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2007 Annual Report

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Annual Report 2007

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Key Figures – Simplified Organization Chart

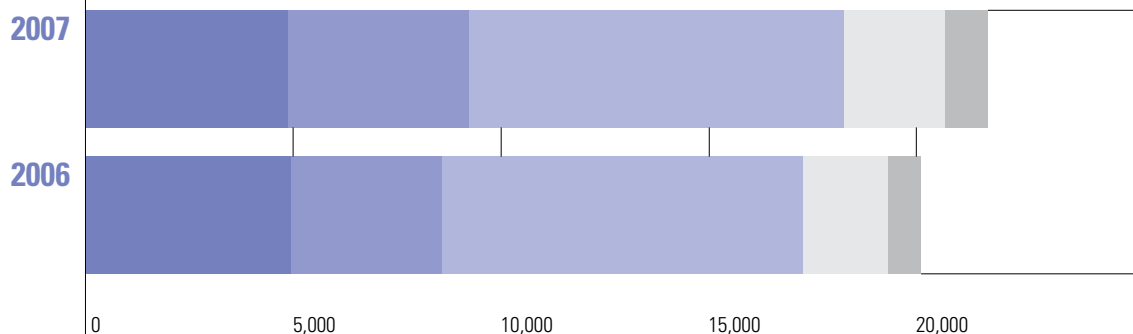
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Revenues by Business Segment

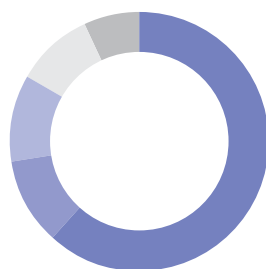
December 31 - in € millions



	2006	2007
Universal Music Group	4,955	4,870
Canal+ Group	3,630	4,363
SFR	8,678	9,018
Maroc Telecom	2,053	2,456
Vivendi Games	804	1,018
Including non core operations and elimination of inter-segment transactions	-76	-68
Total	20,044	21,657

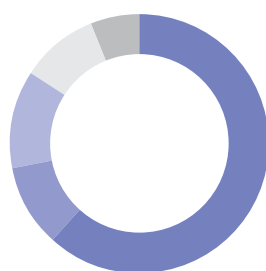
Revenues by Geographical Zone

2007 December 31 - in € millions



France	13,403
Rest of Europe	2,352
USA	2,319
Morocco	2,139
Rest of World	1,444
Total	21,657

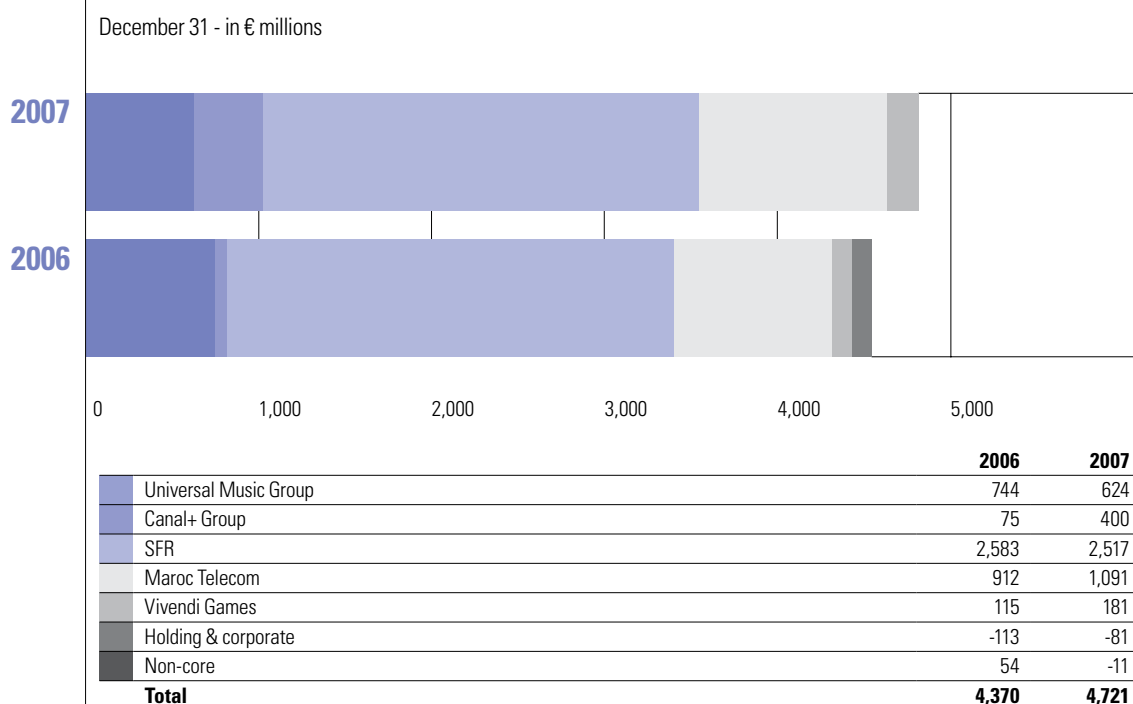
2006 December 31 - in € millions



France	12,372
Rest of Europe	2,081
USA	2,448
Morocco	1,960
Rest of World	1,183
Total	20,044

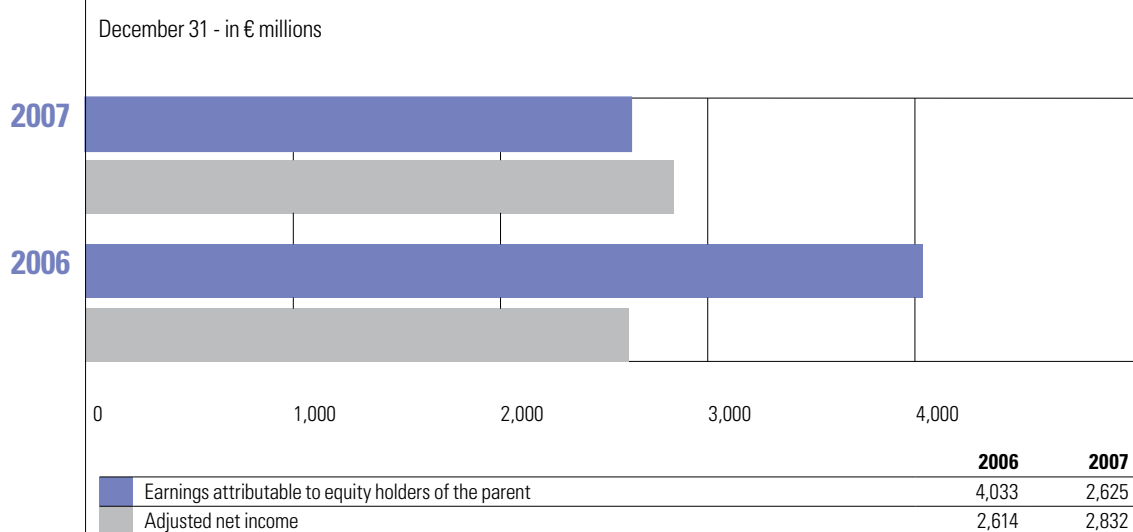


EBITA by Business Segment



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

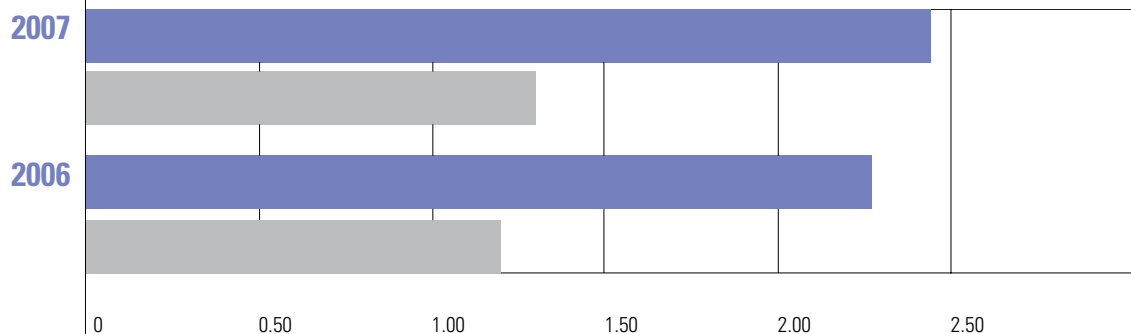


Vivendi considers Adjusted Net Income, a non-GAAP measure, as a relevant indicator of the group's operating and financial performance. Vivendi's management uses Adjusted Net Income because it provides a better illustration of the performance of continuing operations excluding most non-recurring and non-operating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



Adjusted Net Income per Share and Dividend per Share

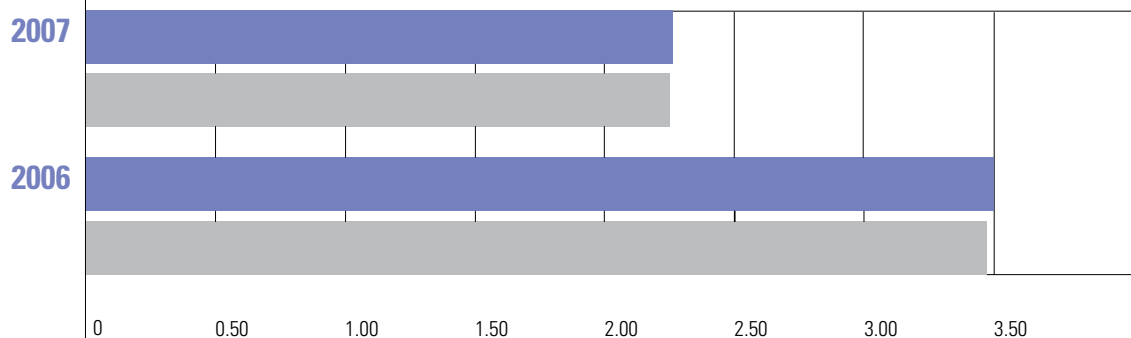
December 31 - in €



	2006	2007
Adjusted net income per share	2.27	2.44
Dividend per share	1.20	1.30

Earnings Attributable to Equity Holders of the Parent per Share - Basic and diluted

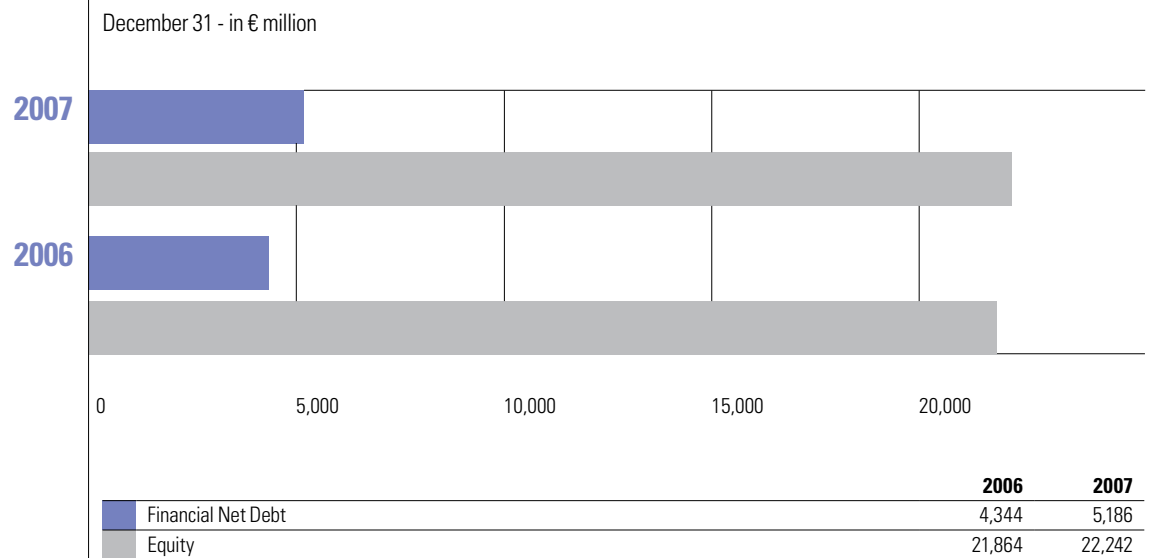
December 31 - in €



	2006	2007
Earnings attributable to equity holders of the parent per share, basic	3.50	2.26
Earnings attributable to equity holders of the parent per share, diluted	3.47	2.25



Financial Net Debt and Equity

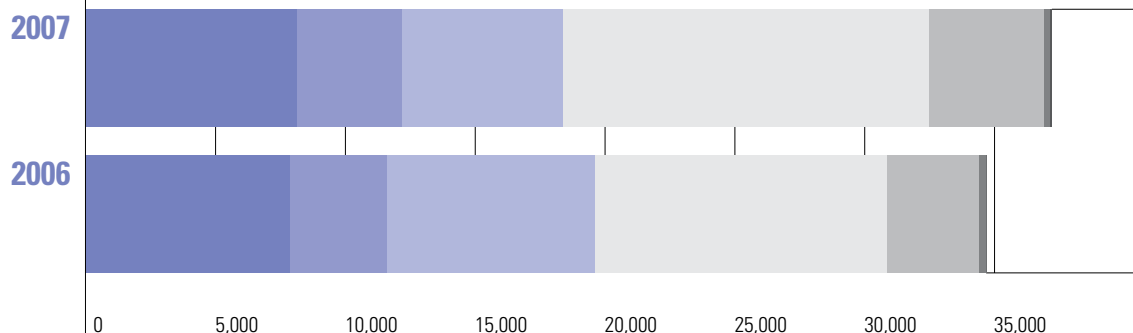


Vivendi considers Financial Net Debt, a non-GAAP measure, to be an important indicator measuring Vivendi's indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities as reported on the Consolidated Statement of Financial Position, less cash and cash equivalents as reported on the Consolidated Statement of Financial Position as well as derivative financial instruments in assets and cash deposits backing borrowings (included in the Consolidated Statement of Financial Position under "financial assets"). Financial Net Debt should be considered in addition to, not as a substitute for, Vivendi's borrowings and other financial liabilities and cash and cash equivalents reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP.



Headcount by Business Segment

December 31

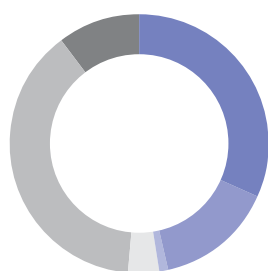


	2006	2007
Universal Music Group	7,869	8,114
Canal+ Group	3,699	4,061
SFR	8,014	6,209
Maroc Telecom	11,259	14,075
Vivendi Games	3,567	4,437
Corporate	271	262
Others	15	65
Total	34,694	37,223

Headcount by Geographical Zone

2007

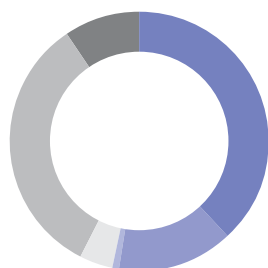
December 31



France	11,869
North America	5,448
South and Central America	391
Asia-Pacific	1,478
Africa	14,218
Europe (excluding France)	3,819
Total	37,223

2006

December 31

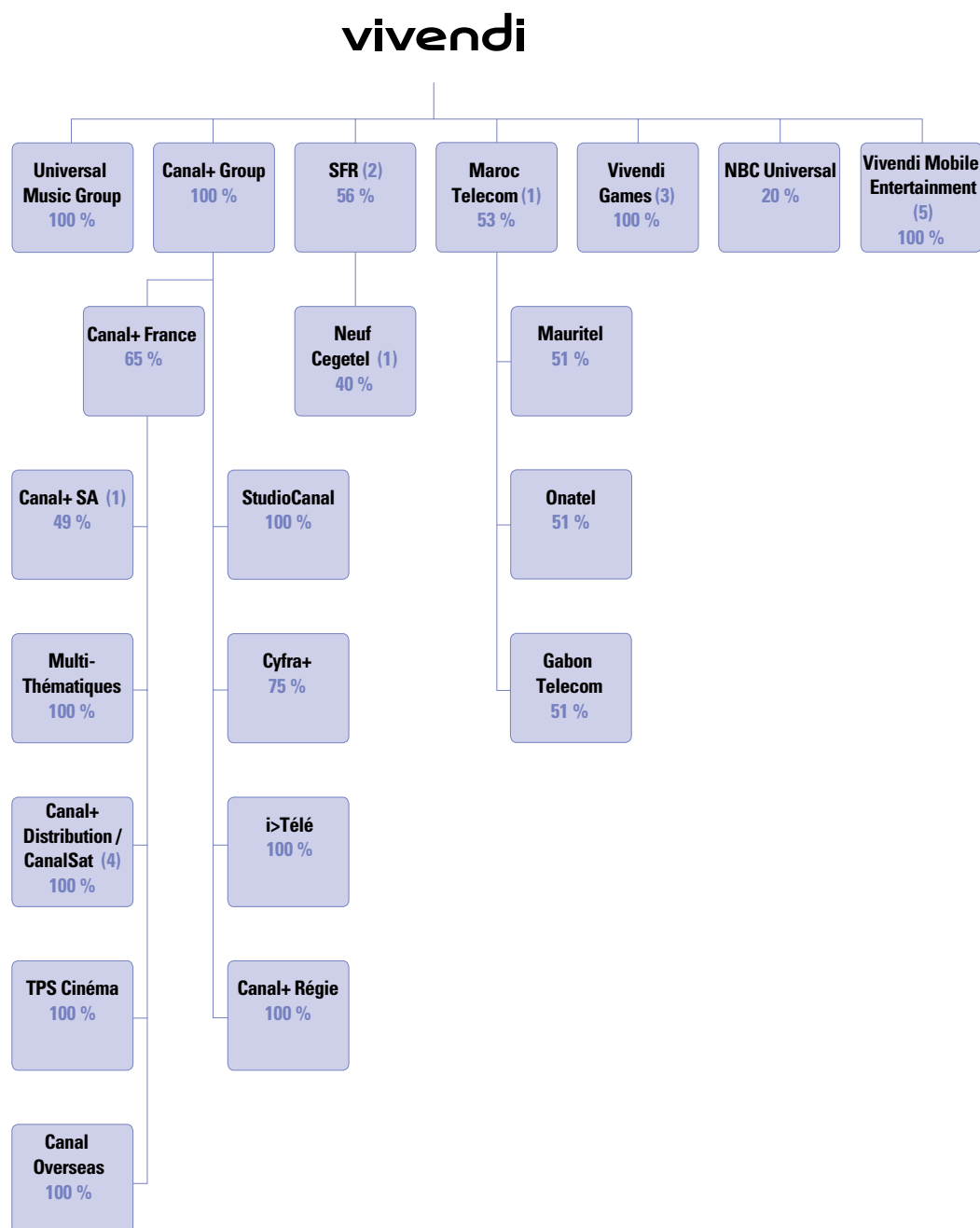


France	13,243
North America	5,006
South and Central America	350
Asia-Pacific	1,445
Africa	11,424
Europe (excluding France)	3,226
Total	34,694



Simplified Organization Chart

December 31, 2007



(1) Listed company.

(2) On December 20, 2007, SFR and the Louis Dreyfus Group announced that they had reached an agreement which could lead to the acquisition by SFR of Louis Dreyfus Group's stake in Neuf Cegetel. For more information on this transaction see Chapter 4, Annual Financial Report, Section 1.3 "Transactions underway as of December 31, 2007".

(3) On December 2, 2007, Vivendi and Activision announced their intention to combine Vivendi Games and Activision. For more information on this transaction see Chapter 4, Annual Financial Report, Section 1.3 "Transactions underway as of December 31, 2007".

(4) On December 31, 2007, Canal+ Distribution and Canal+ Active merged into CanalSatellite. As a result of these operations, CanalSatellite was renamed Canal+ Distribution.

(5) Company which started operating in late 2007.

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

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

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Section 1 Description of the Group

	<p>Vivendi is a leader in digital entertainment with operations in music, television, cinema, mobile, Internet and games. The group's companies are all leaders in their respective fields:</p> <ul style="list-style-type: none"> • Universal Music Group: the world's No. 1 music content company, selling more than one out of every four albums worldwide, with significant positions in the digital music market; • Canal+ Group: a major player in premium and theme channel distribution and programming in France with more than 10.5 million subscriptions to its pay-TV offerings and a major player in the financing, acquisition and distribution of motion pictures in France and the rest of Europe; • SFR: France's No. 2 mobile telecommunications operator, with approximately 18.8 million customers, which holds an approximate 40% interest in Neuf Cegetel, France's No. 2 fixed-line telecommunications operator; • Maroc Telecom: Morocco's leading mobile, fixed-line and Internet access operator with 13.3 million mobile customers and approximately 1.3 million fixed lines; • Vivendi Games: the world's No. 1 player in the massively multiplayer online role-playing (MMORPG) games category with more than 10 million subscribers worldwide. <p>Vivendi owns 20% of NBC Universal, one of the world's leading media companies, which is engaged in a variety of businesses, including the production of live and recorded television programs, the production and distribution of motion pictures and the operation of theme parks.</p>
<p>1.1. Strategy</p> <p><i>1. Human Beliefs and Values: A Cross-Cultural Sourcebook. Inglehart, Basanez and Moreno (The University of Michigan Press).</i></p>	<p>Vivendi is a world leader in digital entertainment. Vivendi's strategy is to expand its business operations in content creation and distribution as well as its digital services. The entertainment industry is a fast-growing sector driven by the evolution of consumer leisure time (including changing lifestyles, increased life expectancy and the development of leisure activities), an increased desire for unique experiences, and new technologies that provide quality digital content any time, anywhere at decreasing prices. Leisure activities are considered to be "very important" by 35% of the world's population (from 14% in China to 55% in Sweden, 45% in the United Kingdom, 43% in the United States and 31% in France¹). Entertainment has become a key component of everyday life to which consumers allocate an ever-increasing share of their budget. All of Vivendi's businesses aim to meet the growing demand for entertainment-related products and services and are positioned to take advantage of this profitable and important source of growth.</p> <p>The strengthening of Vivendi's businesses' leadership positions on their respective markets is facilitated by their belonging to the group. Vivendi is well positioned to facilitate large investments made by its subsidiaries such as the Canal+/TPS merger, the development of the <i>World of Warcraft</i> game, the development of 3G services, the acquisition of BMG Music Publishing, the proposed combination of Vivendi Games and Activision and the proposed acquisition of the Louis Dreyfus Group's stake in Neuf Cegetel by SFR.</p> <p>Vivendi's businesses share important common denominators: they leverage strong brands (Universal Music, Canal+, SFR, Maroc Telecom and Blizzard) to reach their final customers, and they offer their customers creative digital content on a subscription basis. These denominators give Vivendi a strong competitive advantage; in particular, they allow the group, through the exchange of know-how and technology, to develop substantial expertise in subscriber management, brand management, distribution platforms, content creation, copyrights and digital technologies. The digitization of content and the development of consumer networks (driven by shared tastes and preferences), combined with the increasing development and adoption of broadband distribution technologies, pose major new challenges and opportunities. Vivendi's strength lies in anticipating consumer needs, identifying future growth drivers for the group and reinforcing its businesses.</p>
<p>1.2. Highlights</p>	<p>1.2.1. 2007 Highlights</p> <p>January</p> <ul style="list-style-type: none"> • Vivendi and the Canal+ Group announce the creation of Canal+ France following the merger of the pay-TV assets of the Canal+ Group and TPS. In this transaction, TF1 and M6 contribute TPS to Canal+ France in exchange for 15% (9.9% and 5.1%, respectively) of the newly-formed entity. Concurrently, Lagardère contributes its 34% interest in CanalSat and an additional cash payment to acquire 20% of Canal+ France. Canal+ France, controlled exclusively by Vivendi through the Canal+ Group, is a leading French player in the audiovisual market comparable in size to the largest European media companies. • CanalSat Mobile and SFR strengthen their partnership by offering the first unlimited TV package on Vodafone live! This service provides customers with unlimited access to over 40 live channels offered by CanalSat Mobile on SFR mobile phones.



Section 1

Description of the Group

- Blizzard Entertainment (a division of Vivendi Games) releases *World of Warcraft: The Burning Crusade*, the first expansion pack of its *World of Warcraft* game. Almost 2.4 million copies of *The Burning Crusade* were sold in just 24 hours and, at the end of the first day of sales, more than 1.7 million players logged on to play the new version online. *World of Warcraft* passes the 8 million-player mark worldwide and establishes new regional records, with more than 2 million players in North America, more than 1.5 million players in Europe and more than 3.5 million players in China.

February

- The Césars, the French film awards, single out three StudioCanal films: *Je Vais Bien, Ne T'en Fais Pas* (Most Promising Actress and Best Supporting Actor), *Days of Glory* (Best Original Screenplay) and *Orchestra Seats* (Best Supporting Actress).
- Maroc Telecom acquires 51% of Gabon Telecom, Gabon's historical telecommunications operator, after an international call for tenders.
- Blizzard Entertainment (a division of Vivendi Games) and The9 enter into an agreement for the operation of *World of Warcraft: The Burning Crusade* in China.

March

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

April

- The Canal+ Group and SFR launch Canal+ Chaîne Mobile, a new channel for mobile phones, available 24 hours a day, 7 days a week on Vodafone *live!* Canal+ Chaîne Mobile enables SFR clients to watch live all unscrambled Canal+ programs as well as special sports programming, including the *Journal du Sport*, the French League 1 football results, the Top 5 goals of Calcio (the Italian league), and multi-broadcasting of unscrambled programs.
- In addition to "Happy Zone", SFR launches "Happy Zone + ADSL", which offers unlimited calls from home and close to home as well as ADSL access (including voice over IP and television) with SFR quality and continuity of service between PC and mobile devices.
- Maroc Telecom begins the installation of Atlas Offshore, an underwater cable network between Morocco and France. This optic fiber cable network, with an initial capacity of 40 Gbit/s (expandable to 320 Gbit/s), enhances Maroc Telecom's ability to meet the growing demand for international capacity, in particular the needs of foreign companies in Morocco, and the increasing use of services such as Internet driven by ADSL.

May

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

June

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

July

- UMG and Chinese label Dong Music International enter into an exclusive agreement for the promotion and development of Dong Music's artist roster throughout the world. Under the terms of the agreement, UMG holds the physical and digital licensing and distribution rights to the Dong Music catalog.



Section 1

Description of the Group

- SFR launches its “Best of the Web” mobile offer (Dailymotion, MySpace, YouTube, eBay, Windows Live Messenger and Google Maps) with set rates and a format adapted to mobile screens.
- SFR closes the acquisition of the fixed-line and ADSL activities of Tele2 France. This transaction, a major step for SFR, enables it to continue and accelerate its development. With this transaction, SFR acquires approximately 350,000 ADSL customers and 2.3 million fixed-line customers.

August

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

September

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

October

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

November

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

December

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



Section 1

Description of the Group

sizeable investment capacity in optic fiber and accelerate its strategy of fixed-line/mobile convergence, while enabling it to integrate a growing asset.

- The Canal+ Group enters into an agreement to acquire Occade Sport, a company specialized in the organization of sporting events. The aim is to consolidate Canal+ Group's presence in the world of sports and to expand its activities in the production and programming of sporting events through the acquisition of a recognized player in the sector.
- SFR is the leader in net sales in metropolitan France for 2007.
- SFR exceeds 350,000 subscribers for its television packages on 3G/3G+ mobile phones at year-end 2007, compared to 70,000 at year-end 2006 (a five-fold increase in one year). The considerable growth in the number of subscribers in 2007, and particularly in the last quarter of the year, can be explained by the breadth of SFR's television product offerings and by the success of the new unlimited formulas (SFR Illimythics).
- In 2007, SFR Music strengthens its No. 1 position as leading mobile music platform in France and becomes No. 1 in terms of volume of digital tracks in the last quarter of 2007.
- Maroc Telecom passes the 13 million mobile customer mark.
- Blizzard Entertainment's *World of Warcraft* surpasses 10 million subscribers worldwide.

1.2.2. 2008 Highlights

January

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

February

- The 50th Grammy Awards again recognize UMG artists, who win 38 awards, including some of the most prestigious. Amy Winehouse (Universal Republic/Island Records UK) wins five awards: Record of the Year, Song of the Year and Best Female Pop Vocal performance for her song "Rehab"; Best Pop Vocal Album for her album *Back to Black*; and Best New Artist of the Year. The Album of the Year award goes to *River: The Joni Letters* by Herbie Hancock (Verve). Kanye West (Rock-A-Fella Records) wins four awards including Best Rap Album of the Year for *Graduation*.
- UMG exceeds one billion videos streamed on its YouTube channel. The UMG channel becomes one of the most popular video channels on YouTube.
- UMG and Univision Communications Inc., the leading Spanish-language media company in the US, announce a definitive agreement under which UMG will acquire Univision Music Group, including its music recording and publishing division. The acquisition is subject to regulatory approvals and customary closing conditions.
- The Canal+ Group acquires the rights for nine of the ten television packages of French League 1 football for the four seasons 2008-2012. With these packages, the Canal+ Group continues to be the biggest promoter of French League 1 football, providing its unique programming know-how: expertise of its editorial staff, prestigious consultants, technological innovations and production standards on par with the world's great competitions.
- The Canal+ Group exceeds 250,000 customers for its mobile TV services Canal+ Mobile and CanalSat Mobile.
- SFR and TomTom, the world's biggest provider of portable GPS navigation solutions, enter into an exclusive partnership to bring TomTom High-Definition (HD) Traffic to France. Traffic data is securely transferred to TomTom devices in real time through SFR's patented machine-to-machine solution.



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

March

- The French *Victoires de la Musique* mark the triumph of UMG artists. Renan Luce (Best Debut Album and Best Debut Live Act) and Vanessa Paradis (Best Pop Album and Best Female Artist) are the ceremony's big winners. Abd Al Malik is named Best Male Artist and Feist garners the award for Best Video.
- The number of TNTSat receivers sold by Canal+ Group surpasses 350,000. In regions where households cannot receive signals from terrestrial antennas, the TNTSat offering over the Astra satellite allows 100% coverage of the French territory and access to the free DTT channels.
- Canal+ Group launches "Canal+ à la demande", its catch-up TV service. Canal+ Le Bouquet subscribers can now watch their favorite programs whenever they want. The programs are posted online as soon as they are broadcast and are then available for viewing for a period of up to one month following their first run on Canal+ Le Bouquet.
- After being the first operator to democratize mobile Internet in France in late 2007, SFR enhances its offering with three new "Illimythics" offerings, three new "Essentiel" offerings and, for the first time in the French market, 100% unlimited voice calls (including calls to fixed-lines, voice over IP and mobiles 24 hours a day, 7 days a week).

1.3. Financial Communication Policy and Value Creation

1.3.1. Investment Policy

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

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

- the ability to generate growth with 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;
- in-depth risk assessment; and
- the development of the group's businesses and the strengthening of their leadership positions in entertainment content and distribution.

Formalized investment procedures were established in 2002 and have been reinforced since 2003, as part of the group's priorities (see Chapter 3 "Corporate Governance").

1.3.2. Financial Communication Policy

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

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

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



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

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

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

1.3.3. Value Creation in 2007

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

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

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

- The combination of the pay-TV activities of the Canal+ Group and TPS in France within Canal+ France, a newly-created entity, was completed on January 4, 2007, in conformity with publicly-announced agreements. This new entity, controlled exclusively by Vivendi, through the Canal+ Group, is a leading French player in the audiovisual market comparable in size to the largest European media companies and is in a position to face the new competitive environment and to drive the development of the television market in the best interests of consumers. This transaction will solidly contribute to the creation of value by 2010.
- Following the acquisition of 51% of Onatel, the incumbent telecommunications operator in Burkina Faso, in December 2006, Maroc Telecom completed the acquisition of 51% of the telecommunications operator Gabon Telecom on February 9, 2007. These investments will generate growth vectors and value for Maroc Telecom.
- The acquisition by Universal Music Group (UMG) of the music publishing assets of BMG Music Publishing was completed on May 25, 2007, following the receipt of the European Commission clearance. This transaction strengthens UMG's strategic position as a world leader in both recorded music and music publishing.
- The acquisition by SFR of the ADSL and fixed telephony activities of Tele2 France was completed on July 20, 2007, following receipt of the European Commission's clearance.
- The acquisition by UMG of Sanctuary Group Plc, whose primary business is merchandising and artist services. These activities represent new sources of music revenue streams.
- Vivendi's acquisition of an additional 2% interest in Maroc Telecom, to raise its stake to 53%.
- The agreement to merge Vivendi Games and Activision (one of the top independent publishers of interactive entertainment), to create Activision Blizzard, a world leader in online and console games. Under the terms of the agreement, Vivendi has agreed to contribute Vivendi Games, valued at US\$8.1 billion, and US\$1.7 billion in cash to acquire a 52% interest in Activision Blizzard. Activision Blizzard will then launch a tender offer for 146.5 million Activision shares. If the tender offer is fully subscribed, Vivendi would own 68% of Activision Blizzard on a fully diluted basis.
- The draft agreement between SFR and the Louis Dreyfus group would result in SFR's acquisition of the Louis Dreyfus Group's interest in Neuf Cegetel, a high-growth asset. This transaction would raise SFR's stake in Neuf Cegetel to approximately 68%. SFR would then launch a tender offer for the remaining publicly-held Neuf Cegetel shares. This transaction would create an operator present in all segments of a telecommunications market characterized by the accelerating fixed-mobile convergence strategy for businesses and consumers, with the capacity to invest in fiber optic. This project is an opportunity for SFR, which has been present in fixed telephony since 1997, to hasten the implementation of growth vectors.

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



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	<p>As of December 31, 2007, the group's financial net debt amounted to €5.186 billion. Due to the expected execution of a financing announced in January 2008 in anticipation of the cash needed for the Activision and Neuf Cegetel transactions, Vivendi will maintain its flexibility to continue its strategy of creating value and to fulfill its commitment of a dividend pay-out ratio representing at least 50% of its adjusted net income.</p> <p>Share Price Vivendi shares are listed on the compartment A of NYSE Euronext™ Paris (ISIN code FR0000127771). On December 31, 2007, Vivendi shares were trading at €31.38 per share (+5.98% since December 29, 2006, compared with an increase of 1.31% for the CAC40 index over the same period).</p> <p>Dividend per Share A dividend of €1.20 per share was distributed in 2007 for fiscal year 2006.</p> <p>The payment of a dividend of €1.30 per share in 2008 for fiscal year 2007 (an 8% increase compared to fiscal year 2006), representing a total payment of €1.5 billion (compared with €1.39 billion for 2006), will be submitted for the approval of the Combined Ordinary and Extraordinary Shareholders' Meeting to be held on April 24, 2008. If approved, the dividend will be payable on May 14, 2008.</p>
<p>1.4. Sustainable Development Policy</p>	<p>Vivendi's goal is to make it possible for present and future generations to fulfill their desire for entertainment, to satisfy their curiosity, to develop their talents and to foster dialog.</p> <p>Vivendi's approach to sustainable development takes into consideration the three dimensions of its corporate responsibility program - economic, social and environmental - which lay the foundation for the group's long-term future. This approach has led Vivendi to be especially attentive to the impact a company that produces and distributes content may have on society as a whole.</p> <p>This approach requires Vivendi to report on its values and responsibilities to all of its partners including employees, shareholders, customers, suppliers, authorities and civil society.</p> <p>Vivendi was admitted to the FTSE4 Good Global index, the international sustainable development index established by FTSE, the ASPI Eurozone index established by the Vigeo ratings agency and the Ethibel Sustainability Index (ESI) established by Ethibel.</p> <p>1.4.1. Corporate Responsibility</p> <p>Vivendi's process is based on formal commitments that are set forth in the Compliance Program, the group Charters (Values Charter, Safety at Work Charter, Fundamental Social Rights Charter, Supplier Relations Charter, Environmental Charter and the Internet Confidence Charter) and the Environmental, Health and Occupational Safety Compliance Program.</p> <p>Some of the guidelines of Vivendi's sustainable development approach include: reducing risks through the mobilization of different teams within the group; innovating by focusing on intangible assets that need to be identified, developed, and protected; and improving the manner in which the group addresses the environmental challenges it faces.</p> <p>1.4.2. Specific Challenges to Vivendi</p> <p>In 2003, as Vivendi refocused on its strategic businesses, sustainable development issues specific to the group's content production and distribution businesses were defined: protection of minors, cultural diversity and information sharing. These issues are addressed in light of new uses of our products and services resulting from the heightened combination of mobile telephony and broadband.</p> <p>Protecting minors is a major social issue. Vivendi must strike a balance between the development of content and services driven by new technologies and the protection of young audiences against uses or behaviors that may be damaging to them. Mobile phones, the Internet, games and movies can all carry sensitive content or generate consumption methods that are inappropriate for a young audience. The response to this issue at the group level is reflected in a cooperative effort between the business units and Vivendi's Sustainable Development department.</p>



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

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

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

1.4.3. Implementation of the Sustainable Development Policy

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

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

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

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

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

1.5. Human Resources

1.5.1. Employee Share Ownership and Employee Savings Plans

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

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

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

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



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Share Capital Increase for the Benefit of Employees

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

In 2007, the Management Board emphasized its commitment to employee shareholding by implementing an ambitious policy to bolster employee shareholding. The allotment of shares, or share equivalents, to all group employees worldwide was authorized during December 2006 and completed in the first half of 2007. In October 2007, the Management Board approved the principle of an international employee leveraged share purchase plan, which will be implemented in 2008.

Allocation of Vivendi Shares or Share Equivalents to Employees

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

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

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

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

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

1.5.2. Dialog Between Management and Labor

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

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

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

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

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



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1.5.3. Contribution to the Development of Employment

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

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

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

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

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

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

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

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

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

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

1.5.4. Equality of Chance

By creating the "Telecom Engineer Passport" (*Passeport Ingénieur Télécoms*) in 2005, SFR and the French public authorities intended to facilitate access to engineering schools for young people in depressed areas and offer the prospect of high-level careers in communication technology businesses. SFR's objective is to create, within neighborhoods and companies, examples of academic and professional success of young people, using the appeal generated by the telecommunications business. This program is the first to include all key players including teachers, companies, higher education institutions, local policy-makers and young people.



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	<p>In 2006, SFR's initiative gained more momentum with the creation of the "Cercle Passeport Télécoms" program which brings together SFR and major telecommunications equipment manufacturers and operators in France (Alcatel-Lucent, Ericsson France, Motorola France, Nokia France, Siemens France and Orange). Together, the seven companies, along with the French government represented by three Ministries: the Ministry of Employment, Social Cohesion and Housing; the Ministry of Higher Education and Research and the Ministry of National Education have made concrete commitments to equal opportunity and the professional development of young people from depressed areas.</p> <p>The 2007-2008 academic year recorded several notable changes:</p> <ul style="list-style-type: none"> • the participation of Crédit Mutuel and Formule 1 hotels, which will alleviate the financial constraints on young people with minimum resources but with the potential to undertake advanced studies; • the participation of Orange, which will strengthen the presence of the Circle with regard to the commitment of the telecommunications sector to equal opportunity and social promotion; • the mobilization of the Alcatel-Lucent Foundation, from the United States, with a network of 70 English-speaking tutors which offer English classes over the telephone to young people assisted by the Circle; and • a network of 42 high schools and 29 engineering and business-management schools as official partners in the Telecom Passport Circle which will reinforce the Circle's legitimacy. <p>During the 2006-2007 academic year, approximately 900 young students received group tutoring in preparatory classes or in one of the partner schools from the partner companies. In addition, 397 of those students received individual tutoring.</p> <p>In June 2007, 273 students who received tutoring took the entrance exams for an engineering or business-management school. 237 of those students (87%) passed the exam, including 70 in 29 Circle partner schools. For the 2007-2008 academic year, 406 students will benefit from individual tutoring from the Circle. 74% of the students assisted by the Circle hold scholarships from the French government.</p>
<p>1.6. Insurance</p>	<p>Vivendi maintains a centralized risk management policy with respect to insurance programs applicable to its majority-controlled businesses.</p> <p>The insurance programs supplement on-site risk prevention processes. Moreover, in addition to environmental protection processes, business continuity plans and backups have been developed in the event of a disaster affecting a critical location for a given business activity.</p> <p>In 2007, Vivendi subscribed to or renewed the following main insurance programs.</p> <p>Damages and Operating Losses</p> <p>As of the date of this report, general insurance programs are in effect for the entire group with a total global coverage of up to €400 million per claim. This coverage insures against damages resulting from fire, flood, natural disasters, terrorism (in conformity with applicable legislative constraints in each relevant country/state) and resulting operating losses. As a general rule, the retention limit per claim is €100,000 for industrial sites and €50,000 for other locations.</p> <p>General Liability</p> <p>Policies covering operating and product liability resulting from damages to third parties are in effect as of the date of this report, for an aggregate amount of €150 million per annum for the entire group. This amount is in excess of the various so-called "first-line" policies subscribed by the group's subsidiaries (including, Universal Music Group, Canal+ Group, SFR, Maroc Telecom and Vivendi Games) for amounts comprised between US\$2 million to US\$15 million or €2 million to €15 million, as applicable.</p> <p>Industrial Accidents</p> <p>Certain policies are specific to certain business activities in the US, in particular those covering industrial accidents, which the employer is required by law to provide. All workers compensation policies meet the requirements of the various Federal and State laws, as applicable, and are in effect as of the date of this report.</p>



Section 2

Description of the Group's Businesses

2.1. Universal Music Group

2. In 2006, UMG held 25.7% of the recorded music market (Music & Copyright). Most recent data available.

3. Source: Music & Copyright.

Universal Music Group (UMG) is the largest music content company in the world and is comprised of two core businesses: the recorded music² business and the music publishing³ business.

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

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

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

2.1.1. Recorded Music

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

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

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

Sales from prior releases account for a significant and stable part of UMG's recorded music revenues each year. UMG owns the largest catalog of recorded music in the world with performers from the US, the UK and around the world including ABBA, Louis Armstrong, Chuck Berry, James Brown, The Carpenters, Eric Clapton, Patsy Cline, John Coltrane, Count Basie, Def Leppard, Dire Straits, Ella Fitzgerald, The Four Tops, Marvin Gaye, Johnny Hallyday, Jimi Hendrix, Billie Holiday, Buddy Holly, The Jackson Five, The Jam, Elton John, Herbert von Karajan, Kiss, Andrew Lloyd Webber, Lynyrd Skynyrd, The Mamas & The Papas, Bob Marley, Van Morrison, Nirvana, Luciano Pavarotti, Tom Petty, Edith Piaf, The Police, Smokey Robinson, The Rolling Stones, Diana Ross & The Supremes, Michel Sardou, Cat Stevens, Rod Stewart, Caetano Veloso, Muddy Waters, Barry White, Hank Williams and The Who.

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

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



Section 2

Description of the Group's Businesses

2.1.2. Music Publishing

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

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

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

2.1.3. Legal Digital Distribution of Music

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

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

In 2007, mobile revenues continued to strengthen largely due to relevant artist repertoire, improvements in the mobile retail sector and greater product offerings. Mastertones continued to be the second largest digital revenue generating product (behind online track downloads). Over-the-air (OTA) downloads showed very significant growth in the US, and strong growth in this sector is expected in 2008 as more enabled handsets enter the market and OTA downloads become available on AT&T. In 2007, ringback tone revenue grew significantly. With increased carrier support, further growth in this product line is expected in 2008. Mobile sales continued to outpace online sales outside of North America particularly in Asia where mobile represents over 80% of total digital activity.

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

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

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



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2.1.4. Seasonality

Music sales are weighted towards the last quarter of the calendar year when approximately one-third of annual revenues are generated. Growth in digital activity, which is generally accounted one to three months after the retail sale, has resulted in a modest shift in activity to the first quarter of the calendar year. Growth of the digital sector is likely to see this trend accelerate. For more information on the reporting of revenues, refer to the Notes to the Consolidated Financial Statements "Revenues from operations and associated costs; 1.3.4.1 Universal Music Group".

2.1.5. Regulatory Environment

UMG's businesses are subject to laws and regulations in each jurisdiction in which they operate. In the US, certain UMG companies entered into a Consent Decree in 2000 with the Federal Trade Commission (FTC) under which they agreed for twenty years not to make the receipt of any co-operative advertising funds for their pre-recorded music products contingent on the price or price level at which such product is offered for sale.

In 2003, following a lawsuit filed by the FTC, the FTC issued an order that generally prohibits UMG from entering into agreements with unaffiliated entities (i) to fix, raise or stabilize prices or price levels for sales of audio or video products in the US and (ii) to prohibit, restrict, regulate or otherwise limit truthful, non-deceptive advertising for audio or video products in the United States.

Also in the 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 2006, a UMG company entered into an agreement with the New York State Attorney General regarding business dealings with radio stations as well as its use of independent radio promoters. As part of its agreement, the UMG company agreed to a series of business reforms related to radio promotion practices, as well as a payment in the amount of US\$12.1 million.

2.1.6. Piracy

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

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

2.1.7. 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 BMG Entertainment and Warner Music Group. UMG also faces competition from independent labels that are frequently distributed by other major record companies. Although independent labels have a significant combined market share, no label on its own has influence over the market. Changes in market share are essentially a function of a company's artist roster and release schedules.

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

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



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	<p>2.1.8. Raw Materials</p> <p>The primary raw materials used by Vivendi's businesses include polycarbonate for CD and DVD production and paper for product packaging. There have been no price variations for these raw materials that are likely to have a significant impact on Vivendi.</p> <p>Vivendi's operations are not dependent upon suppliers of raw materials.</p> <p>2.1.9. Research and Development</p> <p>UMG aims to pursue digital distribution opportunities and to protect its copyrights and the rights of its contracted artists from unauthorized digital or physical distribution. UMG has established eLabs, a division which reviews and considers emerging technologies for application in UMG businesses, such as technological defenses against piracy and new physical formats. Research and development costs incurred by UMG are immaterial.</p>
<p>2.2. Canal+ Group</p>	<p>2.2.1. Pay-TV in France</p> <p>The Canal+ Group is a major player in the programming and production of premium and specialized channels, the broadcasting of pay-TV services and a pioneer in the development of new television services. At year-end 2007, the Canal+ Group had over 10.5 million subscriptions to its different product offerings.</p> <p>2.2.1.1. Programming Activities</p> <p>Canal+ Le Bouquet</p> <p>Canal+ Le Bouquet offers a unique genre of general premium channels with films, sports, news, drama, documentaries, and entertainment programs broadcasted on six channels: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Family, Canal+ Hi-Tech and Canal+ Décaté. Each of the channels has its own identity and content. The six channels of Canal+ Le Bouquet constitute a unique offering of new, exclusive and original programs.</p> <p>In 2007, Canal+ broadcast 452 films, representing more than 35 first-releases every month. Canal+ offers subscribers all genres of films, as well as exclusive coverage of major film industry events (including the Cannes Film Festival, the Césars and the Oscars). In 2007, Canal+ devoted approximately €150 million to the acquisition of original French-language films.</p> <p>Canal+ has developed recognized expertise in sports coverage, characterized by exclusive programs, the absence of commercial breaks, sufficient airtime to offer pre-match, half-time and post-match items, accurate and relevant commentary with prestigious commentators and enhanced production with original camera positions and technical innovations.</p> <p>As of December 31, 2007, the Canal+ premium channel had 5.3 million subscriptions (collective and individual, in France and within French overseas departments and territories), a net increase of more than 80,000 subscriptions compared to 2006. In 2007, there were approximately 600,000 gross new subscriptions to the channel. At 12.8%, Canal+'s churn rate remains one of the lowest in Europe.</p> <p>TPS Star completes the Canal+ premium offer. An exclusive, first-release channel, TPS Star primarily offers films (French and American) and sports events (football, boxing and basketball).</p> <p>Theme Channels</p> <p>The Canal+ Group programs twenty channels covering the most popular themes on television: films (CinéCinéma channels), sports (Sport+, Infosport), news (i>Télé), documentaries (Planète channels), entertainment (Comédie!), lifestyle (Cuisine TV, Seasons), series (Jimmy), and youth (Piwi, Télétoon).</p> <p>2.2.1.2. Distribution Activities</p> <p>CanalSat</p> <p>The Canal+ Group operates the CanalSat satellite platform, France's first digital package of theme channels. As the leading digital service provider, CanalSat had nearly 5.2 million subscriptions at year-end 2007, a net increase of approximately 200,000 subscriptions compared to 2006. In 2007, CanalSat recruited over 560,000 new subscribers, while lowering its churn rate to approximately 10%.</p>



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

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

Canal Overseas

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

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

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

Cyfra+ (Poland)

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

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

ADSL TV

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

Digital Terrestrial Television (DTT)

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

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

Television via Mobiles and Mobile Television

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

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



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

Personal Mobile Television

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

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

Legal Downloading of Video and Video-On-Demand

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

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

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

2.2.1.3. TPS

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

2.2.2. Films

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

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

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

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

In January 2008, StudioCanal announced the proposed acquisition of 100% of Kinowelt, the leading German independent group in film acquisition and distribution. With the acquisition of Kinowelt, StudioCanal will become the European leader in film distribution. Its operations will cover the three main European markets (UK, France and Germany) via local wholly-owned



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subsidiaries. The transaction will substantially increase StudioCanal's library, which already contains more than 5,000 titles. Kinowelt holds the largest film library in Germany.

2.2.3. Other Businesses

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

2.2.4. Seasonality

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

2.2.5. Regulatory Environment

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

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

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

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

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

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

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



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

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

On March 9, 2007, the Canal+ Group and film professionals entered into a second amendment to that certain May 16, 2004 agreement, primarily to integrate the acquisition of TPS. Pursuant to this amendment, the Canal+ Group was authorized to launch a new premium channel, Canal+ Family, within its Canal+ Le Bouquet offering, and obtained less stringent requirements for its film programming on Saturday evenings.

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

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

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

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

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

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



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2.2.6. Piracy

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

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

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

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

2.2.7. Competition

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

Pursuant to analyses and recommendations of the French Competition Council and the DGCCRF (*Direction générale de la concurrence, de la consommation et de la répression des fraudes*, the French General Directorate for Competition Policy, Consumer Affairs and Fraud Control) Vivendi and the Canal+ Group made 59 significant commitments to ensure that the merger would not have anti-competitive impacts on any of the relevant markets. Without questioning the pay-TV business model or the industrial logic of the merger and the resulting benefits to the consumer, these commitments pursue the following objectives⁴:

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

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

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

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

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

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

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

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

⁴ Only the text of the undertakings as approved by the French Minister of the Economy have legal and enforceable value.



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	<p>2.2.8. Raw Materials</p> <p>See section above, "2.1.8. Raw Materials".</p> <p>2.2.9. Research and Development</p> <p>As in 2006, the Canal+ Group did not incur significant research and development expenses in 2007.</p>
<p>2.3. SFR</p> <p><small>5. The acquisition of 100% of the fixed-line and ADSL operations of Tele2 France was approved by the European Commission on July 18, 2007 (COMP/M.4504, SFR/Tele2 decision, dated July 18, 2007).</small></p>	<p>SFR was formed in 1987 and is the second largest mobile telecommunications operator in France with approximately 18.8 million customers as of December 31, 2007, representing 34% of the French market (source: <i>Autorité de Régulation des Communications Electroniques et des Postes</i>, ARCEP, and SFR data). SFR is also active in the fixed telecommunications market with approximately 415,000 ADSL customers and 2 million fixed-line voice customers.</p> <p>SFR provides the following services in metropolitan France and in La Réunion and Mayotte via its wholly-owned subsidiary, Société Réunionnaise du Radiotéléphone (SRR):</p> <ul style="list-style-type: none"> • to individual customers: <ul style="list-style-type: none"> – mobile telephony retail services, access to mobile multimedia data services (including messaging (SMS and MMS) and broadcasting of images and sound) and mobile Internet access (including transmission and reception of emails and Internet browsing). SFR offers these services on a subscription basis (post-paid) and on a prepaid basis via phone cards (prepaid), with or without handsets; and – fixed telephony retail services and broadband Internet access (including multi-play offerings that combine broadband Internet access, telephone, IP telephony and ADSL television service and other non-package services). These services were launched for SFR's customers in 2007, under the SFR brand and then additionally under the Tele2 brand following the July 2007 acquisition of 100% of the fixed and ADSL operations of Tele2 France⁵. • to professional and corporate customers: <ul style="list-style-type: none"> – mobile telephony retail services, access to mobile data services (particularly secure remote access to networks and business applications), mobile Internet access (including transmission and receipt of emails and Internet browsing), machine-to-machine solutions in data communications, telemetry, electronic banking and security; and – combined voice fixed/mobile offerings since early 2007. • to Mobile Virtual Network Operators (MVNO): wholesale mobile services to enable MVNOs to provide a set of retail incoming and outgoing call services. <p>SFR currently holds approximately 40% of the share capital of Neuf Cegetel, the leading alternative fixed-line telecommunications operator in France (in terms of revenues and number of customers) within the consumer, professional, business and operator segments. At year-end 2007, Neuf Cegetel had approximately 3.2 million customers for its ADSL Internet services.</p> <p>In December 2007, SFR and the Louis Dreyfus group announced that they had reached an agreement for the sale of the Louis Dreyfus group's approximate 28% stake in Neuf Cegetel. Pursuant to this transaction SFR will increase its stake in Neuf Cegetel to 67.95% (on a fully-diluted basis). This transaction, which received the favorable opinions of the employee representatives of SFR and Neuf Cegetel, is subject to the approval of the antitrust authorities. Pursuant to French market regulations, if SFR acquires the interest held by the Louis Dreyfus group, it would then be required to file a tender offer for the shares of Neuf Cegetel held by the public with the French stock exchange regulator, <i>Autorité des Marchés Financiers</i>, which would then be followed, if necessary, by a squeeze-out of the remaining publicly-held Neuf Cegetel shares.</p> <p>This transaction would be a major step in SFR's strategy which would accelerate the implementation of growth vectors due to the complementary nature of both companies' businesses in terms of customer bases, networks and expertise.</p> <p>2.3.1. Performance and Services</p> <p>According to the ARCEP, the mobile telecommunications market continued to expand in France during 2007, with a customer base that increased by 3.7 million (a net annual growth rate of 7.1%). The mobile telecommunications market, which continues to grow steadily, is becoming a renewal market, with about four gross sales for one net sale. The number of mobile customers in France totaled 55.4 million as of December 31, 2007. The market penetration rate was 87.6% at year-end 2007, compared to 81.8% at year-end 2006.</p>



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

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

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

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

SFR recorded 883,000 new customers in 2007 (representing 24% of net market sales), including 657,000 during the fourth quarter of 2007, which took it to a leading position in terms of net acquisitions in metropolitan France. SFR increased its customer base to 18.8 million, a 4.9% increase compared to 2006. SFR also carries 1,208,000⁶ customers on its network for MVNOs, representing nearly 50% of all VNO customers in the market. In 2007, SFR's share of the mobile telephony market in France, excluding MVNOs, was 33.9% compared to 34.6% in 2006 (source: ARCEP).

