financial Statements

1.5. New IFRS Standards and IFRIC Interpretations that have been published but are not yet effective

The IFRS standards and IFRIC interpretations that have been issued by the IASB/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 standards which may have an impact on Vivendi are as follows:

- amendment to IAS 23 – Borrowing Costs, on capitalisation of borrowing costs attributable to the cost of a fixed asset, which applies to periods beginning on or after January 1, 2009;
- 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, which apply to periods beginning on or after January 1, 2010, but still not adopted in EU;
- amendment to IFRS 2 – Share-based Payment on the accounting for vesting conditions and cancellations, which applies to periods beginning on or after January 1, 2009; and
- amendments to different IFRS included in the annual "Improvements to IFRSs" as published by the IASB on May 22, 2008, which apply to periods varying upon related standards, but on or after January 1, 2009 at the earliest.

Vivendi is currently assessing the potential impact 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 in applying these standards and interpretations, given:

- regarding amendment to IAS 23, that Vivendi does not expect a significant impact, unless new qualified assets are acquired or built on or after January 1, 2009 and would involve significant costs; and
- regarding revised standards IFRS 3 and IAS 27, the expected impact on certain accounting treatments as compared to those applied by Vivendi, described in Note 1.1 above.

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Notes to the Consolidated 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. Take Over of Neuf Cegetel by SFR

Acquisition by SFR of the 60.15% equity interest in Neuf Cegetel it did not already own

On April 15, 2008, the French Minister of the Economy, Industry and Employment gave permission to Vivendi and SFR to proceed with the purchase of the Louis Dreyfus Group's equity stake in Neuf Cegetel, as a condition precedent to the take over of Neuf Cegetel by SFR. As a result, pursuant to the agreement announced on December 20, 2007, SFR acquired the 60.15% equity interest in Neuf Cegetel that it did not already own (excluding restricted stocks and Neuf Cegetel treasury shares), as follows:

- On April 15, 2008, SFR acquired from the Louis Dreyfus Group its entire interest in Neuf Cegetel (i.e., 28.45%) at €34.50 per share (2007 coupon of €0.60 per share attached), for a purchase price of €2,074 million, and hence SFR gained control of Neuf Cegetel on that same date by reaching a 68.30% aggregate voting equity interest in Neuf Cegetel.
- Between April 25 and May 2, 2008, SFR acquired an additional interest of approximately 10% in Neuf Cegetel at an average price of €36.40 per share, for a purchase price of €752 million, thus reaching a 77.90% aggregate ownership interest in Neuf Cegetel.
- As a result of the successful completion of the SFR tender offer made under the simplified procedure between May 19 and June 13, 2008 inclusive, followed by a squeeze-out for the shares of Neuf Cegetel implemented on June 24, 2008, SFR acquired an additional interest of approximately 19% in Neuf Cegetel at €35.90 per share (2007 coupon of €0.60 per share detached), for a purchase price of €1,497 million, thereby reaching an approximate 97.44% aggregate ownership interest in Neuf Cegetel.
- In addition, SFR and almost all of the executives and employees of Neuf Cegetel who were granted restricted shares, currently in a holding or vesting period, entered into reciprocal put and call option agreements pursuant to which SFR may obtain, in the future, 2.51% of the share capital of Neuf Cegetel for an estimated amount of €140 million.

Therefore, as a result of the squeeze-out for the shares of Neuf Cegetel and taking into account the Neuf Cegetel treasury shares (0.58% of the share capital), as well as the reciprocal put and call option agreements with the beneficiaries of restricted shares, SFR held more than 99.99% of Neuf Cegetel's share capital, 60.15% of which was acquired at an aggregate price of €4,485 million (including transaction costs and fees). SFR financed this acquisition using debt, notably by Vivendi granting a €3 billion credit facility to SFR under market terms. As agreed with its shareholders, in order to repay this loan, SFR will reduce the amount of dividend payments which otherwise could have been made over the three fiscal years (2008, 2009 and 2010). Thus, on January 30, 2009, the Board of Directors of SFR resolved to pay an interim dividend of €750 million for fiscal year 2008, corresponding to €420 million for Vivendi.

Full consolidation of Neuf Cegetel by SFR from April 15, 2008

SFR has held majority control over the voting rights in Neuf Cegetel since April 15, 2008, and began to fully consolidate Neuf Cegetel from that date. Until this date, SFR held a 39.85% minority interest in Neuf Cegetel, which was accounted for as an equity affiliate.

On April 15, 2008, in accordance with accounting standards applicable to business combinations, SFR performed a preliminary allocation of the purchase price of the 60.15% interest acquired in Neuf Cegetel, and consolidated 100% of the fair value of identifiable assets acquired and liabilities incurred or assumed from Neuf Cegetel, based on analyses and estimates prepared by SFR with the assistance of a third-party appraiser. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill amount may significantly differ from the amount presented below.

Investment previously accounted for as equity affiliate by SFR

As of April 14, 2008, the carrying value of SFR's equity investment in Neuf Cegetel amounted to €1,087 million. In accordance with accounting standards, upon the consolidation of 100% of the fair value of assets and liabilities of Neuf Cegetel as of April 15, 2008, SFR recognized a revaluation surplus that reflects that part of the increase in the fair value of assets and liabilities that is attributable to the equity investment previously held in Neuf Cegetel, i.e., 39.85%, as follows:

- the asset revaluation surplus amounted to €341 million, which was directly recorded in equity; and
- the negative revaluation adjustment amounted to -€77 million, which was recorded in earnings as other financial charges and income.

Notes to the Consolidated Financial Statements

Preliminary allocation of the purchase price of 60.15% of Neuf Cegetel shares

(in millions of euros)	As of April 15, 2008	
	Carrying value of net assets before acquisition	Fair value of net assets acquired at the acquisition date
ASSETS		
Goodwill	1,405	-
Other intangible assets	505	**(a)** 929
Property, plant and equipment	1,386	1,388
Investments in equity affiliates	12	12
Non-current financial assets	90	90
Deferred tax assets	401	**(b)** 857
Non-current assets	**3,799**	**3,276**
Inventories	5	5
Current tax receivables	6	6
Trade accounts receivable and other	1,098	1,089
Short-term financial assets	21	21
Cash and cash equivalents	215	215
	1,345	**1,336**
Assets held for sale	24	24
Current assets	**1,369**	**1,360**
TOTAL ASSETS (A)	**5,168**	**4,636**
Minority interests	**41**	**41**
Non-current provisions	23	19
Long-term borrowings and other financial liabilities	1,178	1,178
Deferred tax liabilities	26	-
Other non-current liabilities	582	684
Non-current liabilities	**1,809**	**1,881**
Current provisions	10	45
Short-term borrowings and other financial liabilities	39	39
Trade accounts payable and other	1,523	1,558
Current liabilities	**1,572**	**1,642**
Total liabilities	**3,381**	**3,523**
TOTAL MINORITY INTERESTS AND LIABILITIES (B)	**3,422**	**3,564**
NET ASSETS (A-B)	**1,746**	**1,072**

(a) Fair value of other intangible assets is composed of:

(in millions of euros)	As of April 15, 2008
Neuf Cegetel trade name*	26
Customer list (amortized over 7 years)	464
Acquired software	87
Indefeasible rights of use	106
Service access fees and other intangible assets	246
Total	**929**

Neuf Cegetel trade name*: Given the fact that this trade name was abandoned as part of the launch of new ADSL offers by SFR, the Neuf Cegetel trade name was fully written down in 2008.

(b) Mostly comprised of the deferred tax asset of €951 million in respect of the recognition of Neuf Cegetel's entire ordinary losses carried forward (€807 million) and temporary differences (€144 million) as of April 15, 2008, as well as the deferred tax liability (-€169 million) associated with the customer list and the trade name and the deferred tax assets (€75 million) associated with the other adjustments related to the purchase price allocation of Neuf Cegetel.

Notes to the Consolidated Financial Statements

(in millions of euros)	As of April 15, 2008
Fair value of Neuf Cegetel's assets and liabilities	**1,072**
– Net assets variation due to interests acquired between April 15 and June 24, 2008	(27)
– Asset revaluation surplus recognized in equity	(341)
– Negative reevaluation adjustment recognized through profit and loss	77
– Carrying value of Neuf Cegetel's equity investment until April 14, 2008	(1,087)
Preliminary goodwill	4,791
Purchase price of 60.15% of Neuf Cegetel	**4,485**

Supplemental financial data concerning Neuf Cegetel

The group's share in earnings of Neuf Cegetel for the period between January 1 and April 14, 2008 amounted to €18 million. Neuf Cegetel's revenues and EBITA between April 15 and December 31, 2008 amounted to €2,580 million (before the elimination of intersegment operations between Neuf Cegetel and SFR) and €117 million, respectively. Furthermore, for reference, Neuf Cegetel's revenues and EBITA between January 1 and December 31, 2008 amounted to €3,644 million and €93 million, respectively.

2.2. Creation of Activision Blizzard

On December 1, 2007, Vivendi, Activision, Inc. ("Activision") and certain of their respective subsidiaries entered into a business combination agreement (the "BCA") to combine Vivendi Games with Activision. The transactions contemplated by the BCA received the approval from the US competition authorities and the European Union merger control regulations on January 16, and April 16, 2008, respectively, were approved by Activision's stockholders at a special stockholder meeting on July 8, 2008, and were consummated on July 9, 2008.

Pursuant to the BCA, at closing, a wholly-owned subsidiary of Activision, merged with and into Vivendi Games, and hence Vivendi Games became a wholly-owned subsidiary of Activision. In the merger, a subsidiary of Vivendi received approximately 295.3 million newly issued shares of Activision common stock, which number was based upon a valuation of Vivendi Games at $8,121 million and a per share price for Activision common stock of $27.50 (pre-stock split[5]). Concurrently with the merger, Vivendi purchased approximately 62.9 million newly issued shares of Activision common stock, at a price of $27.50 per share (pre-stock split, or approximately 126 million shares at a price of $13.75 per share post-stock split) for a total of $1,731 million in cash, resulting in a total Vivendi ownership interest in Activision Blizzard of approximately 54.47% of shares outstanding (approximately 52% on a fully diluted). Upon closing of the transactions, Activision was renamed Activision Blizzard, Inc. ("Activision Blizzard") and continues to operate as a public company traded on NASDAQ under the ticker symbol ATVI. Activision Blizzard now conducts the combined business operations of Activision and Vivendi Games including Blizzard Entertainment.

In accordance with the terms of the BCA, on July 16, 2008, Activision Blizzard commenced a $4,028 million all-cash tender offer to purchase up to 146.5 million Activision Blizzard common shares at $27.50 per share (pre-stock split, or 293 million shares at a price of $13.75 per share post-stock split). As a result of this tender offer, that expired on August 13, 2008, 85,916 shares of Activision Blizzard common stock (pre-stock split, or 171,832 shares post-stock split) were properly tendered for a total cost of approximately $2.4 million in cash. Vivendi's total ownership interest in Activision Blizzard remained unchanged at approximately 54.47%.

In addition, under the terms of the BCA, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction, notably certain representations and warranties and undertakings, which expired upon the closing of the transaction. The parties have also entered into various ancillary agreements at the closing of the transaction, including an investor agreement and tax sharing and indemnity agreements.

On November 5, 2008, Activision Blizzard announced that its Board of Directors had authorized a stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of $1 billion. In addition, Vivendi does not intend to sell any of its Activision Blizzard shares in that program and does not have any current plans to buy additional Activision Blizzard shares. As of December 31, 2008, Activision Blizzard repurchased approximately 13 million shares of its common stock for $126 million (€85 million).

Moreover, as a result of the aforementioned stock repurchase program, the exercise of stock options, restricted stocks and other dilutive instruments by Activision's employees and the purchase of Activision Blizzard's shares by Vivendi on the market, Vivendi's ownership interest in Activision Blizzard could fluctuate from time to time. As of December 31, 2008, Vivendi holds 54.76% of Activision Blizzard (compared to 54.47% upon the completion of the operations described above).

5. On July 11, 2008, Activision Blizzard announced that its Board of Directors approved a two-for-one stock split of its outstanding shares of common stock to be effected in the form of a common stock dividend. On September 5, 2008, stockholders received one additional share for each share of common stock issued and outstanding as of close of business on August 25, 2008. Upon completion of the split, trading began on a split-adjusted basis on September 8, 2008 and the number of Activision Blizzard's common shares outstanding is approximately 1.3 billion.

Notes to the Consolidated Financial Statements

Consolidation of Activision Blizzard by Vivendi

On July 9, 2008, Vivendi gained control of Activision Blizzard which has been fully consolidated. From that date, Vivendi has had the ability to appoint a majority of the members of the board of directors of Activision Blizzard, and therefore has the power to govern the financial and operational policies of Activision Blizzard in order to obtain benefits from its operations. Prior to the fifth anniversary of the closing date, the approval of certain matters by Activision Blizzard's board of directors requires the affirmative vote of (a) a majority of the votes present or otherwise able to be cast on the board, and (b) at least a majority of the independent directors on the board. However, after the first anniversary of the closing date, the distribution of any dividend by Activision Blizzard will not require the affirmative vote of a majority of the independent directors if Activision Blizzard's pro forma net debt, after giving effect to such dividend, does not exceed $400 million.

From an accounting perspective, Vivendi Games is deemed to be the accounting acquirer and Activision is deemed to be the accounting acquiree. As the result, in the Consolidated Financial Statements of Vivendi, the combination of Vivendi Games and Activision is accounted for as:

- the dilution by approximately 45.53% of Vivendi's interest in Vivendi Games; and
- the acquisition of a controlling interest of approximately 54.47% in Activision.

Dilution of 45.53% in Vivendi Games

From an accounting perspective, the dilution of Vivendi's interest in Vivendi Games by approximately 45.53% generates a dilution gain of €2,318 million ($3,642 million), an amount equal to the positive difference between (a) the fair value amount allocated to this interest (on the basis of $8,121 million for 100% of Vivendi Games or 295.3 million Activision shares at a price per share of $27.50 pre-stock split), and (b) its carrying value.

Acquisition of 54.47% of Activision

From an accounting perspective, Vivendi Games is deemed the acquirer of Activision, and after consummation both of the merger and share purchase transactions under the BCA and the completion of the tender offer, Vivendi holds a 54.47% controlling interest in Activision Blizzard.

The purchase price for approximately 54.47% of Activision is determined on the basis of the fair value of exchanged assets, plus the cash paid ($1,731 million) and the estimated costs directly attributable to the acquisition which amount to €3,534 million ($5,554 million):

	As of July 9, 2008	
	in millions of dollars	in millions of euros*
Fair value of the exchange assets *(45.53% of Vivendi Games, valued at $8,121 million for 100%)*	3,697	2,353
Cash received from the Vivendi share purchase	1,731	1,101
Transaction expenses directly attributable to the transaction	126	80
Cost of the Business Combination for 54.47% acquired	**5,554**	**3,534**

* The conversion rate is based on the exchange rate as of the date of the transaction that is 1.5715 dollar/euro.

In accordance with the accounting standards applicable to business combinations, Activision Blizzard has performed a preliminary 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 forecasts performed by Activision Blizzard and independent experts. The final allocation of the purchase price will be completed within the 12-month period commencing July 9, 2008, as prescribed by the accounting standards, and may significantly differ from the illustrative adjustments presented on the next page.

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Notes to the Consolidated Financial Statements

(in millions of euros)	As of July 9, 2008	
	Carrying value of net assets before acquisition (in US GAAP)	Fair value of net assets acquired at the acquisition date (in IFRS)
ASSETS		
Goodwill	237	-
Other intangible assets	170	**(a)** 1,355
Property, plant and equipment	40	40
Non-current financial assets	56	56
Deferred tax assets	59	184
Other non-current assets	9	9
Non-current assets	**571**	**1,644**
Inventories	134	141
Trade accounts receivable and other	293	293
Short-term financial assets	38	38
Cash and cash equivalents	730	730
Cash received from Vivendi share purchase, net	1,101	1,101
Current assets	**2,296**	**2,303**
TOTAL ASSETS (A)	**2,867**	**3,947**
Deferred tax liabilities	-	472
Non-current liabilities	**-**	**472**
Current provisions	-	19
Trade accounts payable and other	338	334
Current tax payables	50	50
Current liabilities	**388**	**403**
TOTAL LIABILITIES (B)	**388**	**875**
NET ASSETS (A-B)	**2,479**	**3,072**
Implies fair value of net assets acquired (54.47%)		**1,673**
Preliminary Goodwill		1,861
Cost of the Business Combination for 54.47% acquired		**3,534**

(a) Fair value of other intangible assets is composed of:

(in millions of euros)	Life	As of July 9, 2008
License agreements	3 - 10 years	180
Developed software	Less than 1 year	138
Game engines	2 - 5 years	85
Internally developed franchises	11 - 12 years	667
Distribution agreements	4 years	11
Favorable Leases	1 - 4 years	3
Retail customer relationships	Less than 1 year	26
Activision trademark/trade name	Indefinite	245
Total		**1,355**

Supplementary financial data concerning Activision

As published by Activision Blizzard on February 11, 2009, comparable basis non-GAAP revenues and operating income of Activision Blizzard (as if the combination occurred on January 1, 2008) amounted to $5,032 million and $1,200 million, respectively. In addition, Activision's non-GAAP revenues and operating income from July 10 to December 31, 2008 amounted to approximately $2,379 million and $329 million, respectively.

Notes to the Consolidated Financial Statements

2.3. Other Changes in Scope

Acquisition of Kinowelt by StudioCanal (Canal+ Group). On April 2, 2008, StudioCanal acquired the entire share capital of Kinowelt, the leading German independent film company specializing in the acquisition and distribution of films. Since that date, Kinowelt has been fully consolidated.

Acquisition of Univision Music Group by UMG. On May 5, 2008, UMG acquired the entire share capital of Univision Music Group ("Univision") from Univision Communications Inc. for a purchase price of €92 million (including acquisition costs). Since that date, Univision has been fully consolidated.

Note 3. Segment Data

3.1. Operating Segment Data

Vivendi has opted for earlier application of IFRS 8 – Operating segments, related to segment data, that shall apply to periods beginning on or after January 1, 2009 (please refer to Note 1.1).

The Vivendi group operates through different communication and 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 base of the internal reporting of the group. As of December 31, 2008, the Vivendi group had five business segments engaging in the activities described below:

- Universal Music Group, sale of recorded music (physical and digital media), exploitation of music publishing rights as well as artist services and merchandising;
- the Canal+ Group, publishing and distribution of pay-TV in France, analog or digital (terrestrially, via satellite or ADSL) as well as film production;
- SFR, phone services (mobile, broadband Internet and fixed) in France. From April 15, 2008, following the acquisition by SFR of the 60.15% equity interest in Neuf Cegetel that it did not own, Neuf Cegetel has been fully consolidated by SFR (please refer to Note 2.1).
- Maroc Telecom Group, a telecommunication operator (mobile, fixed and Internet) in Africa, predominantly in Morocco as well as in Mauritania, Burkina Faso and Gabon; and
- Activision Blizzard, development, publishing and distribution of interactive entertainment software, online or on other media (such as console and PC). On July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games and thereby Vivendi Games became a wholly-owned subsidiary of Activision, the publisher of American video games, and the new entity was renamed Activision Blizzard. On that date, Vivendi acquired a 54.47% (non-diluted) controlling interest in Activision Blizzard, which conducts the combined business operations of Activision and Vivendi Games. From an accounting perspective and given that Vivendi gained control of Activision, Vivendi Games is deemed the acquirer of Activision, thereby the figures reported in this Report under the "Activision Blizzard" caption correspond to: (a) Vivendi Games' historical figures in 2007; (b) Vivendi Games' historical figures from January 1 to July 9, 2008; and (c) the combined business operations of Activision and Vivendi Games from July 10, 2008.

Vivendi Management evaluates the performance of the operating segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Segment earnings correspond to the EBITA of each business segment.

Additionally, segment data is elaborated according to the following principles:

- the operating segment "Holding & Corporate" includes the cost of Vivendi SA's headquarters in Paris and of its New York City offices, after the allocation of a portion of these costs to each of the businesses;
- the operating segment "Non-core operations and others" includes miscellaneous businesses outside Vivendi's core businesses, whose assets are being divested or liquidated and which are not disclosed as discontinued operations as they do not comply with criteria prescribed by IFRS 5, as well as Vivendi Mobile Entertainment, which operates a service selling digital content on the Internet and on mobile phones under the "zaOza" brand;
- intersegment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties; and
- the operating segments presented hereunder are identical to those appearing in the information given to Vivendi's Management Board.

Vivendi also presents data related to five geographic areas, consisting of its four main geographic markets (France, Rest of Europe, United States and Morocco), as well as the rest of the world.

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Notes to the Consolidated Financial Statements

3.1.1. Condensed Statements of Earnings

(in millions of euros)	Year ended December 31, 2008								
	Universal Music Group	Canal+ Group	SFR	Maroc Telecom Group	Activision Blizzard	Holding & Corporate	Non-core operations and others	Eliminations	Total Vivendi
External revenues	4,634	4,550	11,548	2,565	2,091	-	4	-	25,392
Intersegment revenues	16	4	5	36	-	-	1	(62)	-
Revenues	**4,650**	**4,554**	**11,553**	**2,601**	**2,091**	**-**	**5**	**(62)**	**25,392**
Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans	(3,891)	(3,801)	(7,570)	(1,044)	(1,856)	(100)	(43)	62	(18,243)
Charges related to stock options and share-based compensation plans	19	(9)	(25)	(3)	(45)	22	-	-	(41)
EBITDA	**778**	**744**	**3,958**	**1,554**	**190**	**(78)**	**(38)**	**-**	**7,108**
Restructuring charges	(53)	-	(123)	(18)	(57)	(1)	-	-	(252)
Gain (losses) on tangible and intangible assets	1	(2)	(5)	7	(4)	-	-	-	(3)
Other non recurring items	1	-	-	13	1	24	(1)	-	38
Depreciation of tangible assets	(41)	(111)	(765)	(249)	(54)	(4)	(1)	-	(1,225)
Amortization of intangible assets excluding those acquired through business combinations	-	(63)	(523)	(83)	(42)	(1)	(1)	-	(713)
Adjusted earnings before interest and income taxes (EBITA)	**686**	**568**	**2,542**	**1,224**	**34**	**(60)**	**(41)**	**-**	**4,953**
Amortization of intangible assets acquired through business combinations	(275)	(30)	(104)	(24)	(220)	-	-	-	(653)
Impairment losses of intangible assets acquired through business combinations	(35)	-	-	-	(5)	-	-	-	(40)
Earnings before interest and income taxes (EBIT)	**376**	**538**	**2,438**	**1,200**	**(191)**	**(60)**	**(41)**	**-**	**4,260**
Income from equity affiliates									260
Interest									(354)
Income from investments									5
Other financial charges and income									579
Provision for income taxes									(1,051)
Earnings from discontinued operations									-
Earnings									**3,699**
Attributable to:									
Equity holders of the parent									**2,603**
Minority interests									1,096

Notes to the Consolidated Financial Statements

(in millions of euros)	Year ended December 31, 2007								
	Universal Music Group	Canal+ Group	SFR	Maroc Telecom Group	Activision Blizzard	Holding & Corporate	Non-core operations and others	Eliminations	Total Vivendi
External revenues	4,851	4,320	9,009	2,449	1,018	-	10	-	21,657
Intersegment 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 charges related to share-based compensation plans	(4,123)	(3,727)	(5,573)	(1,057)	(701)	(89)	(30)	79	(15,221)
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)
Gain (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:									
Equity holders of the parent									**2,625**
Minority interests									1,144

As of December 31, 2008, income from equity affiliates is mainly comprised of the group's pro rata share of NBCU's earnings for €255 million in 2008 (compared to €301 million in 2007). This investment is allocated to the Holding & Corporate operating segment.

The group's pro rata share of Neuf Cegetel's earnings for the period from January 1, to April 14, 2008 amounted to €18 million (compared to €78 million for the twelve months ending December 31, 2007). This investment was allocated to the SFR operating segment until April 14, 2008.

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Notes to the Consolidated Financial Statements

3.1.2. Consolidated Statements of Financial Position

(in millions of euros)	Universal Music Group	Canal+ Group	SFR	Maroc Telecom Group	Activision Blizzard	Holding & Corporate	Non-core operations and others	Total Vivendi
December 31, 2008								
Segment assets	8,503	7,541	20,020	5,087	4,970	4,557	39	50,717
o/w investments in equity affiliates **(a)**	*46*	*1*	*52*	-	-	*4,342*	-	*4,441*
Unallocated assets								5,949
Total assets								**56,666**
Segment liabilities	2,739	3,399	7,373	1,354	1,657	493	(13)	17,002
Unallocated liabilities								13,038
Total liabilities								**30,040**
Increase in tangible and intangible assets	40	230	1,349	525	32	1	1	2,178
Net industrial investments (capex, net) **(b)**	34	209	1,305	418	32	1	2	2,001
December 31, 2007								
Segment assets	8,581	7,350	13,318	4,933	398	6,164	85	40,829
o/w 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

Additional operating segment data is presented in Note 9 "Goodwill", Note 10 "Content assets and commitments", Note 11 "Other intangible assets" and Note 13 "Property, plant, equipment and intangible assets of telecom operations".

(a) Holding & Corporate operating segment includes the 20% stake in NBC Universal. The SFR operating segment includes the approximate 40% stake in Neuf Cegetel up to December 31, 2007.

(b) Corresponding to net cash used for capital expenditures and proceeds from sales of property, plant, equipment and intangible assets.

3.2. Geographical Information

Revenues are presented based on the customers' location.

(in millions of euros)	Year ended December 31, 2008		2007	
Revenues				
France	15,967	*63%*	13,403	*62%*
Rest of Europe	2,766	*11%*	2,352	*11%*
United States	2,889	*11%*	2,319	*11%*
Morocco	2,221	*9%*	2,139	*10%*
Rest of the world	1,549	*6%*	1,444	*6%*
	25,392	***100%***	**21,657**	***100%***

Notes to the Consolidated Financial Statements

(in millions of euros)	December 31, 2008		December 31, 2007	
Segment assets				
France	27,644	*54%*	21,311	*52%*
Rest of Europe	1,881	*4%*	1,485	*4%*
United States	15,746	*31%*	12,781	*31%*
Morocco	4,508	*9%*	4,322	*11%*
Rest of the world	938	*2%*	930	*2%*
	50,717	***100%***	**40,829**	***100%***

In 2008 and 2007, capital expenditures were mainly realized in France by SFR and Canal+ Group and in Morocco by Maroc Telecom SA.

Note 4. EBIT

4.1. Breakdown of Revenues and Cost of Revenues

(in millions of euros)	Year ended December 31, 2008	Year ended December 31, 2007
Product sales, net	6,711	5,835
Service revenues	18,657	15,787
Other	24	35
Revenues	**25,392**	**21,657**
Cost of products sold, net	(4,657)	(3,797)
Cost of service revenues	(7,840)	(6,080)
Other	5	1
Cost of revenues	**(12,492)**	**(9,876)**

4.2. Personnel Costs and Average Employee Numbers

(in millions of euros except number of employees)	Note	Year ended December 31, 2008	Year ended December 31, 2007
Annual average number of full-time equivalent employees		**44,243**	**39,919**
Salaries		2,029	1,661
Social security and other employment charges		472	402
Capitalized personnel costs		(91)	(30)
Wages and expenses		**2,410**	**2,033**
Share-based compensation plans	21.1	41	154
Employee benefit plans	20.1	22	26
Other		215	177
Personnel costs		**2,688**	**2,390**

4.3. Additional Information on Operating Expenses

Research and development costs recorded in expenses amounted to -€518 million in 2008 compared to -€227 million in 2007.

Advertising costs amounted to -€784 million in 2008 compared to -€721 million in 2007.

Notes to the Consolidated Financial Statements

4.4. Amortization and Depreciation of Tangible and Other Intangible Assets

(in millions of euros)	Note	Year ended December 31, 2008	2007
Amortization (excluding intangible assets acquired through business combinations)		1,938	1,498
o/w property, plant and equipment	12	*1,225*	*993*
o/w content assets	10	*75*	*40*
o/w other intangible assets	11	*638*	*465*
Amortization of intangible assets acquired through business combinations		653	301
o/w content assets	10	*459*	*235*
o/w other intangible assets	11	*194*	*66*
Impairment losses of other intangible assets acquired through business combinations		40	34
Amortization and depreciation of tangible and intangible assets		**2,631**	**1,833**

Note 5. Financial Charges and Income

Interest

(in millions of euros)	Year ended December 31, 2008	2007
Interest expense on borrowings	450	301
Capitalized interest relating to the acquisition of BMG Music Publising	-	(25)
Interest income from cash and cash equivalents	(96)	(110)
Interest at nominal rate	**354**	**166**
Impacts of amortized cost on borrowings	*16*	*28*
Interest at effective rate	***370***	***194***

The impact of amortized cost on borrowings is recorded under "other financial charges" (see below). This impact represents the difference between the interest at nominal rate and the interest at effective rate.

Notes to the Consolidated Financial Statements

Other financial charges and income

(in millions of euros)	Note	Year ended December 31, 2008	2007
Other capital gain on the divestiture of businesses		2,332	262
o/w the dilution gain on the sale of a 10.18% interest in Canal+ France to Lagardère		-	*239*
o/w the gain on the dilution of Vivendi's interest in Vivendi Games by 45.53% following the creation of Activision Blizzard	2.2	*2,318*	-
Downside adjustment on the divestiture of businesses		(100)	(40)
o/w impact of certain non-cash adjustments relating to the acquisition of Neuf Cegetel by SFR	2.1	*(77)*	-
Other capital gain on financial investments		100	4
o/w early redemption of the Vivendi bonds exchangeable for Sogecable shares **(a)**		*83*	-
Downside adjustment on financial investments		(134)	(185)
o/w the write-off of the minority stake in Amp'd		-	*(65)*
Depreciation of the minority stake in NBC Universal	14	(1,503)	-
Financial components of employee benefits		(28)	(29)
Impacts of amortized cost on borrowings		(16)	(28)
Change in derivative instruments		(37)	9
Effect of undiscounting assets and liabilities **(b)**		(45)	(75)
Other		10	(1)
Other financial charges and income		**579**	**(83)**

(a) Following the tender offer launched by Prisa for the share capital of Sogecable at €28.00 per share, Vivendi offered to deliver Sogecable shares to the holders of these bonds on the basis of a ratio of one bond for every 1.0118 Sogecable shares plus €2.00 in cash per bond. This offer, which expired on April 18, 2008, resulted in virtually all of the outstanding bonds being tendered to Vivendi. Thereafter, Vivendi redeemed the remaining bonds, at a price of €29.32 plus interest accrued to the redemption date. Following this transaction, Vivendi owned only 0.64% of Sogecable's share capital and contributed these shares to Prisa's takeover bid for Sogecable.
In the Consolidated Financial Statements for the year ended December 31, 2008, this transaction mainly generated a €83 million capital gain, comprised of a €74 million capital gain on the bonds conversion and repurchase, and a €9 million capital gain on the share contribution to Prisa, as well as a €217 million decrease in Financial Net Debt. For a detailed description of this borrowing as of December 31, 2007, please refer to Note 24.3.3.

(b) 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. This line item corresponds notably to the effect of the undiscounting of liabilities related to the combination of Canal+ Group and TPS pay-TV operations in France finalized in 2007.

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Notes to the Consolidated Financial Statements

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 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 2008. This period may be extended for additional three-year periods.

On May 19, 2008, Vivendi applied to the French Ministry of Finance to renew the permission to use the Consolidated Global Profit Tax System for a three-year period from 2009 to 2011 (*).

(*) By an order dated March 13, 2009, subsequent to the Management Board meeting of February 24, 2009, which approved the Consolidated Financial Statements for the year ended December 31, 2008, the permission to use the Consolidated Global Profit Tax System was renewed for the period beginning on January 1, 2009 and ending on December 31, 2011. Please refer to Chapter 5, Section 1 "Recent events" of this Annual Report.

The Consolidated Global Profit Tax System allows Vivendi to consolidate its own profits and losses with the profits and losses of its subsidiaries that are at least 50% directly or indirectly owned, and located in France or abroad. Subsidiaries in which Vivendi directly or indirectly owns at least 50% of the outstanding shares, either French or foreign, as well as Canal+ SA, fall within the scope of the Consolidated Global Profit Tax System (including, but not limited to, Universal Music Group, Canal+ Group, SFR, Maroc Telecom, Vivendi Games and Activision since July 9, 2008). Vivendi's permission to use the Consolidated Global Profit Tax System enables Vivendi to maintain its ability to use ordinary losses carried forward.

The benefit provided by the Consolidated Global Profit Tax System related to the assessment of losses carried forward is as follows:

- as of December 31, 2007, Vivendi carried forward losses of €8,040 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 24, 2009, the date of the Management Board's meeting held to approve the Financial Statements for the year ended December 31, 2008, the 2008 taxable profits of the tax group companies, as of December 31, 2008 and, as a consequence, the amount of ordinary tax losses available for carry forward at such date, cannot be determined with sufficient certainty in accordance with French tax rules;
- therefore, before the impact of (i) 2008 taxable profits and (ii) the consequences of the ongoing tax audit (please refer to Note 6.6 below) on the amount of ordinary tax losses carried forward, Vivendi SA is expected to achieve tax savings of €2,680 million (undiscounted value based on the current income tax rate of 33.33%); and
- nonetheless, the period during which losses will be utilized cannot 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 SA 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.

The impact of the Consolidated Global Profit Tax System on the Consolidated Financial Statements for the years ended December 31, 2008 and 2007 is as follows:

(in millions of euros)	December 31, 2006	Income/ (charges) in statement of earnings	Collections	December 31, 2007	Income/ (charges) in statement of earnings	Collections	December 31, 2008
Current taxes	604	551	(603)	552	(a) 434	(548)	438
Deferred tax assets	537	53	-	590	(378)	-	212
	1,141	**604**	**(603)**	**1,142**	**56**	**(548)**	**650**

(a) Corresponds to the expected tax savings for 2008 (€438 million) and a difference of -€4 million between the 2007 forecasted tax savings and the related 2007 tax savings received in 2008.

As of December 31 2008, current taxes corresponded to the 2008 expected tax savings. Deferred tax assets corresponded to the 2009 expected tax savings assuming the effective renewal of the permission to use the Consolidated Global Profit Tax System, applied for on May 19, 2008. The decrease in deferred tax asset was mainly driven by lower 2009 expected tax savings following the anticipated utilization by SFR in 2009 of Neuf Cegetel losses carried forward.

Notes to the Consolidated Financial Statements

6.2. Provision for Income Taxes

(in millions of euros)	Note	Year ended December 31, 2008	2007
Provision for income taxes			
Current			
Use of tax losses:			
Tax savings related to the Consolidated Global Profit Tax System	6.1	434	551
Tax savings related to the US tax group		49	138
Adjustments to prior year's tax expense		-	(15)
Other income taxes items		(1,057)	(1,532)
		(1,024)	**(858)**
Deferred			
Impact of the Consolidated Global Profit Tax System	6.1	(378)	53
Impact of the US tax group		-	(88)
Other changes in deferred tax assets		7	42
Impact of the change(s) in tax rates		-	33
Reversal of tax liabilities relating to risks extinguished over the period		243	15
Other deferred tax income/(expenses)		101	56
		(27)	**111**
Provision for income taxes		**(1,051)**	**(747)**

6.3. Provision for Income Taxes and Income Tax Paid by Geographical Area

(in millions of euros)	Year ended December 31, 2008	2007
Provision for income taxes		
Current		
France	(504)	(394)
United States	(54)	(18)
Morocco	(329)	(350)
Other jurisdictions	(137)	(96)
	(1,024)	**(858)**
Deferred		
France	(376)	33
United States	186	(45)
Morocco	(9)	7
Other jurisdictions	172	116
	(27)	**111**
Provision for income taxes	**(1,051)**	**(747)**
Income tax (paid)/collected		
France	(407)	(560)
o/w SFR	*(743)*	*(920)*
United States	(96)	(15)
Morocco	(418)	(306)
Other jurisdictions	(94)	(191)
Income tax paid	**(1,015)**	**(1,072)**

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Notes to the Consolidated Financial Statements

6.4. Effective Tax Rate

(in millions of euros, except %)	Note	Year ended December 31, 2008	2007
Earnings from continuing operations before provision for income taxes		**4,750**	**4,516**
Elimination:			
Income from equity affiliates		(260)	(373)
Earnings before provision for income taxes		**4,490**	**4,143**
French statutory tax rate (a)		**33.33%**	**33.33%**
Theoretical provision for income taxes based on French statutory tax rate		**(1,497)**	**(1,381)**
Reconciliation of the theoretical and effective provision for income taxes:			
Permanent differences		**(37)**	**23**
o/w other differences from tax rates		*40*	*(65)*
o/w impact of the changes in tax rates		*-*	*33*
Consolidated Global Profit	6.1	**56**	**604**
o/w current tax savings		*434*	*551*
o/w changes in related deferred tax assets		*(378)*	*53*
Other tax losses		**(72)**	**(56)**
o/w use of current losses of the period		*72*	*-*
o/w use of unrecognized ordinary losses		*78*	*87*
o/w unrecognized tax losses		*(222)*	*(143)*
Restatements in respect of the provision for income taxes of previous years		**243**	**2**
Capital gain or loss on the divestiture or on the depreciation of financial investments or businesses		**256**	**61**
o/w the gain on the dilution of Vivendi's interest in Vivendi Games by 45.53% following the creation of Activision Blizzard		*772*	*-*
o/w the depreciation of the minority stake in NBC Universal		*(517)*	*-*
Effective provision for income taxes		**(1,051)**	**(747)**
Effective tax rate		**23.4%**	**18.0%**

(a) The French statutory tax rate is 33.33%. Act No. 99-1140 of December 29, 1999 dealing with the financing of the social security system introduced 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 2008 and in 2007.

6.5. Deferred Tax Assets and Liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of deferred tax assets/(liabilities)	**326**	**414**
Provision for income taxes	(27)	111
Changes in shareholders' equity	(58)	(3)
Business combinations	545	(136)
Changes in foreign currency translation adjustments and other	104	(60)
Closing balance of deferred tax assets/(liabilities)	**890**	**326**

Notes to the Consolidated Financial Statements

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2008	December 31, 2007
Deferred tax assets		
Recognized deferred taxes		
Ordinary tax losses and tax credits carried forward (a)	4,001	3,441
o/w Vivendi SA (b)	*2,767*	*2,895*
o/w Vivendi Holding 1 (c)	*154*	*131*
o/w SFR (d)	*890*	*28*
Temporary differences (e)	1,683	1,231
Netting	(390)	(228)
Recognized deferred taxes	**5,294**	**4,444**
Unrecognized deferred taxes		
Ordinary tax losses and tax credits carried forward (a)	(2,874)	(2,691)
o/w Vivendi SA (b)	*(2,555)*	*(2,305)*
o/w Vivendi Holding 1 (c)	*(154)*	*(131)*
o/w SFR (d)	*(33)*	*(12)*
Temporary differences (e)	(225)	(331)
Unrecognized deferred taxes	**(3,099)**	**(3,022)**
Recorded deferred tax assets	**2,195**	**1,422**
Deferred tax liabilities		
Purchase accounting reevaluation of assets (f)	1,165	666
Spirits and wine activities sale	114	152
Other	416	506
Netting	(390)	(228)
Recorded deferred tax liabilities	**1,305**	**1,096**
Deferred tax assets/(liabilities), net	**890**	**326**

(a) The amounts of ordinary tax losses and tax credits carried forward, as reported in this table, were estimated at the end of the relevant fiscal years. In jurisdictions which are material to Vivendi, mainly the United States and France, the tax returns are respectively issued on September 15 and November 30 of the following year, at the latest. Thus, the amounts of tax losses and tax credits carried forward reported in this table and those reported to the tax authorities could differ significantly, and if necessary, may be adjusted at the end of the following year in the table above.

(b) Includes recognized deferred tax assets in respect of ordinary tax losses and tax credits carried forward by Vivendi SA as head of the tax group under the Consolidated Global Profit Tax System (€3,201 million as of December 31, 2007, before the use expected in 2008 estimated at €434 million (please refer to Note 6.1 above) and before the potential impact of the ongoing tax audit (please refer to Note 6.6 below).

(c) Includes recognized deferred tax assets in respect of ordinary tax losses and tax credits carried forward by the Vivendi Holding 1 as head of the US tax group ($232 million as of December 31, 2007), before the use expected in 2008 estimated at $58 million and before the potential impact of the ongoing tax audit (please refer to Note 6.6 below).

(d) Mainly includes the deferred tax assets related to ordinary tax losses of Neuf Cegetel SA, fully consolidated by SFR from April 15, 2008, fully recognized in SFR's statement of financial position as part of the purchase price allocation of Neuf Cegetel for €807 million, before the expected tax losses of Neuf Cegetel SA in 2008 amounting to €23 million.

(e) Mainly includes the deferred tax assets related to non-deductible provisions, including provisions relating to employee benefit plans and share-based compensation plans.

(f) 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 ordinary tax losses carried forward

The ordinary tax losses carried forward reported to tax authorities for the fiscal year ended December 31, 2007 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: losses carried forward amounted to €8,040 million and can be carried forward indefinitely; and
- United States: losses carried forward amounted to $428 million and can be carried forward for a twenty-year period. No losses will mature prior to December 31, 2022.

Maturity of tax credits carried forward

The tax credit carried forward reported to tax authorities for the fiscal year ended December 31, 2007 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: tax credits carried forward amounted to €521 million and can be carried forward for a five-year period. No tax credits will mature prior to December 31, 2009; and
- United States: tax credits carried forward amounted to $82 million and can be carried forward for a ten-year period. No tax credits will mature prior to December 31, 2010.

6.6. Tax Audits

The fiscal year ended December 31, 2008 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has or had 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.

In addition, in respect of the Consolidated Global Profit Tax System, the consolidated income reported by Vivendi SA 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 proposed an assessment that would not materially impact the amount of losses carried forward as reported above.

Lastly, the US tax group of Vivendi is under audit for the fiscal years 2002, 2003 and 2004. In this context, Vivendi has made an affirmative claim before the tax authorities, which, if it were met favorably by the tax authorities, would increase the losses carried forward of the US tax group by $975 million.

Note 7. Reconciliation of Earnings Attributable to Equity Holders of the Parent and Adjusted Net Income

(in millions of euros)	Note	Year ended December 31, 2008	Year ended December 31, 2007
Earnings attributable to equity holders of the parent (a)		**2,603**	**2,625**
Adjustments			
Amortization of intangible assets acquired through business combinations		653	301
Impairment losses of intangible assets acquired through business combinations (a)		40	34
Other financial charges and income (a)	5	(579)	83
Change in deferred tax asset related to the Consolidated Global Profit Tax System	6.1	378	(53)
Non recurring items related to provision for income taxes		26	74
Provision for income taxes on adjustments		(273)	(155)
Minority interests in adjustments		(113)	(77)
Adjusted net income		**2,735**	**2,832**

(a) As presented in the Consolidated Statement of Earnings.

Notes to the Consolidated Financial Statements

Note 8. Earnings per Share

	Year ended December 31,			
	2008		2007	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
Earnings attributable to equity holders of the parent	2,603	(a) 2,606	2,625	2,625
Adjusted net income	2,735	2,735	2,832	2,832
Number of shares (in millions)				
Weighted average number of shares outstanding restated (b)	1,167.1	1,167.1	1,160.2	1,160.2
Potential dilutive effects related to share-based compensation	-	4.1	-	7.6
Adjusted weighted average number of shares	**1,167.1**	**1,171.2**	**1,160.2**	**1,167.8**
Earnings per share (in euros)				
Earnings attributable to equity holders of the parent per share	2.23	2.23	2.26	2.25
Adjusted net income per share	2.34	2.34	2.44	2.43

Earnings from discontinued operations are not applicable over the considered periods as shown above. Therefore, earnings from continuing operations, attributable to the equity holders of the parent, solely consist of earnings attributable to the equity holders of the parent.

(a) Includes €3 million relating to the potential dilutive effect related to employee stock purchase plans, restricted stock units and restricted stock of Activision Blizzard (please refer to Note 1.3.11 and 21).
(b) Net of treasury shares (please refer to Note 18.1).

Note 9. Goodwill

(in millions of euros)	December 31, 2008	December 31, 2007
Goodwill, gross	33,778	26,402
Impairment losses	(11,166)	(10,975)
Goodwill	**22,612**	**15,427**

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Notes to the Consolidated Financial Statements

Changes in goodwill

(in millions of euros)	Goodwill as of December 31, 2007	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, 2008
Universal Music Group	4,246	(7)	-	(a) 54	113	4,406
Canal+ Group	4,850	-	28	154	(5)	5,027
o/w Canal+ France	*4,631*	-	*28*	*50*	-	*4,709*
o/w StudioCanal	*71*	-	-	*98*	*(5)*	*164*
SFR	4,270	-	-	(b) 4,791	(11)	9,050
o/w Mobile	*4,050*	-	-	*2,868*	*(11)*	*6,907*
o/w Broadband Internet and fixed	*220*	-	-	*1,923*	-	*2,143*
Maroc Telecom Group	1,960	(1)	3	(c) (6)	12	1,968
Activision Blizzard	101	(10)	-	(d) 1,899	171	2,161
o/w Activision	-	-	-	*1,892*	*221*	*2,113*
o/w Blizzard	*79*	-	-	*1*	*(36)*	*44*
o/w Distribution	-	-	-	*3*	*1*	*4*
Total	**15,427**	**(18)**	**31**	**6,892**	**280**	**22,612**

(in millions of euros)	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
Universal Music Group	3,923	-	-	(e) 739	(416)	4,246
Canal+ Group	3,412	-	10	(f) 1,427	1	4,850
o/w Canal+ France	*3,192*	-	*10*	*1,427*	*2*	*4,631*
o/w StudioCanal	*73*	-	-	-	*(2)*	*71*
SFR	4,024	(6)	-	(g) 252	-	4,270
Maroc Telecom Group	1,600	-	4	(h) 384	(28)	1,960
Activision Blizzard	109	-	-	1	(9)	101
Total	**13,068**	**(6)**	**14**	**2,803**	**(452)**	**15,427**

(a) Relates notably to preliminary goodwill attributable to the acquisition of Univision (please refer to Note 2.3).

(b) Relates to preliminary goodwill resulting from the acquisition of Neuf Cegetel. As a consequence of the take over of Neuf Cegetel by SFR in the second quarter of 2008 (please refer to Note 2.1), two cash generating units have been identified within SFR: (i) mobile and (ii) Broadband Internet and fixed, the latter being composed of Broadband Internet and fixed operations previously developed by SFR, or acquired from Tele2 France (acquired in 2007) and Neuf Cegetel. Of the total amount of goodwill of €5,011 million resulting from the acquisition of Neuf Cegetel (€4,791 million) and Tele2 France (€220 million), a portion of €2,868 million has been allocated to the "mobile" CGU, considering the following facts related to the acquisition of Neuf Cegetel and Tele2 France: (i) the expected synergies of revenues and costs benefiting the mobile operations; (ii) the protection of the existing "mobile" customer base, which is not recognized in the financial statements of SFR; the combination of mobile operations and Broadband Internet and fixed operations is expected to increase the loyalty of the existing "mobile" customer base.

(c) Relates to the impact of the finalization of the goodwill attributable to the acquisition of Gabon Telecom accounted as of December 31, 2007.

(d) Relates notably to preliminary goodwill attributable to the Activision Blizzard transaction on July 9, 2008 (please refer to Notes 2.2 and 3).

(e) Mainly relates to goodwill attributable to the acquisition of BMG Music Publishing for €599 million and of Sanctuary for €102 million.

(f) Relates 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).

(g) Relates mainly to goodwill attributable to the acquisition of the Broadband Internet and fixed operations of Tele2 France for €220 million.

(h) Relates to goodwill attributable to the acquisition of Onatel and Gabon Telecom for €164 million and €19 million, respectively and the acquisition of a 2% interest in Maroc Telecom Group by Vivendi for €201 million.

Notes to the Consolidated Financial Statements

Goodwill impairment test

During the fourth quarter of 2008, Vivendi tested the value of goodwill allocated to its cash-generating units (CGU) or groups of CGU applying the same valuation methods used every year since the end of 2001. Vivendi ensures that the recoverable amount of CGU or groups of CGU exceed their carrying value (including goodwill). The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (discounted cash flow method (DCF)) and the fair value (less costs to sell), determined based on market data (stock market prices, comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions). The test was performed on the basis of an internal valuation of the recoverable amounts. Vivendi Management reached the conclusion that the recoverable amount of each CGU or group of CGU exceeded their carrying value.

A description of the methods used to test for impairment is presented in Note 1.3.5.7.

CGU or groups of CGU tested are as follows:

Operating Segments	Cash Generating Units (CGU)	CGU or groups of CGU
Universal Music Group	Recorded music	Universal Music Group
	Artist services and merchandising	
	Music publishing	
Canal+ Group	French Pay-TV	Canal+ France
	Canal Overseas	
	StudioCanal	StudioCanal
	Other entities	na*
SFR	Mobile	Mobile
	Broadband Internet and fixed	Broadband Internet and fixed
Maroc Telecom Group	Mobile	Maroc Telecom
	Fixed and Internet	
	Other entities	Other entities
Activision Blizzard	Activision	Activision
	Blizzard	Blizzard
	Distribution	Distribution
	Non-core exit operations	na*

na*: not applicable.

Key assumptions used for the determination of recoverable amounts

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the 2009 budget and the most recent forecasts prepared by the operating segments. These forecasts are established for each operating segment on the basis of the financial targets as well as the following main key assumptions: the discount rate, the perpetual growth rate, EBITA as defined in Note 1.2.3, capital expenditures, competitive environment, regulatory environment, technological development and level of commercial expenses.

In particular, with regards to the discount rate assumption, taking into account the impact of the downward and volatile behavior of financial markets in the fourth quarter of 2008, which has resulted in a significant decrease in stock market multiples, an increase in risk premiums required by equity or bond investors, and a decrease in risk-free interest rates, and in accordance with the AMF recommendation, Vivendi management decided to implement an approach reasonable and consistent with the available historical data, in order to mitigate certain effects on the risk premium of the turbulence in financial markets. This approach consisted of taking the average of (i) a discount rate calculated based on historical data for interest rates, equity risk premiums and interest rate spreads, and (ii) a discount rate calculated based on instant data observed on the financial markets at the end of 2008.

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Notes to the Consolidated Financial Statements

The main assumptions used are presented in the following table. Please refer to Note 1.3.5.6 for further presentation of these methods.

Operating segments	CGU or groups of CGU	Valuation method		Discount rate		Perpetual growth rate	
		2008	2007	2008	2007	2008	2007
Universal Music Group	Universal Music Group	DCF & comparables model	DCF & comparables model	9.30%	8.25%	1.00%	2.00%
Canal+ Group	Canal+ France	DCF	DCF	8.80%	8.80%	1.50%	1.50%
	StudioCanal	DCF	DCF	8.75% - 9.25%	8.75% - 9.25%	0% - 1%	0% - 1%
SFR	SFR	na*	DCF & comparables model	na*	8.00%	na*	2.50%
	Mobile	DCF & comparables model	na*	8.00%	na*	1.50%	na*
	Broadband Internet and fixed	DCF	na*	9.50%	na*	0.50%	na*
Maroc Telecom Group	Maroc Telecom	Stock market price	Stock market price	na*	na*	na*	na*
	Onatel	DCF	na*	14.50%	14.00% - 16.00%	4.50%	4.50% - 5.50%
	Gabon Telecom	DCF	na*	15.50%	15.70%	2.50%	2.00% - 3.00%
	Mauritel	DCF	na*	14.00%	14.00%	2.50%	2.50%
Activision Blizzard	Activision	DCF, Stock market price & comparables model	na*	11.70%	na*	3.00%	na*
	Blizzard	DCF, Stock market price & comparables model	Value of transaction with Activision	11.70%	na*	3.00%	na*
	Distribution	DCF, Stock market price & comparables model	na*	11.70%	na*	3.00%	na*

na* : not applicable.
DCF : Discounted Cash Flows.

The determination of recoverable amounts using a post-tax discount rate applied to post-tax cash flows provides recoverable amounts consistent with the ones that would have been obtained using a pre-tax discount rate applied to pre-tax cash flows.

Sensitivity of recoverable amounts

The following table presents, for each principal CGU or group of CGU, the change in the discount rate and in the perpetual growth rate used for the tests as of December 31, 2008 that would have been required in order for the recoverable amount to equal the carrying value.

	Discount rate		Perpetual growth rate	
	Applied rate (in %)	Change in the discount rate in order for the recoverable amount to be equal to the carrying amount (in points)	Applied rate (in %)	Change in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in points)
Universal Music Group	9.30%	+0.70 points	1.00%	-0.75 points
Canal+ Group				
Canal+ France	8.80%	+2.50 points	1.50%	-3.80 points
StudioCanal	9.25%	+3.20 points	0.00%	-5.40 points
SFR				
Mobile	8.00%	+10.30 points	1.50%	-20.90 points
Broadband Internet and fixed	9.55%	+0.65 points	0.50%	-1.25 points
Maroc Telecom Group	**(a)**	na*	**(a)**	na*
Activision Blizzard				
Activision	11.70%	+3.70 points	3.00%	-5.60 points
Blizzard	11.70%	**(b)**	3.00%	**(b)**

na*: not applicable.
(a) As of December 31, 2008, as in 2007, Maroc Telecom SA was valued based on its stock market price.
(b) As of December 31, 2008, Blizzard's recoverable amount significantly exceeded its carrying value, hence the increase in the discount rate or the decrease in the perpetual growth rate, respectively, that would have been required in order for Blizzard's recoverable amount to equal its carrying value, was not relevant.

Notes to the Consolidated Financial Statements

Note 10. Content Assets and Commitments

10.1. Content Assets

(in millions of euros)	December 31, 2008		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	5,901	(3,562)	2,339
Advances to artists and repertoire owners	459	-	459
Merchandising contracts and artists services	47	(11)	36
Sports rights	285	-	285
Film and television costs	4,888	(4,172)	716
Games advances	73	-	73
Internally developed franchises and other games content assets	1,222	(191)	1,031
Content assets	**12,875**	**(7,936)**	**4,939**
Deduction of current content assets	(976)	49	(927)
Non-current content assets	**11,899**	**(7,887)**	**4,012**

(in millions of euros)	December 31, 2007		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
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**

Changes in content assets

(in millions of euros)	Year ended December 31,	
	2008	2007
Opening balance of music catalogs and publishing rights	**2,515**	**1,633**
Amortization, net (a)	(263)	(232)
Business combinations	58	(b) 1,313
Purchases of catalogs	18	11
Impairment of catalogs	(28)	-
Assets held for sale	-	(12)
Changes in foreign currency translation adjustments and other	39	(198)
Closing balance of music catalogs and publishing rights	**2,339**	**2,515**

(a) This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the Consolidated Statement of Earnings.

(b) Mainly includes acquired catalogs relating to the acquisition of BMG Music Publishing by UMG.

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Notes to the Consolidated Financial Statements

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of payments to artists and repertoire owners	**449**	**362**
Payment to artists and repertoire owners	633	638
Business combinations	7	95
Recoupment of advances, net	(609)	(605)
Changes in foreign currency translation adjustments and other	(21)	(41)
Closing balance of payments to artists and repertoire owners	**459**	**449**

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of sports rights	**378**	**366**
Rights acquisition **(a)**	709	785
Business combinations	-	6
Rights accrual, net **(a)**	(88)	(54)
Consumption of broadcasting rights	(706)	(727)
Other	(8)	2
Closing balance of sports rights	**285**	**378**

(a) Mainly relates to the rights to broadcast the French professional Soccer League which was awarded in February 2008 for four seasons between 2008-2009 and 2011-2012. Canal+ Group pays €465 million per season for these rights, representing an aggregate of €1,860 million. As of December 31, 2008, these rights were recognized as follows:

- The rights are accrued upon the start of the broadcasting period. Thus, on July 1, 2008, €465 million were accrued for the 2008-2009 season. These rights are reclassified as acquired rights upon billing by the third party, unless already expensed. The rights accrual, net corresponds to accrued rights less rights transferred to acquired rights and rights consumed before their billing.
- For the three remaining seasons, between 2009-2010 and 2011-2012, an aggregate of €1,395 million was recognized in given off balance sheet commitments (see below). These commitments will be recorded in the Statement of Financial Position upon the start of every season or upon first payment.

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of film and television costs	**627**	**571**
Acquisition of coproductions and catalogs	70	58
Consumption of coproductions and catalogs	(120)	(97)
Acquisition of film and television rights	838	676
Consumption of film and television rights	(794)	(719)
Business combinations	61	119
Other	34	19
Closing balance of film and television costs	**716**	**627**

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of games advances	**64**	**30**
Payment to game developers	70	58
Business combinations	-	-
Recoupment of advances, net	(63)	(19)
Changes in foreign currency translation adjustments and other	2	(5)
Closing balance of games advances	**73**	**64**

Notes to the Consolidated Financial Statements

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance of internally developed franchises and other games content assets	**-**	**-**
Amortization, net	(225)	-
Business combinations	(a) 1,072	-
Acquisitions/Internal developments	44	-
Changes in foreign currency translation adjustments and other	140	-
Closing balance of internally developed franchises and other games content assets	**1,031**	**-**

(a) Mainly includes internally developed game franchises, licenses, and game engines acquired following the creation of Activision Blizzard (please refer to Note 2.2).

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, and whether they are 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).

(in millions of euros)	Minimum future payments as of December 31, 2008				Total as of December 31, 2007
		Due in			
	Total	2009	2010-2013	After 2013	
Music royalties to artists and repertoire owners	1,380	1,358	22	-	1,485
Games royalties (a)	58	58	-	-	4
Film and television rights (b)	258	258	-	-	182
Sports rights	359	359	-	-	473
Creative talent, employment agreements (c)	138	68	61	9	221
Total content liabilities	**2,193**	**2,101**	**83**	**9**	**2,365**

Off balance sheet commitments given/received

(in millions of euros)	Minimum future payments as of December 31, 2008				Total as of December 31, 2007
		Due in			
	Total	2009	2010-2013	After 2013	
Film and television rights (b)	3,008	1,045	1,639	324	3,278
Sports rights	1,721	586	1,135	-	181
Creative talent, employment agreements and others (c)	1,089	480	559	50	1,005
Total given	**5,818**	**2,111**	**3,333**	**374**	**4,464**
Film and television rights (b)	(57)	(40)	(17)	-	(87)
Sports rights	(35)	(8)	(27)	-	-
Creative talent, employment agreements and others (c)		not available			
Other	(11)	(5)	(6)	-	(9)
Total received	**(103)**	**(53)**	**(50)**	**-**	**(96)**
Total net	**5,715**	**2,058**	**3,283**	**374**	**4,368**

(a) Mainly relates to Activision Blizzard. In the normal course of its business, Activision Blizzard commits to providing specified payments to a lessor, developer, or intellectual property holder, based upon contractual arrangements. Typically, the payments to third-party developers are conditional upon the achievement by the developers of contractually specified development milestones. These payments to third-party developers and intellectual property holders are typically deemed to be advances and are recoupable against future royalties earned by the developer or intellectual property holder based on the sale of the related game. Additionally, in connection with certain intellectual property rights acquisitions and development agreements, Activision Blizzard will commit to spending specified amounts for marketing support for the related game(s) which is to be developed or in which the intellectual property will be utilized.

(b) 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, 2008, provisions recorded relating to film and television rights amounted to €389 million, compared to €566 million as of December 31, 2007.

(c) Mainly concerns UMG which routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other products ("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.

Note 11. Other Intangible Assets

(in millions of euros)	December 31, 2008		
	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
Acquired software **(a)**	2,322	(1,513)	809
Internally developed software **(b)**	1,320	(848)	472
Telecom licenses	1,341	(398)	943
Customer bases **(c)**	712	(148)	564
Indefeasible rights of use (IRU) and other long-term occupational rights **(d)**	427	(85)	342
Trade names **(e)**	303	(26)	277
Other	1,191	(726)	465
	7,616	**(3,744)**	**3,872**

(in millions of euros)	December 31, 2007		
	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
Acquired software **(a)**	2,061	(1,333)	728
Internally developed software **(b)**	1,146	(697)	449
Telecom licenses	1,339	(312)	1,027
Customer bases **(c)**	248	(42)	206
Trade names	29	(28)	1
Other	824	(463)	361
	5,647	**(2,875)**	**2,772**

(a) Primarily includes SFR software amortized over 4 years.

(b) Primarily includes the cost of internal software developed by SFR.

(c) Primarily includes customer lists of Neuf Cegetel acquired in 2008 (please refer to Note 2.1), and of TPS and Tele2 France acquired in 2007.

(d) Includes contracts assumed following the take over of Neuf Cegetel (please refer to Note 2.1).

(e) Includes trade names acquired in 2008: Neuf Cegetel (€26 million fully amortized in 2008) and Activision (€245 million – please refer to Note 2.2).

Notes to the Consolidated Financial Statements

Changes in other intangible assets

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance	**2,772**	**2,262**
Amortization	(832)	(531)
Impairment losses	-	(28)
Acquisitions	487	446
Increase related to internal developments	203	196
Divestitures/Decrease	(32)	(17)
Business combinations	(a) 1,162	354
Changes in foreign currency translation adjustments	44	(7)
Other	68	97
Closing balance	**3,872**	**2,772**

(a) Primarily includes other intangible assets acquired following the take over of Neuf Cegetel and the creation of Activision Blizzard for €860 million and €285 million, respectively.

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 2008, unchanged compared to 2007, Maroc Telecom Group: -€5 million in 2008 compared to -€4 million in 2007), internally developed software (-€163 million in 2008 compared to -€133 million in 2007) and acquired software (-€237 million in 2008 compared to -€206 million in 2007).

Note 12. Property, Plant and Equipment

(in millions of euros)	December 31, 2008 Property, plant and equipment, gross	Accumulated depreciation and impairment losses	Property, plant and equipment
Land	179	(2)	177
Buildings	2,123	(1,208)	915
Equipment and machinery	9,107	(5,182)	3,925
Construction-in-progress	269	-	269
Other	3,369	(2,338)	1,031
	15,047	**(8,730)**	**6,317**

(in millions of euros)	December 31, 2007 Property, plant and equipment, gross	Accumulated depreciation and impairment losses	Property, plant and equipment
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**

As of December 31, 2008, property, plant and equipment financed pursuant to finance leases amounted to €66 million compared to €48 million in 2007.

Notes to the Consolidated Financial Statements

Changes in property, plant and equipment

(in millions of euros)	Year ended December 31, 2008	2007
Opening balance	**4,675**	**4,379**
Depreciation	(1,225)	(993)
Acquisitions/Increase	1,488	1,125
Divestitures/Decrease	(59)	(119)
Business combinations	**(a)** 1,493	433
Changes in foreign currency translation adjustments	(12)	(30)
Other	(43)	(120)
Closing balance	**6,317**	**4,675**

(a) Primarily includes property, plant and equipment acquired following the take over of Neuf Cegetel for €1,388 million (please refer to Note 13).

The depreciation charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of buildings (-€119 million in 2008 compared to -€121 million in 2007) and equipment and machinery (-€779 million in 2008 compared to -€623 million in 2007).

Note 13. Property, Plant, Equipment and Intangible Assets of Telecom Operations

(in millions of euros)	December 31, 2008	December 31, 2007
Network equipment **(a)**	**(b)** 3,433	2,314
Software **(c)**	929	915
Licenses **(c)** **(d)**	719	776
Customer bases **(c)**	482	96
Indefeasible rights of use (IRU) and other long-term occupational rights **(c)**	342	-
Other	878	513
Property, plant, equipment and intangible assets of telecom operations at SFR	**6,783**	**4,614**

(in millions of euros)	December 31, 2008	December 31, 2007
Network equipment **(a)**	1,214	1,111
Software **(c)**	218	197
Licenses **(c)**	224	251
Other	513	438
Property, plant, equipment and intangible assets of telecom operations at Maroc Telecom Group	**2,169**	**1,997**

(a) Principally pylons, radio and transmission equipment, switch centers and servers and hardware, recorded as "Property, plant and equipment".
(b) The difference mainly includes property, plant and equipment acquired pursuant to the take over of Neuf Cegetel, fully consolidated since April 15, 2008. It includes mainly cables.
(c) Recorded as "Other intangible assets".
(d) SFR holds licenses for its networks and for the supply of its telecommunications services in France for a period of 15 years for GSM (between March 2006 and March 2021) and 20 years for UMTS (between August 2001 and August 2021). In March 2006, the French Government authorized SFR to continue using its GSM license over the 15 year period commencing April 1, 2006 and ending March 31, 2021 for an annual payment comprised of a (i) fixed portion in an amount of €25 million (capitalized over the period based on a present value of €278 million) and (ii) 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; it is recorded as an expense when incurred. Upon the acquisition of the UMTS license, the fixed amount paid, i.e., €619 million was recorded as an intangible asset. 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.

Notes to the Consolidated Financial Statements

Note 14. Investments in Equity Affiliates

(in millions of euros)	Note	Voting interest		Value of equity affiliates	
		December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
NBC Universal		20.0%	20.0%	4,342	5,641
Neuf Cegetel	2.1	na*	39.9%	na*	1,091
Other		na*	na*	99	93
				4,441	**6,825**

na*: not applicable.

Changes in value of equity affiliates

(in millions of euros)	Value of equity affiliates as of December 31, 2007	Changes in scope of consolidation	Impairment losses	Income from equity affiliates	Dividends received	Changes in foreign currency translation adjustments and other	Value of equity affiliates as of December 31, 2008
NBC Universal	5,641	(a) 86	(b) (1,503)	255	(294)	(c) 157	4,342
Neuf Cegetel	1,091	(d) (1,087)	-	18	-	(22)	-
Other	93	16	-	(13)	(2)	5	99
	6,825	**(985)**	**(1,053)**	**260**	**(296)**	**140**	**4,441**

(in millions of euros)	Value of equity affiliates as of December 31, 2006	Changes in scope of consolidation	Impairment losses	Income from equity affiliates	Dividends received	Changes in foreign currency translation adjustments and other	Value of equity affiliates as of December 31, 2007
NBC Universal	5,953	(e) 176	-	301	(305)	(c) (484)	5,641
Neuf Cegetel	1,020	(f) 40	-	78	(33)	(14)	1,091
Other	59	43	-	(6)	(2)	(1)	93
	7,032	**259**	**-**	**373**	**(340)**	**(499)**	**6,825**

(a) Mainly relates to the subscription to NBCU's capital increase aimed at partly financing Vivendi's pro rata share of the cost of acquisition of "The Weather Channel" by NBC Universal.

(b) As of December 31, 2008, as at each year end, an impairment test was performed to determine, with the assistance of an independent expert, whether the carrying value of Vivendi's 20% interest in NBCU exceeds its recoverable amount. In this case, the recoverable amount was determined using the discounted cash flows (DCF) method or stock market multiples using financial assumptions consistent with previous years, which are as follows regarding the DCF method: discount rate 9.10% (compared to 6.50% to 7.50% as of December 31, 2007) and terminal value based on a multiple of EBITDA between 7.0x and 9.0x for DCF (compared to 9.5x to 10.5x as of December 31, 2007). Vivendi's management concluded that the carrying value exceeded the recoverable amount of the NBCU interest and consequently recognized an impairment loss of $2.1 billion (€1,503 million) as of December 31, 2008.

(c) Includes changes in foreign currency translation adjustments (+€160 million in 2008 and -€481 million in 2007).

(d) Following the acquisition by SFR during the second quarter of 2008 of a 60.15% equity interest in Neuf Cegetel that it did not own, Neuf Cegetel has been fully consolidated since April 15, 2008. Please refer to Note 2.1.

(e) Includes Vivendi's subscription to the NBC Universal capital increase (+€176 million) to finance the acquisitions of Oxygen Media and Hallmark International Group.

(f) Relates to additional acquisitions by SFR.

Notes to the Consolidated Financial Statements

Financial information relating to equity affiliates

The table below shows condensed information relating to Vivendi's equity in the stand-alone financial statements of equity affiliates. The equity is calculated by applying Vivendi's ownership interests in these affiliates, as presented in Note 28.

	December 31, 2008	December 31, 2007	
(in millions of euros)	NBC Universal	NBC Universal	Neuf Cegetel
Vivendi's ownership interests	**20.0%**	**20.0%**	**22.3%**
Revenues	2,278	2,171	747
EBIT	395	453	53
Earnings	240	304	57
Total assets	4,888	4,709	1,137
Total liabilities	1,350	1,290	754

Note 15. Financial Assets

(in millions of euros)	Note	December 31, 2008	December 31, 2007
Available-for-sale securities		72	306
Derivative financial instruments	24	99	69
Financial assets at fair value through profit or loss		128	106
Financial assets at fair value		**299**	**481**
Cash deposits		30	72
Other loans and receivables		666	848
Held-to-maturity investments		1	1
Financial assets at amortized cost		**697**	**921**
Financial assets		**996**	**1,402**
Deduction of short-term financial assets		(287)	(187)
Non-current financial assets		**709**	**1,215**

As of December 31, 2008, financial assets recorded at fair value through profit or loss notably includes the Auction Rate Securities held by Activision Blizzard for €56 million. Activision Blizzard owns a put option on a portion of these securities which may be exercised at a nominal value between June 30, 2010 and July 2, 2012.

Changes in available-for-sale securities

(in millions of euros)	Note	December 31, 2007	Changes in value	Acquisition/ divestiture	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2008
Sogecable shares hedging the exchangeable bonds	5	209	2	(211)	-	-	-
Other		97	(27)	(4)	-	6	(a) 72
Available-for-sale securities		**306**	**(25)**	**(215)**	**-**	**6**	**72**

(a) Notably includes ownership interests, which are not listed, amounting to less than €20 million per each ownership interest. A sensitivity test of the value of these ownership interests was performed but no sensitivity was determined (please refer to Note 24).

Notes to the Consolidated Financial Statements

(in millions of euros)	Note	December 31, 2006	Changes in value	Acquisition/ divestiture	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2007
Sogecable shares hedging the exchangeable bonds	24	206	3	-	-	-	209
Amp'd shares (a)		42	-	23	-	(65)	-
Other		77	(1)	25	3	(7)	97
Available-for-sale securities		**325**	**2**	**48**	**3**	**(72)**	**306**

(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.

Other loans and receivables

(in millions of euros)	Note	December 31, 2008	December 31, 2007
Deposits related to Qualified Technological Equipment lease/sublease operations (a)	16	462	624
Pension funds	20	3	17
Neuf Cegetel pledged marketable securities		22	-
Restricted cash		25	-
Other		154	207
Other loans and receivables		**666**	**848**

(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

(in millions of euros)	December 31, 2008	December 31, 2007
Trade accounts receivable	5,769	4,708
Trade accounts receivable write-offs	(949)	(1,120)
Trade accounts receivable, net	**4,820**	**3,588**
o/w past due receivables that are not impaired	*725*	*692*
Other	1,957	1,620
o/w VAT to be received	*944*	*820*
o/w social costs and other taxes	*91*	*44*
o/w prepaid charges	*354*	*298*
Trade accounts receivable and other	**6,777**	**5,208**

In accordance with group accounting policies (please refer to Note 1.3.5.10), each operating segment applies a depreciation rate on trade accounts receivable based, at its level, on historically-observed bad debts amounts for each customer group. As a consequence, the amount of past due receivables not impaired presented in the above table mainly relates to the balance of past due receivables partially impaired, based on the best estimate of the risk of bad debts, and to the VAT on impaired receivables, whenever VAT is recoverable under local legislation. Because of the diversification of its customers, their geographical dispersion and their nature, as well as the economic model in our main businesses (SFR, Canal+ Group and Activision Blizzard), whose economic model is mainly based on subscriptions, Vivendi considers that there is no significant risk of not recovering not impaired past due receivables.

Notes to the Consolidated Financial Statements

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2008	December 31, 2007
Trade accounts payable		6,911	5,859
Other		6,307	(a) 4,925
o/w music royalties to artists and repertoire owners	10.2	*1,358*	*1,436*
o/w prepaid telecommunication revenues (b)		*960*	*795*
o/w prepaid game revenues		(c) *661*	*82*
o/w VAT to be paid		*945*	*750*
o/w social costs and other taxes		*1,062*	*705*
Trade accounts payable and other		**13,218**	**10,784**

(a) Includes debt incurred in connection with the interim dividend to be paid to Vodafone by SFR (€197 million with respect to fiscal year 2007, paid in 2008).
(b) Mainly includes subscriptions that are not past due and prepaid cards sold but not consumed, mobile phones held by distributors, roll-over minutes and the current part of Neuf Cegetel deferred revenues from April 15, 2008 (please refer to other non-current liabilities below).
(c) Mainly includes deferred net revenues of certain Activision Blizzard games. Please refer to Note 1.3.4.4.

Other non-current liabilities

(in millions of euros)	Note	December 31, 2008	December 31, 2007
Advance lease payments in respect of Qualified Technological Equipment operations	15	480	650
Non-current content liabilities		72	111
Liabilities related to SFR GSM license (a)	13	222	238
Prepaid revenues from indefeasible rights of use (IRU) and other long-term occupational rights (b)		433	-
Other		273	79
Total other non-current liabilities		**1,480**	**1,078**

(a) Relates to the discounted value of the liability. The nominal value amounted to €306 million as of December 31, 2008, compared to €331 million as of December 31, 2007.
(b) Relates to revenues deferred by Neuf Cegetel notably related to indefeasible right of use (IRU) agreements, leases or services contracts. Please refer to Note 1.3.5.6.

Note 17. Cash and Cash Equivalents

(in millions of euros)	December 31, 2008	December 31, 2007
Cash	726	401
Cash equivalents (a)	2,426	1,648
o/w UCITS	*2,105*	*808*
o/w certificates of deposit and term deposits	*321*	*840*
Cash and cash equivalents	(b) **3,152**	**2,049**

(a) A review of the historical performance of these investments during fiscal years 2008 and 2007 confirmed their accounting treatment as cash equivalents. As reported in Note 1.3.5.8, marketable securities under this section are recorded at fair value through profit or loss.
(b) As of December 31, 2008, cash and cash equivalents include mainly cash at Activision Blizzard amounting to €2,117 million, of which €1,867 million is invested in money market funds with initial maturities not exceeding 90 days.