6. SFR estimate.

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

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

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

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

The main services offered by SFR to individual customers:

- Personal messaging services: the transmission of text and multimedia messages continued to increase with 7.3 billion SMS (Short Messaging Services) at year-end 2007, compared to 6.3 billion in 2006 (+15.2%).
- Music:
 - in the fourth quarter of 2007, SFR Music ranked first among the legal downloading platforms for digital tracks in France. Such ranking was achieved as a result of: (i) the strategic agreements entered into with the major record companies pursuant to which SFR offers a music catalog of over 1 million tracks; (ii) the cut in SFR's download fees by half in November 2006; and (iii) SFR's innovative fee policy. At year-end 2007, SFR had recorded nearly 5.6 million downloads, compared to 4 million at year-end 2006; and
 - one year after its launch, SFR Jeunes Talents, the leading mobile and Internet portal to showcase young music artists (together with graphics, photos, video and text), generated an average of 180,000 hits per month. Ten Jeunes Talents Music artists were able to record in a studio with professionals. One of those artists, Zoé Avril, signed an agreement with Universal Music Group.



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- TV-video: SFR's mobile TV-video offer, which had more than 350,000 subscribers at year-end 2007, has 92 channels (including 56 channels in the CanalSat package, which had nearly 180,000 customers at year-end 2007, the five channels of the Canal+ package and the 31 channels of the SFR package) and content adapted to mobile handsets: VOD and content loops (*Têtes à Claques*, *Heroes*, *Prison Break* and *24*).
- Games: over 5 million video games were downloaded in 2007 with more than 600 games available for download, including ten multiplayer games. At year-end 2007, SFR launched a new high-definition multiplayer games offer, accessible to all SFR customers equipped with a Java mobile. With this offer, which is revolutionizing the mobile game experience, customers can play online with their friends from their mobile phone in quasi real-time, due to a technological innovation installed in SFR's GSM/3G/3G+ networks.
- Videophony: the use of videophony expanded with a use rate of one 3G customer out of four in 2007, compared to one 3G customer out of five in 2006.

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

- an increase of 17% in the number of business lines compared to 2006,
- very strong growth in data services, with a 57% increase in one year in the number of remote access lines and a 61% increase in the "Business Mail" mobile messaging offerings;
- very strong sales in machine communications. Machine-to-machine communication, which allows a central server to exchange data with a remote group of fixed or mobile machines, is becoming a true growth vector. This area covers four segments: data communication (vehicle fleet location and management), which is the most mature segment; telemetry (*e.g.*, remote meter reading); electronic banking (*e.g.*, Vélip project in Paris), and the safety of property and people (*e.g.*, SMS break-in alerts) The machine-to-machine base more than doubled in one year with approximately 200,000 lines; and
- the launch of "SFR One Solution" during the fall of 2007, which completes the SFR business voice solution offering and provides a package of unlimited mobile calls to a company's SFR mobile and fixed-line telephones in France and 40 countries abroad.

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

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

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

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

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



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2.3.2. Network

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

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

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

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

The priority given to quality customer service is reflected in quality and customer satisfaction surveys conducted by the ARCEP. SFR was ranked first or equal to first in 30 of the 32 criteria considered by ARCEP in its 2006/2007 annual audit on the quality of mobile telecommunications networks in France, significantly ahead of its closest competitor, making SFR the only operator to have obtained this ranking for four consecutive years.

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

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

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

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

2.3.3. Seasonality

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

2.3.4. Regulatory Environment

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



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

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

2007 major regulatory developments included:

- in July 2007, a new ARCEP Decision No. 2007-0810 (published on October 4, 2007) concerning tariffs for voice call terminations for the period between January 1, 2008 through June 30, 2009. The tariff cut is 13.3% for SFR (7.5 cts/min down to 6.5 cts/min), representing approximately 2% of SFR's revenues, and 8.0% for Bouygues Télécom; and
- a framework for the wholesale and retail European roaming fees following the adoption of EC Regulation No. 717/2007 of June 29, 2007, upon the recommendation of the European Commission. This regulation reduces the rates on calls placed and/or received from outside the country of origin within the Europe of 27. For the first time, it regulates retail prices by introducing the "eurotarif": 0.49 euro per minute to call from abroad (excluding taxes) and 0.24 euro per minute to receive a call from abroad (excluding taxes).

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

The Chatel Law mainly provides for:

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

The World Radiocommunication Conference (WRC) held in Geneva from October 22nd to November 16, 2007 recognized a digital frequency band of 72 MHz, giving a strong signal to manufacturers to begin the development of base stations and mobile terminals in the 790 - 862 MHz band. The French Prime Minister will have to define the allocation of these frequencies at the appropriate time (*i.e.*, at the end of analog transmission which is scheduled for November 30, 2011).

The 2007 WRC also identified a set of four new frequency bands harmonized at the global level. They combine (i) high frequencies (> 2 GHz) to increase capacity and provide more service in heavily populated areas; and (ii) low frequencies (< 1 GHz) to cover less populated areas in order to provide broadband mobile services everywhere. These four new bands are: 450 - 470 MHz, 790 - 862 MHz in both region 1 (Europe, Africa, Middle East and Russia) and region 3 (Asia-Pacific), and 698 - 806 MHz in region 2 (United States, Canada and Latin America) and nine Asian countries, 2.3 - 2.4 GHz, 3.4 - 3.6 GHz. The 2007 WCR also took measures designed to protect current users of the bands identified for international mobile telecommunications in neighboring countries: broadcast and airport radar in the 790 - 862 MHz band and fixed satellite service in the 3.4 - 3.6 GHz band.



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

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

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

2.3.4.1. Dead Zones

At year-end 2007, SFR had deployed 569 sites in dead zones, covering nearly 900 communities in France. With savings of approximately 100 sites achieved as a result of high-performance radio engineering, SFR will have exceeded its initial commitment to cover approximately 1,000 communities at the end of the program. 2007 saw the satisfaction of the commitments made by the public authorities, local communities and mobile telephony operators, including SFR, to meet the major challenges of covering dead zones in France.

2.3.4.2. Health and the Environment

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

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

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

Unlike studies on base station antennas, which benefit from studies carried out on other radiofrequency transmitters such as radio and television antennas, studies on the possible health effects of the use of mobile phones are more recent. The scientific community agrees on the need for more in-depth studies on certain matters, particularly regarding the long term effects of the use of radiofrequencies and on intensive uses. For these reasons, research in this area is continuing. The International Agency for Research on Cancer (IARC) was authorized by the WHO to conduct a large-scale epidemiological



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study called the "Interphone Study", involving thirteen countries, with the comprehensive summary still to be published, even though several countries (nine at year-end 2007) have already published their results.

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

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

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

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

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

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

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

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

In 2007, a business travel project was initiated:

- SFR deployed a travel policy more protective of the environment through its "Eco-attitude" program: recommendation sheets on business travel, home/work travel, and eco-driving for SFR employees are all available on the company's Intranet; and
- SFR launched its first business travel plan at the pilot site of Rennes, the first tertiary site ISO 14001 certified, in collaboration with Rennes Métropole (the Rennes metropolitan area). With the active participation of all employees, the first two concrete initiatives emerged: a lesson on public transportation in Rennes and encouragement for SFR employees to carpool.



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

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

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

2.3.5. Piracy

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

2.3.6. Competition

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

SFR's mobile telephony competitors are network operators Orange France and Bouygues Telecom, and MVNOs such as Auchan Telecom, Carrefour Mobile, Neuf Cegetel⁷, Tele 2 Mobile, Mobisud (a Maroc Telecom subsidiary), NRJ Mobile and ISPs that offer convergent solutions.

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

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

2.3.7. Raw Materials

See "2.1.8 Raw Materials" above.

2.3.8. Research and Development

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

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

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

⁷ As of December 31, 2007, SFR owned approximately 40% of Neuf Cegetel.



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2.4. Maroc Telecom

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

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

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

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

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

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

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

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 liberalization of the sector in 2000.

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

At year-end 2007, the market penetration rate for mobile telephony in Morocco was 65.7% and Maroc Telecom held a 66.5% market share, stable compared to 2006 (source: ANRT). In 2007, Maroc Telecom's mobile customer base increased by 2.6 million, up 24.5% to 13.3 million customers, 96% of which were prepaid customers. The prepayment system meets customers' needs by allowing them to better control their communication costs while remaining within their contract packages.

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

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

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



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

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

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

2.4.2. Fixed-line Telephony, Data and Internet

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

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

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

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

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

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

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

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



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2.4.3. Distribution

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

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

- a direct network, comprised of 300 sales agencies;
- a local indirect network comprised of independent resellers which are subject to exclusivity agreements and which are managed by the nearest Maroc Telecom commercial agency. A significant part of these resellers operate phone shops;
- an independent local network, established by national and regional retailers. In 2006, Maroc Telecom entered into agreements with three new retailers in addition to its agreement with GSM AI Maghrib; 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 more than 1.87 million lines and provides national coverage due to the company's focus on offering services to newly created urban residential areas.

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

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

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 or 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. Maroc Telecom currently holds 80% of the share capital of CMC, which in turn holds 51.5% of the share capital in the Mauritel Group.

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

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

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

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



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

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

The estimated mobile telecommunications penetration rate in Burkina Faso was approximately 12% at year-end of 2007. Three operators intervene in the market: Telmob, Celtel and Telecel. As of December 31, 2007, estimated market shares were as follows: 46% for Celtel, 40% for Telmob and 14% for Telecel. At year-end 2007, Telmob's customer base totaled 564,000 active customers, a 131% increase compared to year-end 2006.

2.4.7. Gabon Telecom Group

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

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

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

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

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 2007, the combined customer base of Mobisud in France and Belgium reached more than 160,000 customers.

2.4.9. Seasonality

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

2.4.10. Regulatory Environment

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

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



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

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

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

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

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

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

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

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

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

2.4.11. Competition

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

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

2.4.11.1. Fixed-line Telephony

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



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

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

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

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

2.4.11.2. Mobile

Maroc Telecom's competitor in this sector is Médi Télécom, a mobile license holder since August 1999. The majority shareholders of Médi Télécom are 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. As of December 31, 2007, Maroc Telecom held 66.5% of the mobile market, a 0.4 percentage point decrease compared to 2006 (source: ANRT).

2.4.11.3. Internet

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

2.4.12. Raw Materials

See section above, "2.1.8. Raw Materials."

2.4.13. Research and Development

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

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

2.5. Vivendi Games

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

On December 2, 2007, Vivendi and Activision announced their intention to merge Vivendi Games and Activision to create Activision Blizzard - the world's largest, most profitable pure-play video game publisher. The combination, which was approved by Vivendi's Management and Supervisory Boards and by Activision's Board of Directors, is subject to the approval of Activision's shareholders and regulatory authorities. Subject to these approvals, the Activision Blizzard transaction is expected to close at the end of the first half of 2008. For more information about this transaction, refer to Chapter 4, "Annual Financial Report, Section 1.3.1 Creation of Activision Blizzard" of this Annual Report.

Blizzard Entertainment® is a world-renowned development studio and publisher best known as the creator of *World of Warcraft*®, *Diablo*®, *StarCraft*® and *Warcraft*®. *World of Warcraft* is the world's most popular game in the MMORPG



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category and surpassed 10 million subscribers in December 2007. *World of Warcraft* is currently available in seven languages including simplified and traditional Chinese. Blizzard Entertainment has established in-game support services for players in multiple regions. In January 2007, Blizzard Entertainment released its expansion pack, *World of Warcraft: The Burning Crusade*. *The Burning Crusade* broke the day-one sales record to become the fastest-selling PC game ever in North America and Europe, with a worldwide total of nearly 2.4 million copies sold in the first 24 hours of availability.

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

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

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

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

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

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

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

2.5.2. Regulatory Environment

Vivendi Games voluntarily participates in self-regulatory rating systems established by various industry organizations around the world. In Europe and the US for example, Vivendi Games adheres to the principles adopted by the Entertainment Software Rating Board (ESRB). It also adheres to the Pan European Game Information (PEGI) rating system pursuant to which Vivendi Games displays on its product packaging and advertising the age group for which a particular product is intended,



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respects advertising guidelines and online privacy principles and provides a brief description of the product's content on its packaging.

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

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

2.5.3. Piracy

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

2.5.4. Competition

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

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

2.5.5. Raw Materials

See section above, "2.1.8. Raw Materials."

2.5.6. Research and Development

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

2.6. Other Activities

2.6.1. NBC Universal

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



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

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

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

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

2.6.2. Vivendi Mobile Entertainment

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

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

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

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

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



Section 3

Litigation

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

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

COB/AMF Investigation Opened in July 2002

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

Investigation by the Financial Department of the Parquet de Paris

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

PSG Transfers

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

Securities Class Action in the United States

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

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

Fact discovery and depositions closed on June 30, 2007.

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



Section 3

Litigation

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

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

Elektrim Telekomunikacja

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

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

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

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

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

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.

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

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

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

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

Elektrim started a tort action against Vivendi before the Warsaw District Court on October 4, 2006, claiming that Vivendi prevented Elektrim from recovering the PTC shares following the Vienna Award dated November 26, 2004. Elektrim is claiming compensation for amount of approximately €2.2 billion corresponding to the difference between the fair market value of 48% of PTC and the price paid by DT to Elektrim as a result of the exercise of its call option.



Section 3

Litigation

Arbitration proceedings in Vienna

On January 10, 2007 and July 5, 2007, DT lodged arbitration claims in Vienna against Elektrim Autoinvest, a 51% indirect subsidiary of Vivendi, and Carcom, which own 1.1% and 1.9% of the share capital of PTC, respectively. DT alleges that Elektrim Autoinvest and Carcom breached the PTC Shareholders' agreement by supporting Telco and opposing the implementation in Poland of the Arbitration Award rendered on Vienna in November 26, 2004 and claims it has a call option on Carcom and Elektrim Autoinvest's shareholding in PTC.

On June 12, 2007, DT lodged an arbitration claim in Vienna against Vivendi, VTI, Carcom and Elektrim Autoinvest. DT alleges that the defendants committed a fault when they opposed the implementation in Poland of the Arbitral Award rendered in Vienna on November 24, 2006 and claims damages of at least €1.2 billion.

Tort Claim initiated by T-Mobile against Telco before the Warsaw Tribunal

T-Mobile initiated a tort action against Telco before the Warsaw Tribunal on November 15, 2007. T-Mobile is claiming damages in the amount of approximately €3.5 billion as compensation for alleged misconducts in connection with the litigation involving the PTC shares.

Vivendi's Case against the Polish State

On August 10, 2006, Vivendi and VTI served the Republic of Poland with a request for arbitration on the basis of the treaty signed on February 14, 1989, between France and Poland relating to the reciprocal encouragement and protection of investments. In its request, Vivendi claimed that the Republic of Poland failed to comply with its obligations to protect and fairly treat foreign investors under such treaty. Vivendi is claiming compensation in the amount of €1.9 billion.

French Competition Council - Mobile Telephone Market

On June 29, 2007, the Commercial Chamber of the French Supreme Court partially reversed the decision rendered by the Court of appeal on December 12, 2006, confirming the order rendered by the French Competition Council ordering SFR to pay a fine of €220 million, and recognizing that an illegal agreement existed due to exchange of information among French mobile telephone operators between 1997 and 2003 and imposing a financial penalty on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed.

SFR is involved in contentious proceedings connected with this order brought by customers and consumer associations before the Commercial Court of Paris. Since SFR is challenging the merits of these proceedings, it is not in a position to determine the potential impact of their outcome.

Claim against a Former Seagram Subsidiary

A former Seagram subsidiary, sold in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint. The discovery process is just beginning.

Compañía 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 Compañía de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentine Province of Tucuman, which was entered into in 1995 and terminated in 1997. The arbitration award held that the actions of the Provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty.

The arbitration tribunal awarded Vivendi and its subsidiary damages of US\$105 million plus interest and costs. On December 13, 2007, the Argentine Government filed an application for the arbitration award to be set aside, in particular on the basis of an alleged conflict of interest concerning one of the arbitrators. ICSID is expected to appoint an ad hoc committee to issue a ruling on this application, during the first quarter of 2008.



Section 3

Litigation

Claim against Compagnie Immobilière Phénix Expansion

Compagnie Immobilière Phénix Expansion (CIP Expansion), a former subsidiary of Vivendi, is the subject of a claim by Tso Yaroslavstroï, the Russian public corporation, relating to a contract for the construction of prefabricated houses in the Yaroslav region. On March 30, 2005, Tso Yaroslavstroï filed a claim against CIP Expansion with the ICC International Court of Arbitration, seeking an order for the payment of sums representing, in particular, the loss of profits envisaged from the sale of the prefabricated houses and compensation for the loss suffered. The award is expected to be issued during the first quarter of 2008.

Fermière de Cannes

On March 19, 2003, Anjou Grandes Opérations, Anjou Patrimoine and Anjou Services, three subsidiaries of Vivendi resulting from the split-off of Compagnie Immobilière Phénix (CIP), became the subject of a shareholders' action (ut singuli) brought by shareholders of Fermière de Cannes claiming that funds were owed to the company. Following a judgment of the French Supreme Court ("Cour de Cassation"), the Paris Court of Appeal, in a judgment dated as of December 6, 2007, upheld the claim of the shareholders and ordered two company officers of CIP and Fermière de Cannes, jointly and severally, to pay €67 million resulting from the offences of aiding and abetting, and concealing, the misappropriation of company assets in the exercise of their functions. The case against Anjou Services and the former subsidiaries of CIP was dismissed. The two company officers have filed an appeal with the French Supreme Court.

SCI Carrec

In October 2006, SCI Carrec filed a claim against the company Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for its prejudice suffered in connection with the sale of a building in 1988. As part of this sale, SCI Carrec was granted an indemnity by Compagnie Générale des Eaux, the predecessor of Vivendi.

Parabole Réunion

In July 2007, the group Parabole Réunion filed a claim against Groupe Canal+ before the tribunal of first instance of Paris following the termination of the distribution of the TPS channels in Réunion island, Mayotte, Madagascar and Mauritius on an exclusive basis. Pursuant to a decision dated September 18, 2007, Groupe Canal+ was enjoined, under fine, from allowing the broadcast of these channels by a third party, unless it offers to Parabole Réunion the replacement of these channels by other channels of a similar attractivity, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision.

Universal Music Group

Investigations into Prices in the Online Music Distribution Market

In December 2005, the New York State Attorney General opened an investigation into matters concerning the pricing of digital downloads. In February 2006, the United States Justice Department commenced a similar investigation. In connection with those inquiries, both the New York State Attorney General and the Department of Justice served subpoenas on the four major record companies. UMG has responded to the subpoenas served by the New York State Attorney General and the Department of Justice.

Brazilian Tax Dispute

The State of São Paulo, Tax Authority (Brazil) filed an action disputing certain deductions taken by a UMG company in Brazil for sales tax payments on account of copyright and neighboring rights payments for domestic Brazilian repertoire.

Class action against Activision in the United States

In February 2008, a purported class action was filed in the United States by an Activision shareholder against Activision and its directors regarding the combination of Activision and Vivendi Games, and against Vivendi and its concerned subsidiaries. Vivendi intends to defend this action vigorously.



Section 4

Risk Factors

4.1. Legal Risks

Risks associated with regulations applicable to the group's activities

In the conduct of its business, Vivendi has to comply with complex, restrictive and changing regulations, particularly those that govern the telecommunications and broadcasting sectors.

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

In addition, certain activities of the group are dependent upon obtaining or renewing licenses issued by regulatory authorities (e.g., ARCEP, CSA, ANRT). The process for obtaining or renewing such licenses can be long, complex and costly. If Vivendi was unable to obtain or renew in a timely manner the licenses required to conduct, continue or expand its activities or if it was unable to retain them (particularly due to non-compliance with commitments given in connection with such licenses), its ability to achieve its strategic objectives could be impaired.

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, 2007, and in the "Litigation" section of this chapter.

Vivendi recognizes a provision for expenses which 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 such proceedings.

Risks associated with commitments given by Vivendi

Vivendi has given a certain number of contingent liabilities described in Note 26 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2007. If Vivendi were compelled to make a payment in respect of one or more of these contingent liabilities this could have a negative impact on its financial situation.

4.2. Risks Associated with the Group's Activities

Risks associated with piracy and counterfeiting

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

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

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



Section 4

Risk Factors

Risks associated with the intensification of commercial and technical competition

The industries in which Vivendi operates are highly competitive. This competition could intensify in the near future due to the trend towards concentration among existing companies or the entry of new competitors into the relevant markets; 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 offerings to the preferences of an increasingly demanding customer base, in industries that are subject to rapid and significant changes in technology. The necessity for Vivendi to respond to such changes in consumer preference and technology, or in certain cases to anticipate them, may require substantial investments by the group without any assurance that the new products and services it develops will not become obsolete within a short period of time.

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

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

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

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

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 affect on Vivendi's operating results or its cash flows, including regulations relating to the setting of transfer costs, withholding tax on repatriated funds and other payments made by affiliated companies and subsidiaries;
- tariff barriers, customs duty, export controls and other trade barriers; and
- insufficient coverage for pension liabilities.

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 mobile telephones or Wi-Fi terminals

Over the past few years, concerns have been expressed, on an international level, regarding the potential risks on human health posed by electromagnetic radiation from mobile phones and mobile transmission sites. Vivendi is not currently aware of any evidence that demonstrates the existence of risks to human health associated with the use of mobile 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 for 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.



Section 4

Risk Factors

	<p>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 sections "Regulatory Environment" of this chapter.</p>
<p>4.3. Industrial Risks or Risks Associated with the Environment</p>	<p>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.</p>
<p>4.4. Market Risks</p>	<p>Note 24 of the Notes to the Consolidated Financial Statements for the Year ended December 31, 2007 contains a detailed analysis of market risks (<i>e.g.</i>, interest and exchange rates, liquidity and shares).</p>

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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 <i>Registre du Commerce et des Sociétés de Paris</i> (Paris Commercial and Corporate Registry) under reference number 343 134 763. Its Siret number is 343 134 763 00048. In 2008, following the implementation of the new French classification for business activities, which is used to determine the APE codes, the <i>Institut National de la Statistique et des Etudes Economiques</i> replaced Vivendi's prior code with the APE code 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 an extension or an early dissolution.
1.4. Registered Office, Legal Form and Legislation Applicable to the Business of Vivendi	<p>Pursuant to the provisions of Article 3 of the by-laws, the registered office of the company is located at 42, avenue de Friedland - 75380 Paris Cedex 08 - France.</p> <p>Pursuant to the provisions of Article 1 of the by-laws, Vivendi is a limited liability company (<i>société anonyme</i>) with a Management Board (<i>Directoire</i>) and a Supervisory Board (<i>Conseil de surveillance</i>). The company is governed by the French legislative and regulatory provisions on corporations and, in particular, by the provisions of the French Commercial Code (<i>Code de Commerce</i>).</p>
1.5. Fiscal Year	Pursuant to the provisions of Article 18 of the by-laws, the company's fiscal year shall commence on January 1 st and end on December 31 st .
1.6. Access to Legal Documents and Regulated Information	The legal documents concerning 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	<p>2.1.1. Corporate Purpose</p> <p>Pursuant to the provisions of Article 2 of the by-laws, the company has the following main purposes, directly or indirectly, in France and in all countries:</p> <ul style="list-style-type: none"> • to provide any direct or indirect telecommunications, including media and entertainment activities, 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 fulfillment 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, as well as the right to sell such securities.
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Section 2

Additional Information Concerning the Company

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 the provisions of 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.

Pursuant to the provisions of 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 fraction 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 in the event they combine the necessary shares. The subscription right attached to shares belongs 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 is required by law.

2.1.4. Shareholders' Meetings

Pursuant to the provisions of 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 tele-transmission. 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 provides the Workers' Committee with notice, by any means, of the date and location of Shareholders' Meetings.

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 the recording of his/her shares on the third business day preceding the Shareholders' Meeting, as of 0:00 am (Paris time), whereby:

- registered shareholders shall constitute those identified in the nominative shares register on file with the company;
- bearer shareholders shall constitute those identified as holders of record in the bearer shares register on file with the authorized intermediary;

and, if necessary, to provide the company with any documents required to prove such shareholders' identity, in accordance with applicable law.

The registration or recording of shares in the bearer shares 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 the provisions of 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 between 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 tele-transmission. Proxy and voting forms must be received by the company prior to 3:00 pm (Paris time) on the day preceding the Shareholders' Meeting.

The proxy or voting form may, if necessary, contain the shareholder's electronic signature, authenticated via a reliable security process, enabling to identify 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 tele-transmission, subject to applicable laws and regulations. In such a case, shareholders participating



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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.

2.1.5. Fixation, Allocation and Distribution of Net Earnings

Pursuant to the provisions of 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 deduction of 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 one-tenth of the share capital.

The Shareholders' Meeting shall set aside such amounts as the Management Board shall see fit, for transfer to contingency funds, to ordinary or extraordinary revenue reserves, to 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 paid out of earnings from the respective fiscal year as a priority.

Except in the event of a reduction in 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 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 for a period of five years after the declaration date are no longer distributable under applicable statutes of limitation.

2.1.6. Description of Provisions Having an 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. Provision Governing the Ownership Threshold Above Which Shareholder Ownership Must be Disclosed

Pursuant to the provisions of 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's securities conferring a voting right (immediate or future right) at Shareholders' Meetings.



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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 the Legal Department of Vivendi or at the following email address: tpi@vivendi.com.

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

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 access 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 access to the share capital of the company, which such person directly or indirectly holds, whether alone or in concert.

Failure 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 15 calendar 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, 2007, the company's share capital amounted to €6,406,087,710.00 divided into 1,164,743,220 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 Eurolist, NYSE 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 adopted by the Combined General Meetings held on April 28, 2005 and April 19, 2007 and submitted to the Combined General Meeting to be held on April 24, 2008:

Issues with preferential subscription rights maintained

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Maximum amount of share issue based on an average share price of €30	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and marketable securities giving access to the share capital)	7 th -2007	26 months (June 2009)	5.455 bn	(a)(c) 1 billion <i>i.e.</i> , 15.71% of the share capital
Capital increase by incorporation of reserves	9 th -2007	26 months (June 2009)	2.727 bn	(b) 500 million <i>i.e.</i> , 7.8% of the share capital



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Issues without preferential subscription rights

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Maximum amount of issue	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and any marketable securities giving rights to shares)	8 th -2007	26 months (June 2009)	2.727 bn	(b)(c) 500 million <i>i.e.</i> , 7.8% of the share capital

Issues reserved for employees of Vivendi

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Characteristics
Increase of the share capital through the group's Savings Plan (PEG)	10 th -2007	26 months (June 2009)	(b) Maximum of 1.5% of the share capital on the date of the Management Board's decision
	19 th -2008	26 months (June 2010)	(b) Maximum of 2.5% of the share capital on the date of the Management Board's decision
	20 th -2008	18 months (Oct. 2009)	(b) Maximum of 2.5% of the share capital on the date of the Management Board's decision
Stock options (subscription options only), exercise price fixed without discount	(d) 12 th -2005	36 months (April 2008)	(b) Maximum of 2.5% of the share capital on the date of the Management Board's decision
	17 th -2008	38 months (June 2011)	
Grant of shares of restricted stock that already exist or to be issued	(e) 13 th -2005 18 th -2008	36 months (April 2008) 38 months (June 2011)	(b) Maximum of 0.5% of the share capital on the date of the grant

Share repurchase program

Transaction	Source (Resolution number)	Duration of the authorization and expiration date	Characteristics
Share repurchases	(f) 6 th -2007	18 months (Oct. 2008)	Legal limit: 10% Maximum purchase price: €45
	15 th -2008	18 months (Oct. 2009)	Maximum purchase price: €40
Cancellation of shares	11 th -2007	26 months (June 2009)	10% of the share capital over a 24-month period
	16 th -2008	26 months (June 2010)	10% of the share capital over a 24-month period

- (a)** Global maximum amount for capital increases, all transactions included.
- (b)** This amount shall be charged against the global aggregate nominal amount of €1 billion set forth in the seventh resolution of the 2007 Combined Shareholders' Meeting.
- (c)** Amount that could be increased up to the maximum limit of 15%, in the event that the issue is oversubscribed (seventh and eighth resolutions - 2007).
- (d)** Authorization used from 2005 to 2008, in the amount of 17,978,740 options, *i.e.*, 2.08% of the share capital.
- (e)** Authorization used from 2005 to 2008, in the amount of 1,864,967 shares of restricted stock, *i.e.*, 0.16% of the share capital.
- (f)** Authorization used in 2007, in the amount of 7,118,181 shares (excluding the liquidity agreement).



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2.2.4. Shares Held by the Company

2.2.4.1. Summary of the Previous Share Repurchase Program

Cumulative total of purchases and sales/transfers of shares from October 20, 2006 to November 2, 2007 (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

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

2.2.4.2 Cumulative Total of Purchases and Sales/transfers of Shares from January 1, 2007 to December 31, 2007 (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 corresponding to the exchange transaction with the Caisse de Dépôt et de Gestion du Maroc.

(b) Quotation taken into account for the above-mentioned exchange transaction, closing quotation as of December 6, 2007.

2.2.4.3. Current Share Repurchase Program

Upon delegation of the Management Board, dated September 17, 2007, a share repurchase program was implemented on November 6, 2007, pursuant to the authorization granted under the sixth resolution of the Combined Shareholders' Meeting held on April 19, 2007.

The maximum repurchase percentage authorized is 10% of the share capital, with a maximum price of €45 per share, in accordance with the maximum amount set by the Combined Shareholders' Meeting held on April 19, 2007.

The purposes of this program are as follows:

- the acquisition, within the limit of 0.6% of the share capital, and the transfer of Vivendi shares in exchange for Maroc Telecom shares pursuant to the agreement entered into with the Caisse de Dépôt et de Gestion du Maroc on October 25, 2007 (refer to the press release issued on October 25, 2007); and
- the market making of Vivendi shares through a financial intermediary pursuant to the liquidity agreement established in compliance with the AFEI professional code of ethics approved by the *Autorité des Marchés Financiers* (AMF).

The first objective was implemented in accordance with the AMF's decision, dated March 22, 2005, which permitted the acquisition of treasury shares in order to place such shares in the company's reserves or to deliver such shares in relation to external growth transactions as a market practice authorized by the AMF.

In order to benefit from the exemption provided by Article 6-§3 of EC Regulation No. 2273/2003 regarding the acquisition of treasury shares during blackout periods (*i.e.*, publication of the quarterly results of Vivendi on November 14, 2007), the specific terms of the implementation of this purpose were as follows:

- implementation starting from November 6, 2007 for a maximum duration of 15 trading days, and
- HSBC Bank plc - Paris Branch, as investment service provider in charge of implementing this purpose, benefited from a total independence with regard to the purchase dates for the Vivendi shares.

In this context, the company purchased 7,118,181 of its own shares, at an average purchase price per share of €30.01 which were delivered in December 2007, in exchange for 2% of the share capital of Maroc Telecom in accordance with the agreement entered into with the Caisse de Dépôt et de Gestion du Maroc.



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2.2.4.4. Treasury Shares (excluding the liquidity agreement)

Position as of December 31, 2007

As of December 31, 2007, Vivendi held 79,114 of its own shares, each having a nominal value of €5.50, representing 0.007% of the share capital of the company, all for the hedging of stock purchase plans. As of December 31, 2007, the book value of shares held by the company amounted to €1.9 million, representing a market value of €2.48 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 AFEI. The term of this agreement is one year, renewable by tacit agreement.

As part of the implementation of this liquidity agreement, Vivendi repurchased in 2007, a total of 12,450,244 shares, representing 1.07% of the share capital, for a value of €380.85 million and sold a total of 12,450,244 shares, for a value of €384.77 million.

In connection with this liquidity agreement, as of December 31, 2007, the following resources were held in the liquidity account of the company: 0 share and €96.686 million. In 2007, the company recognized capital gains in the amount of €3.9 million pursuant to this liquidity agreement.

For the year 2007, the management fee for the liquidity agreement amounted to €650,000 (excluding VAT).

From January 1st to February 29th, 2008, 1,561,215 shares were repurchased for a value of €42.5 million and a total number of 1,421,906 shares were sold for a value of €38.8 million. As of February 29, 2008, the balance of the shares being held in the liquidity account amounted to 139,309 shares, valued at €3.653 million.

2.2.4.6. Cross-Shareholding

As of December 31, 2007, the subsidiaries of Vivendi held 450 shares of the company.

2.2.4.7. Open Positions on Derivative Financial Instruments as of December 31, 2007

The following table is a summary of the call options purchased by the company in order to hedge the stock option plans allocated to employees of the group. These options have characteristics identical to those of these plans.

Transaction date	Name of the intermediary	Number of options	Expiry date	Exercise price	Premium
06/28/2001	BNP Paribas	926,853	05/23/2008	€111.44	€2.00
06/28/2001	BNP Paribas	926,853	05/23/2008	€111.44	€2.00
06/28/2001	BNP Paribas	926,854	05/23/2008	€111.44	€4.69
06/28/2001	BNP Paribas	1,038,000	11/23/2008	€83.74	€7.40
06/28/2001	BNP Paribas	1,038,000	11/23/2008	€83.74	€7.40
06/28/2001	BNP Paribas	1,038,000	11/23/2008	€83.74	€11.49
06/28/2001	BNP Paribas	1,834,867	12/11/2008	€78.64	€9.00
06/28/2001	BNP Paribas	1,834,867	12/11/2008	€78.64	€9.00
06/28/2001	BNP Paribas	1,834,867	12/11/2008	€78.64	€13.17
06/28/2001	BNP Paribas	3,700,000	12/11/2008	€78.64	€13.17
06/28/2001	BNP Paribas	1,791,659	12/11/2008	US\$ 67.85	€9.96
06/28/2001	BNP Paribas	1,791,659	12/11/2008	US\$ 67.85	€9.96
06/28/2001	BNP Paribas	1,791,659	12/11/2008	US\$ 67.85	€14.76
06/28/2001	BNP Paribas	1,500,000	12/11/2008	US\$ 67.85	€14.76
12/18/2002	Société Générale	3,426	03/10/2008	€103.42	€1.94
12/18/2002	Société Générale	13,710	11/23/2008	€81.43	€9.35



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2.2.5. Convertible, Exchangeable Securities or Securities with Warrants

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

There are no outstanding OCEANE.

2.2.5.2. Bonds Mandatorily Redeemable in Shares (ORA)

There are no outstanding ORA.

2.2.5.3. Warrants (BSA)

There are no outstanding BSA.

2.2.6. Stock Option Plans

2.2.6.1. Granting Criteria

The granting of purchase or subscription options depends on three factors, including the degree of responsibility, performance and the identification of executives with great potential or who have made significant contributions.

Stock subscription plans

The stock subscription plans have a ten-year term except for the plans granted in 2002 and January 2003, which have an eight-year term.

Since 2002, twelve stock subscription plans have been established, under which a total of 41,857,540 options representing 3.59% of Vivendi share capital, as of December 31, 2007 (refer to the appendix to this section) have been granted.

As of December 31, 2007, 29,899,235 options were outstanding under all existing stock option plans (after deduction of 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 €164,445,792.50, representing 2.56% of the current share capital of the company.

As a result of the termination of Vivendi's ADR program and of 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 stock and therefore do not increase 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 the Eurolist by NYSE Euronext Paris for that trading day, converted from Euros to US dollars based on the daily Euro/US \$ exchange rate as published by the European Central Bank on the date of exercise of the SARs.

Stock purchase plans

Since its incorporation in December 2000, Vivendi has set up three stock purchase plans, each having an eight-year term (refer to the appendix to this section).

2.2.6.2. Plan Characteristics

Standard option plans (2002 to 2007 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 the grant, and up to 100% three years after the date of the grant. 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).

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).

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.



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SO III (over-performance options)

This plan expired on May 11, 2007.

SO IV (over-performance options)

The options granted under SO IV vest and become exercisable after a six-year period following the date of grant (December 11, 2000) and remain exercisable until the expiration of the eight-year term of the plan provided, however, that the vesting of such options will be accelerated based on the performance of Vivendi's stock price vis-à-vis the movement of the combined index, comprised of 60% MSCI and 40% Stoxx Media, as follows:

- after a three-year period, if the performance of Vivendi's stock price exceeds the combined index performance by 9% or more;
- after a four-year period, if the performance of Vivendi's stock price exceeds the combined index performance by 12% or more; or
- after a five-year period, if the performance of Vivendi's stock price exceeds the combined index performance by 15% or more.

In addition, following each of the third, fourth and fifth anniversaries of the date of grant, the vesting of such options will be accelerated after each quarter if the performance of Vivendi's stock price exceeds the combined index performance by the percentage required for the relevant period, increased by 0.75% per quarter (x% + 0.75% per quarter).

2.2.7. Shares of Restricted Stock

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

2.2.8. Acquisition Rights or Obligations Over Authorized but Non-Issued Capital

None.

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

None.

2.2.10. Change in Share Capital over the Last Five Years

Transaction	Date	Amount			Successive amounts of share capital	
		Nominal value of shares	Premium per share	Number of issued shares	Total number of shares	In euros
Share capital as of:	12/31/2001	€5.50		530,126	1,085,827,519	5,972,051,354.50
2001 Group Savings Plan 3 rd tranche	01/17/2002	€5.50	€35.56	1,337,609	1,087,165,128	5,979,408,204.00
ORAs redemption, stock option exercises	01/24/2002	€5.50		737,593	1,087,902,721	5,983,464,965.50
Cancellation reallocation	01/24/2002	€5.50		(203,560)	1,087,699,161	5,982,345,385.50
ORAs redemption, stock option exercises	04/24/2002	€5.50		961,530	1,088,660,691	5,987,633,800.50
Cancellation - reallocation	04/24/2002	€5.50		(351,988)	1,088,308,703	5,985,697,866.50
ORAs redemption, stock option exercises	06/25/2002	€5.50		3,455,065	1,091,763,768	6,004,700,724.00
Cancellation - reallocation	06/25/2002	€5.50		(3,450,553)	1,088,313,215	5,985,722,682.50
ORAs redemption, stock option exercises	08/13/2002	€5.50		7,195,874	1,095,509,089	6,025,299,989.50
Cancellation - reallocation	08/13/2002	€5.50		(6,890,538)	1,088,618,551	5,987,402,030.50
Cancellation - treasury shares	12/20/2002	€5.50		(20,469,967)	1,068,148,584	5,874,817,212.00
2002 Group Savings Plan	01/15/2003	€5.50	€4.96	2,402,142	1,070,550,726	5,888,028,993.00
ORAs redemption	01/29/2003	€5.50		455,510	1,071,006,236	5,890,534,298.00
Cancellation - reallocation	01/29/2003	€5.50		(451,562)	1,070,554,674	5,888,050,707.00
ORAs redemption	07/01/2003	€5.50		209,557	1,070,764,231	5,889,203,270.50
Cancellation - reallocation	07/01/2003	€5.50		(213,505)	1,070,550,726	5,888,028,993.00



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Transaction	Date	Amount			Successive amounts of share capital	
		Nominal value of shares	Premium per share	Number of issued shares	Total number of shares	In euros
2003 Group Savings Plan	07/24/2003	€5.50	€6.73	955,864	1,071,506,590	5,893,286,245.00
ORAs redemption	12/09/2003	€5.50		1,787,700	1,073,294,290	5,903,118,595.00
Redemption of 8.25% ORAs	12/09/2003	€5.50		1,920	1,073,296,210	5,903,129,155.00
Cancellation - reallocation	12/09/2003	€5.50		(1,787,700)	1,071,508,510	5,893,296,805.00
ORAs redemption	02/03/2004	€5.50		111,300	1,071,619,810	5,893,908,955.00
Redemption of 8.25% ORAs	02/03/2004	€5.50		181	1,071,619,991	5,893,909,950.50
Cancellation - reallocation	02/03/2004	€5.50		(111,300)	1,071,508,691	5,893,297,800.50
Redemption of 8.25% ORAs	02/29/2004	€5.50		135	1,071,08,826	5,893,298,543.00
ORAs redemption	02/29/2004	€5.50		1,500	1,071,510,326	5,893,306,793.00
ORAs redemption	03/31/2004	€5.50		228,800	1,071,739,126	5,894,565,193.00
ORAs redemption	04/30/2004	€5.50		76,800	1,071,815,926	5,894,987,593.00
ORAs redemption	05/31/2004	€5.50		275,140	1,072,091,066	5,896,500,863.00
Redemption of 8.25% ORAs	06/26/2004	€5.50		2,422	1,072,093,488	5,896,514,184.00
ORAs redemption	06/29/2004	€5.50		20,800	1,072,114,288	5,896,628,584.00
Cancellation - reallocation	06/29/2004	€5.50		(603,040)	1,071,511,248	5,893,311,864.00
2004 Group Savings Plan	07/27/2004	€5.50	€12.70	831,171	1,072,342,419	5,897,883,304.50
ORAs redemption	07/30/2004	€5.50		216,740	1,072,559,159	5,899,075,374.50
Redemption of 8.25% ORAs	09/30/2004	€5.50		180	1,072,559,339	5,899,076,364.50
Stock option exercises	10/30/2004	€5.50	*€6.29	225,764	1,072,785,103	5,900,318,066.50
ORAs redemption	10/30/2004	€5.50		25,560	1,072,810,663	5,900,458,646.50
ORAs redemption	11/30/2004	€5.50		61,100	1,072,871,763	5,900,794,696.50
Stock option exercises	12/30/2004	€5.50	*€6.29	56,000	1,072,927,763	5,901,102,696.50
ORAs redemption	12/30/2004	€5.50		139,898	1,073,067,661	5,901,872,135.50
Cancellation - reallocation	12/30/2004	€5.50		(443,298)	1,072,624,363	5,899,433,966.50
ORAs redemption - stock option exercises	04/28/2005	€5.50		462,582	1,073,086,945	5,901,978,197.50
Cancellation - reallocation	04/28/2005	€5.50		(367,812)	1,072,719,133	5,899,955,231.50
2005 Group Savings Plan	07/26/2005	€5.50	€13.96	1,399,097	1,074,214,762	5,908,181,191.00
Redemption of 8.25% ORAs	11/29/2005	€5.50		78,669,500	1,153,256,733	6,342,912,031.50
ORAs redemption - stock option exercises	12/05/2005	€5.50		553,252	1,153,340,982	6,343,375,401.00
Cancellation - reallocation	12/05/2005	€5.50		(116,520)	1,153,224,462	6,342,734,541.00
ORAs redemption - stock option exercises	12/31/2005	€5.50		253,099	1,153,477,561	6,344,126,585.50
Cancellation - reallocation	12/31/2005	€5.50		(240)	1,153,477,321	6,344,125,265.50
Stock option exercises	01/31/2006	€5.50	*€8.90	116,465	1,153,593,786	6,344,765,823.00
Stock option exercises	02/28/2006	€5.50	*€9.64	19,532	1,153,613,318	6,344,873,249.00
ORAs redemption	02/28/2006	€5.50		4,340	1,153,617,658	6,344,897,119.00
Stock option exercises	03/31/2006	€5.50	*€10.90	152,440	1,153,770,098	6,345,735,539.00
ORAs redemption	03/31/2006	€5.50		224,003	1,153,994,101	6,346,967,555.50
Stock option exercises	04/30/2006	€5.50	*€9.45	94,680	1,154,088,781	6,347,488,295.50
ORAs redemption	04/30/2006	€5.50		40	1,154,088,821	6,347,488,515.50
Stock option exercises	05/31/2006	€5.50	*€8.90	40,500	1,154,129,321	6,347,711,265.50
ORAs redemption	05/31/2006	€5.50		1,600	1,154,130,921	6,347,720,065.50
Stock option exercises	06/30/2006	€5.50	*€11.22	258,180	1,154,389,101	6,349,140,055.50
Cancellation - reallocation	06/30/2006	€5.50		(229,983)	1,154,159,118	6,347,875,149.00
2006 Group Savings Plan	07/19/2006	€5.50	€15.22	1,471,499	1,155,630,617	6,355,968,393.50
Stock option exercises	07/30/2006	€5.50	*€9.03	76,650	1,155,707,267	6,356,389,968.50
Stock option exercises	08/30/2006	€5.50	*€8.90	13,333	1,155,720,600	6,356,463,300.00
ORAs redemption	09/30/2006	€5.50		214,560	1,155,935,160	6,357,643,380.00
Stock option exercises	10/30/2006	€5.50	*€8.52	765,666	1,156,700,826	6,361,854,543.00
Stock option exercises	11/30/2006	€5.50	*€7.43	327,470	1,157,028,296	6,363,655,628.00
ORAs redemption	11/30/2006	€5.50		4,316,085	1,161,344,381	6,387,394,095.50
Cancellation - reallocation	11/30/2006	€5.50		(4,530,645)	1,156,813,736	6,362,475,548.00



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Additional Information Concerning the Company

Transaction	Date	Amount			Successive amounts of share capital	
		Nominal value of shares	Premium per share	Number of issued shares	Total number of shares	In euros
Stock option exercises	12/31/2006	€5.50	*€7.02	220,000	1,157,033,736	6,363,685,548.00
Stock option exercises	01/31/2007	€5.50	*€10.05	165,416	1,157,199,152	6,364,595,336.00
Stock option exercises	02/28/2007	€5.50	*€10.40	12,500	1,157,211,652	6,364,664,086.00
Stock option exercises	03/30/2007	€5.50	*€9.07	58,992	1,157,270,644	6,364,988,542.00
Cancellation	03/30/2007	€5.50	-	(1,300,389)	1,155,970,255	6,357,836,402.50
Stock option exercises	04/30/2007	€5.50	*€9.15	426,164	1,156,396,419	6,360,180,304.50
Stock option exercises	05/31/2007	€5.50	*€9.70	557,978	1,156,954,397	6,363,249,183.50
Stock option exercises	06/30/2007	€5.50	*€9.44	5,462,245	1,162,416,642	6,393,291,531.00
2007 Group Savings Plan	07/18/2007	€5.50	€19.10	1,276,227	1,163,692,869	6,400,310,779.50
Stock option exercises	07/31/2007	€5.50	*€10.73	313,145	1,164,006,014	6,402,033,077.00
Stock option exercises	08/31/2007	€5.50	*€8.90	2,900	1,164,008,914	6,402,049,027.00
Stock option exercises	09/30/2007	€5.50	*€8.90	73,452	1,164,082,366	6,402,453,013.00
Stock option exercises	10/31/2007	€5.50	*€8.98	139,501	1,164,221,867	6,403,220,268.50
Stock option exercises	11/30/2007	€5.50	*€12.30	170,200	1,164,392,067	6,404,156,368.50
Stock option exercises	12/31/2007	€5.50	*€10.88	351,093	1,164,743,160	6,406,087,380.00
Grant of shares of restricted stock (AGA)	12/31/2007	€5.50	NA	60	1,164,743,220	6,406,087,710.00

*Weighted-average premium in euros.

On December 31, 2007, taking into account:

- 29,899,235 outstanding stock options, which could result in the issuance of 29,899,235 shares; and
- the 1,276,893 shares of restricted stock granted in 2006 and 2007; the potential share capital was €6,577,556,414, divided into 1,195,919,348 shares.

2.2.11. Market Information

2.2.11.1. Places of Listing - Stock Exchange Quotation

Source: NYSE Euronext (Paris).

Stock exchange quotation for Vivendi ordinary shares

Compartment A - Eurolist, NYSE 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



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Additional Information Concerning the Company

Compartment A - Eurolist, NYSE Euronext (Paris) Code: FR0001277711 (in euros)	Average quotation	High	Low	Number of securities traded	Transactions (in euros)
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

Stock exchange quotation for Vivendi bonds - NYSE Euronext (Paris)

Obligation 6.50% 1997 value code (FR0000207581) nominal value : €762.25	Average quotation (% nominal value)	High (% nominal value)	Low (% nominal value)	Number of securities traded	Transaction (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

2.2.12. Financial Securities Intermediary

BNP Paribas
Securities Services - Service Emetteurs
Immeuble Tolbiac
75450 Paris Cedex 09 - France



Section 2

Additional Information Concerning the Company

2.3. Major Shareholders

2.3.1. Share Ownership and Voting Rights

As of December 31, 2007, the company's share capital amounted to €6,406,087,710.00, divided into 1,164,743,220 shares. The corresponding number of voting rights, considering that there are no voting rights for treasury shares, amounted to 1,164,663,656.

To the Management Board's knowledge, the major shareholders holding shares in registered form or having sent a 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	4.93	4.93	57,398,503	57,398,503
Natixis (Ixis Corporate & Investment Bank)	4.32	4.32	50,318,033	50,318,033
CDC - Caisse des Dépôts et Consignations	3.72	3.72	43,371,350	43,371,350
Crédit Agricole	3.60	3.60	41,878,478	41,878,478
Natixis Asset Management	3.17	3.17	36,880,598	36,880,598
Paris International Investment	2.98	2.98	34,711,040	34,711,040
UBS	1.50	1.50	17,438,617	17,438,617
Crédit Suisse Securities (Europe) Limited	1.09	1.09	12,645,852	12,645,852
Group savings plan Vivendi	0.93	0.93	10,852,671	10,852,671
BNP - Paribas	0.72	0.72	8,437,673	8,437,673
FIPAR International (CDG Maroc)	0.61	0.61	7,118,181	7,118,181
Rothschild - Asset Management	0.54	0.54	6,270,887	6,270,887
SRM Advisers (Monaco) S.A.M.	0.53	0.53	6,200,000	6,200,000
Société Générale	0.49	0.49	5,745,662	5,745,662
Pension Reserve Fund (<i>Fonds de réserve pour les retraités</i>)	0.47	0.47	5,489,679	5,489,679
Groupama Asset Management	0.27	0.27	3,191,849	3,191,849
Group savings plan Veolia Environnement	0.24	0.24	2,847,000	2,847,000
CSCS Partners	0.05	0.05	600,000	600,000
Sebastian Holdings Inc.	0.01	0.01	100,000	100,000
Treasury shares	0.01	0.00	79,564	0
Other shareholders	69.82	69.83	813,167,583	813,167,583
Total	100.00	100.00	1,164,743,220	1,164,663,656

2.3.2. Pledge of Company Shares

As of December 31, 2007, pledge on shares of the company amounted to 576,278 shares, representing 0.05% of the share capital of the company, held in registered form by individual shareholders.

2.3.3. Control of the Company - Shareholders' Agreements

To the company's knowledge, there is no shareholder holding, as of December 31, 2007, more than 5% of the company's share capital or voting rights and there is no shareholders' agreement, declared or not, governing Vivendi's securities.