Notes to the Consolidated Financial Statements

Note 18. Information on the Share Capital

18.1. Number of Common Shares and Voting Rights Outstanding

(in thousands)	December 31, 2008	December 31, 2007
Common shares outstanding (nominal value: €5.5 per share)	**1,170,197**	**1,164,743**
Treasury shares	(80)	(80)
Voting rights	**1,170,117**	**1,164,663**

As of December 31, 2008, Vivendi held 79,114 treasury shares to hedge certain share purchase options granted to executives and employees (unchanged compared to December 31, 2007). As of December 31, 2006, Vivendi held 1,300,389 shares which were in the process of being cancelled. Such cancellation, which was completed at the beginning of 2007, resulted from the conversion of ADS options into cash-settled stock appreciation rights. In 2007, 7,118,181 shares were acquired, then exchanged for 2% of the share capital of Maroc Telecom Group.

18.2. 2008 Dividends

On February 24, 2009, the date of the Management Board's meeting which approved Vivendi's Consolidated Financial Statements as of December 31, 2008 and the appropriation of earnings, Vivendi's Management Board decided to propose the distribution of a dividend of €1.40 per share to Vivendi's shareholders, corresponding to a total distribution of approximately €1.6 billion. Each shareholder will have the option to receive the dividend in ordinary shares or in cash. This proposal was presented to the Supervisory Board at its meeting held on February 26, 2009.

Note 19. Provisions

(in millions of euros)	Note	December 31, 2007	Addition	Utilization	Reversal	Business combinations	Divestiture, changes in foreign currency translation adjustments and other	December 31, 2008
Employee benefit plans	20	*439*	*27*	*(56)*	*7*	*8*	*(7)*	*418*
Share-based compensation plans	21	*231*	*22*	*(78)*	*(68)*	-	*(10)*	*97*
Other employee provisions **(a)**		*60*	*16*	*(5)*	-	*(2)*	*7*	*76*
Employee benefits **(b)**		**730**	**65**	**(139)**	**(61)**	**6**	**(10)**	**591**
Restructuring costs		59	**(c)** 215	(122)	(1)	-	-	151
Litigations	27	436	99	(102)	(71)	12	10	384
Losses on onerous contracts **(d)**		655	11	(102)	(27)	4	24	565
Contingent liabilities due to disposal	26.4	66	68	(23)	(2)	19	9	137
Cost of dismantling and restoring site **(e)**		80	10	(1)	-	12	3	104
Other		273	150	(38)	(38)	39	(14)	372
Provisions		**2,299**	**618**	**(527)**	**(200)**	**92**	**22**	**2,304**
Deduction of current provisions		(705)	(284)	291	89	(65)	(45)	(719)
Non-current provisions		1,594	334	(236)	(111)	27	(23)	1,585

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Notes to the Consolidated Financial Statements

(in millions of euros)	Note	December 31, 2006	Addition	Utilization	Reversal	Business combinations	Divestiture, changes in foreign currency translation adjustments and other	December 31, 2007
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 (d)		260	16	(164)	(16)	**(f)** 527	32	655
Contingent liabilities due to disposal	26.4	155	8	(84)	(11)	-	(2)	66
Cost of dismantling and restoring site **(e)**		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

(a) Includes employee deferred compensation.

(b) Excludes employee termination reserves recorded under restructuring costs in the amount of €139 million in 2008 and €45 million in 2007.

(c) Includes mainly restructuring provisions recorded in 2008 at SFR for €88 million primarily resulting from its voluntary redundancy plan announced in July 2008 as well as €57 million at Activision Blizzard resulting from the exit or wind down of non-core exit operations which began during the third quarter of 2008.

(d) Includes notably the remainder of provisions for the costs incurred in 2006 relating to the combination of the Canal+ France and TPS pay-TV activities in France (€177 million, of which €165 million were recorded as provisions in 2006). As of December 31, 2008, the remaining provision amounted to €71 million compared to €109 million as of December 31, 2007).

(e) SFR is required to dismantle and restore each mobile telephony antenna site following the termination of a site lease.

(f) Includes losses on onerous contracts and losses related to long-term contractual commitments estimated as part of business combinations. Primarily concerns 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.

Notes to the Consolidated Financial Statements

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 below.

(in millions of euros)	Year ended December 31,	
	2008	2007
Employee defined contribution plans	23	24
Employee defined benefit plans	(1)	2
Employee benefit plans	**22**	**26**

20.2. Employee Defined Benefit Plans

20.2.1. Assumptions Used in the Evaluation and Sensitivity Analysis

The assumptions underlying the valuation of defined benefit plans were determined in compliance with accounting policies presented in Note 1.3.9 and have been applied consistently for several years. Demographic assumptions (including notably the rate of compensation increase) are specific and depend on each company. Financial assumptions (notably including the discount rate and the expected rate of return on investments) are determined as follows:

- determination by independent actuaries and other independent advisors of the discount rate for each country by reference to returns received on notes issued by investment grade companies having a credit rating of AA and maturities identical to that of the valued plans, generally based on relevant rate indices, and as reviewed by Vivendi's Finance Department, representing, at year end, the best estimate of expected trends in future payments from the start of benefit payments; and
- the expected return on plan assets as determined for each plan according to the portfolio composition and the expected performance of each component.

Discount rate, expected return on plan assets and rate of compensation increase

	Pension benefits		Post-retirement benefits	
	2008	2007	2008	2007
Discount rate **(a)**	5.8%	5.5%	6.2%	5.9%
Expected return on plan assets **(b)**	5.2%	5.0%	na*	na*
Rate of compensation increase	2.8%	3.5%	3.5%	3.3%
Expected average working life (in years)	11.5	12.0	7.5	9.4

na*: not applicable.

(a) A 50 basis point increase (or a 50 basis point decrease respectively) in the 2008 discount rate would have led to a decrease of €2 million in pre-tax expense (or an increase of €2 million respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €39 million (or an increase of €41 million respectively).

(b) A 50 basis point increase (or a 50 basis point decrease respectively) in the expected return on plan assets for 2008 would have led to a decrease of €2 million in pre-tax expense (or an increase of €2 million respectively).

The assumptions used in accounting for the pension benefits, by country, were as follows:

	United States		United Kingdom		Germany		France	
	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate	6.25%	6.00%	6.10%	5.70%	5.70%	5.30%	5.70%	5.30%
Expected return on plan assets	6.25%	6.00%	5.00%	5.00%	na*	na*	4.90%	5.00%
Rate of compensation increase	na*	na*	4.90%	4.85%	3.50%	3.50%	3.40%	3.50%

na* : not applicable.

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Notes to the Consolidated Financial Statements

In the United Kingdom, concomitant with the restructuring of the principal Vivendi defined benefit pension plan and the externalization of the obligations to retirees of this plan (please refer to "Restructuring in the United Kingdom", below), all derivative instruments, which protected the group against unfavorable changes in interest rates and increases in the inflation rate, were unwound. Pension plan assets, which were not transferred, are mainly invested in credit instruments with a long term maturity and are no longer exposed to stock markets.

The assumptions used in accounting for postretirement benefits, by country, were as follows:

	United States		Canada	
	2008	2007	2008	2007
Discount rate	6.25%	6.00%	5.75%	5.60%
Rate of compensation increase	4.00%	4.00%	na*	na*

na* : not 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%	2%
Debt securities	72%	86%
Cash	1%	4%

Vivendi's allocation of its pension plan assets as of December 31, 2008 and 2007 was as follows:

	December 31,	
	2008	2007
Equity securities	16.3%	20.9%
Real estate	1.9%	0.8%
Debt securities	79.9%	74.5%
Cash	1.9%	3.8%
Total	**100.0%**	**100.0%**

These assets do not include buildings occupied by or assets used by Vivendi, or Vivendi shares or debt instruments.

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the growth in the per capita cost of covered health care benefits would slow down from 8.8% for categories under 65 years old and 65 years old and over in 2008, to 4.9% in 2017 for these categories. In 2008, a one-percentage-point increase in the assumed cost rates would have increased post-retirement benefit obligations by €9 million and the pre-tax expense by €1 million; conversely, a one percentage-point decrease in the assumed cost rates would have decreased post-retirement benefit obligations by €8 million and the pre-tax expense by €1 million.

Notes to the Consolidated Financial Statements

20.2.2. Analysis of the Expense Recorded and Benefits Paid

(in millions of euros)	Pension benefits		Post-retirement benefits		Total	
	Year ended December 31,					
	2008	2007	2008	2007	2008	2007
Current service cost	12	13	-	-	12	13
Amortization of actuarial (gains) losses	(a) 43	11	-	1	43	12
Amortization of past service cost	(a) (47)	2	(5)	-	(52)	2
Effect of curtailments/settlements	(b) (4)	(25)	-	-	(4)	(25)
Adjustment related to asset ceiling	-	-	-	-	-	-
Impact on selling, administrative and general expenses	**4**	**1**	**(5)**	**1**	**(1)**	**2**
Interest cost	38	61	8	8	46	69
Expected return on plan assets	(18)	(40)	-	-	(18)	(40)
Impact on other financial charges and income	**20**	**21**	**8**	**8**	**28**	**29**
Net benefit cost	**24**	**22**	**3**	**9**	**27**	**31**

(a) In 2008, the increase in impacts related to amortization of actuarial losses, net of amortization of past service cost was related to the restructuring of the principal Vivendi defined benefit pension plan in the United Kingdom, as it existed as at December 31, 2007, and the purchase of an insurance policy to cover commitments to its beneficiaries already in retirement. For a further description of the transaction, which occurred in November 2008, please refer to "Restructuring in the United Kingdom", below.

(b) In 2008, the decrease in the effect of curtailments/settlements was due to the purchase, in December 2007, of an insurance policy to cover commitments to beneficiaries of the principal Vivendi defined benefit pension plan in the United States, leading to its settlement.

In 2008, benefits paid, including settlements relating to externalized liabilities, amounted to €49 million (€499 million in 2007) with respect to pensions, of which €19 million (€459 million in 2007) was paid by pension funds, and €11 million (€15 million in 2007) with respect to post-retirement benefits.

20.2.3. Analysis of Net Benefit Obligations with Respect to Pensions and Post-Retirement Benefits

The following three tables present the net benefit obligations of Vivendi with respect to pensions and post-retirement benefits. In 2008, they do not include the figures related to retirees of the principal defined benefit pension plan in the United Kingdom, detailed in "Restructuring in the United Kingdom", below.

Benefit obligation, fair value of plan assets and funded status for five periods

(in millions of euros)	Pension benefits					Post-retirement benefits				
	December 31,					December 31,				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Benefit obligation	482	780	1,319	1,376	1,276	135	144	159	200	201
Fair value of plan assets	189	443	911	806	685	-	-	-	-	-
Underfunded obligation	**(293)**	**(337)**	**(408)**	**(570)**	**(591)**	**(135)**	**(144)**	**(159)**	**(200)**	**(201)**

Notes to the Consolidated Financial Statements

Changes in the value of the benefit obligations, the fair value of plan assets and the funded status for the years ended December 31, 2008 and 2007

(in millions of euros)	Note	Pension benefits		Post-retirement benefits		Total	
		2008	2007	2008	2007	2008	2007
Changes in benefit obligation							
Benefit obligation at the beginning of the year		780	1,319	144	159	924	1,478
Current service cost		12	13	-	-	12	13
Interest cost		38	61	8	8	46	69
Contributions by plan participants		-	-	1	1	1	1
Business combinations		7	16	-	-	7	16
Divestitures		-	-	-	-	-	-
Curtailments		(6)	(2)	-	-	(6)	(2)
Settlements		(11)	(392)	-	-	(11)	(392)
Transfers (a)		(170)	3	-	-	(170)	3
Plan amendments		(48)	4	(5)	-	(53)	4
Experience (gains)/losses (b)		-	(1)	1	-	1	(1)
Actuarial (gains)/losses related to changes in actuarial assumptions		(28)	(81)	(2)	-	(30)	(81)
Benefits paid		(38)	(104)	(12)	(15)	(50)	(119)
Other (foreign currency translation adjustments)		(54)	(56)	-	(9)	(54)	(65)
Benefit obligation at the end of the year		**482**	**780**	**135**	**144**	**617**	**924**
o/w wholly or partly funded benefits		*235*	*495*	-	-	*235*	*495*
o/w wholly unfunded benefits (c)		*247*	*285*	*135*	*144*	*382*	*429*
Changes in fair value of plan assets							
Fair value of plan assets at the beginning of the year		443	911	-	-	443	911
Expected return on plan assets		18	40	-	-	18	40
Experience gains/(losses) (d)		(43)	(24)	-	-	(43)	(24)
Contributions by employers		33	56	11	14	44	70
Contributions by plan participants		-	-	1	1	1	1
Business combinations		-	-	-	-	-	-
Divestitures		-	-	-	-	-	-
Settlements		(11)	(395)	-	-	(11)	(395)
Transfers (a)		(174)	-	-	-	(174)	-
Benefits paid		(38)	(104)	(12)	(15)	(50)	(119)
Other (foreign currency translation adjustments)		(39)	(41)	-	-	(39)	(41)
Fair value of plan assets at the end of the year		**189**	**443**	**-**	**-**	**189**	**443**
Funded status							
Underfunded obligation		(293)	(337)	(135)	(144)	(428)	(481)
Unrecognized actuarial (gains)/losses		34	71	(18)	(16)	16	55
Unrecognized past service cost		3	4	-	-	3	4
(Provision)/asset before asset ceiling		**(256)**	**(262)**	**(153)**	**(160)**	**(409)**	**(422)**
Adjustment related to asset ceiling		(6)	-	-	-	(6)	-
Net (provision)/asset recorded in the statement of financial position		**(262)**	**(262)**	**(153)**	**(160)**	**(415)**	**(422)**
o/w assets related to employee benefit plans		*3*	*17*	-	-	*3*	*17*
o/w provisions for employee benefit plans (e)	19	*(265)*	*(279)*	*(153)*	*(160)*	*(418)*	*(439)*

(a) Mainly represents the removal from the table of the recognition of net obligations to retired beneficiaries of the principal benefit pension plan in the United Kingdom (please refer to "Restructuring in the United Kingdom", below).

(b) 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, in 2006, 2005 and 2004, experience (gains)/losses in respect of benefit obligations amounted to -€4 million, -€8 million and -€7 million, respectively.

(c) In accordance with local laws and practices, certain plans are not covered by pension funds. As of December 31, 2008, they principally comprise supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

Notes to the Consolidated Financial Statements

(d) 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 2006, 2005 and 2004, experience gains/(losses) in respect of plan assets amounted to €24 million, €9 million and €6 million, respectively.

(e) Includes a current liability of €44 million as of December 31, 2008 (compared to €60 million as of December 31, 2007).

Benefit obligation and fair value of plan assets detailed by country as of December 31, 2008 and December 31, 2007

	Pension benefits		Post-retirement benefits	
	December 31,			
(in millions of euros)	2008	2007	2008	2007
Benefit obligation				
US companies	106	116	121	121
UK companies	127	420	-	-
German companies	101	101	-	-
French companies	98	89	-	-
Other	50	54	14	23
	482	**780**	**135**	**144**
Fair value of plan assets				
US companies	51	52	-	-
UK companies	83	321	-	-
French companies	43	46	-	-
Other	12	24	-	-
	189	**443**	**-**	**-**

Restructuring in the United Kingdom

In November 2008, Vivendi restructured its principal defined benefit pension plan in the United Kingdom covering Seagram Spirits and Wine and UMG beneficiaries, as it existed as at December 31, 2007, by dividing it into three separate plans (retirees of Seagram Spirits and Wine and UMG; former non-retired employees of Seagram Spirits and Wine; and former non-retired employees and current employees of UMG), and by transferring outside the group pension obligations relating to Seagram Spirits and Wine and UMG retirees.

The Seagram Spirits and Wine and UMG retirees plan thus purchased an insurance policy for £135 million (€172 million) to cover its obligations. As the value of pension liabilities and related plan assets (the insurance contract) are perfectly matched from this date, a liability is no longer recorded in Vivendi's Consolidated Statement of Financial Position. The settlement of this pension plan will become effective upon completion of the required legal and administrative process which Vivendi currently expects to last at least one year, after which Vivendi will be definitively and legally relieved of its obligations toward beneficiaries of this plan.

As at December 31, 2008, benefit obligations and plan assets of the Seagram Spirits and Wine and UMG's retirees plan are valued at £133 million (€141 million). No net accounting liability is recorded in Vivendi's Consolidated Statement of Financial Position.

20.2.4. Additional Information on Pension Benefits in France

Vivendi maintains ten pension plans in France, of which four maintain investments 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	15.0%	5.0%	78.0%	2.0%	100.0%
Corporate Management Supplementary Plan	16.0%	4.5%	78.0%	1.5%	100.0%
SFR Supplementary Plan	19.0%	6.0%	74.0%	1.0%	100.0%
Canal+ Group IDR* Plan	20.3%	12.3%	67.4%	0.0%	100.0%

IDR (Indemnités de départ en retraite)*: Indemnities payable on retirement.

The asset allocation remains fairly stable over time. Contributions to the four plans amounted to €5 million in 2007 and in 2008, and are estimated to be €5 million for 2009. Contributions to all ten plans amounted to €5 million in 2007 and in 2008, and are estimated to be €6 million in 2009.

In addition, the Inter-professional National Agreement (Accord National Interprofessionnel, ANI) of January 11, 2008 provided for the introduction of a single inter-professional severance payment in certain cases of the termination of permanent employment contracts. This agreement was extended by a decree dated July 2008. At the time of the approval of the financial statements, there remained some legal uncertainty as to whether this extension leads to the single inter-professional payment being applicable to contract termination following voluntary retirement. Pending clarification of this issue, Vivendi has not taken account of the potential impact of this extension in its actuarial valuations as of December 31, 2008. The estimated impact is, nonetheless, not material.

20.2.5. Benefits Estimation and Future Payments

For 2009, pension fund contributions and benefit payments to retirees by Vivendi are estimated at €39 million in respect of pensions, €18 million of which relates to contributions to pension funds, and a further €12 million in respect of post-retirement benefits.

The table below presents, for its nominal value, the estimated future benefit payments that will be paid by the pension funds or by Vivendi to the beneficiaries:

(in millions of euros)	Pension benefits	Post-retirement benefits
2009	30	12
2010	17	12
2011	19	12
2012	18	12
2013	21	11
2014-2018	148	53

Notes to the Consolidated Financial Statements

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

(in millions of euros)	Note	Year ended December 31, 2008	2007
Charge/(Income)			
Vivendi stock option plans		21	24
Vivendi restricted stock plans		12	10
Vivendi employee stock purchase plans		10	6
Vivendi stock appreciation right plans		(63)	50
Vivendi "restricted stock unit" plans		(1)	4
Vivendi stock instruments	21.2	**(21)**	**94**
Activision Blizzard's stock option plans and restricted stock units		50	-
Blizzard employee equity unit plan		22	69
Activision Blizzard stock instruments	21.3	**72**	**69**
UMG employee equity unit plan	21.4	**(4)**	**(9)**
Neuf Cegetel equity-settled instruments (Restricted stock plans)	21.5	**11**	**-**
Share-based compensation plans *(including capitalized plans)*		**58**	**154**
o/w:			
Equity-settled instruments		*104*	*40*
Cash-settled instruments		*(46)*	*114*
(-) Share-based compensation capitalized costs (a)		**(17)**	**-**
Charges related to stock options and other share-based compensation plans recorded in the Statement of Earnings		**41**	**154**

(a) Share-based compensation costs directly attributable to games development are capitalized as software development costs once the technological feasibility of a product is established and such costs are determined to be recoverable. Commencing upon product release, capitalized software development costs are amortized based on the ratio of current revenues to total projected revenues for the specific product, generally resulting in an amortization period of six months or less. In 2008, €19 million were capitalized and -€2 million were amortized in cost of sales, i.e., a net impact of €17 million.

Impact on the provisions in the Statement of Financial Position

As of December 31, 2008 and December 31, 2007, the estimated value of the vested rights is recorded as a liability and classified in provisions related to cash-settled instruments as follows:

(in millions of euros)	Note	Year ended December 31, 2008	2007
Vivendi stock appreciation right plans	21.2.1	(a) 22	89
o/w former ADS option and acquisition plans converted into SAR plans (May 2006) (b)		*17*	*79*
Vivendi "restricted stock unit" plans	21.2.1	8	9
UMG employee equity unit plan	21.4	47	55
Blizzard employee equity unit plan	21.3.3	20	78
Provisions related to cash-settled instruments	19	**97**	**231**

(a) The change in provision related to SAR plans was mainly due to the decrease of Vivendi share price.

(b) In May 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 (including the exercise price, vesting period and maturity), but they can only be cash-settled henceforth.

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Notes to the Consolidated Financial Statements

21.2. Plans Granted by Vivendi

21.2.1. Information on Plans Granted by Vivendi

Vivendi has granted to employees several stock-based compensation plans. The plans granted by Vivendi before January 1, 2008, included instruments which were, depending on the fiscal residence of the employee, either equity-settled (mainly in the European Union and in Morocco) or cash-settled (mainly in the United States) and stock purchase plans for its employees and retirees. During 2008, Vivendi set up equity-settled stock option plans and restricted stock plans, wherever the fiscal residence of the employee, as well as stock purchase plans for its employees and retirees (employee stock purchase plan and leveraged plan).

The accounting methods applied by Vivendi to value these granted plans are described in Note 1.3.11. More precisely, the volatility applied in valuing the plans granted by Vivendi corresponds to the weighted average of (a) 75% of the 4-year historical volatility of Vivendi shares and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more. Before January 1, 2008, the volatility applied was equal to the average of the 3-year historical volatility and the implied volatility of Vivendi shares. 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. The expected dividend yield at grant date is based on Vivendi's dividend distribution policy, which is currently an expected dividend of at least 50% of adjusted net income.

Equity-settled instruments

Stock option plans

The value of the granted equity-settled instruments is estimated and fixed at the grant date. Stock options 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. Stock options 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.

	Subscription plans								
		2008			2007			2006	2005
Grant date	April 16	April 16	Oct 25	Sept 17	April 23	Dec 12	Sept 22	April 13	April 26
Data at the grant date:									
Options strike price (in euros)	25.13	25.13	30.79	30.79	30.79	29.41	28.54	28.54	23.64
Maturity (in years)	10	10	10	10	10	10	10	10	10
Expected term (in years)	6.5	6.5	6.5	6.5	6.5	6	6	6	10
Number of instruments granted	732,000	5,571,200	63,200	42,400	5,718,220	24,000	58,400	5,481,520	7,284,600
Share price (in euros)	25.54	25.54	29.24	29.60	31.75	29.39	27.90	28.14	23.72
Expected volatility	23%	23%	21%	21%	20%	21%	22%	26%	17%
Risk-free interest rate	3.93%	3.93%	4.12%	4.16%	4.17%	3.93%	3.73%	3.99%	3.48%
Expected dividend yield	5.48%	5.48%	4.27%	4.22%	3.94%	4.25%	4.05%	3.80%	3.37%
Performance conditions achievement rate	(a) 100%	na*	na*	na*	na*	na*	na*	na*	na*
Fair value of the granted option at the grant date (in euros)	**3.56**	**3.56**	**4.30**	**4.52**	**5.64**	**4.43**	**4.20**	**5.38**	**4.33**
Fair value of the plan at the grant date (in millions of euros)	2.6	19.8	0.3	0.2	32.3	0.1	0.2	29.5	31.5

na*: not applicable.

(a) Regarding the plan granted on April 16, 2008, 732,000 instruments awarded to the members of Vivendi's Management Board are conditioned upon achievement of certain operating objectives linked to the financial results of the group (adjusted net income and cash flow from operations) as set forth in the budget for the current fiscal year. As of December 31, 2008, these plans were measured using a factor of 100% achievement. The compensation cost is recognized on a straight-line basis over the vesting period, i.e., a three-year vesting period for the stock option plans.

Notes to the Consolidated Financial Statements

Restricted stock plans

Vivendi set up restricted stock plans in accordance with the 2005 French Finance Act. Generally, restricted stocks vest at the end of a two-year vesting period, therefore, the compensation cost is recognized on a straight-line basis over the vesting period. The restricted stocks granted are generally conditional upon the achievement of specific performance objectives and will be available at 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 composing the share capital of the company, employee shareholders are entitled to dividends and voting rights attached to these shares at the end of the vesting period. 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.

	Restricted stock plans								
	2008	2007							2006
Grant date	(a) April 16	(a) Oct 25	(a) Sept 17	(a) April 23	(b) Jan 24	(b) Dec 12	Dec 12	Sept 22	April 13
Data at the grant date:									
Maturity – Vesting period (in years)	2	2	2	2	0	0	2	2	2
Number of instruments granted	525,496	5,266	3,536	476,717	8,670	353,430	2,001	4,861	456,968
Share price (in euros)	25.54	29.24	29.60	31.75	32.25	29.39	29.39	27.90	28.14
Expected dividend yield	5.48%	4.27%	4.22%	3.94%	3.88%	4.25%	4.25%	4.05%	3.80%
Performance conditions achievement rate	100%	100%	100%	100%	na*	na*	100%	100%	100%
Fair value of the granted instrument at the grant date (in euros)	**22.89**	**26.79**	**27.15**	**29.30**	**29.80**	**26.94**	**26.94**	**25.69**	**26.04**
Discount for non-transferability (% of the share price at the grant date)	8.69%	na*	na*	na*	na*	na*	na*	na*	na*
Fair value of the granted instrument at the grant date after discount (in euros)	**20.67**	na*	na*	na*	na*	na*	na*	na*	na*
Fair value of the plan at the grant date (in millions of euros)	10.9	0.1	0.1	14.0	0.3	9.5	0.1	0.1	11.9

na*: not applicable.

(a) The restricted stock plans are conditional upon the achievement of certain operating objectives linked to the financial results of the group (adjusted net income and cash flow from operations) as set forth in the budget for the current fiscal year. As with grants in 2007, operating performance objectives were satisfied in 2008; therefore, all shares granted in 2008 were 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.

(b) In December 2006 and January 2007, Vivendi set up a grant of 15 restricted shares without any performance nor presence conditions for all non-temporary employees, who were employed and who had been employed by the company for at least six months prior to the grant 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, the 15 shares granted to each beneficiary were issued to an individual account at the end of the two-year period from the initial grant date. At the end of this period, the restricted shares remain unavailable for an additional two-year period.

In addition, on December 16, 2008, the Management Board granted 12,000 stock options with an exercise price of €25.13 and 1,000 restricted stocks.

Cash-settled instruments

Beginning in 2006, following the delisting of Vivendi's shares from the NYSE and given prevailing US securities regulations, and until the end of 2007, Vivendi granted specific instruments to its US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees; however, these equity instruments are cash-settled instruments only. The value of the cash-settled instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date until the payment date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date. In 2008, following the relaxing of certain US securities regulations with respect to foreign private issuers ("SEC Rule 701"), Vivendi resumed granting stock-settled instruments to US resident managers and employees.

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Notes to the Consolidated Financial Statements

Stock appreciation right plans

When the instruments entitle the beneficiaries thereof to receive the appreciation in the value of 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 a cash payment upon exercise of their rights 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.

	SAR		
	2007 (a)		2006 (b)
Grant date	April 23	Sept 22	April 13
Data at the grant date:			
Strike price (in US dollars)	41.34	34.58	34.58
Maturity (in years)	10	10	10
Number of instruments granted	1,280,660	24,000	1,250,320
Data at the valuation date (December 31, 2008):			
Expected term (in years)	4.8	3.9	3.7
Share price (in US dollars)	32.59	32.59	32.59
Expected volatility	30%	30%	30%
Risk-free interest rate	2.68%	2.50%	2.44%
Expected dividend yield	5.98%	5.98%	5.98%
Fair value of the granted option as of December 31, 2008 (in US dollars)	**3.19**	**4.24**	**4.15**
Fair value of the plan as of December 31, 2008 (in millions of US dollars)	4.1	0.1	5.2

(a) SAR granted in 2007 vest at the end of a three-year vesting period. Therefore, the compensation cost was recognized on a straight-line basis over the vesting period.

(b) SAR granted in 2006 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.

Notes to the Consolidated Financial Statements

Restricted Stock Unit plans

When the instruments entitle the beneficiaries thereof to receive the value of Vivendi shares, they are known as "*restricted stock units*" (RSU), 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 Vivendi share price at this date, plus the value of dividends paid on Vivendi shares in respect of the two fiscal periods subsequent to the vesting period, and converted into the local currency at the prevailing exchange rate. These Vivendi RSU are simply units of account and do not have any value outside of 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.

	RSU			
	2007			2006
Grant date	**(a)** April 23	**(b)** Dec 12	Sept 22	April 13
Data at the grant date:				
Maturity at the origin (in years)	2	-	2	2
Number of instruments initially granted	106,778	141,495	2,000	104,250
Data at the valuation date (December 31, 2008):				
Expected term (in years)	0.3	-	-	-
Share market price (in US dollars)	32.59	32.59	32.59	32.59
Expected dividend yield	5.98%	5.98%	5.98%	5.98%
Performance conditions achievement rate	100%	na*	100%	100%
Fair value of the granted instrument as of December 31, 2008 (in US dollars)	**32.01**	**32.59**	**32.59**	**32.59**
Fair value of the plan as of December 31, 2008 (in millions of US dollars)	3.4	4.6	0.1	3.4

na*: not applicable.

(a) The RSU plans were conditional upon the achievement of certain operating objectives linked to the financial results of the group (adjusted net income and cash flow from operations) as set forth in the budget for the current fiscal year. The operating performance objectives were satisfied in 2007; therefore, all RSU granted in 2007 were 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.

(b) In December 2006, Vivendi set up a grant of 15 RSU without performance and presence conditions for all non-temporary employees who reside outside France and Morocco and who were employed and who had been employed by the company for at least six months at grant date. Each beneficiary definitively acquired a right to receive 15 RSU which will remain unavailable for a four-year period after the grant date. Given the immediate vesting of such grant, the compensation cost was recognized on the grant date and will be reestimated at the end of each fiscal year until the date of effective payment.

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Notes to the Consolidated Financial Statements

Employee stock purchase plans

Vivendi also maintains share purchase plans (stock purchase and leveraged 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 sale or transfer restrictions, may be 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 of approval of the share capital increase by the Management Board (grant date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies 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. The value of the subscription plans granted is estimated and fixed at grant date. This expense is recognized with a corresponding increase in equity and allocated to each business segment, pro rata the number of shares subscribed.

	2008		2007
	Employee stock purchase plan	Leveraged plan Europe and Morocco (a)	Employee stock purchase plan
Grant date	June 30	June 30	June 29
Subscription price (in euros)	21.08	21.08	24.60
Leverage	na*	10	na*
Maturity (in years)	5	5	5
Data at the grant date:			
Share price (in euros)	24.10	24.10	31.90
Number of shares subscribed	993,593	3,309,909	1,276,227
Amount subscribed (in millions of euros)	21	70	31
Expected dividend yield	5.81%	5.81%	3.94%
Risk-free interest rate	4.63%	4.63%	4.59%
5-year interest rate	7.08%	7.08%	6.54%
Fair value of the benefit per share before discount value for non-transferability (in euros)	**3.0**	**3.0**	**7.3**
Discount for non-transferability (% of the share price at the grant date)	9.6%	9.6%	9.2%
Fair value per share subscribed at the grant date (in euros)	**0.7**	**2.8**	**4.4**
Fair value of the plan at the grant date (in millions of euros)	1	9	6

na*: not applicable.

(a) Under the leveraged plan implemented in 2008, virtually all employees and retirees of Vivendi and its French and foreign subsidiaries are entitled to subscribe Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and ultimately receive the capital gain attached to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.
In addition, in the United States, employees subscribed an aggregate of 132,541 shares under specific conditions due to local regulations, and in Germany, employees subscribed an aggregate of 57,550 SAR (the economic equivalent of the leveraged plan with a cash settlement).

In 2008, given the amount of subscriptions made through the traditional employee share purchase plan and the leveraged plan (Europe, Morocco, the United States and Germany), the share capital was increased by €95 million on July 24, 2008.

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Notes to the Consolidated Financial Statements

21.2.2. Information on Outstanding Vivendi Plans

Transactions involving all equity-settled and cash-settled Vivendi plans since January 1, 2007 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 (in euros)	Total intrinsic value (in millions of euros)	Weighted average remaining contractual life (in years)	Number of restricted stocks outstanding	Weighted average remaining period before issuing shares (in years)
Balance as of December 31, 2006	**63,459,922**	**44.2**			**805,560**	
Granted	5,823,820	30.8			494,189	
Exercised	(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**			**1,276,893**	
Granted	6,315,200	25.1			526,496	
Exercised (a)	(348,502)	16.5			(612,123)	
Forfeited	(12,225,983)	84.4			(767)	
Cancelled	(422,873)	30.0			(203,672)	
Balance as of December 31, 2008	**43,284,077**	**28.2**	**58.6**	**5.7**	**986,827**	**0.8**
Exercisable as of December 31, 2008	**29,775,780**	**28.3**	**58.6**		**-**	
Acquired as of December 31, 2008	**29,986,448**	**28.4**	**58.6**		**21,930**	

(a) The weighted average share price for options exercised was €25.52.

Cash-settled instruments

	SAR (including former ADS converted into SARs in May 2006)				RSU	
	Number of SARs outstanding	Weighted average strike price of SARs outstanding (in US dollars)	Total intrinsic value (in millions of US dollars)	Weighted average remaining contractual life (in years)	Number of restricted stocks units outstanding	Weighted average remaining period before acquisition (in years)
Balance as of December 31, 2006	**34,463,056**	**51.9**			**246,411**	
Granted	1,280,660	41.3			106,778	
Exercised	(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**			**342,892**	
Exercised (a)	(369,259)	28.7			(30,255)	
Forfeited	(10,351,660)	56.3			-	
Cancelled	(82,315)	51.2			(9,905)	
Balance as of December 31, 2008	**20,379,337**	**51.8**	**18.8**	**2.2**	**302,732**	**0.1**
Exercisable as of December 31, 2008	**18,786,417**	**52.9**	**18.8**		**-**	
Acquises au December 31, 2008	**18,786,417**	**52.9**	**18.8**		**202,203**	

(a) The weighted average share price for SAR exercised was $40.97.

The following table summarizes information on stock options for ordinary shares outstanding and vested as of December 31, 2008

Range of strike prices	Number outstanding	Weighted average strike price (in euros)	Weighted average remaining contractual life (in years)	Number vested	Weighted average strike price (in euros)
Under €20	4,652,408	14.7	4.0	4,652,408	14.7
€20-€30	25,252,619	24.2	7.0	17,429,929	23.4
€30-€40	5,638,634	30.8	8.2	215,114	32.0
€40-€50	6,999,697	46.9	0.8	6,999,697	46.9
€50-€60	728,039	55.9	0.9	676,620	56.1
€60-€70	1,368	67.8	0.2	1,368	67.8
€70-€80	11,312	73.4	0.3	11,312	73.4
€80 and more	-	-	-	-	-
	43,284,077	**28.2**	**5.7**	**29,986,448**	**28.4**

The following table summarizes information concerning stock appreciation rights outstanding and vested as of December 31, 2008

Range of strike prices	Number outstanding	Weighted average strike price (in US dollars)	Weighted average remaining contractual life (in years)	Number vested	Weighted average strike price (in US dollars)
Under $20	453,871	15.2	3.0	453,871	15.2
$20-$30	1,017,659	24.4	4.7	1,017,659	24.4
$30-$40	2,719,848	32.9	6.2	2,332,648	32.6
$40-$50	6,850,044	43.1	2.2	5,644,324	43.5
$50-$60	2,879,217	57.8	0.2	2,879,217	57.8
$60-$70	801,971	67.2	1.4	801,971	67.2
$70-$80	5,645,284	74.0	1.0	5,645,284	74.0
$80 and more	11,443	175.2	1.0	11,443	175.2
	20,379,337	**51.8**	**2.2**	**18,786,417**	**52.9**

21.3. Plans Granted by Activision Blizzard

21.3.1. Information on Plans Granted by Activision Blizzard

As part of the creation of Activision Blizzard, Vivendi assumed the oustanding plans of Activision.

The accounting methods applied by Vivendi to value these granted plans are described in Note 1.3.11. More precisely, the volatility applied in valuing the plans granted by Activision Blizzard consists of the historical volatility of Activision Blizzard shares and the implied volatility based on traded put and call options. For the plans granted in 2008, the applied historical volatility was between 46.15% and 69.08% with a weighted average volatility of 59.24%. The risk-free interest rate used a forward rate and the expected dividend yield was zero.

Equity incentive plans

On July 28, 2008, the Board of Directors of Activision Blizzard adopted the Activision 2008 Incentive Plan, subject to shareholder approval, and on September 24, 2008, that plan was approved by its shareholders and became effective. It was subsequently amended by the Board of Directors (as so amended, the "2008 Plan"). The 2008 Plan authorizes the Compensation Committee of the Board of Directors of Activision Blizzard to provide equity-based compensation in the form of stock options, share appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other performance or value-based awards structured by the Compensation Committee within parameters set forth in the 2008 Plan, including custom awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of the common stock of Activision Blizzard, or factors that may influence the value of the common stock of Activision Blizzard or that are valued based on its performance or the performance of any of the

subsidiaries or business units of Activision Blizzard or other factors designated by the Compensation Committee, as well as non share-based incentive bonuses, for the purpose of providing incentives and rewards for superior performance to the directors, officers, employees of, and consultants to, Activision Blizzard and its subsidiaries.

The equity-based compensation program of Activision Blizzard for the most part currently utilizes a combination of options and restricted stock units. Such awards generally have time-based vesting schedules, vesting annually over periods of three to five years, or vest in their entirety on an anniversary of date of grant, subject to possible earlier vesting if certain performance measures are met, and all such awards which are options generally expire ten years from the grant date. Under the terms of the 2008 Plan, the exercise price for the options, must be equal to or greater than the closing price per share of the common stock of Activision Blizzard on the date the award is granted, as reported on the NASDAQ.

Upon the effective date of the 2008 Plan, Activision Blizzard ceased to make awards under the following equity incentive plans (collectively, the "Prior Plans"), although such plans will remain in effect and continue to govern outstanding awards.

As of the date it was approved by the shareholders of Activision Blizzard, there were 15 million shares available for issuance under the 2008 Plan. The number of shares of the common stock of Activision Blizzard reserved for issuance under the 2008 Plan may be further increased from time to time by: (i) the number of shares relating to awards outstanding under any Prior Plan that: (a) expire, or are forfeited, terminated or cancelled, without the issuance of shares; (b) are settled in cash in lieu of shares; or (c) are exchanged, prior to the issuance of shares of the common stock of Activision Blizzard, for awards not involving its common stock; and (ii) if the exercise price of any option outstanding under any Prior Plan is, or the tax withholding requirements with respect to any award outstanding under any Prior Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares. As of December 31, 2008, Activision Blizzard had 13 million shares of its common stock reserved for future issuance under the 2008 Plan. Shares issued in connection with awards made under the 2008 Plan are generally issued as new stock issuances.

The characteristics of the stock option plans granted by Activision Blizzard are presented below:

	Stock option plans granted from July 10, 2008
Weighted-average annual data at the grant date: **(a)**	
Options strike price (in US dollars)	14.38
Maturity (in years)	10
Expected term (in years)	5.28
Number of instruments granted	8,723,177
Share price (in US dollars)	14.38
Expected volatility	54%
Risk-free interest rate	3.98%
Expected dividend yield	0%
Performance conditions achievement rate	na*
Weighted-average fair value of the granted option at the grant date **(a)** (in US dollars)	**5.92**
Weighted-average fair value at the grant date (in millions of US dollars) **(a)**	51.6

na*: not applicable.
(a) Relates to the weighted-average by number of instruments for each attribution in each fiscal year.

Notes to the Consolidated Financial Statements

Restricted stock units and restricted stocks

Activision Blizzard grants restricted stock units and restricted stock (collectively referred to as "restricted stock rights") under the 2008 Plan to employees around the world and Activision Blizzard has assumed, as a result of the creation of Activision Blizzard, the restricted stock rights granted by Activision. Restricted stock units entitle the holders thereof to receive shares of the common stock of Activision Blizzard at the end of a specified period of time or otherwise upon a specified occurrence. Restricted stock is issued and outstanding upon grant; however, restricted stock holders are restricted from selling the shares until they vest. Upon vesting of restricted stock rights, Activision Blizzard may withhold shares otherwise deliverable to satisfy tax withholding requirements. Restricted stock rights are subject to forfeiture and transfer restrictions. Vesting for restricted stock rights is contingent upon the holders' continued employment with Activision Blizzard and may be subject to other conditions. If the vesting conditions are not met, unvested restricted stock rights will be forfeited.
The characteristics of the restricted stock units and restricted stocks granted by Activision Blizzard are presented below:

	Restricted stock plans granted from July 10, 2008
Weighted-average annual data at the grant date: **(a)**	
Maturity (in years)	10
Number of instruments granted	3,247,331
Share price (in US dollars)	14.67
Expected dividend yield	0%
Performance conditions achievement rate	na*
Weighted-average fair value of the granted instrument at the grant date (in US dollars) **(a)**	**14.67**
Weighted-average fair value at the grant date (in millions of US dollars) **(a)**	47.6

na*: not applicable.
(a) Relates to the weighted-average by number of instruments for each attribution in each fiscal year.

Employee stock purchase plan

Effective October 1, 2005, the Board of Directors of Activision, Inc. approved the Activision, Inc. Third Amended and Restated 2002 Employee Stock Purchase Plan and the Activision, Inc. Second Amended and Restated 2002 Employee Stock Purchase Plan for International Employees (together, the "ESPP"). Under the ESPP, up to an aggregate of 4,000,000 shares of the common stock may be purchased by eligible employees during two six-month offering periods that commence each April 1 and October 1 (the "Offering Period"). Common stock is purchased by the ESPP participants at a price per share generally equal to 85% of the lower of the fair market value of the common stock on the first day of the Offering Period and the fair market value of the common stock on the purchase date (the last day of the Offering Period). Employees may purchase shares having a value not exceeding 15% of their gross compensation during an Offering Period and are limited to a maximum of $10,000 in value for any two purchases within the same calendar year. On October 1, 2008, employees purchased 262,002 shares of the common stock at a purchase price of $11.65 per share. The fair value of these plans on the purchase date is less than $1 million. The ESPP has been terminated by the Board of Directors and there will be no further purchases thereunder.

Non-plan employee stock options for the Chief Executive Officer and the Co-Chairman of Activision

In connection with prior employment agreements, the Chief Executive Officer and the Co-Chairman of Activision Blizzard were previously granted options to purchase the common stock of Activision Blizzard. The Board of Directors of Activision, Inc. approved the granting of these options. As of December 31, 2008, non-plan options to purchase approximately 16 million shares under such grants were outstanding with a weighted average exercise price of $1.02.

Performance shares

In connection with the consummation of the creation of Activision Blizzard, on July 9, 2008, the Chief Executive Officer of Activision Blizzard received a grant of 2,500,000 performance shares, which will vest in 20% increments on each of the first, second, third, and fourth anniversaries of the date of grant, with another 20% vesting on December 31, 2012, the expiration date of the Chief Executive Officer's employment agreement with Activision Blizzard, in each case subject to Activision Blizzard attaining the specified compound annual total shareholder return target for that vesting period. If Activision Blizzard does not achieve the performance target for a vesting period, no performance shares will vest for that vesting period.
If, however, Activision Blizzard achieves a performance target for a subsequent vesting period, then all of the performance shares that would have vested on the previous vesting date will vest on the vesting date where the performance targets were achieved.

Notes to the Consolidated Financial Statements

21.3.2. Information on Outstanding Activision Blizzard Plans

	Stock options on Activision Blizzard shares				Restricted stock plans	
	Number of stock options outstanding (in thousands)	Weighted average strike price of stock options outstanding (in US dollars)	Total intrinsic value (in millions of US dollars)	Weighted average remaining contractual life (in years)	Number of restricted stocks outstanding (in thousands)	Weighted average remaining period before issuing shares (in years)
Balance as of December 31, 2007	-	-			-	
Resulting from the business combination	96,074,854	5.8			7,675,731	
Granted	8,723,177	14.4			3,247,331	
Exercised	(4,860,570)	4.7			(595,883)	
Cancelled	(2,096,456)	7.9			(60,075)	
Balance as of December 31, 2008	**97,841,005**	**6.5**	**318**	**5.9**	**10,267,104**	**2.1**
Exercisable as of December 31, 2008	**56,469,064**	**3.7**	**288**		**20,000**	
Acquired as of December 31, 2008	**56,469,064**	**3.7**	**288**		**20,000**	

The following table summarizes information concerning stock options for ordinary shares outstanding and vested as of December 31, 2008

Range of strike prices	Number outstanding	Weighted average strike price (in US dollars)	Weighted average remaining contractual life (in years)	Number vested	Weighted average strike price (in US dollars)
Under $0,5001	66,516	0.50	1.3	66,516	0.50
$0,5001-$1,0315	16,789,950	1.01	1.3	16,789,950	1.01
$1,0315-$3,2710	11,101,181	2.28	3.7	11,101,181	2.28
$3,2710-$3,8672	11,514,442	3.53	4.1	11,205,940	3.53
$3,8672-$6,04	9,981,317	5.06	5.6	5,362,511	4.81
$6,04-$6,88	10,163,586	6.66	7.0	4,733,785	6.70
$6,88-$9,215	6,286,002	8.24	7.7	2,340,450	8.06
$9,215-$9,35	10,843,326	9.35	8.5	2,643,361	9.35
$9,35-$13,29	11,048,145	11.36	9.1	1,887,070	11.58
$13,29 and more	10,046,540	15.88	9.5	338,300	15.10
	97,841,005	**6.53**	**5.9**	**56,469,064**	**3.71**

21.3.3. Blizzard (Activision Blizzard Subsidiary) Long-term Incentive Plan

In 2006, Blizzard implemented the Blizzard Equity Plan (BEP), an equity incentive plan denominated in US 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. 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 US$19.24 and a fixed exercise/payment term on May 1, 2009. These awards call for cash payments 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 US$19.24 and a fixed exercise/payment term on May 1, 2010. These awards call for cash payments 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. The transaction was approved by Activision's stockholders at a special stockholder meeting on July 8, 2008 and closed on July 9, 2008. Pursuant the terms of the BCA, Vivendi Games was merged with a wholly owned subsidiary of Activision and formed the new combined entity Activision Blizzard. Under the provisions of the BEP, the consummation of this transaction is deemed a change in control, which automatically triggered cash payments to the beneficiaries for the portion of awards that were vested on July 9, 2008. In addition, under the terms of the BEP, at the consummation of the transaction, the outstanding unvested rights were immediately vested, cancelled and extinguished and were converted into a new right to receive an amount in cash 18 months after the closing date on January 9, 2010, upon the terms and subject to the conditions set forth in the BEP, including continued employment through the payment date.

The payments made on the closing date for previously vested awards and to be made 18 months thereafter for the unvested awards are fixed based on the fair value of Blizzard as allocated in the transaction and the applicable aggregate strike price, and represent an aggregate amount of approximately $195 million. The aggregate cash payment made by Activision Blizzard to participants in July 2008 was $106 million (€68 million) and an estimated additional $89 million (€61 million) will be paid 18 months after the closing date of the transaction, assuming participants remain employed through the payment date. This expense will be recognized on a straight-line basis over the 18-month period from July 10, 2008. As a result, as of December 31, 2008, a provision of $28 million (€20 million) was recognized.

21.4. 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 actual ownership interest in either UMG or Vivendi.

While an executive's equity grants 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. As of December 31, 2007, the number of granted instruments was 1,350,000 units; at this date, the estimated value of the rights vested, i.e., 1,134,000 units, amounted to $78 million (€55 million).

In 2008, 100,000 units awarded under the plan vested resulting in cash payments of $6 million (€4 million) based on the appraised value of UMG as determined by a third-party valuation and taking into account other adjustments as defined in the Plan. As of December 31, 2008, the remaining 1,250,000 units granted under the plan vested. A third party valuation was performed in January 2009 and after taking into account other adjustments as defined in the Plan, $65 million (€46 million) was paid out as the final distribution under the Plan, and there are no longer any payment obligations under this Plan.

Plan activity in 2008, reflecting the compensation earned and the adjustment of the balance due to reflect market value were a net credit to overheads of €4 million.

Notes to the Consolidated Financial Statements

21.5. Neuf Cegetel Restricted Stock Plans

In connection with the consolidation of Neuf Cegetel by SFR, Vivendi took over the residual plans of Neuf Cegetel with the following main characteristics:

On May 9, 2005, the shareholders' meeting of Neuf Cegetel authorized the Board of Directors to adopt a plan providing for the issuance of restricted shares to the Company's employees and/or corporate officers within the limit of 3% of the share capital. Pursuant to this plan, 3,795,000, 865,707 and 1,155,415 restricted shares were granted in 2005, 2006 and 2007, respectively.

The acquisition of shares only becomes final after the expiration of a vesting period of two years, with a minimum period during which the beneficiaries must hold their shares of two years. For grants made pursuant to the 2007 and 2006 plans, the acquisition method is based on a decreasing factor that will decrease the rights granted pursuant to each plan if the employee leaves during the vesting period by 25% for each of the four six-month periods that constitute the two year vesting period.

Due to the fact that there are no conditions for exercising the "options" other than the participants' employment within the company at the expiration of a two-year period, the fair value of restricted shares granted is considered equal to the fair value of the shares on the grant date.

The fair value of shares granted in 2005 was €34 million based on the value of the company estimated at the time when the capital was increased to partially fund the acquisition of Cegetel. The fair value of shares granted in 2006 totaled €13 million based on valuations of the company at the time of the most recent transactions on the capital of Neuf Cegetel prior to the IPO, and subsequent market valuations based on stock market price (Neuf Cegetel shares had been trading on Euronext Paris since October 24, 2006). The fair value of shares granted in 2007 totaled €33 million based on stock market price valuations.

As of December 31, 2008, of a total of 5,384,152 restricted shares granted, 4,302,237 restricted shares were definitely vested (compared to no shares definitely vested in 2007) and 1,081,915 restricted shares were in the process of vesting (compared to 1,975,845 outstanding shares as of December 31, 2007).

SFR entered into reciprocal put and call option agreements with almost all of the executives and employees of Neuf Cegetel who were granted restricted shares, which are currently in a holding or vesting period, allowing for SFR to obtain, in the future, 2.51% of the share capital of Neuf Cegetel for an estimated amount of €140 million.

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Note 22. Borrowings and Other Financial Liabilities

Analysis of long-term borrowings and other financial liabilities

(in millions of euros)	Note	Nominal interest rate (%)	Effective interest rate (%)	Maturity	December 31, 2008	December 31, 2007
Finance leases	12	-	-	2009-2013	(a) 39	9
Asset-backed borrowings (b)					***39***	***9***
Bonds						
€700 million bond issue (October 2006) (c)		Euribor 3 months +0.50%	-	October 2011	700	700
€500 million bond issue (October 2006) (c)		4.50%	4.58%	October 2013	500	500
€630 million bond issue (April 2005) (c)		3.63%	3.63%	April 2010	630	630
€600 million bond issue (February 2005) (c)		3.88%	3.94%	February 2012	600	600
$700 million bond issue (April 2008) (d)		5.75%	6.06%	April 2013	501	-
$700 million bond issue (April 2008) (d)		6.63%	6.85%	April 2018	501	-
Other bonds		-	-	na*	-	209
Vivendi SA					*3,432*	*2,639*
€800 million bond issue (May 2008) – SFR (c)		3.38%	3.88%	July 2012	(e) 800	600
Facilities						
MAD 6 billion notes – tranche B: 4 billion		(f) TMP BDT 5 yrs +1.15%	-	December 2011	178	353
€2.0 billion revolving facility		Euribor + 0.250%	-	April 2012	860	-
€2.0 billion revolving facility		Euribor + 0.250%	-	(g) August 2013	990	-
Vivendi SA					*2,028*	*353*
€1.2 billion revolving facility		Euribor + 0.175%	-	April 2011	1,200	440
€450 million revolving facility		Euribor + 0.160%	-	November 2012	450	290
Syndicated loan ("Club Deal") tranche A (h)		Euribor + 0.400%	-	July 2010	247	-
Securitization programs (i)		Euribor + 0.400%	-	March 2011	300	-
Structured financing (UK lease) (i)		Euribor + 0.400%	-	November 2010	100	-
Other		-	-	na*	55	22
SFR					*2,352*	*752*
Other		-	-	na*	97	180
Unsecured borrowings					***8,709***	***4,524***
Nominal value of borrowings					**8,748**	**4,533**
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	-	na*	(18)	(9)
Borrowings					**8,730**	**4,524**
Put options granted to TF1 and M6 on 15% of the share capital of Canal+ France	26	na*	-	February 2010	1,104	1,034
Put options granted to various third parties by Canal+ Group and SFR		na*	-	-	14	33
Commitments to purchase minority interests					**1,118**	**1,067**
Other financial derivative instruments	24	na*	-	-	127	19
Other derivative instruments					**127**	**19**
Long-term borrowings and other financial liabilities					**9,975**	**5,610**

na*: not applicable.

(a) Includes the commitments of Neuf Cegetel, fully consolidated since April 15, 2008, for €37 million as of December 31, 2008.

(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 bonds, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

(d) On April 2, 2008, Vivendi SA agreed to sell $700 million (€450 million) in aggregate principal amount of 5.75% senior bonds due 2013 at a price equal to 99.397% of the principal amount thereof and $700 million (€450 million) in aggregate principal amount of 6.625% senior bonds due 2018 at a price equal to 99.675%. As of December 31, 2008, the nominal value of the bonds was calculated based on exchange rate at the closing date equal to 1.40 euro/US dollar.

(e) In May 2008, SFR increased the amount of bonds redeemable in July 2012 from €600 to €800 million.

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(f) The interest rate is calculated based on the weighted average rate of the treasury bonds issued by the Kingdom of Morocco.
(g) The €2 billion credit facility, maturing August 2012, was extended for one year in July 2008.
(h) Relates to a syndicated loan of €740 million set up by Neuf Cegetel, including a €247 million tranche repayable in July 2010 and a €492 million revolving facility due March 2012, undrawn as of December 31, 2008.
(i) Includes a €300 million securitization program and a €100 million structured financing (UK lease), which were both set up by Neuf Cegetel.

Analysis of short-term borrowings and other financial liabilities

(in millions of euros)	Note	Nominal interest rate (%)	Maturity	December 31, 2008	December 31, 2007
Current portion of finance leases	12	-	-	(a) 28	23
Asset-backed borrowings (b)				***28***	***23***
Commercial paper					
Vivendi SA		Eonia +1.58%	January 2009	315	-
SFR		Eonia +2.03%	February 2009	343	376
€1.5 billion revolving facility (February 2008) (c)		Euribor +0.25%	August 2009	-	-
Current portion of long-term borrowings					
€400 million bond issue (October 2006) – SFR (d)		Euribor 3 months +0.125%	-	-	400
Bonds exchangeable for Sogecable shares	24.3	1.75%	-	(e) -	221
Other bond issue		-	-	206	101
Other borrowings		-	-	103	33
Other		-	-	(f) 531	546
Unsecured borrowings				***1,498***	***1,677***
Nominal value of borrowings				**1,526**	**1,700**
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	-	(4)	22
Borrowings				**1,522**	**1,722**
Put options granted to various third parties by Canal+ Group and SFR		na*	-	29	10
Commitments to purchase minority interests				**29**	**10**
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	-	(e) -	19
Other financial derivative instruments	24	na*	-	**104**	**15**
Short-term borrowings and other financial liabilities				**1,655**	**1,766**

na* : no interest accrued on other financial liabilities.
(a) Includes the commitments of Neuf Cegetel for €20 million as of December 31, 2008.
(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) In February 2008, Vivendi obtained a €3.5 billion syndicated loan which consists of a €1.5 billion tranche under a bridging loan maturing in August 2009, restructured into a revolving facility in November 2008 and two tranches of €1 billion each under a revolving facility maturing in February 2011 and February 2013, respectively. As of December 31, 2008, both facilities remained undrawn.
(d) The bonds, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.
(e) Corresponds to the early redemption of the Vivendi bonds exchangeable for Sogecable shares, following the tender offer launched by Prisa for the share capital of Sogecable (please refer to Note 5).
(f) Mainly includes bank overdrafts.

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Nominal value of borrowings by currency, maturity and nature of interest rate

(in millions of euros)	December 31, 2008		December 31, 2007	
Long-term nominal value of borrowings	8,748		4,533	
Short-term nominal value of borrowings	1,526		1,700	
Nominal value of borrowings	**10,274**		**6,233**	
Currency				
Euro – EUR	8,812	*85.8%*	5,554	*89.1%*
US dollar – USD	(a) 1,074	*10.5%*	75	*1.2%*
Dirham – MAD	283	*2.7%*	441	*7.1%*
Other (o/w PLN and FCFA)	105	*1.0%*	163	*2.6%*
Total	**10,274**	***100.0%***	**6,233**	***100.0%***
Maturity				
Due before one year	1,526	*14.9%*	1,700	*27.3%*
Due between one and two years	1,043	*10.1%*	341	*5.5%*
Due between two and three years	2,416	*23.5%*	656	*10.5%*
Due between three and four years	3,721	*36.2%*	1,517	*24.3%*
Due between four and five years	1,013	*9.9%*	1,506	*24.2%*
Due after five years	555	*5.4%*	513	*8.2%*
Total	**10,274**	***100.0%***	**6,233**	***100.0%***
Nature of interest rate, before hedging				
Fixed interest rate	4,086	*39.8%*	3,071	*49.3%*
Floating interest rate	(b) 6,188	*60.2%*	3,162	*50.7%*
Total	**10,274**	***100.0%***	**6,233**	***100.0%***

(a) Mainly included bonds in the aggregate amount of $1,400 million (€1,002 million) as of December 31, 2008, hedged at 100%. Please refer to Note 24.

(b) The floating-rate borrowings were hedged by fixed-rate swaps for the amount of €3,785 million. Please refer to Note 24.

Description of main financial covenants

Vivendi and its subsidiaries SFR and Neuf Cegetel are subject to certain financial covenants which require them to maintain various financial ratios, as described hereunder. As of December 31, 2008, Vivendi, SFR and Neuf Cegetel 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) as well as the €3.5 billion loan (set up in February 2008 and consisting of three tranches) contain customary provisions related to events of default and restrictions in terms of negative pledge, and divestiture and merger transactions. In addition, at the end of each half-year, Vivendi is required to maintain a ratio of Proportionate Financial Net Debt[6] to proportionate EBITDA[7] at a maximum of three for the duration of the loans. Non-compliance with this ratio could result in the early repayment of the facilities if they were drawn, or their cancellation. As of December 31, 2008, Vivendi SA was in compliance with these financial ratios.

At SFR, the three credit lines of €1.2 billion, €450 million and €850 million respectively contain customary default, negative pledge, and merger and divestiture restrictions. These facilities are subject to a change in ownership provision. In addition, at the end of each half-year, SFR must comply with the two following financial ratios: (i) a ratio of Financial Net Debt to consolidated EBITDA not exceeding 3.5, and (ii) a ratio of consolidated earnings from operations (consolidated EFO) to consolidated net financing costs (interest) equal to or greater than 3. Non-compliance with these ratios could result in the early repayment of the facilities if they were drawn, or their cancellation. As of December 31, 2008, SFR was in compliance with these financial ratios.

At Neuf Cegetel, a €740 million syndicated loan (Club Deal), a €300 million securitization program and a €100 million structured financing (UK lease) include standard default and limitation provisions for this type of loan. In 2008, contracts under the syndicated loan and of the securitization program were renegotiated with the lenders in order to align the provisions relating to financial covenants, internal reorganization and change of control with SFR's provisions. The structured financing (UK lease), whose negotiation is being finalized, is the only one remaining subject to different conditions, notably

6. Defined as Vivendi Financial Net Debt less the share of Financial Net Debt attributable to minority shareholders of SFR, Maroc Telecom Group and Activision Blizzard.

7. Defined as Vivendi modified EBITDA less modified EBITDA attributable to minority shareholders of SFR, Maroc Telecom Group and Activision Blizzard plus the dividends received from entities that are not fully or proportionately consolidated.

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including compliance with two financial ratios computed at the end of each half-year (consolidated net debt/consolidated EBITDA not exceeding 3, and consolidated EBITDA/consolidated net financing costs (interest) equal to or greater than 5) and restrictive provisions relating to change of control and internal reorganization. Non-compliance with these financial ratios would constitute a default that could among others result in the cancellation or the early repayment of the different loans. As of December 31, 2008, Neuf Cegetel was in compliance with these financial ratios.

The renewal of credit lines when they are drawn and the launch of a securitization program are contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations.

Lastly, on January 4, 2005, SPT "Société de Participations dans les Télécommunications" issued a MAD 6 billion loan to finance the acquisition of a 16% interest in Maroc Telecom. The loan was 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, of which MAD 2 billion was early reimbursed in May 2008. In connection therewith, Vivendi has granted a security (jointly liable guarantee) to SPT which contains ratios identical to those included in the €2 billion syndicated loan, set up in April 2005.

Bonds

Bonds issued by Vivendi (for a total amount of €3,638 million as of December 31, 2008) and its subsidiary SFR (€800 million as of December 31, 2008) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking). In addition, bonds issued since October 2006 by Vivendi SA for a total amount of €3,402 million, of which €1,200 million and $1,400 million are recorded in the Statement of Financial Position as of December 31, 2008, and €1,200 million issued after the closing date, contain a change-of-control trigger if their rating is downgraded below investment grade status (Baa3/BBB-) as a result of such an event.

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 financial borrowings and other financial liabilities, including commitments to purchase minority interests and other derivative financial instruments; and
- equity instruments of the group.

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Notes to the Consolidated Financial Statements

The following table presents the net carrying value and fair value of financial instruments of the group as of December 31, 2008 and December 31, 2007:

(in millions of euros)	Note	Year ended December 31,			
		2008		2007	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Financial assets at fair value	15	**299**	**299**	**481**	**481**
o/w fair value through profit or loss		152	152	129	129
o/w fair value through equity		147	147	352	352
o/w available-for-sale securities	15	*72*	*72*	*306*	*306*
o/w cash flow hedge instruments		-	-	*45*	*45*
o/w net investment hedge instruments		*75*	*75*	*1*	*1*
Financial assets at amortized cost	15	**697**	**697**	**921**	**921**
o/w assets held until its due date		*1*	*1*	*1*	*1*
Trade accounts receivable and other at amortized cost	16	**6,777**	**6,777**	**5,208**	**5,208**
Cash and cash equivalents	17	**3,152**	**3,152**	**2,049**	**2,049**
Financial liabilities					
Long-term borrowings and other financial liabilities		9,975	9,729	5,610	5,573
Short-term borrowings and other financial liabilities		1,655	1,655	1,766	1,754
Borrowings and other financial liabilities		**11,630**	**11,384**	**7,376**	**7,327**
o/w long-term borrowings at amortized cost	22	*8,730*	*8,484*	*4,524*	*4,487*
o/w short-term borrowings at amortized cost	22	*1,522*	*1,522*	*1,722*	*1,710*
o/w commitments to purchase minority interests		*1,147*	*1,147*	*1,077*	*1,077*
o/w other derivative instruments		*231*	*231*	*53*	*53*
Other non-current liabilities	16	**1,480**	**1,480**	**1,078**	**1,078**
Trade accounts payable and other	16	**13,218**	**13,218**	**10,784**	**10,784**

The carrying value 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.
In particular, the fair value of available-for-sale securities, mainly including listed shares, was calculated based on the stock market price of each security at the closing date. The fair value of cash flow hedge instruments was based on the valuation confirmed by their banks and counterparts.

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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 conducts 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.

Value of derivative financial instruments recorded in the Consolidated Statements of Financial Position as of December 31, 2008 and December 31, 2007

	December 31, 2008		December 31, 2007	
	Derivative financial instruments		Derivative financial instruments	
(in millions of euros)	as assets	as liabilities	as assets	as liabilities
Interest rate risk management				
Pay-fixed interest rate swaps	-	127	32	-
Pay-floating interest rate swaps	2	-	1	2
	2	**127**	**33**	**2**
Foreign currency risk management				
Currency swaps	14	68	6	3
Forward contracts	82	-	15	3
	96	**68**	**21**	**6**
Equity market risk management				
Swaps indexed on Vivendi shares	-	-	-	2
Swaps indexed on other shares	1	34	15	-
	1	**34**	**15**	**2**
Other derivative instruments				
Embedded derivative in bonds exchangeable for Sogecable shares	-	-	-	19
Other embedded derivatives on borrowings	-	2	-	18
Other	-	-	-	6
	-	**2**	**-**	**43**
Derivative financial instruments	**99**	**231**	**69**	**53**
Deduction of current derivative financial instruments	(96)	(104)	(32)	(34)
Non-current derivative financial instruments	**3**	**127**	**37**	**19**

Accounting recognition of derivative instruments utilized by the group

	December 31, 2008		December 31, 2007	
	Derivative financial instruments		Derivative financial instruments	
(in millions of euros)	as assets	as liabilities	as assets	as liabilities
Cash Flow Hedge	-	78	45	-
Net Investment Hedge	75	-	1	3
Fair Value Hedge	16	16	5	-
Derivative instruments not qualified as hedges	7	101	3	4
Other	1	36	15	46
Derivative financial instruments	**99**	**231**	**69**	**53**

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Notes to the Consolidated Financial Statements

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 2008, average gross borrowings amounted to €9.6 billion (compared to €7.2 billion in 2007), of which €3.8 billion was of fixed rates and €5.8 billion was of floating rates (compared to €3.3 and €3.9 billion in 2007, respectively). In 2008, the average cost of borrowings was 4.90% (compared to 4.29% in 2007) before taking into account the impact of interest rate derivative instruments. After interest rate management, the average cost of borrowings was 4.69%, with a fixed rate ratio of 67% (compared to 4.18%, with a fixed-rate ratio of 64% in 2007).

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 2008, borrowings totaled €10.3 billion. Before considering any hedging instruments, floating-rate borrowings totaled €6.2 billion, hedged by swaps for €3.8 billion.

Moreover, as of December 31, 2008, cash and cash equivalents totaled €3.2 billion (compared to €2 billion in 2007) and are entirely of floating rate. As of December 31, 2008, given the relative weighting of the Group's fixed-rate positions (borrowings of €4.1 billion based on fixed rate and €3.8 billion in floating-rate borrowings hedged by interest rate swaps for a total amount of €7.9 billion), and floating-rate positions (borrowings of €2.4 billion less cash and cash equivalents of €3.2 billion, for a total amount of -€0.8 billion), an increase of 100 basis points in short-term interest rates (or decrease of 100 basis points) would generate a decrease of €8 million in interest cost (or increase of €8 million).

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The following table summarizes information concerning Vivendi's interest rate risk management instruments:

(in millions of euros)	As of December 31, 2008			Total as of December 31, 2007
	Total	Cash flow hedge accounting	Economic hedging	
Nominal value of borrowings before hedging				
Fixed interest rate	4,086			3,071
Floating interest rate	6,188			3,162
	10,274			**6,233**
Notional amount of hedging instruments				
Pay-fixed interest rate swaps	**(a) 3,885**	**2,935**	**950**	**(b) 1,600**
Average interest rate paid		3.89%	4.06%	3.77%
Average interest rate received		2.65%	2.65%	4.65%
Maturity:				
Due within one year	-	-	-	-
Due after one year and within five years	3,485	2,935	550	1,600
Due after five years	400	-	400	-
Pay-floating interest rate swaps	**100**	**-**	**100**	**130**
Average interest rate paid		-	2.80%	4.65%
Average interest rate received		-	3.92%	4.48%
Maturity:				
Due within one year	-	-	-	30
Due after one year and within five years	100	-	100	100
Net position at Fixed interest rate	**3,785**	**2,935**	**850**	**1,470**
Nominal value of borrowings after hedging				
Fixed interest rate	7,871			4,541
Floating interest rate	2,403			1,692
	10,274			**6,233**

(a) In 2008, Vivendi extended its interest rate coverage by setting up main fixed-rate payer swaps, as follows:
- at SFR, instruments classified as cash flow hedges for accounting purposes for a notional amount of €1,035 million maturing in 2010, 2012 and 2013.
- instruments not classified as cash flow hedges for accounting purposes, recorded at fair value, against earning for nominal amounts of:
  - €400 million maturing in September 2015 at Vivendi SA;
  - €400 million for swaps against 1-month Euribor maturing in March 2013 at SFR, which may be cancelled at the option of the bank; and
  - €200 million for swaps against 1-month Euribor at Neuf Cegetel.

(b) In 2007, SFR set up €400 million of hedges in the form of swaps:
- four fixed-rate payer swaps maturing within 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 within 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.

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 contents 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 annually 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 other local currency.

As of December 31, 2008, Vivendi had effectively hedged approximately 100% (unchanged compared to December 31, 2007) of its discounted foreign currency cash flows as well as borrowing-related exposure. The principal currencies hedged were the pound sterling, the US dollar and the Japanese yen. In 2008, firm commitment contracts were entirely hedged. 2009 forecasted transactions were hedged at 80% at the beginning of 2009 in accordance with Vivendi's internal procedures with respect to foreign currency hedging related to operations and will be reviewed in the middle of 2009.

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 25 billion Japanese yen, or €211 million. For accounting purposes, such derivative instruments are qualified as net investment hedges. In addition, in order to protect its net investment in certain American subsidiaries against a potential devaluation, Vivendi hedged its American exposure by setting up forward contracts and currency swaps for a notional amount of $957 million, or €750 million. For accounting purposes, such derivative instruments are qualified as net investment hedges.

In December 2007, in anticipation of the $1.7 billion investment in Activision in 2008, Vivendi set up a forward contract for the purchase of $1.2 billion, to partially hedge the purchase of the necessary US dollars. This hedge was terminated on July 9, 2008, the date on which Vivendi subscribed for Activision shares pursuant to a reserved capital increase.

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.

Average exchange rate used over the year 2008	USD (1€ = 1.48$)				MAD (1€ = 11.35 MAD)			
Change assumptions	**+5%**	**-5%**	**+10%**	**-10%**	**+5%**	**-5%**	**+10%**	**-10%**
Revenues	-0.7%	0.8%	-1.4%	1.7%	-0.4%	0.5%	-0.8%	1.0%
Earnings before interest and income taxes (EBIT)	0.2%	-0.2%	0.4%	-0.4%	-1.3%	1.4%	-2.5%	3.1%
Interest, net	-0.4%	0.4%	-0.8%	0.9%	-0.1%	0.1%	-0.2%	0.3%
Net cash provided by operating activities	-0.1%	0.5%	-0.4%	0.8%	-0.8%	0.9%	-1.5%	1.9%
Exchange rate used as of December 31, 2008	**USD (1€ = 1.40$)**				**MAD (1€ = 1.26 MAD)**			
Change assumptions	**+5%**	**-5%**	**+10%**	**-10%**	**+5%**	**-5%**	**+10%**	**-10%**
Redemption value of borrowings	-0.5%	0.6%	-1.0%	1.2%	-0.1%	0.1%	-0.3%	0.3%
Cash and cash equivalents	-2.8%	3.1%	-5.3%	6.5%	-0.3%	0.3%	-0.5%	0.6%

24.2.2. Characteristics of Foreign Currency Risk Management Instruments

As of December 31, 2008, excluding the net position of borrowings denominated in Moroccan Dirham (MAD), a currency which is exchange-controlled, preventing all foreign currency hedging transactions and its net borrowing in Franc CFA which benefits from a fixed exchange ratio with the euro, Vivendi's foreign currency mainly comprises two US dollar bonds for $1.4 billion issued in April 2008 (please refer to Note 22). The foreign currency risk of these loans is hedged at 100% by a long term receivable to Vivendi SA from an American subsidiary. As of December 31, 2007, Vivendi's foreign currency risk was not significant.

Vivendi uses derivative instruments to manage its foreign currency exposure to intercompany current accounts denominated in foreign currencies.

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Details concerning these instruments are provided in the table below:

(in millions of euros)	As of December 31, 2008				Total as of December 31, 2007
	Total	Fair value hedge	Net investment hedge	Balance sheet hedge	
Notional amounts					
Currency swaps	**1,656**	**296**	**219**	**1,141**	**1,192**
Sales against the euro	282	-	219	63	260
Sales against other currencies	-	-	-	-	-
Purchases against the euro	1,372	294	-	1,078	930
Purchases against other currencies	2	2	-	-	2
Maturity					
Due within one year	1,656	296	219	1,141	1,192
Forward contracts	**966**	**139**	**758**	**69**	**882**
Sales against the euro	809	59	750	-	25
Sales against other currencies	5	1	-	4	-
Purchases against the euro	46	38	8	-	845
Purchases against other currencies	106	41	-	65	12
Maturity					
Due within one year	966	139	758	69	882

As of December 31, 2007, currency swaps and forward contracts were 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.

(in millions of euros)	December 31, 2008						
	EUR	USD	JPY	PLN	AUD	GBP	Other currency
Currency swaps							
Sales against the euro	282	-	(219)	-	-	-	(63)
Purchases against the euro	(1,372)	1,078	68	120	54	-	52
Purchases against other currencies	-	2	-	-	-	(2)	-
Forward contracts							
Sales against the euro	809	(765)	-	(43)	-	-	(1)
Sales against other currencies	-	5	-	-	-	-	(5)
Purchases against the euro	(46)	38	8	-	-	-	-
Purchases against other currencies	-	106	-	(40)	-	(67)	1
	(327)	**464**	**(143)**	**37**	**54**	**(69)**	**(16)**

(in millions of euros)	December 31, 2007						
	EUR	USD	JPY	PLN	AUD	GBP	Other currency
Currency swaps							
Sales against the euro	260	-	(208)	-	-	-	(52)
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)	-	-	-	-
Purchases against the euro	(845)	845	-	-	-	-	-
Purchases against other currencies	-	(4)	-	-	-	1	3
	(1,490)	**1,076**	**(28)**	**107**	**54**	**271**	**10**

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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, 2008 and as of December 31, 2007:

	December 31, 2008					
(in millions of euros)	USD	GBP	JPY	AUD	PLN	Other
Assets	1,009	34	8	1	1	91
Liabilities	(1,919)	(61)	(59)	(49)	(122)	(39)
Net balance before management	**(910)**	**(27)**	**(51)**	**(48)**	**(121)**	**52**
Derivative financial instruments	891	37	65	52	119	(26)
Net balance after management	**(19)**	**10**	**14**	**4**	**(2)**	**26**

	December 31, 2007					
(in millions of euros)	USD	GBP	JPY	AUD	PLN	Other
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**

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, 2008, would have a cumulated negative impact of approximately -€1 million on net income (unchanged compared to 2007).