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Additional Information Concerning the Company

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

	2007			2006			2005		
	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	4.93	4.93						
Natixis (Ixis Corporate & Investment Bank)	50,318,033	4.32	4.32	28,102,800	2.43	2.43	4,766,562	0.41	0.41
CDC - Caisse des Dépôts et Consignations	43,371,350	3.72	3.72	40,551,350	3.51	3.51	26,842,479	2.33	2.33
Crédit Agricole	41,878,478	3.60	3.60						
Natixis Asset Management	36,880,598	3.17	3.17						
Paris International Investment	34,711,040	2.98	2.98						
UBS	17,438,617	1.50	1.50	22,440,051	1.94	1.94	19,388,470	1.68	1.68
Crédit Suisse Securities (Europe) Limited	12,645,852	1.09	1.09	5,867,826	0.51	0.51	5,430,352	0.47	0.47
Group Savings Plan - Vivendi	10,852,671	0.93	0.93	11,109,743	0.96	0.96	12,085,981	1.05	1.05
BNP Paribas	8,437,673	0.72	0.72	11,646,798	1.01	1.01	11,036,918	0.96	0.96
FIPAR International (CDG Maroc)	7,118,181	0.61	0.61						
Rothschild - Asset Management	6,270,887	0.54	0.54	6,270,887	0.54	0.54			
SRM Advisers (Monaco) S.A.M.	6,200,000	0.53	0.53						
Société Générale	5,745,662	0.49	0.49	8,411,757	0.73	0.73	14,838,428	1.29	1.29
Pension Reserve Fund (fonds de réserve pour les retraités)	5,489,679	0.47	0.47	5,489,679	0.47	0.48	5,851,585	0.51	0.51
Groupama Asset Management	3,191,849	0.27	0.27	5,420,967	0.47	0.47	5,420,967	0.47	0.47
Group Savings Plan - Veolia Environnement	2,847,000	0.24	0.24	3,497,000	0.30	0.30	4,323,490	0.37	0.37
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	1,379,503	0.12	0.00	2,482,442	0.22	0.00
Other shareholders	813,167,583	69.82	69.83	993,141,999	85.83	85.83	1,040,993,141	90.24	90.46
Total	1,164,743,220	100.00	100.00	1,157,033,736	100.00	100.00	1,153,477,321	100.00	100.00



Section 2

Additional Information Concerning the Company

Appendix. Details of the Stock Purchase and Stock Subscription Options and Shares of 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	(a) Adjusted exercise price (in euros)	(a) Exercised in 2007 (adjusted number)	(a) Cancelled in 2007 (adjusted number)	(a) Outstanding as of 12/31/2007 (adjusted number)
				Total number		of which number granted to members of governing bodies							
				of beneficiaries	of options	number of beneficiaries	number of options						
	05/15/98	01/22/99	01/22/99	13	42,672			01/23/01	01/22/07	59.64		43,887	0
	05/15/98	04/08/99	04/08/99	818	3,302,569	11	1,068,015	04/09/01	04/08/07	63.21		3,296,676	0
SO III	05/15/98	05/11/99	05/11/99	53	5,729,237	10	2,392,259	05/12/04	05/11/07	71.00		5,734,782	0
	05/15/98	09/10/99	09/10/99	2	15,000			09/11/01	09/10/07	60.10		15,425	0
	05/15/98	11/25/99	11/25/99	3	9,000			11.26/02	11/25/07	60.88		9,256	0
SO 10 - 100	05/15/98	11/25/99	11/25/99	189,207	1,919,520	10	1,100	11/26/02	11/25/07	60.88		2,108,963	0
	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		2,057	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		4,114	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		4,114	4,450,991
SO IV	09/21/00	12/11/00	12/11/00	65	3,700,000	12	1,925,000	12/12/02	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		1,543	6,019,642
	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												11,220,817	20,067,000

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



Section 2

Additional Information Concerning the Company

SARs and ex ADS plans converted into SARs

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	(a) Adjusted exercise price (in US \$)	Number of SARs		
			Total number		of which number granted to members of governing bodies					(a) exercised in 2007 (adjusted number)	(a) cancelled in 2007 (adjusted number)	(a) outstanding as of 12/31/2007 (adjusted number)
			of beneficiaries	of SARs	number of beneficiaries	number of SARs						
SO 10	05/15/98	11/25/99	28,362	283,620			11/26/02	11/25/07	61.83		311,982	0
	09/21/00	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	26	1,500,000	3	700,000	12/12/06	12/11/08	65.74			1,264,329
	09/21/00	03/09/01	2	127,500			03/10/03	03/09/09	63.75			7,740
	09/21/00	09/25/01	1,271	6,334,305	6	1,653,265	10/11/03	10/10/09	42.88	245,538		4,355,446
	04/17/00	09/25/01	15	75,712			10/11/03	10/10/09	42.88			58,576
	04/17/00	09/25/01	4	78,260			10/11/03	10/10/09	52.31			59,029
	09/21/00	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	1	200,000			03/21/04	03/20/10	37.98			206,424
	09/21/00	04/24/02	2	200,000			04/25/04	04/24/10	33.26	154,826		51,609
	09/21/00	05/29/02	1	20,000			05/30/04	05/29/10	31.62			20,000
	09/21/00	05/29/02	38	1,168,300	1	100,000	10/11/04	10/10/10	11.79	160,335		197,867
	04/29/03	05/28/03	75	752,000	1	180,000	05/29/05	05/28/13	16.44	259,934		197,299
	04/29/03	12/09/03	51	705,000	0	0	12/10/05	12/09/13	22.59	83,901		268,667
	04/29/03	05/06/04	138	1,012,400	0	0	05/22/06	05/21/14	24.61	113,015	4,168	625,751
	04/29/03	03/09/05	184	1,786,400	1	125,000	04/27/07	04/26/15	30.63	190,422	38,505	1,426,271
	04/28/05	06/28/05	4	39,000	0	0	06/29/07	06/28/15	30.63	15,466		13,534
	04/28/05	02/28/06	2	192,000	1	112,000	04/14/08	04/13/16	34.58			192,000
	04/28/05	03/21/06	154	1,058,320	0	0	04/14/08	04/13/16	34.58		62,137	980,183
	04/28/05	09/22/06	1	24,000	0	0	09/23/08	09/22/16	34.58			24,000
	04/28/05	03/06/07	1	112,000	1	112,000	04/24/10	04/23/17	41.34			112,000
	04/28/05	02/27/07	177	1,168,660	0	0	04/24/10	04/23/17	41.34		44,280	1,124,380
Total										1,223,437	461,072	17,008,038

(a) Adjustment subsequent to the payment of the 2001 fiscal year dividend taken from 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 (in euros)	Number of options		
			Total numbers		of which number granted to members of governing bodies					Exercised in 2007	Cancelled in 2007	Outstanding as of 12/31/2007
			of beneficiaries	of options	number of beneficiaries	number of options						
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	1,591,650		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	943,333		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	4,753,321	6,334	4,028,832
04/29/03	12/09/03	12/09/03	29	310,000	0	0	12/10/05	12/09/13	19.07	66,840		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	281,782	61,674	7,306,212
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	96,660	120,414	6,691,853
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	0	0	04/14/08	04/13/16	28.54		172,484	3,192,716
04/28/05	09/22/06	09/22/06	33	58,400	0	0	09/23/08	09/22/16	28.54		9,600	48,800
04/28/05	12/12/06	12/12/06	3	24,000	0	0	12/13/08	12/12/16	29.41		8,000	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		75,680	4,338,540
04/28/05	09/17/07	09/17/07	7	42,400	0	0	09/18/10	09/17/17	30.79			42,400
04/28/05	10/25/07	10/25/07	4	63,200	0	0	10/26/10	10/25/17	30.79			63,200
Total										7,733,586	454,186	29,899,235



Section 2

Additional Information Concerning the Company

SARs plans (ex. ADS Seagram)

Plan opening date	Number of SARs granted				Vesting date for SARs	Expiration date	Adjusted exercise price (in US\$) (a)	Number of SARs		
	Total number		of which number granted to members of governing bodies					exercised in 2007 (adjusted number) (a)	cancelled in 2007 (adjusted number) (a)	outstanding as of 12/31/2007 (adjusted number) (a)
	of beneficiaries	number of SARs	number of beneficiaries	number of SARs						
05/05/97	32	112,040			05/06/98	05/05/2007	47.85		46,278	0
02/09/98	5	52,747			02/10/99	02/09/2008	45.23	16,513		37,927
05/05/97	756	2,611,606	3	144,000	05/06/98	05/05/2007	47.85		2,143,965	0
06/25/97	3	13,333			06/26/98	06/25/2007	48.84		8,258	0
08/18/97	20	12,106			08/19/98	08/18/2007	42.28		6,263	0
01/19/98	18	53,195			01/20/99	01/19/2008	37.28			640
02/09/98	1	1,860			02/10/99	02/09/2008	37.28			1,920
02/09/98	850	3,748,655	3	224,000	02/10/99	02/09/2008	45.23	322,803	2,066	2,064,617
07/01/98	2	80,000			07/02/99	07/01/2008	49.62			41,282
08/12/98	1	16,000			08/13/99	08/12/2008	40.50			8,257
10/01/98	1	80,000			10/02/99	10/01/2008	33.84			82,553
11/09/98	3	2,200,000	2	2,000,000	11/10/99	11/09/2008	43.45			2,229,099
11/16/98	1	80,000			11/17/99	11/16/2008	41.75			82,568
12/07/98	1	2,000			12/08/99	12/07/2008	44.10			826
02/17/99	819	3,520,994	2	124,000	02/18/00	02/17/2009	58.02		1,239	2,676,853
04/05/99	1	56,000			04/06/00	04/05/2009	63.70			57,794
05/11/99	421	1,441,553	1	80,000	05/12/00	05/11/2009	71.88		15,935	893,734
06/18/99	2	72,000			06/19/00	06/18/2009	61.01			33,030
11/03/99	1	428,000			11/04/00	11/03/2009	57.04			28,899
01/04/00	1	120,000			01/05/01	01/04/2010	54.88			123,849
02/15/00	1	1,600			02/16/01	02/15/2010	67.45		1,652	0
02/15/00	1,490	5,979,780	3	780,000	02/16/01	02/15/2010	74.41		20,319	4,691,978
03/27/00	1	6,400			03/28/01	03/27/2010	74.04			6,605
04/03/00	1	8,000			04/04/01	04/03/2010	72.29			8,257
04/05/00	1	48,000			04/06/01	04/05/2010	68.54			49,541
05/02/00	1	225,200			05/03/01	05/02/2010	65.03			146,956
06/22/00	2	380,000			06/23/01	06/22/2010	71.92			61,919
08/16/00	12	491,360			08/17/01	08/16/2010	68.66			505,044
							Total	339,316	2,245,975	13,834,148

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



Section 2

Additional Information Concerning the Company

SARs plans (ex-ADS ex-MP3)

Plan opening date and date of the Board of directors meeting	Number of SARs granted		Vesting date for SARs	Expiration date	(a) Adjusted exercise price (in US \$)	Number of SARs		
	Total number					(a) Exercised in 2007 (adjusted number)	(a) Cancelled in 2007 (adjusted number)	(a) Outstanding as of 12/31/2007 (adjusted number)
	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	3,357	700	3,708
11/13/00	3	1,762	11/13/01	11/13/10	37.52			93
01/09/01	2	3,267	01/09/02	01/09/11	36.17	3,373		0
01/09/01	2	5,771	01/09/02	01/09/11	36.17	5,957		0
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						12,687	700	19,124

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

SARs plans (ex. ADS USA Networks)

Opening date and date of the Board of directors meeting	Total number of beneficiaries	Vesting date for SARs	Expiration date	(a) Adjusted exercise price (in US \$)	(a) Exercised in 2007 (adjusted number)	(a) Cancelled in 2007 (adjusted number)	(a) Outstanding as of 12/31/2007 (adjusted number)
12/18/00	62	12/18/01	12/18/10	13.7960	6,750		10,802
12/18/00	175	12/18/01	12/18/10	19.0205	29,693		51,849
07/16/01	1	07/16/02	07/16/11	19.0460	1,000		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	100,000		114,202
12/15/98	17	12/15/99	12/15/08	9.0589	20,008		0
12/15/98	98	12/15/99	12/15/08	12.7654	5,173		16,497
07/27/99	23	07/27/00	07/27/09	21.9884	1,469		0
12/20/99	243	12/20/00	12/20/09	20.6710	16,066		21,860
12/20/99	291	12/20/00	12/20/09	28.4988	53,680	98	40,922
03/29/00	2	03/29/01	03/29/10	23.5521	7,345		0
04/25/01	165	04/25/02	04/25/11	16.7033	11,092		20,456
04/25/01	170	04/25/02	04/25/11	23.0288	27,575	459	20,984
Total					279,851	557	321,271

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



Section 2

Additional Information Concerning the Company

Shares of restricted stock (AGAs) plans

Date of the Shareholders' Meeting	Date of the Supervisory Board or the Management Board meetings	Grant date	Number of AGAs granted				(a) Acquisition date	Date of disposal	Number of AGAs	
			total number		of which number granted to members of governing bodies				cancelled in 2007	outstanding as of 12/31/2007
			of beneficiaries	of AGAs	number of beneficiaries	number of AGAs				
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	0	0	04/14/08	04/14/10	14,920	263,010
04/28/05	09/22/06	09/22/06	33	4,861	0	0	09/23/08	09/23/10	799	4,062
04/28/05	12/12/06	12/12/06	3	2,001	0	0	12/15/08	12/15/10	667	1,334
04/28/05	12/12/06	12/12/06	23,562	353,430	4	60	12/15/08	12/15/10	1,200	(b) 352,170
04/28/05	12/12/06	01/24/07	578	8,670	0	0	01/26/09	01/26/11	30	8,640
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	5,180	362,868
04/28/05	09/17/07	09/17/07	7	3,536	0	0	09/18/09	09/18/11		3,536
04/28/05	10/25/07	10/25/07	4	5,266	0	0	10/26/09	10/26/11		5,266
								Total	22,796	1,276,893

(a) First day of quotation after the expiration of a 2-year period.

(b) Number taking into account the creation of 60 shares following four deaths.

Restricted stock units (RSUs) plans

Date of the Shareholders' Meeting	Date of the Supervisory Board or the Management Board meetings	Grant date	Number of RSUs granted				(a) Acquisition date	Date of disposal	Number of RSUs	
			total number		of which number granted to members of governing bodies				cancelled in 2007	outstanding as of 12/31/2007
			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	0	0	04/14/08	04/14/10	6,605	80,310
04/28/05	09/22/06	09/22/06	1	2,000	0	0	09/23/08	09/23/10		2,000
04/28/05	12/12/06	12/12/06	9,433	141,495	0	0	12/15/08	12/15/10		141,495
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	0	0	04/24/09	04/24/11	3,692	93,752
								Total	10,297	342,892

(a) First day of quotation after the expiration of a 2-year period.



Section 3

Corporate Governance

3.1. Directors, Senior Management and Supervisory Bodies

3.1.1. The Supervisory Board

3.1.1.1. General Provisions

The Supervisory Board is comprised of a maximum of eighteen members. Each member of the Supervisory Board serves for a term of four years (Article 7 of the by-laws).

Each member of the Supervisory Board must hold at least 1,000 of the company's shares during his/her term of office (Article 7-2 of the by-laws).

Pursuant to the AFEP/MEDEF joint-recommendation, dated January 9, 2007, the use of derivative financial instruments as a means to hedge transactions of any nature is prohibited.

Throughout the periods defined below and communicated to the members of the Supervisory Board by the General Counsel of the company, sale and purchase transactions involving the company's securities carried out by the members of the Supervisory Board whether on the open market or in off-market block trading, be it directly or indirectly, are forbidden:

- the period from the date on which the members of the Supervisory Board become aware of specific market information concerning the company's business, progress or prospects which, if made public, would be likely to have a significant effect on the company's share price, up to the date on which this information is made public; and
- the period of 30 calendar days up to and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements.

The Chairman of the Corporate Governance Committee shall be informed as soon as possible by the members of the Supervisory Board of any material purchase, subscription, sale or swap transactions relating to securities issued by the company which, while not falling within the scope of the preceding paragraph, are entered into by any of his/her parent or by entities connected with such a member or his/her parents, and where such transaction has been recommended by him/her or he/she 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 preceding paragraph.

The mandatory retirement age for members of the Supervisory Board is 70 years of age. At the end of each annual Shareholders' Meeting approving the financial statements for the prior fiscal year, the number of members of the Supervisory Board over the age of 70, as of the closing date of the prior fiscal year, must not exceed one-third of the acting members in office. In the event that this limit is exceeded, the oldest members are deemed to have resigned at the end of said Shareholders' Meeting (Article 7-3 of the by-laws).

The Supervisory Board is comprised of a majority of independent members. A member is deemed independent when he/she has no direct or indirect relationship, other than a non-substantial shareholding of the company, of any kind, with the company, its group or its management which could interfere with the exercise of his/her independent judgment (as such term is defined in the recommendations report of the AFEP - MEDEF working group, dated September 2002).

The classification as an independent director as well as the criteria used to make such determination are examined by the Corporate Governance Committee at the time of the examination of the candidacies for appointment to the Supervisory Board and when the functioning of the Supervisory Board is discussed. In the event of a change in the status of a member of the Supervisory Board during his/her term of office, the Corporate Governance Committee examines, if necessary, this new status in the context of the relevant criteria.

Each member of the Supervisory Board undertakes to regularly attend Supervisory Board meetings and annual Shareholders' Meetings. Members of the Supervisory Board may attend meetings by videoconference or by any other means of telecommunication in compliance with applicable law (Article 10 of the by-laws).

3.1.1.2. Composition of the Supervisory Board

The Supervisory Board is currently comprised of eleven members, eight of whom are independent directors. Four of its members are of a nationality other than French. These four members include three citizens of European Union member states and one American citizen.



Section 3 Corporate Governance

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

In 2007, the Supervisory Board met nine times. The attendance rate at meetings of the Supervisory Board was 94%.

Supervisory Board Members Information, Including Date of Appointment and Number of Shares Held

Full Name	Position	Age as of March 1, 2008	Date of appointment or renewal to the Supervisory Board	Committee member	Term of office	Number of shares held
Jean-René Fourtou	Chairman of the Supervisory Board	68	04/28/2005	-	(c) AM 2008	513,620*
Henri Lachmann	(a) Vice-Chairman and Member of the Supervisory Board	69	04/28/2005	B	(c) AM 2008	7,000
Claude Bébéar	Member of the Supervisory Board	72	04/28/2005	A and D	(c) AM 2008	5,000
Gérard Brémond	(a) Member of the Supervisory Board	70	04/28/2005	A and C	(c) AM 2008	3,160
Mehdi Dazi	(a) Member of the Supervisory Board	41	03/06/2007	A	(c) AM 2008	2,200
Fernando Falcó y Fernández de Córdova	(a, b) Member of the Supervisory Board	68	04/20/2006	C and D	AM 2010	3,000
Sarah Frank	(a, b) Member of the Supervisory Board	61	04/28/2005	A and C	AM 2009	3,265
Gabriel Hawawini	(a) Member of the Supervisory Board	60	04/20/2006	B and D	AM 2010	3,500
Andrzej Olechowski	(b) Member of the Supervisory Board	60	04/28/2005	A and D	AM 2009	3,140
Pierre Rodocanachi	(a) Member of the Supervisory Board	69	04/28/2005	B and C	(c) AM 2008	4,400
Karel Van Miert	(a, b) Member of the Supervisory Board	66	04/28/2005	A and B	(c) AM 2008	3,700
Total						551,985**

(a) Independent member.

(b) Non-French citizen.

(c) Renewal as member of the Supervisory Board to be proposed to the Shareholders' Meeting to be held on April 24, 2008. A: Strategy Committee; B: Audit Committee; C: Human Resources Committee; D: Corporate Governance Committee.

* Of which 128,622 are held in usufruct. ** Representing 0.05% of the share capital.

Members of the Supervisory Board whose appointments are to be proposed to the Combined Shareholders' Meeting to be held on April 24, 2008: Mssrs Jean-Yves Charlier and Philippe Donnet.

Main activities of current members of the Supervisory Board

Jean-René Fourtou, Chairman of the Supervisory Board

68, French nationality.

Business address

Vivendi - 42 avenue de Friedland, 75008 Paris, France.

Expertise and experience

Mr. Jean-René Fourtou was born in Libourne on June 20, 1939 and is a graduate of the *Ecole Polytechnique*. In 1963, he joined Bossard & Michel as a consultant. In 1972, he became Chief Operating Officer of Bossard Consultants and Chairman and Chief Executive Officer of the Bossard Group in 1977. In 1986, he was appointed Chairman and Chief Executive Officer of the Rhône-Poulenc Group. From December 1999 to May 2002, he served as Vice Chairman and Chief Operating Officer of Aventis.



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He is the Honorary Chairman of the International Chamber of Commerce. Mr. Fourtou co-chairs the Franco-Moroccan Economic Impetus Group created in September 2005, the objective of which is to propose measures for the improvement of economic relations between the two countries.

Positions currently held

Vivendi Group

Groupe Canal+, Chairman of the Supervisory Board

Maroc Telecom, Member of the Supervisory Board

Axa Group

Axa, Vice Chairman of the Supervisory Board

Axa Millésimes SAS, Member of the Executive Committee

Other

NBC Universal (United States), Director

Cap Gemini, Director

Sanofi Aventis, Director

Nestlé (Switzerland), Director

Franco-Moroccan Impetus group, Co-Chairman

ICC, International Chamber of Commerce, Honorary Chairman

Positions previously held that expired during the last five years

Veolia Environnement, Chairman of the Supervisory Board

USI Entertainment Inc. (United States), Chief Operating Officer

Axa Assurances IARD Mutuelle, Vice-Chairman of the Board of Directors and Axa's Permanent representative to the Board

Finaxa, Permanent Representative of Axa Assurances IARD Mutuelle

Henri Lachmann, Vice Chairman and Member of the Supervisory Board

69, French nationality.

Business address

Schneider Electric - 43-45, bd Franklin Roosevelt, 92500 Rueil-Malmaison, France.

Expertise and experience

Mr. Henri Lachmann was born on September 13, 1938 and is a graduate of the *Ecole des Hautes Etudes Commerciales* and holds an accounting degree. In 1963, he joined Arthur Andersen, the international auditing firm, where he served successively as Auditor, then, as manager of the Accounting Review Department. In 1970, he joined the Strafor Facom Group where he held various management positions until June 1981, when he was appointed 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 is 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

Other

Norbert Dentressangle group, Member of the Supervisory Board

Fimalac, Censor (non-voting Board Director)

Tajan, Censor (non-voting Board Director)

ANSA, Director

Marie Lannelongue Surgical Center, Chairman of the Board of Directors

Foundation for continental law, President

Conseil des Prélèvements Obligatoires, Member

Orientation Committee of the Institut de l'entreprise, Member



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Positions previously held that expired during the last five years

Schneider Electric SA, Chairman and Chief Executive Officer
 Finaxa, Director
 CNRS, Director
 Etablissements De Dietrich et Cie, Director
 Fimalac Investissements, Director
 Daimler-Benz, Member of the International Committee
 Axa Courtage Assurance Mutuelle, Director
 Axa Assurances Vie Mutuelle, Director
 Axa ONA (Morocco), Director

Claude Bébéar, Member of the Supervisory Board

72, French nationality.

Business address

Axa, 25, avenue Matignon - 75008 Paris, France.

Expertise and experience

Mr. Claude Bébéar was born on July 29, 1935 and is a graduate of the *Ecole Polytechnique*. Mr. Bébéar has spent his entire career, which began in 1958, in the insurance sector. From 1975 to 2000, he headed a group of insurance companies which became Axa in 1984. Currently, Claude Bébéar is Chairman of the Supervisory Board of the Axa Group and Chairman and Chief Executive Officer of Finaxa.

Mr. Bébéar established and chairs the Institut du mécénat de solidarité, a humanitarian and social welfare organization, as well as the Institut Montaigne, an independent political think tank.

Positions currently held

Axa Group

Axa, Chairman of the Supervisory Board
 Axa Assurances IARD Mutuelle, Director
 Axa Assurances Vie Mutuelle, Director

Other

BNP Paribas, Director
 Schneider Electric SA, Censor (non-voting Board Director)
 Institut du mécénat de solidarité, Chairman
 Institut Montaigne, Chairman

Positions previously held that expired during the last five years

Finaxa, Chairman and Chief Executive Officer
 Axa Group, Director of various Axa companies
 Schneider Electric SA, Director
 Axa Courtage Assurance Mutuelle, Director

Gérard Brémond, Member of the Supervisory Board

70, French nationality.

Business address

Pierre et Vacances - L'Artois Pont de Flandre, 11 rue de Cambrai, 75947 Paris cedex 19, France.

Expertise and experience

Mr. Gérard Brémond was born on September 22, 1937 and is an economic sciences graduate and holder of a diploma from the *Institution d'administration des entreprises*. At the age of 24, he joined a family construction business 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).



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Positions currently held

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 France International, Chairman

Société d'Investissement Touristique et Immobilier SA

SA Société d'Investissement Touristique et Immobilier - SITI, Chairman and Chief Executive Officer
 Peterhof, SERL, Lepeudry et Grimard and CFICA companies, Permanent Representative for SA Société d'Investissement Touristique et Immobilier - SITI

GB Développement SA

GB Développement SA, Chairman and Chief Executive Officer

Other

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

Positions previously held that expired during the last five years

SITI Participation and SITI Participation 2, Permanent Representative for SA Société d'Investissement Touristique et Immobilier - SITI
 Marathon and Marathon International, Permanent Representative for OG Communication
 SAS Maeva, Chairman
 SA Orion Vacances, Chairman of the Board of Directors
 Med Pierre et Vacances SL, Director
 Ciné B, Permanent Representative for GB Développement SA
 Holding Green BV (Netherlands), Director
 SA Pierre et Vacances Maeva Tourisme, Chairman
 Groupe Maeva SAS, Director

Mehdi Dazi, Member of the Supervisory Board

41, French and Algerian nationalities.

Business address

E.I.I.C. - Po box 2301, Abu Dhabi, United Arab Emirates.

Expertise and experience

Mr. Mehdi Dazi was born on May 5, 1966, and is a graduate of the *Institut d'Etudes Politiques de Paris* and of Columbia University in New York. In 1992, he joined the United Nations Development Program, in New York, where he served as a consultant. During the same year, he joined Deutsche Morgan Grenfell where he served successively as a research analyst and a portfolio manager. In 1995, he held the position of Senior Manager at Scudder Kemper Investments. In 2001, he was appointed Chief Executive Officer of Founoon Holdings, in Egypt. In 2002, he was appointed Director of Estithmaar Ventures. In 2004, he joined the Emerging Market Partnership where he currently holds the position of Co-Chief Executive Officer. Since 2005, he has been Chief Executive Director of Emirates International Investment Company, an investment company in the United Arab Emirates and Chairman of Paris International Investment.

Positions currently held

Emirates International Investment Company, Chief Executive Officer
 EMP Mena Fund (Emerging Market Partnership), Co-Chief Executive Officer
 Paris International Investment, Chairman
 Global Alumina (Canada), Director

Positions previously held that expired during the last five years

Estithmaar Ventures, Director
 JV Deutsche Bank and TIO, Director
 Orascom Telecom (Algeria), Director



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Fernando Falcó y Fernández de Córdoba, Member of the Supervisory Board

68, Spanish nationality.

Business address

FCC - Torre Picasso, Plaza Pablo Ruiz Picasso, 28020 Madrid, Spain.

Expertise and experience

Mr. Fernando Falcó y Fernández de Córdoba 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 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

Comité 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

61, American nationality.

Business address

1 Lincoln Plaza, Second Floor, New York, NY 10023, USA.

Expertise and experience

Ms. Sarah Frank was born on June 25, 1946, and has been active in business for over thirty years in the international and U.S. television sectors, but especially in the production and distribution of high-quality entertainment and educational programming. From 1990 to 1997, Ms. Frank was President and Chief Executive Officer of BBC Worldwide Americas, a subsidiary of the British Broadcasting Corporation, for North and South America. In 1993, the American newspaper *USA Today* named her one of the 25 most influential people in American television. In 1994, she received the Matrix Award from the association *New York Women in Communications*. Ms. Frank was Vice President and Director of *Education at Thirteen/WNET/New York*, the flagship public television channel in New York City where she directed the station's educational programs. In addition, she created a television series aimed at helping teenagers understand the consequences of the events of September 11, 2001, as well as a website for parents and teachers called *Dealing with Tragedy*. Ms. Frank managed the expansion of the *National Teacher Training Institute*, a channel's national program to promote the integration of new technology into classroom curricula. Most recently, she was executive producer of *They Made America*, a documentary series based on the book by Sir Harold Evans, with WGBH Boston.

Positions currently held

Foundation of the New York Chapter of the National Academy of Television, Arts and Sciences (New York), Director
 Leadership Committee of the UROP program at the University of Michigan, Member
 Lightspeed Audio Labs, Inc., Member of the Advisory Board
 New York Women's Forum, Member
 CQCM - Coalition for Quality Children's Media, Honorary Director



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Positions previously held that expired during the last five years

Eugene Lang College, The New School for Liberal Arts, New York City, Director
Branded Media Corporation, Inc., Director

Gabriel Hawawini, Member of the Supervisory Board

60, French nationality.

Business address

56 Alyce Lane - Centennial Mill - Voorhees - New Jersey 08043 - USA.

Expertise and experience

Mr. Gabriel Hawawini was born in Alexandria, Egypt on August 29, 1947. After obtaining a degree in Chemical Engineering from the University of Toulouse, he obtained his doctorate in Economics and Finance at New York University in 1977. He taught at New York and Columbia Universities from 1974 to 1982. Mr. Hawawini was Vice-Chairman of the French Finance Association from 1984 to 1986 and served on editorial Committees for several university publications. Mr. Hawawini is the author of twelve books, and over seventy research publications about management based on value creation, risk appraisal, asset valuation, portfolio management and the structure of financial markets. Most notably, he is the author of *Mergers and Acquisitions in the U.S. Banking Industry*, published by North Holland in 1991 and *Finance for Executives: Managing for Value Creation* (South Western Publishing, 2006), which is in its third edition. He has advised many private companies on the implementation of management systems based on value creation. Since 1982, he has organized, directed and participated in several programs to improve management methods worldwide.

Former Dean of the INSEAD, he is currently Professor of Investment Banking and since September 25, 2006, Professor of Finance at the Wharton School of the University of Pennsylvania.

Positions currently held

Professor of Investment Banking at INSEAD and Professor of Finance at the Wharton School of the University of Pennsylvania.

Rémy Cointreau, Director

International Accreditation Committee for Business Schools (European Foundation for Management Board Development), Chairman

Positions previously held that expired during the last five years

Dean at INSEAD.

Andrzej Olechowski, Member of the Supervisory Board

60, Polish nationality.

Business address

Ul. Traugutta 7/9, 00-067 Warsaw, Poland.

Expertise and experience

Mr. Andrzej Olechowski was born in Krakow on September 9, 1947, and holds a doctorate in economy from the Warsaw Business School. From 1989 to 1991, Mr. Olechowski was Deputy Governor of the National Bank of Poland. He held various functions in the Polish government. In 1991, he was appointed Secretary of State to the Trade Ministry, and in 1992, he became Minister of Finance, and from 1993 to 1995, he became the Minister of Foreign Affairs, a period during which he served as economic advisor to President Lech Walesa. From 1994 to 1998, Mr. Olechowski served as Chairman of the City Council of Wilanow. In 2000, he was a candidate in the Presidential elections in Poland. In 2001, he was one of the creators of the Civic Platform (a Polish centrist political party). From May 1998 to June 2000, Mr. Olechowski was Chairman of Bank Handlowy w Warszawie, of which he is currently a Member of the Supervisory Board. He sits on the boards of several public, charitable and educational organizations. Since 1995, Mr. Olechowski has served as a consultant for the Central Europe Trust Polska. He is a lecturer at the Jagiellonian University in Krakow and the Collegium Civitas in Warsaw. Mr. Olechowski is the author of a number of publications on international trade and foreign policy.

Positions currently held

Central Europe Trust Polska (Poland), Senior Advisor

Euronet (United States), Director

Bank Handlowy w Warszawie (Poland), Vice Chairman of the Supervisory Board

Textron (United States), Member of the International Advisory Board



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Citigroup (United Kingdom), Member of the European Advisory Board
 Conseil DG (Poland), Director
 Macquarie European Infrastructure Fund II, Member of the Advisory Board
 Layetana Developments Polska (Poland), Chairman of the Supervisory Board
 ACE Limited (Bermuda), Member of the International Advisory Board

Positions previously held that expired during the last five years

Europejski Fundusz Hipoteczny (Poland), Chairman of the Supervisory Board
 PKN Orlen (Poland), Vice Chairman of the Supervisory Board

Pierre Rodocanachi, Member of the Supervisory Board

69, French nationality.

Business address

MP Conseil - 40, rue La Pérouse, 75116 Paris, France.

Expertise and experience

Mr. Pierre Rodocanachi was born on October 2, 1938 and is a physics graduate of the University of Paris, science faculty. He is a Director of several not-for-profit organizations, including the American Chamber of Commerce in France, which he chaired from 1997 to 2000, and of humanitarian and social welfare organizations, including the Institut du mécénat de solidarité, where he serves as treasurer and was one of the founders and Special Olympics France.

Mr. Rodocanachi is Chairman of the Strategic Committee at Booz Allen Hamilton, an international strategy and management consultancy firm. He joined Booz Allen Hamilton in 1973 and became Chief Executive Officer of its French subsidiary in 1979. In 1987, Mr. Rodocanachi was appointed Senior Vice Chairman and became a member of the Strategic Committee and of the Operations Committee of Booz Allen Hamilton Inc. and manager of all its activities for Southern Europe. Prior to joining Booz Allen Hamilton, Mr. Rodocanachi began his career as a researcher in a solids physics laboratory at the *Centre national de la recherche scientifique* (CNRS). Then, for a period of five years, he managed the planning department of the French General Delegation for Scientific and Technical Research (DGRST). Between 1969 and 1971, he served as Technical Consultant on Scientific Matters for the French Minister of Industry and, from 1971 to 1973, was the Deputy Director of the National Agency for Research Valuation (ANVAR).

Mr. Rodocanachi is a Chevalier of the Légion d'honneur, a recipient of the National Order of Merit and is a member of the French Olympic Medalists Association.

Positions currently held

Management Patrimonial Conseil, Chief Operating Officer
 DMC (Dolfus Mieg & Cie), Director, member of the Executives/Compensation commission
 Prologis European Properties, Director

Positions previously held that expired during the last five years

Carrefour, Director and Chairman of the Audit Committee
 OBC (Odier Bungener Courvoisier) Bank, Director and Chairman of the Audit Committee
 "Commentaire" (a political economy journal), Director

Karel Van Miert, Member of the Supervisory Board

66, Belgian nationality.

Business address

Putte Straat 10, 1650 Beersel, Belgium.

Expertise and experience

Mr. Karel Van Miert was born in Oud-Turnhout, Belgium on January 17, 1942. He is a former Vice-President of the European Commission and a former President of Nyenrode University. He graduated with a degree in diplomatic relations from the University of Ghent, prior to obtaining a doctorate degree at the Center for European Studies in Nancy. Between 1968 and 1970, he worked for the National Scientific Research Fund and then for several European Commissioners, including Sicco Mansholt in 1968, and as a member of the Private Office of Henri Simonet in 1973, as Vice President of the European Commission at that time. After starting his political career with the Belgian Socialist Party 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.



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He chaired the Socialist Party from 1978 to 1988 and became Vice Chairman of the Confederation of European Social Democratic Parties in 1978. From 1986 to 1992, Mr. Van Miert was Vice President of the International Socialist Party. He was a member of the European Parliament from 1979 to 1985 and then took a seat in the Belgian Chamber of Representatives. In 1989, Mr. Van Miert was appointed as a member of the European Commission responsible for transport, credit, investment and consumer policy. For six years, he served under President Jacques Delors. As Vice President of the European Commission, Mr. Van Miert was responsible for competition policy from 1993 to 1999. From April 2000 to March 2003, Mr. Van Miert chaired the University of Nyenrode in the Netherlands. He continues to lecture on European competition policy.

He is the author of several publications on European integration. In 2003, Mr. Van Miert chaired the European Union high level group on trans-European transport networks.

Positions currently held

Agfa-Gevaert NV (Mortsel), Director
 Anglo American plc (London), Director
 De Persgroep (Asse), Director
 Royal Philips Electronics NV (Amsterdam), Director
 Solvay SA (Brussels), Director
 Münchener Rück (Munich), Director
 RWE AG (Essen), Director
 Sibelco NV (Antwerp), Director

Positions previously held that expired during the last five years

Fraport AG (Frankfurt), Director
 Wolters Kluwer NV, Director
 DHV Holding, Director

Details about the members of the Supervisory Board whose appointments are proposed to the Combined Shareholders' Meeting to be held on April 24, 2008:

Jean-Yves Charlier

44, Belgian nationality.

Business address

Promethean House, Lower Philips Road, Blackburn, Lancashire BB1 5TH, United Kingdom.

Expertise and experience

Mr. Jean-Yves Charlier was born on November 29, 1963 in Belgium, and holds a Master of Business Administration (MBA) in strategy and marketing from Wharton Business School. He started his career at the Wang group in France in 1987 occupying a series of posts in sales and marketing before heading the European Network Integration Business in London from 1993 to 1995 and becoming Vice President of Wang International in 1995. In 1996, he joined the Equant group as Head of its Network Integration Business, ultimately becoming Head of worldwide Marketing, Sales and Services. In 2002, Jean-Yves Charlier joined the BT group, where he was Chief of Operations responsible for all operations in continental Europe and with Global Services business. He joined Fidelity International in 2004 as a Director and was appointed as Chief Executive Officer of Colt Telecom Group in charge of turning around the European alternative operator. Since 2007, Jean-Yves Charlier has been Chief Executive Officer of Promethean, an interactive learning technology and teaching solutions specialist.

Philippe Donnet

47, French nationality.

Business address

89 rue Taitbout - 75009 Paris- France

Expertise and experience

Mr. Philippe Donnet was born on July 26, 1960 in France. He is a graduate of *Ecole Polytechnique* and a qualified member of the French Institute of Actuaries (IAF). In 1985, Philippe Donnet started working for the Axa Group in France. From 1997 to 1999, he was Deputy Chief Operating Officer of Axa Conseil (France), before being appointed as Deputy Director at Assicurazioni (Italy) in 1999. He was then appointed member of the Axa Executive Committee as regional Chief Operating Officer for the Mediterranean Region, Latin America and Canada in 2001. In March 2002, he was appointed Chairman and Chief Executive Officer of Axa Re and Chairman of Axa Corporate Solutions. In March 2003, Philippe Donnet was appointed



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Chief Operating Officer of Axa Japan. He led the outstanding turn-around of the company through a new asset-liability policy along with the launch of highly profitable new products, despite a very challenging environment. In October 2006, Philippe Donnet was appointed Chairman of Axa Japan and Chief Executive Officer of Asia-Pacific Region of Axa. Philippe Donnet joined Wendel as Managing Director for Asia-Pacific in April 2007. He remains non-executive Chairman of the Board of Axa Japan.

Positions currently held

Wendel Investissement Asia-Pacific, Managing Director
Axa (Japan), Chairman

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 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 for any fraudulent-related matter;
- no member of the Supervisory Board has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body;
- no official public incrimination and/or sanction has been delivered against any member of the Supervisory Board; and
- no member of the Supervisory Board has been prevented by a court from acting as a member of an administrative, management or supervisory body or participating in the management of a public issuer.

3.1.1.6. Agreement Between the Company and a Member of the Supervisory Board - Services contract

The services contract, authorized by the Supervisory Board at its meeting held on June 7, 2005, between Vivendi and Conseil DG, a company chaired by Mr. Andrzej Olechowski, a member of the Supervisory Board, terminated on July 7, 2007. For the year 2007, Vivendi paid a pro rata temporis fee of €35,000, excluding taxes (refer to the Statutory Auditors' special report on regulated related-party agreements and commitments) under this 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.

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 mission.

Internal Regulations

The Internal Regulations of the Supervisory Board are an internal document, intended to supplement the company's by-laws, by setting forth the Supervisory Board's operational procedures and the rights and duties of its members. The internal regulations are not enforceable against third parties who are not entitled to rely on them against members of the Supervisory Board.

Pursuant to the legal and regulatory developments and practices implemented by the company since the adoption of the corporate structure with a Management Board and a Supervisory Board, the Supervisory Board decided to amend its Internal Regulations, as well as those of the Committees and of the Management Board, at its meeting held on March 6, 2007.



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Role and Powers of the Supervisory Board under the Internal Regulations

The following transactions are subject to the approval of the Supervisory Board, prior to their implementation:

- disposals of real properties and the sale of all or part of investments in companies, whenever any one transaction exceeds an amount of €300 million;
- issues of securities giving direct or indirect access to the share capital of the company and issues of convertible bonds in excess of €100 million;
- issues of non-convertible bonds in excess of €500 million, with the exception of any transactions to renew debentures under more favorable terms than those granted to the company;
- proposals of share repurchase programs for approval at the Ordinary Shareholders' Meeting;
- financing transactions which are significant or likely to substantially alter the financial structure of the company;
- acquisition transactions in whatever form in excess of €300 million;
- granting of securities, including endorsements and guarantees, by the Management Board, in favor of third parties subject to the dual limitation of an amount of €100 million per obligation and of €1 billion, in respect of all obligations. This authorization given to the Management Board for 12 months is re-examined every year;
- substantial internal restructuring transactions, transactions falling outside the publicly-disclosed strategy of the company and strategic partnership agreements;
- setting up stock option plans or restricted stock plans or any other mechanisms with similar purpose or effect;
- granting of stock options or shares of restricted stock or any other mechanisms with similar purpose or effect to the members of the Management Board; and determination of the terms and conditions applicable to each member of the Management Board with respect to shares remitted upon the exercise of stock options during their terms of office; and
- proposals to the Shareholders' Meeting to amend the company's by-laws, to allocate profits and to fix a dividend.

3.1.1.9. Information Provided to the Supervisory Board

Members of the Supervisory Board shall be provided with all the information necessary for the fulfillment of their mission.

Prior to any meeting, they may request all the documents they consider useful. The right of members of the Supervisory Board to obtain information is subject to the practical terms and conditions set out below.

Information provided prior to meetings of the Supervisory Board

The Chairman of the Supervisory Board, assisted by the Secretary of the Board, shall send the appropriate information to the other members of the Board, depending on circumstances and the matters on the agenda.

Information provided to the Supervisory Board on a regular basis

Members of the Supervisory Board are kept informed by the Management Board or its Chairman on a regular basis of the financial situation, cash flows and obligations of the company, as well as of any significant events and transactions relating to the company. The Management Board presents a quarterly report to the Supervisory Board on its activities and the group's operations.

Requests for information from members of the Supervisory Board relating to specific matters are sent to the Chairman and to the Secretary of the Board, who, in liaison with the Chairman of the Management Board, is responsible for responding to such requests as soon as reasonably practicable.

In order to supplement the information provided to them, members of the Supervisory Board are entitled to meet with Board Members and the principal managers of the company, whether in the presence of members of the Management Board or not, after proper notice is given to the Chairman of the Supervisory Board.

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

The Supervisory Board works and deliberates collectively; its decisions bind all of its members. The members of the Supervisory Board and any person attending meetings of the Supervisory Board are bound by confidentiality obligations with respect to confidential information which they receive in the context of meetings of the Board and of its Committees or information identified as such which is presented by the Chairman of the Supervisory Board or of the Management Board.

If the Supervisory Board is aware of confidential information of a precise nature which, if published, could have even an immaterial effect on the share price of the company or of the companies under its control, as such term is defined by Article L. 233-3 of the French Commercial Code, the members of the Board must refrain from both disclosing such information to any third party and from dealing in the company's securities, until such information has been made public.



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3.1.1.10. Activities of the Supervisory Board in 2007

In 2007, the Supervisory Board met nine times. The average attendance rate was 94%. In particular, the following matters were addressed:

- the review of the consolidated and statutory financial statements for fiscal year 2006, the 2007 budget, the half-year 2007 condensed financial statements prepared by the Management Board and the 2008 preliminary budget;
- the review of the quarterly reports prepared by the Management Board;
- the growth prospects of the group, principal strategic initiatives and opportunities and the 5-year strategic plan;
- the strategy and communication on the position of the group's main business units;
- the consultation on and approval of merger, transfer or acquisition transactions in progress (e.g., the agreement for the combination of Vivendi Games and Activision, the review of a potential acquisition of a stake in Oger Telecom, the acquisition by SFR of the stake held by Groupe Louis Dreyfus in Neuf Cegetel, and the exchange of Vivendi/Maroc Telecom shares with the Caisse de Dépôt et de Gestion du Maroc), as well as the examination of the bid on broadcasting rights for the French League 1 of football and the stake held by Vivendi in NBC Universal;
- the monitoring of the telecommunication assets in Poland;
- the assessment of the Management Board and its Chairman;
- the monitoring of current litigation and legal proceedings; and
- the examination of the situation of the directors of Vivendi regarding the provisions of the Law, dated August 21, 2007 (*loi en faveur du travail, de l'emploi et du pouvoir d'achat* (TEPA law)).

3.1.1.11. Evaluation of the Performance of the Supervisory Board

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

In accordance with its internal regulations, the Supervisory Board discussed its own performance at its meeting held on December 18, 2007.

3.1.1.12. Supervisory Board Committees

Organization and operating procedures of the Committees

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

The missions of each Committee can have for effect neither the delegation to a Committee of powers granted to the Supervisory Board by law or by the company's by-laws, nor the reduction or limitation of the powers of the Management Board. Within its area of competence, each Committee issues proposals, recommendations and/or advice.

The Supervisory Board has appointed a Chairman for each Committee. The four Committees of the Supervisory Board are comprised of Board Members, appointed by the Supervisory Board. These members are appointed on a personal basis and cannot be represented. Each Committee determines the frequency of its meetings. These are held at the registered office of the company or in any other place decided by the Chairman of the Committee. The meetings of such Committees may be held by telephone conference or video conference.

The Chairman of each Committee sets the agenda for the meetings, after consultation with the Chairman of the Supervisory Board. The minutes of each Committee meeting are drawn up by the Secretary of the Board, under the authority of the Chairman of the relevant Committee, and are transmitted to the members of said Committee. The minutes are included in the materials of the Supervisory Board meetings during which the Committees' activities are presented. Information about the work of the Committees is included in this chapter.

Each Committee may request from the Management Board any document it deems useful for the fulfillment of its missions. The Committee may carry out or commission research to provide information for the Supervisory Board's discussions and may request external consulting expertise as required.

The Chairman of each Committee may decide to invite all members of the Supervisory Board to attend a meeting of his or her Committee. Only the members of the Committee can take part in its deliberations. Each Committee may decide to invite any person of its choice to its meetings, as and when required.



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In addition to the permanent Committees, the Supervisory Board may establish ad hoc committees composed of all or some of its members, each for a limited term and for specific purposes which are exceptional by virtue of their importance or nature.

Strategy Committee

Composition

The Strategy Committee is currently comprised of six members, four of whom are independent. Its members are: Claude Bébéar (Chairman), Gérard Brémond, Mehdi Dazi, Sarah Frank, Andrzej Olechowski and Karel Van Miert.

Missions and activities

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

- the strategic direction of the company;
- strategic joint-venture agreements;
- major acquisitions or disposals;
- granting of securities, including endorsements and guarantees in favor of third parties, the amount of which exceeds the power delegated to the Management Board;
- substantial internal restructuring transactions;
- transactions outside the scope of the announced strategy; and
- major financing transactions or transactions that are likely to significantly affect the financial structure of the company.

During 2007, the Strategy Committee met three times. The attendance rate was 100%. Its activities primarily focused on the following issues:

- the group's growth prospects, the principal strategic initiatives and opportunities and the 5-year strategic plan;
- the composition of the company's shareholding structure;
- developments in telecommunications, games and the Internet;
- maintaining the company's stake in NBC Universal; and
- monitoring of the telecommunication assets in Poland.

Audit Committee

Composition

The Audit Committee is comprised of four members, all of whom are independent and have finance or accounting expertise. Its members are Henri Lachmann (Chairman), Gabriel Hawawini, Pierre Rodocanachi and Karel Van Miert.

Missions and activities

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

- the review of the annual 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 aspects or risks and their accounting impact;
- the review of the assessment of the operating and financial risks of the company, their coverage, review of the insurance program;
- internal control methods and standards;
- the consistency and effectiveness of the company's internal control procedures and review of the Chairman of the Supervisory Board's report to the Shareholders' Meeting on the conditions governing the preparation and organization of the Supervisory Board's procedures and the internal control procedures implemented by the company;
- the procedure for appointing Statutory Auditors, issuance of an opinion for fees paid for the performance of their legal audit functions, certain specific missions and monitoring of the rules ensuring their independence;
- monitoring of the work programs of the external and internal auditors and review of their work conclusions;
- the application of accounting methods and principles, the scope of the company's consolidation and the risks and off-balance sheet commitments of the company;
- review of the annual assessment of the company's Compliance Program, proposals to improve the efficiency of such program and, if necessary, the issuance of an opinion related thereto; review of the rules of conduct in competition and ethics areas; and
- any matter it considers likely to create or constitute a risk on or to the company; review of any potential procedural failure or corruption cases.



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During 2007, the Audit Committee met three times. The attendance rate was 100%. Its activities primarily comprised the review of:

- the financial statements for the fiscal year 2006, half-year financial statements for 2007 and the Statutory Auditors' reports;
- the internal audit and internal control procedures within the group;
- the activities of the Risks Committee;
- the Internal Regulations of the Audit Committee of Canal+ France;
- the fees due to the Statutory Auditors; and
- control of the implementation and follow-up of compliance procedures in force within each business unit.

At the time of their appointment, members of the Audit Committee receive information on accounting, financial and operational standards in force within the company and the group.

Human Resources Committee

Composition

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

Missions and activities

The Human Resources Committee's main activities involve the following matters:

- the compensation, representation and travel expenses of the Directors and principal officers; and
- the adoption of stock option plans and free grants of shares, or any other mechanisms with similar purpose or effect.

During 2007, the Human Resources Committee met three times. The attendance rate was 92%. Its activities primarily concerned:

- the fixed and variable compensation, representation and travel expenses of the directors;
- the stock option and shares of restricted stock plans for executive officers and employees of the group;
- the review of the proposed contracts of the future main senior executives of Activision Blizzard, and
- the share capital increase reserved for employees of the group through an international company mutual fund.

Corporate Governance Committee

Composition

The Corporate Governance Committee has four members, two of whom are independent. Its members are Claude Bébéar (Chairman), Gabriel Hawawini, Fernando Falcó y Fernández de Córdova and Andrzej Olechowski.

Missions and activities

The Corporate Governance Committee's main activities involve the following matters:

- the appointment of members of the Supervisory Board, of its Committees and of the Management Board;
- the determination and review of independence criteria for members of the Supervisory Board;
- the terms of payment and distribution of the directors' fees granted to the Members of the Supervisory Board and its Committees;
- succession plans for certain members of the Management Board; and
- the assessment of the organization and performance of the Supervisory Board.

During 2007, the Corporate Governance Committee met twice. The attendance rate was 100%. Its activities primarily concerned:

- the review of internal regulations of the Supervisory Board and of its Committees and the Management Board;
- the extension, in accordance with Article 12 of the Company's by-laws, for a two-year period, of the term of office as member of the Management Board of the Chairman and CEO of Universal Music Group;
- the proposed renewal of the terms of office of several members of the Supervisory Board in 2008;
- the assessment of the functioning of the Supervisory Board;
- the assessment of the functioning of the Management Board and its Chairman;
- the review of the holding periods for shares obtained upon the exercise of stock options by the corporate officers; and
- the examination of the situation of the directors of Vivendi regarding the provisions of the Law dated August 21, 2007 (*loi en faveur du travail, de l'emploi et du pouvoir d'achat* (TEPA law)).



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3.1.2. The Management Board

3.1.2.1. General Provisions

In accordance with the provisions of the company's by-laws (Article 12), the Management Board shall consist of a minimum of two members and a maximum of seven members.

Members of the Management Board are appointed by the Supervisory Board to serve for four-year terms.

The mandatory retirement age for members of the Management Board is 68 years of age. However, when a member of the Management Board reaches the age of 68, the Supervisory Board may prolong his or her term, on one or more occasion, for a period which may not exceed two years in total (Article 12 of the by-laws).

3.1.2.2. Composition of the Management Board

The Management Board is currently comprised of seven members, including four French citizens, one German citizen, one American citizen and one Moroccan citizen. During its meeting held on April 28, 2005, the Supervisory Board appointed the members of the Management Board and its Chairman to serve a four-year term, which expires on April 27, 2009, except for Mr. Philippe Capron, appointed by the Supervisory Board on April 19, 2007, to replace Mr. Jacques Espinasse for the same duration.

In 2007, the Management Board met a total of fourteen times. The attendance rate at Management Board meetings was 99%. In accordance with Article 14 of the company's by-laws, each member of the Management Board may attend meetings by videoconference, teleconference or by other means in accordance with applicable legislation.

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

List of current members of the Management Board

Full Name	Position	Number of shares held directly and via the PEG*
Jean-Bernard Lévy	Chairman	(a) 94,978
Abdeslam Ahizoune	Member and Chairman of the Management Board of Maroc Telecom	10,000
Philippe Capron	Member and Chief Financial Officer of Vivendi	10,429
Frank Esser	Member and Chief Executive Officer of SFR	56,459
Bertrand Meheut	Member and Chairman of the Executive Board of Groupe Canal+	(b) 74,253
Doug Morris	Member and Chief Executive Officer of Universal Music Group	10,000
René Pénisson	Member, Chairman of Vivendi Games and Senior Executive Vice President, Human Resources of Vivendi	54,115

* Shares held in the Group Saving's Plan (PEG) have been valued on the basis of the Vivendi share price at close of business on December 31, 2007, i.e. €31.38.

(a) In addition, each of his four children holds 3,197 company shares and his spouse holds 1,000 company shares.

(b) In addition, his spouse holds 248 company shares.

Main activities of current members of the Management Board

Jean-Bernard Lévy, Chairman of the Management Board

52, French nationality.

Business address

Vivendi - 42 avenue de Friedland, 75008 Paris, France



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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 Longuet, the French Minister for Postal and Telecommunications Services and from 1978 to 1986, he was an engineer with France Télécom.

Positions currently held

Canal+ France, Chairman of the Supervisory Board
 Groupe Canal+, Vice Chairman of the Supervisory Board
 Maroc Telecom, Vice Chairman of the Supervisory Board
 SFR, Director
 Vivendi Games, Inc. (United States), Director
 NBC Universal, Inc. (United States), Director

Other

Vinci, Director
 Institut Pasteur, Director
 Viroxis, Chairman of the Supervisory Board

Positions previously held that expired during the last five years

VU Net, Chairman and Chief Executive Officer
 VTI, Chairman and Chief Executive Officer
 UGC, Director
 Cegetel, Member of the Supervisory Board
 HCA, Director

Abdeslam Ahizoune, Member of the Management Board

52, Moroccan nationality.

Business address

Maroc Telecom - Avenue Annakhil, Hay Riad, Rabat, Morocco

Expertise and experience

Mr. Abdeslam Ahizoune was born on April 20, 1955 and holds an engineering degree from the *Ecole Nationale Supérieure des Télécommunications* in Paris, France (1977). He was appointed Chairman of the Management Board of Maroc Telecom in February 2001 and was appointed to Vivendi's Management Board on April 28, 2005.