24.3. Equity Market Risk Management

24.3.1. Available-for-sale Securities

As of December 31, 2008, Vivendi's exposure to equity market risk primarily relates to available-for-sale securities for a non-significant amount (please refer to Note 15).

24.3.2. Vivendi Shares

As of December 31, 2008, Vivendi held 79,114 treasury shares, representing a total net carrying value of approximately €2 million (unchanged compared to December 31, 2007). 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 no 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 and on April 24, 2008, Vivendi mandated, in January 2008, a financial intermediary to implement a liquidity agreement established in conformity with the AFEI professional code of ethics. 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, with a balance of €50 million as of December 31, 2008. This liquidity agreement replaced a previous agreement of which available funds as of December 31, 2007 in the amount of €92 million were repaid to Vivendi in January 2008. In 2008, 10 million shares were repurchased for a value of €253 million and the same total number of shares was sold for an accounting value of €253 million pursuant to the implementation of this new liquidity agreement. The company recognized capital gains in the amount of approximately €1 million in 2008 (compared to €4 million in 2007). In addition, the company has not directly acquired or transferred any of its treasury shares under this repurchase program pursuant to the liquidity agreement.

In June 2001 and December 2002, Vivendi purchased call options on its own shares in order to enable the group to deliver shares upon the exercise of share purchase options granted to employees. As of December 31, 2007, these options included approximately 22 million shares for a total exercise price of €1.6 billion. These option plans and their related call options expired in 2008 without being exercised.

In 2007, Vivendi also hedged certain equity-linked to Vivendi and Canal+ SA debts using indexed swaps. In 2008, the equity-linked to Vivendi debt was fully paid (for a notional amount of €70 million).

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	Year ended December 31,	
	2008	2007
Equity-linked swaps		
Notional amount (in millions of euros)	53	123
Maturity:		
Due within one year	53	70
Due after one year and within five years	-	53

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 were exchangeable into common shares of Sogecable SA (a limited liability company incorporated under the laws of the Kingdom of Spain, whose shares are listed on the Madrid Stock Exchange). The bonds, which were listed on the Luxembourg Stock Exchange, were subject to customary pari passu, negative pledge and event of default provisions. These bonds consisted of a financial debt as well as a financial derivative instrument. The option granted to the bondholders was recorded as an embedded derivative for its fair value (€19 million as of December 31, 2007). The debt component was recorded at amortized costs of €212 million as of December 2007.

As of December 31, 2007, Vivendi held 7.6 million Sogecable shares for a net value of €209 million, of which 0.5 million shares were the subject of a loan.

Following the tender offer launched by Prisa for the share capital of Sogecable at €28.00 per share, Vivendi offered to deliver to the holders of these bonds Sogecable shares on the basis of a ratio of one bond for 1.0118 Sogecable shares plus €2.00 in cash. This offer, which expired on April 18, 2008, resulted in virtually all the outstanding bonds being returned to Vivendi. Thereafter, Vivendi redeemed the remaining bonds, at a price of €29.32 plus interest accrued to the redemption date. Following this transaction, Vivendi owned only 0.64% of Sogecable's share capital and contributed these shares to Prisa's takeover bid for Sogecable shares (please refer to Note 5).

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

The main factors to be considered in assessing Vivendi's financial flexibility are as follows:

- As of December 31, 2008, Vivendi's Financial Net Debt amounted to €8.3 billion, including the financial liability recorded in respect of the put option granted to TF1/M6 on their 15% stake in Canal+ France (approximately €1 billion), which is exercisable in February 2010, as well as the net cash position of Activision Blizzard (approximately €2.1 billion as of December 31, 2008).
- Vivendi's credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's). This rating was confirmed by the agencies after Vivendi decided, in September 2008, to abandon the capital increase it had announced at the end of 2007.
- As of February 24, 2009, the total amount of Vivendi SA and SFR bonds amounted to €5.7 billion, including bonds recently issued in the aggregate amount of €1.4 billion, i.e. the bond issued in January 2009 by Vivendi SA for an amount of €1.0 billion, and two extensions, launched in December 2008, and issued and collected in January 2009 for an amount of €200 million each, of the original bonds issued by Vivendi SA and SFR. Following these last issues, the total amount of bonds represented 57% of borrowings compared to 44% as of December 31, 2008 and 65% as of December 31, 2007.

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- As of December 31, 2008, the total amount of Vivendi SA and SFR bank facilities for which banks have some commitments amounted to €11.2 billion, of which €4.1 billion were drawn and €6.3 billion undrawn, taking into account commercial paper backed on these lines for €0.8 billion. These bank facilities are divided among a minimum of twenty banks, none of which has a commitment greater than 12% of the total amount for Vivendi. All banks participating in revolving facilities have a credit rating of A at a minimum.
- As of February 24, 2009, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2008, the available undrawn facilities of Vivendi SA, net of commercial paper, amounted to approximately €7.1 billion, and available credit lines of SFR, net of commercial paper, amounted to approximately €1 billion at the same date. The bank facilities of Vivendi SA and SFR as well as of its subsidiary Neuf Cegetel, have to comply with certain financial covenants. In the event of non-compliance with such financial covenants, the lenders could require the cancellation or early repayment of the bank facilities. As of December 31, 2008, Vivendi SA, SFR and Neuf Cegetel were in compliance with their financial covenants.
- Consequently, Vivendi has significant available bank credit lines up to 2011 and, excluding the €1.5 billion tranche under a bridging loan, restructured into a revolving facility, which will expire at the end of August 2009, no reimbursement or cancellation of significant borrowing should occur before 2011.
- The economic average term of the group's consolidated financial debt was 4.1 years at year-end 2008.

Vivendi thus believes that cash flows generated by its operations, its cash and cash equivalents, and amounts available through its current credit lines, will be sufficient to match its operating expenses and capital expenditures, its debt service, and dividend payments for the next twelve months.

Note 25. Transactions with Related Parties

This note describes transactions with related parties performed during 2008 and 2007 which may have an impact on the results, operations or the financial position of the group in 2009 or thereafter. As of December 31, 2008, and to the best of the company's knowledge, no transactions with related parties described hereunder are likely to have a material impact on the results, operations 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. There are no family relationships among the related parties.

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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 members of the Management Board and Supervisory Board in accordance with the different categories required by paragraph 16 of IAS 24.

(in millions of euros)	Year ended December 31,	
	2008	2007
Short-term employee benefits **(a)**	23	24
Social security contributions	3	3
Post-retirement benefits **(b)**	2	2
Other long-term benefits	-	-
Termination benefits **(c)**	ns*	ns*
Share-based payments	2	14
Total of costs accounted in profit and loss	**30**	**43**

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 2008 and 2007 amounted to €13 million (of which €12 million was to be paid as of December 31, 2008) and €14 million (of which €12 million was paid in 2008), respectively.

(b) Includes defined pension benefit plans.

(c) Corresponds to the provision recognized over the period with respect to conventional indemnities upon voluntary retirement.

At its meeting of February 26, 2009, the Supervisory Board duly noted the renunciation of his employment contract by Mr. Jean-Bernard Lévy, Chairman of the Management Board, effective at the end of its term on April 27, 2009, in accordance with the AFEP-MEDEF recommendations on the remuneration of executive corporate officers of listed companies. The recommendations were reviewed during the joint meeting of the Corporate Governance Committee and the Human Resources Committee on November 19, 2008 and approved by the Supervisory Board on December 18, 2008.
At its meeting of February 26, 2009, the Supervisory Board approved details of the remuneration and benefits in kind granted to the Chairman of the Management Board and compensation payable on the termination of his duties. The latter will be presented for approval to the Combined Shareholders' Meeting of April 30, 2009, in accordance with the provisions of Article L.225-90-1 of the French Commercial Code. A breakdown of these items is presented in Section 3.3.2.1 of the Annual Report.

Members of the Management Board do not benefit from any contractual severance payments 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, 2008, the aggregate estimated amount for these payments was €8 million.

In addition, as of December 31, 2008, the net obligations in favor of the Management Board members relating to pension plans amounted to €9 million (compared to €10 million in 2007) and provisions amounted to €5 million (compared to €6 million in 2007).
In accordance with the by-laws, the membership on the Management Board of Mr. Doug Morris, Chairman of Universal Music Group, expired on November 22, 2008. Thus, on December 31, 2008, Vivendi had no obligations in favor of the Management Board members related to share-based compensation plans (cash-settled plans); as of December 31, 2007, these obligations amounted to €8 million, the reserves accrued amounted to €7 million. 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 2008 and 2007, most Vivendi related companies were equity affiliated, e.g., NBC Universal and Neuf Cegetel until April 14, 2008. 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 Group and Lagardère, which owns 20% of Canal+ France.

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The following table presents the main related-party transactions and corresponding oustanding amounts by these companies or Vivendi; it does not include transactions entered into with subsidiaries over which the group exercises control as of December 31, 2008 and December 31, 2007 (please refer to note 28 for a list of main consolidated entities). In addition and as a reminder, commercial relationships among subsidiaries of the group, aggregated in operating segments, are conducted on an arm's length basis under terms and conditions similar to those which would be offered by third parties. The cost of Vivendi SA's headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the group's businesses, are included in the Holding and Corporate operating segment. Please refer to Note 3 for a detailed description of transactions between the parent company and the subsidiaries of the group, aggregated by operating segments.

(in millions of euros)	December 31, 2008 (a)	December 31, 2007
Assets		
Non-current content assets	42	41
Other intangible assets	-	42
Non-current financial assets	5	4
Trade accounts receivable and other	94	241
Liabilities		
Short-term borrowings and other financial liabilities	9	11
Trade accounts payable and other	123	**(b)** 444
Contractual obligations, net off balance sheet	308	486
Statement of earnings		
Revenues	251	394
Operating expenses	(371)	(675)

(a) As a result of the take over of Neuf Cegetel by SFR on April 15, 2008, the transactions between the subsidiaries of the group and Neuf Cegetel are not included in this table. In 2007, SFR reported Neuf Cegetel revenues and operating expenses of €146 million and €338 million, respectively.
(b) Includes the interim dividends to be paid by SFR to Vodafone (€197 million as of December 31, 2007 paid in 2008).

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. As of December 31, 2008, Canal+ France gave commitments relating to these contracts amounting to approximately €330 million (compared to €510 million as of December 31, 2007), and StudioCanal received commitments relating to these contracts for a total amount of €22 million (compared to €24 million as of December 31, 2007). In 2008, the Canal+ Group recorded a net operating expense of €13 million compared to a net operating expense of €2 million in 2007 in respect of business with NBCU and its subsidiaries. As of December 31, 2008, total receivables amounted to €28 million (compared to €44 million as of December 31, 2007), and total payables amounted to €35 million (compared to €17 million as of December 31, 2007). In addition, StudioCanal invested up to €42 million in co-production projects (compared to €41 million in 2007).
- Agreements with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer, entered into 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 €31 million for SFR in 2008 compared to €18 million in 2007.

In addition, pursuant to a cash contribution agreement dated February 18, 2009, the shareholders of NBCU agreed to make certain cash contributions to NBCU. These cash contributions would enable NBCU to refinance the portion of its $1,670 million existing indebtedness in excess of approximately $1,200 million should NBCU not succeed in refinancing such amount with third party lenders before August 2009. Vivendi's portion of such cash contributions would be limited to 20%, such percentage corresponding to its current 20% shareholding in NBCU.

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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 and/or its subsidiaries are either plaintiff or defendant (please refer to Note 27).

26.1. Contractual Obligations and Commercial Commitments

Below is the summary of material contractual obligations and commercial commitments as of December 31, 2008 and December 31, 2007. Further information is provided in Notes 26.1.1 and 26.1.2 and in the notes referenced in the table below.

(in millions of euros)	Note	As of December 31, 2008				Total as of December 31, 2007
			Payments due in			
		Total	2009	2010-2013	After 2013	
Borrowings and other financial liabilities (a)		13,037	2,012	10,295	730	8,296
o/w nominal value of borrowings and other financial liabilities (b)		*11,687*	*1,659*	*9,448*	*580*	*7,461*
o/w interest to be paid (c)		*1,350*	*353*	*847*	*150*	*835*
Contractual content commitments	10.2	2,193	2,101	83	9	2,365
Subtotal – future minimum payments related to the Consolidated Statement of Financial Position items		**15,230**	**4,113**	**10,378**	**739**	**10,661**
Operating leases	26.1.1	2,055	398	1,113	544	1,624
Contractual content commitments	10.2	5,715	2,058	3,283	374	4,368
Other purchase obligations	26.1.2	1,514	759	492	263	1,358
Subtotal – not recorded in the Consolidated Statement of Financial Position		**9,284**	**3,215**	**4,888**	**1,181**	**7,350**
Total contractual obligations		**24,514**	**7,328**	**15,266**	**1,920**	**18,011**

(a) As of December 31, 2008, the discounted value reported on the Consolidated Statement of Financial Position as borrowings and other financial liabilities amounted to €11,630 million compared to €7,376 million in 2007, of which €9,975 million is long-term borrowings and other financial liabilities (compared to €5,610 million in 2007) and €1,655 million is short-term borrowings and other financial liabilities (compared to €1,766 million in 2007). Please refer to Note 22.
(b) Future payment obligations are recorded at their nominal value as set forth in the relevant agreements.
(c) The interest to be paid on floating rate borrowings is estimated based on the floating rate as of December 31, 2008.

Commitments specific to risk management are presented in Note 24.

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26.1.1. Off Balance Sheet Operating Leases and Subleases

(in millions of euros)	Minimum future leases as of December 31, 2008				Total as of December 31, 2007
		Due in			
	Total	2009	2010-2013	After 2013	
Buildings (a)	(b) 2,100	401	1,130	569	1,639
Other	41	19	21	1	40
Leases	**2,141**	**420**	**1,151**	**570**	**1,679**
Buildings (a)	(86)	(22)	(38)	(26)	(55)
Subleases	**(86)**	**(22)**	**(38)**	**(26)**	**(55)**
Net total	**2,055**	**398**	**1,113**	**544**	**1,624**

(a) Mainly relates to offices and technical premises.
(b) The increase in the minimum future payments related to buildings was mainly generated by the take over of Neuf Cegetel's commitments, fully consolidated since April 15, 2008 (€510 million, of which €260 million represents administrative and technical leases).

As of December 31, 2008, €19 million of provisions were recorded in the Statement of Financial Position with respect to operating leases (unchanged compared to December 31, 2007). These provisions mainly related to unoccupied buildings.

In 2008, net expense recorded in the statement of earnings with respect to operating leases amounted to €467 million (compared to €378 million in 2007).

26.1.2. Off Balance Sheet Commercial Commitments

(in millions of euros)	Minimum future payments as of December 31, 2008				Total as of December 31, 2007
		Due in			
	Total	2009	2010-2013	After 2013	
Satellite transponders	734	169	360	205	936
Investment commitments (a)	640	528	69	43	316
Other	203	84	103	16	151
Given commitments	**1,577**	**781**	**532**	**264**	**1,403**
Satellite transponders	(58)	(20)	(37)	(1)	(45)
Other	(5)	(2)	(3)	-	-
Received commitments	**(63)**	**(22)**	**(40)**	**(1)**	**(45)**
Net total	**1,514**	**759**	**492**	**263**	**1,358**

(a) Mainly relates to SFR and Maroc Telecom Group:

- SFR: €141 million as of December 31, 2008 related to public service delegations. Businesses owned by Neuf Cegetel, fully consolidated since April 15, 2008, and certain French cities or other governmental departments agreed to install and commercialize telecommunication facilities in certain areas of France. In addition, the commitments of SFR included the trade-in of mobile equipments purchased from Nokia Siemens Network in 2007, for new equipments purchased by SFR for an equivalent amount. This transaction should occur by June 30, 2010.
- Maroc Telecom following the completion of a capital expenditure program (-€35 million) and the PACTE universal service program (+€81 million):
  The commitments of Maroc Telecom related to the agreement signed with the government of the Kingdom of Morocco in 2006 pursuant to which Maroc Telecom undertook 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. These commitments were satisfied in 2008 and therefore, as of December 31, 2008, Maroc Telecom Group no longer has any outstanding commitment related to this agreement (balance of commitments for MAD 391 million (€35 million) as of December 31, 2007).
  In addition, in May 2008, as part of the PACTE universal service program, Maroc Telecom signed a first agreement and undertook to provide mobile telephone coverage to 1,500 isolated areas in Morocco, for a total investment of MAD 923 million (€81 million). In exchange, Maroc Telecom will be exempt from paying a MAD 396 million (€35 million) universal service contribution.
- The subsidiaries of Maroc Telecom (Onatel, Mauritel and Gabon Telecom): The capital expenditures amounted to €59 million as of December 31, 2008 compared to €34 million as of December 31, 2007.

Notes to the Consolidated Financial Statements

26.2. Other Commitments Given or Received Relating to Operations

Ref.	Nature of commitments	Amount of commitments	Expiry
	Contingent liabilities		
(a)	Obligations related to the permission to use the Consolidated Global Profit Tax System	- Creation of jobs 600 related to the Group's businesses (since 2005, 829 already created at the end of 2008 compared to 760 at the beginning of 2008)	2008
		- Payment of €5 million annually for 5 years (€21 million already paid as of December 31, 2008 compared to €15 million as of December 31, 2007)	2009
	Individual rights to training for French employees	Approximately 962,000 hours as of December 31, 2008 compared to 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"	-
(b)	Commitment to contribute to the VUPS pension fund	Guarantee equal to 125% of the accounting deficit (approximately £19 million)	2011
(c)	Various other miscellaneous guarantees given	Cumulated amount of €194 million (compared to €79 million as of December 31, 2007)	-
	Contingent assets		
	Various other miscellaneous guarantees received	Cumulated amount of €151 million (compared to €196 million as of December 31, 2007)	-

(a) 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, including 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. Since 2005, 829 jobs had been effectively created. In addition, Vivendi has undertaken to provide financial support for the creation of jobs not related to 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 specialized companies over a 5-year period commencing January 1, 2005. The objective is to create 1,000 jobs over 3 years and 1,500 jobs over 5 years. As of December 31, 2008, 2,535 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, 2008, Vivendi is in full compliance with its commitments and intends to continue to act in accordance with the terms of its undertaking.

(b) This guarantee generates no additional financial commitment compared to those described in Note 20.

(c) Including a guarantee capped at €18 million that, if called, would be reimbursed by December 2009. In addition, Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the pursuit of their operations (including bank guarantees of Neuf Cegetel, fully consolidated since April 15, 2008, which were for approximately €61 million).

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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 relate to Vivendi's stake in NBC Universal and in the share capital of Canal+ France and are described below. Furthermore, Vivendi and its subsidiaries have 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 December 10 of each year between 2009 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 finalized in January 2007, 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 €1,104 million as of December 31, 2008 compared to €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 €1,030 million as of December 31, 2008 compared to €965 million as of December 31, 2007.

Activision Blizzard

As of December 31, 2008, Activision Blizzard owned Auction Rate Securities shares for €56 million ($78 million) (please refer to Note 15). In November 2008, Activision Blizzard was granted a put option by UBS which required UBS to purchase Activision Blizzard's eligible auction rate securities (ARS) at the nominal value between June 30, 2010 and July 2, 2012.

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26.4. Contingent Assets and Liabilities Subsequent to Given or Received Commitments Related to the Divestiture or Acquisition of Shares

Ref.	Nature of commitments	Amount of commitments	Expiry
	Contingent liabilities		
(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; - 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 minimis exclusion) capped at $2,088 million.	- 2010 - 2014
(b)	Acquisition of the MEI stake in USHI (February 2006)	Adjustment to the purchase price expired at the end of 2008 in the event of a sale by Vivendi of its NBCU equity interest.	2008
	Divestiture of UMG manufacturing and distribution operations (May 2005)	Various commitments for manufacturing and distribution services.	2015
(c)	Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)	- Commitments in connection with the authorization of the combination pursuant to the merger control regulations; - General guarantees expired on January 4, 2009; - Tax and social guarantees with a €162 million cap; and - Counter-guarantees granted to TF1 and M6 as part of certain commitments.	2012 2009 2011
(d)	Divestiture of Canal+ Nordic (October 2003)	- Specific guarantee capped at €50 million; and - Specific guarantees given to American studios amount respectively to a maximum of €20 million (maturing in December 2008) and $15 million (€11 million).	2010 2009
(e)	Divestiture of NC Numéricâble (March 2005)	- Specific guarantees capped at €241 million (including tax and social risks) accrued for €12 million.	2014
	Divestiture of PSG (June 2006)	- Customary guarantees capped at €18 million, expired at the end of 2008; and - Unlimited specific guarantee.	2008 2018
(f)	Take over of Neuf Cegetel by SFR (April 2008)	- Commitments undertaken in connection with the authorization of the take over by the French Minister of the Economy, Industry and Employment;and - Reciprocal put and call option agreements allowing for SFR to obtain, in the future, 2,51% of the share capital of Neuf Cegetel.	- 2018
	Creation of Activision Blizzard (July 2008)	Tax sharing and indemnity agreements (refer to Note 2.2).	
(g)	Divestiture of Sithe (December 2000)	Guarantees capped at $480 million.	-
(h)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees capped at €150 million in total (tax and decennial guarantees).	2017
(i)	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 €357 million.	2026
	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 (please refer to Note 27).	-
	Other	Guarantees capped at €96 million (€2 million of provisions) compared to €125 million as of December 31, 2007 (€8 million of provisions).	-

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Ref.	Nature of commitments	Amount of commitments	Expiry
	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 entered into before the acquisition of BMGP by UMG.	2008
(c)	Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)	Vendor warranties received from TF1 and M6 capped at €113 million.	-
	Acquisition of Kinowelt (April 2008)	- General and specific guarantees regarding movie rights property given by the sellers to Studio Canal; and - Specific guarantees, notably on film rights were granted by the sellers.	2013 -
(e)	Guarantees on divestiture of NC Numéricâble (March 2005)	€151 million counter-guaranteed by France Telecom.	2014
(j)	Acquisition of Tele2 France by SFR (July 2007)	Guarantees capped at €358 million.	2009
(k)	Divestiture of Xfera (2003)	Guarantees amounting to €71 million.	
(i)	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; and - Additional price for up to €50 million under certain conditions.	- - 2010
	Various other miscellaneous contingent assets	Cumulated amount of €33 million (compared to €63 million as of December 31, 2007).	-

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 US dollar of loss up to $50 million and for all losses in excess of $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. As of December 31, 2008, these commitments expired.

(c) On August 30, 2006, the TPS/Canal+ Group merger was authorized, in accordance with the merger control regulations, pursuant to a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Group Canal+ complying with certain undertakings. Without questioning 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 television and video-on-demand (VOD) operators' access to attractive audiovisual content rights and, in particular, French and US films and sporting events. To this end, the Canal+ Group undertakes, notably, to restrict to a maximum term of three years the term of future framework agreements with major US studios, 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; and
- 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.

In addition, as part of the sale of a 20% interest in Canal+ France to Lagardère Active as of January 4, 2007, Canal+ Group made (i) general, and (ii) tax and social representations and warranties to Lagardère Active with a €162 million cap on the entities held by Canal+ France, excluding Canal Satellite, MultiThématiques and the TPS entities as of December 31, 2008. Those guarantees expired on January 4, 2009 except for the tax and social guarantee which will expire on January 4, 2011.

In addition, 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 the contractual content commitments and other long term obligations of TPS and other obligations recognized in the statement of financial position of TPS.

(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 (this term being extendable 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 (expired at the end of 2008) 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, 2008 (unchanged compared to 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) The Minister's approval on April 15, 2008, implied additional new commitments from Vivendi and its subsidiaries. They address competitor access and new market entrants to wholesale markets on SFR's fixed and mobile networks, acceptance on the fixed network of an independent television distributor if such a player appears, as well as the availability, on a non-exclusive basis, of ADSL on eight new channels which are leaders in their particular themes (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV). A detailed summary of the commitments taken by the Vivendi group and SFR is available on Vivendi's website at the following address: http://www.vivendi.com/vivendi/SFR,262.

In addition, following the success of the tender offer pursuant to which SFR obtained a 96.41% equity interest in Neuf Cegetel, SFR launched a squeeze-out for the Neuf Cegetel shares (please refer to Note 2.1). The funds relating to

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compensation for the Neuf Cegetel shares which will not have been claimed by depository institutions on behalf of beneficiaries, shall be held by CACEIS Corporate Trust for a period of 10 years commencing on the effective date of the squeeze-out and then paid to the Caisse des Dépôts et Consignations upon expiration of this deadline. These funds may be claimed at any time by beneficiaries subject to the thirty-year statute of limitations period, after which time the funds shall be paid to the French State.

Finally, SFR has entered into reciprocal put and call option agreements with almost all of the executives and employees of Neuf Cegetel who were granted restricted shares, which are currently in a holding or vesting period, allowing for SFR to obtain, in the future, 2.51% of the share capital of Neuf Cegetel.

(g) In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted customary representations and guarantees. 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 on December 18, 2005. Some environmental commitments still exist and any potential liabilities related to contamination risks never expire.

(h) 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.

(i) 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., €357 million) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In exchange for such guarantee, Vivendi received a pledge over the cash of the divested companies and a counter-guarantee provided by the purchaser in the amount of €122 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 (before September 30, 2010).

(j) The Share Purchase Agreement (SPA) dated October 2, 2006 between Tele2 Europe SA and SFR contains representations and warranties which expired on January 20, 2009 except for any claims arising with respect to tax and social matters for which the expiration period is three months following the expiration of the applicable statute of limitations. Claims for breaches of the representations and warranties shall not exceed 100% of the Final Purchase Price (€358 million). On July 18, 2007, as an implementation of the European Union antitrust regulation, the European Commission approved the purchase of the fixed and internet activities of Tele2 France by SFR, subject to commitments on the handling and distribution of audio-visual content for a five year period. A detailed summary of the commitments taken by the Vivendi group and SFR is available on Vivendi's website at the following address: http://www.vivendi.com/vivendi/SFR,262.

(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 first demand bank guarantee relating to 2001 fees for an amount of €57 million.

Several guarantees given in 2008 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, in consideration of share ownership, or given in connection with the dissolution or winding-up of certain businesses are still active. 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 shareholders' agreements (including SFR, Maroc Telecom Group, Canal+ France and Activision Blizzard (please refer to Note 2.2)), Vivendi holds certain rights (such as preemptive rights, priority rights) which give it control over the capital structure of consolidated companies partially owned by other shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders' agreements or the bylaws of consolidated entities, equity affiliates or unconsolidated interests (including NBC Universal and Elektrim Telekomunikacja), Vivendi and its subsidiaries have given or received certain rights (preemptive and other rights) entitling them to maintain their shareholder's rights.

Shareholders' agreement among Vivendi, TF1 and M6

Pursuant to the shareholders' agreement among 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 pre-emptive right over all the shares of Canal+ France owned by TF1 and M6.

Strategic agreements among Vivendi, Canal+ Group, Lagardère and Lagardère Active

Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to maintain its economic interest in Canal+ France, whose 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 the members of the management board of Canal+ France will be appointed by Canal+ Group. Lagardère will be represented by two members out of the eleven members of the supervisory board. This number will be increased to three members in the event that Lagardère's ownership in Canal+ France is increased to a level of 34%.
- 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 permanent change in the business, its transformation into a company in which the partners have unlimited liability, a single investment of more than a third of revenues, a tender offer for 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[8]), 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 2015, Lagardère will have a liquidity right exercisable between March 15 and April 15 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 a 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 needed 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 entered into an agreement. Following the French Minister of the Economy, Industry and Employment's approval given on April 15, 2008, SFR acquired the Louis Dreyfus Group's entire interest in Neuf Cegetel (28.45%). At this date, the shareholders' agreement between SFR and the Louis Dreyfus Group terminated.

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+) may 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

As of December 31, 2008, the amount of the group's assets that were pledged or mortgaged for the benefit of third parties was €1 million (unchanged compared to December 31, 2007). Moreover, Vivendi has no guarantees from third parties on any of its receivables outstanding as of December 31, 2008 (compared to €32 million as of December 31, 2007).

8. *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 changes in financial component, costs related to share-based payments, restructuring costs, changes in currency hedging instruments related to operating activities and gain and loss on the divestments of property, plant and equipment and intangible assets.*

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Note 27. Litigations

Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively "Legal Proceedings") in the normal course of its business.

The costs which may result from these proceedings are only recognized as provisions when they become likely to be incurred and when the obligation can either be quantified or estimated on a reasonable basis. In the latter case, the amount of the provision represents Vivendi's best estimate of the risk, bearing in mind that the events that occur during the proceedings may lead, at any time, to a reappraisal of the risk. As of December 31, 2008, provisions recorded by Vivendi for all claims and litigations amounted to €384 million.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including, to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had in the previous twelve months a significant effect on the company and on its group's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 24, 2009, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2008.

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 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.

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 the parties of the end of the investigation. On January 23, 2009, the Public Prosecutor transmitted to the judge and the civil parties a final prosecutor's decision of dismissal.

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, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders seeking damages for an unspecified amount. Vivendi contests these allegations and has not set aside any sums in its accounts for this contingency
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. On March 12, 2008, Vivendi filed a motion for reconsideration of the Court's class certification decision with respect to the French shareholders included in the class. The Court has not yet ruled on this motion.
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 likely to commence in May 2009.

Complaint of Liberty Media Corporation
On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. 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. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934, as well as additional claims under New York State Law. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action for pre-trial purposes and may be tried separately.

Derivative action in the United States
In September 2002, a derivative action was commenced before the Superior Court of the State of California by a US shareholder, on behalf of Vivendi, against certain of its former directors, for alleged breaches of the law of the State of California between April 2001 and July 2002 (false and misleading statements and issue of false and misleading financial results). This action had been stayed since February 7, 2003. On November 12, 2008, the Court ordered the case to be dismissed.

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. Only those proceedings in which there were developments in 2008 are discussed below. For the other proceedings (in particular the arbitrations in Geneva and Vienna, the arbitration against the Polish State and the tort claim initiated by T-Mobile against Telco before the Warsaw tribunal), please refer to the previous Annual Reports, in particular pages 53 and 54 of the 2007 Annual Report and Note 27 of the Consolidated Financial Statements for the Year ended December 31, 2007.

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 (the "Vienna Award") on November 26, 2004. The case was remanded to the Warsaw Tribunal of first instance.
On June 18, 2008, the Warsaw Tribunal of first instance recognized the Vienna Award dated November 26, 2004, including the fourth point ruling that "the Arbitration Tribunal has no jurisdiction over Telco, and that all the DT claims against Telco cannot be fulfilled through an arbitral procedure". Telco and DT appealed this decision. On December 10, 2008, the Warsaw Court of Appeals decided it would seek advice from Austrian judicial authorities on the impact of the decision under Austrian law.

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 litigation relates to the breaches by Elektrim of the Third Amended and Restated Investment Agreement entered into on September 3, 2001 by and among Elektrim, Telco, Carcom, Vivendi and VTI governing the conditions of the Vivendi investment and the relations between Vivendi and Elektrim within Telco and Carcom (the "TIA").
On May 22, 2006, the LCIA arbitral tribunal rendered a partial award confirming the validity of the TIA challenged by Elektrim. On September 18, 2008, the Warsaw Court of Appeal recognized this award in Poland.
On March 19, 2008, the arbitral tribunal issued an award in favor of Vivendi and found that Elektrim breached the basic principles 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.
On February 12, 2009, the arbitral tribunal rendered a final award. The tribunal awarded damages to Vivendi in an amount of €1.876 billion (plus accrued interest from February 2005) for intentional breaches by Elektrim of the TIA.

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. Vivendi has made an indemnity claim in the amount of €1.8 billion against DT. On March 18, 2008, the Paris Commercial Court dismissed Vivendi's action. Vivendi appealed this decision.

Declaratory proceedings before the Polish Courts

In December 2004, following the Vienna Award dated November 26, 2004, Telco initiated proceedings on the merits with the intention of obtaining a declaratory judgment confirming that it is the rightful owner of the PTC shares. On May 22, 2007, Telco's request for a declaratory judgment was denied on jurisdictional grounds. Telco appealed this decision. On May 21, 2008, the Warsaw Court of Appeal reversed the first instance decision and confirmed that the polish courts had jurisdiction with respect to the ownership of the PTC shares, an issue that was not resolved by the Vienna Award dated November 26, 2004. The case has been sent back to a court of first instance.

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. On June 5, 2008, the Court determined that it lacked jurisdiction and dismissed Vivendi's claim. Vivendi appealed this decision.

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 dated November 26, 2004. Elektrim is claiming compensation in the 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. On January 5, 2009, the Warsaw Tribunal dismissed Elektrim's claim. Elektrim appealed this decision.

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 in progress.

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. On May 22, 2008, the ICSID appointed an ad hoc committee to review this application. The main hearing is scheduled for July 2009.

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), a former subsidiary of Vivendi, became the subject of an action brought by shareholders (ut singuli) 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 million for the offences of collusion and concealment of the misuse 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. On January 14, 2009, the Criminal Chamber of the French Supreme Court denied the appeal.

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. In 2008, the judges carried out additional investigations.

Action of Unibail against Anjou Patrimoine

Unibail has brought an action relating to the guarantee given by Anjou Patrimoine (a former subsidiary of Vivendi) in the context of the sale of CNIT offices in 1999. On July 3, 1997, the Nanterre High Court ordered the indemnification by Anjou Patrimoine of Unibail's liability for taxes relating to the creation of offices and denied all other claims. On October 31, 2008, the Versailles Court of Appeal quashed the judgment of the High Court, denied all the claims of Unibail and ordered it to reimburse to Anjou Patrimoine all the sums paid in the context of the first ruling. On November 27, 2008, Anjou Patrimoine appealed this decision.

Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a subsidiary of Vivendi) against FIG to obtain the release of a part of the amount remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the cancellation of the sale by a judgment of the Berlin Court of Appeal, which invalidated a judgment rendered by the Berlin High Court. Vivendi was ordered to repurchase the buildings and to pay damages of an amount to be determined. Vivendi appealed this decision to the Supreme Court. Vivendi delivered a guarantee so as to pursue settlement negotiation. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the judgment execution. On October 8, 2008, the Berlin Court rejected CGIS BIM demands. Vivendi appealed before the Federal Court.

SCI Carrec

On October 4, 2006, SCI Carrec filed a claim against the company Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for damages 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. On December 24, 2008, the parties signed a settlement agreement. This case is closed.

Complaint of Centenary Holdings III Limited

On January 9, 2009, the liquidator of Centenary Holdings III Limited (CH III), a former Seagram subsidiary, divested in January 2004 and placed into liquidation in July 2005, has sued some of its formers directors, Vivendi and its former auditors. The liquidator, acting on behalf of the creditors of CH III, alleges that the defendants breached their fiduciary duties. A response from the defendants is due by April 8, 2009.

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. A hearing on the pleadings took place on January 20, 2009 and a decision is scheduled to be rendered on March 11, 2009.
On March 11, 2008, customers and the "UFC Que Choisir" consumer association which brought litigation proceedings before the Commercial Court of Paris withdrew their claims.

Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets. On March 13, 2008, SFR received a notification of grievances and must file its response within two months. On May 19, 2008, SFR submitted its observations in response. The Competition Council rendered its report on August 4, 2008. The hearing before the French Competition Council is scheduled for March 2009 and a decision is expected by the end of the second quarter of 2009.

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Complaint of SFR against Orange on its "Unik 1 euro" offer

On December 5, 2008, SFR brought a claim before the French Competition Council against Orange for unfair trading practises relating to its "Unik 1 euro" offer.

UFC "Que Choisir" consumer association against the decision of the Minister of Economy dated April 15, 2008

On July 7, 2008, the UFC – "Que Choisir" association filed a claim before the Council of State challenging the decision of the Ministry of Economy, Industry and Employment dated April 15, 2008 authorizing the acquisition of Neuf Cegetel by SFR. On December 2, 2008, UFC-Que Choisir filed its decision to dismiss the case.

Universal Service

Neuf Cegetel and the operators which are members of the AFORST (Association Française des Opérateurs de Réseaux et de Services de Télécommunications) (French Association of Telecommunications Networks and Services Operators) disputed before the Paris Administrative Court the legality of the funding of the Universal Service on the grounds that it was not proven that the provision of the Universal Service constituted an undue burden for its provider, and the absence of transparency in the method of calculating the fees. The overall amount claimed by Neuf Cegetel is €31.1 million. On March 1, 2007, the Paris Administrative Court ordered the State to refund the amounts of the contributions paid by Cegetel from 1998 through 2000. The State lodged an appeal against this judgment and refused to refund the corresponding sums on the grounds that these contributions were allegedly paid pursuant to the decree of April 16, 2007, which Neuf Cegetel disputes. On November 24, 2008, the Paris Administrative Court denied the appeal lodged by the State.

Application fees

Following a ruling of the Paris Administrative Tribunal dated June 19, 2003, Neuf Telecom (now "Neuf Cegetel") and its subsidiaries disputed the validity of the management taxes invoiced by the ARCEP. On June, 7, 2007, the Paris Administrative Tribunal ordered the State to refund the sums paid by Neuf Cegetel for the annual file administration tax for 2000. On October 17, 2007, the State paid €2.8 million corresponding to the principal amount due. In May 2008, Neuf Cegetel requested the refund of the interest paid on amounts in arrears. It also initiated similar actions for the management and control taxes for a total amount of €14 million. On March 30, 2007, the Paris Administrative Tribunal dismissed the claims made for 1998 (€10.1 million). On May 30, 2007, Neuf Cegetel lodged an appeal before the Paris Administrative Court.

Neuf Cegetel against France Telecom regarding the broadcasting of the Orange Foot channel

On June 27, 2008, Neuf Cegetel voluntarily joined a proceeding initiated by Free against France Telecom regarding the broadcasting of the Orange Foot channel. On February 23, 2009, the Commercial Court ruled in favour of the request of Free and Neuf Cegetel and determined that the Orange Foot channel offer, which conditioned the subscription to the Orange Foot channel upon a prior subscription to the Internet Orange offer, constituted a related sale transaction prohibited by the French Code of Consumption. As a consequence, the Court ordered France Telecom to terminate its related sale practices related to the Orange Foot channel within one month or be penalized, and appointed an expert to produce a report evaluating the amount of the loss suffered by Neuf Cegetel and Free.

Tenor against Groupe SFR Cegetel, Groupe France Telecom and Bouygues Telecom

Tenor (a fixed operators association, which has became ETNA) brought a claim before the French Competition Council alleging anticompetitive practices by France Telecom, Cegetel, SFR and Bouygues Telecom in the telecommunications sector. On October 14, 2004, the French Competition Council fined SFR, among others, for abuse of dominant position. On November 20, 2004, SFR appealed. On April 12, 2004, the Court of Appeal quashed the decision of the Competition Council. On April 29, 2005, ETNA appealed against that ruling before the French Supreme Court. On May 10, 2006, the Supreme Court rejected the decision of the Court of Appeal stating that it should have examined whether the alleged practices had an adverse impact on competition. On April 2, 2008, the second Court of Appeal denied the requests made by SFR. On April 30, 2008, SFR appealed to the French Supreme Court. A hearing was held on January 27, 2009 and a judgement is expected at the beginning of March 2009.

Parabole Réunion

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. By a judgment dated June 19, 2008, the Paris Court of Appeal reversed the judgment dated September, 18, 2007 and dismissed Parabole Réunion's main claims against Groupe Canal+. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. Parabole

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Réunion has also initiated arbitration proceedings before the Paris Mediation and Arbitration Center relating to certain aspects of the self-broadcasting of the Canal+ channel, and claims damages. On December 12, 2008, Groupe Canal+ requested the suspension of the arbitration until a definitive decision is reached in the proceedings pending before the Paris Commercial Tribunal regarding its request to compel the performance of an agreement dated May 30, 2008 and proposed to Parabole Réunion to enter into a new agreement with non-discriminatory price conditions.

Action brought by the French Competition Council on practices implemented in the pay television sector

Further to its voluntarily investigation and a complaint by France Telecom, the French Competition Council sent to Vivendi and Groupe Canal+, at the beginning of January 2009, a notification of grievances. The Competition Council alleges that Groupe Canal+ has abused of its dominant position in certain markets of the pay-tv sector and that Vivendi and Groupe Canal+ colluded with TF1 and M6 on one hand and Lagardère on the other hand. Vivendi and Groupe Canal+ contest these allegations and intend to defend vigorously against them.

French Competition Council against Sportfive

On June 18, 2008, in connection with the ongoing proceedings before the French Competition Council relating to unfair practises in the management of professional soccer rights and in advertising in stadiums sectors, the company Sportfive received a notification of grievances. The potential financial consequences resulting from such investigation are covered by a commitment granted by Groupe Canal+ to RTL at the time of the sale of Sportfive to RTL. This commitment contained the right for Groupe Canal+ to participate in the defense of Sportfive. On September 15, 2008, Sportfive filed its briefs in response to the notice. On February 5, 2008, the rapporteur of the Competition Council sent its reply brief to Sportfive, and a non confidential version has been sent to Canal+ Group.

Complaint against France Telecom before the French Competition Authority

On February 11, 2009, Neuf Cegetel and Groupe Canal+ jointly filed a complaint with the French Competition Authority against France Telecom for abuse of dominant position and collusion with the Professional League of Football. The plaintiffs claim that France Telecom uses a strategy by which it restricts the commercialization of its cinematographic and sporting rights to only its exclusive ADSL subscribers.

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. In November 2008 and January 2009, the Department of Justice and New York State Attorney General, respectively, closed these investigations without taking any legal action against UMG.

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. The plaintiffs alleged, among other things, that Activision's directors failed to fulfil their fiduciary duties with regard to the business combination, that those breaches were aided and abetted by Vivendi and certain of its subsidiaries, and that the preliminary proxy statement filed by Activision on January 31, 2008 contains statements that are false and misleading. On June 24, 2008, the plaintiffs filed their conclusions dismissing the Vivendi defendants from the lawsuit. On June 30, 2008, the Court entered its order dismissing the Vivendi defendants from the action. On July 1, 2008, the Court denied the plaintiffs' motion for preliminary injunction.

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Note 28. Major Consolidated Entities

As of December 31, 2008, approximately 540 entities were consolidated or accounted for using the equity method (compared to approximately 430 entities as of December 31, 2007).

C: Consolidated; E: Equity.

	Note	Country	December 31, 2008			December 31, 2007		
			Accounting method	Voting interest	Ownership interest	Accounting method	Voting interest	Ownership interest
Vivendi S.A.		**France**	**Parent company**			**Parent company**		
Universal Music Group, Inc.		**United States**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
PolyGram Holding, Inc.		United States	C	100%	*100%*	C	100%	*100%*
UMG Recordings, Inc.		United States	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 L.L.C.		Japan	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		United Kindom	C	100%	*100%*	C	100%	*100%*
Canal+ Group S.A.		**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Canal+ France S.A.		France	C	65%	*65%*	C	65%	*65%*
Canal+ S.A. **(a)**		France	C	49%	*32%*	C	49%	*32%*
MultiThématiques S.A.S.		France	C	100%	*65%*	C	100%	*65%*
TPS Star S.N.C. **(b)**		France	C	100%	*65%*	-	-	-
Canal Overseas S.A.S. (ex Media Overseas S.A.S.)		France	C	100%	*65%*	C	100%	*65%*
Canal+ Distribution S.A.S. **(c)**		France	C	100%	*65%*	C	100%	*65%*
TPS Cinema S.N.C. **(b)**		France	-	-	-	C	100%	*65%*
StudioCanal S.A.		France	C	100%	*100%*	C	100%	*100%*
Cyfra+		Poland	C	75%	*75%*	C	75%	*75%*
SFR S.A. (d)		**France**	**C**	**56%**	***56%***	**C**	**56%**	***56%***
Société Réunionnaise du Radiotéléphone S.C.S.		France	C	100%	*56%*	C	100%	*56%*
FrNet2 S.A.S. **(e)**		France	-	-	-	C	100%	*56%*
Société Financière de Distribution S.A.		France	C	100%	*56%*	C	100%	*56%*
Neuf Cegetel S.A.	2.1	France	C	100%	*56%*	E	40%	*22%*
Maroc Telecom S.A.		**Morocco**	**C**	**53%**	***53%***	**C**	**53%**	***53%***
Mauritel S.A.		Mauritania	C	51%	*22%*	C	51%	*22%*
Onatel		Burkina Faso	C	51%	*27%*	C	51%	*27%*
Gabon Telecom S.A.		Gabon	C	51%	*27%*	C	51%	*27%*
Mobisud France **(f)**		France	C	66%	*35%*	C	66%	*35%*
Mobisud Belgique		Belgium	C	100%	*53%*	C	100%	*53%*
Activision Blizzard, Inc. (g)	2.2	**United States**	**C**	**54%**	***55%***	**C**	**100%**	***100%***
Blizzard Entertainment, Inc.		United States	C	54%	*55%*	C	100%	*100%*
Activision Publishing, Inc.		United States	C	54%	*55%*	-	-	-
RedOctane, Inc.		United States	C	54%	*55%*	-	-	-
NBC Universal		**United States**	**E**	**20%**	***20%***	**E**	**20%**	***20%***
Other								
Elektrim Telekomunikacja		Poland	C	51%	*51%*	C	51%	*51%*
Polska Telefonica Cyfrowa **(h)**		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

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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, 2008, TPS Cinema S.N.C. merged with and into TPS Star S.N.C.

(c) 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 Canal+ Distribution S.A.S.

(d) 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.

(e) As of December 31, 2008, FrNet 2 S.A.S. (formerly named Tele2 France) merged with and into SFR S.A.

(f) As of December 31, 2008 and 2007, SFR held a 16% minority interest in Mobisud France.

(g) On July 9, 2008, a wholly-owned subsidiary of Activision merged with and into Vivendi Games and Vivendi Games became a wholly-owned subsidiary of Activision, which was renamed Activision Blizzard. On that date, Vivendi held a 54.47% (non-diluted) controlling interest in Activision Blizzard, which conducts the combined business operations of Activision and Vivendi Games. From an accounting perspective, Vivendi Games is deemed to be the acquirer of Activision, thereby the figures reported in this Report under the "Activision Blizzard" caption relate to: (a) Vivendi Games' historical figures in 2007; (b) Vivendi Games' historical figures from January 1 to July 9, 2008; and (c) the combined business operations of Activision and Vivendi Games from July 10, 2008. In addition, following the stock repurchase program authorized by the Board of Directors of Activision Blizzard on November 5, 2008, the exercise of stock options, restricted stocks and other dilutive instruments by Activision's employees and the purchase of Activision Blizzard's shares by Vivendi on the market, Vivendi's ownership interest in Activision Blizzard could fluctuate from time to time.

(h) 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, 2008, were as follows:

- In January 2009, Vivendi SA put into place the following financings:
  - a new tranche of €200 million of the €500 million original bond issue dated October 2006 with an October 2013 maturity. This new tranche is denominated in euros with a 4.5% coupon, and an issue price of 87.550% of the nominal value, corresponding to a 7.738% yield; and
  - a new bond issue of €1 billion aimed at optimizing debt structure and increasing its average maturity. This fixed-rate bond is denominated in euros with a 5-year maturity, a 7.75% coupon, and an issue price of 99.727%, corresponding to a 7.82% yield.
- On January 14, 2009, SFR placed a €200 million increase of its €800 million original bond issue, dated July 2005 with a 2012 maturity. This increase was in addition to a €200 million first increase of this bond issue in May 2008. This new tranche of the 2012 original bond issue is denominated in euros with a 3.375% coupon, and an issue price of 94.212% of the nominal value, corresponding to a 5.236% yield.
- On January 30, 2009, the Board of Directors of SFR resolved to pay an interim dividend of €750 million for fiscal year 2008, corresponding to €420 million for Vivendi.
- Cash contributions to NBC Universal (please refer to Note 25).
- Early 2009, Vivendi SA and SFR are considering setting up an approximate €1.5 billion loan to SFR. As of February 24, 2009, the terms and conditions of this financing, at arm's length, were not yet approved by the parties.

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Notes to the Consolidated Financial Statements

Note 30. Pro forma Consolidated Statement of Earnings

The take over of Neuf Cegetel by SFR on April 15, 2008 (please refer to Note 2.1) and the creation of Activision Blizzard on July 9, 2008 (please refer to Note 2.2) had a significant impact on Vivendi Consolidated Financial Statements as of December 31, 2008. Consequently, a pro forma Consolidated Statement of Earnings as of December 31, 2008 has been established.
This unaudited pro forma financial information has been prepared in accordance with Annex II "Pro forma financial information building block" of European Commission Regulation n° 809/2004, and in conformity with the recommendations issued by CESR in February 2005 regarding the preparation of pro forma financial information within the scope of the above-mentioned regulation on prospectuses.
The pro forma consolidated financial information has been prepared as though both acquisitions had occurred on January 1, 2008 and does not therefore represent the operating results that would have been achieved had these acquisitions been effective on January 1, 2008.

	Year ended December 31, 2008	From January 1 to				Year ended December 31, 2008
		April 14, 2008	July 9, 2008			
	Vivendi as published	Neuf Cegetel (a)	Activision (b)	Adjustments (c)	Interco Elimination (d)	Vivendi pro forma
Revenues	**25,392**	**1,059**	**863**	**-**	**(168)**	**27,146**
Cost of revenues	(12,492)	(739)	(504)	-	168	(13,567)
Selling, general and administrative expenses, restructuring charges and other operating charges and income	(8,600)	(272)	(299)	(72)	-	(9,243)
Impairment losses of intangible assets acquired through business combinations	(40)	-	-	-	-	(40)
EBIT	**4,260**	**48**	**60**	**(72)**	**-**	**4,296**
Income from equity affiliates	260	(1)	-	(18)	-	241
Interest	(354)	(16)	18	(78)	-	(430)
Income from investments	5	-	-	-	-	5
Other financial charges and income	579	-	-	(5)	-	574
Earnings from continuing operations before provision for income taxes	**4,750**	**31**	**78**	**(173)**	**-**	**4,686**
Provision for income taxes	(1,051)	27	(34)	26	-	(1,032)
Earnings from continuing operations	**3,699**	**58**	**44**	**(147)**	**-**	**3,654**
Earnings from discontinued operations	-	-	-	-	-	-
Earnings	**3,699**	**58**	**44**	**(147)**	**-**	**3,654**
Attributable to:						
Equity holders of the parent	**2,603**	**32**	**24**	**(106)**	**-**	**2,553**
Minority interests	1,096	26	20	(41)	-	1,101
Earnings attributable to equity holders of the parent per share – basic (in euros)	**2.23**	**-**	**-**	**-**	**-**	**2.19**
Earnings attributable to equity holders of the parent per share – diluted (in euros)	**2.23**	**-**	**-**	**-**	**-**	**2.18**

In millions of euros, except per share amounts, in euros.

(a) Includes Neuf Cegetel from January 1 until April 14, 2008.
(b) Includes Activision from January 1 until July 9, 2008.
(c) The adjustments in the pro forma information mainly relate to:
- the amortization of intangible assets acquired through business combinations from January 1, 2008 through the dates of acquisition of Neuf Cegetel and Activision, respectively;
- the elimination of Vivendi's pro rata share of Neuf Cegetel's income from January 1 through April 14, 2008;
- interest, net related to the acquisitions of Neuf Cegetel and Activision from January 1, 2008 through the dates of the take over of Neuf Cegetel and the acquisition of Activision, respectively; and
- provision for income taxes and the minority interests related to these adjustments.

(d) Represents mainly:
- the elimination of purchases and sales between SFR and Neuf Cegetel from January 1 through April 14, 2008; and
- the elimination of intercompany transactions realized between Neuf Cegetel and Vivendi's other operating segments from January 1 through April 14, 2008.

IV – 2008 Statutory Financial Statements

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Section 1 2008 Statutory Financial Statements

1.1. Statement of Earnings

(in millions of euros)	Note	2008	2007
Operating income			
Total revenues	2	113.8	91.6
Reversal of provisions and expense reclassifications	2	33.0	20.3
Other income		0.3	0.9
Total I		**147.1**	**112.8**
Operating expenses			
Other purchases and external charges	2	144.3	114.1
Duties and taxes other than income tax	2	7.5	6.5
Wages and salaries		34.1	35.4
Social security contributions		13.7	13.1
Depreciation, amortization and charges to provisions			
On intangible assets and PP&E: amortization and depreciation		8.2	7.8
On current assets: charges to provisions			
For contingencies and losses: charges to provisions		1.7	1.7
Other expenses		1.7	2.4
Total II		**211.2**	**181.0**
Loss from operations (I-II)		**(64.1)**	**(68.2)**
Financial income			
From subsidiaries and affiliates		458.2	2,023.6
From other securities and long-term receivables		250.1	127.5
Other interest and similar income		64.4	141.1
Reversal of provisions and expense reclassifications		569.2	364.3
Foreign exchange gains		2,210.3	775.6
Net proceeds from the sale of marketable securities		19.5	72.8
Total III		**3,571.7**	**3,504.9**
Financial expenses			
Amortization and charges to financial provisions		1,380.0	1,461.7
Interest and similar charges		639.0	265.8
Foreign exchange losses		2,210.0	792.3
Net expenses on the sale of marketable securities			0.6
Total IV		**4,229.0**	**2,520.4**
Net financial income/(loss) (III-IV)	3	**(657.3)**	**984.5**
Earnings/(Loss) from ordinary activities before tax (I-II + III-IV)		**(721.4)**	**916.3**
Exceptional income			
From non-capital transactions		19.8	75.3
From capital transactions		68.1	2,828.9
Reversals of provisions and expense reclassifications		390.7	673.4
Total V		**478.6**	**3,577.6**
Exceptional expenses			
On non-capital transactions		285.7	27.1
On capital transactions		307.0	3,380.2
Exceptional depreciation, amortization and charges to provisions		104.9	161.2
Total VI		**697.6**	**3,568.5**
Net exceptional items (V-VI)	4	**(219.0)**	**9.1**
Employee profit-sharing (VII)			
Income tax (credit) (VIII)	5	**512.3**	**579.0**
Total income (I + III + V + VIII)		**4,709.7**	**7,774.3**
Total expenses (II + IV + VI + VII)		**5,137.8**	**6,269.9**
Earnings/(Loss) for the year		**(428.1)**	**1,504.4**

Section 1 2008 Statutory Financial Statements

1.2. Statement of Financial Position

ASSETS (in millions of euros)	Note	Gross	Depreciation, amortization and provisions	Net	
				12/31/2008	12/31/2007
Non-current assets					
Intangible assets	6	**14.1**	**13.1**	**1.0**	**1.2**
Preliminary expenses					
Concessions and similar rights					
Other intangible assets		14.1	13.1	1.0	1.2
Property, plant and equipment	6	**59.9**	**56.7**	**3.2**	**5.3**
Land					
Buildings and improvements		0.1	0.1	0.0	0.1
Industrial and technical plant		0.4	0.3	0.1	0.1
Other PP&E		57.7	54.9	2.8	4.7
Concession PP&E		1.7	1.4	0.3	0.4
Long-term investments (a)	7	**43,698.4**	**4,665.4**	**39,033.0**	**35,599.5**
Investments in affiliates and Long-term portfolio securities		37,713.7	3,619.2	34,094.5	34,495.8
Loans to subsidiaries and affiliates		5,822.0	937.0	4,885.0	998.0
Other long-term investment securities		109.8	109.2	0.6	0.6
Loans					10.7
Other		52.9		52.9	94.4
Total I		**43,772.4**	**4,735.2**	**39,037.2**	**35,606.0**
Current assets	9				
Inventories and WIP					
Receivables (b)		**2,733.6**	**193.8**	**2,539.8**	**2,766.0**
Trade accounts receivable and related accounts		36.5		36.5	36.1
Other receivables		2,697.1	193.8	2,503.3	2,729.9
Marketable securities		**78.2**	**3.4**	**74.8**	**1,213.0**
Treasury shares	8	1.9		1.9	1.9
Other securities		76.3	3.4	72.9	1,211.1
Cash at bank and in hand		**133.0**		**133.0**	**151.7**
Prepayments (b)		**16.3**		**16.3**	**233.2**
Total II		**2,961.1**	**197.2**	**2,763.9**	**4,363.9**
Deferred charges (III)	11	**12.2**		**12.2**	**5.1**
Unrealized foreign exchange losses (IV)	12	**106.8**		**106.8**	
Total assets (I + II + III + IV)		**46,852.5**	**4,932.4**	**41,920.1**	**39,975.0**
(a) Portion due within less than one year				*1,944.1*	*121.1*
(b) Portion due within more than one year				*27.1*	*4.0*

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Section 1 2008 Statutory Financial Statements

EQUITY AND LIABILITIES (in millions of euros)	Note	12/31/2008	12/31/2007
Equity	13		
Share capital		6,436.1	6,406.1
Additional paid-in capital		12,220.1	12,145.9
Reserves			
Legal reserve		640.6	636.4
Other reserves		11,212.5	11,215.9
Retained earnings		2,185.4	2,200.0
Earnings/(Loss) for the year		(428.1)	1,504.4
Net equity		**32,266.6**	**34,108.7**
Tax-driven provisions			
Total I		**32,266.6**	**34,108.7**
Equity equivalents			
Total II			
Provisions	15	204.4	416.4
Total III		**204.4**	**416.4**
Liabilities (a)			
Convertible and other bond issues	16	3,712.6	2,987.5
Bank borrowings (b)	16	2,413.0	298.4
Other borrowings	16	3,116.0	2,076.9
Trade accounts payable and related accounts		24.4	25.4
Tax and employee-related liabilities		26.9	25.8
Amounts payable in respect of PP&E and related accounts		34.5	17.2
Other liabilities		17.0	14.9
Deferred income		1.8	2.8
Total IV		**9,346.2**	**5,448.9**
Unrealized foreign exchange gains (V)		**102.9**	**1.0**
Total equity and liabilities (I + II + III + IV + V)		**41,920.1**	**39,975.0**
(a) Portion due within more than one year		*5,306.3*	*2,661.9*
Portion due within less than one year		*4,039.9*	*2,787.0*
(b) Including current bank facilities and overdrafts		*117.1*	*149.4*

Section 1 2008 Statutory Financial Statements

1.3. Statement of Cash Flows

(in millions of euros)	2008	2007
Earnings/(Loss) for the year	(428.1)	1,504.4
Elimination of non-cash income and expenses:		
Charges to depreciation and amortization	8.2	7.7
Charges to provisions net of (reversals)		
Operating	1.6	
Financial	810.0	1,097.4
Exceptional	(285.8)	(512.2)
Capital (gains) & losses	258.4	552.2
Merger and liquidation (gains)/deficits		(29.1)
Neutralization of finance costs on calls not exercised	225.6	
Operating cash flows before changes in working capital	**589.9**	**2,620.4**
Changes in working capital	296.9	152.2
Net cash provided by operating activities	**886.8**	**2,772.6**
Capital expenditure	(1.0)	(0.7)
Purchases of investments in affiliates and securities	(935.2)	(1,125.6)
Increase in loans to subsidiaries and affiliates	(4,042.5)	(922.5)
Advances and cash deposits in respect of the Canal+/TPS combination		623.5
Receivables on the sale of non-current assets and other financial receivables	62.7	10.1
Proceeds from sales of intangible assets and PP&E		
Proceeds from sales of investments in affiliates and securities	45.0	2,486.4
Decrease in loans to subsidiaries and affiliates	173.2	339.0
Increase in deferred charges relating to financial instruments	(12.1)	
Net cash provided by/(used in) investing activities	**(4,709.9)**	**1,410.2**
Net proceeds from issuance of shares	100.9	148.4
Dividends paid	(1,514.8)	(1,387.3)
New long-term borrowings secured	910.0	
Principal payments on long-term borrowings	(96.2)	(705.3)
Increase (decrease) in short-term borrowings	2,120.4	(369.5)
Change in net current accounts	1,145.9	(2,343.1)
Treasury shares		(213.6)
Net cash provided by/(used in) financing activities	**2,666.2**	**(4,870.4)**
Change in cash	(1,156.9)	(687.6)
Opening net cash (a)	1,362.8	2,050.4
Closing net cash (a)	**205.9**	**1,362.8**

(a) Cash and marketable securities net of impairement (excluding treasury shares).

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Section 2 Notes to the 2008 Statutory Financial Statements

Preliminary comment: amounts expressed in dollars are US dollars and amounts expressed in dirhams are Moroccan dirhams.

Key Events of the Year

In 2008, Vivendi Group finalized two major growth transactions launched in 2007, the acquisition of control of Neuf Cegetel by SFR and the creation of Activision Blizzard. These transactions are primarily reflected in the financial statements of Vivendi SA through their financing:

- the set-up in February of a syndicated loan of €3.5 billion in anticipation of the cash requirements of the Activision and Neuf Cegetel transactions. This syndicated loan comprised three tranches: a bridging loan of €1.5 billion repayable from the proceeds of a rights issue of the same amount, decided in principle in December 2007 and a €2 billion revolving credit facility, half of which available for a period of three years and the other half for a period of five years. The bridging loan was replaced at the end of 2008 by a loan facility with the same terms and conditions (maturing August 31, 2009). In addition, Vivendi announced in September the completion of the Activision and Neuf Cegetel acquisitions under terms and conditions that rendered that proposed rights issue unnecessary,
- the placement in April of a $1.4 billion bond issue in two tranches of $700 million each, with terms of 5 and 10 years, in order to reestablish the balance of Vivendi's debt between bank borrowings and bonds and to extend the average maturity. The set-up of this financing replaced the drawn-down on bank facilities,
- the granting in April of a €3 billion loan to SFR to finance the acquisition of control of Neuf Cegetel. SFR substantially reduced its dividend distribution in fiscal year 2008 and will restrict dividends paid in fiscal years 2009 to 2011 to enable the repayment of this loan,
- the financing by Vivendi of its US subsidiary VGAC LLC in the amount of $1.7 billion, pursuant to the merger of Activision Inc and Vivendi Games on July 9, 2008. As at December 31, 2008, Vivendi holds indirectly via VGAC LLC, 54.76% of Activision Blizzard, the new entity resulting from this merger.

Aside from these growth transactions, the main events of 2008 were as follows:

- the repayment in April of the residual balance on the bond issue exchangeable for Sogecable shares of €0.2 billion, pursuant to a share exchange bid presented to bondholders,
- the distribution by Vivendi in May of a dividend of €1.5 billion, representing a dividend per share of €1.30.

Note 1. Accounting Rules and Methods

General principles and change in accounting methods

The financial statements for the year ended December 31, 2008 have been prepared and presented in accordance with prevailing French law and regulations.

For the first time in fiscal year 2008, the company applied CRC regulation 2008-15 on the accounting treatment of stock purchase and subscription option plans and restricted stock plans granted to employees. As such, when the company decides to grant restricted stock or set-up a stock subscription option plan settled by the presentation of existing shares, a liability is recognized. This liability is measured based on the entry cost of shares at their grant date or the probable cost of purchasing the shares measured at the balance sheet date. In the case of stock purchase option plans, the entry cost or probable purchase cost is reduced by the strike price likely to be paid by employees. The disclosures required by the CRC regulation are presented in Note 14.
This change in accounting method did not impact opening equity.

With the exception of the above, accounting rules and methods are unchanged on those adopted for the preparation of the 2007 statutory financial statements.

Company management makes certain estimates and assumptions that it considers reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements and expectations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of company assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the measurement of asset impairment and provisions (please refer to Note 15) and employee benefits (please refer to Note 1, Employee benefit plans).

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at acquisition cost.

Depreciation and amortization are calculated using the straight-line method and, where appropriate, the declining balance method over the actual period of use of the assets concerned.

Section 2 Notes to the 2008 Statutory Financial Statements

Long-term investments

Investments in affiliates and Long-term portfolio securities

Investments in affiliates consist of investments in Vivendi Group affiliates in which Vivendi holds a significant interest, in principle in excess of 10%.

Long-term portfolio securities consist of securities in companies which the company hopes will generate a reasonable return, over the more or less long term, without involvement in their day-to-day management.

Investments in affiliates and long-term portfolio securities are valued at acquisition cost. An impairment loss is recorded if this value exceeds the value in use, in the amount of the difference.

The value in use is defined as the value of the future economic benefits expected to be derived from its use. This is generally calculated by discounting future cash flows, although a method better adapted to each investment may potentially be adopted, such as comparative stock market values, values resulting from recent transactions, stock market prices in the case of listed entities, or the share held in net equity.

Pursuant to CRC Regulation 2004-06 on the definition, recognition and valuation of assets, Vivendi expenses investment and security acquisition costs in the period incurred.

Loans to subsidiaries and affiliates

Loans to subsidiaries and affiliates consist of medium and long-term loans to Group companies. They do not include current account agreements with Group subsidiaries used for the day-to-day management of cash surpluses and shortfalls. Provisions are recorded to reflect non-recovery risks.

Treasury shares

All treasury shares held by Vivendi are recorded in Long-term Investments, with the exception of those purchased for sale to Group employees on exercise of stock purchase options granted to them, which are recorded in marketable securities. Impairment losses are recorded, where necessary, to reduce the net book value of these shares to their stock market value, based on the average closing share price in the month of December.

Operating receivables

Operating receivables are recorded at nominal value. Provisions are recorded to reflect non-recovery risks.

Marketable securities

Marketable securities are recorded at acquisition cost. Provisions are recorded if the probable trading value at the end of the period is less than the acquisition cost.

Marketable securities include treasury shares purchased for sale to Group employees on the exercise of stock purchase options granted to them (please refer to Note 8, Treasury shares). Provisions are recorded if the gross value of these shares exceeds their expected sale price, based on the option strike price.

Deferred charges relating to financial instruments

In compliance with CRC Regulation 2004-06 on the definition, recognition and valuation of assets, loan issue costs are amortized over the loan term. Costs relating to the arrangement of credit lines are amortized over the term of such facilities.

Provisions

A provision is recorded where Vivendi has an obligation to a third party and it is probable or certain that an outflow of resources will be necessary to settle this obligation, without receipt of equivalent consideration from the third party (CRC Regulation 2000-06 on liabilities).

The provision amount is equal to the best estimate at the period end of the outflow of resources necessary to settle the obligation, where the risk exists at the period end.
The provision components are reviewed regularly and any necessary adjustments recorded.

If a reliable estimate cannot be made of the amount of the obligation, a provision is not recorded and disclosure is provided in the notes (please refer to Note 24, Litigation).

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Section 2 Notes to the 2008 Statutory Financial Statements

Employee benefit plans

The provision recorded encompasses all Vivendi employee benefit plans: retirement termination payments, pensions and supplemental pensions. It represents the difference between the value of actuarial obligations and that of plan assets, net of actuarial gains and losses and unrecognized past service costs.

The actuarial obligation is valued using the projected unit credit method (each activity period generates additional entitlement). Actuarial gains and losses are recognized using the corridor method set out in CNC Recommendation 03-R.01. This consists in recognizing in profit or loss of the period the amortization calculated by dividing the portion of actuarial gains and losses that exceed the greater of 10% of the obligation and 10% of the fair value of plans assets, at the beginning of the fiscal year, by the expected average remaining working lives of beneficiaries.

Related obligations are valued based on the following assumptions: rate of increase in salaries of 3.5 to 4% and in pensions of 2.5%, discount rate of 5.70% for the general statutory scheme and "Article 39" schemes and assumed retirement age of between 60 and 65 years of age.

Supplemental pension obligations other than retirement termination payments are partially funded by external insurance policies, the updated value of which is deducted from the actuarial obligation. The expected return on plan assets is 5.0%.

Foreign currency-denominated transactions

Foreign currency-denominated income and expense items are translated using average monthly rates.

Foreign currency-denominated receivables, payables and cash balances are translated at the closing exchange rates.

Unrealized gains and losses on long-term receivables and payables are recorded in the Statement of Financial Position in Unrealized foreign exchange gains and losses. A provision for foreign exchange losses is recorded in respect of unhedged unrealized exchange losses.

Foreign exchange gains and losses on foreign currency cash balances and current accounts are recorded immediately in foreign exchange gains and losses.

Financial instruments

Vivendi uses derivative financial instruments to (i) reduce its exposure to market risks associated with interest and foreign exchange rate fluctuations and (ii) secure the value of certain financial assets.

Where Vivendi has entered into hedge arrangements, income and expenses relating to the financial derivatives are recorded in Net financial income/(loss) and offset against the income and expenses generated by the hedged items.

Similarly, provisions are recorded in respect of unrealized capital losses on transactions not qualifying for hedge accounting.

Individual training entitlement

Pursuant to Opinion 2004 F issued by the CNC Urgent Issues Taskforce, Vivendi did not record a provision at the year end.

The company-wide agreement signed in May 2006 provides for the allocation to each employee of 14 training hours in 2004 and 20 training hours for each year thereafter (maximum of 120 hours). At the year end, training hours not used totaled 15,278.

Section 2 Notes to the 2008 Statutory Financial Statements

Note 2. Operating Earnings/(Loss)

Revenues

Breakdown of revenues by business line:

(in millions of euros)	2008	2007
Water	5.0	4.5
Services to subsidiaries	108.8	87.1
Total	**113.8**	**91.6**

Vivendi is a related party to one residual water contract, under which Veolia Eau is the operating manager.

Services to subsidiaries consist of assistance and domiciliation income, amounts billed in respect of option plans and rebilled expenses.

Operating expenses and expense reclassifications

Operating expenses amount to €211.2 million in 2008, compared to €181.0 million in 2007.

- Other purchases and external expenses net of rebillings, insurance repayments and expense reclassifications break down as follows:

(in millions of euros)	2008	2007
Purchases consumed	0.8	0.8
Rental charges	8.3	9.3
Insurance	13.7	15.0
Service providers, temporary staff and sub-contracting	10.5	9.6
Commission and professional fees	83.6	60.4
Bank services	12.0	0.3
Other external services	15.4	18.7
Sub-total other purchases and external charges	**144.3**	**114.1**
Amounts rebilled to subsidiaries (other income)	(18.6)	(11.1)
Insurance repayments and expense reclassifications	(32.8)	(18.7)
Total net of rebilled expenses and repayments	**92.9**	**84.3**

The increase in commission and professional fees is partly due to costs incurred by Vivendi in defending its interests under securities class action proceedings in the United States and the procedure opposing in Poland Vivendi and the companies Deutsche Telekom and Elektrim SA (please refer to Note 24, Litigation).

Fees expensed in respect of the audit of the statutory accounts and related diligences amounted to €0.2 million and €0.1 million respectively.

- Duties and taxes other than income tax include royalties paid to the State and local authorities, together with sanitation royalties paid in respect of water distribution activities.

Note 3. Net Financial Income/(Loss)

Net financial income/(loss) breaks down as follows:

(in millions of euros)	2008	2007
Net financing income/(cost)	(46.7)	58.2
Dividends received	458.2	2,023.6
Foreign exchange gains & losses	0.3	(16.8)
Other financial income and expenses	(258.3)	16.9
Movements in financial provisions	(810.8)	(1,097.4)
Total	**(657.3)**	**984.5**

The net financing loss of €46.7 million in 2008, versus a net financing income of €58.2 million in 2007 is due to:

- an increase in the external net financing cost (€211.3 million compared to €53.3 million in 2007), notably due to an increase in average external net debt (€4.3 billion in 2008, compared to €1.5 billion in 2007) as a result of the financing by Vivendi of (i) the acquisition of Neuf Cegetel by SFR in April for €3.3 billion and (ii) the Activision Blizzard share issue for cash in July for $1.7 billion, on the merger of Vivendi Games and Activision,
- net of an increase in internal net financing income from €111.5 million in 2007 to €164.6 million in 2008.

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Section 2 Notes to the 2008 Statutory Financial Statements

Dividends (€458.2 million compared to €2,023.6 million in 2007) were primarily received in 2008 from NBC Universal in the amount of €279 million ($402 million), compared to €290 million ($395 million) in 2007, from Vivendi Finance Company (company created in 2006 to finance the acquisition of BMG Publishing) in the amount of €118.2 million ($180 million) and from SFR in the amount of €50.1 million (€902.1 million in 2007). In 2007, Vivendi also received a dividend from Groupe Canal+ (€650 million) and from SIG 35, the Group real estate division holding company sold on January 1, 2008 (€146.7 million).

Other financial income and expenses notably include, in 2008, a premium of €225.5 million, recorded in expenses, and paid on the purchase in June 2001 of calls covering 22 million Vivendi shares pursuant to the hedging of certain stock purchase option plans granted to employees. These calls expired in 2008 without being exercised. The expense of €225.5 million is covered in full by the reversal of a provision recorded in 2002 (please refer to Note 15, Provisions).

Excluding this reversal, movements in financial provisions and impairments present a net charge of €1,036.4 million, comprising:

- an impairment charge of €1,229.3 million in respect of NBC Universal shares, corresponding to the remeasurement of these shares at value in use, following impairment tests performed with the assistance of an independent expert,
- a charge to provisions of €85.1 million (€178.4 million in 2007) corresponding to the write-down of additional financing and annual interest on receivables granted to Elektrim Telekomunikacja in Poland. The total value of shares and receivables relating to Vivendi's investment in mobile telephony in Poland remains provided in full,
- and, conversely, a reversal of €185.4 million on the current account with the subsidiary SNC Babelsberg, covering the majority of the €203.7 million payment made in April by Vivendi to SNC Babelsberg to compensate for losses arising on the sale in 2007 of office buildings in Berlin (please refer to Note 4, Net exceptional items),
- and a reversal of €115.0 million of the provision in respect of Vivendi Holding 1 shares, cancelling the charge recognized in the prior year.

Note 4. Net Exceptional Items

The net exceptional loss of €219.0 million primarily consists of the following four items:

- compensation paid in 2008 to cover 2007 German real estate losses of €203.7 million, offset by the reversal of provisions for contingencies and losses in the amount of €13.1 million and the reversal of the current account impairment (recognized in Net financial income /(loss), see above) in the amount of €185.4 million,
- capital losses of €253.3 million incurred on the sale of securities (primarily SIG 35, the Group real estate division holding company sold on January 1, 2008), offset by net reversals of impairments on investments and securities sold of €261.4 million,
- an overall capital gain of €20.3 million realized on Sogecable shares on the exchange of the exchangeable bonds and on the contribution of the remaining shares to the tender offer for Prisa,
- a charge of €33.7 million in respect of payment of compensation by Vivendi, as guarantor of the former company officer of its former subsidiary, Compagnie Immobilière Phénix (CIP), to the beneficiaries of the Court of Appeal judgment in December 2007 concerning the Fermière de Cannes litigation and compensation of €33.8 million paid to the Russian public corporation, Tso Yaroslavtroi, in accordance with the judgment of the ICC International Court of Arbitration, finding against Compagnie Immobilière Phénix Expansion, a former subsidiary of Vivendi. These charges are offset by provision reversals.