Mr. Ahizoune served as Chairman and Chief Executive Officer of Maroc Telecom from 1998 to 2001. He held the position of Minister of Telecommunications from 1997 to 1998 and Managing Director of the Office National des Postes et Télécommunications (ONPT) from February 1995 to August 1997, Minister of Postal and Telecommunications Services and Managing Director of the ONPT from August 1992 to February 1995 and Director of Telecommunications in the Ministry of Post and Telecommunications from 1983 to 1992. Mr. Ahizoune is a member of the several Boards of Directors including: various Maroc Telecom subsidiaries; the Lalla Salma association against cancer (since November 2005); the Mohammed V Solidarity Foundation (Fondation Mohamed V pour la Solidarité), since April 2004; Al Akhawayne University, since November 2003; and the Mohammed VI Foundation for the Environment (Fondation Mohamed VI pour l'Environnement), since June 2001. Since end of 2006, he also serves as Chairman of the Royal Moroccan Federation of Athletics. In 2007, he was also appointed Director of AXA Assurance Maroc and Holcim SA (Morocco).

Positions currently held

Maroc Telecom, Chairman of the Management Board
 CMC SA (Mauritania), Chairman of the Board of Directors
 Onatel (Burkina Faso), Director



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Other

Axa Assurance Maroc (Morocco), Director
 Holcim SA (Morocco), Director
 Royal Moroccan Federation of Athletics (Morocco), Chairman
 Lalla Salma Association against cancer (Morocco), Director
 Mohammed V Foundation for Solidarity (Morocco), Director
 Mohammed VI Foundation for the Environment (Morocco), Director
 Al Akhawayne University (Morocco), Director

Positions previously held that expired during the last five years

Mauritel SA (Mauritania), Permanent representative of Maroc Telecom to the Board of Directors
 Mauritel Mobiles (Mauritania), Director
 Mobisud SA (France), Chairman of the Board of Directors
 Gabon Telecom (Gabon), Director

Philippe Capron, Member of the Management Board

49, French nationality.

Business address

Vivendi - 42 avenue de Friedland, 75008 Paris, France

Expertise and experience

Mr. Philippe Capron was born on May 25, 1958 in Paris and is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC) and of the Paris *Institut d'Etudes Politiques* (IEP). From 1979 to 1981 he was assistant to the Chairman and Secretary of the Management Board of Sacilor. After leaving the Ecole Nationale d'Administration (ENA) in 1985 he became an Inspector of Finance. Advisor to the Chairman and CEO of Duménil Leblé (the Cerus group) from 1990 to 1992, he then became a Partner in the management consulting firm, Bain & Company, from 1992 to 1994. From 1994 to 1997 he was the director of international development and a member of the Executive Committee of the Euler group, and then was Chairman and CEO of Euler-SFAC from 1998 to 2000. In November 2000, he joined the Usinor group as Chief Financial Officer and was also a member of the Executive Committee until 2002 when he was appointed Executive Vice-President of the Arcelor group, responsible for the packaging steels division and then the distribution and international trading businesses. At the beginning of 2006, he became Chief Financial Officer and a member of the Management Committee of Arcelor. In January 2007, Mr. Philippe Capron joined Vivendi.

Positions currently held

SFR, Director and Chairman of the Audit Committee
 Groupe Canal+, Member of the Supervisory Board
 Canal+ France, Member of the Supervisory Board and Chairman of the Audit Committee
 Maroc Telecom, Member of the Supervisory Board and Chairman of the Audit Committee
 Vivendi Games, Inc. (United States), Director
 NBC Universal, Inc. (United States), Director

Other

Groupe Virbac, Member of the Supervisory Board, Chairman of the Audit Committee
 Member of the Société d'Economie Politique.

Positions previously held that expired during the last five years

Arcelor Packaging International, Chairman and Chief Executive Officer
 Eko-Stahl (Germany), Member of the Supervisory Board
 Solvi, Chairman and Chief Executive Officer
 Eco Emballage, Director
 Arcelor Treasury, Manager
 Sollac Ambalaj (Turkey), Chairman of the Board of Directors
 Arcelor International (Luxembourg), Chairman
 Arcelor Projects (Luxembourg), Chairman
 Skyline (USA), Chairman of the Board of Directors
 Cockerill-Sambre (Belgium), Director
 Achatpro, Chairman of the Supervisory Board



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Frank Esser, Member of the Management Board

49, German nationality.

Business address

SFR - Tour Séquoia, 1 place Carpeaux, 92915 Paris La Défense cedex, France.

Expertise and experience

Mr. Frank Esser was born on September 5, 1958 and holds a doctorate in economics from the University of Fribourg. Mr. Esser was appointed Chairman of SFR in December 2002 and has been with the group since September 2000, when he was appointed Chief Executive Officer. He was appointed to Vivendi's Management Board on April 28, 2005. Since February 2003, Mr. Esser has been a member of the Board of Directors of the GSM Association and became Chairman of its Public Policy Committee in 2004. Prior to joining SFR, Mr. Esser was Executive Vice President at Mannesmann, in charge of international business and business development.

Positions currently held

SFR, Chairman and Chief Executive Officer
 SHD, Chairman and Chief Executive Officer
 Neuf Cegetel, Director
 Jet Multimédia, Director
 Vivendi Telecom International, Director
 Vizzavi France, Chairman of the Board of Directors
 Maroc Telecom, Member of the Supervisory Board

Other

Fédération Française des Télécoms, Chairman
 Vodafone D2, Member of the Supervisory Board
 Faurecia, Director
 GSM Association, Director
 LTB-R, Permanent Representative of SFR to the Board of Directors

Positions previously held that expired during the last five years

Cegetel, Chairman and Chief Executive Officer
 Cegetel Group, Chief Operating Officer
 Cegetel Entreprises, Director
 Cofira, Director

Bertrand Meheut, Member of the Management Board

56, French nationality.

Business address

Groupe Canal+ - 1 place du Spectacle, 92263 Issy Les Moulineaux cedex 9, France.

Expertise and experience

Mr. Bertrand Meheut was born on September 22, 1951 and graduated from *l'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 posts at Rhône-Poulenc, which became Aventis after merging with Germany's Hoechst.

He served as Chairman and Chief Executive Officer of Aventis CropScience, an Aventis and Schering subsidiary, running agrichemicals and biotechnologies operations.



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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 and Director of some of its subsidiaries
 SFR, Director
 Canal+ Distribution, Chairman of the Board of Directors
 StudioCanal, Chairman of the Supervisory Board
 Kiosque, Manager and Permanent Representative of Groupe Canal+
 NPA Production, Manager and Permanent Representative of Canal+
 Canal Overseas, Member of the Executive Committee
 Sport+ (ex Pathé Sport), Permanent Representative of Groupe Canal+ on the Board of Directors

Other

Aquarelle, Director

Positions previously held that expired during the last five years

Canal+, Chairman and Chief Executive Officer
 Cegetel, Director
 StudioCanal, Chairman of the Board of Directors
 Holding Sports & Evénements, Chairman of the Board of Directors

Doug Morris, Member of the Management Board

69, US nationality.

Business address

Universal Music Group - 1755 Broadway, New York, NY 10019, USA.

Expertise and experience

Doug Morris was born on November 23, 1938. He has served as Chairman and Chief Executive Officer of Universal Music Group since November 1995 and was appointed to Vivendi's Management Board on April 28, 2005. A graduate of Columbia University, Mr. Morris began his music career as a songwriter for music publisher Robert Mellin, Inc. In 1965, Mr. Morris joined Laurie Records, as a writer and producer and was later promoted to Vice President and General Manager. Following this, Mr. Morris created his own label, Big Tree Records, which was distributed and eventually acquired by Atlantic Records in 1978. At this time, Mr. Morris was appointed President of ATCO Records, beginning his 17-year association with Warner Music. In 1980, Mr. Morris was appointed President of Atlantic Records and, in 1990, assumed the position of Co-Chairman and Co-CEO (with Ahmet Ertegun) of the Atlantic Recording Group. In 1994, Mr. Morris was promoted to President and Chief Operating Officer of Warner Music U.S. and was soon thereafter appointed Chairman. Mr. Morris began his association with the MCA Music Entertainment Group (now Universal Music Group) in July 1995, by forming a joint venture, New York City-based full service record label. Throughout his career, Mr. Morris has worked with some of the most popular and influential artists of the past four decades, including the Rolling Stones, Phil Collins, Pete Townsend, Led Zeppelin, Stevie Nicks, Bette Midler, Tori Amos, INXS, Erykah Badu and Mariah Carey. Mr. Morris serves on the Boards of the Robin Hood Foundation and the Cold Spring Harbor Laboratory. Mr. Morris is a Director of the Rock and Roll Hall of Fame. In 2003, the National Academy of Recording Arts and Sciences (NARAS) awarded Mr. Morris with the President's Merit Award.

Positions currently held

Universal Music Group, Chairman and Chief Executive Officer
 Universal Music Group, Director of various subsidiaries

Other

Robin Hood Foundation, Director
 Rock and Roll Hall of Fame, Director
 CASA Foundation, Director

Positions previously held that expired during the last five years

Universal Music Group, Director of various subsidiaries
 CBS Corporation, Director



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René Pénisson, Member of the Management Board

66, French nationality

Business address

Vivendi - 42 avenue de Friedland, 75008 Paris, France.

Expertise and experience

Born on February 2, 1942, Mr. René Pénisson graduated from *l'École Supérieure de Chimie* in Lyon with an engineering degree. He holds a doctorate in engineering from the Université de Lyon and a degree from the French Management Institute. He was appointed Chairman of Vivendi Games in January 2004 and Senior Executive Vice-President, Human Resources of Vivendi in April 2004. He was appointed to Vivendi's Management Board on April 28, 2005. Prior to these positions, Mr. Pénisson served as adviser to the Chairman and Chief Executive Officer, Social Relations and Organization of Vivendi from September 2002.

From 1999 to 2002, he was a member of the Executive Committee of Aventis, Senior Executive Vice President, Human Resources of Aventis, Chairman of Aventis Animal Nutrition and Chairman of the RP Industrialisation company. From 1997 to 1999, he served as member of the Executive Committee of Rhône Poulenc SA. From 1982 to 1997, Mr. Pénisson was successively Executive Vice President, Basic Chemicals Division of Rhône Poulenc, Chief Operating Officer of Rhône Poulenc Chimie, and Senior Executive Vice President, Human Resources of the Rhône Poulenc Group.

Positions currently held

Vivendi Games Inc. (United States), Chairman
 Vivendi Games Europe, Director
 Canal+ France, Member of the Supervisory Board

Positions previously held that expired during the last five years

Aventis, Member of the Executive Committee
 Aventis Animal Nutrition, Chairman
 RP Industrialisation, Chairman

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 current or potential conflict of interest between Vivendi and the members of the Management Board and their personal interests or other obligations.

3.1.2.5. Absence of any conviction for fraud, liability 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 for any fraud-related matter, no official public incrimination and/or sanction has been delivered against any member of the Management Board or has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body of a public company or has been prevented by a court from acting as a member of an administrative, management or supervisory body or participating in the management of a public issuer.

3.1.2.6. Agreements entered into between the Company and a Member of the Management Board - Services Contract

The members of the Management Board, senior executives and corporate officers, benefit from an employment contract with the company, except for Mr. Jean-Bernard Lévy, Chairman of the Management Board, whose employment contract is suspended for the duration of his term of office, and Mr. Doug Morris, who holds an employment contract with Universal Music Group.

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



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

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

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 reserved 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 a proprietary document intended to ensure that the company's Management Board functions properly and adheres to the most recent rules adopted in furtherance of good corporate governance. Third parties have no recourse against members of the Management Board using these internal regulations.

The Management Board, after having considered recent legal and regulatory developments and the different practices implemented by the company since the adoption of the corporate structure involving a Management Board and a Supervisory Board, has amended its Internal Regulations.

Role and powers of the Management Board under the Internal Regulations

The Management Board is responsible for the day-to-day management of the company and for the conduct of its business. It intervenes in any of the following matters:

- the review and drafting of the financial statements, forecasts, cash flows, debt obligations and company liabilities;
- the implementation of company strategy in conjunction with the Supervisory Board;
- sale, merger and acquisition transactions not exceeding the thresholds requiring approval of the Supervisory Board;
- the development of human resources policies and industrial relations;
- the development of communications policies;
- compliance activities;
- the development of internal audit and internal control procedures;
- the monitoring of risk assessments and duties of the Risks Committee;
- the monitoring of litigation and legal proceedings;
- the monitoring of environmental matters; and
- the monitoring of insurance matters.

In accordance with applicable law, the company's by-laws and Internal Regulations of the Supervisory Board, the Management Board must obtain prior approval from the Supervisory Board under certain circumstances (refer to the Internal Regulations of the Supervisory Board above).

3.1.2.9. Activities of the Management Board in 2007

The Management Board met fourteen times in 2007. Its activities mainly involved the following:

- the review and approval of the statutory and consolidated financial statements for fiscal year 2006, the 2007 budget, the quarterly and half-year 2007 condensed financial statements and the 2008 preliminary budget;
- the preparation of quarterly reports for the Supervisory Board;
- growth prospects for the group, principal strategic initiatives and opportunities and the 5-year strategic plan;
- monitoring of the status of the group's main business units;
- the review and approval of the agreement for the combination of Vivendi Games and Activision, the examination of a potential acquisition of a stake in Oger Telecom, the acquisition by SFR of the stake held by Groupe Louis Dreyfus in Neuf Cegetel, the exchange of Vivendi/Maroc Telecom shares with the Caisse de Dépôt et de Gestion du Maroc, the acquisition by UMG of Sanctuary Group, the acquisition by Groupe Canal+ of the Kinowelt group in Germany, the monitoring of the stake held by Vivendi in NBC Universal and the bid on broadcasting rights for the French League 1 of football;
- the convening of the Combined Shareholders' Meeting held on April 19, 2007;
- the granting of stock options and shares of restricted stock;
- the share capital increase reserved for employees of the group through an international company mutual fund;



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- the review of the Sustainable Development report;
- the monitoring of the telecommunication assets in Poland; and
- the monitoring of current litigation and legal proceedings.

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 19, 2007, the Supervisory Board, at its meeting held on March 6, 2007, upon recommendation of the Human Resources Committee at its meeting held on March 2, 2007, resolved to maintain the level of the annual gross compensation of its Chairman, which remains at €1 million. He receives no directors' fee from Vivendi or any of its subsidiaries. He benefits from the use of a company car and the availability of a chauffeur. His travel expenses and other expenditures incurred in connection with his duties are paid by the company.

Compensation paid to the Chairman of the Supervisory Board (in euros)			
	2007	2006	2005*
Fixed	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 limit approved by the Combined Shareholders' Meeting held on April 28, 2005 (€1.2 million per year), payment of directors' fees for members of the Supervisory Board and its Committees is based on actual attendance at meetings and depends on the number of meetings held by the Supervisory Board and the Committees. The Supervisory Board at its meeting held on March 6, 2007, resolved that the payment of the directors' fees, starting in 2007, would be made on a half-year basis. The gross amount of directors' fees paid for 2007 was €955,434, compared to €1,172,150 in 2006. The amount of the directors' fees due for the first half of 2007, paid in 2007, amounted to €420,434. The fees for the second half of 2007, paid in January 2008, amounted to €535,000. Details of directors' fees paid on an individual basis are presented below.

For services rendered, each member of the Supervisory Board receives a fixed directors' fee of €20,000 for a full year of service and a variable amount of €3,500 per meeting, dependent upon actual attendance at meetings. Each member of the Audit Committee receives a fixed directors' fee of €20,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €3,400 per meeting, dependent upon actual attendance at meetings. Each member of the Strategy Committee receives a fixed directors' fee of €14,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €2,900 per meeting, dependent upon actual attendance at meetings. Each member of the Human Resources Committee receives a fixed directors' fee of €12,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €2,900 per meeting, dependent upon actual attendance at meetings. Each member of the Corporate Governance Committee receives a fixed directors' fee of €10,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €1,900 per meeting, dependent upon actual attendance at meetings.

A directors' fee of €1,500 per meeting is paid to members of the Supervisory Board who attend meetings of committees of which they are not members.



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Individual amount of directors' fees (in euros - rounded):

Members of the Supervisory Board	2007 directors' fees to be paid in 2008	Paid in 2007	Paid in 2006
Jean-René Fourtou (a)	-	-	-
Claude Bébéar	59,800	70,500	127,500
Gérard Brémond	46,300	63,000	91,500
Mehdi Dazi (b)	37,400	24,134	NA
Fernando Falcó y Fernández de Córdova	47,700	56,100	95,000
Sarah Frank	52,700	59,500	96,000
Gabriel Hawawini	56,200	66,600	123,300
Henri Lachmann	60,800	70,300	135,300
Andrzej Olechowski	47,800	59,500	89,000
Pierre Rodocanachi	68,600	82,100	126,800
Karel Van Miert	57,700	70,000	118,800
Paul Fribourg (c)	-	-	62,000
Patrick Kron (d)	-	14,900	84,000
Total	535,000	(e) 636,634	(f) 1,149,200

(a) Mr. Fourtou waived his rights to receive directors' fees, allocated to board members of the company and its subsidiaries.

(b) Member of the Supervisory Board since March 6, 2007.

(c) Member of the Supervisory Board until June 7, 2006.

(d) Member of the Supervisory Board until December 13, 2006.

(e) including €420,434 due for the first half of 2007 and €216,200 due for the fourth quarter of 2006.

(f) including €955,950 due for the first three quarters of 2006 and €193,250 due for the fourth quarter of 2005.

At its meeting held on February 28, 2008, the Supervisory Board resolved that each member of the Supervisory Board shall hold a number of company shares equivalent to a year of directors' fees paid.

3.2.2. Compensation of the Members of the Management Board and its Chairman

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

The variable component of compensation for 2007 was set by the Supervisory Board at its meeting held on March 6, 2007, pursuant to a proposal from the Human Resources Committee approved at its meeting held on March 2, 2007, based upon the following criteria: (1) for corporate officers and senior executives of the headquarters: (a) financial objectives (66%) linked to both adjusted net income attributable to equity holders of the parent (41%) and cash flows from operations (25%) and (b) general management's priority objectives (34%), and (2) for corporate officers (including the subsidiaries' chairmen or executives): (a) the group's financial objectives (15%), (b) the financial objectives of their entity (60%) and (c) priority objectives for their entity (25%).

The variable component of compensation for 2008 was set by the Supervisory Board at its meeting held on February 28, 2008, pursuant to a proposal from the Human Resources Committee approved at its meeting held on February 27, 2008 based upon the following criteria: (1) for corporate officers and senior executives of the headquarters: (a) financial objectives (67%) linked to both adjusted net income attributable to equity holders of the parent (42%) and cash flows from operations (25%) and (b) general management's priority objectives (33%), and (2) for corporate officers (including the subsidiaries' chairmen or executives): (a) the group's financial objectives (15%), (b) the financial objectives of their entity (60%) and (c) priority objectives for their entity (25%).



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3.2.2.1. Compensation of the Chairman of the Management Board

Mr. Jean-Bernard Lévy's employment contract as Deputy Chief Executive Officer of the company, effective from August 12, 2002, was suspended when he was appointed Chairman of the company's Management Board. He is not entitled to any severance payments as a result of the termination of his mandates of Chairman or member of the Management Board.

The compensation of the Chairman of the Management Board for 2007 was set by the Supervisory Board upon recommendation of the Human Resources Committee at its meeting held on March 2, 2007, as follows: a gross annual fixed salary of €860,000, a target bonus of 120% determined according to the criteria above, up to a maximum of 200%. His travel expenses and other expenditures incurred in connection with his duties are paid by the company. In 2007, the Chairman of the Management Board was granted 360,000 non-discounted stock options with an exercise price of €30.79 and 30,000 shares of restricted stock based on the achievement of certain performance targets (refer to section 3.3.2).

The Supervisory Board meeting held on February 28, 2008, upon recommendation of the Human Resources Committee at its meeting held on February 27, 2008, has set forth the following elements of compensation for 2008: an annual fixed salary of €885,800 and a target bonus of 140%, up to a maximum of 240%.

As approved by the Combined Shareholders' Meeting held on April 20, 2006, the Chairman of the Management Board is eligible to participate in the pension plans adopted by the company (refer to section 3.2.3).

3.2.2.2. Compensation of the Members of the Management Board

Employment contracts for members of the Management Board, other than the Chairman, remain in force based on their ongoing functions within the group; no compensation or allowance is granted to them in relation to their corporate appointment within Vivendi SA.

Details of Management Board members' compensation (in euros):

	Jean-Bernard Lévy	Abdeslam Ahizoune	(a) Philippe Capron	(c) Jacques Espinasse	Frank Esser	Bertrand Meheut	Doug Morris	René Pénisson
2007 compensation								
Fixed	860,000	527,947	(b) 325,000	153,333	685,000	685,000	4,436,453	485,000
Variable portion: 2007 bonus paid in 2008	1,651,000	752,325	(b) 423,000	(d) 285,000	1,195,000	1,288,000	7,268,857	970,000
Benefits in kind and other*	7,631	7,434	6,478	51,088	24,843	21,847	119,623	25,035
Total 2007	2,518,631	1,287,706	(b) 754,478	489,421	1,904,843	1,994,847	(g) 11,824,933	1,480,035
2006 compensation								
Fixed	800,000	530,379	-	460,000	650,000	650,000	4,673,060	460,000
Variable portion: 2006 bonus paid in 2007	1,485,000	372,000	-	854,000	1,150,000	1,248,000	8,714,211	854,000
Benefits in kind and other*	12,781	1,434	-	22,564	24,758	21,696	112,559	29,922
Total 2006	2,297,781	903,813	-	1,336,564	1,824,758	1,919,696	(g) 13,499,830	1,343,922
2005 compensation								
Fixed	800,000	512,757	-	460,000	650,000	650,000	4,453,144	460,000
Variable portion: 2005 bonus paid in 2006	(e) 1,472,000	346,958	-	(e) 846,400	1,150,500	1,189,500	(f) 9,881,733	(e) 846,400
Benefits in kind and other*	195,047**	-	-	10,164	13,727	28,014	127,525	22,000
Total 2005	2,467,047	859,715	-	1,316,564	1,814,227	1,867,514	(g) 14,462,402	1,328,400

(a) Member of the Management Board since April 19, 2007.

(b) In full year.

(c) Member of the Management Board through April 19, 2007.

(d) 2007 Bonus paid in April 2007 at time of the termination of employment.



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(e) Includes €76,225 paid in December 2005

(f) Includes the 2006 payment for a deferred long-term bonus under the Universal Music Group contract. The 2005 portion amount is €3,977,800. These figures also include the annual part of the 5-year bonus for 2001-2005 which amounted to €18.6 million for said period.

(g) Euros/Dollars exchange rate as of payment dates.

* This amount includes employer's pension contributions in excess of the legal tax-deductible threshold and which have been added to the taxable salary, as well as the benefit in kind of a company car, the 2006 profit-sharing paid in 2007 and the value of vacation days transferred from the time saving account (compte épargne temps) to the pension savings plan

** Includes holiday pay for his previous salaried position (€181,595).

3.2.2.3. Compensation for Termination of Employment of the Members of the Management Board

On December 18, 2007, the Supervisory Board, upon recommendation from the Corporate Governance Committee on the same day, examined the status of each member of the Management Board in the context of the provisions of the Law, dated August 21, 2007, to promote work, employment and purchasing power (also known as the TEPA Law, *loi du 21 août 2007 en faveur du travail, de l'emploi et du pouvoir d'achat*). It found that since no members of the Management Board could claim payment of remuneration or compensation of any kind in respect of termination of their employment as corporate officers of Vivendi, the provisions of the TEPA Law did not apply to them.

Pursuant to their employment contracts, each member of the Management Board is entitled to a gross severance payment (except in the event of dismissal for serious misconduct), determined as follows:

- Mr. Jean-Bernard Lévy (employment contract, dated August 9, 2002, suspended during his term of office as Chairman of the Management Board): six months fixed and variable salary, regardless of the unexpired term of his notice period, based on the compensation set forth in his employment contract;
- Mr. Abdeslam Ahizoune (employment contract with Vivendi Group, dated December 2000, as amended on July 8, 2004): 24 months fixed salary and target bonus paid by Vivendi SA and Maroc Telecom, as well as certain indemnity payments as required by law;
- Mr. Philippe Capron (employment contract, dated November 16, 2006): no contractual severance payment;
- Mr. Frank Esser (employment contract, dated May 22, 2000, as amended on October 4, 2002): 24 months fixed salary and target bonus, as well as certain indemnity payments as required by law;
- Mr. Bertrand Meheut (employment contract, dated September 20, 2002): €2 million, as well as certain indemnity payments as required by law.

In the case of termination initiated by the employer before the age of 60, Mr. Bertrand Meheut can opt for a payment equivalent to the amount provided by the complementary pension plan adopted in 1985, with seniority effective beginning September 1, 1992, which would supersede the current pension plan benefit;

- Mr. Doug Morris (employment contract with Universal Music Group, dated February 6, 2001, as amended on August 4, 2005 - effective until termination of his contract as Chairman and Chief Executive Officer of Universal Music Group, *i.e.*, December 31, 2008): equal to the fixed salary and target bonus to be paid until the termination of his contract (December 31, 2008) but in no event, less than one year's salary;
- Mr. René Pénisson (employment contract, dated September 20, 2002): no contractual severance payment.

3.2.3. Pension Plans

Members of the Management Board, holding an employment contract with Vivendi, are eligible to participate in the complementary pension plan adopted in December 1985 and in the additional pension plan adopted in December 2005, as described in the Statutory Auditors' special report approved by the Shareholders' Meeting held on April 20, 2006. In 2007, no amendments were made to these pension plans, which are described in the 2005 Annual Report (page 97).

The 2007 pension plan provision for members of the Management Board was €1,957,819.

Mr. Doug Morris, member of the Management Board and Chairman and the Chief Executive Officer of Universal Music Group (UMG), who holds an American employment contract, is entitled to receive benefits under the Seagram pension plan for a part of his career within the Group. The company is no longer required to make contributions to that plan. He benefits from UMG pension plans covering all UMG employees within the United States, to which UMG makes supplementary contributions, in excess of employee contributions, up to a maximum amount of €15,979 per year.



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3.2.4. Compensation of Senior Executives of the Group

The aggregate gross amount of the top ten compensation packages paid by Vivendi SA globally in 2007 was €13.78 million, including benefits in kind. In addition, in 2007, the aggregate gross amount of the top ten compensation packages paid to senior executives within the group globally (nine of whom are non-French citizens) was €51.2 million, including benefits in kind.

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

3.3. Stock Options and Shares of Restricted Stock

The Management Board, at its meetings held on February 27, 2007 and the Supervisory Board, at its meeting held on March 6, 2007, approved the implementation of a stock options plan of 5,718,220 shares, i.e., 0.49% of the share capital and the grant of 476,717 shares of restricted stock, i.e., 0.04% of the share capital.

3.3.1. Stock Option Grants in 2007

Grants of stock options and stock appreciation rights (SARs) to members of the Management Board

	2007 grant	2006 grant	2005 grant
Date of the Shareholders' Meeting authorizing the grant	AGM of 04/28/2005	AGM of 04/28/2005	AGM of 04/29/2003
Date of the Supervisory Board meeting	03/06/2007	02/28/2006	03/09/2005
Date of grant	04/23/2007	04/13/2006	04/26/2005
Maximum number of options authorized to be granted	(a) 28,893,333	(b) 28,836,933	(c) 37,541,852
Maximum number of options to be granted during the year after deducting options already granted	(d) 9,592,586	(e) 9,534,861	(f) 15,948,252
Total number of options granted in April	5,718,220	5,481,520	9,071,000
Total number of SARs granted in April	1,280,660	1,250,320	NA
Number of options cancelled due to the termination of beneficiaries	75,680	108,320	174,500
Number of SARs cancelled due to the termination of beneficiaries	44,280	16,000	NA
Number of options that may be granted on December 31 st	(g) 17,691,840	(h) 23,322,923	(i) 6,877,252
Number of options granted to the members of the Management Board*:			
Mr. Jean-Bernard Lévy - Chairman	360,000	360,000	400,000
Mr. Abdeslam Ahizoune	136,000	112,000	125,000
Mr. Philippe Capron (j)	112,000	-	-
Mr. Jacques Espinasse (k)	136,000	224,000	280,000
Mr. Frank Esser	224,000	224,000	250,000
Mr. Bertrand Meheut	224,000	224,000	250,000
Mr. Doug Morris	(l) 112,000	(l) 112,000	125,000
Mr. René Pénisson	224,000	224,000	250,000
Total	1,528,000	1,480,000	2,080,000
Unit exercise price per granted stock option and SAR	€30.79/\$41.34	€28.54/\$34.58	€23.64/\$30.63
Expiration date	04/23/2017	04/13/2016	04/26/2015

(a) 2.5% of the share capital, as of the date of grant (April 23, 2007).

(b) 2.5% of the share capital, as of the date of grant (April 13, 2006).

(c) 3.5% of the share capital, as of the date of grant (April 26, 2005).

(d) 0.83% of the share capital.

(e) 0.83% of the share capital.

(f) 1.5% of the share capital.

(g) Based on the share capital amount, as of December 31, 2007 and including outstanding grants. In September 2007, 42,400 stock options were granted to employees of VME and in October 2007, 53,200 stock options were granted to employees of SFR and one employee of the headquarters.

(h) Based on the share capital amount, as of December 31, 2006, and including outstanding grants. On September 22, 2006, 58,400 stock options were granted to employees of Maroc Telecom and on December 12, 2006, 24,000 stock options were granted to employees of Groupe Canal+.



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(i) Based on the share capital amount, as of December 31, 2005, and on the grants made but rendered invalid following the expiration of the authorization period.

(j) Member of the Management Board since April 19, 2007.

(k) Member of the Management Board until April 19, 2007.

(l) SARs.

* For 2007, the unit benefit arising from option grants is valued at €5.64, based upon an exercise price of €30.79. This valuation is given for information purposes only. It was calculated according to the "binomial" method used when applying the accounting standard IFRS 2 for the valuation of share-based payments. This theoretical valuation does not necessarily correspond with the actual gain which might be realized when the shares are sold. On exercise, the actual gain will be the difference between the share price on the date of exercise of the option and the unit price.

As a result of termination of the Vivendi's ADR program and of its delisting from the NYSE in 2006, stock options on ADRs granted to directors and certain employees of the Group residing in the United States were converted into Stock Appreciation Rights (SARs), instruments that settle in cash and which do not represent a right to receive shares of stock and therefore do not increase share capital. The trading value of the SARs is the average of the high and low prices of the Vivendi's ordinary shares as quoted on the Eurolist market of NYSE-Euronext Paris on that trading day, and is converted from Euros to US dollars based on the daily Euro/US \$ exchange rate as published by the European Central Bank on that date.

3.3.2. Grants of Shares of Restricted Stock

The individual grants of shares of restricted stock are decided by the Management Board. Grants for members of the Management Board are decided by the Supervisory Board, upon recommendation of the Human Resources Committee. In 2007, as in 2006, such grants were subject to conditions based on the 2007 financial indicators (adjusted net income and cash flow from group operations). Grantees receive full entitlement to all shares if the weighted sum of the two financial indicators reaches 100% of the target and entitlement to 50% of the shares if the weighted sum of the two indicators reaches the minimum threshold; grantees receive no entitlement if the weighted sum of the two indicators is below the minimum thresholds.

The table below details the number of shares definitively granted, the target of 100% having been reached.

Ownership of shares of restricted stock is obtained upon expiration of a two-year period following the date of grant, following which they must be retained by their beneficiaries for an additional two-year period.



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Shares of restricted stock (AGAs) and restricted stock units (RSUs) awarded to members of the Management Board

	2007 grant	2006 grant
Date of the Shareholders' Meeting authorizing the grant	AGM of 04/28/2005	AGM of 04/28/2005
Date of the Supervisory Board meeting	03/06/2007	02/28/2006
Date of grant	04/23/2007	04/13/2006
Maximum number of AGAs authorized to be granted	(a) 5,785,169	(b) 5,767,387
Maximum number of AGAs to be granted during the year after deducting in those already granted	4,951,844	5,767,387
Total number of AGAs granted in April	476,717	456,968
Total number of RSUs granted in April	106,778	104,250
Number of AGAs cancelled due to the termination of beneficiaries	5,180	11,700
Number of RSUs cancelled due to the termination of beneficiaries	3,692	1,334
Total number of AGAs that may be granted on December 31 st	(c) 4,504,872	(d) 4,967,909
Number of AGAs or RSUs granted to members of the Management Board		
Mr. Jean-Bernard Lévy	30,000	30,000
Mr. Abdeslam Ahizoune	11,334	9,334
Mr. Philippe Capron (e)	9,334	-
Mr. Jacques Espinasse (f)	11,334	18,667
Mr. Frank Esser	18,667	18,667
Mr. Bertrand Meheut	18,667	18,667
Mr. Doug Morris	(g) 9,334	(g) 9,334
Mr. René Péniisson	18,667	18,667
Total	127,337	123,336
Acquisition date	04/24/2009	04/14/2008
Date of availability	04/24/2011	04/14/2010

(a) 0.5% of the share capital as of the date of grant (April 23, 2007).

(b) 0.5% of the share capital as of the date of grant (April 13, 2006).

(c) Based on the share capital amount, as of December 31, 2007, and including outstanding grants. 8,670 AGA were granted to employees of TPS in January 2007, in September 2007, 3,536 AGAs were granted to employees of VME and 5,266 AGAs were granted to employees of SFR and to an employee of the headquarters in October 2007

(d) Based on the share capital amount, as of December 31, 2006, and including outstanding grants. On September 22, 2006, 4,861 AGAs were granted to employees of Maroc Telecom, on December 12, 2006, 2,001 AGAs were granted to employees of Group Canal+ and on December 12, 2006, 353,430 shares were granted to all the group's employees under the "15 AGAs Plan" of December 2006.

The acquisition profit will be determined based on the opening trading value of the day of the definitive acquisition in 2008.

(e) Member of the Management Board since April 19, 2007.

(f) Member of the Management Board until April 19, 2007.

(g) RSUs.

As a result of termination of the Vivendi's ADR program and its delisting from the NYSE in 2006, shares of restricted stock were granted to the directors and certain employees of the Group who reside in the United States, in the form of Restricted Stock Units (RSUs), instruments that settle in cash and which do not represent a right to receive shares and therefore do not increase the share capital. The settlement value is the average of the high and low prices of Vivendi's ordinary shares as listed on the Eurolist market of NYSE-Euronext Paris on that trading day, and is converted from Euros to US dollars based on the daily Euro/US \$ exchange rate published by the European Central Bank on that date.



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3.3.3. Options Exercised by Board Members in 2007

Mr. Jean-René Fourtou

Date of grant	10/10/2002
Exercise price	(a) €14.10
Expiration date	10/10/2010
Number of exercised options	900,000
Total exercise amount	€12,690,000
Exercise date	June 19, 2007

Date of grant	01/29/2003
Exercise price	(a) €17.90
Expiration date	01/29/2011
Number of exercised options	500,000
Total exercise amount	€8,950,000
Exercise date	June 19, 2007

Date of grant	05/28/2003
Exercise price	(a) €16.40
Expiration date	05/28/2013
Number of exercised options	1,000,000
Total exercise amount	€16,400,000
Exercise date	June 19, 2007

Date of grant	05/21/2004
Exercise price	€20.67
Expiration date	05/21/2014
Number of exercised options	35,000
Total exercise amount	€723,450
Exercise date	December 21, 2007

Mr. Jean-Bernard Lévy

Date of grant	10/10/2002
Exercise price	(a) €14.10
Expiration date	10/10/2010
Number of exercised options	41,650
Total exercise amount	€587,265
Exercise dates	July 4, 2007 up to 40,000 shares July 6, 2007 up to 1,650 shares

(a) Exercise price plus €2 due to the commitment taken, at the request of the French Minister of the Economy, Finance and Industry, by Jean-René Fourtou and Jean-Bernard Lévy at the time Vivendi filed its application for the consolidated profit tax system under French law.



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Mr. Frank Esser

Date of grant	10/10/2002
Exercise price	€12.10
Expiration date	10/10/2010
Number of exercised options	300,000
Total exercise amount	€3,630,000
Exercise date	June 18, 2007

Date of grant	05/28/2003
Exercise price	€14.40
Expiration date	05/28/2013
Number of exercised options	300,000
Total exercise amount	€4,320,000
Exercise date	June 18, 2007

Mr. Bertrand Meheut

Date of grant	05/28/2003
Exercise price	€14.40
Expiration date	05/28/2013
Number of exercised options	217,800
Total exercise amount	€3,136,320
Exercise dates	June 13, 2007 up to 144,000 shares June 15, 2007 up to 44,000 shares September 27, 2007 up to 29,800 shares

Mr. René Pénisson

Date of grant	10/10/2002
Exercise price	€12.10
Expiration date	10/10/2010
Number of exercised options	140,000
Total exercise amount	€1,694,000
Exercise date	June 13, 2007

3.3.4. Principal Stock Option Grants and Exercises in 2007

The senior executives and employees of the group, excluding corporate officers, who comprised the ten largest stock option recipients of 2007, were granted a total of 876,000 stock options, representing 15.32% of the total number of options granted in 2007 and 0.08% of Vivendi's share capital, as of December 31, 2007.

The options granted have an exercise price of €30.79.

A total of 1,651,500 stock options were exercised at a weighted average price of €14.69 by the ten senior executives and employees of the group, excluding corporate officers.

3.3.5. Holding Periods for Shares Obtained upon the Exercise of Stock Options and for Shares of Restricted Stock Held by Board Members

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Supervisory Board, at its meeting held on March 6, 2007, set forth the following rules related to holding period for shares obtained upon the exercise of stock options and shares of restricted stock granted under the 2007 plans.

The members of the Management Board must hold, until the end of their mandates, in a nominative account, a number of shares obtained upon the exercise of stock options and shares of restricted stock granted under the 2007 plans, equal to 20% of the net gain, if any, resulting from the exercise of stock options or sale of shares of restricted stock.



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In addition, since January 1, 2007, the members of the Management Board are requested to allocate, each 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 restricted 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 and to 2 years of gross compensation for the other Members of the Management Board. Members of the General Management are also requested to create such a portfolio.

3.4. Dealing in Company Securities

During the periods defined below, members of the Supervisory Board and the Management Board are prohibited from entering into sale and purchase transactions involving the company's securities whether on the open market or in relation to off-market block trades, be it directly, through their spouse or their partner under a civil union agreement (*pacte civil de solidarité*), or through any person with whom they have a close relationship including ascendants, descendants, or any other relatives or persons living at their home for at least one year prior the date of the transaction, as well as through any legal entity, fiduciary, trust or partnership, whose management responsibilities are carried out by members of the Supervisory Board or the Management Board or by any related person, which is controlled directly or indirectly by them or is incorporated for their benefit, or whose economic interests are substantially the same as their own:

- the period from the date on which the members of the Supervisory Board or the Management Board become aware of precise market information concerning the company's business, progress or prospects which, if made public, would be likely to have a significant effect on the company's share price, up to the date on which this information is made public; and
- the period of 30 calendar days up to and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements.

Pursuant to the AFEP/MEDEF joint-recommendation dated January 9, 2007, the Management Board, at its meeting held on January 24, 2007, resolved to prohibit the use of derivative financial instruments as a means to hedge transactions of any nature.



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3.4.1. Dealings in Company's Securities by Directors in 2007

Pursuant to Article 223-26 of the General Regulations of the AMF, the transactions in company's securities executed by Directors in 2007, as declared to the company and to the AMF, are detailed in the following table:

Name	Purchase			Sale		
	Date	Number	Unit price	Date	Number	Unit price
Mr. Philippe Capron Member of the Management Board	18 Sept. 07	7,000	29.17	-	-	-
Mr. Frank Esser Member of the Management Board Related persons				18 June 07	88,888	31.29
				28 June 07	14,500	31.66
				28 June 07	14,500	31.66
				28 June 07	25,000	31.66
				2 July 07	125,087	31.60
				2 July 07	125,087	31.60
				2 July 07	206,938	31.60
Persons related to Mr. Jean-René Fourtou Chairman of the Supervisory Board				22 June 07	256,667	31.59
				22 June 07	256,667	31.59
				22 June 07	256,667	31.59
				28 June 07	110,000	31.73
				28 June 07	110,000	31.73
				28 June 07	110,000	31.73
				28 June 07	100,000	31.80
				28 June 07	100,000	31.80
				28 June 07	100,000	31.80
Persons related to Mr. Jean-Bernard Lévy Chairman of the Management Board				13 June 07	28,000	30.75
				14 June 07	28,000	31.05
				15 June 07	28,000	31.23
				18 June 07	28,000	31.15
				19 June 07	28,000	31.49
Persons related to Mr. René Pénisson Member of the Management Board				18 June 07	35,000	31.34
				18 June 07	35,000	31.34
				19 June 07	35,000	31.74
				19 June 07	35,000	31.74

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 can help them to determine 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.

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.

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 who are responsible for communications and financial and accounting reports.



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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 assume 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 awareness of the group's employees and to provide them with a reference tool that sets a benchmark to help them to determine a course of action; and
- to reduce the risks of incurring civil and criminal liabilities by the company's employees and by the group's companies.

3.6. Financial Information and Communication Procedures Committee

This Committee, established in 2002, is responsible for regularly assessing the methods used to prepare and disclose the company's financial information.

3.6.1. Composition

The Committee Members are appointed by the Chairman of the Management Board. At a minimum, the Committee shall comprise those Vivendi executives holding the following positions:

- the General Counsel (Chairman of the Committee);
- the group's Chief Financial Officer, member of the Management Board;
- the Executive Vice President, Communications;
- the Deputy Chief Financial Officers;
- the Senior Vice President, Audit and Special Projects;
- the Executive Vice President, Investor Relations; and
- the Senior Vice President, Head of Legal Department.

The members of the Committee may appoint additional members as their substitutes, who are executives from the aforementioned departments. The Committee is currently comprised of 15 regular attendees.

3.6.2. Powers

The Committee assists the Chairman of the Management Board and the group's Chief Financial Officer in their mission to ensure that Vivendi fulfills its disclosure requirements with respect to investors, the public and the regulatory and market authorities, in particular the *Autorité des Marchés Financiers* (AMF) and NYSE Euronext Paris in France.

3.6.3. Mission

In carrying out its mission, the Committee ensures that Vivendi has set up adequate controls and procedures so that:

- any financial information that must be disclosed to investors, the public or to the regulatory authorities is reported within the deadlines stipulated by applicable laws, regulations and notifications;
- all communications are subject to appropriate verifications in accordance with the procedures set up by the Committee;
- all information requiring a release to investors and/or appearing in the documents recorded or filed with any regulatory authority is communicated to the company's senior management, including the Chairman of the Management Board and the group's Chief Financial Officer, prior to release so that decisions concerning the information to be disclosed can be made in a timely manner;
- oversight is provided over assessments of Vivendi's procedures and its Business Units for controlling information as well as over internal control procedures, under the supervision of the Chairman of the Management Board and of the group's Chief Financial Officer;
- the Chairman of the Management Board and the group's Chief Financial Officer are advised of any significant procedural problems about which the Committee should be informed and which is likely to affect Vivendi's procedures for controlling information and its internal control procedures. The Committee issues recommendations, as necessary, for changes to be made to these controls and procedures. The Committee supervises the implementation of modifications approved by the Chairman of the Management Board and the group's Chief Financial Officer; and



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	<ul style="list-style-type: none"> • more generally, the Chairman of the Management Board and the group's Chief Financial Officer are assured that they will receive all information they may request. <p>3.6.4. Deliberations in 2007</p> <p>The Committee meets at the request of the Chairman of the Management Board, the Chief Financial Officer, and its Chairman or of one of its members. Meetings are held at least once each quarter in accordance with the schedule for releasing financial information on the group's results and before each Audit Committee meeting.</p> <p>The Committee met eleven times in 2007. Its deliberations primarily concerned:</p> <ul style="list-style-type: none"> • the review of the financial information published in the annual, half-year and quarterly results and published in the Annual Report; • the review of the annual and half-year certification letters signed by the Chairman and Chief Financial Officer of each of the group's business units; and • the review of progress questionnaires for assessing internal controls within the Business Units. <p>Deliberations are not limited to matters listed in meeting agendas.</p> <p>The Committee reports to the Chairman of the Management Board and to the Audit Committee. The Committee Chairman may present his report orally.</p>
<p>3.7. Risks Committee</p>	<p>The Risks Committee was formed in January 2007. Its task is to make recommendations or issue opinions to the Management Board in the following areas:</p> <ul style="list-style-type: none"> • the identification and assessment of potential risks that could arise from activities carried out by the Vivendi group; • the examination of the adequacy of risk coverage and of the level of residual risk; • the formulation of recommendations with a view to improving risk coverage; • the examination of the insurance program; and • the listing of the risks factors and prospective statements presented in the documents published by the Company. <p>In 2007, its activities mainly included the review of the Vivendi insurance program, the review of the coverage of exchange and rates risks and sensibility analysis, the review of off-balance commitments, the presentation of the risks map of Groupe Canal+, SFR and Maroc Telecom, the management and presentation of IT security risks (Maroc Telecom and SFR) and the monitoring of existing ethics and competition procedures.</p> <p>The Committee is chaired by the Chairman of Vivendi's Management Board. It is composed of at least four members, in addition to its Chairman, including:</p> <ul style="list-style-type: none"> • the Chief Financial Officer; • the General Counsel; and • the Director of Internal Audit and Special Projects. <p>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 who are responsible for implementing the risk prevention policy and for monitoring the progress of corrective or preventative action plans.</p> <p>The Risks Committee passes on its principal conclusions and recommendations to the Audit Committee of Vivendi's Supervisory Board.</p>



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3.8. General Management

Chairman of the Management Board	Jean-Bernard Lévy
Member of the Management Board, Chairman of Vivendi Games 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 the 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 2007.

(in millions of euros)	Salustro Reydel (Member of KPMG International)				Ernst & Young et autres				Total	
	Amount		Percentage		Amount		Percentage		2007	2006
	2007	2006	2007	2006	2007	2006	2007	2006		
Statutory audit, certification, consolidated and individual financial statements audit										
- Issuer	0.7	0.7	10%	14%	1.2	1.0	11%	9%	1.9	1.7
- Fully consolidated subsidiaries	4.5	2.2	64%	43%	6.5	4.8	59%	44%	11.0	7.0
Other work and services directly related to the statutory audit										
- Issuer	0.1	0.5	1%	11%	0	0.7	0%	6%	0.1	1.2
- Fully consolidated subsidiaries	0.6	1.3	9%	25%	3.3	4.4	30%	40%	3.9	5.7
Sub-total	5.9	4.7	84%	92%	11.0	10.9	100%	99%	16.9	15.6
Other services provided by the network to fully consolidated subsidiaries										
- Legal, tax and social matters	0.4	0.2	6%	4%	0	0.1	0%	1%	0.4	0.3
- Other	0.7	0.2	10%	4%	0	0.0	0%	0%	0.7	0.2
Sub-total	1.1	0.4	16%	8%	0	0.1	0%	1%	1.1	0.5
Total	7.0	5.1	100%	100%	11.0	11.0	100%	100%	18.0	16.1



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 2007

	<p>Pursuant to Article L. 225-68 of the French Commercial Code, the present report will be presented to the Combined General Meeting of Shareholders of Vivendi to be held on April 24, 2008. 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 presentation to the Supervisory Board on February 28, 2008.</p> <p>Vivendi operates as a <i>Société Anonyme</i> with a dual board structure including a Management Board and a Supervisory Board pursuant to which the functions of management and control are segregated. Moreover, throughout the year, within the framework of rigorous processes implemented by the management committees, the group's principal business units present 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.</p>
<p>4.1. Conditions Governing the Preparation and Organization of the Work of the Supervisory Board - Corporate Governance</p>	<p>The Supervisory Board currently has eleven members, eight of whom are independent within the meaning of the recommendations of the AFEP-MEDEF working group report of September 2002. Four of its members are of a nationality other than French. These four members include three citizens of European Union member states (excluding France) and one American citizen. Detailed information on each member of the Supervisory Board is presented in Chapter 3, section 3 of the Annual Report.</p> <p>In addition to the powers conferred to it by law and regulation, the Supervisory Board reviews and approves, 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 issuances in excess of €500 million and the issuances 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.</p> <p>Vivendi's Supervisory Board met nine times during 2007. The average attendance rate at Supervisory Board meetings was 94%.</p> <p>The Supervisory Board has set up four committees: the Audit Committee (three meetings in 2007), the Strategy Committee (three meetings in 2007 including a two-day seminar), the Human Resources Committee (three meetings in 2007) and the Corporate Governance Committee (two meetings in 2007). A summary of the work performed in 2007 by the Supervisory Board and its Committees is presented in Chapter 3, section 3 of the Annual Report.</p> <p>The purpose of the Supervisory Board's Internal Regulations is to specify the rules governing its composition in order to ensure the independence of its decisions and its duties and powers by supplementing requirements imposed by law and the company's by-laws as well as those rules governing its relationship with the Management Board and its Chairman. These rules respect and exceed the most recent European and national standards of corporate governance. They are not enforceable against third parties.</p> <p>4.1.1. Information Provided to the Supervisory Board</p> <p>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.</p> <p>In addition, 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.</p> <p>In order to obtain additional information, the members of the Supervisory Board may meet with the members of the Management Board as well as the principal managers of the company, whether in the presence of members of the Management Board or not, after having so informed the Chairmen of the Supervisory and Management Boards.</p>



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In accordance with applicable legal provisions, 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.

4.1.2. Collective Nature of the Supervisory Board's Deliberations - Confidentiality of Information - Dealings in Company's 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 the Management Board.

If the Supervisory Board becomes aware of any specific, confidential information which is likely, at the time of its publication, to have a significant effect on the company's share price or on those of the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code, members of the Supervisory Board must refrain from communicating this information to any third party and from dealing in the company's securities until such information has been made public.

Throughout the periods defined below, members of the Supervisory Board and the Management Board are prohibited from entering into sale and purchase transactions involving the company's securities whether on the open market or pursuant to off-market block trades, be it directly, through their spouse or their partner under a civil union agreement (*pacte civil de solidarité*), or through any person with whom they have a close relationship including ascendants, descendants, or any other relatives or persons living at their home for at least one year prior to the date of the transaction, as well as through any legal entity, fiduciary, trust or partnership, whose management responsibilities are carried out by members of the Supervisory Board or the Management Board or by any related person, which is controlled directly or indirectly by them or is incorporated for their benefit, or whose economic interests are substantially the same as their own:

- 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 significant effect on the share price, up to the date on which this information is made public;
- the period of 30 calendar days up to and including the publication date of the quarterly, half-year and annual results of the company.

Pursuant to the AFEP/MEDEF joint-recommendation dated January 9, 2007, the use of financial instruments as a means to hedge transactions of any nature on company shares or in connection with the exercise of stock options is prohibited.

4.1.3. Assessment of the Supervisory Board's Functioning

Pursuant to its internal regulations, on a periodic basis, and in any event at least every three years, the Supervisory Board carries out a formal assessment of its own performance, under the supervision of the Corporate Governance Committee. This formal assessment was performed in February 2006 (refer to page 103 of the 2005 Annual Report). At its meeting held on December 18, 2007, the Supervisory Board devoted an item of its agenda to a roundtable discussion on its functioning. The Board concluded that it operates in a satisfactory manner.

4.1.4. Determination of the Compensation and Benefits granted to Members of the Management Board - Compensation for Termination of the Term of Office as Director of Vivendi

Compensation of members of the Management Board and of the principal managers of the company is set by the Supervisory Board based on the input received from the Human Resources Committee. In this context, the Human Resources Committee



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relies on comparative studies carried out by external and independent advisers and 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 in which Vivendi and its subsidiaries operate. The compensation of Management Board members is comprised of a fixed and a variable component.

For 2007, the Supervisory Board, at its meeting held on March 6, 2007, upon recommendation of the Human Resources Committee held on March 2, 2007, set the fixed component of Management Board Members' compensation.

Regarding the variable portion of the compensation, this was determined based on the following criteria: (1) for company officers and managers at the registered office: (a) financial targets (66%) and (b) accomplishment of general management's priority objectives (34%), and (2) for company officers, Chairmen or managers of subsidiaries: (a) group financial targets (15%), (b) financial targets of their entity (60%) and (c) priority actions for their entity (25%). A detailed summary description of the compensations received by each member of the Management Board on an individual basis is presented in Chapter 3, section 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 2007 Consolidated Financial Statements.

On December 18, 2007, the Supervisory Board, upon recommendation of the Corporate Governance Committee on that same day, reviewed the situation of each member of the Management Board in the context of the provisions of the Law, dated August 21, 2007, to promote work, employment and purchasing power (also known as the TEPA Law, *loi du 21 août 2007 en faveur du travail, de l'emploi et du pouvoir d'achat*). It concluded that since no members of the Management Board could claim payment of remuneration or compensation of any kind as a result of the termination of their employment as corporate officers of Vivendi, the provisions of the TEPA Law were not applicable to them.

4.1.5. Holding Periods for Shares obtained upon the Exercise of Stock Options and for Shares of Restricted Stock held by Board Members

Pursuant to the provisions of Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Supervisory Board, at its meeting held on March 6, 2007, 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 restricted stock granted under the 2007 plans.

Members of the Management Board must, until the end of their mandates, hold in a nominative account, a number of shares obtained upon the exercise of stock options and restricted stock granted under the 2007 plans, equal to 20% of the net gain, if any, resulting from the exercise of stock options or sale of restricted stock.

In addition, effective from January 1, 2007, members of the Management Board are requested to allocate, each year, the equivalent of 50% of the net gain resulting from the exercise of their stock options and/or the sale of their restricted stocks, to the creation within 5 years of a portfolio of Vivendi shares, corresponding to 3 years of the gross compensation (fixed compensation and target bonus) for the Chairman of the Management Board, to 2 years of the gross compensation for the other Members of the Management Board, and to 1 year for certain senior executives of the corporate headquarters and the main operational senior executives of the subsidiaries.