Note 5. Income Tax Expense/(Credit)

Vivendi is the head of a tax group comprising 31 companies (40 at the end of 2007), with total losses of €1.2 billion in 2008 available for relief at the standard tax rate.

Vivendi recorded a tax group credit of €78.1 million, compared to €27.7 million in 2007.

The company also recorded a tax credit of €437.5 million in respect of the Consolidated Global Profit Tax System. In 2007, a tax credit of €552.0 million was recorded before deduction of €3.7 million in 2008 on the effective receipt of the receivable. As at January 1, 2008, the tax group headed by Vivendi, which is authorized to apply the Consolidated Global Profit Tax System since January 1, 2004, had (i) tax losses carried forward of €8.0 billion available for relief at the standard tax rate and (ii) foreign tax credits of €0.5 billion.

Vivendi consolidated tax earnings in respect of 2008 will be determined in November 2009 at the latest, the deadline for submission of the consolidated tax package.

Section 2 Notes to the 2008 Statutory Financial Statements

Note 6. Intangible Assets and Property, Plant and Equipment

Gross values

(in millions of euros)	Opening gross value	Additions	Disposals	Closing gross value
Intangible assets	13.8	0.3		14.1
Property, plant and equipment	58.7	0.5	(1.0)	58.2
Concession PP&E	1.7			1.7
Total	**74.2**	**0.8**	**(1.0)**	**74.0**

Depreciation and amortization

(in millions of euros)	Opening accumulated deprec./amort.	Charge	Reversal	Closing accumulated deprec./amort.
Intangible assets	12.6	0.5		13.1
Property, plant and equipment	53.8	2.5	(1.0)	55.3
Concession PP&E	1.3	0.1		1.4
Total	**67.7**	**3.1**	**(1.0)**	**69.8**

Note 7. Long-term Investments

Long-term investments

Long-term investments (in millions of euros)	Opening gross value	Additions	Disposals	Closing gross value	Accumulated Impairment (a)	Net value
Investments in affiliates and Long-term portfolio securities	37,256.0	962.6	(504.9)	37,713.7	3,619.2	34,094.5
Loans to subsidiaries and affiliates	1,849.9	4,145.3	(173.2)	5,822.0	937.0	4,885.0
Other long-term investment securities	109.9	252.7	(252.8)	109.8	109.2	0.6
Loans and other long-term investments	110.6	0.3	(58.0)	52.9	0.0	52.9
Total	**39,326.4**	**5,360.9**	**(988.9)**	**43,698.4**	**4,665.4**	**39,033.0**

(a) See note 15, Provisions and impairments, for details of movements during the fiscal year.

Investments in affiliates and Long-term portfolio securities

Investments correspond in the amount of €820.4 million ($1.2 billion) to the strengthening of the equity base of the US company, Vivendi Finance Company, created in 2006 to finance the acquisition of BMG Publishing and which has since become one of the entities involved in the financing of the Group's US subsidiaries.

Vivendi also subscribed in the amount of €86.4 million ($125 million) to two share issues performed by NBC Universal to finance the acquisition of television channels, including The Weather Channel in the United States.

In addition, Vivendi sold its residual 5.50% interest in the share capital of the Spanish company Sogecable, pursuant to the exchange offer made to holders of exchangeable bonds. The shares not exchanged were contributed to the Prisa tender offer for Sogecable. These two transactions led to a decrease in the value of the shares of €186.1 million.

Vivendi also sold SIG 35, the Group real estate holding company, on January 1, 2008. The gross value of these shares was €179.0 million (please refer to Note 4, Net exceptional items).

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Section 2 Notes to the 2008 Statutory Financial Statements

Loans to subsidiaries and affiliates

The increase in the value of Loans to subsidiaries and affiliates is mainly due to the set-up in April of a new credit line of €3 billion in favor of SFR, drawn in full since the acquisition of Neuf Cegetel and the grant in July of a $1.4 billion loan (€1 billion as at December 31, 2008) to Vivendi Holding 1, to partially finance the merger of Vivendi Games and Activision, through the subsidiary VGAC LLC. The net value of Loans to subsidiaries and affiliates, including accrued interest, is €4,885.0 million, compared to €998.0 million at the end of 2007, and includes an initial credit line granted to SFR in 2007 (drawn at the end of December 2008 in its maximum amount of €700.0 million) and the residual balance of €120.2 million on the loan granted to Vivendi's Moroccan subsidiary, SPT, which holds a 53% stake in Maroc Telecom.

Loans and other long-term investments

This account heading includes funds of €50.0 million paid by Vivendi SA under a liquidity contract set-up in January 2008 to replace a former contract. The funds paid under this previous contract were repaid to Vivendi in the amount of €92.0 million in January 2008.
As at December 31, 2008, Vivendi did not hold any shares under this new liquidity contract (Vivendi did not hold any shares for this purpose at the end of 2007).

Note 8. Treasury Shares

Treasury shares backing stock purchase option plans granted to employees in April 2002 and May 2002 are recorded at acquisition cost, in the amount of €1.9 million for 79,114 shares at the end of 2008 (similar to 2007).

	As at Dec. 31, 2007		Purchases		Sales		As at Dec. 31, 2008	
(in millions of euros)	No. shares	GrossValue (M€)	No. shares	Value (M€)	No. shares	Value (M€)	No. shares	Gross Value (M€)
Long-term investment securities								
Liquidity contract			10,448,330	252.6	10,448,330	252.6		
Marketable securities								
Shares backing stock options	79,114	1.9					79,114	1.9
Total Treasury shares	**79,114**	**1.9**	**10,448,330**	**252.6**	**10,448,330**	**252.6**	**79,114**	**1.9**

Note 9. Current Assets

Receivables

These mainly include:

- trade accounts receivable and related accounts net of impairment of €36.5 million (€36.1 million at the end of 2007).
- other accounts receivable net of impairment of €2,503.3 million (€2,729.9 million at the end of 2007), primarily comprising the following two items:
  - current account advances by Vivendi to subsidiaries of €1,889.7 million, compared to €1,780.1 million at the end of 2007,
  - and a tax receivable in respect of the 2008 impact of the Consolidated Global Profit Tax System of €437.5 million.

Marketable securities

Marketable securities excluding treasury shares (please refer to Note 8, Treasury shares) have a net book value of €72.9 million (compared to €1,211.1 million in 2007) and comprise shares in treasury SICAVs and mutual funds, bank certificates of deposit and bonds.

Prepaid expenses

(in millions of euros)	2008	2007
Premiums paid on the purchase of options on securities		225.6
Expenses relating to the following period	3.1	2.3
Discount paid to subscribers of bonds	13.2	5.3
Total	**16.3**	**233.2**

At the end of 2007, premiums paid of €225.6 million include, with respect to the coverage of certain stock purchase option plans granted to employees, a premium of €225.5 million paid on the purchase in June 2001 of calls covering 22 million Vivendi shares (as the exercise price is greater than €75, the premium was provided in full). These calls expired in 2008 without being exercised and the premium of €225.5 million was recorded in financial expenses, offset in full by the reversal of the provision (please refer to Note 3, Net financial income/(loss)).

Section 2 Notes to the 2008 Statutory Financial Statements

Note 10. Receivables Maturity Schedule

(in millions of euros)	Gross value	Maturing within less than one year	Maturing within more than one year
Non-current assets			
Loans to subsidiaries and affiliates	5,822.0	1,893.3	3,928.7
Other long-term investments	52.9	50.8	2.1
Current assets			
Trade accounts receivable and related accounts	36.5	36.5	
Other receivables	2,697.1	2,681.7	15.4
Total	**8,608.5**	**4,662.3**	**3,946.2**

Note 11. Deferred Charges

Deferred charges relating to financial instruments

(in millions of euros)	Opening balance	Increase	Amortization	Closing balance
Deferred charges relating to financial instruments	3.5	8.2	(3.7)	8.0
Issue costs	1.6	3.9	(1.3)	4.2
Total	**5.1**	**12.1**	**(5.0)**	**12.2**

The increase in deferred charges relating to financial instruments is linked to the syndicated loans of €3.5 billion secured in February 2008 (please refer to Note 16, Borrowings).
Issue costs relating to the two $700 million bond issues performed in April 2008 total €3.9 million (please refer to Note 16, Borrowings).

Note 12. Unrealized Foreign Exchange Gains and Losses

At the end of 2008, this heading recorded unrealized foreign exchange losses valued at year-end rates of exchange and notably €106.2 million in respect of two long-term loans of $700 million each (excluding accrued interest) secured in April. This unrealized loss is almost entirely offset by unrealized gains of €102.9 million, recorded in Unrealized foreign exchange losses, on the $1.4 billion loan granted to Vivendi Holding 1 in July. The net loss of €3.3 million is covered by a provision for foreign exchange losses (please refer to Note 15, Provisions).

Note 13. Equity

Movements in equity

(in millions of euros)	Number of shares (a)	Share capital	Additional paid-in capital	Reserves and retained earnings	Earnings	Total
As at 12/31/07, after allocation	1,164,743,220	6,406.1	12,145.9	14,041.9		32,593.9
Group Savings Plans	4,493,593	24.7	70.4			95.1
Stock options and restricted stock	960,625	5.3	3.8	(3.4)		5.7
Other movements in 2008					(428.1)	(428.1)
As at 12/31/08, before allocation	**1,170,197,438**	**6,436.1**	**12,220.1**	**14,038.5**	**(428.1)**	**32,266.6**

(a) Par value of €5.50.

The potential number of shares which could be created is 36,451,374:
(i) 35,464,547 on the exercise of stock subscription options,
(ii) 986,827 under the restricted stock plans granted for no consideration to directors of Vivendi and employees of Vivendi and its majority-owned subsidiaries.

Section 2 Notes to the 2008 Statutory Financial Statements

Allocation of earnings/(loss)

As proposed to the Annual General Shareholders' Meeting of April 30, 2009, the allocation of the loss is as follows:

(in euros)	
Distributable earnings	
Loss for the year	(428,108,478.90)
Retained earnings	2,185,363,962.23
Total	**1,757,255,483.33**
Allocation	
Legal reserve	
Dividends (a)	1,638,165,653.60
Other reserves	
Retained earnings	119,089,829.73
Total	**1,757,255,483.33**

(a) Dividend of €1.40 per share, based on the number of treasury shares held as at December 31, 2008. This amount will be adjusted to reflect the actual number of treasury shares held on the dividend payment date and the number of stock subscription options exercised by beneficiaries up to the Shareholders' Meeting.

Dividends per share distributed in respect of the last three years were as follows:

Year	2007	2006	2005
Number of shares (a)	1,165,204,828	1,156,117,305	1,147,440,213
Dividend per share (in euros) (b)	1.30	1.20	1.00
Total distribution (in millions of euros)	1,514.8	1,387.3	1,147.4

(a) Number of shares ranking for dividend as at January 1, after deduction of treasury shares held at the dividend payement date.
(b) This dividend confers entitlement to a tax deduction of 40% applicable for private individuals tax resident in France pursuant to Art. 158-3 2° of the General Tax Code.

Note 14. Stock Subscription and Purchase Option Plans and Restricted Stock Plans

The main characteristics of the plans granted during the current and prior fiscal years are as follows (please refer to CRC regulation 2008-15, dated November 6,2008, concerning stock purchase and subscription option plans and restricted stock plans granted to employees):

Stock subscription option plans

	Number of options granted								Number of options		
	Total number of		Of which granted to members of governing bodies								
Grant date	beneficiaries	options	Number of beneficiaries	Number of options	Option exercise start date	Expiry date	Strike price in euros	Value of shares for the calculation of the 10% social contribution	Exercised in 2008	Cancelled in 2008	Outstanding as at December 31, 2008
04/23/07	6	1,304,000	6	1,304,000	04/24/10	04/23/17	30.79	na*			1,304,000
04/23/07	570	4,414,220	5	528,000	04/24/10	04/23/17	30.79	na*		188,620	4,149,920
09/17/07	7	42,400			09/18/10	09/17/17	30.79	na*			42,400
10/25/07	4	63,200			10/26/10	10/25/17	30.79	4.30			63,200
04/16/08	646	4,839,200	3	304,000	04/17/11	04/16/18	25.13	3.56		120,000	4,719,200
04/16/08	7	732,000	7	732,000	04/17/11	04/16/18	25.13	3.56			732,000
04/16/08	7	(a) 732,000	7	732,000	04/17/11	04/16/18	25.13	3.56			732,000
12/16/08	1	12,000			12/17/11	12/16/18	25.13	3.46			12,000
							Total		**0**	**308,620**	**11,754,720**

na*: not applicable.
(a) Options granted subject to presence and performance conditions, linked to 2008 financial indicators and exercisable at a rate of one share per option.

Section 2 Notes to the 2008 Statutory Financial Statements

Restricted stock plans (AGA)

Grant date	Number of performance share rights granted				Vesting date (a)	Availability date	Value of shares for the calculation of the 10% social contribution	Number of performance share rights		
	Total number of		Of which granted to members of governing bodies					Number of performance share rights cancelled in 2008	Number of shares created at the end of the vesting period	Number of performance share rights outstanding as at December 31, 2008
	beneficiaries	performance share rights	Number of beneficiaries	Number of performance share rights						
01/24/07	578	8,670			01/26/09	01/26/11	na*	45		8,595
04/23/07	6	(b) 108,669	6	108,669	04/24/09	04/24/11	na*			108,669
04/23/07	570	(b) 368,048	5	44,003	04/24/09	04/24/11	na*	18,395		344,473
09/17/07	7	(b) 3,536			09/18/09	09/18/11	na*			3,536
10/25/07	4	(b) 5,266			10/26/09	10/26/11	26.79			5,266
04/16/08	646	(b) 403,493	3	25,335	04/19/09	04/19/12	22.89	10,208		393,285
04/16/08	7	(b) 122,003	7	122,003	04/19/09	04/19/12	22.89			122,003
12/16/08	1	(b) 1,000			12/17/10	12/17/12	20.47			1,000
						Total		**28,648**	**0**	**986,827**

na*: not applicable.
(a) 1st day of listing following the end of the 2-year vesting period.
(b) AGA granted subject to performance conditions, linked to 2008 financial indicators (see above) and resulting in the creation of new shares.

No charge was recorded during the period.

Note 15. Provisions and Impairment

Summary table

Nature (in millions of euros)	Opening balance	Charge	Reversal	Utilization	Closing balance
Provisions					
Provision for real estate contingencies and losses	160.0	36.0	(38.90)	(84.10)	73.0
Financial risks	225.6	32.2		(225.6)	32.2
Foreign exchange losses	0.0	3.3			3.3
Restructuring costs	1.3			(1.3)	0.0
Litigation and other	16.9	69.2	(4.0)	(0.4)	81.7
Employee benefits	12.6	1.7		(0.1)	14.2
Total I - Provisions	**416.4**	**142.4**	**(42.9)**	**(311.5)**	**204.4**
Impairment					
Long-term investments:					
Investments in affiliates and long-term portfolio securities (a)	2,760.2	1,250.7	(130.4)	(261.4)	3,619.1
Loans to subsidiaries and affiliates	851.9	89.5		(4.4)	937.0
Other long-term investment securities	109.3			(0.1)	109.2
Other long-term investments and loans	5.5			(5.5)	0.0
Other receivables	394.3	3.1		(203.7)	193.7
Marketable securities	2.6	0.8			3.4
Total II - Impairment	**4,123.8**	**1,344.1**	**(130.4)**	**(475.1)**	**4,862.4**
Grand total (I + II)	**4,540.2**	**1,486.5**	**(173.3)**	**(786.6)**	**5,066.8**
Charges and reversals:					
– operating		*1.7*		*0.1*	
– financial		*1,379.9*	*130.4*	*438.7*	
– exceptional		*104.9*	*42.9*	*347.8*	

(a) Please refer to Note 3, Net financial income/loss and Note 4, Net exceptional items.

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Section 2 Notes to the 2008 Statutory Financial Statements

The provision for real estate contingencies and losses covers various risks and notably those assumed directly by Vivendi prior to the effective disposal on January 1, 2008 of SIG 35, the Group real estate division holding company.

The provision utilization of €84.1 million partly concerns compensation paid in respect of two litigations: (i) Fermière de Cannes, where Vivendi is the guarantor of one of the parties found liable, a former company officer of its former subsidiary, Compagnie Immobilière Phénix (CIP) and (ii) Yaroslavtroi in Russia (please refer to Note 4, Net exceptional items).

The utilization of the Financial risk provision offsets the definitive loss recognized on premiums paid in 2001 on the purchase of call options covering the company's shares (please refer to Note 9, Current assets).

The provision for employee benefits of €14.2 million is a net balance, notably after deduction of pension plan assets of €20.5 million as at December 31, 2008.

The €1,250.7 million charge to provisions for investments in affiliates and long-term portfolio securities includes a charge of €1,229.3 million in respect of NBC Universal shares, corresponding to the remeasurement of these shares at value in use, following impairment tests performed with the assistance of an independent expert.

The utilization of impairment provisions on investments in the amount of €261.4 million offsets capital losses of €253.3 million realized on disposals within and outside the group.

The utilization of impairment provisions on other receivables covers in the amount of €185.4 million, 2007 German real estate losses of €203.7 million (please refer to Note 4, Net exceptional items), together with the utilization of the real estate provision in the amount of €13.1 million.

Note 16. Borrowings

Borrowings total €9,241.6 million, compared to €5,362.8 million at the end of 2007.

Bond issues (excluding accrued interest)

(in millions of euros)	Issue date	Maturity date	Rate
501.0	04/2008	04/2013	$700 million at 5.75%
501.0	04/2008	04/2018	$700 million at 6.625%
700.0	10/2006	10/2011	Euribor 3 months + 0.50%, swapped at a fixed rate of 4.3736%
500.0	10/2006	10/2013	4.50%
630.0	04/2005	04/2010	3.625%
600.0	02/2005	02/2012	3.875%
53.3	03/1999	03/2009	Indexed to Vivendi SA and Canal+ share prices and swapped at floating rates
152.4	01/1997	01/2009	6.50%
3,637.7			

In addition to the bond issues detailed in the above table of €3,637.7 million (€2,705.7 million as at December 31, 2007) and accrued interest on these bond issues and on hedging swaps of €74.9 million, borrowings notably comprise:

- Draw-downs on the April 2005 credit line (€860.0 million on an available facility of €2 billion) and on the 2006 credit line (€990.0 million on an available facility of €2 billion),
- short-term treasury notes of €436.0 million,
- bank overdrafts of €117.1 million,
- current account funds deposited by subsidiaries of €2,989.0 million.

Principal payments on borrowings in 2008 totaled €438.6 million:

- payment in April and June of €220.6 million, corresponding to the residual outstanding balance on the bond issue exchangeable for Sogecable shares performed in 2003 (redemption performed 88% by way of a share exchange),
- redemption in September of a €70.0 million bond loan issued in 1998,
- short-term treasury notes of €117.5 million,
- and bank financing of €30.5 million secured in 1999.

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Excluding revolving credit lines, the average maturity of Group medium-term debt is 2.0 years as at December 31, 2008, compared to 2.7 years as at December 31, 2007. Taking into account available bank revolving credit lines, the maturity of Group debt is 4.1 years at the end of 2008 compared to 4.2 years at the end of 2007.

Borrowings maturing after more than one year total €5,282.0 million (€2,635.8 million as at December 31, 2007).

Excluding current account deposits made by subsidiaries, borrowings maturing within one year (excluding accrued interest) total €760.1 million, compared to €588.0 million at the end of 2007 and mainly include short-term treasury notes of €436.0 million and two bonds for €205.7 million.

In addition to the two credit lines of €2 billion each, secured in 2005 and 2006 and partially drawn (see above), Vivendi has two credit lines of €1 billion each, both arranged in February 2008, one maturing February 2011, the other maturing February 2013. If drawn, the first credit line will bear interest at Euribor plus a margin of 32.5 basis points and the second credit line will bear interest at Euribor plus a margin of 40 basis points. Vivendi also has a credit line of €1.5 billion arranged in February 2008 and maturing August 2009. If drawn, this credit line will bear interest at Euribor plus a margin of 25 basis points. As at December 31, 2008, these three credit lines had not been drawn.

Note 17. Debt Maturity Analysis

Liabilities (including accrued interest) (in milions of euros)	Gross value	Due within less than one year	Due within one to five years	Due within more than five years
Bond issues exchangeable for shares	3,712.6	280.6	2,931.0	501.0
Other bond issues	2,413.0	563.0	1,850.0	
Bank borrowings	3,116.0	3,106.6	9.2	0.2
Other borrowings	24.4	21.7	2.7	
Trade accounts payable and related accounts	26.9	26.1	0.8	
Tax and employee-related liabilities	34.5	34.5		
Other liabilities	17.0	5.6	11.4	
Total	**9,344.4**	**4,038.1**	**4,805.1**	**501.2**

Note 18. Items Impacting Several Account Headings of the Statement of Financial Position

The "Related parties" column in the following table presents the amounts included in the various categories of the Statement of Financial Position, concerning transactions with companies fully consolidated in the Group Consolidated Statement of Financial Position.

ASSETS (gross values in milions of euros)	Accrued income	Related parties
Investments in affiliates		30,915.1
Loans to subsidiaries and affiliates	73.1	5,770.6
Other long-term investment securities		
Loans		
Other long-term investments	0.1	
Trade accounts receivable and related accounts	2.1	
Other receivables	1.0	1,856.4
Deferred charges		
Prepaid expenses		
Unrealized foreign exchange losses		
Total	**76.3**	**38,542.1**

LIABILITIES (in milions of euros)	Accrued expenses	Related parties
Other bond issues	74.8	
Bank borrowings	10.1	
Other borrowings	5.1	2,988.5
Trade accounts payable and related accounts	24.2	
Tax and employee-related liabilities	13.1	
Amounts payable in respect of PP&E and related accounts		33.7
Other liabilities	5.4	
Deferred income		
Unrealized foreign exchange gains		102.9
Total	**132.7**	**3,125.1**

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Section 2 Notes to the 2008 Statutory Financial Statements

Note 19. Financial Income and Expenses Concerning Related Parties

Financial income and expenses concerning related parties respectively amount to €443.0 million and €97.5 million.

Note 20. Compensation of Directors and Officers

Gross compensation (including benefits in kind) paid in 2008 by Vivendi SA to members of the Management Board totaled €9.0 million (€9.3 million in 2007), of which €3.5 million was rebilled to subsidiaries (€3.4 million in 2007).

Members of the Management Board paid by Vivendi SA also benefit from a supplemental pension scheme, the cost of which was €2.0 million in 2008 (€1.9 million in 2007).

Cumulative gross directors' fees paid in 2008 to members of the Supervisory Board and compensation paid to the Chairman of the Supervisory Board respectively totaled €1.1 million and €1.0 million (the latter unchanged compared to 2007).

Note 21. Management Share Ownership

As at December 31, 2008, members of the Management Board, the Supervisory Board and executive management held 0.1% of the share capital of the company.

Note 22. Number of Employees

The annual average number of employees, weighted for effective presence, including temporary employees and employees under fixed-term contracts, was 214 in 2008 compared to 223 in 2007.

The breakdown of employees by category as at December 31, 2008 and 2007 is as follows (210 and 219 employees respectively):

	December 31, 2008	December 31, 2007
Engineers and executives	162	169
Supervisors	26	27
Other employees	22	23
Total	**210**	**219**

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Note 23. Financial Commitments and Contingent Liabilities

Description of procedures

Vivendi prepares detailed records on all contractual obligations, commercial and financial commitments and contingent obligations, to which it is party or exposed. These detailed records are updated on a regular basis by concerned departments and reviewed with senior management. In order to ensure completeness, accuracy and consistency of the records, some dedicated internal control procedures are performed, including but not limited to:

- prior approval via a specific procedure of financial commitments including off-balance sheet commitments,
- regular review of minutes of Shareholders' Meetings, meetings of the Management Board, the Supervisory Board and their Committees, and the Executive Committee for matters such as contracts, litigation, and authorization of asset acquisitions or divestitures,
- review with banks and financial institutions of items such as pledges or guarantees,
- review with internal and/or external legal counsel of pending litigation and court proceedings, environmental matters and related assessments of contingent liabilities,
- review with risk management, insurance agents and brokers of coverage for unrecorded contingencies,
- review of related party transactions for guarantees and other given or received commitments,
- review of all contracts and agreements.

Financial commitments and contingent liabilities

Universal Music Group

- On the merger with Seagram, Vivendi assumed a guarantee given to Commonwealth Atlantic Properties, expiring May 1, 2015 and covering rent paid by UMG, with a residual value of $53 million as at December 31, 2008.
- As part of the restructuring of guarantees underwriting the financing of the acquisition of Interscope, Vivendi provided a guarantee capped at $103 million to a financial institution in February 2007, which expires December 9, 2009.
- In addition to standard comfort letters, Vivendi provided guarantees to several banks which granted credit line facilities to certain UMG subsidiaries to cover working capital requirements, totaling approximately €8 million as at December 31, 2008.
- Vivendi provided UMG companies in the Netherlands with guarantees covering commitments to third parties.

Canal+ Group

- On the sale of Canal+ Group's activities in Benelux, Vivendi provided a guarantee of $15 million to a financial institution on behalf of its subsidiary.
- In connection with the divestiture of Canal+ Nordic in October 2003, Vivendi granted certain customary guarantees to the acquirers capped at €50 million and expiring in April 2010. Application of these guarantees may be extended under certain conditions.
- On August 30, 2006, the merger of the pay-TV activities in France of Canal+ Group and TPS was authorized, pursuant to merger control regulations, by a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Canal+ Group 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: (i) facilitating access by television and video-on-demand (VOD) operators to rights to attractive audiovisual content and in particular French and US films and sporting events (ii) making available to all pay-TV distributors who so wish several high-quality channels, enabling them to develop attractive products and (iii) enabling French-language independent licensed channels to be included in the satellite offerings of the new group. These commitments were given for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD that cannot exceed five years.

  On the contribution of TPS to Canal+ France on January 4, 2007, Vivendi counter-guaranteed TF1 and M6 commitments to suppliers of programs and other long-term contracts for TPS. These counter guarantees were granted by Vivendi up to December 31, 2018.

  In addition, TF1 and M6 hold a put option granted by Vivendi in respect of their stake in Canal+ France that may be exercised in February 2010. The exercise price will be based on an independent expert valuation at market price, subject to a floor of €1,130 million for 15% of the new pay-TV group in France.

  Finally, Lagardère holds a call option enabling it to increase its stake in Canal+ France to 34% that may be exercised in October 2009. The exercise price will be based on an independent expert valuation, subject to a floor of €1,055 million for 14% of Canal+ France.

SFR

- Pursuant to the authorization issued by the French Minister of Economy, Finance and Industry to SFR on April 15, 2008 for the acquisition of Neuf Cegetel, the commitments subscribed by Vivendi (and SFR) address access by competitors and new market entrants to wholesale markets on SFR's fixed and mobile networks, acceptance on the fixed network of an independent television distributor if such a player appears and the availability on broadband, on a non-exclusive basis, of eight new channels which are leaders in their particular sectors (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV). A breakdown of commitments given by Vivendi Group and SFR may be consulted on the Vivendi internet site.

Maroc Telecom

- When a 6 billion dirhams syndicated loan was secured in 2006 to finance the acquisition of a 16% stake in Maroc Telecom, repaid in the amount of 4 billion dirhams, Vivendi granted a security (caution solidaire) to the lending banks. This guarantee expires on the maturity of this loan, i.e. January 4, 2012.

Activision Blizzard

- Under the terms of the Activision and Vivendi Games business combination agreement of December 1, 2007, Vivendi and Activision gave a number of reciprocal commitments customary for this type of transaction and notably certain representations and warranties and undertakings, which expired on finalization of the transaction. The parties also entered into various customary ancillary agreements on finalization of the transaction, including an investor agreement and tax sharing and indemnity agreements.
- Pursuant to agreements signed with Activision, Vivendi granted Activision a $1,025 million loan at market terms and conditions. A single revolving tranche of $475 million, maturing March 31, 2011, remained as at December 31, 2008.
- Vivendi granted a rental guarantee to the owners of the premises let to Blizzard Entertainments in the United States. This guarantee represented a commitment of approximately $36 million as at December 31, 2008 in respect of residual rent payable under the leases.

NBC Universal

- As part of the NBC-Universal (VUE) transaction performed in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction (representations and warranties), 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 and warranties. Events likely to constitute a breach of representations and warranties given by each party shall only be taken into account in determining the amount of any indemnity due if the corresponding loss, taken individually, is greater than $10 million and 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 of $50 million relating to liabilities arising out of the most favored nation provisions set forth in certain contracts. As part of the unwinding of InterActiveCorp's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were modified and Vivendi's liability is now subject to a de minimus 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.

- In addition, Vivendi received certain liquidity commitments and guarantees from General Electric (GE) which were subsequently amended in December 2006. Under the terms of the new agreements, Vivendi is entitled to sell its stake in NBC Universal under mechanisms providing for exit at market value. Vivendi has the right to notify GE of its intent to sell in the public market its NBC Universal shares, from November 15 until the Friday of the first full week of December of each year between 2009 and 2016, up to an amount of $4 billion. This could lead to the public offering of a portion of Vivendi's stake the following year. GE has the right to preempt any of Vivendi's sales to the market. Under certain circumstances, if Vivendi exercises its right to sell its NBC Universal shares in the market, Vivendi will be able to exercise a put option requiring GE to purchase those shares. Lastly, between May 11, 2011 and May 11, 2017, GE will have the right to call either (i) all of Vivendi's NBC Universal shares or (ii) $4 billion of Vivendi's NBC Universal shares, in each case at the greater of their market value at the time the call is exercised and their value as determined at the time of the NBC Universal transaction in May 2004 (i.e. $8.3 billion), indexed to the U.S. Consumer Price Index from May 2009. If GE calls $4 billion,

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but not all, of Vivendi's NBC Universal shares, GE must call the remaining NBC Universal shares held by Vivendi by the end of the 12-month period commencing on the date GE exercises its call option.

Holdings and others

- As at December 31, 2008, Vivendi continued to guarantee commitments given by Veolia Environnement subsidiaries for a total amount of approximately €13 million, mainly relating to a performance bond given to a local U.S. authority. All these guarantees have been counter-guaranteed by this latter.
- Vivendi provided counter-guarantees to U.S. financial institutions which issued a certain number of surety bonds in favor of certain U.S. operating subsidiaries for a total amount of $7 million.
- On the purchase of the 7.7% minority interest in Universal Studios Holding I Corp held by Matsushita Electric Industrial (MEI) on February 7, 2006, Vivendi undertook, in the event of the sale in 2008 of all or part of its interest in NBCU for more than $7 billion (for 20% of NBCU) to retrocede to MEI, 33.33% of the portion of the selling price exceeding $7 billion, in the amount of the 7.7% stake. These commitments have expired as at December 31, 2008.
- Under the terms of the permission to use the Consolidated Global Profit Tax System, Vivendi undertook 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, 2008, 2,535 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 at December 31, 2008, Vivendi is in full compliance with its commitments and intends to continue to act in accordance with the terms of its undertaking.
- In addition, Vivendi has given a certain number of real estate lease commitments for a total net amount of approximately €42 million.
- As part of 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 (SAS Nexim 1 to 6). The guarantees expire June 30, 2017. As at December 31, 2008, €1.8 million had been called under these guarantees.
- These autonomous guarantees are in addition to the vendor warranties granted by Sig 35, Vivendi's subsidiary, to SAS Nexim 1 to 6 in connection with guarantee contracts dated June 28, 2002. The vendor warranties are valid for a period of 5 years, from June 28, 2002, except those relating to litigation (valid until the end of the proceedings), tax, custom, and employee-related liabilities (statute of limitations plus 3 months) and the decennial guarantee applicable to real estate.
- Vivendi took over in April 2007 for a total amount of €80 million a certain number of commitments carried by its subsidiary SIG 35, the real estate division holding company, and subsequently sold this company in January 2008. It provided the purchasers with representation guarantees capped at €4 million and valid until June 30, 2012, including €1 million in respect of existing litigation at the time of sale and a tax guarantee subject to prevailing statutes of limitation. In addition, Vivendi retained the ability to receive additional consideration capped at €1.5 million, should real estate assets pledged in its favor be sold before January 1, 2013, for an amount in excess of their net carrying amount.
- In connection with the early withdrawal from lease commitments in respect 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. €357 million) of the companies sold in the transaction until December 31, 2026. Vivendi also granted customary guarantees, and notably tax guarantees, to the purchasers. In exchange, Vivendi received a pledge over the cash of the divested companies in the amount of €122 million 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 (before September 30, 2010).
- In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted a certain number of customary representation guarantees. 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 on December 18, 2005. Environmental commitments currently remain in effect, including certain commitments relating to pollution risks that are unlimited in time.
- Vivendi received guarantees covering 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 sight guarantee relating to 2001 fees for an amount of €57 million. Similarly, Vivendi undertook to transfer all amounts repaid to its subsidiary VTI, which carried the Group's stake in Xfera.
- Under existing shareholder agreements (primarily SFR, Maroc Telecom, Canal+ France and Activision Blizzard), 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 these other shareholders in the event that it sells its interests to third parties.

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- Vivendi is subject to certain financial covenants that require it to comply with a coverage ratio calculated every six-months. Vivendi complied with this ratio as at December 31, 2008.
  - The two syndicated facilities of €2.0 billion each, set up in April 2005 and in August 2006 and the €3.5 billion loan set up in February 2008 and comprising three tranches, contain customary provisions related to events of default and restrictions in terms of collateral and divestiture and merger transactions. In addition, their maintenance is subject to compliance with a financial ratio calculated every six-months over the loan term. Failure to meet this ratio would lead to the early repayment of loans drawn or their cancellation.
  - Bonds issued by Vivendi contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking). In addition, the last two bonds issued since 2006 by Vivendi SA contain a change-of-control trigger if, following such an event, their rating is downgraded below investment grade status (Baa3/BBB-).
- Pursuant to the restructuring of the UK pension plan open to employees and former employees in the United Kingdom and following its split into three separate funds, Vivendi granted a guarantee valid until January 3, 2011 and equal to 125% of the VUPS plan shortfall, as determined for "Pension Protection Fund" purposes in accordance with UK regulations. As at December 31, 2008, this guarantee stands at £19 million.
- Several guarantees given in 2008 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 have not yet expired. To the best of Vivendi's knowledge, no material claims for indemnification against such liabilities have been made to date.

Claim against a former Seagram subsidiary

A specific warranty was granted in connection with the sale of a former Seagram subsidiary in December 2001 (See Note 24, Litigations).

Note 24. Litigations

Vivendi is subject to various litigation, arbitrations or administrative proceedings in the normal course of its business. The costs which may result from these proceedings are only recognized as provisions when they become likely to be incurred and when the obligation can either be quantified or estimated on a reasonable basis. In the latter case, the amount of the provision represents Vivendi's best estimate of the risk, bearing in mind that the events that occur during the proceedings may lead, at any time, to a reappraisal of the risk.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including, to the company's knowledge, any pending or threatened proceedings in which it is a defendant), which may have or have had in the previous twelve months a significant effect on the company's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 24, 2009, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2008.

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 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.

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 the parties of the end of the investigation. On January 23, 2009, the Public Prosecutor transmitted to the judge and the civil parties a final prosecutor's decision of dismissal.

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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 SA 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, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders seeking damages for an unspecified amount. Vivendi contests these allegations and has not set aside any sums in its accounts for this contingency.

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. On March 12, 2008, Vivendi filed a motion for reconsideration of the Court's class certification decision with respect to the French shareholders included in the class. The Court has not yet ruled on this motion.

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 likely to commence in May 2009.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. 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. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934, as well as additional claims under New York State Law. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action for pre-trial purposes and may be tried separately.

Derivative action in the United States

In September 2002, a derivative action was commenced before the Superior Court of the State of California by a US shareholder, on behalf of Vivendi, against certain of its former directors, for alleged breaches of the law of the State of California between April 2001 and July 2002 (false and misleading statements and issue of false and misleading financial results). This action had been stayed since February 7, 2003. On November 12, 2008, the Court ordered the case to be dismissed.

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. Only those proceedings in which there were developments in 2008 are discussed below. For the other proceedings (in particular the arbitrations in Geneva and Vienna, the arbitration against the Polish State and the tort claim initiated by T-Mobile against Telco before the Warsaw tribunal), please refer to the Note 23 of the Statutory Financial Statements for the year ended December 31, 2007.

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 (the "Vienna Award") on November 26, 2004. The case was remanded to the Warsaw Tribunal of first instance.

On June 18, 2008, the Warsaw Tribunal of first instance recognized the Vienna Award dated November 26, 2004, including the fourth point ruling that "the Arbitration Tribunal has no jurisdiction over Telco, and that all the DT claims against Telco cannot be fulfilled through an arbitral procedure". Telco and DT appealed this decision. On December 10, 2008, the Warsaw Court of Appeals decided it would seek advice from Austrian judicial authorities on the impact of the decision under Austrian law.

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 litigation relates to the breaches by Elektrim of the Third Amended and Restated Investment Agreement entered into on September 3, 2001 by and among Elektrim, Telco, Carcom, Vivendi and VTI governing the conditions of the Vivendi investment and the relations between Vivendi and Elektrim within Telco and Carcom (the"TIA").