4.2. Internal Control Procedures

Following the delisting of the company from the New York Stock Exchange on August 3, 2006 and upon termination of its registration with the U.S. Securities and Exchange Commission (SEC) on October 31, 2006, Vivendi has committed itself to maintain the highest standards of internal control and financial disclosure. For that purpose, the Financial Information and Communication Procedures Committee meets on a regular basis. During its meeting held on November 14, 2006, the Management Board set up a Risks Committee chaired by the Chairman of the Management Board. The mission of the Risks Committee is to reinforce management and risk prevention measures within the group.



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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 instructions 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 recommendations on corporate governance and internal control formulated 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;
- an organization and procedures 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 (Universal Music Group, Groupe Canal+, SFR, Maroc Telecom and Vivendi Games) 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, their identified risk factors and operational specificities. As the parent company, Vivendi oversees 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.

4.2.3. Internal Control Components

4.2.3.1. Control Environment

Rules of conduct and ethics applicable to all employees

Vivendi oversees that all aspects of its corporate responsibility are taken into account. Vivendi has therefore adopted a charter of the group's values which notably includes consumer focus, creativity, ethics and social responsibility. It has established a Compliance Program which contains general rules of ethics applicable to all the employees of the group regardless of their seniority and position. These rules of behavior cover employees' rights, integrity and protection of information, the prevention of conflicts of interest, commercial ethics and compliance with competition law, the use of property and resources belonging to the group, corporate governance principles applicable to Vivendi and its subsidiaries, financial ethics and respect for the environment. The purpose of the program is to make employees aware of their responsibilities and provide them with a reference tool which gives them guidance in determining appropriate types of behavior. These general rules have been distributed to each business unit in all geographical areas in which the group operates so as to incorporate the operational specificities of the subsidiaries as well as the specificities of local law. Thereby, each entity has established an additional code of ethics. The implementation of the Compliance Program is monitored by the teams of the General Counsel's office in conjunction with correspondents within each of the principal major business units.



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Rules of governance and management bodies

In addition to legal and statutory provisions, the duties and powers of the Supervisory Board and its Committees, as well as the Management Board, are set forth in their respective Internal Regulations. The latter are described in Chapter 3 of the Annual Report.

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.

4.2.3.2. Risk Management and Prevention

Vivendi's Risks Committee is in charge of identifying and preventing risks likely to alter the achievement of the group's objectives. This Committee - chaired by the Chairman of the Management Board - was set up by the Management Board and comprises the group's Chief Financial Officer, its General Counsel and its Director of Internal Audit as permanent members. The business units are invited to attend meetings depending on the subject matters covered in 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, risks associated with the security of information systems and risks relating to the exercise of guarantees given or received;
- 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 prospective 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 using materiality thresholds defined by each business unit and taking into account its contribution to the group's principal financial indicators.

The Risks Committee met three times in 2007 and once in January 2008. The main topics covered were:

- the update of the business units' risk mapping;
- the review of Vivendi's insurance program;
- the review of interest rates and foreign exchange hedges as well as off-balance sheet items;
- the monitoring of procedures relating to compliance with ethics and competition law; and
- the management and prevention of IT safety risks (Maroc Telecom and SFR).

The major risks faced by the company are described in Chapter 2 of the Annual Report, relating to risk factors, and in Chapter 4, Note 24 of the financial statements 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.*, risk associated with the infringement of intellectual property rights for the music business; risk associated with piracy and counterfeiting for the film and music businesses).



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The General Counsel's office manages the 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, general 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.

4.2.3.3. Control Activities

Control activities are primarily carried out by the business units' 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 statements and the annual financial statements of Vivendi SA, prepared by the Management Board, prior to their review by the Supervisory Board;
- the review of the company's cash and potential alerts;
- 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 corrupt practices;
- 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 fees and appointment of external auditors.

The Committee's Chairman systematically submits a report to the Vivendi Supervisory Board.

Vivendi chairs the Audit Committees of its subsidiaries: SFR, Maroc Telecom and Canal+ France.

Vivendi's Audit Committee met three times in 2007. In particular, it reviewed the annual and half-year financial report as well as the consolidated financial statements for 2006 and the first six months of 2007, the report of the Chairman of the Supervisory Board on corporate governance and internal control procedures, the external Auditors' fees, the annual Compliance Program report, the summary of internal audit actions as well as the Risks Committee's activities.

The Internal Audit and Special Projects Department

The Internal Audit and Special Projects Department (23 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. SFR's Internal Audit Department (7 Auditors), Canal+ France's Internal Audit Department (3 Auditors) and Maroc Telecom's Financial Audit Department (18 Auditors) currently reinforce these resources dedicated to internal control.



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During its daily operations, Vivendi may be confronted with cases of fraudulent behavior, which are systematically brought to the attention of the Audit Committee. In such cases, specific investigations are carried out by the Internal Audit Department and sanctions imposed on the individuals involved.

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 that exist within each business unit and the consultation of the General Management of each business unit. Reports on the audit work carried out are communicated to Vivendi's General Management and to operational and functional management and their superiors at the business unit level. 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 systematically performed in order to ensure that recommended action plans and agreed upon corrective measures have been implemented.

Self-assessment questionnaires

Self-assessment questionnaires containing approximately 50 questions dealing with the five main components of internal control as defined by the COSO are sent to each business unit annually. 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 thereof 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 different departments at the head office. Eleven meetings of this committee were held in 2007.

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 results and documents used in presentations to investors and financial analysts.

4.2.3.4. Information and Communication

The group's values and the content of the Compliance Program are accessible to all employees on Vivendi's intranet website. The content and format of the Program were both updated in 2007.

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 activities, include: the IFRS accounting principles manual; the principles and procedures applicable to treasury operations (banking relationships, foreign exchange, finance and investment); the procedures applicable to investment transactions, sales of assets, short and long-term financing transactions, 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 standards and the IFRIC (International Financial Reporting Interpretations Committee) interpretations published by the IASB/IFRIC - adopted by the European Union and with a mandatory application as of December 31, 2007 or implemented voluntarily before this date - and training materials relating to the application of IFRS within the Group are available online and are accessible to all employees.

The documentation of the processes and controls is updated at least once a year by each business unit and is formally approved by each person in charge of the process. Within each business unit, this documentation is accessible to all employees involved in the process.



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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 as well as 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. 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 and with a mandatory application as of December 31, 2007, which, in terms of financial statements disclosure, do not differ from the accounting standards published by the IASB (International Accounting Standards Board). The main topics addressed in the financial report are subject to specific requirements. These requirements include, in particular, a regular impairment test of assets held by the company, a regular review of liquidity and off-balance sheet commitments and the valuation of employee benefits. 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 audited annually and are subject to limited semi-annual reviews as required by law.
- *Plan, budget and management control:* every year, each business unit must present its strategy, a three-year business plan and its annual budget to the group's General Management. After approval by Vivendi's Management Board, a summary is 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.
- *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 acquisitions of equity stakes and the launch of new businesses) as well as 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 and 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 is satisfactory and that the Finance Department is present at each meeting.



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In addition, 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.

- *Follow-up of investment operations:* In 2008, Vivendi's Management Board strengthened the process of reviewing the value creation of investment operations involving amounts in excess of €15 million, in addition to the existing budgetary reviews and quarterly financial reporting.

The proposed approach 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 proposed approach is therefore two-phased:

The first phase is to be performed within the first six months following the date of the acquisition. It aims to validate the implementation of controls and initiatives concurrent with the value creation expected from the acquisition. It mainly involves the operational teams of the business units. 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, consisting of a review of financial performance, is to be performed within 24 months from the acquisition date and requires more significant involvement of various headquarters teams. 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's and the General Counsel; and
 - any commitment in excess of €100 million and when 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 (foreign exchange, interest rates, etc.) is centralized by Vivendi SA using treasury "hubs". Liquidity positions at the group level and the business unit level and 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.
- *Duties and taxes:* the validation of current tax, deferred tax, taxes paid and 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, a centralized reporting tool 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 with the assistance of special advisers to ensure the proper transition 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, as established by the Group's Tax Department, is the subject of quarterly monitoring approved by the Consolidation and Financial Reporting Department and the group's Chief Financial Officer. The Tax Department also acts as an advisor to the subsidiaries and ensures the defense of these entities' interests with respect to local tax authorities.



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- *Litigation:* major disputes and investigations are monitored directly or coordinated by the office of the General Counsel and by the Legal Department. The preparation of the litigation report of Vivendi and its business units is monitored by the office of 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 on a regular basis by the General Counsel of the main ongoing litigations.

4.3. Perspectives

In 2008, the Vivendi group will promote and encourage its business units in their objective to improve their internal control procedures.

Paris, February 28, 2008
 Jean-René Fourtou
 Chairman of the Supervisory Board



Section 5

Statutory Auditors' Report prepared in Accordance with Article L. 225-235 of French Company Law (Code de commerce), on the Report prepared by the Chairman of the Supervisory Board of Vivendi, on the Internal Control Procedures Relating to the Preparation and Processing of Financial and Accounting Information - Fiscal Year 2007

To the Shareholders,

In our capacity as Statutory Auditors of Vivendi and in accordance with Article L. 225-235 of the French Company Law (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with Article L. 225-68 of the French Company Law (*Code de commerce*) for the year ended December 31, 2007.

It is the Chairman's responsibility to describe in his report the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the company.

It is our responsibility to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

We conducted our work in accordance with the relevant French professional standard. This standard requires that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of French Company Law (*Code de commerce*).

Paris La Défense and Neuilly-sur-Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Benoît Lebrun

Marie Guillemot

Dominique Thouvenin

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Note: In accordance with European Commission Regulation (EC) 809/2004 (Article 28) which sets out the disclosure obligations for issuers of securities on a regulated market in the European Union (The “Prospectus Directive”), the following items are included as reference:

- the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2006, prepared under IFRS, and the related report of independent registered public accounting firms presented in pages 121 through 283, of the Document de référence No. D07-0240, filed with the French Autorité des Marchés Financiers (AMF) on March 28, 2007, and in pages 118 to 273 of the English translation of this Document de référence (“Annual Report”); and
- the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2005, prepared under IFRS, and the related report of independent registered public accounting firms presented in pages 117 through 286, of the Document de référence No. D06-0178, filed with the AMF on March 28, 2006, and in pages 117 to 285 of the English translation of this Document de référence, filed on Form 6-K with the SEC on May 31, 2006.



Selected Key Consolidated Financial Data

Consolidated data	Year Ended December 31,			
	2007	2006	2005	2004
Revenues	21,657	20,044	19,484	17,883
EBITA (a)	4,721	4,370	3,985	3,504
Earnings attributable to equity holders of the Parent	2,625	4,033	3,154	3,767
Adjusted net income (a)	2,832	2,614	2,218	1,498
Financial Net Debt (a)	5,186	4,344	3,768	4,724
Equity	22,242	21,864	21,608	18,092
o/w attributable to equity holders of the Parent	20,342	19,912	18,769	15,449
Cash flow from operations (CFFO) (a)	4,881	4,466	4,157	4,354
Capital expenditures, net (capex, net) (b)	1,626	1,645	1,291	1,004
Financial investments	846	3,881	1,481	394
Financial divestments	(456)	(1,801)	(155)	(5,264)
Dividends paid relating to previous fiscal year	1,387	1,152	689	-
Per share amounts				
Weighted average number of shares outstanding	1,160.2	1,153.4	1,149.6	(c) 1,144.4
Adjusted net income per share	2.44	2.27	1.93	1.31
Number of shares outstanding at the end of the period (excluding treasury shares)	1,164.7	1,155.7	1,151.0	(c) 1,144.9
Equity per share, attributable to equity holders of the Parent	17.47	17.23	16.31	13.49
Dividends per share relating to previous fiscal year	1.20	1.00	0.60	0.00

In millions of euros, number of shares in millions, data per share in euros.

- (a) Vivendi considers that the non-GAAP measures EBITA, Adjusted net income, Financial Net Debt, and Cash flow from operations (CFFO) are relevant indicators of the group's operating and financial performance. Each of the indicators is defined in the appropriate section of the Financial Report or in the notes to the Consolidated Financial Statements for the year ended December 31, 2007. These indicators should be considered in addition to, not as a substitute for, other GAAP measures of operating and financial performances as presented in the Consolidated Financial Statements and the related notes or described in the Financial Report. Moreover, it should be emphasized that other companies may define and calculate these indicators differently than Vivendi, thereby affecting comparability.
- (b) Capex, net consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets.
- (c) Includes shares to be issued under notes mandatory redeemable for new Vivendi shares which matured in November 2005.



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Important notice: readers are strongly advised to read the important disclaimers at the end of this Financial Report.



Preliminary Comments

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

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

Summary of the 2007, 2006 and 2005 Main Developments

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

Over this three year period, Vivendi achieved the following:

2007

- On January 4th, Canal+ Group and TPS combined their pay-TV activities in France.
- On February 9th, Maroc Telecom acquired a 51% stake in Gabon Telecom.
- In April, Vivendi paid a dividend amounting to €1.20 per share for fiscal year 2006, representing a total distribution of €1,387 million.
- On May 25th, UMG acquired BMG Music Publishing.
- On July 20th, SFR acquired the fixed telephony and broadband activities of Tele2 France.
- On August 2nd, UMG consolidated Sanctuary Group Plc, an artists services group.
- On December 1st, the agreement to combine Vivendi Games with Activision to create Activision Blizzard was signed.
- On December 7th, Vivendi acquired a 2% stake in Maroc Telecom, increasing its stake from 51% to 53%.
- On December 20th, SFR announced the proposed take over of Neuf Cegetel.

2006

- On February 7th, Vivendi acquired the approximate 7.7% interest held by Matsushita Electric Industrial Co, Ltd. in Universal Studios Holding I Corp., the subsidiary that principally held 100% of UMG and 20% of NBC Universal. Vivendi's North American organizational structure was thereafter simplified.
- In May, Vivendi paid a dividend amounting to €1.00 per share for fiscal year 2005, representing a total distribution of €1,152 million.
- During the second and third quarters, SFR increased its stake in Neuf Cegetel to approximately 40%. Neuf Cegetel shares have been trading on the Eurolist of Euronext Paris SA since October 24, 2006.
- At the beginning of June, Vivendi signed an agreement with the United States Internal Revenue Service (IRS) to terminate their dispute concerning the amount of tax due on the redemption by DuPont of certain of its shares held by Seagram in April 1995.
- On July 6th, Vivendi sold its residual 5.3% stake in Veolia Environnement.
- On August 3rd, Vivendi terminated its deposit agreement with The Bank of New York relating to its American Depositary Receipts (ADRs). At the end of October, Vivendi terminated its reporting obligations under the U.S. Securities Exchange Act of 1934.
- On December 14th, Vivendi amended its agreement with General Electric Company regarding certain liquidity rights with respect to Vivendi's stake in NBC Universal.
- On December 29th, Maroc Telecom acquired a 51% stake in Onatel (Burkina Faso).

2005

- On January 4th, Vivendi completed the acquisition of an additional 16% stake in Maroc Telecom to reach 51%, perpetuating the majority control it had acquired following the privatization of Maroc Telecom at the beginning of 2001.
- In May, Vivendi paid a dividend amounting to €0.60 per share for fiscal year 2004, representing a total distribution of €689 million.



Summary of the 2007, 2006 and 2005 Main Developments

- On June 7th, NBC Universal acquired InterActiveCorp (IACI)'s minority interest in Vivendi Universal Entertainment (VUE) and an agreement was reached regarding the tax dispute between Vivendi and IACI.
- On August 22nd, Cegetel and Neuf Telecom (in which SFR held a 28.2% equity interest at that date) completed their combination creating Neuf Cegetel.

2008 Events

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

In 2008, the priority aim of Vivendi will be to complete the combination of Vivendi Games with Activision in order to create Activision Blizzard and the proposed takeover of Neuf Cegetel by SFR, as described in Paragraph 1.3 of this Financial Report.

Section 1

Main Developments

1.1. Main Developments in 2007

1.1.1. Acquisitions/Divestitures of Consolidated Companies

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

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

Consolidation of Onatel (Burkina Faso) by Maroc Telecom

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

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

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

Acquisition of BMG Music Publishing by UMG

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

On February 25, 2008, UMG completed the sale of certain music publishing catalogs, including Rondor UK, Zomba UK, 19 Music, 19 Songs and BBC Catalog, to CP Masters BV and ABP, thus complying with the European Commission mandated conditions of the BMG Music Publishing acquisition by UMG.

Please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2007.



Section 1

Main Developments

Acquisition of the fixed telephony and broadband activities of Tele2 France by SFR

On October 2, 2006, SFR signed an agreement with the Tele2 AB Group to acquire all of fixed telephony and broadband activities of Tele2 France. The acquisition was completed on July 20, 2007, for an enterprise value (on a cash and debt free basis) of €345 million. This transaction resulted in an increase of €315 million in Financial Net Debt, considering the net cash acquired from Tele2 France. Tele2 France, which had 350,000 broadband customers and 2.3 million fixed-line customers as of the acquisition date, reported revenues of approximately €225 million for the first half of 2007. Please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2007.

Acquisition of Sanctuary Group Plc. by UMG

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

Acquisition of a 2% stake in Maroc Telecom by Vivendi

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

1.1.2. Risk Management of Retirement Pension Obligations

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

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

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

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

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

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



Section 1

Main Developments

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

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

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

- a positive impact of +€22 million on EBITA in 2007 (compared to +€56 million in 2006);
- the purchase of insurance policies in the United States and Canada for -€356 million in 2007, financed by pension fund assets of €351 million and by a net cash contribution from Vivendi of €5 million (compared to -€78 million in 2006); and
- the decrease in the provision for pensions in the amount of -€29 million in 2007, following a decline of -€228 million in 2006.

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

1.1.3. Completion of Withdrawal from the Real Estate Business

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

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

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

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

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



Section 1

Main Developments

1.1.4. Others

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

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

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

1.2. Main Developments since December 31, 2007

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

- planned acquisition of Kinowelt by StudioCanal: please refer to Note 29 of the Consolidated Financial Statements for the year ended December 31, 2007;
- Vivendi obtained a new syndicated loan; please refer to section 5.3.1 of this report;
- results of the Ligue1 Soccer bidding process: please refer to Note 29 of the Consolidated Financial Statements for the year ended December 31, 2007; and
- sales of certain music publishing catalogs by UMG in connection with the European Commission mandated conditions of the BMG Music Publishing acquisition: please refer to section 1.1.1 of this report.

1.3. Transactions underway as of December 31, 2007

1.3.1. Creation Project of Activision Blizzard

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

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

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at \$27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first \$2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the \$1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount up to \$700 million, and (c) if the aggregate tender offer consideration exceeds \$3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.



Section 1

Main Developments

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

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

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

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

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

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

1.3.2. Proposed take over of Neuf Cegetel by SFR

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

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

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

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



Section 2

Statement of Earnings Analysis

2.1. Consolidated Earnings and Consolidated Adjusted Net Income

(in millions of euros, except per share amounts)	Consolidated Statement of Earnings		Adjusted Statement of Earnings		
	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2006	
Revenues	21,657	20,044	21,657	20,044	Revenues
Cost of revenues	(9,876)	(9,636)	(9,876)	(9,636)	Cost of revenues
Margin from operations	11,781	10,408	11,781	10,408	Margin from operations
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(6,901)	(6,043)	(6,901)	(6,043)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations
Restructuring charges and other operating charges and income	(159)	5	(159)	5	Restructuring charges and other operating charges and income
Amortization of intangible assets acquired through business combinations	(301)	(223)			
Impairment losses of intangible assets acquired through business combinations	(34)	-			
EBIT	4,386	4,147	4,721	4,370	EBITA
Income from equity affiliates	373	337	373	337	Income from equity affiliates
Interest	(166)	(203)	(166)	(203)	Interest
Income from investments	6	54	6	54	Income from investments
Other financial charges and income	(83)	311			
Earnings from continuing operations before provision for income taxes	4,516	4,646	4,934	4,558	Adjusted earnings from continuing operations before provision for income taxes
Provision for income taxes	(747)	547	(881)	(777)	Provision for income taxes
Earnings from continuing operations	3,769	5,193			
Earnings from discontinued operations	-	-			
Earnings	3,769	5,193	4,053	3,781	Adjusted net income before minority interests
<i>Attributable to:</i>					<i>Attributable to:</i>
Equity holders of the parent	2,625	4,033	2,832	2,614	Adjusted net income
Minority interests	1,144	1,160	1,221	1,167	Minority interests
Earnings, attributable to equity holders of the parent per share - basic (in euros)	2.26	3.50	2.44	2.27	Adjusted net income per share - basic (in euros)
Earnings, attributable to equity holders of the parent per share - diluted (in euros)	2.25	3.47	2.43	2.25	Adjusted net income per share - diluted (in euros)

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

2.2. 2007 and 2006 Earnings Review

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

In 2007, **earnings attributable to equity holders of the parent** totaled €2,625 million (representing earnings per share of €2.26), compared to earnings of €4,033 million in 2006 (representing earnings per share of €3.50), a decrease of €1,408 million (-34.9%). This decrease results from the positive impact of certain non-recurring items in 2006 which mainly included the gain resulting from the settlement of the tax dispute concerning the DuPont shares (+€984 million), the capital gain generated on the sale of the Veolia Environnement shares (+€832 million) and the capital loss incurred on the PTC



Section 2

Statement of Earnings Analysis

shares (-€496 million). The reconciliation of earnings attributable to equity holders of the parent with adjusted net income is presented in Note 7 to the Consolidated Financial Statements for the year ended December 31, 2007.

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

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

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

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

Breakdown of the main items from the statement of earnings

Revenues amounted to €21,657 million (compared to €20,044 million in 2006), an increase of €1,613 million (+8.0%, representing +9.7% at constant currency). For a breakdown of revenues by business segment, please refer to Section 4 "Business Segment Performance Analysis".

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

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

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

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

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

EBITA totaled €4,721 million (compared to €4,370 million in 2006), representing an increase of €351 million (+8.0%, representing +9.1% at constant currency). For a breakdown of EBITA by business segment, please refer to Section 4 "Business Segment Performance Analysis".

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



Section 2

Statement of Earnings Analysis

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

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

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

Interest amounted to €166 million (compared to €203 million in 2006), representing an improvement of €37 million. This improvement reflected the increase in interest income generated by cash and cash equivalents (+€30 million), offset by the increase of interest expense incurred on borrowings (-€15 million). Interest expense on borrowings rose due to the increase in average outstanding borrowings (€7.2 billion for 2007 (compared to €6.7 billion for 2006), calculated on a daily basis), despite the relative stability in the average financing rate over the period (4.18% for 2007, compared to 4.20% for 2006). Furthermore, between January 1 and May 25, 2007, the capitalization of interest relating to the acquisition of BMG Publishing amounted to €25 million. For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2007.

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

Other financial charges and income generated a net charge of €83 million (compared to a net income of €311 million in 2006), an unfavorable difference of €394 million. In 2007, this line item mainly included the dilution gain resulting from the entry of Lagardère into the share capital of Canal+ France (+€239 million, in addition to the dilution gain of €128 million recorded in the fourth quarter of 2006; please refer to Paragraph 1.1.1 of this Financial Report), notably offset by the write-off of the minority stake in Amp'd (-€65 million), as well as the undiscounting effect of long term liabilities (-€75 million). In 2006, this line item principally included capital gains generated on the sales of Veolia Environnement shares (+€832 million), Sogecable shares (+€66 million) and the residual 20% stake in Ypso (+€56 million), partly offset by the capital losses incurred on the PTC shares (-€496 million) and on the sale of the DuPont shares (-€98 million), as well as by the additional provision recognized in connection with the vendor warranties given as part of the sale of Xfera in 2003 (-€54 million). Please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2007.

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

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



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, not as substitutes for, other GAAP measures as reported in Vivendi's cash flow statement, presented within the group's Consolidated Financial Statements.

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

Cash flows from operations (CFFO) generated by businesses totaled €4,881 million (compared to €4,466 million in 2006), an increase of €415 million (+9.3%). This improvement reflects the increase in EBITDA (after changes in net working capital) and dividends received from NBC Universal and Neuf Cegetel, as well as the control of capital expenditures, which decreased slightly to €1,626 million (compared to €1,645 million in 2006), partially offset by the increase in content investments and by restructuring costs amounting to €99 million (compared to €48 million). In addition, in 2007, the CFFO included the repayment of tax payments previously made by Vivendi SA following the settlement in Vivendi's favor of the litigation instigated by it concerning its right to deduct VAT (+€50 million). Furthermore, in 2006, the CFFO was impacted by the payment made for the transfer of certain US pension plans by Holding & Corporate (€152 million), partially offset by the recovery of a cash deposit by UMG with respect to the TVT litigation (+€50 million).



Section 3

Cash Flow from Operations Analysis

(in millions of euros)	Year ended December 31,		
	2007	2006	% change
Revenues	21,657	20,044	8%
Operating expenses excluding depreciation and amortization	(15,375)	(14,306)	-7%
EBITDA	6,282	5,738	9%
Restructuring charges paid	(99)	(48)	-106%
Content investments, net	(97)	(111)	13%
<i>o/w payments to artists and repertoire owners, net at UMG</i>			
<i>payment to artists and repertoire owners</i>	(638)	(620)	-3%
<i>recoupment of advances and other movements</i>	605	601	1%
	(33)	(19)	-74%
<i>o/w film and television rights, net at the Canal+ Group</i>			
<i>acquisition of film and television rights</i>	(676)	(599)	-13%
<i>consumption of film and television rights</i>	719	581	24%
	43	(18)	na*
<i>o/w sports rights, net at the Canal+ Group</i>			
<i>acquisition of sports rights</i>	(785)	(683)	-15%
<i>consumption of sports rights</i>	727	717	1%
	(58)	34	na*
<i>o/w advances to games' developers, net at Vivendi Games</i>			
<i>payment of advances</i>	(58)	(63)	8%
<i>recoupment of advances</i>	19	62	-69%
	(39)	(1)	na*
Neutralization of change in provisions included in EBITDA	19	158	-88%
Other cash operating items excluded from EBITDA	41	2	na*
Other changes in net working capital	20	67	-70%
Net cash provided by operating activities before income tax paid (a)	6,166	5,806	6%
Dividends received from equity affiliates (b)	340	271	25%
<i>o/w NBC Universal</i>	305	262	16%
Dividends received from unconsolidated companies (b)	1	34	-97%
Capital expenditures, net (capex, net) (c)	(1,626)	(1,645)	1%
<i>o/w SFR</i>	(1,020)	(1,133)	10%
<i>o/w Maroc Telecom</i>	(363)	(255)	-42%
Cash flow from operations (CFFO)	4,881	4,466	9%
Interest paid (d)	(191)	(206)	7%
Other cash items related to financial activities (d)	(24)	33	na*
<i>Cash impact of currency hedging</i>	(14)	59	na*
Financial activities cash payments	(215)	(173)	-24%
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System	603	505	19%
Income tax paid with respect to DuPont settlement with IRS (June)	-	(521)	na*
Other taxes paid	(1,675)	(1,365)	-23%
Income tax (paid)/collected (a)	(1,072)	(1,381)	22%
Cash flow from operations after interest and income tax paid (CFAIT)	3,594	2,912	23%

*na: not applicable.

(a) As presented in operating activities of Vivendi's Statement of Cash Flows (please refer to Section 5.2).

(b) As presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.2).

(c) Consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets as presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.2).

(d) As presented in financing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.2).



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,			
	2007	2006	% change	% change at constant rate
Revenues				
Universal Music Group	(a) 4,870	4,955	-1.7%	3.0%
Canal+ Group	(b) 4,363	3,630	20.2%	20.0%
SFR	9,018	8,678	3.9%	3.9%
Maroc Telecom	2,456	2,053	19.6%	21.8%
Vivendi Games	1,018	804	26.6%	33.5%
Non core operations and others, and elimination of inter segment transactions	(68)	(76)	10.5%	10.5%
Total Vivendi	21,657	20,044	8.0%	9.7%
EBITA				
Universal Music Group	624	744	-16.1%	-12.9%
Canal+ Group	400	75	x5.3	x5.3
SFR	2,517	2,583	-2.6%	-2.6%
Maroc Telecom	1,091	912	19.6%	22.0%
Vivendi Games	181	115	57.4%	59.7%
Holding & Corporate	(81)	(113)	28.3%	27.4%
Non core operations and others	(11)	54	na*	na*
Total Vivendi	4,721	4,370	8.0%	9.1%
Cash flow from operations (CFFO)				
Universal Music Group	559	720	-22.4%	
Canal+ Group	317	261	21.5%	
NBC Universal dividends	305	262	16.4%	
SFR	2,551	2,430	5.0%	
Maroc Telecom	1,001	943	6.2%	
Vivendi Games	283	115	146.1%	
Holding & Corporate	(123)	(279)	55.9%	
Non core operations and others	(12)	14	na*	
Total Vivendi	4,881	4,466	9.3%	

*na: not applicable.

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

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



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,			
	2007	2006	% change	% change at constant currency
Revenues				
North America	1,830	2,119	-13.6%	-5.9%
Europe	1,802	1,837	-1.9%	-1.7%
Asia	426	436	-2.3%	7.3%
Rest of the world	195	192	1.6%	2.3%
Recorded Music	(a) 4,253	4,584	-7.2%	-2.6%
Artist Services	(a) 66	8	x8.3	x8.7
Publishing	(b) 589	406	45.1%	51.0%
Elimination of intercompany transactions	(38)	(43)	11.6%	5.4%
Total UMG	4,870	4,955	-1.7%	3.0%
EBITA	(c) 624	744	-16.1%	-12.9%
EBITA/Revenues (%)	12.8%	15.0%	-2.2 pts	
EBITDA	735	811	-9.4%	-5.8%
Cash flow from operations (CFFO)	559	720	-22.4%	

Best-selling titles (physical units sold, in millions)

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

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

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

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



Section 4

Business Segment Performance Analysis

Revenues

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

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

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

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

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

EBITA

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

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

Cash flow from operations (CFFO)

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



Section 4

Business Segment Performance Analysis

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,		
	2007	2006	% change
Revenues			
Pay-TV in France (a)	3,747	3,001	24.9%
Other core operations (b)	616	592	4.1%
Other (c)	-	37	na*
Total Canal+ Group	4,363	3,630	20.2%
EBITA, excluding transaction costs related to the combination with TPS	490	252	94.4%
Transaction costs related to the combination with TPS	(90)	(177)	49.2%
EBITA	400	75	x5.3
EBITA/Revenues (%)	9.2%	2.1%	+7.1 pts
EBITDA	628	239	x2.6
Cash flow from operations (CFFO)	317	261	21.5%
Subscriptions (in thousands)			
Analog	1,432	1,902	-24.7%
Digital	3,119	2,612	19.4%
Individual subscribers	4,551	4,514	0.8%
Collective	440	425	3.5%
Overseas (individual and collective)	215	198	8.6%
Africa (individual and collective)	114	101	12.9%
Total Canal+ (premium channel)	5,320	5,238	1.6%
CanalSat	(d) 5,224	3,581	45.9%
Total subscriptions in France	10,544	8,819	19.6%

*na: not applicable

- (a) Revenues of the French pay-TV division include those of Canal+ France, which includes all the activities of Group Canal+ in France except Canal+ Régie and i>Télé. It notably includes TPS, consolidated by Canal+ France as of January 4, 2007, when Vivendi and Canal+ Group gained control of TPS. For information, TPS' revenues and EBITA amounted to €596 million and €1 million for the year 2006, respectively.
- (b) Other core operations corresponds to cinema activities, pay-TV activities in Poland (Cyfra+), Canal+ Régie and i>Télé.
- (c) "Other" includes companies that have been sold, mainly PSG (until June 2006).
- (d) Includes TPS subscriptions in 2007. As of December 31, 2006, TPS reached more than 1.44 million subscriptions.



Section 4

Business Segment Performance Analysis

Revenues

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

Pay-TV in France

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

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

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

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

Other core operations

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

EBITA

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

Pay-TV in France

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

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

Other core operations

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

Cash flow from operations (CFFO)

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



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Business Segment Performance Analysis

4.2.3. SFR (56% Vivendi Economic Interest)

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

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

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

(b) Source: Arcep.

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

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



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Business Segment Performance Analysis

Revenues

For the full year 2007, SFR's revenues increased by 3.9% to €9,018 million compared to 2006.

Mobile revenues increased by 1.6% to € 8,785 million compared to 2006. Mobile service revenues increased by 0.9% to €8,382 million.

The favorable effects of an increase in the customer base along with growth in "voice" and "data" usage and the Enterprise segment dynamism were largely offset by strong cuts on mobile voice termination rates (21%) as of January 1, 2007, and on SMS termination rates (30%) as of mid-September 2006. SFR's ARPU decreased by 3.3% to €440 at the end of December 2007 (versus €455 at the end of December 2006). Excluding the impacts of regulated tariff cuts, SFR mobile service revenues would have increased by 4.4%.

In 2007, SFR added 883,000 net new customers, taking its registered customer base to 18.766 million, a 4.9% increase versus last year. The contract customer base grew by 5.8% year-on-year to 12.294 million (676,000 net additions), leading to an improved customer mix of 0.5 percentage point in one year.

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

- SFR number one in network quality in 2007 Arcep survey for the fourth consecutive year¹;
- SFR leader in 3G/3G+ customer number with 4.1 million customers at the end of December 2007, compared to 2.7 million at the end of December 2006;
- Successful mobile Internet access offers with "Illimythics" launched in November 2007 and selected by more than 250,000 customers (more than 175,000 customers at the end of 2007) and more than 40,000 3G+ USB modems for laptops sold since July 2007; and
- Successful "Happy Zone" offer with more than 400,000 "Happy Zone" customers at the end of the year.

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

Fixed and ADSL revenues reached €233 million, mainly reflecting the integration of Tele2 France since July 20, 2007. In total, SFR had 415,000 ADSL customers and 2.036 million fixed voice customers at the end of December 2007.

EBITA

SFR's mobile EBITDA increased by €14 million to €3,476 million. This increase was achieved due to a 0.9% increase in mobile service revenues and the strong control of other costs. It was, however, offset by a 2.1 percentage point increase in customer acquisition and retention costs to 12.8% of mobile service revenues (due to higher volumes of post-paid recruitments and retention initiatives and to the penetration of 3G devices among SFR's customers). Mobile depreciation costs increased by €31 million following years of investment at very high levels, in particular in the deployment of 2G and 3G/3G+ networks. SFR's fixed and ADSL EBITDA was -€45 million, and EBITA was -€64 million, reflecting the launch of SFR ADSL and the integration of Tele2 France operations.

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

Cash flow from operations (CFFO)

Cash flows from operations amounted to €2,551 million, representing a 5.0% increase compared to 2006. This increase was mainly due to mobile EBITDA growth (+€14 million at €3,476 million) and the decrease in mobile net capital expenditure (-€170 million, i.e., -15.2% at €949 million) and was achieved despite the launch of SFR ADSL and the integration of Tele2 France operations.

1. SFR was rated first or first placed equal on 30 out of 32 criteria measured by Arcep.



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Business Segment Performance Analysis

2. Since the agreement between Vivendi and Moroccan Caisse de Dépôt et de Gestion (CDG), Vivendi increased its stake in Maroc Telecom from 51% to 53% in December 2007. Please report to Section 1.1.1.

4.2.4. Maroc Telecom (53% Vivendi Economic Interest²)

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

- (a) Revenues linked to incoming international traffic towards Maroc Telecom mobile and to outgoing international traffic from Maroc Telecom mobile has been directly accounted for in mobile operations since January 1, 2007, whereas it was previously accounted for as transit revenue in fixed and Internet operations. Information provided for 2006 is consistent. This has no impact on Maroc Telecom's global net revenues.
- (b) Includes Onatel, consolidated since January 1, 2007 and Gabon Telecom, consolidated since March 1, 2007. Gabon Telecom accounts have not been restated according to the IFRS Standards, and will be in the first quarter 2008. For information, Onatel's and Gabon Telecom's aggregate revenues and EBITA amounted to €209 million and -€10 million in 2006, respectively.
- (c) The customer base is calculated as the sum of prepaid customers giving or receiving a voice call during the last three months and the number of active postpaid customers.
- (d) ARPU (Average Revenue Per User) is defined as revenues (from incoming and outgoing calls and data services), net of promotions, excluding roaming revenues and equipment sales, divided by the average customer base over the period.
- (e) Excludes Internet customers.
- (f) Includes "Téléboutique" lines and Maroc Telecom's public phones.



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3. Constant perimeter illustrates the full consolidation of Onatel and Gabon Telecom as if these transactions had occurred at the beginning of 2006 for Onatel and on March 1, 2006 for Gabon Telecom. Moreover, 2006 comparables of Onatel and Gabon Telecom have been restated of exceptional items and have been settled according to comparable accounting methods of those used for the 2007 closing.

Revenues

For the full year 2007, Maroc Telecom's revenues increased by 19.6% to €2,456 million compared to 2006 (+10.5% at constant currency and at constant perimeter³).

Mobile revenues

Mobile revenues grew by 27.3% to €1,721 million compared to 2006 (+21.4% at constant currency and at constant perimeter). Despite increased competition, the customer base experienced strong growth and reached 13,327 million customers, a 24.5% increase compared to December 2006 (or a net increase of 2,620 million customers over the year 2007), driving the sharp evolution of mobile revenue.

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

Fixed and Internet revenues

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

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

EBITA

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

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

Mobile EBITA increased by 29.9% to €853 million compared to 2006 (+31.0% at constant currency and constant perimeter).

Mobile activity evolution was driven by strong revenue growth (+21.4% at constant currency and constant perimeter) and by controlling costs in the context of sustainable mobile customer base growth. Fixed and Internet EBITA decreased by 6.5% to €239 million compared to 2006 (+2.1% at constant currency and constant perimeter).

Cash flow from operations (CFFO)

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



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Business Segment Performance Analysis

4.2.5. Vivendi Games (100% Vivendi Economic Interest)

(in millions of euros, except for margins)	Year ended December 31,			
	2007	2006	% change	% change at constant currency
Revenues	1,018	804	26.6%	33.5%
EBITA	181	115	57.4%	59.7%
EBITA/Revenues (%)	17.8%	14.3%	+3.5 pts	
EBITDA	234	155	51.0%	55.1%
Cash flow from operations (CFFO)	283	115	146.1%	
% sales				
Online games	77%	61%		
PC	6%	8%		
Console	15%	31%		
Other	2%	ns*		
Breakdown of revenues by geographical area				
North America	47%	51%		
Europe	41%	35%		
Asia Pacific and rest of the world	12%	14%		
Best-selling titles	<i>World of Warcraft</i>	<i>World of Warcraft</i>		
	<i>World of Warcraft: The Burning Crusade</i>	<i>Scarface</i>		
	<i>Crash of the Titans</i>	<i>Ice Age 2</i>		
	<i>Spyro: The Eternal Night</i>	<i>Eragon</i>		
	<i>F.E.A.R.</i>	<i>The Legend of Spyro</i>		
	<i>Timeshift</i>	<i>F.E.A.R.</i>		
	<i>World in Conflict</i>	<i>50 Cent: Bulletproof</i>		

*ns: not significant.



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Business Segment Performance Analysis

Revenues

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

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

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

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

EBITA

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

Blizzard Entertainment's EBITA⁴ reached €345 million, a 37% increase compared to 2006. Development costs at Sierra Entertainment, Vivendi Games Mobile and Sierra Online created an overall negative impact⁴ of €80 million.

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

Cash flow from operations (CFFO)

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

4. Excluding allocation of group costs to the different divisions (€84 million) (which include commercialization and support services).



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Business Segment Performance Analysis

4.2.6. Holding & Corporate

(in millions of euros)	Year ended December 31,	
	2007	2006
EBITA	(81)	(113)
Cash flow from operations (CFFO)	(123)	(279)

EBITA

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

Cash flow from operations (CFFO)

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

4.2.7. Non Core Operations and Others

(in millions of euros)	Year ended December 31,	
	2007	2006
Revenues		
Non core operations and others	11	29
Elimination of inter segment transactions	(79)	(105)
Total revenues	(68)	(76)
EBITA	(11)	54
Cash flow from operations (CFFO)	(12)	14

Revenues

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

EBITA

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



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 to users of financial statements as it provides a basis for assessing Vivendi's ability to generate sufficient cash for its operations as well as its ability to use such cash. The Statement of Cash Flows, when used in conjunction with the other financial statements, provides information that enables users to assess changes in the group's net assets and its financial structure (including its liquidity and solvency). The Statement of Cash Flows reports cash flows resulting from operating, investing and financing activities. The analysis of Vivendi's financial position is also based on an analysis of the main characteristics of the group's financing activities (maturity, rating, financial covenants, etc.). This analysis consists of the following elements:

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

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

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

Preliminary comments:

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



Section 5

Treasury and Capital Resources

51. Financial Net Debt changes

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

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

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

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

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

- Net cash used during the period amounted to €351 million, reflecting net cash provided by operating activities in the amount of €5,094 million, more than offset by net cash used for investing activities (€1,675 million, including €1,626 million due to capital expenditures, net, and €846 million due to financing investments, including Tél  2 France for €313 million, partially offset by divestment of €456 million), and net cash used for financing activities (€3,759 million, including the dividend paid by Vivendi SA to its shareholders in the amount of €1,387 million, the dividends paid by the consolidated subsidiaries to their minority shareholders amounting to €1,048 million and the repayment net of borrowings amounting to €1,046 million).
- Non-cash activities impacting Financial Net Debt amounted to €491 million. These mainly included the recognition of the put options granted to TF1 and M6 on their 15% interest in Canal+ France (€1,034 million - refer to section 1.1.1), the elimination of the cash received from Lagard  re (€469 million; see above table) that was deducted from Financial Net Debt as of December 31, 2006, the inclusion of the financial debt of recently acquired companies (€291 million), the impact of the early settlement of rental guarantees related to the last three buildings in Germany (€180 million, net of related cash deposits), and the net decrease in borrowings (€1,046 million).

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

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



Section 5

Treasury and Capital Resources

5.2. Analysis of Financial Net Debt changes

In 2007, the analysis of Financial Net Debt changes is presented as follows:

(in millions of euros)	Refer to section	Year Ended December 31, 2007		
		Impact on cash and cash equivalents	Impact on borrowings and other	Impact on Financial Net Debt
EBIT	2	(4,386)	-	(4,386)
Adjustments		(1,857)	-	(1,857)
Content investments, net		97	-	97
Gross cash provided by operating activities before income tax paid		(6,146)	-	(6,146)
Other changes in net working capital		(20)	-	(20)
Net cash provided by operating activities before income tax paid	3	(6,166)	-	(6,166)
Income tax paid	3	1,072	-	1,072
Operating activities	A	(5,094)	-	(5,094)
Financial investments				
Purchases of consolidated companies, after acquired cash	1.1	398	291	689
<i>o/w consolidation of TPS by Canal+ Group (January)</i>		(81)	17	(64)
<i>o/w consolidation of Onatel by Maroc Telecom (January)</i>		(6)	60	54
<i>o/w acquisition of Gabon Telecom by Maroc Telecom (February)</i>		26	80	106
<i>o/w acquisition of Tele2 France by SFR (July)</i>		313	2	315
<i>o/w acquisition of Sanctuary by UMG (August)</i>		56	107	163
Purchases of investments in equity affiliates		254	-	254
<i>o/w NBC Universal capital increase</i>		176	-	176
Increase in financial assets		194	(70)	124
Total financial investments		846	221	1,067
Financial divestments				
Proceeds from sales of consolidated companies, after divested cash		(304)	280	(24)
<i>o/w unwinding of the cash collateral related to the creation of Canal+ France (January)</i>	1.1	(469)	469	-
<i>o/w vendor warranty related to the divestiture of Xfera in 2003 (July)</i>		71	-	71
<i>o/w early settlement of rental guarantees related to the last three buildings in Germany (November)</i>	1.1.3	120	(180)	(60)
Sales of investments in equity affiliates		(23)	9	(14)
Decrease in financial assets		(129)	-	(129)
<i>o/w repayment of the advance paid to TF1 and M6 related to the creation of Canal+ France (January)</i>	1.1.1	(150)	-	(150)
Total financial divestments		(456)	289	(167)
Financial investment activities		390	510	900
Dividends received from equity affiliates	3	(340)	-	(340)
<i>o/w NBC Universal</i>		(305)	-	(305)
Dividends received from unconsolidated companies	3	(1)	-	(1)
Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, net		49	510	559
Capital expenditures		1,647	-	1,647
Proceeds from sales of property, plant, equipment and intangible assets		(21)	-	(21)
Capital expenditures, net	3	1,626	-	1,626
Investing activities	B	1,675	510	2,185

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 paid, income tax paid and capital expenditures, net, please refer to Section 3 "Cash Flows from Operations Analysis" above.



Section 5

Treasury and Capital Resources

Continued from previous page

(in millions of euros)	Refer to section	Year Ended December 31, 2007		
		Impact on cash and cash equivalents	Impact on borrowings and other	Impact on Financial Net Debt
Transaction with shareholders				
Net proceeds from issuance of common shares		(149)	-	(149)
<i>o/w exercise of stock options by executive management and employees</i>		(117)	-	(117)
<i>o/w capital increase subscribed by employees in connection with the stock purchase plan</i>		(31)	-	(31)
(Sales) purchases of treasury shares		212	-	212
<i>o/w acquisition to exchange for an additional 2% interest in Maroc Telecom</i>	1.1.1	214	-	214
Dividends paid by Vivendi SA, €1.20 per share (April)	1.1.4	1,387	-	1,387
Dividends paid by consolidated companies to their minority shareholders		1,048	-	1,048
<i>o/w SFR</i>		710	-	710
<i>o/w Maroc Telecom</i>		303	-	303
Total dividends and other transactions with shareholders		2,498	-	2,498
Transactions on borrowings and other financial liabilities				
Setting up of long-term borrowings and increase in other long-term financial liabilities		(758)	758	-
Principal payments on long-term borrowings and decrease in other financial liabilities		180	(180)	-
Principal payments on short-term borrowings		1,805	(1,805)	-
Other changes in short-term borrowings and other short-term financial liabilities		(181)	181	-
Non cash transactions		-	1,022	1,022
<i>o/w put options granted to TF1 and M6 on their interest in Canal+ France</i>	1.1.1	-	1,034	1,034
Interest paid	3	191	-	191
Other cash items related to financial activities	3	24	-	24
Total transactions on borrowings and other financial liabilities		1,261	(24)	1,237
Financing activities	C	3,759	(24)	3,735
Foreign currency translation adjustments	D	11	5	16
Change in Financial Net Debt	A+B+C+D	351	491	842

5.3. Main Financing Characteristics and Credit Ratings

5.3.1. Financing put into Place after December 31, 2007

On January 18, 2008, in anticipation of financing requirements resulting from the transactions involving Activision and Neuf Cegetel, Vivendi entered into a new €3.5 billion syndicated loan underwritten by a pool of banks. This new facility consists of 3 tranches:

- a €1.5 billion tranche under a bridging loan repayable with capital raised through a rights issue in the approximate same amount to be carried out upon completion of the acquisition of Neuf Cegetel. This credit line will be available following the approval by the authorities of merger control regulations regarding the acquisition of shares held by the Louis Dreyfus Group; and
- a €2 billion tranche under a "revolver" facility, half of which will be available during a three year period and the other half during a five year period. These credit lines should be available as of February 29, 2008.

5.3.2. Available Undrawn Facilities as of February 26, 2008

Vivendi SA

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

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

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



Section 5

Treasury and Capital Resources

SFR

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

5.3.3. Credit Ratings

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

Rating agency	Rating date	Type of debt	New ratings	Outlook
Standard & Poor's	July 27, 2005	Long-term <i>corporate</i>	BBB	} Stable
		Short-term <i>corporate</i>	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

5.3.4. Average Maturity

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

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

5.3.5. Description of Main Covenants

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

Loans

Regarding Vivendi, the two syndicated facilities (each in the amount of €2.0 billion, set up in April 2005 and in August 2006) contain customary provisions related to events of default and restrictions in terms of negative pledge and divestiture and merger transactions. In addition, Vivendi is required to maintain a ratio of Proportionate Financial Net Debt⁵ to proportionate EBITDA⁶ at a maximum of three for the duration of the loan.

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

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

5. Defined as Vivendi Financial Net Debt less the share of Financial Net Debt attributable to minority shareholders of SFR and Maroc Telecom.

6. Defined as Vivendi modified EBITDA less modified EBITDA attributable to minority shareholders of SFR and Maroc Telecom plus the dividends received from entities that are not consolidated.



Section 5

Treasury and Capital Resources

Bonds

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

5.3.6. Financial Net Debt of SFR and Maroc Telecom

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

As of December 31, 2007, Maroc Telecom's positive net cash position was €126 million (compared to €241 million as of December 31, 2006).

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 the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Vivendi's control, including, but not limited to, the risk that Vivendi will not be able to obtain the necessary approvals in connection with certain transactions as well as the risks described in the documents the group filed with the Autorité des Marchés Financiers (the French securities regulator) and which is also available in English on Vivendi's web site (www.vivendi.com). The present 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 such report and is provided for informational 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 control.



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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 general meetings, we have audited the accompanying consolidated financial statements of Vivendi for the year ended December 31, 2007.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion set out hereafter.

We certify that the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position as well as the results of operations of the group of individuals and entities included in the consolidation, in accordance with the IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to the matter discussed in note 1.3.4.2 to the financial statements which exposes the changes in presentation performed of some costs of Canal+ Group.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- In the context of our assessment of the accounting rules and principles used by your company, we verified that note 1.1 to the financial statements provides appropriate information concerning the accounting method your company maintained concerning the acquisition of an additional interest in a consolidated subsidiary and the commitments to purchase minority interests in its subsidiaries, as well as expected changes in accounting treatment when the revised standards IFRS 3 and IAS 27 will be endorsed by the EU.
- Your company does not consolidate its shareholding in PTC and in 2006 reduced to zero the value of these shares in the balance sheet due to the litigation related to this shareholding, as described in note 27 to the financial statements. Within the scope of our assessment of the accounting rules and principles used by your company, we have assessed the assumptions used and ensured the reasonableness of the approach used.
- On each closing date, your company systematically performs impairment tests of goodwill and assets with indefinite lives and also assess if there is an indication for any loss of value of other tangible and intangible assets, under the conditions indicated in note 1.3.5.6 to the financial statements. We examined the implementation conditions of these impairment tests and checked that note 1.3.5.6. gives the appropriate information.
- Your company reassessed the value of NBC Universal shares accounted for under the equity method under the conditions indicated in note 14 to the financial statements. We examined the valuation methods used by your company. Within the scope of our assessment of such methods, we assessed the assumptions used and ensured the reasonableness of the resulting valuations.
- Your company recognizes provisions to cover risks related to financial transactions undertaken, share-based compensation, pension commitments, litigation, taxes payable, tax risks and other risks, as described in notes 6, 19, 20, 21 and 27 to the financial statements. We assessed the methods used by your company, described in the notes, on the basis of information available to date, and carried out tests in order to verify their application through sampling. Within the scope of our assessment, we ensured the reasonableness of the resulting estimates.



Statutory Auditors' Report on the Consolidated Financial Statements

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion set out in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris La Défense and Neuilly sur Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Marie Guillemot Benoît Lebrun

Dominique Thouvenin

Partner

Partner

Partner



Consolidated Statement of Earnings

	Note	Year Ended December 31,	
		2007	2006
Revenues	4.1	21,657	20,044
Cost of revenues	4.1	(9,876)	(9,636)
Selling, general and administrative expenses		(7,202)	(6,266)
Restructuring charges and other operating charges and income		(159)	5
Impairment losses of intangible assets acquired through business combinations	4.4	(34)	-
Earnings before interest and income taxes (EBIT)		4,386	4,147
Income from equity affiliates	14	373	337
Interest	5	(166)	(203)
Income from investments		6	54
Other financial charges and income	5	(83)	311
Earnings from continuing operations before provision for income taxes		4,516	4,646
Provision for income taxes	6.3	(747)	547
Earnings from continuing operations		3,769	5,193
Earnings from discontinued operations		-	-
Earnings		3,769	5,193
<i>Attributable to:</i>			
Equity holders of the parent		2,625	4,033
Minority interests		1,144	1,160
Earnings from continuing operations, attributable to the equity holders of the parent per share - basic	8	2.26	3.50
Earnings from continuing operations, attributable to the equity holders of the parent per share - diluted	8	2.25	3.47
Earnings, attributable to the equity holders of the parent per share - basic	8	2.26	3.50
Earnings, attributable to the equity holders of the parent per share - diluted	8	2.25	3.47
Adjusted net income	8	2,832	2,614
Adjusted net income per share - basic	8	2.44	2.27
Adjusted net income per share - diluted	8	2.43	2.25

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 control.



Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2007	December 31, 2006
ASSETS			
Goodwill	9	15,427	13,068
Non-current content assets	10	3,127	2,120
Other intangible assets	11	2,772	2,262
Property, plant and equipment	12	4,675	4,379
Investments in equity affiliates	14	6,825	7,032
Non-current financial assets	15	1,215	3,164
Deferred tax assets	6	1,422	1,484
Non-current assets		35,463	33,509
Inventories		429	358
Current tax receivables	6	646	617
Current content assets	10	964	842
Trade accounts receivable and other	16	5,208	4,489
Short-term financial assets	15	187	833
Cash and cash equivalents	17	2,049	2,400
		9,483	9,539
Assets held for sale		133	-
Current assets		9,616	9,539
TOTAL ASSETS		45,079	43,048
EQUITY AND LIABILITIES			
Share capital		6,406	6,364
Additional paid-in capital		7,332	7,257
Treasury shares		(2)	(33)
Retained earnings and other		6,606	6,324
Equity, attributable to Vivendi SA's shareholders	18	20,342	19,912
Minority interests		1,900	1,952
Total equity		22,242	21,864
Non-current provisions	19	1,594	1,388
Long-term borrowings and other financial liabilities	22	5,610	4,714
Deferred tax liabilities	6	1,096	1,070
Other non-current liabilities	16	1,078	1,269
Non-current liabilities		9,378	8,441
Current provisions	19	705	398
Short-term borrowings and other financial liabilities	22	1,766	2,601
Trade accounts payable and other	16	10,784	9,297
Current tax payables	6	204	447
Current liabilities		13,459	12,743
Total liabilities		22,837	21,184
Contractual obligations and other commitments	26	-	-
TOTAL EQUITY AND LIABILITIES		45,079	43,048

The accompanying notes are an integral part of these Consolidated Financial Statements.



Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year Ended December 31,	
		2007	2006
Operating activities			
EBIT		4,386	4,147
Adjustments		1,857	1,703
<i>Including amortization and depreciation of tangible and intangible assets</i>	4.4	1,833	1,580
Content investments, net	10	(97)	(111)
Gross cash provided by operating activities before income tax paid		6,146	5,739
Other changes in net working capital	16	20	67
Net cash provided by operating activities before income tax paid		6,166	5,806
Income tax paid	6.4	(1,072)	(1,381)
Net cash provided by operating activities		5,094	4,425
Investing activities			
Capital expenditures		(1,647)	(1,690)
Purchases of consolidated companies, after acquired cash	2	(398)	(1,022)
Investments in equity affiliates	14	(254)	(724)
Increase in financial assets	15	(194)	(2,135)
Investments		(2,493)	(5,571)
Proceeds from sales of property, plant, equipment and intangible assets		21	45
Proceeds from sales of consolidated companies, after divested cash	2	304	7
Disposals of equity affiliates	14	23	42
Decrease in financial assets	15	129	1,752
Divestitures		477	1,846
Dividends received from equity affiliates	14	340	271
Dividends received from unconsolidated companies		1	34
Net cash provided by (used for) investing activities		(1,675)	(3,420)
Financing activities			
Net proceeds from issuance of common shares		149	60
Sales (purchases) of treasury shares	18	(212)	16
Dividends paid by Vivendi SA to its shareholders		(1,387)	(1,152)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders		(1,048)	(1,034)
Transactions with shareholders		(2,498)	(2,110)
Setting up of long-term borrowings and increase in other long-term financial liabilities	22	758	1,919
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	22	(180)	(576)
Principal payment on short-term borrowings	22	(1,805)	(723)
Other changes in short-term borrowings and other financial liabilities	22	181	178
Interest paid	5	(191)	(206)
Other cash items related to financial activities		(24)	39
Transactions on borrowings and other financial liabilities		(1,261)	631
Net cash provided by (used for) financing activities		(3,759)	(1,479)
Foreign currency translation adjustments		(11)	(28)
Change in cash and cash equivalents		(351)	(502)
Cash and cash equivalents			
At beginning of the period		2,400	2,902
At end of the period		2,049	2,400

The accompanying notes are an integral part of these Consolidated Financial Statements.

In 2007, investing and financing activities that do not have an impact on cash relate to the acquisition of a 2% stake in Maroc Telecom by means of an exchange of Vivendi shares (please report to Note 2.7). In 2006, they amounted to €21 million.



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
Capital increase in connection with the employee Share Purchase Plan (July 18, 2007)	21	1,276	6	25	-	-	-	-	-	31	-	31
Treasury shares cancellation	18.1	(1,300)	(7)	(24)	31	-	-	-	-	-	-	-
Other transactions with shareholders		-	-	-	-	62	-	-	62	62	-	62
Dividends and other transactions with Vivendi 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	18.3	-	-	-	-	2,627	38	(1,058)	1,607	1,607	1,128	2,735
Total changes over the period		7,709	42	75	31	1,302	38	(1,058)	282	430	(52)	378
BALANCE AS OF DECEMBER 31, 2007		1,164,743	6,406	7,332	(2)	(a) 9,209	134	(2,737)	6,606	20,342	(b) 1,900	22,242

The accompanying notes are an integral part of these Consolidated Financial Statements.

- (a) Mainly includes previous years' earnings which were not distributed and 2007 earnings attributable to equity holders of the parent.
- (b) Includes cumulative foreign currency translation adjustments of -€53 million.



Consolidated Statement of Changes in Equity

Year ended December 31, 2006

(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, 2005		1,153,477	6,344	6,939	(60)	5,349	899	(702)	5,546	18,769	2,839	21,608
Dividends paid by Vivendi SA (€1.0 per share)		-	-	-	-	(a) (1,152)	-	-	(1,152)	(1,152)	-	(1,152)
Termination of Vivendi Exchangeco shares		-	-	278	-	(278)	-	-	(278)	-	-	-
Other transaction with shareholders		3,557	20	40	27	(b) (14)	-	-	(14)	73	-	73
Dividends and other transactions with Vivendi SA shareholders		3,557	20	318	27	(1,444)	-	-	(1,444)	(1,079)	-	(1,079)
Acquisition of an additional 7.7% stake in USHI		-	-	-	-	-	-	-	-	-	(832)	(832)
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests		-	-	-	-	-	-	-	-	-	(1,232)	(1,232)
Other transactions with minority interests		-	-	-	-	-	-	-	-	-	22	22
Transactions with minority interests		-	-	-	-	-	-	-	-	-	(2,042)	(2,042)
Earnings		-	-	-	-	4,033	-	-	4,033	4,033	1,160	5,193
Charges and income directly recognized in equity		-	-	-	-	(31)	(803)	(977)	(1,811)	(1,811)	(5)	(1,816)
Total recognized charges and income for the period	18.3	-	-	-	-	4,002	(803)	(977)	2,222	2,222	1,155	3,377
Total changes over the period		3,557	20	318	27	2,558	(803)	(977)	778	1,143	(887)	256
BALANCE AS OF DECEMBER 31, 2006		1,157,034	6,364	7,257	(33)	7,907	96	(1,679)	6,324	19,912	(c) 1,952	21,864

The accompanying notes are an integral part of these Consolidated Financial Statements.

- (a) Includes €5 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).
- (b) Includes the counterpart of the share-based compensation cost related to equity-settled instruments for the period (€53 million) and the reclassification of the estimated value of the vested rights as of May 15, 2006, of the ADS option plans, converted into SAR plans, in liabilities, as non-current provisions (-€67 million). Please refer to Note 21 "Share-based compensation".
- (c) Includes cumulative foreign currency translation adjustments of -€36 million.



Notes to the Consolidated Financial Statements

Vivendi is a limited liability company (*société anonyme*) incorporated under French law, and subject to French commercial company legislation and, in particular, the French Commercial Code (Code de commerce). Vivendi was incorporated on December 18, 1987, for a term of 99 years expiring on December 17, 2086, except in the event of an early dissolution or unless extended. Its registered office is located at 42 avenue de Friedland 75008 Paris (France). Vivendi is listed on the Eurolist of NYSE - Euronext Paris SA (Compartment A).

Vivendi is a leader in digital entertainment with activities in music, TV, cinema, mobile, fixed and internet, and games.

The Consolidated Financial Statements reflect the financial and accounting situation of Vivendi and its subsidiaries (the "group"), together with interests in equity affiliates and joint ventures. They are reported in euros, and all values are rounded to the nearest million.

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

On April 24, 2008, the Consolidated Financial Statements for the year ended December 31, 2007 will be submitted for approval at Vivendi's Annual General Shareholders' meeting.

Note 1. Accounting Policies and Valuation Methods

1.1. Compliance with Accounting Standards

The Consolidated Financial Statements of Vivendi SA have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed in the European Union (EU) with a mandatory application as of December 31, 2007. These standards and interpretations applied to Vivendi's financial statements present no difference with the standards published by the International Accounting Standards Board (IASB).

In addition, Vivendi applied the following options in the preparation of its 2007 Consolidated Financial Statements and its 2006 comparative financial statements:

- in the event of the acquisition of an additional interest in a subsidiary, Vivendi recognizes the excess of the acquisition cost over the carrying amount of minority interests acquired as goodwill,
- in accordance with IAS 32, put options granted by Vivendi to holders of minority interests in its subsidiaries are reported as financial liabilities at the present value of the cost of acquisition. Vivendi accounts for as goodwill the difference arising on initial recognition of these options, between the carrying amount of the minority interests and the present value of the cost of acquisition. The subsequent change in this present value is also accounted for as goodwill representing the excess of the cost of acquisition over the fair value of purchased minority interests.

While the applied accounting treatment differs from that set out in the revised standards IFRS 3 and IAS 27, as published by the IASB on January 10, 2008, with a mandatory application on or after January 1, 2010, but not yet endorsed in the EU, it has been maintained in 2007 in order to apply a uniform and identical accounting treatment to the considered periods. The accounting treatment in the revised standards IFRS 3 and IAS 27, in the event of the acquisition of an additional interest in a subsidiary, will recognize the excess of the acquisition cost over the carrying amount of minority interests acquired, deducted from equity attributable to Vivendi SA shareholders.

Vivendi applied the following new standards and interpretations:

- IFRS 7 "Financial instruments: disclosures" and Amendment to IAS 1 "Presentation of financial statements: capital disclosures". On August 18, 2005, the IASB issued IFRS 7 "Financial instruments: disclosures" and an amendment to IAS 1 "Presentation of financial statements: capital disclosures". This standard and amendment, both of which were endorsed in the EU on January 11, 2006 and published in the Official Journal of the EU on January 27, 2006, are with mandatory application for periods beginning on or after January 1, 2007.

The objective of IFRS 7 is to bring together all disclosures relating to financial instruments in a new standard, after having redefined those disclosures currently required by IAS 32 - Financial instruments: disclosure and presentation, and IAS 39 - Financial instruments: recognition and measurement. Amendment to IAS 1 adds requirements for qualitative disclosures on the objectives, policies and processes of operations impacting capital and for quantitative data on what elements constitute a component of the share capital.



Notes to the Consolidated Financial Statements

- IFRIC 10 “Interim Financial Reporting and Impairment” endorsed in the EU on June 1, 2007 and published in the Official Journal of the EU on June 2, 2007. IFRIC 10 clarifies that impairment losses on goodwill and certain financial assets (“available for sale” equity investments and non-quoted equity instruments measured at cost) that are recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements.
- IFRIC 13 IAS18 “Interpretation” “Customer Loyalty Programmes” as published by the IFRIC but not yet endorsed by the EU. The accounting treatment applied by Vivendi is consistent with this interpretation and therefore its adoption has no impact on Vivendi’s Consolidated Financial Statements. This interpretation applies to the recognition of awards associated with loyalty programs and granted by SFR, Maroc Telecom and Canal+ Group to their customers in the form of free or discounted goods or services.
The IFRIC 13 “Interpretation” relies upon the principle of valuing loyalty awards at their fair value, defined as the excess price over the sales incentive that would be granted to any new customer, and, if any such excess price exists, results in deferring the revenue recognition associated with the subscription for the amount of this excess price. In the specific case of SFR, Maroc Telecom and Canal+ Group, the application of IFRIC 13 “Interpretation” leads to the following:
 - Whenever a loyalty award granted to an existing customer does not represent an excess price over the sales incentive that would be granted to a new customer at the inception date of a subscription or at the purchase of a package of goods and/or services, revenue recognition is not deferred; whenever an excess price exists, the corresponding deferred revenue associated with the subscription would be spread over its duration.
 - Whenever loyalty points are convertible into free services, the revenue corresponding to the value of those points is deferred and then recognized when the customer uses these points.

1.2. Presentation of the Consolidated Financial Statements

1.2.1. Presentation of the Consolidated Statement of Earnings

Pursuant to IAS 1, the main line items presented in the consolidated statement of earnings of Vivendi are revenues, income from equity affiliates, interest, provision for income taxes, earnings from discontinued operations and earnings.

The presentation of the consolidated statement of earnings now includes a subtotal known as “EBIT” which is the difference between charges and income that do not result from financing activities, equity affiliates, discontinued operations and taxes.

1.2.2. Presentation of the Consolidated Statement of Cash Flows

In accordance with IAS 7, the presentation of the consolidated statement of cash flows is as follows:

Net cash provided by operating activities

Net cash provided by operating activities is calculated using the indirect method based on EBIT. EBIT is adjusted for non-cash items and the change in net working capital. Net cash provided by operating activities excludes the cash impact of financial charges and income and the net change in working capital related to property, plant and equipment and intangible assets.

Net cash used for investing activities

Net cash used for investing activities includes the change in net working capital related to property, plant and equipment and intangible assets as well as the cash impact of income received from financial investments (particularly dividends received from equity affiliates).

Net cash used for financing activities

Net cash used for financing activities includes the net interest paid on borrowings and cash and cash equivalents, as well as the cash impact of other items related to financing activities such as premiums paid in connection with the early redemption of borrowings, the unwinding of derivative instruments and the cash impact of foreign currency hedging.



Notes to the Consolidated Financial Statements

1.2.3. Presentation of the Operating Performance by Business Segment and of the Group

EBITA

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Vivendi considers EBITA, a non-GAAP measure, as the key operating performance measure of the business units reported in the segment data. The method used in calculating EBITA therefore eliminates the accounting impact of the amortization of intangible assets acquired through business combinations. This enables the operating performance of the business segments to be measured on a comparable basis, regardless of whether their activity results from the company's internal growth or acquisitions and without the accounting impact of amortization with no cash impact. The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations and the impairment of goodwill and other intangibles acquired through business combinations that are included in EBIT.

Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the performance of continuing operations by excluding most non-recurring and non-operating items. Adjusted net income, includes the following items: EBITA (**), income from equity affiliates (*) (**), interest (*) (**), income from investments (**) and taxes and minority interests related to these items. It does not include the following items: impairment losses of goodwill and other intangibles acquired through business combinations (*) (**); the amortization of intangibles acquired through business combinations (**); other financial charges and income (*) (**); earnings from discontinued operations (**); provisions for income taxes and minority interests relating to these adjustments; and non-recurring tax items (notably the changes in deferred tax assets relating to the Consolidated Global Profit Tax System and the reversal of tax liabilities relating to risks extinguished over the period).

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.

(*) Items as presented in the consolidated statement of earnings.

(**) Items as reported by each business unit segment.

1.3. Principles Governing the Preparation of the Consolidated Financial Statements

Pursuant to IFRS accounting policies, the Consolidated Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below. The Consolidated Financial Statements include the financial statements of Vivendi and its subsidiaries after eliminating the main intragroup items and transactions.

Vivendi has a December 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 reasons and if the impact is not material, the date of the most recent Consolidated Statement of Financial Position.



Notes to the Consolidated Financial Statements

1.3.1. Use of Estimates

The preparation of Consolidated Financial Statements in compliance with IFRS requires group management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions by Vivendi Management, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of group assets, liabilities, equity or earnings.

The main estimates and assumptions relate to the measurement of:

- deferred taxes: estimates concerning the recognition of deferred tax assets, updated annually for factors such as the expected tax rate and the future tax results of the group (please refer to Notes 1.3.10 and 6);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a reassessment of the risk at any time (please refer to Notes 1.3.9 and 19);
- employee benefits: assumptions updated annually, such as the probability of employees remaining with the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.9 and 20);
- share-based compensation: assumptions updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.11 and 21);
- certain financial instruments: fair value estimates (please refer to Notes 1.3.7 and 23);
- revenue recognition: estimates of provisions for returns deducted from certain revenue items (please refer to Notes 1.3.4 and 4);
- goodwill: valuation methods adopted for the identification of intangible assets acquired via business combinations (please refer to Notes 1.3.5.1 and 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 (CGUs) determined by future cash flows and discount rates (please refer to Notes 1.3.5.6 and 9); and
- UMG and Vivendi Games content assets: estimates of the future performance of beneficiaries to whom advances recognized in the statement of financial position are granted (please refer to Notes 1.3.5.2 and 10).

1.3.2. Principles of Consolidation

A list of Vivendi's major subsidiaries, joint ventures and other associated entities is presented in Note 28 "Major consolidated entities".

Full consolidation

All companies in which Vivendi has a controlling interest, specifically those in which it has the power to govern the financial and operational policies to obtain benefit from their operations, are fully consolidated.

A controlling position is presumed to exist when Vivendi holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by Vivendi.

A controlling position also exists when Vivendi, holding an interest of 50% or less in an entity, has (i) control over more than 50% of the voting rights by virtue of an agreement with other investors, (ii) the power to govern the financial and operational policies of the entity by virtue of a statute or contract, (iii) the right to appoint or remove from office the majority of the members of the board of directors or other governing body, or (iv) the power to assemble the majority of voting rights at meetings of the board of directors or other governing body.

Vivendi consolidates special purpose entities that it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

Proportionate consolidation

Companies that are controlled jointly by Vivendi or another member of the group and a limited number of other shareholders under the terms of a contractual arrangement are proportionally consolidated.

Notes to the Consolidated Financial Statements

Equity accounting

Entities over which Vivendi exercises significant influence are accounted for under the equity method. Significant influence is presumed to exist when Vivendi holds, directly or indirectly, at least 20% of an entity's voting rights unless it can be clearly demonstrated otherwise. Significant influence can be demonstrated on the basis of other criteria, such as representation on the board of directors or the entity's equivalent governing body, participation in policy-making processes, material transactions with the entity or interchange of managerial personnel.

1.3.3. Foreign Currency Translation

The Consolidated Financial Statements are presented in millions of euros. The presentation currency and the functional currency of the group is the euro.

Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the transaction date. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed, apart from differences on borrowing in foreign currencies, which constitute a hedge of the net investment in a foreign entity. These differences are allocated directly to equity until the divestiture of the net investment.

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures and other associated entities for which the functional currency is not the euro, are translated into euros as follows: the Consolidated Statement of Financial position is translated at the exchange rate at the end of the period; and the Consolidated statement of Earnings and the Consolidated Statement of Cash Flow are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in equity. In accordance with the provisions of IFRS 1 "First time adoption of International Financial Reporting Standards", Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences resulted from the translation into euro of the financial statements of subsidiaries having foreign currencies as their functional currencies. Consequently, on the subsequent divestiture of the subsidiaries, joint ventures or other associated entities, whose functional currency is not the euro, these adjustments are not taken to earnings.

1.3.4. Revenues from Operations and Associated Costs

Revenues from operations are reported when it is probable that future economic benefits will be obtained by the group and when these revenues can be reliably measured.

1.3.4.1. Universal Music Group (UMG)

"Physical" music sale

Revenues from the sale of "physical" recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

"Digital" music sale

Revenues from the sale of "digital" recorded music are recognized when the distribution platform (on-line or mobile music distributor) notifies UMG of a sale to the final customer.

Cost of revenues includes manufacturing and distribution costs, royalty expenses, copyright expenses, artists' costs, recording costs and direct overheads. Selling, general and administrative expenses notably include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.



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

Theatrical film and television programming distribution

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and television or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment and availability of the product for retail sale to the ultimate customer. Amortization of film and television capitalized and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in cost of revenues.

1.3.4.3. SFR and Maroc Telecom

Revenues from telephone packages are recognized as multiple-element sales in accordance with IAS 18. Revenues from the sale of telecommunications equipment (mobile phones and other), net of discounts granted to the customers through the distribution channel, are recognized upon activation of the line. Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period. Revenues from incoming and outgoing traffic are recognized when the service is rendered.

Customer acquisition and loyalty costs for mobile phones, principally consisting of rebates on the sale of equipment to customers through distributors, are recognized as a deduction from revenues. Customer acquisition and loyalty costs consisting of premiums not related to the sale of equipment as part of telephone packages and commissions paid to distributors are recognized as selling and general expenses.

Sales of services provided to customers managed by SFR and Maroc Telecom on behalf of content providers (mainly toll numbers) are accounted for gross, or net of content providers' fees when the provider is responsible for the content and for setting the price to be paid by subscribers.

Cost of revenues comprises purchasing costs (including purchases of mobile phones), interconnection and access costs, and network and equipment costs. Selling, general and administrative expenses notably include commercial costs consisting of marketing and customer care expenses.

1.3.4.4. Vivendi Games

Revenues from the sale of boxes for Massively Multiplayer Online Role Playing Games (MMORPG), as well as revenues from the sale of boxes for other games, are recorded upon transfer of the ownership and related risks to the distributor, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates. Revenues generated by subscriptions and prepaid cards for online games are recorded on a straight-line basis over the duration of the service.

Cost of revenues includes manufacturing, warehousing, shipping and handling costs, royalty expenses, research and development expenses, and the amortization of capitalized software development costs.



Notes to the Consolidated Financial Statements

1.3.4.5. Other

Provisions for estimated returns are deducted from sales of products to customers through distributors. They are estimated based on past sales statistics and take into account the economic environment and product sales forecasts to final customers.

Selling, general and administrative expenses principally include salaries and employee benefits, rents, consulting and services fees, insurance costs, travel and entertainment expenses, administrative department costs (e.g., Finance department, General Counsel comprising legal department, etc.), provisions for receivables and other operating expenses.

Advertising costs are expensed as incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising at UMG and Vivendi Games is treated as a marketing expense and expensed when the expected profit is individualized and can be estimated.

1.3.5. Assets

1.3.5.1. Goodwill and business combinations

In accordance with the provisions of IFRS 1, Vivendi elected not to restate business combinations prior to January 1, 2004.

In accordance with the provisions of IFRS 3, business combinations are recorded using the purchase method. Under this method, on the initial consolidation of an entity over which the group has acquired exclusive control, the assets acquired and the liabilities and contingent liabilities assumed are recognized at their fair value at the acquisition date. At this date, goodwill is initially measured at cost, being the excess of the cost of the business combination over Vivendi's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If goodwill is negative, it is recognized directly in the statement of earnings.

Subsequently, goodwill is measured at cost less accumulated impairment losses recorded (please refer to Note 1.3.5.6 hereof). In the event of a loss in value, an impairment loss is recorded in losses of intangible assets acquired through business combinations.

In addition, the following principles are applied to business combinations:

- if possible on the acquisition date, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;
- in the event of acquisition of an additional interest in a subsidiary, the excess of the acquisition cost over the carrying amount of minority interests acquired is recognized as goodwill; and
- goodwill is not amortized.

1.3.5.2. Content assets

UMG

Music publishing rights and catalogs include music catalogs, artists' contracts and publishing rights acquired in December 2000, as part of the acquisition of The Seagram Company Ltd. or more recently. They are amortized over 15 years in selling, general and administrative expenses.

Royalty advances to artists, songwriters and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis for concluding that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Royalties earned by artists, songwriters and co-publishers are recognized as an expense in the period in which the sale of the product takes place, less a provision for estimated returns.



Notes to the Consolidated Financial Statements

The Canal+ Group

Film, television or sports broadcasting rights

When signing contracts for the acquisition of film, television or sports broadcasting rights, the rights acquired are presented as contractual commitments. They are recorded in the statement of financial position, classified as content assets, as follows:

- film and television broadcasting rights are recognized at their acquisition cost, when the screening certificate has been obtained and the programming is available for exhibition; they are expensed over their broadcasting period;
- sports broadcasting rights are recognized at their acquisition cost, on the opening of the broadcasting period of the related sports season or upon the first payment and are expensed as they are broadcast; and
- expensing of film, television or sports broadcasting rights is included in cost of revenues.

Theatrical film and television rights produced or acquired to be sold

Theatrical film and television rights produced or acquired before their initial exhibition, to be sold, are recorded as a content asset at capitalized cost (mainly direct production and overhead costs) or at their acquisition cost. Theatrical film and television rights are amortized, and other related costs are expensed, pursuant to the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis). Such revenues are estimated to be generated over a maximum 12-year period. Where appropriate, estimated losses in value are provided in full against earnings of the period, on an individual product basis, in which the losses are estimated.

Film and television rights catalogs

Catalogs are comprised of film rights acquired for a second television exhibition, or film and television rights produced or acquired that are sold after their first television exhibition (i.e., after the first broadcast on a terrestrial channel). They are recognized as an asset at their acquisition or transfer cost, and amortized as groups of films or individually, based on the estimated revenue method, respectively.

Vivendi Games

In the ordinary course of its business, Vivendi Games pays advances on royalties and license fees to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software developments, graphics and editorial contents). Such royalty and license fee advances are recognized as an expense, based on contractual rates, in the period in which revenues from the sale of the games integrating the intellectual property content are recognized. Any portion of capitalized royalty and license fee advances not deemed to be recoverable from future royalties and license fees is expensed during the period in which the loss becomes evident.

1.3.5.3. Research and development costs

Research costs are expensed when incurred. Development expenses are capitalized when the feasibility and profitability of the project can reasonably be considered certain.

Cost of software for rental, sale or commercialization

Capitalized software development costs comprise costs incurred during the internal development of products. Software development costs are capitalized when the technical feasibility of the software has been established and they are considered recoverable. These costs are mainly generated by Vivendi Games as part of games development and are amortized over a four month-period starting when the product is placed on sale. Technical feasibility is determined individually for each product. Non-capitalized software development costs are immediately recorded in research and development costs.

Cost of internal use software

Direct internal and external costs incurred for the development of computer software for internal use, including web site development costs, are capitalized during the application development stage. Application development stage costs generally include software configuration, coding, installation and testing. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized. These capitalized costs, mainly recognized at SFR, are amortized over 4 years. Maintenance and minor upgrade and enhancement costs are expensed as incurred.



Notes to the Consolidated Financial Statements

1.3.5.4. Other intangible assets

Intangible assets acquired separately are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at acquisition date. The historical cost model is applied to intangible assets subsequent to their initial recognition. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

SFR and Maroc Telecom

Licenses to operate telecom networks are recorded at historical cost based upon the discounted value of deferred payments and amortized on a straight-line basis from the effective service start date over their estimated useful life until maturity. Licenses to operate in France are recognized in the amount of the fixed upfront fee paid upon the granting of the license. The variable fee which cannot reliably be determined (equal, in the case of the UMTS and GSM licenses, to 1% of the revenues generated by the activity) is recorded as an expense when incurred.

Vivendi has chosen not to apply the option provided in IFRS 1 involving the remeasurement of certain intangible assets at their fair value as of January 1, 2004.

1.3.5.5. Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to moving an asset to its physical location and preparing it for use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

Property, plant and equipment mainly consist of the networks equipments of telecommunications activities, each part of which is amortized generally over 4 to 20 years. The useful lives of the main parts are as follow:

- buildings: over 8 to 20 years,
- pylons: over 15 to 20 years,
- radio and transmission equipment: over 8 to 10 years,
- switch centers: 8 years, and
- servers and hardware: over 4 to 8 years.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in "borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in amortization expenses.

Subsequent to initial recognition, the cost model is applied to property, plant and equipment.

Vivendi has elected not to apply the option provided by IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2004.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to apply IFRIC Interpretation 4 "Determining whether an arrangement contains a lease" to commercial contracts for the supply of the Canal+ Group satellite capacity and to commercial contracts for the supply of SFR and Maroc Telecom telecommunications services (please refer to Note 26.1).

1.3.5.6. Asset impairment

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, Vivendi re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets as well as assets in progress are subject to an annual impairment test during the fourth quarter of each fiscal year. This test is performed in order to compare the carrying amount of each group's operating units to the carrying amount of the corresponding assets (including goodwill).



Notes to the Consolidated Financial Statements

The recoverable amount is determined as the higher of the value in use and the fair value (less costs to sell) as described hereafter, for each individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, an impairment test of goodwill is performed by Vivendi for each CGU (Cash Generating Unit) or group of CGUs, depending on the level at which Vivendi management measures return on operations.

The value in use of each asset or group of assets is determined as the discounted value of the future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the most recent budget and three-year business plan approved by Vivendi management and presented to the Management Board. The applied discount rates reflect the current assessment by the market of the time value of money and risks specific to each asset or group of assets. In particular, the perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets and three-year business plans, and beyond the period covered, are consistent with growth rates estimated by the company by extrapolating the growth rates used in the budgets and three-year business plans, without exceeding the long-term average growth rate for the markets in which the group operates.

The fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions or stock market prices) or, on discontinued future cash flows in the absence of reliable data.

If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded first against goodwill.

The impairment losses recognized in respect of property, plant and equipment and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed.

1.3.5.7. Financial assets

Financial assets consist of financial assets measured at fair value and financial assets recognized at amortized cost. Financial assets are initially recognized at the fair value of the consideration given, for which the best evidence is the transaction price (including associated transaction costs, if any).

Financial assets at fair value

Financial assets at fair value include available-for-sale securities, derivative financial instruments with a positive value (please refer to Note 1.3.7 below) and other financial assets measured at fair value through profit or loss.

Most of these financial assets are actively traded in organized public markets, their fair value being determined by reference to the published market price at the period end. For financial assets for which no published market price exists in an active market, fair value is estimated. As a last resort, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

Available-for-sale securities consist of unconsolidated interests and other securities not qualifying for classification in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities are recognized in equity until the financial asset is sold, collected or removed from the statement of financial position in another way, or until there is objective evidence that the investment is impaired, at which time the accumulated gain or loss previously reported in equity is expensed in other financial charges and income.

Other financial assets measured at fair value through profit or loss mainly consist of assets held for trading which Vivendi intends to sell in the near term (primarily marketable securities). Unrealized gains and losses on these assets are recognized in other financial charges and income.

Financial assets at amortized cost

Financial assets at amortized cost consist of **loans and receivables** (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables and other



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loans and receivables, and debtors) and **held-to-maturity investments** (financial assets with fixed or determinable payments and fixed maturity). At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying amount and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate) is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

1.3.5.8. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. It is usually computed using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and estimated selling costs.

1.3.5.9. Trade accounts receivable

Trade accounts receivable are recognized at the fair value, which corresponds generally to the nominal value. Provisions for impairment of receivables are specifically evaluated in each business unit, generally using a default percentage based on the unpaid amounts during one reference period related to revenues for this same period. Accounts receivable on resiliated clients, on clients with whom Vivendi is involved in litigation or a dispute are generally depreciated in full.

1.3.5.10. Cash and cash equivalents

The "cash and cash equivalents" category consists of cash in banks, euro-denominated and international monetary UCITS (Undertakings for Collective Investments in Transferable Securities), which satisfy the recommendation No. 2005-02 of the AMF, and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities longer than three months without early exit possibilities and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets.

1.3.6. Assets held for Sale and Discontinued Operations

A non-current asset or a group of assets and liabilities is held for sale when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate sale and divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for sale have been met or when Vivendi has sold the asset. Discontinued operations are presented on a single line of the statement of earnings for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations. In addition, the cash flows generated by discontinued operations are presented on one separate line of the statement of consolidated cash flows for the periods presented.

1.3.7. Financial Liabilities

Long and short-term borrowings and other financial liabilities include:

- notes and facilities, as well as miscellaneous other borrowings (including treasury bills and debt related to finance leases) and related accrued interest;
- obligations arising in respect of commitments to purchase minority interests; and
- the negative value of other derivative financial instruments. Derivatives with positive fair values are recorded as financial assets in the statement of financial position.

Borrowings

All borrowings are initially accounted for at the fair value of the consideration received, for which the best evidence is the transaction price, net of transaction costs directly attributable to the borrowing. Borrowings bearing interest are



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subsequently valued at amortized cost, applying the effective interest method. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the borrowing. In addition, where the borrowing comprises an embedded derivative (e.g., an exchangeable bond) or an equity instrument (e.g., a convertible bond), the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument (please refer to Note 1.3.8). In the event of a change in expected future cash flows (e.g., early redemption not initially expected), the amortized cost is adjusted against earnings in order to reflect the value of the new expected cash flows, discounted at the initial effective interest rate.

Commitments to purchase minority interests

Vivendi has granted commitments to purchase minority interests to certain shareholders of its fully consolidated subsidiaries. These purchase commitments may be optional (e.g., put option) or firm (e.g., forward purchase contracts). As indicated in Note 1.1 above, the following accounting treatment has been adopted in accordance with prevailing IFRS:

- on initial recognition, the commitment to purchase minority interests is recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through minority interests and the balance through goodwill;
- subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to goodwill;
- where applicable, at the time of initial recognition or the recognition of subsequent changes, any expected loss on purchase is recognized in other financial charges and income; and
- on maturity of the commitment, if the minority interests are not purchased, the entries previously recognized are reversed; if the minority interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the minority interests.

Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps and forward exchange contracts. They also include stock options used to hedge debt where principal repayment terms are based on the value of Vivendi or other stock, as well as Vivendi stock purchase option plans granted to executives and employees. All derivative financial instruments are used for hedging purposes.

When these contracts qualify as hedges for accounting purposes, the gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item. When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the statement of financial position or of a firm commitment which remains unrecognized in the balance sheet, it is a fair value hedge. The instrument is remeasured at fair value through earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the statement of earnings. When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through equity, whereas its ineffective portion is recognized through earnings. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the statement of earnings and recorded on the same line as the hedged item. When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as hedges for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

Furthermore, income and expenses relating to foreign currency instruments used to hedge highly probable budget exposures and firm commitments, contracted pursuant to the acquisition of editorial content rights (sports, audiovisual, film rights, etc.) are recognized in EBIT. In all other cases, gains and losses arising on the fair value remeasurement of instruments are recognized in other financial charges and income.

1.3.8. Compound Financial Instruments

Certain financial instruments comprise a liability component and an equity component.

The various components of these instruments are accounted for in equity and borrowings and other financial liabilities according to their classification, as defined in IAS 32 "Financial Instruments: Disclosure and Presentation".



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The component classified as borrowings and other financial liabilities is valued at the issuance date at the present value discounted at the market rate (taking into account credit risk at the issuance date) of the future contractual cash flows (including interest and repayment of the nominal value) of similar instruments with the same characteristics (maturity and cash flows) but without any option for conversion or redemption in shares.

The component classified as equity is defined as the difference between the fair value of the instrument and the fair value of the financial liability component.

1.3.9. Other Liabilities

Provisions

Provisions are recognized when at the end of the reporting period, Vivendi has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources (for no consideration) will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements.

Employee benefit plans

In accordance with the laws and practices of each country in which it operates, Vivendi participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and post-employment benefits, principally severance, to eligible employees, former employees, retirees and their beneficiaries fulfilling the required conditions. Retirement pensions are provided for substantially all employees through defined contribution plans, which are integrated with local social security and multi-employer plans, or defined benefit plans which are generally managed via group pension plans. The plan funding policy implemented by the group is consistent with applicable government funding requirements and regulations.

Defined contribution plans

Contributions to defined contribution and multi-employer plans are expensed during the year.

Defined benefit plans

Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding Vivendi shares or debt instruments.

Pension expenses are determined by independent actuaries using the projected unit credit method. This method is based on assumptions updated annually, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2006 and 2007, and the means of determining these assumptions, are presented in Note 20 "Employee benefits". In this way, the group recognizes pension-related assets and liabilities and the related net expense over the estimated term of service of Vivendi's employees.

A provision is recorded in the statement of financial position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, net of prior services costs and unrecognized actuarial gains and losses which remain unrecognized in the balance sheet in accordance with the "corridor method". Where financial assets exceed recognized obligations, a financial asset is recognized up to the maximum cumulative amount of net actuarial losses, unrecognized past service costs and the present value of future redemptions and the expected decrease in future contributions.

Actuarial gains and losses are recognized through profit and loss for the year using the "corridor method": actuarial gains and losses in excess of 10% of the greater of the obligation and the fair value of plan assets are divided by the average remaining service period of active employees.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to record unrecognized actuarial gains and losses against consolidated equity.



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The cost of plans is included in selling, general and administrative expenses, apart from the financial component which is recorded in other financial charges and income. The financial component of this cost consists of the undiscounting of actuarial liability and the expected return on plan assets.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the US) are subject to provisions which are assessed through an actuarial computation comparable to the method used for pension provisions.

1.3.10. Deferred Taxes

Differences existing at the closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated statement of financial position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying amount (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying amount (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is notably taken of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group prove significantly different to those expected, the group will be obliged to increase or decrease the carrying amount of deferred tax assets, with a potentially material impact on the statement of financial position and statement of earnings of the group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from impairment of goodwill losses not deductible for tax purposes, or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not earnings, if the tax relates to items that are credited or charged directly to equity.

1.3.11. Share-based Compensation

With the aim of aligning the interest of executive management and employees with shareholders' interest by providing them with an additional incentive to improve company performance and increase the share price on a long-term basis, Vivendi maintains several share-based compensation plans (group saving plans and restricted stocks) or other equity instruments based on the value of the Vivendi share price (stock purchase plans - until first semester 2002 - and stock option plans), which are settled either in equity instruments or cash. The granting of these plans is approved by the Management Board, followed by the Supervisory Board.



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Stock Option and Restricted Stock plans granted

Characteristics of certain plans

Restricted stock plans

In 2006, Vivendi set up restricted stock plans in accordance with the 2005 French Finance Act. The restricted stocks granted are generally conditional upon the achievement of specified performance objectives and will vest 100% at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares, of the same class as existing shares making up the share capital of the company, employee shareholders are entitled, at the end of the vesting period, to dividends and voting rights attached to these shares. The compensation cost corresponds to the value of the equity instruments received by the beneficiary, equal to the difference between the fair value of the shares to be received less the discounted value of the dividends expected to be distributed by Vivendi over the vesting period.

Cash-settled instruments

Beginning in 2006, following the delisting of Vivendi's shares from the NYSE and given prevailing US securities regulations, Vivendi grants specific instruments to US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees; however, these equity instruments are exclusively cash-settled instruments.

- When the instruments grant entitlement to the appreciation of the value of the Vivendi shares, they are known as "stock appreciation rights" (SARs), which are the economic equivalent of stock options. Under a SAR plan, the beneficiaries will receive, upon exercise of their rights, a cash payment based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SARs and their strike price as set at the grant date.
- When the instruments grant entitlement to the value of Vivendi shares, they are known as "restricted stock units" (RSUs), which are the economic equivalent of restricted stocks. Under a RSU plan, the beneficiaries will receive, in general, at the end of a four-year period following the grant date, a cash payment based on the Vivendi share price (as quoted on the Paris Stock Exchange) and equal to the share price at this date, plus the value of dividends paid on Vivendi shares in respect of the two fiscal periods preceding the vesting date, and converted into the local currency at the prevailing exchange rate. These Vivendi RSUs are simply units of account and do not have any value outside the context of this plan. They do not carry voting rights and do not represent an ownership interest in Vivendi or any of its businesses.

Accounting for instruments

In accordance with IFRS 2, share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is amortized over the vesting period, generally 3 years for stock option plans and 2 years for restricted stock plans conditional upon active employment within the group at the vesting date, and the achievement of specific performance objectives for restricted stock plans, apart from specific cases.

Vivendi uses a binomial model to assess the value of such instruments. This method relies on assumptions updated at the valuation date such as the computed volatility of Vivendi shares, the risk-free discount rate, the expected dividend yield and the probability of concerned employees remaining with the group until the exercise of their rights.

The computed volatility corresponds to the average of (a) the implied volatility, based on Vivendi put and call options traded on a liquid market with a maturity of six months or more and (b) the 3-year historical volatility of Vivendi shares. Expected dividend yield at the grant date is based on Vivendi's dividend distribution policy, which is currently an anticipated dividend of at least 50% of adjusted net income.

However, depending on whether the equity instruments granted are equity-settled through the issuance of Vivendi shares or cash-settled, the valuation and recognition of the expense differs:

- Instruments settled through the issuance of Vivendi shares:
 - the expected term of the option granted is presumed to be the mid-point between the vesting date and the end of the contractual term,
 - the value of the instruments granted is estimated and fixed at the grant date,
 - the expense is recognized with a corresponding increase in equity.
- Instruments settled in cash:
 - the expected term of the instruments granted is presumed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the mean of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights,
 - the value of the instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date,
 - the expense is recognized as a provision,
 - moreover, as SAR and RSU plans are primarily denominated in US dollars, the value changes in line with fluctuations in the euro/dollar exchange rate.



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The share-based compensation cost is allocated to each business segment, pro rata to the number of equity instruments or equivalents granted to their managers and employees.

The dilutive effect of stock options and restricted stock plans settled through the issuance of Vivendi shares granted to managers and employees which are in the process of vesting is reflected in the calculation of diluted earnings per share.

In accordance with the transitional provisions of IFRS 1 with respect to IFRS 2, the group elected for retrospective application of IFRS 2 as of January 1, 2004. Consequently, all share-based compensation plans for which rights remained to be vested as of January 1, 2004 are now recognized in accordance with IFRS 2.

Share purchase plans

Vivendi also maintains share purchase plans (group saving plans) that allow substantially all of its French full-time employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by employees with a maximum discount of 20% compared to the average opening market price for Vivendi shares during the 20 trading days preceding the date on which the share capital increase was authorized by the Management Board (grant date). The difference between the subscription price of the shares and the share price on the date of the grant (corresponding to the subscription period closing date) represents the benefit granted to beneficiaries. Furthermore Vivendi takes into account a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares, which is deducted from the benefit granted to the employees. This expense is recognized with a corresponding increase in equity and allocated to each business segment, pro rata to the number of shares subscribed.

1.4. Contractual Obligations and Contingent Assets and Liabilities

Once a year, Vivendi and its subsidiaries prepare detailed records on all material contractual obligations, commercial and financial commitments and contingent obligations, for which it is jointly and severally liable. These detailed records are updated by the relevant departments and reviewed by senior management on a regular basis. In order to ensure completeness, accuracy and consistency of these records, some dedicated internal control procedures are performed, including (but not limited to):

- the review of the minutes of shareholders' meetings, meetings of the Management Board and of the Supervisory Board and meetings of the Supervisory Board committees, for matters such as contracts, litigation, and authorization of asset acquisitions or divestitures;
- the review with banks and financial institutions of pledges and guarantees;
- the review with internal and/or external legal counsels of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies;
- the review of tax examiner's reports, and as the case may be, notices of assessments and tax expense analyses for prior years;
- the review with the risk management department and insurance agents and brokers with which the group contracted, of insurance coverage for unrecorded contingencies;
- the review of related-party transactions for guarantees and other given or received commitments; and
- more generally, the review of the main contracts and agreements.

1.5. New IFRS Standards and IFRIC Interpretations that have been published but are not yet effective

The IFRIC interpretations that have been issued by the IFRIC and that are not yet effective, but which have been applied in anticipation are detailed in Note 1.1.

Among other IFRS accounting standards and IFRIC interpretations issued by the IASB/IFRIC at the date of approval of these consolidated financial statements but that are not yet effective, and for which Vivendi has not elected an earlier application, the main ones which may affect Vivendi are as follows:

- the standard IFRS 8 "Operating Segments", related to segment data, shall apply to periods beginning on or after January 1, 2009;
- the amendment to IAS 23 "Borrowing Costs", on capitalisation of borrowing costs attributable to the cost of a fixed asset, shall apply to periods beginning on or after January 1, 2009;
- amendments to IAS 1 "Presentation of Financial Statements": A revised presentation, related to the presentation of financial statements and notably addressing the presentation of equity, shall apply to periods beginning on or after January 1, 2009;



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- the revised standards IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” concerning, respectively, the accounting for business combinations and the application of the purchase method and the accounting treatment of transactions with minority interests, shall apply to periods beginning on or after January 1, 2010; and
- the amendment to IFRS 2 “Share-based Payment” on the accounting for vesting conditions and cancellations, shall apply to periods beginning on or after January 1, 2009.

Vivendi is currently assessing the potential impacts that the application of these standards and interpretations may have on the statement of earnings, the statement of financial position, the statement of cash flows and the content of the notes to the financial statements.

Note 2. Changes in the Scope of Consolidation

Preliminary note: the enterprise value of an acquired/divested stake in fully consolidated subsidiaries is defined as the cash paid/received plus the value of principal payments on consolidated/deconsolidated borrowings and net cash acquired as applicable.

2.1. Combination of the Canal+ Group and TPS pay-TV Activities in France (January 2007)

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007. At that date, TF1 and M6 contributed TPS to Canal+ France in exchange for 15% of Canal+ France (9.9% and 5.1%, respectively). On the same date, Lagardère transferred to Canal+ France its 34% stake in CanalSatellite in exchange for 10.18% of Canal+ France. As a result of the completion of this contribution and the €469 million cash consideration paid by Lagardère in December 2006, Lagardère holds a 20% interest in Canal+ France. Details of these transactions and the preliminary transactions that occurred during the fourth quarter of 2006 are presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006, as published in the 2006 Annual Report (from pages 198 to 201).

These transactions can be summarized as follows:

- TF1 and M6 contributed 100% of TPS in exchange for 15% of Canal+ France. From an accounting standpoint, this contribution is accounted for as the acquisition by Vivendi and Canal+ Group of 85% of TPS and the sale of 15% of Canal+ France to TF1 and M6 (including the additional investment in CanalSatellite, purchased at the same time from Lagardère, see below);
- Lagardère contributed its 34% equity interest in CanalSatellite and a cash consideration of €469 million, in exchange for 20% of Canal+ France. From an accounting standpoint, this transaction is considered as the acquisition of minority interests in CanalSatellite, over which Canal+ France exercises full control and the sale of 20% of Canal+ France to Lagardère (including TPS, purchased at the same time from TF1 and M6, see above);
- In addition, Vivendi, Canal+ Group, Lagardère, TF1 and M6 entered into other agreements, such as put options granted by Vivendi and Canal+ Group to TF1 and M6 on their 15% stake in Canal+ France, a call option granted by Vivendi and Canal+ Group to Lagardère for a 14% stake in Canal+ France as well as some other contractual commitments which are not recorded in the statement of financial position, as indicated below.

As a result of the completion of these transactions, Vivendi and Canal+ Group hold an aggregate 65% of Canal+ France, Lagardère holds 20%, TF1 holds 9.9% and M6 holds 5.1%. Canal+ France encompasses all the pay-TV activities of Canal+ Group and TPS in France.

The effect of the combination on the consolidated financial statements in 2007 can be summarized as follows:

Acquisition of 85% of TPS from TF1 and M6

Canal+ France has been fully consolidating TPS since January 4, 2007, on which date TF1 and M6 contributed 100% of TPS Gestion, a company which wholly owns TPS to Canal+ France. From this date, Vivendi and Canal+ Group are entitled to exercise their shareholders' rights and therefore have the power to govern the financial and operational policies of TPS to obtain benefits from its operations. Accordingly, Vivendi and Canal+ Group have been exercising full control over TPS since January 4, 2007.

TF1 and M6 contributed 100% of the share capital of TPS Gestion, a company which wholly owns TPS SNC, to Canal+ France. Such contribution was valued at €900 million for 100% of TPS.



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The purchase price of 85% of TPS (€787 million) was determined on the basis of the fair value of the Canal+ France shares received by TF1 and M6, plus the costs directly attributable to the acquisition. Canal+ France has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by Canal+ France:

(in millions of euros)	January 4, 2007
Net carrying value of TPS before business combination:	
Long-lived assets and constant assets (a)	112
Cash and cash equivalents	81
Net working capital	(210)
Provisions	(88)
Other liabilities	(13)
Carrying value of TPS' assets and liabilities (A)	(118)
Fair value adjustments of TPS' assets and liabilities incurred and assumed as at combination date:	
Customer list (b)	150
TPS trade name (c)	25
Assumed liabilities related to broadcasting rights and fair value adjustments to other long-term contracts (d)	(484)
Deferred tax assets, net	123
Total fair value adjustments of TPS' assets and liabilities incurred and assumed (B)	(186)
Fair value of TPS's assets and liabilities incurred and assumed (C = A + B)	(304)
Fair value of TPS' net assets acquired by Vivendi from TF1 and M6 (85% x C)	(258)
Goodwill arising on the acquisition of 85% of TPS from TF1 and M6 (e)	1,045
Purchase price of 85% of TPS	787

- (a) Primarily includes property, plant and equipment for a net carrying amount of €58 million, including television set-top boxes for €42 million and content assets for €43 million.
- (b) The fair value of the customer list has been assessed using the "Income Approach", on the basis of the discounted value of expected revenues attributable to existing customers at the acquisition date. The present value of the estimated future cash flows has been determined using a discount rate of return that considers the relative risk of achieving these cash flows and the time value of money. This discount rate is consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. This asset classified in "other intangible assets" is amortized over 5 years, based on the churn rate used for valuation purposes.
- (c) The TPS trade name has been valued based on the "royalty relief" method, which involves assessing the royalties that would have been paid to third parties for the use of the trade name had Vivendi not owned it. The present value of the estimated future cash flows has been determined using a discount rate of return consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. Given the fact that the TPS branded program bouquet will no longer be marketed under the TPS trade name, the latter was fully written down during 2007.
- (d) Corresponds to liabilities incurred in connection with the business combination and mainly relating to "broadcasting rights" as well as the fair value adjustment of other long-term contractual commitments.
- (e) The residual goodwill reflects the expected synergies of costs and revenues.

Sale of 15% interest in Canal+ France to TF1 and M6

In consideration for the contribution of 85% of TPS to Vivendi, TF1 and M6 received a 15% interest (9.9% and 5.1%, respectively) in Canal+ France (Canal+ Group's pay-TV activity in France, including the additional interest in CanalSatellite purchased at the same time from Lagardère) and were granted put options on this interest by Vivendi (see below).

In accounting terms, the sale by Vivendi of this 15% interest in Canal+ France generated a dilution gain of €156 million, in an amount equal to the positive difference between the amount allocated to this interest, considering the exchange ratio, and its carrying amount. However, this capital gain was directly offset against the goodwill recorded for the put options granted to TF1 and M6. Vivendi generated this gain on an investment for which it continues to bear risks since it has undertaken to repurchase TF1's and M6's interest at a floor price corresponding to a reference price as determined pursuant to the combination with TPS.

Acquisition by Canal+ France from Lagardère of its 34% in CanalSatellite

Lagardère Active contributed to Canal+ France its 24% interest in CanalSatellite and 100% of its interest in Lagardère Television Holdings SA, which owns 10% of CanalSatellite's share capital. This contribution of assets was valued at €891 million and paid for in Canal+ France shares (10.18%), these shares, in addition to the shares acquired on December 19, 2006, give Lagardère 20% of the share capital of Canal+ France, after taking into account all contributions (including TPS). In accounting terms, the acquisition of the 34% stake in CanalSatellite, a company controlled by Canal+ France, is a purchase of minority interests which resulted in the recognition of goodwill in the amount of €564 million.



Notes to the Consolidated Financial Statements

Sale of 20% of Canal+ France to Lagardère

Lagardère's purchase of 20% of Canal+ France took place in two stages: (1) on December 19, 2006, the sale to Lagardère Active of 9.82% of Canal+ France (without TPS and with 66% of CanalSatellite, but based on the exchange ratio in the combination completed on January 4, 2007) for €469 million in cash and (2) on January 4, 2007, the contribution of 10.18% of Canal+ France (including TPS) to Lagardère Active in consideration for 34% of CanalSatellite.

From an accounting standpoint, the sale of 9.82% of Canal+ France generated a capital gain of €128 million in the 2006 consolidated net income. The 10.18% dilution of Canal+ Group in Canal+ France resulted in a dilution gain of €239 million in consolidated net income in 2007. The impact of this transaction on the value of TPS in Vivendi's consolidated financial statements breaks down as follows:

(in millions of euros)	Acquisition from TF1 and M6 (85%)	Divestiture to Lagardère (20%)	Upon completion of the transactions, as of January 4, 2007 (65%)
Fair value of TPS' net asset acquired	(258)	61	(197)
Goodwill arising on the acquisition of TPS	1,045	(241)	804
Purchase price of TPS	787	(180)	607

TF1's and M6's put options

Both TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. These options are exercisable in February 2010 at fair market value, to be determined by a third-party expert, with a floor price of €1,130 million for 15% of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of Canal+ France). This commitment of Vivendi to purchase minority interests was accounted for in long-term financial liabilities on January 4, 2007 for its present value, i.e., €1,001 million, mainly against negative minority interests for €87 million and goodwill for €1,088 million. After deduction of the €156 million dilution gain recorded by Vivendi in connection with the sale of the 15% interest in Canal+ France to TF1 and M6 (see above), goodwill as of January 4, 2007 amounted to €932 million. The subsequent change in this commitment was recorded in financial liabilities by adjusting the amount of goodwill. As of December 31, 2007, the present value of this commitment amounted to €1,034 million.

Other items

The repayment of the €150 million advance paid by Vivendi in January 2006 to TF1 and M6, as well as the unwinding of the €469 million cash collateral established in December 2006, were completed on January 4, 2007.

In addition, this combination has generated the following contractual commitments, which are not recorded in the statement of financial position:

- **Lagardère's call option**
Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase to 34% the level of its equity interest in Canal+ France. The option is exercisable in October 2009 at fair market value, to be determined by an expert (the exercise price will be equal to the exercise price of the put options held by TF1 and M6 if one and/or the other is exercised) with a floor price of €1,055 million for 14% of Canal+ France (corresponding to a value of €7.5 billion for 100% of Canal+ France). If Lagardère decides to exercise such call option, the transaction would take place following the exercise (or failing that, the lapse) of the put options held by TF1 and M6. As of December 31, 2007, the present value of this commitment amounted to €965 million.
- **Shareholders' Agreement between Vivendi, TF1 and M6, strategic agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active, dated as of January 4, 2007:** please refer to Note 26.5.
- **Commitments undertaken by Vivendi and Canal+ Group in connection with the authorization of the combination pursuant to the merger control regulations, by a decision of the French Minister of Economy, Finance and Industry:** please refer to Note 26.4.
- **Vendor warranties received from TF1 and M6**
Canal+ Group and Vivendi received vendor warranties from TF1 and M6 capped at €113 million.
- **TPS commitments**
As of December 31, 2007, contractual content commitments and other long term obligations of TPS amounted to approximately €680 million. They are mainly composed of film and television rights and satellite capacity contracts. Some of these film and television rights were recorded as liabilities in the statement of financial position as part of the purchase price allocation of TPS by Canal+ France (see above). As a reminder, Vivendi granted a counter-guarantee in favor of TF1 and M6, in order to assume commitments and guarantees made by TF1 and M6 in connection with some of these commitments and other obligations recognized in the statement of financial position of TPS.