On May 22, 2006, the LCIA arbitral tribunal rendered a partial award confirming the validity of the TIA challenged by Elektrim. On September 18, 2008, the Warsaw Court of Appeal recognized this award in Poland.

On March 19, 2008, the arbitral tribunal issued an award in favor of Vivendi and found that Elektrim breached the basic principles 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.

On February 12, 2009, the arbitral tribunal rendered a final award. The tribunal awarded damages to Vivendi in an amount of €1.876 billion (plus accrued interest from February 2005) for intentional breaches by Elektrim of the TIA.

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. Vivendi has made an indemnity claim in the amount of €1.8 billion against DT. On March 18, 2008, the Paris Commercial Court dismissed Vivendi's action. Vivendi appealed this decision.

Declaratory proceedings before the Polish Courts

In December 2004, following the Vienna Award dated November 26, 2004, Telco initiated proceedings on the merits with the intention of obtaining a declaratory judgment confirming that it is the rightful owner of the PTC shares. On May 22, 2007, Telco's request for a declaratory judgment was denied on jurisdictional grounds. Telco appealed this decision. On May 21, 2008, the Warsaw Court of Appeal reversed the first instance decision and confirmed that the polish courts had jurisdiction with respect to the ownership of the PTC shares, an issue that was not resolved by the Vienna Award dated November 26, 2004. The case has been sent back to a court of first instance.

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. On June 5, 2008, the Court determined that it lacked jurisdiction and dismissed Vivendi's claim. Vivendi appealed this decision.

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 in the 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. On January 5, 2009, the Warsaw Tribunal dismissed Elektrim's claim. Elektrim appealed this decision.

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

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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 in progress.

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. On May 22, 2008, the ICSID appointed an ad hoc committee to review this application and on July 17th and 18th, 2008, a preliminary hearing took place. The main hearing is scheduled for July 2009.

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 an action brought by shareholders (ut singuli) 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 million for the offences of collusion and concealment of the misuse 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. On January 14, 2009, the Criminal Chamber of the French Supreme Court denied the appeal.

Action of Unibail against Anjou Patrimoine

Unibail has brought an action relating to the guarantee given by Anjou Patrimoine (a former subsidiary of Vivendi) in the context of the sale of CNIT offices in 1999. On July 3, 1997, the Nanterre High Court ordered the indemnification by Anjou Patrimoine of Unibail's liability for taxes relating to the creation of offices and denied all other claims. On October 31, 2008, the Versailles Court of Appeal quashed the judgment of the High Court, denied all the claims of Unibail and ordered it to reimburse to Anjou Patrimoine all the sums paid in the context of the first ruling. On November 27, 2008, Unibail appealed this decision.

SCI Carrec

On October 4, 2006, SCI Carrec filed a claim against the company Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for damages 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. On December 24, 2008, the parties signed a settlement agreement. This case is closed.

Complaint of Centenary Holdings III Limited

On January 9, 2009, the liquidator of Centenary Holdings III Limited (CH III), a former Seagram subsidiary, divested in January 2004 and placed into liquidation in July 2005, has sued some of its formers directors, Vivendi and its former statutory auditors. The liquidator, acting on behalf of the creditors of CH III, alleges that the defendants breached their fiduciary duties. A response from the defendants is due by April 8, 2009.

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. The plaintiffs alleged, among other things, that Activision's directors failed to fulfil their fiduciary duties with regard to the business combination, that those breaches were aided and abetted by Vivendi and certain of its subsidiaries, and that the preliminary proxy statement filed by Activision on January 31, 2008 contains statements that are false and misleading. On June 24, 2008, the plaintiffs filed their conclusions dismissing the Vivendi defendants from the lawsuit. On June 30, 2008, the Court entered its order dismissing the Vivendi defendants from the action. On July 1, 2008, the Court denied the plaintiffs' motion for preliminary injunction.

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Note 25. Instruments Used to Manage Borrowings

For cash management purposes and as part of its financing policy, Vivendi enters into various hedging arrangements of different durations as appropriate, as is normal practice within major groups and, occasionally, on behalf of its subsidiaries. Hedging arrangements are not speculative in nature.

The majority of Group financing is secured directly by Vivendi SA, which provides financing to its subsidiaries as and when necessary.

In 2008, 99% of average Group debt was denominated in euros (97% in 2007). The average cost of this debt (including bank margins and hedging arrangements) over the year as a whole was 4.34%, compared to 4.11% in 2007. All currencies together, the average finance cost in 2008 was 4.69%, including margins and hedging arrangements, compared to 4.18% in 2007.

In 2008, external hedging arrangements implemented by the Group (setting floating-interest rates) covered an average of €2.6 billion long and short-term debt, compared to €1.3 billion in 2007. The Group uses only swap instruments and caps.

At the end of 2008, open swaps in the Group totaled €3.8 billion. The average duration of swap instruments was 3.5 years.

Instruments held by Vivendi SA to hedge borrowings break down as follows:

Vivendi SA External Hedging Arrangements (in millions of euros)	As at December 31, 2008	Average rate	Maturing within < 1 year	Maturing within 1 to 5 years	Maturing within > 5 years	Counterparty
Fixed-rate receiver swaps	100	3.92%		100		Banks
Fixed-rate payer swaps	(1,100)	4.06%		(700)	(400)	Banks
Sales of caps						
Purchases of floors						
Sub-total	**(1,000)**		**0**	**(600)**	**(400)**	

There is no internal hedging between Vivendi SA and its subsidiaries as at December 31, 2008.

Note 26. 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 by Vivendi SA and its subsidiaries 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 SA 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 budget exposures and 100% for firm commitment contracts.

In addition, Vivendi SA 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, 2008, Vivendi had effectively hedged approximately 100% (compared with approximately 100% as of December 31, 2007) of its foreign currency cash flows as well as borrowing-related exposure. The principal currencies hedged were the pound sterling, the US dollar and the Japanese yen. In 2008, firm commitment contracts were fully hedged. The 2009 budget is hedged 80% in accordance with Vivendi foreign currency management internal procedures and the hedging position will be adjusted in mid-2009.

Section 2 Notes to the 2008 Statutory Financial Statements

The following table presents 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, 2008						
(in millions of euros)	EUR	USD	JPY	PLN	AUD	GBP	Other currency
Currency swaps							
Sales against the euro	282		(219)				(63)
Sales against other currencies							
Purchases against the euro	(1,372)	1,078	68	120	54		52
Purchases against other currencies		2				(2)	
Currency forwards							
Sales against the euro	809	(765)		(43)			(1)
Sales against other currencies		5					(5)
Purchases against the euro	(46)	38	8				
Purchases against other currencies		106		(40)		(67)	1
	(327)	**464**	**(143)**	**37**	**54**	**(69)**	**(16)**

Note 27. Deferred Deductions for Taxes

In addition to tax losses carried forward available for relief at the standard rate and foreign tax credits (please refer to Note 5, Income tax expense/credit), timing differences between the tax and accounting treatment of income and expense items would generate a future reduction in tax liabilities (including contributions) of €42.4 million, due to the deferred deduction for tax purposes of certain expenses provided.

Total net capital gains benefiting from deferred taxation pursuant to Article 38-7 bis and 210B of the French General Tax Code, amount to close to €5.5 billion, including €5.4 billion in respect of SFR shares.

Note 28. Subsequent Events

Vivendi SA set up the following financing arrangements in January 2009:

- a new €200 million tranche equivalent to the €500 million bond issue maturing in 2013 and issued in October 2006. This new tranche is denominated in euros and bears interest at 4.5%. It was issued at 87.550% of its nominal amount, representing a yield of 7.738%,
- a new €1 billion bond issue aimed at optimizing the debt structure and increasing the average maturity. This five-year bond issue is denominated in euros and bears fixed-rate interest of 7.75%. It was issued at a price of 99.727%, representing a yield of 7.82%.

On January 30, 2009, the Board of Directors of SFR resolved to pay an interim dividend of €750 million for fiscal year 2008, corresponding to €420 million for Vivendi SA.

Pursuant to a cash contribution agreement dated 18 February 2009, the shareholders of NBC Universal, Inc. (NBCU) have agreed to make certain cash contributions to NBCU. These cash contributions would enable NBCU to refinance the portion of its $1,670 million existing indebtedness in excess of approximately $1,200 million, should NBCU not succeed to refinance such amount with third party lenders before August 2009. Vivendi SA's portion of such cash contributions would be limited to 20%, such percentage corresponding to its current 20% shareholding in NBCU.

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Section 3 Subsidiaries and Affiliates

(in millions of euros unless otherwise stated)	Share capital	Equity excl. share capital (a)	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi (b)	Guarantees and endorsements granted by Vivendi	2007 Revenues	2008 Revenues	2007 Earnings	2008 Earnings	Dividends received by Vivendi during 2008	Comments
				Gross	Net								
Groupe Canal+ SA * (c) 1, place du Spectacle 92130 Issy les Moulineaux	100.0	688.8	100.0	5,198.1	5,198.1		10.7	40.1	52.5	(91.2)	(100.5)		
NBC Universal Inc (d) 30 Rockefeller Plaza New York NY 10112 USA		24,698 million dollars	20.00	6,621.9	4,359.4			14,809 million dollars	16,802 million dollars	2,074 million dollars	1,769 million dollars	278.9	
Société Française du Radiotéléphone 42, avenue de Friedland 75008 Paris	1,343.5	2,037.0	55.96	9,807.0	9,807.0	3,700.0		8,601.3	8,864.0	1,412.1	1,501.4	50.1	
Vivendi Telecom International* (e) 42, avenue de Friedland 75008 Paris	1,190.6	(605.5)	100.0	1,190.9	1,190.9	1,623.1		1.7	0.7	1.0	(2.7)		
Elektrim Telekomunikacja* (f) Rynkowa 22 08-110 Siedlce Poland	(g) 10,008.1 million zlotys	(g) (9,253.9) million zlotys	47.07	1,117.1	0.0	879.3		(g) 0.1 million zlotys		(g) (175.9) million zlotys	(g, h) (939.0) million zlotys		prov. on advances 879.3
Vivendi Mobile Entertainment 48-50, rue Notre Dame des Victoires 75002 Paris	70.0	(44.6)	100.00	70.0	70.0	15.6		0.1	0.6	(10.9)	(33.1)		
Other subsidiaries and affiliates (Summary information)				106.7	45.5	160.5	(i) 175.0						

(a) Including earnings of the year.
(b) Including current account advances.
(c) Company holding with Lagardère, TF1 and M6, 65% of Canal+ France (itself holding 49% of Canal+ SA) and all other assets transferred by Canal Plus on the Vivendi-Canal Plus-Seagram merger on December 8, 2000.
(d) Consolidated figures.
(e) Company carrying Group telephony investments in Morocco and Poland.
(f) Elektrim Telekomunikacja (3.93% held by Vivendi Telecom International) and Carcom Warsawa (51% held by Vivendi) hold 51% of the share capital of PTC, the leading mobile phone operator in Poland.
(g) As at December 31, 2008, 1 euro = 4.1535 zlotys.
(h) Including net foreign exchange losses of 450 millions zlotys.
(i) Guarantee given to the moroccan bank Attijariwafa in respect of a loan of MAD 4.0 billion granted in January 2005 to Société de Participation dans les Télécommunications to finance the acquisition of 16% of the share capital of Maroc Télécom and repaid in the amount of MAD 2 billion in 2008.
* This company is primarily a holding company. The amounts presented in the "Revenues" columns comprise operating income and financial income from investments.

Section 3 Subsidiaries and Affiliates

(in millions of euros unless otherwise stated)	Share capital	Equity excl. share capital (a)	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi (b)	Guarantees and endorse-ments granted by Vivendi	2007 Revenues	2008 Revenues	2007 Earnings	2008 Earnings	Dividends received by Vivendi during 2008	Comments
				Gross	Net								
Holding companies and non-core activities													
I - holding companies													
Vivendi Finance Company **(c)** Corporation Trust Center 1209, Orange Street Wilmington, 19801 County of New Castle Delaware, U.S.A.	4,386.8 million dollars	66.5 million dollars	100.00	3,209.9	3,209.9					246.0 million dollars	(7.0) million dollars	118.2	
Vivendi Holding 1 Corporation **(d)** * 800 Third Avenue New York, New York 10022, U.S.A.		14,403.3 million dollars	100.00	9,587.1	9,587.1	**(e)** 1,002.0		14.1 million dollars	13.6 million dollars	(66.4) million dollars	(23.8) million dollars		
Centenary Holdings Ltd Clarendon House 2 Church Street Hamilton HM 11 Bermuda	52.4 million dollars	99.2 million dollars	100.00	105.1	105.1			0.1 million dollars		0.1 million dollars			
Centenary SGPS Rua Calouste Gulbenkian 52 Edificio Mota Galiza Freguesia de Massaleros Concelho do Porto Portugal	0.9	151.0	100.00	146.6	146.6					2.5	2.6		fiscal year from 07/01/07 to 06/30/08
Other subsidiaries and affiliates (Summary information)				50.8	46.6								

(a) Including earnings of the year.
(b) Including current account advances.
(c) Company created on the acquisition of BMG Publishing in December 2006.
(d) Company included in the corporate structure of the Group's US assets (exc. NBC Universal).
(e) $1.4 billion loan secured in July 2008 to finance the acquisition of Activision.
* This company is primarily a holding company. The amounts presented in the "Revenues" columns comprise operating income and financial income from investments.

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Section 3 Subsidiaries and Affiliates

(in millions of euros unless otherwise stated)	Share capital	Equity excl. share capital (a)	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi (b)	Guarantees and endorse-ments granted by Vivendi	2007 Revenues	2008 Revenues	2007 Earnings	2008 Earnings	Dividends received by Vivendi during 2007	Comments
				Gross	Net								
II - Non core activities													
Société Nouvelle d'Etudes et de Gestion (SNEGE)* 59 bis, avenue Hoche 75008 Paris	264.0	22.3	100.0	264.0	264.0					(c) 8.4	8.5	7.8	
Other subsidiaries and affiliates (Summary information)				238.5	64.2	349.2						2.5	prov. on advances 233.5
Total				**37,713.7**	**34,094.5**	**7,729.7**	**185.7**					**457.5**	

(a) Including earnings of the year.
(b) Including current account advances.
(c) Instead of €8.1 million temporarily presented in 2007 Annual Report.
* This company is primarily a holding company. The amounts presented in the "Revenues" columns comprise operating income and financial income from investments.

Section 4 Financial Results of the Last Five Years

(in millions of euros)	2008	2007	2006	2005	2004
Share capital at the end of the year					
Share capital	6,436.1	6,406.1	6,363.7	6,344.1	5,899.4
Number of shares outstanding	(a) 1,170,197,438	(a) 1,164,743,220	1,157,033,736	1,153,477,321	1,072,624,363
Potential number of shares created by:					
Conversion of Veolia Environnement bonds issued in April 1999					
Redemption of bonds redeemable in shares issued in December 2000				18,992,487	21,866,411
Redemption of bonds redeemable in shares issued in November 2002					78,672,470
Exercise of stock subscription options	35,464,547	29,899,235	32,174,851	33,684,358	26,505,520
Grant of restricted stock units for no consideration	(b) 986,827	(c) 1,276,893	(c) 805,560		
Results of operations:					
Revenues	113.8	91.6	113.8	104.7	95.0
Earnings before tax, depreciation, amortization and provisions	(405.6)	1,518.5	1,467.3	15.2	80.1
Income tax expense/(credit) (d)	(512.3)	(579.0)	(740.2)	(531.4)	(513.6)
Earnings after tax, depreciation, amortization and provisions	(428.1)	1,504.4	4,412.4	6,675.2	1,227.3
Earnings distributed	(e)1,638.2	(g) 1,514.1	(g) 1,387.3	(g) 1,147.4	(g) 639.1
Per share data (in euros)					
Earnings after tax but before depreciation, amortization and provisions	(f) 0.09	1.80	1.91	0.47	0.55
Earnings after tax, depreciation, amortization and provisions	(f) (0.37)	1.29	3.81	5.79	1.14
Dividend per share	(e) 1.40	(g) 1.30	(g) 1.20	(g) 1.00	(g) 0.60
Employees					
Number of employees (annual average)	214	223	228	228	222
Payroll	34.1	35.4	35.5	33.8	40.8
Employee benefits (social security contributions, social works, etc.)	13.7	13.1	13.2	12.1	15.4

(a) Number taking account of movements up to December 31, 2008: creation of (i) 4,493,593 shares in respect of Group Savings Plans, (ii) 960,625 shares following the exercise of stock subscription options and restricted stock units by beneficiaries.

(b) Restricted stock units for no consideration granted to directors of Vivendi and employees holding an employment contract with Vivendi or one of its majority-owned subsidiaries. No restricted stock units were granted in 2008 (see c below).

(c) Restricted stock units for no consideration granted to employees holding an employment contract with Vivendi or one of its majority-owned French or Moroccan subsidiaries. In other countries, restricted stock units will not result in the issue of new shares but the payment of a cash amount.

(d) This negative amount represents the tax saving recorded by the tax group headed by Vivendi plus, from 2004, the income generated by application of the Consolidated Global Profit Tax System.

(e) The Annual General Shareholders' Meeting of April 30, 2009 will be asked to approve the distribution of a dividend of €1.40 per share in respect of 2008, representing a total dividend distribution of €1,638.2 million. This amount takes into account the number of treasury shares held as at December 31, 2008 and will be adjusted to take account of effective holdings as at the dividend payment date and the exercise of stock subscription options by beneficiaries up to the Shareholders' Meeting.

(f) Calculated taking into account the number of shares at year end (please refer to a).

(g) Based on the number of shares ranking for dividends as at January 1, after deduction of treasury shares at the dividend payment date.

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Section 5 Statutory Auditors' Report on the Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general shareholders' meetings, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying financial statements of Vivendi SA, hereinafter referred to as "the Company";
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by your Management Board. Our role is to express an opinion on the financial statements, based on our audit.

1. Opinion on the annual financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

In our opinion, the financial statements, give a true and fair view of the company's financial position and its assets and liabilities as at 31 December 2008 and of the results of its operations for the year then ended, in accordance with the accounting principles generally accepted in France.

Without calling into question the opinion given above, we draw your attention to Note 1 to the financial statements, which describes the change in accounting methods due to your Company's application of CRC Regulation N°2008-15 on the accounting of share-based compensation plans.

2. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

Accounting changes

In connection with our assessment of the accounting rules and principles followed by your Company, we ensured that the afore-mentioned change in accounting method and its presentation in Notes 1 and 14 to the financial statements was justified.

Accounting policies

Note 1 to the financial statements sets out the accounting policies and methods used to recognize equity interests, provisions and employee benefits.

As part of our assessment of the accounting policies implemented by your Company, we verified that the information presented in the notes to the financial statements was appropriate and consistently applied.

Accounting estimates

Note 1 to the financial statements states that your Company recognizes impairment losses when the carrying amount of its financial assets exceeds their value in use. Value in use is defined as the present value of the estimated future economic benefits expected to be derived from an asset. Based on the information available at the date of this report, we assessed the approach adopted by your Company, on a test basis. We also assessed the significant estimates and ensured that the assumptions and the resulting valuations were reasonable.

These assessments were an integral part of our audit of the financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

Section 5 Statutory Auditors' Report on the Financial Statements

3. Specific verifications and information

We have also carried out the specific verifications as required by law.

We have no matters to report regarding:

- The fair presentation and conformity with the financial statements of the information given in the 2008 Annual Report – Registration Statement and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
- The fair presentation of the information given in the 2008 Annual Report – Registration Statement in respect of remunerations and benefits granted to Company directors and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ascertained that the information relating to the acquisition of shares and controlling interests and the identity of the shareholders has been disclosed in the 2008 Annual Report – Registration Statement.

Paris-La Défense and Neuilly-sur-Seine, February 27, 2009

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Benoît Lebrun

Marie Guillemot

Ernst & Young et Autres

Dominique Thouvenin

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Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

1. Authorized agreements and commitments concluded in the year and subsequently to the closing

In accordance with article L. 225-88 of the French commercial code (Code de Commerce), we have been advised of certain related party agreements and commitments which were authorized by your surpervisory board.

We are not required to ascertain the existence of any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with article R. 225-58 of the French commercial code (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of engagement and commitment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1.1. Granting of a €3 billion loan to SFR

Directors concerned:
MM. Philippe Capron, Frank Esser, Jean-Bernard Lévy, Bertrand Meheut and your company.

At its meeting of February 28, 2008, your supervisory board authorized your management board to provide SFR with a €4 billion loan within the framework of the acquisition by SFR of 60.15% of Neuf Cegetel capital not held by the company.

Your company agreed on a €3 billion revolving facility at market conditions, maturing on December 31, 2012. This credit line is reduced to €2 billion as of July 1, 2009 and to €1 billion from July 1, 2010.

As at December 31, 2008 the credit line has been fully drawn for €3 billion by SFR. The total amount of interests received by your company for 2008 amounts to €106.3 million.

1.2. Granting of a $1.025 billion to Activision

Directors concerned:
MM. Philippe Capron, Jean-Bernard Lévy and René Pénisson.

At its meeting of February 28, 2008, your supervisory board authorized your management board, as part of the Activision Blizzard transaction, to provide Activision with a $1.025 billion loan, at market conditions.

This loan is designed to finance, on the one hand, the repurchase by Activision of its own shares, and on the other hand, of its working capital requirement.

As at December 31, 2008, remained only one revolving tranche of $475 million maturing on March 31, 2011. The non utilization commission of the credit line invoiced to Activision Blizzard amounts to €0.713 million.

1.3. Reorganization of the English pension fund VUPS

At its meeting of April 24, 2008, your supervisory board authorized your management board, as part of the VUPS pension fund reorganization, to provide the trustees of this fund with a guarantee.

As part of the VUPS pension fund reorganization designed for UK current and former employees, and further to the split into three distinct funds, your company issued a guarantee valid until January 3, 2011 and equal to 125% of the VUPS plan deficit after reorganization, as defined for the "Pension Protection Fund", in accordance with British regulation.

As at December 31, 2008, the total guarantee amounts to £19.1 million.

Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments

1.4. Support agreement between your company and SFR, which has been approved by your shareholders' meeting of April 24, 2008 and which remains current during the year

Directors concerned:
MM. Philippe Capron, Frank Esser, Jean-Bernard Lévy, Bertrand Meheut and your company.

Your company signed in 2003 a support agreement with its subsidiary SFR for a five-year period. In return, from January 1, 2006, SFR pays your company an annual lump sum of €6 million and 0.3% of its consolidated revenue, excluding revenue from equipment sales.

On March 6, 2008, a rider to this agreement was signed. Applicable from April 1, 2007, SFR pays your company a sum corresponding to 0.2% of its consolidated revenue, excluding revenue from equipment sales. This rider was authorized by your supervisory board on February 28, 2008 and approved by your shareholders' general meeting on April 24, 2008.

The income received by your company in 2008 relating to this agreement amounted to €23.3 million before taxes.

1.5. Conditional severance payment of Mr. Jean-Bernard Lévy, Chairman of the Management Board, upon termination of his term of office

At its meeting on February 26, 2009, the supervisory board noted the intention of Mr. Jean-Bernard Lévy, the chairman of the management board, to renounce his employment contract (which had been suspended since April 25, 2005, the date of his appointment as chairman of the company's management board) upon the renewal of his term of office on April 27, 2009, and resolved that Mr. Jean-Bernard Lévy would, save in the case of serious misconduct and subject to performance conditions, receive compensation upon termination of his term of office in accordance with the AFEP and MEDEF recommendations.

This compensation is based on an increase formula linked to his seniority and amounts to six months plus one month for each year of service within the group after 2002. It would be subject to the satisfaction of the following minimum performance conditions: the compensation would not be payable if the group's financial results (adjusted net income and cash-flow from operations) were less than ⅔ of the budget for two consecutive years and if the performance of Vivendi's shares were less than ⅔ of the average performance of a composite index (⅓ CAC 40, ⅓ DJ Stoxx Telco and ⅓ DJStoxx Media) during two consecutive years. It would not be payable also in case of Mr. Jean-Bernard Lévy's leaving after the age of 62, when he would be entitled to assert his pension rights, or if he left the company at his own initiative. The amount of this compensation would, by definition, be equal to twenty one months or less.

At the same meeting, the supervisory board also resolved that in case of Mr. Jean-Bernard Lévy's leaving the company under the conditions set forth above (entitling him to the compensation), his rights to stock options and performance shares, not yet acquired by him at the date of his departure, would be maintained, subject to the satisfaction of the relevant performance conditions, and would remain subject to the relevant plan rules with respect to the conditions governing their acquisition and exercise.

2. Agreements and commitments authorized in prior years and which remain current during the year

However, in accordance with the French commercial code (Code de Commerce), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

2.1. Revolving credit line

On December 13, 2006, your supervisory board authorized your management board to provide SFR with a revolving credit line of €700 million, for a three-year period.

The credit line agreement was signed with SFR on December 19, 2006. Under this agreement, minimum tranches of €50 million could be drawn for variable periods of 1, 3, 6 or twelve months, with interest payable at the EURIBOR rate for the period + 0.15%.

As at December 31, 2008 the credit line had been fully drawn for €700 million. The total amount of interests received by your company for 2008 amounts to €31.4 million.

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Section 6 Statutory Auditors' Report on Related-Party Agreements and Commitments

2.2. Agreement on the additional retirement benefits

Your supervisory board authorized the implementation of an additional pension plan for senior executives, including the members of the management board holding an employment contract with your company.

The main terms and conditions of the additional pension plan are as follows: a minimum of three years in office, the progressive acquisition of rights according to seniority (over a period of twenty years); a reference salary for the calculation of the pension equal to the average of the last three years; dual upper limit: reference salary capped at 60 times the social security limit, acquisition of rights limited to 30% of the reference salary; application of the Fillon Act (rights maintained in the event of retirement at the initiative of the employer after the age of 55); and payment of 60% in the event of the beneficiary's death. The benefits are lost in the event of a departure from the company, for any reason, before the age of 55.

The provisional amount recognized in the financial statements for 2008 for the additional retirement benefits for management board members amounts to €2,041,535.

2.3. Agreement to waiver interest on the amounts due from subsidiaries

In the treasury agreements between your company and its subsidiaries such as VTI, and Scoot Europe NV, the latter were granted advances bearing interest at the one-month EURIBOR rate plus a 2.5% margin, capitalized on a quarterly basis.

Your company agreed to waiver the interests due on these amounts. The waiver became effective as of April 1, 2003 for VTI, and as of July 1, 2003 for Scoot Europe NV. It will be implemented until the companies recover a stable financial position by selling off assets or increasing capital, or until the companies are liquidated.

The amounts owed to your company as of December 31, 2008 were €145.8 million by Scoot Europe NV and €1,623 million by VTI.

Outstanding interests due to your company in 2008 amount respectively to €8.1 million for Scoot Europe NV and €90.3 million for VTI.

2.4. Agreement with Vinci

As of December 30, 1998, your company, Vinci and Compagnie Générale de Bâtiment et de Construction (CBC) signed a rider to the agreement entered into on June 30, 1997 concerning the sale of CBC shares to Vinci, along with the associated guarantees and better fortune clauses.

In 2008, your company did not receive any credit notes or payments related to this agreement.

Paris-La Défense and Neuilly-sur-Seine, February 27, 2009

The Statutory Auditors

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Member of KPMG International

Ernst & Young et Autres

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Marie Guillemot

Dominique Thouvenin

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Section 1 Recent Events

Significant events that occured between December 31, 2008 and the date of filing this report with the AMF (the French stock exchange regulatory authority) are described in the following chapters of this report:

- Chapter 2: "Highlights", "Description of the Group and its Businesses", "Litigations"; and
- Chapter 4: "Annual Financial Report" and "Consolidated Financial Statements for the Fiscal Year Ended December 31, 2008".

According to a decision dated March 13, 2009, the permission to benefit from the tax regime provided by Article 209 *quinquies* of the French General Tax Code (the Consolidated Global Profit Tax System) was renewed for the period beginning January 1, 2009 and ending December 31, 2011.

As a reminder, pursuant to the tax regime of the Consolidated Global Profit Tax System, Vivendi may consolidate its profits and losses with the profits and losses of its subsidiaries that are 50% or more directly or indirectly owned and located either in France or abroad (please refer to Note 6.1 in the appendix to the Consolidated Financial Statements for fiscal year ended December 31, 2008).

As part of this regime, Vivendi undertook to continue performing its previous years' commitments, in particular with regard to job creation.

Section 2 Outlook

In an unstable economic environment and a context of uncertainty regarding consumer spending, Vivendi has developed a number of strengths, including: (i) its resilience, based on a subscription model and world-leading premium quality content and services, (ii) a leadership position in each of its businesses, enhanced by major strategic initiatives which are successfully executed and (iii) very strong operating margins, enabling the development of competitive advantages through innovation in technology and marketing. Finally, Vivendi has a solid balance sheet and strong cash generation. On this basis, in 2009 Vivendi forecasts strong growth in EBITA and solid earnings which are likely to result in another strong dividend, with a distribution rate of at least 50% of Adjusted Net Income. These forecasts are based on an assumed exchange rate of €1 for US$1.40 and the achievement of each business's financial objectives, as described below.

The achievement of these objectives also results from Vivendi maintaining its commitment to its main priorities, including enhancing its businesses' competitiveness through innovation, maximizing cash flow generation to maintain its credit rating, its liquidity and its ability to distribute dividends, as well as keeping all businesses focused on the optimization of their cost structure.

Vivendi remains vigilant, however, as the strong growth forecast in EBITA is based on the businesses' achievement of their objectives, while the forecasts of certain of its leading businesses may be affected by unfavorable regulatory impacts and a context of global economic uncertainties, in particular the impact of Activision Blizzard deferred revenue accounting, the ongoing fight against piracy and declining physical sales at UMG, as well as new taxes and a sharp decline in SFR mobile termination rates.

Activision Blizzard

In 2009, Activision Blizzard is expected to benefit from synergies stemming from the merger of Activision and Blizzard, the timing of future game releases and a larger *World of Warcraft* subscriber base. Priorities will focus on high-quality franchises, the launch of a record number of products, including games from three of the most successful proven franchises in the history of videogames and improved operating margins. Therefore, on a non-GAAP (US GAAP) basis[1], revenue is expected to reach approximately US$4.7 billion and the operating margin is expected to reach 26%.

Universal Music Group (UMG)

In 2009, UMG operations anticipate significant album releases, continued growth in digital sales and new business models. In 2009, UMG is expected to maintain EBITA at the 2008 level on a constant currency basis and, to this end, will focus its priorities on maintaining its leadership position and market share during the transition to digital, while continuing to benefit from a broader range of music revenue streams and maximizing its profitability through efficient cost management.

1. *Activision Blizzard provides, on a non-GAAP basis, net revenues and operating margin forecasts both including (in accordance with US GAAP) and excluding (non-GAAP) the impact of the following main items: changes in deferred net revenues and related costs of sales in respect of certain online-enabled games; expenses related to equity-based compensation costs and the amortization of intangibles and the associated changes in cost of sales resulting from purchase price accounting adjustments from the business combination. The operating margin is equal to the ratio of non-GAAP operating results to non-GAAP net revenues. Please refer to Chapter 4, "II Appendix to the Financial Report".*

Section 2 Outlook

SFR

With the takeover of Neuf Cegetel in the second quarter, 2008 was characterized by the creation of the new SFR, now a strong player in all telecommunication markets in France. In 2009, SFR will focus on the roll-out of its synergy program, with the implementation of 103 identified action plans. Savings through 2011 are expected to range between €250 million and €300 million. Forecasts for SFR mobile and broadband Internet and fixed businesses in 2009, excluding any effects of a further deterioration in the economic environment, are as follows:

- **Mobile:** 2009 will experience strong ongoing regulatory pressure, with a fourth license to be granted mid-2009, a 31% decrease in mobile termination rates from July 1, 2009, the new public TV financing tax and the tax introduced by the Chatel Law. On this basis, SFR mobile revenue is expected to grow slightly, while recording a slight decrease in EBITDA despite stable operating expenditure (excluding regulatory impacts, variable customer costs and interconnection costs) in a constantly competitive market.
- **Broadband Internet and fixed:** in 2009, SFR's priorities for its broadband Internet and fixed businesses will be to terminate the migration of acquired customer bases in the third quarter and focus on organic growth and service quality. The objective is to increase the ADSL net sales market share to the portfolio level by the end of 2009. On this basis, 2009 will be a year of commercial relaunch and, on a pro forma basis (as if Neuf Cegetel had been consolidated from January 1, 2008), SFR Broadband Internet and fixed is expected to report slight revenue growth, excluding switched voice activities, and a slight decrease in EBITDA, due to new taxes, investments required to achieve organic growth and the deployment of fiber optic networks.

Maroc Telecom Group

In 2009, Maroc Telecom Group's priorities will be to maintain its leadership position within the Moroccan mobile market and continue to drive the growth of its African subsidiaries. Revenue growth is forecast at above 3% in Dirhams and the EBITA margin is expected to remain at 47%.

Canal+ Group

In 2009, Canal+ Group is expected to benefit from the full impact of synergies generated by the merger with TPS, including savings resulting from a decrease in the price paid for French League 1 soccer broadcasting rights. Its priorities will be to accelerate the migration of analogue subscribers to digital, to leverage recent innovations (such as + Le Cube (HD terminal with Internet connection), USB key HD DTT set-up box, Canal+ and CanalSat «on demand» ("*à la demande*")) and to adapt its offers to the current economic environment. In 2009, Canal+ Group is expected to report slight growth in revenue on a constant currency basis and an approximately 10% increase in EBITA.

The 2009 outlook above regarding revenues, EBITA, EBITA margin rates and EBITDA is based on data, assumptions and estimates considered as reasonable by Vivendi management. They are subject to change or modification due to uncertainties related in particular to the economic, financial, competitive and/or regulatory environment. Moreover, the materialization of certain risks described in Chapter 2 of this document could have an impact on the group's operations and its capacity to achieve its forecasts for 2009.

In addition Vivendi considers that the non-GAAP measures, EBITA, Adjusted Net Income and CFFO are relevant indicators of the group's operating and financial performance. Each of these 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, 2008, included in Chapter 4 of this Annual Report.

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Section 3 Statutory Auditors' Report on the EBITA (*résultat opérationnel ajusté*) forecast

To the Chairman of the Management Board,

In our capacity as statutory auditors and in accordance with EU Regulation No. 809/2004, we hereby report on the EBITA (*résultat opérationnel ajusté*) forecast for the Vivendi group, which is included in part 5 section 2 of the registration document dated March 19, 2009.

In accordance with EU Regulation No. 809/2004 and the relevant CESR guidance, you are responsible for the preparation of this forecast and its principal underlying assumptions.

It is our responsibility to express our conclusion, pursuant to Annex I, item 13.2 of EU Regulation No. 809/2004, as to the proper compilation of the EBITA forecast.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Our work consisted of an assessment of the preparation process for the EBITA forecast, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of the Vivendi group. We also gathered all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the EBITA forecast has been properly compiled on the basis stated.

It should be noted that, given the uncertain nature of forecasts, the actual figures are likely to be significantly different from those forecasts and that we do not express a conclusion on the achievability of these figures.

We conclude that:
- this EBITA forecast has been properly compiled on the basis stated; and
- the accounting methods applied in the preparation of the EBITA forecast are consistent with the accounting principles adopted by the Vivendi group.

This report is issued for the sole purpose of filing the registration document with the French stock exchange regulatory body (AMF) and, if applicable, of a public offering in France and other European Union countries in which a prospectus, comprising the 2008 registration document as approved by the AMF, will be published and may not be used for any other purpose.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2009

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Benoît Lebrun

Marie Guillemot

Dominique Thouvenin

GAMES MUSIC TELECOMS INTERNET TELEVISION CINEMA
TELECOMS INTERNET
MUSIC TELECOMS INTERNET TELEVISION MUSIC

Audit of the Financial Statements

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Section 1 Independent Auditors Responsible for Auditing the Financial Statements

1.1. Statutory Auditors

Ernst & Young et Autres
41, rue Ybry, 92576 Neuilly-sur-Seine, France.

represented by Mr. Dominique Thouvenin,
appointed at the Shareholders' Meeting held on June 15, 2000.

Most recent renewal of mandate: Combined Shareholders' Meeting held on April 20, 2006 for a six-year period, expiring at the end of the Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

Salustro Reydel
Member of KPMG International
1, cours Valmy, 92923 Paris, La Défense Cedex, France.

represented by Mrs. Marie Guillemot and Mr. Benoît Lebrun,
appointed at the Shareholders' Meeting held on June 15, 1993.

Most recent renewal of mandate: Combined Shareholders' Meeting held on April 28, 2005 for a six-year period, expiring at the end of the Shareholders' Meeting held to approve the financial statements for fiscal year 2010.

1.2. Alternate Statutory Auditors

Mr. Jean-Claude Reydel
1, cours Valmy, 92923 Paris, La Défense Cedex, France.

appointed at the Shareholders' Meeting held on April 28, 2005 for a six-year period, expiring at the end of the Shareholders' Meeting held to approve the financial statements for fiscal year 2010.

Société Auditex
11, allée de l'Arche, Faubourg de l'Arche, 92400 Courbevoie, France.

appointed at the Shareholders' Meeting held on April 20, 2006 for a six-year period, expiring at the end of the Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

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