Notes to the Consolidated Financial Statements

2.2. Consolidation of Onatel (Burkina Faso) by Maroc Telecom (January 2007)

On December 29, 2006, following the completion of a bidding process, Maroc Telecom acquired a 51% stake in Onatel, the national telecommunications operator in Burkina Faso, for a purchase price of €222 million (including acquisition fees) paid in 2006. Onatel has been fully consolidated since January 1, 2007. Maroc Telecom has performed an allocation of the purchase price in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed based on analyses and appraisals performed by Maroc Telecom and independent experts. The major assets acquired comprised lands, the value of which was reassessed at market value, and mobile customer list which is amortized over 7 years.

(in millions of euros)	January 1, 2007
Carrying value of Onatel's assets and liabilities acquired (51%) (A)	43
Fair value adjustments of Onatel's assets and liabilities incurred and assumed as at acquisition date:	
Lands	21
Customer list	3
Others	(9)
Total fair value adjustments of Onatel's assets and liabilities incurred and assumed (B)	15
Fair value of Onatel's assets and liabilities incurred and assumed (C = A + B)	58
Goodwill arising on the acquisition of 51% of Onatel	164
Purchase price of 51% of Onatel	222

2.3. Acquisition of a 51% Stake in Gabon Telecom by Maroc Telecom (February 2007)

On February 9, 2007, Maroc Telecom acquired a 51% stake in Gabon Telecom SA, the national telecommunications operator of Gabon, for a purchase price of €31 million (including acquisition fees). Gabon Telecom has been fully consolidated since March 1, 2007. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and recorded in the Consolidated Financial Statements as of March 31, 2008. The final goodwill may significantly differ from the preliminary goodwill which amounts to €19 million as of December 31, 2007.

2.4. Acquisition of BMG Music Publishing by UMG (May 2007)

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

On February 25, 2008, UMG completed the sale of certain music publishing catalogs, including Rondor UK, Zomba UK, 19 Music, 19 Songs and BBC Catalog, to CP Masters BV and ABP, thus complying with the European Commission mandated conditions of the BMG Music Publishing acquisition by UMG. As this divestiture was in progress as of December 31, 2007, these assets were then recorded in assets held for sale at this date.

In accordance with the accounting standards applicable to business combinations, UMG has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by UMG with external appraisers. The major assets acquired were the catalogue of music publishing rights and artists' contracts. The allocation of the purchase price will be finalized within the 12-month period as required by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below.

(in millions of euros)	May 25, 2007
Carrying value of BMGP's assets and liabilities (A)	41
Fair value adjustments of BMGP's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Catalogue of music publishing rights and writers' contracts	1,241
Deferred income tax, net	(234)
Others	(6)
Total fair value adjustments of BMGP's assets and liabilities incurred and assumed (preliminary) (B)	1,001
Fair value of BMGP's assets and liabilities incurred and assumed (C = A + B)	1,042
Preliminary goodwill	599
Purchase price of 100% of BMGP	1,641



Notes to the Consolidated Financial Statements

2.5. Acquisition of the fixed telephony and broadband activities of Tele2 France by SFR (July 2007)

On October 2, 2006, SFR entered into an agreement with the Tele2 AB Group to acquire the entire fixed telephony and broadband activities of Tele2 France. The acquisition was completed on July 20, 2007 for an enterprise value (on a cash and debt free basis) of €345 million. From an accounting standpoint, the purchase price amounted to €361 million (including acquisition costs). In accordance with the accounting standards applicable to business combinations, SFR performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by SFR. The major assets acquired were a customer list, amortized over 41 months, and intangible assets (service access fees), amortized over 36 months. The preliminary goodwill amounted to €220 million. The allocation of the purchase price will be completed within the 12-month period prescribed by accounting standards and the final allocation may significantly differ from that amount.

(in millions of euros)	July 20, 2007
Net carrying value of Tele2 France (A)	67
Fair value adjustments of Tele2 France's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Customer list	98
Intangible assets	14
Others	(38)
Total fair value adjustments of Tele2's assets and liabilities incurred and assumed (preliminary) (B)	74
Fair value of Tele2's assets and liabilities incurred and assumed (C = A + B)	141
Preliminary goodwill	220
Purchase price of fixed telephony and broadband activities of Tele2 France	361

2.6. Acquisition of Sanctuary Group Plc. by UMG

On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group Plc. ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded products, merchandising and artist services. UMG declared the offer wholly unconditional and gained control of the company on August 2, 2007, having received valid acceptances of the offer from shareholders representing 60% of the issued share capital of Sanctuary and having acquired a further 30% of the issued share capital, for a cash consideration of €19 million. Sanctuary was delisted from the London Stock Exchange on September 3, 2007, and pursuant to the provisions of the English Companies Act 2006, UMG acquired the remaining Sanctuary shares to obtain 100% legal ownership of the company on September 27, 2007. The total acquisition price paid by UMG was €170 million, including a total cash consideration, including costs, of €70 million and Sanctuary's net debt of €100 million. Sanctuary has been fully consolidated since August 2, 2007. In accordance with the accounting standards applicable to business combinations, UMG has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by UMG. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below.

(in millions of euros)	August 2, 2007
Carrying value of Sanctuary's assets and liabilities (A)	(15)
Fair value adjustments of Sanctuary's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Catalog of recorded music, contracts and relationships	128
Deferred income tax, net	(37)
Others	(8)
Total fair value adjustments of Sanctuary's assets and liabilities incurred and assumed (preliminary) (B)	83
Fair value of Sanctuary's assets and liabilities incurred and assumed (C = A + B)	68
Preliminary goodwill	102
Purchase price of 100% of Sanctuary	170

2.7. Acquisition of a 2% Stake in Maroc Telecom by Vivendi (December 2007)

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



Notes to the Consolidated Financial Statements

Vivendi shares acquired on the market for a cash consideration of €214 million. From an accounting standpoint, the difference between the fair value of Vivendi shares delivered (€229 million as at the exchange date) and the acquired minority interests was accounted for as goodwill, in the amount of €201 million.

2.8. Proposed Creation of Activision Blizzard (December 2007)

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

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

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at \$27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first \$2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the \$1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds \$2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of \$27.50 per share, additional newly issued shares of Activision Blizzard common stock in an amount up to \$700 million, and (c) if the aggregate tender offer consideration exceeds \$3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.

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

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

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

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



Notes to the Consolidated Financial Statements

	<p>From an accounting perspective, Vivendi Games will be deemed the acquirer of Activision, and after consummation both of the merger and share purchase transactions under the business combination agreement and the completion of the tender offer, assuming that such tender offer is fully subscribed, Vivendi would hold a 68% controlling interest in Activision Blizzard and the transaction would be recorded as follows:</p> <ul style="list-style-type: none"> • the dilution of Vivendi's interest in Vivendi Games by approximately 32%; the dilution gain is expected to be approximately \$2.5 billion (€1.8 billion); and • the acquisition of a controlling interest of approximately 68% in Activision for a consideration of \$5.0 billion; the allocation of the purchase price is expected to result in preliminary goodwill amounting to \$5.0 billion (€3.5 billion), before allocation of the purchase price to the assets and liabilities of Activision.
<p>2.9. Proposed Take Over of Neuf Cegetel by SFR</p>	<p>On December 20, 2007, SFR and the Louis Dreyfus Group signed a draft agreement under which the Louis Dreyfus Group would sell its entire approximately 28% interest in Neuf Cegetel to SFR, at a price of €34.50 per share, with 2007 coupons attached, for a total amount of €2.1 billion. This amount could increase by €40 million depending on the date of the transaction. If this transaction is completed, it will increase SFR's stake in Neuf Cegetel to 67.95% after dilution. On February 19 and 20, 2008, this draft agreement received positive opinions from SFR and Neuf Cegetel labor relations and employee representative committees, respectively. Subject to the receipt of all necessary regulatory approvals, SFR would acquire the Louis Dreyfus Group's stake in Neuf Cegetel.</p> <p>After the closing of the Louis Dreyfus Group transaction, SFR will, in accordance with applicable securities laws, launch a cash tender offer for the publicly held Neuf Cegetel shares, followed by a squeeze out if applicable, at a price of €36.50 per share, with 2007 coupons attached.</p> <p>Under the terms of the agreement with the Louis Dreyfus Group, Vivendi has agreed to pay the Louis Dreyfus Group €66 million in the event the transaction is not completed as counterpart of the share immobilization.</p>
<p>2.10. Other 2007 Changes in Scope</p>	<ul style="list-style-type: none"> • Acquisition of Debitel France and its distribution subsidiary, Videlec by CID, a company owned 40% by SFR, in November 2007; and • Acquisition of Octone by UMG in April 2007.



Notes to the Consolidated Financial Statements

Note 3. Segment Data

3.1. Business Segment Data

The group operates through different entertainment businesses. Each business offers different products and services that are marketed through different channels. Given the unique customer base, technology, marketing and distribution requirements of these businesses, they are managed separately and represent the primary segment reporting level. As of December 31, 2007, Vivendi had five business segments engaging in the activities described below:

- Universal Music Group, sale of recorded music and exploitation of music publishing rights;
- the Canal+ Group, production and distribution of pay-TV in France, analog or digital (terrestrially, via satellite or ADSL);
- SFR, mobile phone services in France, as well as fixed and ADSL services developed or acquired recently;
- Maroc Telecom, telecommunications operator (mobile, fixed and Internet) essentially in Morocco as well as in other African countries; and
- Vivendi Games, publishing and distribution of video games, online or on other media (such as console, PC and mobile phones).

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Segment earnings correspond to EBITA of each business segments.

Additionally, segment data is elaborated according to the following principles:

- the segment "Holding & Corporate" includes the cost of Vivendi 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 businesses;
- the segment "Non-core operations and others" includes miscellaneous businesses outside Vivendi's core businesses, which assets are being divested or liquidated and which are not disclosed as discontinued operations as they do not comply with criteria prescribed by IFRS5, as well as Vivendi Mobile Entertainment, which operates, under the "ZaOza" brand, a new service to sell digital content on the Internet and on mobile phones;
- inter-segment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be proposed by third parties; and
- the business segments presented hereunder are identical to those appearing in the information given to Vivendi's Management and Supervisory Boards.

Vivendi has identified five geographic areas, consisting of its four main geographic markets (France, Rest of Europe, US and Morocco), as well as the rest of the world.



Notes to the Consolidated Financial Statements

3.1.1. Consolidated Statement of Earnings

(in millions of euros)	Year Ended December 31, 2007								
	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non core operations and others	Eliminations	Total Vivendi
External revenues	4,851	4,320	9,009	2,449	1,018	-	10	-	21,657
Inter-segment revenues	19	43	9	7	-	-	1	(79)	-
Revenues	4,870	4,363	9,018	2,456	1,018	-	11	(79)	21,657
Operating expenses excluding amortization and depreciation as well as 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)
Gains (losses) on tangible and intangible assets	1	(4)	(44)	9	(1)	-	-	-	(39)
Other non recurring items	1	(1)	-	(1)	1	51	14	-	65
Depreciation of tangible assets	(46)	(131)	(504)	(257)	(43)	(6)	(6)	-	(993)
Amortization of intangible assets excluding those acquired through business combinations	-	(61)	(366)	(66)	(11)	(1)	-	-	(505)
Adjusted earnings before interest and income taxes (EBITA)	624	400	2,517	1,091	181	(81)	(11)	-	4,721
Amortization of intangible assets acquired through business combinations	(236)	(30)	(12)	(23)	-	-	-	-	(301)
Impairment losses of intangible assets acquired through business combinations	-	(25)	(9)	-	-	-	-	-	(34)
Earnings before interest and income taxes (EBIT)	388	345	2,496	1,068	181	(81)	(11)	-	4,386
Income from equity affiliates									373
Interest									(166)
Income from investments									6
Other financial charges and income									(83)
Provision for income taxes									(747)
Earnings from discontinued operations									-
Earnings									3,769
<i>Attributable to:</i>									
Equity holders of the parent									2,625
Minority interests									1,144



Notes to the Consolidated Financial Statements

(in millions of euros)	Year Ended December 31, 2006								
	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non core operations and others	Eliminations	Total Vivendi
External revenues	4,931	3,563	8,674	2,043	804	-	29	-	20,044
Inter-segment revenues	24	67	4	10	-	-	-	(105)	-
Revenues	4,955	3,630	8,678	2,053	804	-	29	(105)	20,044
Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans	(4,104)	(3,382)	(5,210)	(853)	(630)	(89)	(30)	105	(14,193)
Charges related to stock options and share-based compensation plans	(40)	(9)	(19)	(6)	(19)	(20)	-	-	(113)
EBITDA	811	239	3,449	1,194	155	(109)	(1)	-	5,738
Restructuring charges	(15)	-	-	(30)	(2)	(4)	1	-	(50)
Gains (losses) on tangible and intangible assets	-	7	(43)	1	(1)	5	(1)	-	(32)
Other non recurring items	-	1	-	(3)	-	3	70	-	71
Depreciation of tangible assets	(52)	(103)	(503)	(199)	(28)	(7)	(13)	-	(905)
Amortization of intangible assets excluding those acquired through business combinations	-	(69)	(320)	(51)	(9)	(1)	(2)	-	(452)
Adjusted earnings before interest and income taxes (EBITA)	744	75	2,583	912	115	(113)	54	-	4,370
Amortization of intangible assets acquired through business combinations	(199)	-	-	(24)	-	-	-	-	(223)
Impairment losses of intangible assets acquired through business combinations	-	-	-	-	-	-	-	-	-
Earnings before interest and income taxes (EBIT)	545	75	2,583	888	115	(113)	54	-	4,147
Income from equity affiliates									337
Interest									(203)
Income from investments									54
Other financial charges and income									311
Provision for income taxes									547
Earnings from discontinued operations									-
Earnings									5,193
<i>Attributable to:</i>									
Equity holders of the parent									4,033
Minority interests									1,160

Income from equity affiliates mainly comprised the group's share in earnings of NBC Universal (€301 million in 2007, unchanged compared to 2006), an investment allocated to the Holding & Corporate business segment, and the group's share in earnings of Neuf Cegetel (€78 million in 2007, compared to €38 million in 2006), an investment allocated to the SFR business segment. Please refer to Note 14.



Notes to the Consolidated Financial Statements

3.1.2. Consolidated Statement of Financial Position

(in millions of euros)	Universal Music Group	Canal+ Group	SFR	Maroc Telecom	Vivendi Games	Holding & Corporate	Non core operations and others	Total Vivendi
DECEMBER 31, 2007								
Segment assets	8,581	7,350	13,318	4,933	398	6,164	85	40,829
<i>incl. investments in equity affiliates (a)</i>	48	2	1,134	-	-	5,641	-	6,825
Unallocated assets								4,250
Total assets								45,079
Segment liabilities	2,977	3,421	5,591	1,383	402	378	9	14,161
Unallocated liabilities								8,676
Total liabilities								22,837
Increase in tangible and intangible assets	42	156	1,020	488	56	1	4	1,767
Net industrial investments (capex, net) (b)	38	143	1,020	363	56	1	5	1,626
DECEMBER 31, 2006								
Segment assets	8,953	5,398	12,415	4,045	428	7,134	174	38,547
<i>incl. investments in equity affiliates (a)</i>	21	2	1,055	1	-	5,953	-	7,032
Unallocated assets								4,501
Total assets								43,048
Segment liabilities	2,890	2,457	5,130	959	331	389	196	12,352
Unallocated liabilities								8,832
Total liabilities								21,184
Increase in tangible and intangible assets	46	150	1,380	361	86	2	-	2,025
Net industrial investments (capex, net) (b)	45	141	1,133	255	76	(4)	(1)	1,645

In addition, additional segment data is presented in Note 9 "Goodwill" and Note 10 "Content assets and commitments".

- (a) Holding & Corporate includes the 20% stake in NBC Universal. SFR includes the approximate 40% stake in Neuf Cegetel.
 (b) Corresponding to cash used for capital expenditures and proceeds from sales of property, plant, equipment and intangible assets.

3.2. Geographic Data

Information by geographic area is the second level of segment data. Revenues are presented based on the customers' location.

(in millions of euros)	Year Ended December 31,			
	2007		2006	
Revenues				
France	13,403	62%	12,372	62%
Rest of Europe	2,352	11%	2,081	10%
USA	2,319	11%	2,448	12%
Morocco	2,139	10%	1,960	10%
Rest of World	1,444	6%	1,183	6%
	21,657	100%	20,044	100%



Notes to the Consolidated Financial Statements

(in millions of euros)	December 31, 2007		December 31, 2006	
Segment assets				
France	21,311	52%	19,147	50%
Rest of Europe	1,485	4%	1,201	3%
USA	12,781	31%	13,836	36%
Morocco	4,322	11%	3,930	10%
Rest of World	930	2%	433	1%
	40,829	100%	38,547	100%

In 2007 and 2006, capital expenditures were mainly realized in France by SFR and Canal+ Group, and in Morocco by Maroc Telecom.

Note 4. EBIT

4.1. Breakdown of Revenues and Cost of Revenues

(in millions of euros)	Year Ended December 31,	
	2007	2006
Product sales, net	5,835	5,788
Service revenues	15,787	14,222
Other	35	34
Revenues	21,657	20,044
Cost of products	(3,797)	(3,580)
Cost of service revenues	(6,080)	(6,059)
Other	1	3
Cost of revenues	(9,876)	(9,636)

4.2. Personnel Costs and Average Employee Numbers

(in millions of euros except number of employees)	Note	Year Ended December 31,	
		2007	2006
Annual average number of full time equivalent employees		39,919	37,014
Salaries		1,661	1,540
Social security and other employment charges		402	386
Capitalized personnel costs		(30)	(29)
Wages and expenses		2,033	1,897
Share-based compensation	21.1	154	113
Employee benefit plans	20.1	26	46
Other		177	147
Personnel costs		2,390	2,203

4.3. Additional Information on Operating Expenses

Research and development costs recorded in expenses amounted to -€227 million in 2007 and -€217 million in 2006.

Advertising costs amounted to -€721 million in 2007 and -€661 million in 2006.



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,	
		2007	2006
Amortization (excluding intangible assets acquired through business combinations)		1,498	1,357
<i>o/w property, plant and equipment</i>	12	993	905
<i>o/w content assets</i>	10	40	50
<i>o/w other intangible assets</i>	11	465	402
Amortization of intangible assets acquired through business combinations		301	223
<i>o/w content assets</i>	10	235	199
<i>o/w other intangible assets</i>	11	66	24
Impairment losses of other intangible assets acquired through business combinations		34	-
Amortization and depreciation of tangible and intangible assets		1,833	1,580

Note 5. Financial Charges and Income

Interest

(in millions of euros)	Note	Year Ended December 31,	
		2007	2006
Interest expense on borrowings		301	286
Capitalized interest relating to the acquisition of BMG Publishing	2.4	(25)	(3)
Interest income from cash and cash equivalents		(110)	(80)
Interest at nominal rate		166	203
<i>Impacts of amortized cost on borrowings</i>		28	26
Interest at effective rate		194	229

The impact of amortized cost on borrowings is recorded under "other financial charges" (please refer to the Note hereafter). This impact represents the difference between the interest at nominal rate and the interest at effective rate.

Other Financial Charges and Income

(in millions of euros)	Note	Year Ended December 31,	
		2007	2006
Other capital gain on the divestiture of businesses		262	189
<i>o/w the gains on the sale of 20% of Canal+ France to Lagardère</i>	2.1	239	128
Downside adjustment on the divestiture of businesses		(40)	(104)
Other capital gain on financial investments		4	932
<i>o/w the capital gain on the sale of Veolia Environment shares</i>	15	-	832
Downside adjustment on financial investments		(185)	(631)
<i>o/w the capital loss incurred on the PTC shares</i>		-	(496)
<i>o/w the capital loss on the sale of DuPont shares</i>	6.2	-	(98)
<i>o/w the write-off of the 19.7% minority stake in Amp'd</i>	15	(65)	-
Financial components of employee benefits	20.2	(29)	(32)
Impacts of amortized cost on borrowings	5	(28)	(26)
Change in derivative instruments		9	24
Effect of undiscounting liabilities		(a) (75)	(15)
Other		(1)	(26)
Other financial charges and income		(83)	311

(a) As prescribed by accounting principles, when the effect of the time value of money is material, the amount for which financial assets or liabilities (mainly trade accounts receivable and payable, as well as provisions) are recorded on the balance sheet shall be the present value of the expected income or expenses, respectively. At each subsequent period-end, the present value of such financial assets or liabilities is adjusted to take into consideration the passage of time. As of December 31, 2007, this line item corresponds mainly to the effect of undiscounting of liabilities related to the combination of pay-TV activities in France with the Canal+ Group and TPS (please refer to Note 2.1).



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 as of August 22, 2004, and notified on August 23, 2004, for a five-year period beginning with the taxable year 2004 and ending with the taxable year as of December 31, 2008. This period may be extended for an additional three-year period. Therefore, Vivendi is entitled to consolidate its own profits and losses (including tax losses carried forward as of December 31, 2003) with the profits and losses of its subsidiaries operating within and outside France. Subsidiaries in which Vivendi owns at least 50% of outstanding shares, both French and foreign, as well as Canal+ SA, fall within the scope of the Consolidated Global Profit Tax System, including, but not limited to Universal Music Group, Vivendi Games, CanalSat, SFR and, as of January 1, 2005, Maroc Telecom. The 2004 Finance Act authorized the unlimited carry forward of existing ordinary losses as of December 31, 2003, which, combined with Vivendi's permission to use the Consolidated Global Profit Tax System, enables Vivendi to maintain its capacity to use ordinary losses carried forward.

The effect of applying the Consolidated Global Profit Tax System on the valuation of losses carried forward is as follows:

- as of December 31, 2006, Vivendi carried forward losses of €9,344 million as the head company consolidating for tax purposes the results of its French and foreign subsidiaries (based on tax results converted in accordance with French tax rules for the latter) in which it held at least a 50% equity interest, as well as of Canal+ SA;
- on February 26, 2008, the date of the Management Board's meeting held to approve the financial statements for the Year Ended December 31, 2007, the 2007 taxable profits of the tax group companies, as of December 31, 2007 and, as a consequence, the amount of ordinary tax losses available for carry forward as such date, cannot be determined with sufficient certainty in accordance with French tax rules;
- therefore, before the impact of 2007 taxable profits on the future utilization of ordinary tax losses carried forward, Vivendi SA will be able to achieve maximum tax savings up to €3,115 million (undiscounted value based on the current income tax rate of 33.33%); and
- nonetheless, the period during which losses will be utilized cannot currently be determined with sufficient precision given the uncertainty associated with economic activity and Vivendi's ability to maintain SFR or the Canal+ Group (two French entities) in its taxable income basket. As a result, Vivendi values its tax losses carried forward under the Consolidated Global Profit Tax System based on one year's forecast results, taken from the following year's budget.

Impact of the Consolidated Global Profit Tax System on the Consolidated Financial Statements for the years ended December 31, 2007 and 2006 is as follows:

(in millions of euros)	December 31, 2005	Income/ (charges) in statement of earnings	Collections	December 31, 2006	Income/ (charges) in statement of earnings	Collections	December 31, 2007
Current taxes	507	602	(505)	604	(a) 551	(603)	552
Deferred tax assets	580	(43)	-	537	53	-	590
	1,087	559	(505)	1,141	604	(603)	1,142

(a) Corresponds to the expected tax savings for 2007 (€552 million) and the difference between the 2006 forecasted tax savings and the related 2007 tax savings received in 2007.

As of December 31 2007, current taxes corresponded to the 2007 expected tax savings. Deferred tax assets corresponded to the 2008 forecasted tax savings.

On February 26, 2008, the date of the Management Board meeting held to approve the financial statements for the year ended December 31, 2007, Vivendi intends to apply for permission to use the Consolidated Global Profit Tax System for an additional three-year period, in accordance with applicable law.

Notes to the Consolidated Financial Statements

6.2. Settlement of Litigation relating to DuPont Shares

At the beginning of June 2006, Vivendi announced that an agreement had been reached with the United States Internal Revenue Service (IRS) ending their dispute concerning the amount of tax due on the redemption by DuPont of certain of its shares held by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi in the total amount of approximately \$671 million (€521 million), including tax of \$284 million and interest of \$387 million.

As a result, after including the payment made in connection with the agreement with the IRS (-\$671 million) and a tax credit related to the deductible portion of this payment (\$135 million), the reversal of the entire deferred tax liability established in connection with this matter (\$1,847 million) recorded on the group's balance sheet resulted in a net gain of \$1,311 million (€1,019 million), which was recorded under "Provision for income taxes" of the 2006 statement of earnings and breaks down as follows:

- reversal of the deferred tax liability of \$1,547 million, recorded by Seagram in April 1995, net of tax of \$284 million paid in connection with the agreement with the IRS, generated a gain of \$1,263 million. This deferred tax liability corresponded to the additional tax which would have been owed to the IRS if the gain on the DuPont share redemption in 1995 had been fully taxable; and
- the difference between the reversal of the provision for interest in an amount of \$462 million (\$300 million after accounting for the tax benefit of deductible interest resulting in a savings of \$162 million), and interest paid of \$387 million (\$252 million after accounting for the tax benefit of deductible interest resulting in a savings of \$135 million), generated a gain of \$75 million or \$48 million after taking into account the effect on income tax of tax-deductible interest. This interest was provided for by Vivendi in December 2000 as part of the allocation of the purchase price of Seagram.

Furthermore, the agreement with the IRS provided that the 16.4 million DuPont shares that Vivendi has held since its merger with Seagram could be freely transferred and therefore subject to taxation in accordance with ordinary general tax rules. At the end of June 2006, Vivendi sold these shares at a unit price of \$40.82, for a total amount of \$671 million (€534 million), resulting in an accounting loss of \$123 million (€98 million) and a capital gain for tax purposes of \$523 million (€417 million). The tax on the capital gain is fully covered by the above mentioned tax-deductible interest and the US tax loss carry-forwards of Vivendi.

6.3. Provision for Income Taxes

(in millions in euros)	Note	Year Ended December 31,	
		2007	2006
Provision for income taxes:			
Current			
DuPont shares litigation settlement	6.2	-	(521)
Use of tax losses:			
Tax savings related to the Consolidated Global Profit Tax System	6.1	552	604
Tax savings related to the US fiscal group		138	217
Adjustments to prior year's tax expense		(15)	26
Other income taxes items		(1,533)	(1,688)
		(858)	(1,362)
Deferred			
DuPont shares litigation settlement	6.2	-	1,603
Impact of the Consolidated Global Profit Tax System	6.1	53	(43)
Impact of the US fiscal group		(88)	14
Other changes in deferred tax assets		42	78
Impact of the change(s) in tax rates		33	-
Reversal of tax liabilities relating to risks extinguished over the period		15	272
Other deferred tax income/(expenses)		56	(15)
		111	1,909
Provision for income taxes		(747)	547



Notes to the Consolidated Financial Statements

6.4. Provision for Income Taxes and Income Tax Paid by Geographical Area

(in millions in euros)	Note	Year Ended December 31,	
		2007	2006
Provision for income taxes			
Current			
France		(394)	(497)
USA		(18)	(539)
<i>o/w DuPont shares tax litigation settlement</i>	6.2	-	(521)
Morocco		(350)	(282)
Other jurisdictions		(96)	(44)
		(858)	(1,362)
Deferred			
France		33	7
USA		(45)	1,798
<i>o/w DuPont shares tax litigation settlement</i>	6.2	-	1,603
Morocco		7	-
Other jurisdictions		116	104
		111	1,909
Provision for income taxes		(747)	547
Income tax (paid)/collected:			
France		(560)	(522)
<i>o/w SFR</i>		(920)	(852)
USA		(15)	(541)
<i>o/w DuPont shares tax litigation settlement</i>	6.2	-	(521)
Morocco		(306)	(286)
Other jurisdictions		(191)	(32)
Income tax paid		(1,072)	(1,381)

6.5. Effective Tax Rate

(in millions of euros, except %)	Note	Year Ended December 31,	
		2007	2006
Earnings from continuing operations before provision for income taxes		4,516	4,646
<i>Elimination:</i>			
Income from equity affiliates		(373)	(337)
Earnings before provision for income taxes		4,143	4,309
French statutory tax rate (a)		33.33%	33.33%
Theoretical provision for income taxes based on French statutory tax rate		(1,381)	(1,436)
Reconciliation of the theoretical and effective provision for income taxes:			
Permanent differences		22	(55)
<i>o/w other differences from tax rates</i>		(65)	(51)
<i>o/w impact of the changes in tax rates</i>		33	-
Consolidated Global Profit	6.1	605	561
<i>o/w current tax savings</i>		552	604
<i>o/w changes in related deferred tax assets</i>		53	(43)
Other tax losses		(56)	(26)
<i>o/w use of unrecognized ordinary losses</i>		87	175
<i>o/w unrecognized tax losses</i>		(143)	(201)
Restatements in respect of the provision for income taxes of previous years		2	1,380
<i>o/w DuPont shares litigation settlement</i>		-	1,082
Capital gain or loss on the divestiture of financial investments or businesses		61	123
Effective provision for income taxes		(747)	547
Effective tax rate		18.0%	-12.7%

(a) The French statutory tax rate is 33.33%. The December 30, 2004 Finance Act (Act No. 2004-1484) provided for the phasing out of the additional contribution surtax equal to 3% of the corporate tax liability of French companies since 2002. This surtax was reduced to 1.5% beginning January 1, 2005 and was abolished in 2006. Act No. 99-1140 of December 29, 1999 dealing with the financing of the social security system provided for the introduction of a surtax equal to 3.3% of the corporate tax liability of French companies. This surtax had the effect of raising the French corporate tax rate by 1.1 percentage points. The French corporate tax rate was therefore 34.43% in 2007 and in 2006.



Notes to the Consolidated Financial Statements

6.6. Changes in Current and Deferred Tax Assets and Liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance of deferred tax assets/(liabilities)	414	(1,692)
Effect on provision for income taxes	111	1,909
Effect on shareholders' equity	-	26
Change in the scope of consolidation	(136)	(1)
Change in foreign currency translation adjustments	(63)	172
Closing balance of deferred tax assets/(liabilities)	326	414

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2007	December 31, 2006
Deferred tax assets		
<i>Recognized deferred taxes</i>		
Tax losses (a)	3,441	3,745
Temporary differences (b)	1,003	1,053
Recognized deferred taxes	4,444	4,798
<i>Unrecognized deferred taxes</i>		
Tax losses	(2,691)	(2,838)
Temporary differences	(331)	(476)
Unrecognized deferred taxes	(3,022)	(3,314)
Recorded deferred taxes	1,422	1,484
Deferred tax liabilities		
Purchase accounting reevaluation of assets (c)	666	535
Spirits and wine sale	152	177
Other	278	358
Recorded deferred tax liabilities	1,096	1,070
Deferred tax assets/(liabilities), net	326	414

- (a) Mainly includes deferred tax assets in respect of ordinary tax losses carried forward by Vivendi as head of the tax group under the Consolidated Global Profit Tax System (€3,115 million as of December 31, 2006, before adjustment due to the expected 2007 tax savings amounting to €552 million, please refer to section 6.1 above) and ordinary tax losses carried forward by the US tax group (€131 million as of December 31, 2006), hence a recognized deferred tax asset on losses carried forward amounting to €750 million.
- (b) Mainly includes the deferred tax assets related to not deductible provisions, which mainly include provisions related to employee benefit plans and share-based compensation plans.
- (c) These tax liabilities generated by asset revaluations as a result of the purchase price allocation of company acquisition costs are cancelled on the depreciation, amortization or divestiture of the underlying asset and generate no current tax charge.

Maturity of losses carried forward

The tax losses carried forward reported to tax authorities for the fiscal year ended December 31, 2006, which are material to Vivendi are described below along with their respective maturity periods:

- France: losses carried forward amounted to €9,344 million and can be carry forward indefinitely; and
- United-States: losses carried forward amounted to \$534 million and can be carried forward for a twenty-year period. No losses will mature prior to December 31, 2022.



Notes to the Consolidated Financial Statements

6.7. Tax Audits

The years ended December 31, 2007 and 2006 and prior years, when appropriate, are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has operations. Various tax authorities have proposed or levied assessments for additional tax in respect of prior years. Management believes that the settlement of any or all of these assessments will not have a material impact on the results of operations, financial position or liquidity of Vivendi. Besides, in respect of the Consolidated Global Profit Tax System, the consolidated income reported by Vivendi 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 not proposed any assessment that would materially impact the amount of losses carried forward in respect of the fiscal years considered.

Note 7. Reconciliation of Earnings attributable to Equity Holders of the Parent and Adjusted Net Income

(in millions of euros)	Note	Year Ended December 31,	
		2007	2006
Earnings attributable to equity holders of the parent (a)		2,625	4,033
<i>Adjustments</i>			
Amortization of intangible assets acquired through business combinations		301	223
Impairment losses of intangible assets acquired through business combinations (a)		34	-
Other financial charges and income (a)		83	(311)
Earnings from discontinued operations (a)		-	-
Change in deferred tax asset related to the Consolidated Global Profit Tax System	6.1	(53)	43
Non recurring items related to provision for income taxes		(b) 74	(b) (1,284)
Provision for income taxes on adjustments		(155)	(83)
Minority interests in adjustments		(77)	(7)
Adjusted net income		2,832	2,614

(a) As presented in the consolidated statement of earnings.

(b) Corresponds mainly to the reversal of tax liabilities relating to risks extinguished over the period. In 2006, includes mainly the gain from the settlement of the Dupont litigation (€1,082 million).

Note 8. Earnings per Share

	Year Ended December 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
Earnings attributable to the equity holders of the parent	2,625	2,625	4,033	4,033
Adjusted net income	2,832	2,832	2,614	2,614
Number of shares (in millions)				
Weighted average number of shares outstanding restated (a)	1,160.2	1,160.2	1,153.4	1,153.4
Potential dilutive effect related to share-based compensation	-	7.6	-	9.0
Adjusted weighted average number of shares	1,160.2	1,167.8	1,153.4	1,162.4
Earnings per share (in euros)				
Earnings attributable to the equity holders of the parent per share	2.26	2.25	3.50	3.47
Adjusted net income per share	2.44	2.43	2.27	2.25

Earnings from discontinued operations are not applicable over presented periods. Therefore, earnings from continuing operations, attributable to the equity holders of the parent, correspond to earnings attributable to the equity holders of the parent.

(a) Net of treasury shares (please refer to Note 18.1).



Notes to the Consolidated Financial Statements

Note 9. Goodwill

(in millions of euros)	December 31, 2007	December 31, 2006
Goodwill, gross	26,402	25,240
Impairment losses	(10,975)	(12,172)
Goodwill	15,427	13,068

Changes in Goodwill

(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	-	-	(a) 739	(416)	4,246
Canal+ Group	3,412	-	10	(b) 1,427	1	4,850
<i>o/w StudioCanal</i>	129	-	-	-	(2)	127
SFR	4,024	(6)	-	(c) 252	-	4,270
Maroc Telecom	1,600	-	4	(d) 384	(28)	1,960
Vivendi Games	109	-	-	1	(9)	101
Non core operations and others	-	-	-	-	-	-
Total	13,068	(6)	14	2,803	(452)	15,427

(in millions of euros)	Goodwill as of December 31, 2005	Impairment losses	Changes in value of commitments to purchase minority interests	Business combinations	Divestitures, changes in foreign currency translation adjustments and other	Goodwill as of December 31, 2006
Universal Music Group	4,275	-	-	6	(e) (358)	3,923
Canal+ Group	3,784	-	(f) (54)	23	(g) (341)	3,412
<i>o/w StudioCanal</i>	106	-	-	23	-	129
SFR	4,024	-	-	-	-	4,024
Maroc Telecom	1,636	-	-	-	(36)	1,600
Vivendi Games	77	-	-	-	32	109
Non core operations and others	-	-	-	-	-	-
Total	13,796	-	(54)	29	(703)	13,068

- (a) Mainly corresponds to goodwill attributable to the acquisition of BMG Music Publishing for €599 million (please refer to Note 2.4) and of Sanctuary for €102 million (please refer to Note 2.6).
- (b) Corresponds to goodwill attributable to the acquisition of 65% of TPS (€804 million), the acquisition of 34% of CanalSatellite (€564 million) and the put option granted to TF1 and M6 on their stake in Canal+ France (€932 million), offset by goodwill attributable to the sale of 10.18% and 15% of Canal+ France to Lagardère, and TF1 and M6, respectively (€873 million) (please refer to Note 2.1).
- (c) Corresponds mainly to the goodwill attributable to the acquisition of the fixed and ADSL activities of Tele2 France for €220 million.
- (d) Corresponds to goodwill attributable to the acquisition of Onatel and Gabon Telecom for €164 million and €19 million, respectively (please refer to Notes 2.2 and 2.3) and the acquisition of a 2% interest in Maroc Telecom by Vivendi for €201 million (please refer to Note 2.7).
- (e) Includes €67 million, a portion of the allocation of the excess of the acquisition cost (€964 million) over the carrying amount of the approximately 7.7% stake in Universal Studios Holding I Corp acquired from MEI. The remaining amount (€65 million) was accounted for as an investment in equity affiliates (NBCU).
- (f) The put option granted to minority shareholders on TKP shares maturing October 2006 was not exercised. The goodwill calculated following the initial recognition of the put option was reversed.
- (g) Corresponds mainly to the derecognition of the goodwill (€341 million) attributable to the sale of 9.82% of Canal+ France to Lagardère on December 19, 2006 (please refer to Note 2.1).



Notes to the Consolidated Financial Statements

Goodwill Impairment Test

During the fourth quarter of 2007, Vivendi reviewed the value of goodwill allocated to its cash-generating units (CGUs). In the absence of any identified indicator of impairment, the test was performed on the basis of an internal valuation. After this test, Vivendi Management reached the conclusion that the recoverable value of its CGUs or groups of CGUs exceeded their carrying value.

CGUs or groups of CGUs tested are as follows:

Business Segments	Cash Generating Units (CGUs)	Groups of CGUs
Universal Music Group	Music recording	Universal Music Group
	Music publishing (including BMGP)	
Canal+ Group	Canal+ Premium	Canal+ French Pay-TV
	CanalSat/TPS	
	MultiThématiques	
	Canal Overseas	
	StudioCanal	StudioCanal
	Other entities	Other entities
SFR	SFR	SFR
Maroc Telecom	Mobile	Maroc Telecom
	Fixed and internet	
	Other entities	Other entities
Vivendi Games	Vivendi Games	Vivendi Games

The main assumptions and methods used are presented in the following table. Please refer to Note 1.3.5.6 for further presentation of these methods.

	2007			2006		
	Method	Discount Rate	Perpetual Growth Rate	Method	Discount Rate	Perpetual Growth Rate
Universal Music Group	DCF & comparables model	8.25%	2.0%	DCF & comparables model	8.25%	2.5%
Canal+ Group						
Pay-TV in France	DCF	8.80%	1.5%	Value of transactions with TF1, M6 and Lagardère (please refer to Note 2.1)	-	-
StudioCanal	DCF	8.75%-9.25%	0%-1%	DCF	8.25%-8.75%	0%-1%
SFR	DCF & comparables model	8.0%	2.5%	DCF & comparables model	8.0%	2.5%
Maroc Telecom	Stock market price	-	-	Stock market price, DCF and comparables model	10.5%	2.5%
Vivendi Games	Value of transaction with Activision (please refer to Note 2.8)	-	-	DCF	11.0%-12.0%	3.5%

DCF: Discounted Cash Flows.



Notes to the Consolidated Financial Statements

Note 10. Content Assets and Commitments

10.1. Content Assets

(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

(in millions of euros)	December 31, 2006		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	4,854	(3,221)	1,633
Advances to artists and repertoire owners	362	-	362
Sports rights	366	-	366
Film and television costs	4,023	(3,452)	571
Games advances	194	(164)	30
Content assets	9,799	(6,837)	2,962
Deduction of current content assets	(1,046)	204	(842)
Non current content assets	8,753	(6,633)	2,120

Changes in the main content assets are as follows:

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance of music catalogs and publishing rights	1,633	1,989
Amortization, net (a)	(232)	(199)
Business combinations	(b) 1,313	23
Purchases of catalogs	11	9
Divestitures of catalogs	-	-
Assets held for sale	(12)	-
Changes in foreign currency translation adjustments and other	(198)	(189)
Closing balance of music catalogs and publishing rights	2,515	1,633

(a) This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the consolidated statement of earnings.

(b) Mainly corresponds to acquired catalogs relating to the acquisition of BMG Music Publishing by UMG (please refer to Note 2.4).



Notes to the Consolidated Financial Statements

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance of payments to artists and repertoire owners	362	366
Payment to artists and repertoire owners	638	620
Business combinations	95	1
Recoupment of advances, net	(605)	(601)
Changes in foreign currency translation adjustments and other	(41)	(24)
Closing balance of payments to artists and repertoire owners	449	362

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance of sports rights	366	355
Rights acquisition (a)	785	683
Business combinations	6	-
Rights accrual (a)	(54)	51
Consumption of broadcasting rights	(727)	(717)
Other	2	(6)
Closing balance of sports rights	378	366

(a) The rights are accrued upon the opening of the broadcasting period. They are reclassified as acquired rights upon billing by the third party, unless they have already been expensed. The rights accrual, net corresponds to accrued rights less rights transferred to acquired rights and rights consumed before their billing.

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance of film and television costs	571	509
Acquisition of coproductions and catalogs	58	24
Consumption of coproduction and catalogs	(97)	(56)
Acquisition of film and television rights	676	599
Consumption of film and television rights	(719)	(581)
Business combinations	119	10
Other	19	66
Closing balance of film and television costs	627	571

10.2. Contractual Content Commitments

Commitments given recorded in the Statement of Financial Position: content liabilities

Content liabilities are part of "Trade accounts payable and other" or part of "Other non-current liabilities" depending on their nature or maturity, current or non-current, as applicable (please refer to Note 16). Content liabilities related to share-based compensation plans are part of provisions (please refer to Note 21).

(in millions of euros)	Minimum Future Payments as of December 31, 2007				Total as of December 31, 2006
	Total	Due in			
		2008	2009-2012	After 2012	
Music royalties to artists and repertoire owners	1,485	1,436	49	-	1,334
Film and television rights (a)	182	182	-	-	116
Sports rights	473	464	9	-	500
Creative talent, employment agreements and others (b)	225	114	94	17	201
Total content liabilities	2,365	2,196	152	17	2,151



Notes to the Consolidated Financial Statements

Off balance sheet commitments given/received

(in millions of euros)	Minimum Future Payments as of December 31, 2007				Total as of December 31, 2006
	Total	Due in			
		2008	2009-2012	After 2012	
Film and television rights (a)	(c) 3,278	1,160	1,617	501	2,672
Sports rights	(d) 181	95	86	-	748
Creative talent, employment agreements and others (b)	1,005	453	503	49	979
Total given	4,464	1,708	2,206	550	4,399
Film and television rights (a)	(87)	(67)	(20)	-	(118)
Sports rights	-	-	-	-	(29)
Creative talent, employment agreements and others (b)		not available			
Other	(9)	(8)	(1)	-	(19)
Total received	(96)	(75)	(21)	-	(166)
Total net	4,368	1,633	2,185	550	4,233

The amounts presented above for off balance sheet commitments given are the minimum amounts guaranteed to third parties.

- (a) Includes primarily contracts valid over several years relating to the broadcast of future film and TV productions (mainly exclusivity contracts with major US studios and pre-purchases in the French movie industry), StudioCanal film coproduction commitments (given and received) and broadcasting rights of CanalSat and Cyfra+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release. As of December 31, 2007, provisions recorded relating to film and television rights amounted to €566 million, compared to €214 million as of December 31, 2006 (please refer to Notes 2.1 and 19).
- (b) UMG routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other product ("Creative talent and employment agreements"). Until the artist or other party has delivered his or her content, UMG discloses its obligation as an off balance sheet commitment. While the artist or other party is also obligated to deliver his or her content or other product to UMG (these arrangements are generally exclusive), UMG does not report these obligations (or the likelihood of the other party's failure to meet its obligations) as an offset to its off balance sheet commitments.
- (c) The increase in film and television rights compared to December 31, 2006, is mainly due to the full consolidation of TPS since January 4, 2007.
- (d) Excludes broadcasting rights of all League 1 football matches for the next four seasons (2008-2009 to 2011-2012), awarded on February 6, 2008, to Canal+ Group by the French Professional Football League. Canal+ Group will pay €465 per season (i.e., €1,860 million) for these rights (please refer to Note 29). These commitments will be recognized in the statement of financial position upon the opening of every season.



Notes to the Consolidated Financial Statements

Note 11. Other Intangible Assets

(in millions of euros)	December 31, 2007		
	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
Internally developed software (a)	1,146	(697)	449
Acquired software (b)	2,061	(1,333)	728
Telecom licenses	1,339	(312)	1,027
Other	1,101	(533)	568
	5,647	(2,875)	2,772

As of December 31, 2007, Vivendi does not hold any other intangible assets with an indefinite life.

(in millions of euros)	December 31, 2006		
	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
Internally developed software (a)	968	(574)	394
Acquired software (b)	1,630	(1,135)	495
Telecom licenses	1,318	(227)	1,091
Other	675	(393)	282
	4,591	(2,329)	2,262

(a) Includes mainly the cost of internal software developed by SFR.

(b) Includes mainly SFR software amortized over 4 years.

The changes in other intangible assets are as follows:

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance	2,262	1,937
Amortization	(531)	(426)
Impairment losses	(28)	-
Acquisitions	446	641
Increase related to internal developments	196	152
Divestitures/Decrease	(17)	(7)
Business combinations	354	-
Changes in foreign currency translation adjustments	(7)	(12)
Other	97	(23)
Closing balance	2,772	2,262

The amortization charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of telecom licenses (SFR: -€57 million in 2007 and -€52 million in 2006, Maroc Telecom: -€27 million in 2007 and -€25 million in 2006), internally developed software (-€133 million in 2007 and -€120 million in 2006) and acquired software (-€206 million in 2007 and -€171 million in 2006).



Notes to the Consolidated Financial Statements

Note 12. Property, Plant and Equipment

(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

(in millions of euros)	December 31, 2006		
	Property, plant and equipment, gross	Accumulated depreciation and impairment losses	Property, plant and equipment
Land	246	(20)	226
Buildings	1,939	(1,184)	755
Equipment and machinery	6,527	(3,995)	2,532
Construction-in-progress	273	-	273
Other	2,379	(1,786)	593
	11,364	(6,985)	4,379

As of December 31, 2007, property, plant and equipment financed by finance lease contracts amounted to €48 million, compared to €65 million in 2006.

The change in Property, Plant and Equipment is as follows:

(in millions of euros)	Year Ended December 31,	
	2007	2006
Opening balance	4,379	4,331
Depreciation	(993)	(905)
Acquisitions/Increase	1,125	1,232
Divestitures/Decrease	(119)	(42)
Business combinations	433	1
Changes in foreign currency translation adjustments	(30)	(43)
Other	(120)	(195)
Closing balance	4,675	4,379

The depreciation charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of buildings (-€121 million in 2007 and -€129 million in 2006) and equipment and machinery (-€623 million in 2007 and -€550 million in 2006).



Notes to the Consolidated Financial Statements

Note 13. Property, Plant, Equipment and Intangible Assets of Telecom Operations

(in millions of euros)	December 31, 2007	December 31, 2006
Network equipment (a)	2,314	2,365
Software (b)	915	726
Licences (b) (c)	776	832
Other	609	427
Property, plant, equipment and intangible assets of telecom operations at SFR	4,614	4,350

(in millions of euros)	December 31, 2007	December 31, 2006
Network equipment (a)	1,111	835
Software (b)	197	124
Licences (b)	251	259
Other	438	330
Property, plant, equipment and intangible assets of telecom operations at Marco Telecom	1,997	1,548

(a) Principally pylons, radio and transmission equipment, switch centers and servers and hardware, recorded as "Property, plant and equipment".

(b) Recorded as "Other intangible assets".

(c) Includes the discounted value of the fixed royalty GSM license used by SFR, which was renewed for 15 years in March 2006 (for a gross amount of €278 million).

Note 14. Investments in Equity Affiliates

(in millions of euros)	Note	Voting Interest		Value of Equity Affiliates	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
NBC Universal (a)		20.0%	20.0%	5,641	5,953
Neuf Cegetel	2.9	39.9%	40.5%	1,091	1,020
Other		na*	na*	93	59
				6,825	7,032

na*: not applicable.

(a) As of December 31, 2007, as at each year end, an impairment test was performed to determine whether the carrying amount of Vivendi's 20% interest in NBCU exceeds its recoverable amount. Vivendi's management, with the assistance of one independent expert, concluded that the carrying amount of the NBCU interest did not exceed its recoverable amount which was determined using the discounted cash flows method or stock market multiples employing financial assumptions consistent with those used for previous years (discount rate between 6.50% and 7.50%; terminal value based on a multiple of EBITDA between 9.5x and 10.5x for DCF).



Notes to the Consolidated Financial Statements

Changes in Value of Equity Affiliates

(in millions of euros)	Value of Equity Affiliates as of December 31, 2006	Changes in Scope of Consolidation	Income from Equity Affiliates	Dividends Received	Changes in foreign currency translation adjustments and other	Value of Equity Affiliates as of December 31, 2007
NBC Universal	5,953	(a) 176	301	(305)	(b) (484)	5,641
Neuf Cegetel	1,020	(c) 40	78	(33)	(14)	1,091
Other	59	43	(6)	(2)	(1)	93
	7,032	259	373	(340)	(499)	6,825

(in millions of euros)	Value of Equity Affiliates as of December 31, 2005	Changes in Scope of Consolidation	Income from Equity Affiliates	Dividends Received	Changes in foreign currency translation adjustments and other	Value of Equity Affiliates as of December 31, 2006
NBC Universal	6,419	(d) 165	301	(262)	(b) (670)	5,953
Neuf Cegetel	363	(c) 626	38	-	(7)	1,020
Other	74	(1)	(2)	(9)	(3)	59
	6,856	790	337	(271)	(680)	7,032

- (a) Includes Vivendi's subscription to the NBC Universal capital increase (€176 million) in order to finance the acquisitions of Oxygen Media and Hallmark International Group.
- (b) Includes changes in foreign currency translation adjustments (-€481 million in 2007 and -€673 million in 2006).
- (c) Corresponds to additional acquisitions by SFR.
- (d) Includes Vivendi's subscription to the NBC Universal capital increase (€98 million) to finance the acquisition of iVillage by NBC Universal and the allocation (€65 million) of the excess of the acquisition cost over the carrying amount of the approximate 7.7% stake in Universal Studios Holding I Corp, acquired from MEI (please refer to Note 9).

Financial Information Relating to Equity Affiliates

The following condensed information relating to equity affiliates corresponds to Vivendi's equity in the stand-alone financial statements of these affiliates. This equity is calculated by applying Vivendi's ownership interests in these affiliates, as presented in Note 28.

(in millions of euros)	December 31, 2007		December 31, 2006	
	NBC Universal	Neuf Cegetel	NBC Universal	Neuf Cegetel
Vivendi's ownership interests	20.0%	22.3%	20.0%	22.7%
Revenues	2,171	747	2,467	657
EBIT	453	53	468	15
Earnings	304	57	305	48
Total assets	4,709	1,137	4,837	993
Total liabilities	1,290	754	1,301	658



Notes to the Consolidated Financial Statements

Note 15. Financial Assets

(in millions of euros)	Note	December 31, 2007	December 31, 2006
Available-for-sale securities		306	325
Derivative financial instruments	24	69	52
Financial assets at fair value through P&L		106	119
Down payments made to Bertelsmann for the acquisition of Music Publishing activities	2.4	-	1,663
Onatel shares (a)	2.2	-	222
Financial assets at fair value		481	2,381
Collateralized cash received from Lagardère	2.1	-	469
Cash deposits		72	50
Other loans and receivables		848	1,097
Held-to-maturity investments		1	-
Financial assets at amortized cost		921	1,616
Financial assets		1,402	3,997
Deduction of short-term financial assets		(187)	(833)
Non current financial assets		1,215	3,164

(a) Onatel has been fully consolidated since January 1, 2007.

Changes in Available-for-sale Securities

(in millions of euros)	Note	December 31, 2006	Changes in value	Acquisition/divestiture	Changes in foreign currency translation adjustments and other	December 31, 2007
Sogetel shares hedging the exchangeable bonds	24.3.3	206	3	-	-	209
PTC shares held by Telco and Carcom	27	-	-	-	-	-
Amp'd shares (a)		42	-	23	(65)	-
Other		77	(1)	28	(7)	97
Available-for-sale securities		325	2	51	(72)	306

(in millions of euros)	Note	December 31, 2005	Changes in value	Acquisition/divestiture	Changes in foreign currency translation adjustments and other	December 31, 2006
Veolia Environnement shares (b)		823	38	(861)	-	-
DuPont shares	6.2	590	(6)	(550)	(34)	-
Sogetel shares hedging the exchangeable bonds	24.3.3	282	(48)	(28)	-	206
PTC shares held by Telco and Carcom	27	531	-	(496)	(35)	-
LBI fund shares		87	-	(87)	-	-
Amp'd shares		17	-	27	(2)	42
Other		145	9	(83)	6	77
Available-for-sale securities		2,475	(7)	(2,078)	(65)	325

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

(b) This residual stake of 5.3% in Veolia Environnement's share capital was sold in July 2006 under an Accelerated Book Building procedure, for a total amount of €861 million. The capital gain amounted to €832 million.



Notes to the Consolidated Financial Statements

Other Financial Assets

(in millions of euros)	Note	December 31, 2007	December 31, 2006
Deposits related to Qualified Technological Equipment lease/sublease operations (a)	16	624	686
Down payments made to TF1 & M6	2.1	-	154
Pension funds	20	17	21
Other		207	236
Other loans and receivables		848	1,097

(a) Cash deposits relating to Qualified Technological Equipment (QTE) operations set up in 1999 and 2001 by SFR.

Note 16. Net Working Capital

Trade Accounts Receivable and other

(in millions of euros)	December 31, 2007	December 31, 2006
Trade accounts receivable	4,942	3,955
Trade accounts receivable write-offs	(1,354)	(820)
Trade accounts receivable, net	3,588	3,135
Other	1,620	1,354
<i>o/w VAT to be received</i>	820	705
<i>o/w social costs and other taxes</i>	44	39
<i>o/w prepaid charges</i>	298	204
Trade accounts receivable and other	5,208	4,489

Trade Accounts Payable and other

(in millions of euros)	Note	December 31, 2007	December 31, 2006
Trade accounts payable		5,859	4,898
Other (a)		4,925	4,399
<i>o/w royalty advances to music artist</i>	10.2	1,436	1,279
<i>o/w prepaid telecommunication revenues (b)</i>		795	772
<i>o/w VAT</i>		750	635
<i>o/w social costs and other taxes</i>		705	619
Trade accounts payable and other		10,784	9,297

(a) Includes the debt incurred in connection with the interim dividend to be paid to Vodafone by SFR (€197 million with respect to the fiscal year 2007 paid in 2008 and €197 million with respect to the fiscal year 2006 paid in 2007).

(b) Mainly includes subscriptions and prepaid cards sold but not consumed, mobile phones held by distributors as well as roll-over minutes.

Other non-current Liabilities

(in millions of euros)	Note	December 31, 2007	December 31, 2006
Advance lease payments in respect of Qualified Technological Equipment operations	15	650	715
Non current content liabilities		111	120
Liabilities related to SFR GSM licence (a)	13	238	253
Other		79	181
Total other non-current liabilities		1,078	1,269

(a) Corresponds to the discounted value of the liability. The nominal value amounted to €331 million as of December 31, 2007 and to €356 million as of December 31, 2006.



Notes to the Consolidated Financial Statements

Note 17. Cash and Cash Equivalents

(in millions of euros)	December 31, 2007	December 31, 2006
Cash	401	410
Cash equivalents	1,648	1,990
Cash and cash equivalents	2,049	2,400

As of December 31, 2007, cash equivalents comprised UCITS for €808 million (€1,459 million as of December 31, 2006) and certificates of deposit and term deposits for €840 million (€531 million as of December 31, 2006). In accordance with recommendations made by the AMF for the closing of financial statements for the year 2007, a review of the historical performance of these investments was performed during 2007 which confirmed their accounting treatment as cash equivalents.

Note 18. Information on the Share Capital

18.1. Number of Common Shares and Voting Rights Outstanding

(in thousands)	December 31, 2007	December 31, 2006
Common shares outstanding (nominal value: €5.5 per share)	1,164,743	1,157,034
Treasury shares	(80)	(1,380)
Voting rights	1,164,663	1,155,654

As of December 31, 2007, Vivendi held 79,114 treasury shares to hedge certain share purchase options granted to executives and employees (unchanged compared to December 31, 2006). As of December 31, 2006, Vivendi held 1,300,389 shares which were in the process of being cancelled. Such cancellation, which was completed in the beginning of 2007, resulted from the conversion of ADS options into cash-settled stock appreciation rights (please refer to Note 21). In 2007, 7,118,181 shares were acquired, then exchanged for 2% of the share capital of Maroc Telecom (please refer to Note 2.7). In 2006, Vivendi sold 1,102,939 shares for a net amount of €27 million, which was recorded against equity.

18.2. 2007 Dividends

On February 26, 2008, the date of the Management Board's meeting which approved Vivendi's Consolidated Financial Statements as of December 31, 2007 and the appropriation of earnings, Vivendi's Management Board decided to propose the distribution of a dividend of €1.30 per share to Vivendi's shareholders, corresponding to a total distribution of approximately €1.5 billion. This proposal was presented to the Supervisory Board at its meeting held on February 28, 2008.



Notes to the Consolidated Financial Statements

18.3. Statement of Recognized Charges and Income

(in millions of euros)	Note	Year Ended December 31, 2007			Year Ended December 31, 2006		
		Attributable to Vivendi SA's shareholders	Minority interests	Total	Attributable to Vivendi SA's shareholders	Minority interests	Total
Net Income		2,625	1,144	3,769	4,033	1,160	5,193
Foreign currency translation adjustments		(a) (1,058)	(17)	(1,075)	(a) (977)	(44)	(1,021)
Assets available for sale	15	2	-	2	(847)	-	(847)
Valuation gains/(losses) taken to equity		2	-	2	(7)	-	(7)
Transferred to profit or loss on divestiture		-	-	-	(840)	-	(840)
Hedging instruments	24	(b) 38	2	40	20	5	25
Tax		(2)	(1)	(3)	24	(1)	23
Unrealized gains (losses)		38	1	39	(803)	4	(799)
Charges and income directly recorded in equity related to equity affiliates		(2)	-	(2)	5	-	5
Other		4	-	4	(36)	35	(1)
Other impacts on retained earnings		2	-	2	(31)	35	4
Charges and income directly recognized in equity		(1,018)	(16)	(1,034)	(1,811)	(5)	(1,816)
Total Recognized Charges and Income Over the Period		1,607	1,128	2,735	2,222	1,155	3,377

- (a) Includes changes in foreign currency translation adjustments relating to the investment in NBC Universal of -€481 million in 2007 and -€662 million in 2006.
- (b) Includes the impact of the fluctuation in the fair value of cash flow hedging instruments (€27 million in 2007) and net investment hedging instruments (€11 million in 2007).



Notes to the Consolidated Financial Statements

Note 19. Provisions

(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		260	16	(164)	(16)	(c) 527	32	655
Contingent liabilities due to disposal	26.4	155	8	(84)	(11)	-	(2)	66
Cost of dismantling and restoring site (d)		86	5	(3)	-	-	(8)	80
Other		263	104	(58)	(46)	3	7	273
Provisions		1,786	592	(457)	(172)	588	(38)	2,299
Deduction of current provisions		(398)	(405)	95	72	(46)	(23)	(705)
Non current provisions		1,388	187	(362)	(100)	542	(61)	1,594

(in millions of euros)	Note	December 31, 2005	Addition	Utilization	Reversal	Business combinations	Divestiture, changes in foreign currency translation adjustments and other	December 31, 2006
Employee benefit plans	20	724	73	(236)	(19)	-	(57)	485
Share-based compensation plans	21	46	60	(10)	(7)	-	65	154
Other employee provisions (a)		127	15	(6)	(26)	-	(24)	86
Employee benefits (b)		897	148	(252)	(52)	-	(16)	725
Restructuring costs		73	63	(63)	(1)	-	(5)	67
Litigations	27	285	50	(69)	(35)	-	(1)	230
Losses on onerous contracts		105	(e) 186	(26)	-	-	(5)	260
Contingent liabilities due to disposal	26.4	173	98	(102)	(12)	-	(2)	155
Cost of dismantling and restoring site (d)		95	9	-	-	-	(18)	86
Other		170	60	(47)	(18)	-	98	263
Provisions		1,798	614	(559)	(118)	-	51	1,786
Deduction of current provisions		(578)	(179)	344	8	-	7	(398)
Non current provisions		1,220	435	(215)	(110)	-	58	1,388

- (a) Includes employee deferred compensation.
- (b) Excludes employee termination reserves recorded under restructuring costs in the amount of €45 million in 2007 and €25 million in 2006.
- (c) Includes losses on onerous contracts and losses related to long-term contractual commitments estimated as part of business combinations. Concerns primarily contracts valid over several years relating to the broadcast of future film and TV productions and broadcasting rights of multi-channel digital TV packages. Includes, in particular, liabilities assumed in connection with the combination of the Canal+ Group and TPS pay-TV activities in France relating primarily to broadcasting rights, as well as the market value of other long-term contractual commitments. Please refer to Note 2.1.
- (d) SFR is required to dismantle and restore each mobile telephony antenna site following the termination of the site lease agreement.
- (e) The costs incurred in 2006 relating to the combination of the Canal+ France and TPS pay-TV activities in France amounted to €177 million, of which €165 million were recorded as provisions. As of December 31, 2007, the remaining provision amounted to €109 million.



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 hereunder.

(in millions of euros)	Year Ended December 31,	
	2007	2006
Retirement pensions through defined contribution plans	24	24
Retirement pensions through defined benefit plans	2	22
Employee benefit plans	26	46

20.2. Retirement Pensions through Defined Benefit Plans

20.2.1. Assumptions used in the Evaluation and Sensitivity Analysis

Discount rate, expected return on plan assets and rate of compensation increase

	Pension Benefits		Post-retirement Benefits	
	2007	2006	2007	2006
Discount rate (a)	5.5%	4.9%	5.9%	5.2%
Expected return on plan assets (b)	5.0%	4.7%	na*	na*
Rate of compensation increase	3.5%	3.9%	3.3%	3.4%
Expected residual active life (in years)	12.0	12.4	9.4	9.5

na*: not applicable.

(a) The applicable discount rates were determined by reference to returns received on notes issued by investment grade companies having maturities identical to that of the valued plans. A 50 basis point increase in the 2007 discount rate would have led to a decrease of €2 million in the pre-tax expense. A 50 basis point decrease in the 2007 discount rate would have led to an increase of €3 million in the pre-tax expense.

(b) For each country where Vivendi has plan assets, expected returns on plan assets were determined taking into account the structure of the asset portfolio and the expected rates of return for each of the components. A 50 basis point increase (or decrease) in the expected return on plan assets for 2007 would have led to a decrease of €2 million in the pre-tax expense (or an increase of €2 million).

The assumptions used in accounting for the pension benefits, by country, were as follows:

	US		UK		Germany		France	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.7%	4.9%	5.3%	4.3%	5.3%	4.3%
Expected return on plan assets	6.0%	5.0%	5.0%	4.5%	na*	na*	5.0%	4.4%
Rate of compensation increase	na*	4.0%	4.9%	4.6%	3.5%	3.5%	3.5%	3.5%

na*: not applicable.

Through its pension management policy in the US (until December 2007) and in the UK, Vivendi put in place an investment strategy, including notably the use of derivatives, which protects the group against unfavorable changes in interest rates and increases in the rate of inflation. Thus, an increase in the pension obligation is compensated for by a symmetrical increase in the fair value of the plan assets.

For the VUPS plan in the UK, this has resulted in the use of interest and inflation derivatives that protect the group from unfavorable movements in interest rates and inflation.



Notes to the Consolidated Financial Statements

The assumptions used in accounting for the postretirement benefits, by country, were as follows:

	US		Canada	
	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.6%	4.8%
Rate of compensation increase	4.0%	4.0%	na*	na*

na*: 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%	1%
Debt securities	72%	86%
Cash	4%	4%

Vivendi's allocation of its pension plan assets as of December 31, 2007 and 2006 was as follows:

	December 31,	
	2007	2006
Equity securities	20.9%	9.7%
Real estate	0.8%	0.3%
Debt securities	74.5%	84.3%
Cash	3.8%	5.7%
Total	100.0%	100.0%

These assets do not include buildings occupied by or assets used by Vivendi, or Vivendi shares or debt instruments.

Annual trend

For purposes of measuring post-retirement benefits, Vivendi assumed a slow-down in growth in the per capita cost of covered health care benefits (the annual trend in health care cost) from 8.7% for categories under 65 years old and 65 years old and over in 2007, down to 4.9% in 2012 for these categories. In 2007, a one-percentage-point increase in the annual trend rate would have increased the post-retirement obligation by €10 million and the pre-tax expense by less than €1 million; conversely, a one percentage-point decrease in the annual trend rate would have decreased the post-retirement benefit obligation by €9 million and the pre-tax expense by less than €1 million.



Notes to the Consolidated Financial Statements

20.2.2. Analysis of the Expense Recorded and the Benefits Paid

(in millions of euros)	Pension Benefits		Post-retirement Benefits		Total	
	Year Ended December 31,					
	2007	2006	2007	2006	2007	2006
Current service cost	13	13	-	-	13	13
Amortization of actuarial (gains) losses	11	11	1	-	12	11
Amortization of past service costs	2	(16)	-	4	2	(12)
Effect of curtailments/settlements	(25)	10	-	-	(25)	10
Adjustment related to asset ceiling	-	-	-	-	-	-
Impact on selling, administrative and general expenses	1	18	1	4	2	22
Interest cost	61	62	8	9	69	71
Expected return on plan assets	(40)	(39)	-	-	(40)	(39)
Impact on other financial charges and income	21	23	8	9	29	32
Net benefit cost	22	41	9	13	31	54

In 2007, the benefits paid, including settlements relating to externalized liabilities, amounted to €499 million (€135 million 2006) with respect to pensions, of which €459 million (€107 million in 2006) was paid by pension funds and €15 million (€17 million in 2006) with respect to post-retirement benefits.

20.2.3. Analysis of Net Benefit Obligations with respect to Pensions and Post-Retirement Benefits

Benefit obligation, fair value of plan assets and funded status for five periods:

(in millions of euros)	Pension Benefits					Post-retirement Benefits				
	Year Ended December 31,				January 1, 2004	Year Ended December 31,				January 1, 2004
	2007	2006	2005	2004		2007	2006	2005	2004	
Benefit obligation	780	1,319	1,376	1,276	1,439	144	159	200	201	206
Fair value of plan assets	443	911	806	685	769	-	-	-	-	-
Unfunded obligations	(337)	(408)	(570)	(591)	(670)	(144)	(159)	(200)	(201)	(206)



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, 2007 and 2006:

(in millions of euros)	Note	Pension Benefits		Post-retirement Benefits		Total	
		2007	2006	2007	2006	2007	2006
Changes in benefit obligation							
Benefit obligation at the beginning of the year		1,319	1,376	159	200	1,478	1,576
Current service cost		13	13	-	-	13	13
Interest cost		61	62	8	9	69	71
Contributions by plan participants		-	-	1	1	1	1
Business combinations		16	1	-	-	16	1
Divestitures		-	-	-	-	-	-
Curtailments		(2)	(1)	-	-	(2)	(1)
Settlements		(392)	(19)	-	-	(392)	(19)
Transfers		3	16	-	(16)	3	-
Plan amendments		4	(18)	-	-	4	(18)
Experience (gains) losses (a)		(1)	(2)	-	(2)	(1)	(4)
Actuarial (gains) losses related to changes in actuarial assumptions		(81)	68	-	3	(81)	71
Benefits paid		(104)	(116)	(15)	(17)	(119)	(133)
Social termination benefits		-	4	-	-	-	4
Other (foreign currency translation adjustments)		(56)	(65)	(9)	(19)	(65)	(84)
Benefit obligation at the end of the year		780	1,319	144	159	924	1,478
<i>o/w wholly or partly funded benefits</i>		495	997	-	-	495	997
<i>o/w wholly unfunded benefits (b)</i>		285	322	144	159	429	481
Changes in fair value of plan assets							
Fair value of plan assets at the beginning of the year		911	806	-	-	911	806
Expected return on plan assets		40	39	-	-	40	39
Experience gains (losses) (c)		(24)	24	-	-	(24)	24
Contributions by employers		56	223	14	16	70	239
Contributions by plan participants		-	-	1	1	1	1
Business combinations		-	-	-	-	-	-
Divestitures		-	-	-	-	-	-
Settlements		(395)	(19)	-	-	(395)	(19)
Transfers		-	-	-	-	-	-
Benefits paid		(104)	(116)	(15)	(17)	(119)	(133)
Other (foreign currency translation adjustments)		(41)	(46)	-	-	(41)	(46)
Fair value of plan assets at the end of the year		443	911	-	-	443	911
Funded status							
Underfunded obligation		(337)	(408)	(144)	(159)	(481)	(567)
Unrecognized actuarial (gains) losses		71	117	(16)	(18)	55	99
Unrecognized past service cost		4	4	-	-	4	4
Adjustment related to asset ceiling		-	-	-	-	-	-
Net (provision) asset recorded in the statement of financial position		(262)	(287)	(160)	(177)	(422)	(464)
<i>o/w assets</i>		17	21	-	-	17	21
<i>o/w including provisions for employee benefit plans (d)</i>	19	(279)	(308)	(160)	(177)	(439)	(485)

(a) Represents the impact on the benefit obligation resulting from the difference between benefits estimated at the previous year-end and benefits paid during the year. As a reminder, between 2005 and 2004, experience gains (losses) in respect of commitments amounted to -€8 million and -€7 million, respectively.

(b) Certain pension plans, in accordance with local laws and practices, are not covered by pension funds. As of December 31, 2007, they principally comprise supplementary pension plans in the US and pension plans in Germany.

(c) Represents the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year. As a reminder, in 2005 and 2004, experience gains (losses) in respect of plan assets amounted to €9 million and €6 million, respectively.

(d) Includes a current liability of €60 million as of December 31, 2007 (compared to €73 million as of December 31, 2006).



Notes to the Consolidated Financial Statements

Benefit obligation and fair value of plan assets detailed by country:

(in millions of euros)	Pension Benefits		Post-retirement Benefits	
	Year Ended December 31,			
	2007	2006	2007	2006
Benefits obligations				
US companies	116	564	121	137
UK companies	420	488	-	-
German companies	101	111	-	-
French companies	89	82	-	-
Other	54	74	23	22
	780	1,319	144	159
Fair value of plan assets				
US companies	52	456	-	-
UK companies	321	354	-	-
French companies	46	43	-	-
Other	24	58	-	-
	443	911	-	-

20.2.4. Additional Information on Pension Benefits in France

Vivendi maintains ten funded pension plans in France, of which four are invested through insurance companies. The allocation of assets by category of the various plans was as follows:

	Equity securities	Real estate	Debt securities	Cash	Total
Corporate Supplementary Plan	17.5%	5.0%	76.0%	1.5%	100.0%
Corporate Management Supplementary Plan	18.0%	4.5%	76.0%	1.5%	100.0%
SFR Supplementary Plan	19.0%	6.0%	74.0%	1.0%	100.0%
Canal+ Group IDR* Plan	16.0%	11.0%	73.0%	0.0%	100.0%

*IDR (Indemnités de départ en retraite): Indemnities payable on retirement.

The asset allocation remains fairly stable over time and the current asset allocation reflects the target asset allocation. Contributions to these plans amounted to €4 million in 2006, €5 million in 2007 and are estimated to be less than €5 million for 2008. Contributions to these ten plans amounted to €5 million in 2006 and in 2007, and are estimated to €6 million in 2008.

20.2.5. Benefits Estimation and Future Payments

For 2008, pension fund contributions and benefit payments to retirees by Vivendi (contributions by employers) are estimated at €54 million in respect of pensions (€26 million of which relates to contributions to pension funds) and €12 million in respect of post-retirement benefits.

The table below presents, for its nominal value, the estimated future benefit payments that will be met by the pension funds or by Vivendi:

(in millions of euros)	Pension Benefits	Post-Retirement Benefits
2008	54	12
2009	30	12
2010	30	12
2011	32	12
2012	31	11
2013-2017	189	54



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

For 2007 and 2006 the compensation cost recognized with respect to all outstanding plans is as follows:

(in millions of euros)	Note	Year Ended December 31,	
		2007	2006
Equity-settled instruments			
Vivendi stock option plans		24	32
Vivendi restricted stock plans		10	14
Employee stock purchase plans	21.5	6	7
		40	53
Cash-settled instruments			
Vivendi stock appreciation right plans		50	12
Vivendi "restricted stock unit" plans		4	6
UMG employee equity unit plan	21.4	(9)	30
Blizzard employee equity unit plan	21.4	69	12
		114	60
Share-based compensation cost	4.2	154	113

Impact on the provisions

As of December 31, 2007 and December 31, 2006, the estimated value of the vested rights is recorded as a liability and classified in provisions as follows (please refer to Note 19):

(in millions of euros)	December 31, 2007	December 31, 2006
Vivendi stock appreciation right plans	89	65
<i>o/w former ADS option and acquisition plans converted into SAR plans (May 2006)</i>	79	62
Vivendi "restricted stock unit" plans	9	6
UMG employee equity unit plan	55	71
Blizzard employee equity unit plan	78	12
Provisions related to cash-settled instruments	231	154

21.2. Information on Plans Granted by the Group

Vivendi has granted to employees several stock-based compensation plans. Depending on the fiscal residence of the employee, the plans are either equity-settled (mainly in the European Union and in Morocco) or cash-settled (mainly in the United States). These equity instruments are mainly composed of stock option plans (or stock appreciation right "SAR" plans, when they are cash settled) and of restricted stock plans (or restricted stock unit "RSU" plans, when they are cash-settled). The fair value of the equity-settled instruments granted is estimated and fixed at the grant date. The fair-value of the cash-settled instruments is initially estimated at the grant date and re-estimated at each reporting date; the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The characteristics and assumptions used to value these instruments are as follows (refer to Note 1.3.11 for further description of these plans and of the accounting methods applied by Vivendi):



Notes to the Consolidated Financial Statements

Equity-settled instruments

	Subscription plans										
	2007 (a)			2006 (b)			2005 (b)	2004 (b)	2003 (b)		
Grant date	Oct 25	Sept 17	April 23	Dec 12	Sept 22	April 13	April 26	May 21	Dec 9	May 28	Jan 29
<i>Data at grant date</i>											
Options strike price (in euros)	30.79	30.79	30.79	29.41	28.54	28.54	23.64	20.67	19.07	14.40	15.90
Maturity (in years)	10	10	10	10	10	10	10	10	10	10	8
Expected term (in years)	6.5	6.5	6.5	6	6	6	10	10	10	10	8
Number of instruments granted	63,200	42,400	5,718,220	24,000	58,400	5,481,520	7,284,600	8,267,200	310,000	10,547,000	1,610,000
Share price (in euros)	29.24	29.60	31.75	29.39	27.9	28.14	23.72	20.15	18.85	15.67	15.20
Expected volatility	21%	21%	20%	21%	22%	26%	17%	20%	20%	20%	20%
Risk-free interest rate (e)	4.12%	4.16%	4.17%	3.93%	3.73%	3.99%	3.48%	4.35%	3.90%	3.90%	3.90%
Expected dividend yield	4.27%	4.22%	3.94%	4.25%	4.05%	3.80%	3.37%	2.98%	3.18%	3.83%	3.95%
Fair value of the granted option at the grant date (in euros)	4.30	4.52	5.64	4.43	4.20	5.38	4.33	4.78	4.21	3.65	2.64
Fair value of the plan at the grant date (in millions of euros)	0.3	0.2	32.3	0.1	0.2	29.5	31.5	39.5	1.3	38.5	4.3

	Restricted stock plans							
	2007				2006			
Grant date	(c) Oct 25	(c) Sept 17	(c) April 23	(d) Jan 24	(d) Dec 12	(c) Dec 12	(c) Sept 22	(c) April 13
<i>Data at grant date</i>								
Maturity - vesting period (in years)	2	2	2	0	0	2	2	2
Number of instruments granted	5,266	3,536	476,717	8,670	353,430	2,001	4,861	456,968
Share price (in euros)	29.24	29.60	31.75	32.25	29.39	29.39	27.90	28.14
Expected dividend yield	4.27%	4.22%	3.94%	3.88%	4.25%	4.25%	4.05%	3.80%
Performance conditions achievement rate	100%	100%	100%	na*	na*	100%	100%	100%
Fair value of the granted option at the grant date (in euros)	26.79	27.15	29.30	29.80	26.94	26.94	25.69	26.04
Fair value of the plan at the grant date (in millions of euros)	0.1	0.1	14.0	0.3	9.5	0.1	0.1	11.9

Cash-settled instruments

	SARs		
	(a) 2007	(b) 2006	
Grant date	April 23	September 22	April 13
Strike price (in US dollars)	41.34	34.58	34.58
Maturity at the grant date (in years)	10	10	10
Number of instruments granted at grant date	1,280,660	24,000	1,250,320
<i>Data at the valuation date (December 31, 2007)</i>			
Expected term (in years)	5.8	4.7	4.4
Share price (in US dollars)	46.46	46.46	46.46
Expected volatility	21%	21%	21%
Risk-free interest rate (e)	4.21%	4.17%	4.15%
Expected dividend yield	4.12%	4.12%	4.12%
Fair value of the granted option as of December 31, 2007 (in US dollars)	9.78	12.89	12.42
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	12.5	0.3	15.5



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	RSUs			
	2007	2006		
Grant date	(c) April 23	(d) Dec 12	(c) Sept 22	(c) April 13
Maturity at the origin (in years)	2	0	2	2
Number of instruments initially granted	106,778	141,495	2,000	104,250
<i>Data at the valuation date (December 31, 2007)</i>				
Expected term (in years)	1.3	1.0	0.7	0.3
Share market price (in US dollars)	46.46	46.46	46.46	46.46
Expected dividend yield	4.12%	4.12%	4.12%	4.12%
Performance conditions achievement rate	100%	na*	100%	100%
Fair value of the granted option as of December 31, 2007 (in US dollars)	44.55	44.55	46.46	46.46
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	4.8	6.3	0.1	4.8

na*: not applicable.

- (a) Stock options and SARs granted since January 1, 2007 vest at the end of a three-year vesting period. Therefore, the compensation cost is recognized on a straight-line basis over the vesting period.
- (b) Stock options and SARs granted before January 1, 2007 vest annually in one-third tranches from the grant date's anniversary. Two-thirds of the vested instruments become exercisable at the beginning of the third year from the grant date and the remaining one-third becomes exercisable at the beginning of the fourth year from the grant date. The compensation cost is recorded over the vesting period, but not on a straight line basis, given the vesting conditions. The expense is accounted for using the degressive method in accordance with the following spread rates: 61% in year 1, 28% in year 2 and 11% in year 3.
- (c) The restricted stock and RSU plans are conditional upon the achievement of certain operating objectives in terms of group adjusted net income and cash flow from operations as set forth in the budget of the ongoing fiscal year. As with grants in 2006, operating performance objectives were satisfied in 2007; therefore, all shares and RSUs granted in 2007 are definitively acquired and will be vested by the beneficiaries following the two-year vesting period. The compensation cost is therefore recognized on a straight-line basis over this period.
- (d) Vivendi set up a grant of 15 restricted shares without any performance conditions for all non-temporary employees and who are employed and who have been employed by the company for at least six months as of this date. Given the immediate vesting of such grant, the compensation cost was recognized in full on the grant date. For employees who are residents of France and Morocco, the 15 shares granted to each beneficiary will be issued to an individual account at the end of a two-year period from the grant date. At the end of this period, the restricted shares will remain unavailable for an additional two-year period. For employees who reside outside France and Morocco, each beneficiary definitively acquired a right to receive 15 RSUs which will remain unavailable for a four-year period after the grant date.
- (e) The risk-free interest rate used is the rate of "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date.

Former ADS option and acquisition plans converted into SAR plans (May 2006)

On May 15, 2006, the ADS option and acquisition plans for US resident employees were converted into SAR plans. The terms and conditions of the stock options granted remain unchanged (exercise price, vesting period, maturity, etc.), but can only be cash-settled henceforth. As a result, the estimated value of the vested rights of these plans as of that date (€67 million) has been recorded as a liability and classified in provisions as a deduction from equity.



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21.3. Information on Outstanding Plans

Transactions involving all equity-settled and cash-settled plans since January 1, 2006 are summarized below:

Equity-settled instruments

	Stock Options on Vivendi Shares				Restricted Stock Plans	
	Number of Stock Options Outstanding	Weighted Average Strike Price of Stock Options Outstanding (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, 2005	62,697,995	44.7			-	
Granted	5,563,920	28.5			817,260	
Exercised	(1,840,970)	14.2			-	
Forfeited	(2,447,721)	140.2			-	
Cancelled	(513,302)	23.9			(11,700)	
Balance as of December 31, 2006	63,459,922	44.2			805,560	
Granted	5,823,820	30.8			494,189	
Exercised (a)	(7,733,586)	14.5			(60)	
Forfeited	(11,208,989)	66.7			-	
Cancelled	(374,932)	26.1			(22,796)	
Balance as of December 31, 2007	49,966,235	42.3	230.1	4.8	1,276,893	0.9
Exercisable as of December 31, 2007	36,296,309	46.6	194.6		-	
Acquired as of December 31, 2007	38,921,347	46.1	201.9		394,813	

(a) The weighted average share price for options exercised was €31.54.

Cash-settled instruments

	SARs (including former ADS converted into SARs in May 2006)				RSUs	
	Number of SARs Outstanding	Weighted Average Strike Price of SARs Outstanding (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, 2005	37,903,611	50.3			-	
Granted	1,274,320	34.6			247,745	
Exercised	(1,781,581)	19.3			-	
Forfeited	(2,381,357)	44.1			-	
Cancelled	(551,937)	40.4			(1,334)	
Balance as of December 31, 2006	34,463,056	51.9			246,411	
Granted	1,280,660	41.3			106,778	
Exercised (a)	(1,855,291)	29.7			-	
Forfeited	(2,516,746)	49.6			-	
Cancelled	(189,108)	43.2			(10,297)	
Balance as of December 31, 2007	31,182,571	53.0	114.2	2.4	342,892	0.9
Exercisable as of December 31, 2007	28,221,179	54.8	85.3		-	
Acquired as of December 31, 2007	28,631,239	54.5	90.1		141,495	

(a) The weighted average share price for SAR exercised was \$43.91.



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The following table summarizes information concerning stock options for ordinary shares outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price (in euros)	Weighted Average Remaining Contractual Life (in years)	Number Vested	Weighted Average Strike Price (in euros)
Under €20	4,887,514	14.7	5.1	4,887,514	14.7
€20-€30	19,263,581	23.9	7.2	13,933,668	22.8
€30-€40	5,827,254	30.8	9.2	215,114	32.0
€40-€50	7,009,308	46.9	1.8	7,009,308	46.9
€50-€60	728,039	55.9	1.9	625,204	56.3
€60-€70	1,368	67.8	1.2	1,368	67.8
€70-€80	6,879,016	76.5	0.9	6,879,016	76.5
€80 and more	5,370,155	94.6	0.7	5,370,155	94.6
	49,966,235	42.3	4.8	38,921,347	46.1

The following table summarizes information concerning stock appreciation rights outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price (in US dollars)	Weighted Average Remaining Contractual Life (in years)	Number Vested	Weighted Average Strike Price (in US dollars)
Under \$20	518,459	14.9	3.8	518,459	14.9
\$20-\$30	1,092,386	24.4	5.7	1,092,386	24.4
\$30-\$40	3,004,335	32.9	7.0	1,689,383	32.8
\$40-\$50	11,353,514	43.6	2.1	10,117,134	43.8
\$50-\$60	2,888,630	57.8	1.2	2,888,630	57.8
\$60-\$70	6,650,844	65.9	1.1	6,650,844	65.9
\$70-\$80	5,662,960	74.0	2.0	5,662,960	74.0
\$80 and more	11,443	175.2	2.0	11,443	175.2
	31,182,571	53.0	2.4	28,631,239	54.5

21.4. Long-term Incentive Plans

21.4.1. UMG Long-Term Incentive Plan

Since 2003, UMG has maintained an Equity Incentive Plan. Under the plan, certain key executives of UMG are awarded equity units. These equity units are phantom stock units whose value is intended to reflect the value of UMG, net of certain other adjustments as defined in the plan. These equity units are simply units of account, and they do not represent an actual ownership interest in either UMG or Vivendi. In general, the plan calls for equity units to vest at the end of a fixed vesting period that typically coincides with the term of the executive's employment agreement. In general, the Plan calls for cash payments to be made to participants at the end of that vesting period, based on the value of the equity units at that time (all amounts under the plan are due in 2008 and 2009). The Plan is denominated in U.S. dollars. As of December 31, 2007, there are 1,350,000 units granted (unchanged compared to December 31, 2006).

While an executive's equity units generally vest at the end of a fixed vesting period, compensation expense is recognized over the vesting period as services are rendered. Specifically, the expense recognized is based on the portion of the vesting period that has elapsed and the last available estimated value of those equity units. The expense is recorded as a provision. As of December 31, 2007, the estimated value of the rights vested, i.e., 1,134,000 units, amounted to \$78 million (€55 million), compared to \$93 million (€71 million) as of December 31, 2006. Changes in the local currency valuation are charged or credited to earnings as incurred. For 2007 this arose principally from a decrease in the estimated enterprise value of UMG and resulted in a credit to overheads of approximately €9 million.



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Except in the case of certain transactions, the cash payments made under the Plan will be based on the appraised value of UMG as determined by a third-party valuation. This appraised value is based on UMG's total enterprise value, taking into account other adjustments as defined in the Plan as of December 31 of the year preceding the payment. As of December 31, 2007, no payment has yet been made (or were due to be made) under the Plan. Accordingly, no third-party valuation has been undertaken at this stage. In order to value the equity units for accounting purposes prior to an actual payment, the value of the Units is estimated based on publicly-available estimates of UMG's enterprise value as of December 31, 2007.

21.4.2. Blizzard (Vivendi Games Subsidiary) Long-Term Incentive Plan

In 2006, Blizzard implemented the Blizzard Equity Plan (BEP), an equity incentive plan denominated in U.S. dollars. Under the Blizzard Equity Plan, certain key executives and employees of Blizzard were awarded restricted shares of Blizzard stock and other cash settled awards of Blizzard as follows:

- In October 2006, 1,361,000 restricted shares were granted. The value of the shares is determined every year based on an external independent appraisal. In general, the participants may only redeem vested shares in exchange for cash payments over the 10-year life of the grant. These restricted shares vest in one-third increments over three years, starting January 1, 2007.
- In March 2007, 729,000 cash settled stock options were granted with a strike price of \$19.24 and a fixed exercise/payment term on May 1, 2009. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options shall vest in accordance with the following schedule: one-third (243,000 awards) immediately vested at the date of grant, one-third as of January 1, 2008 and the remaining portion as of January 1, 2009.
- In March 2007, an additional 1,215,000 cash settled stock options were granted with a strike price of \$19.24 and a fixed exercise/payment term on May 1, 2010. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options vest in one-third increments over 3 years, starting January 1, 2008.

On December 1, 2007, Vivendi signed a definitive business combination agreement ("BCA") with Activision, Inc. ("Activision") to combine Vivendi Games with Activision. Under the terms of the agreement, Vivendi Games will be merged with a wholly owned subsidiary of Activision. Under the provisions of the BEP, the consummation of this transaction will be deemed a change in control, which will automatically trigger cash payments to the beneficiaries for the portion of awards that are vested at the closing date of the transaction. The outstanding non-vested rights shall become immediately vested upon the closing of the transaction, cancelled and extinguished and converted into a new right to receive an amount in cash eighteen months after the closing date upon the terms and subject to the conditions set forth in the BEP, including continued employment through the payment date.

With respect to both the payments made on the closing date with respect to previously vested awards and eighteen months thereafter with respect to the unvested awards, participants will be entitled to receive, in aggregate, a cash payment equal to the product of the number of shares subject to the awards and the per share fair value of Blizzard, less, for the cash-settled stock options, the applicable aggregate strike price.

The expense recognized in 2007 is based on the present obligation to make cash payments to the beneficiaries for the rights vested as of December 31, 2007 (equal to the portion of rights that should be vested at the closing date of the transaction assuming a closing in 2008) and was derived from the value of Blizzard shares as determined under the BEP. As of December 31, 2007, the estimated value of the rights vested amounted to \$113 million (€78 million). As of December 31, 2007, the estimated value of the non-vested rights amounted to \$89 million (€62 million), which will be recognized as an expense over the eighteen-month period from the closing date.



Notes to the Consolidated Financial Statements

21.5. Employee Stock Purchase Plans

Vivendi maintains employee stock purchase plans that allow substantially all of the group's full-time French employees and retirees to purchase Vivendi shares through capital increases reserved for them. The characteristics of the plan granted in 2007 and the related assumptions used to measure the advantage granted to employees (with a discounted price for Vivendi shares and a discount for non-transferability) are as follows:

	2007
Grant date	June 29
Subscription price (in euros)	24.60
<i>Data at grant date</i>	
Share price (in euros)	31.9
Number of shares subscribed (a)	1,276,227
Expected dividend yield	3.94%
Risk-free interest rate	4.59%
5-year interest rate	6.54%
Discount for non-transferability (b)	9.2%
Fair value of instrument at grant date (in euros)	4.38
Fair value of the plan at grant date (in millions of euros)	6

(a) The increase in capital was registered on July 18, 2007, for a total amount of €31 million.

(b) Computed as a percentage of the share price at the grant date.

In 2006, 1,471,499 shares were subscribed as part of the employee stock purchase plan for a total amount of €30 million. The fair value of the plan as of grant date amounted to €4.98 per share.



Notes to the Consolidated Financial Statements

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, 2007	December 31, 2006
Finance leases	12	-	-	2009-2011	(a) 9	247
Asset-backed borrowings (b)					9	247
Notes						
€700 million notes (October 2006) (c)		Euribor 3 months +0.50%	-	Oct 2011	700	700
€500 million notes (October 2006) (c)		4.50%	4.58%	Oct 2013	500	500
€630 million notes (April 2005) (c)		3.63%	3.63%	April 2010	630	630
€600 million notes (February 2005) (c)		3.88%	3.94%	Feb 2012	600	600
€600 million notes (July 2005) (c)		3.38%	3.43%	July 2012	600	600
€400 million notes (October 2006) (c)		Euribor 3 months +0.125%	-	Oct 2008	(d) -	400
Bonds exchangeable for Sogecable shares	24.3	1.75%	6.48%	Oct 2008	(d) -	221
Other notes		-	-	na*	209	275
Facilities						
MAD 6 billion notes - tranche B: 4 billion		(e) TMP BDT 5 yrs +1.15%	-	Dec 2011	353	359
€1.2 billion credit facility - SFR		Euribor 1 month + 0.175%	-	April 2011	440	-
€450 million credit facility - SFR		Euribor 1 month + 0.16%	-	Nov 2012	290	-
Other		-	-	na*	202	138
Unsecured borrowings					4,524	4,423
Nominal value of borrowings					4,533	4,670
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	-	na*	(9)	(40)
Borrowings					4,524	4,630
Put options granted to TF1 and M6 on 15% of the share capital of Canal+ France	2.1	na*	-	Feb 2010	1,034	-
Put options granted to various third parties by Canal+ Group and SFR		na*	-	-	33	43
Commitments to purchase minority interests					1,067	43
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	-	Oct 2008	-	26
Other financial derivative instruments	24	na*	-	-	19	15
Other derivative instruments					19	41
Long-term borrowings and other financial liabilities					5,610	4,714

na*: not applicable.

- (a) The early settlement of rental guarantees related to the last three buildings in Germany, which took place at the end of November 2007, involved a payment of €120 million and a deconsolidation of debt relating to finance lease commitments (€180 million, net of related cash deposit previously recorded in financial assets for €51 million. Please refer to Note 15). In addition, this transaction generated a capital gain of €59 million. Please refer to Note 26.
- (b) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower's and/or its guarantors' assets.
- (c) The notes, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.
- (d) This borrowing was recorded as a short term borrowing.
- (e) The interest rate is calculated based on the weighted average rate of the treasury bonds issued by the Kingdom of Morocco.



Notes to the Consolidated Financial Statements

Analysis of Short-Term Borrowings and Other Financial Liabilities

(in millions of euros)	Note	Nominal interest rate (%)	December 31, 2007	December 31, 2006
Current portion of finance leases	12	-	23	10
Asset-backed borrowings (a)			23	10
Treasury Bills				
Vivendi SA		Eonia +0.05%	-	167
SFR		Eonia +0.20%	376	950
Current portion of long-term borrowings				
€700 million notes (July 2004) - Vivendi SA		Euribor 3 months +0.55%	-	700
€300 million (April 2006) - SFR		Euribor 3 months +0.09%	-	300
€400 million notes (October 2006) - SFR (b)		Euribor 3 months +0.125%	400	-
Bonds exchangeable for Sogecable shares	24.3	1.75%	221	-
Other notes		-	101	-
Other borrowings		-	33	65
Other		-	546	375
Unsecured borrowings			1,677	2,557
Nominal value of borrowings			1,700	2,567
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	22	9
Borrowings			1,722	2,576
Put options granted to various third parties by Canal+ Group		na*	10	14
Commitments to purchase minority interests			10	14
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	19	-
Other financial derivative instruments	24	na*	15	11
Short-term borrowings and other financial liabilities			1,766	2,601

*na: no interest accrued on other financial liabilities.

(a) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower and/or its guarantors assets.

(b) The notes, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.



Notes to the Consolidated Financial Statements

Currency, Maturity and Nature of Interest Rate of the Nominal Value of Borrowings

(in millions of euros)	December 31, 2007		December 31, 2006	
Currency				
Euro - EUR	5,554	89.1%	6,696	92.5%
US dollar - USD	75	1.2%	86	1.2%
Dirham - MAD	441	7.1%	379	5.2%
Other (o/w PLN and FCFA)	163	2.6%	76	1.1%
Total	6,233	100.0%	7,237	100.0%
Maturity				
Due before one year	1,700	27.3%	2,567	35.5%
Due between one and two years	341	5.5%	758	10.5%
Due between two and three years	656	10.5%	299	4.1%
Due between three and four years	1,517	24.3%	647	8.9%
Due between four and five years	1,506	24.2%	1,077	14.9%
Due after five years	513	8.2%	1,889	26.1%
Total	6,233	100.0%	7,237	100.0%
Nature of interest rate				
Fixed interest rate	3,071	49.3%	3,151	43.5%
Floating interest rate	3,162	50.7%	4,086	56.5%
Total	6,233	100.0%	7,237	100.0%

Note 23. Fair Value of Financial Instruments

Pursuant to IAS 32, financial instruments are defined as follows:

- financial assets, which comprise the following assets:
 - cash;
 - contractual rights to receive cash or another financial asset;
 - contractual rights to exchange a financial instrument under conditions that are potentially favorable; or
 - equity instruments of another entity.

In practice, financial assets include cash and cash equivalents, trade accounts receivable and other as well as financial assets measured at fair value, at historical cost and at amortized cost;

- financial liabilities, which comprise the following liabilities:
 - contractual obligations to deliver cash or another financial asset; or
 - contractual obligations to exchange a financial instrument under conditions that are potentially unfavorable.
 In practice, financial liabilities include trade accounts payable and other, other non-current liabilities, short and long-term borrowings and other financial liabilities, including commitments to purchase minority interests and other derivative financial instruments; and
- equity instruments of the group (including equity derivative instruments).



Notes to the Consolidated Financial Statements

The following table presents the net carrying amount and fair value of financial instruments of the group as of December 31, 2007 and December 31, 2006:

(in millions of euros)	Note	Year Ended December 31,			
		2007		2006	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Financial assets at fair value	15	481	481	2,381	2,381
o/w fair value through profit or loss		129	129	2,030	2,030
o/w fair value through equity		352	352	351	351
o/w available-for-sale securities		306	306	325	325
o/w cash flow hedge instruments		45	45	13	13
o/w net investment hedge instruments		1	1	13	13
Financial assets at amortized cost	15	921	921	1,616	1,616
o/w assets held until its due date		1	1	-	-
Trade accounts receivable and other at amortized cost	16	5,208	5,208	4,489	4,489
Cash and cash equivalents	17	2,049	2,049	2,400	2,400
Financial liabilities					
Borrowings and other financial liabilities		7,376	7,327	7,315	7,362
o/w long term borrowings at amortized cost	22	4,524	4,487	4,630	4,677
o/w short term borrowings at amortized cost	22	1,722	1,710	2,576	2,576
o/w commitments to purchase minority interests		1,077	1,077	57	57
o/w other derivative instruments		53	53	52	52
Other non current liabilities	16	1,078	1,078	1,269	1,269
Trade accounts payable and other	16	10,784	10,784	9,297	9,297

The carrying amount of trade accounts receivable and other, cash and cash equivalents, trade accounts payable and other and short-term borrowings is a reasonable approximation of fair value, due to the short maturity of these instruments.

The estimated fair value of other financial instruments, as set forth above, has generally been determined by reference to market prices resulting from trading on a national securities exchange or in an over-the-counter market. In cases where listed market prices are not available, fair value is based on estimates using present value or other valuation techniques. Please refer to Note 1.

Note 24. Risk Management and Financial Derivative Instruments

Vivendi centrally manages financial liquidity, interest rate, foreign currency exchange rate and equity market risks. Vivendi's Financing and Treasury Department carries out these activities, reporting directly to the chief financial officer of Vivendi, a member of the Management Board. The Department has the necessary expertise, resources, notable technical resources and information systems for this purpose.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. All derivative financial instruments are used for hedging purposes.



Notes to the Consolidated Financial Statements

The following table sets forth the value of derivative financial instruments recorded in the Consolidated Statements of Financial Position as of December 31, 2007 and December 31, 2006:

(in millions of euros)	December 31, 2007		December 31, 2006	
	Derivative financial instruments		Derivative financial instruments	
	as assets	as liabilities	as assets	as liabilities
Interest rate risk management				
Pay-fixed interest rate swaps	32	-	14	-
Pay-floating interest rate swaps	1	2	3	1
Interest rate caps	-	-	1	-
	33	2	18	1
Foreign currency risk management				
Currency swaps	6	3	2	4
Forward contracts	15	3	13	1
	21	6	15	5
Equity market risk management				
Swaps indexed on Vivendi shares	-	2	-	4
Swaps indexed on other shares	15	-	11	-
	15	2	11	4
Other derivative instruments				
Embedded derivative in bonds exchangeable for Sogetel shares	-	19	-	26
Other embedded derivatives on borrowings	-	18	-	16
Other	-	6	8	-
	-	43	8	42
Derivative financial instruments	69	53	52	52
Deduction of current derivative financial instruments	(32)	(34)	(37)	(11)
Non current derivative financial instruments	37	19	15	41

The portfolio of derivative instruments set up by the group mainly includes cash flow hedging instruments, which represent a fair value of €45 million as of December 31, 2007 as well as net investment hedging instruments, fair value hedging and derivative instruments recorded at fair value against earnings for a non material aggregate amount.

24.1. Interest Rate Risk Management

Interest rate risk management instruments are used by Vivendi to reduce net exposure to interest rate fluctuations, to adjust the respective proportion of fixed and floating interest rates in the total debt and to lower net financing costs.

Average gross borrowings and average cost of borrowings

In 2007, average gross borrowings amounted to €7.2 billion (compared to €6.7 billion in 2006), of which €3.3 billion was of fixed rates and €3.9 billion was of floating rates (compared to €3.0 and €3.7 billion in 2006, respectively). In 2007, the average cost of borrowings was 4.29% (compared to 4.22% in 2006) before taking into account the impact of interest rate derivative instruments. After interest rate management, the average cost of borrowings was 4.18%, with a fixed rate ratio of 64% (compared to 4.20%, with a fixed-rate ratio of 52% in 2006).

Interest rate hedges

Interest rate risk management instruments used by Vivendi include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate borrowings to LIBOR and EURIBOR indexed ones. Pay-fixed swaps convert floating rate borrowings into fixed rate borrowings. These instruments enable the group to manage and reduce volatility in future cash flows required for interest payments on floating rate borrowings.

At the end of December 2006, Vivendi has a number of interest rate caps. If interest rates rise above the strike rate, the caps convert floating-rate borrowings into fixed-rate borrowings. Below the strike rate, the caps are not activated and Vivendi is able to benefit from decreases in interest rates.



Notes to the Consolidated Financial Statements

At the end of December 2007, borrowings totaled €6.2 billion. Before considering any hedging instruments, floating-rate borrowings totaled €3.2 billion, hedged by swaps for the amount of €1.5 billion.

Moreover, cash and cash equivalents totaled €2 billion and are entirely of floating rate. Given the relative weighting of the group's fixed-rate positions (borrowings of €3.0 billion based on fixed rate and €1.5 billion in floating-rate borrowings hedged by interest rate swaps for a total amount of €4.5 billion), and floating-rate positions (borrowings of €3.2 billion less cash and cash equivalents of €2 billion, for a total amount of €1.2 billion), an increase of 100 basis points in short-term interest rates would generate a decrease of €3 million in interest cost and a decrease of 100 basis points in short-term interest rates would generate an increase of €3 million in interest cost.

The following table summarizes information concerning Vivendi's interest rate risk management instruments:

(in millions of euros)	Year Ended December 31,	
	2007	2006
Pay-fixed interest rate swaps		
Notional amount	1,600	1,250
Average interest rate paid	3.77%	3.49%
Average interest rate received	4.65%	3.69%
Maturity		
Due within one year	-	500
Due after one year and within five years	1,600	(a) 700
Due after five years	-	(b) 50
Pay-floating interest rate swaps		
Notional amount	130	280
Average interest rate paid	4.65%	3.66%
Average interest rate received	4.48%	3.28%
Maturity		
Due within one year	30	250
Due after one year and within five years	100	30
Due after five years	-	-
Net position at Fixed interest rate	1,470	970
Interest rate caps		
Notional amount	-	(c) 450
Guarantee rate bought	-	3.57%
Maturity		
Due within one year	-	450
Due after one year and within five years	-	-

- (a) In 2006, Vivendi hedged its €700 million floating-rate notes issued in October 2006 (Please refer to Note 22) with pay-fixed interest rate swaps for a notional amount of €700 million and with a maturity of five years (i.e., 2011). For accounting purposes, such derivative instruments are qualified as cash flow hedges. In 2007, SFR extended its interest rate coverage by setting up €400 million of additional hedges in the form of swaps:
- four fixed-rate payer swaps maturing in 4 and 5 years (i.e., 2011 and 2012) for a total nominal amount of €200 million. These instruments are classified as cash flow hedges for accounting purposes.
 - two swaps against 1-month Euribor, each of which may be cancelled at the option of the bank, and maturing in 5 years (i.e., 2012) for a total nominal amount of €200 million. These instruments are recorded at fair value through profit or loss in the accounts.
- (b) Deferred-start in October 2007 pay-fixed interest rate swaps with a maturity of 5 years, and are qualified as a cash flow hedge.
- (c) In 2006, SFR completed the hedging of its interest rate risk on its treasury bill program with the implementation of additional interest rate caps of €300 million maturing in 2007, that will be converted into pay-fixed interest rate swaps or deferred-start swaps with maturities of 4 and 5 years (i.e., 2011 and 2012). For accounting purposes, such derivative instruments are qualified as a cash flow hedge.



Notes to the Consolidated Financial Statements

24.2. Foreign Currency Risk Management

Vivendi's foreign currency risk policy seeks to hedge highly probable budget exposures, resulting primarily from monetary flows generated by commercial activities performed in currencies other than the euro and firm commitments, essentially relating to the acquisition of editorial content including sports, audiovisual and film rights, valued in foreign currency. For this purpose, Vivendi enters into currency swaps and forward contracts, in accordance with procedures prohibiting speculative transactions:

- Vivendi is the sole counterparty for foreign currency transactions within the group, unless specific regulatory or operational restrictions require otherwise;
- all foreign currency hedging transactions are backed, in amount and by maturity, by an identified economic underlying item; and
- all identified exposures are hedged at a minimum of 80% for forecasted transactions exposures and 100% for firm commitment contracts.

In addition, Vivendi also hedges foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities by entering into currency swaps and forward contracts enabling the refinancing or investment of cash balances in euros or the local currency.

As of December 31, 2007, Vivendi had effectively hedged approximately 100% (compared to 96% as of December 31, 2006) of its foreign currency cash flows as well as borrowing-related exposure. The principal currencies hedged were the pound sterling, the US dollar and the Japanese yen. In 2007, firm commitment contracts and forecasted transactions were entirely hedged. 2008 forecasted transactions were hedged at 80% in accordance with Vivendi's internal procedures with respect to foreign currency hedging and will be reviewed as of June 30, 2008.

In addition, in order to protect its net investment in certain Japanese subsidiaries against a potential devaluation, Vivendi hedged its Japanese exposure by setting up forward contracts and currency swaps for a notional amount of €233 million. For accounting purposes, such derivative instruments are qualified as net investment hedge.

Finally, with a view to the investment in Activision in 2008 of at least \$1.7 billion, Vivendi set up in December 2007 a forward contract for the purchase of \$1.2 billion, to partially hedge the purchase of the necessary U.S. dollars. The euro equivalent of this amount as of December 31, 2007 is €820 million. These instruments are classified as cash flow hedges for accounting purposes.

24.2.1. Sensitivity of Operating Indicators and Indebtedness to the US Dollar and the Moroccan Dirham

An increase represents the appreciation of the euro against currency concerned.

Average exchange rate used over the year 2007	USD				MAD			
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Revenues	-0.3%	0.3%	-0.6%	0.6%	-0.5%	0.5%	-0.9%	1.1%
Earnings before interest and income taxes (EBIT)	0.1%	-0.1%	0.1%	-0.1%	-1.1%	1.3%	-2.2%	2.7%
Net cash provided by operating activities	0.1%	-0.1%	0.3%	-0.2%	-0.9%	1.0%	-1.6%	2.0%
Exchange rate used as of December 31, 2007	USD				MAD			
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Redemption value of borrowings	-0.1%	0.1%	-0.1%	0.1%	-0.3%	0.4%	-0.6%	0.8%
Cash and cash equivalents	-0.1%	0.1%	-0.2%	0.2%	-0.6%	0.6%	-1.1%	1.4%

24.2.2. Characteristics of Foreign Currency Risk Management Instruments

As of December 31, 2007, excluding the net position of borrowings denominated in Moroccan Dirham (MAD), Vivendi's foreign currency denominated borrowings were not material. Nonetheless, Vivendi uses derivative instruments to manage its foreign currency exposure to intercompany current accounts denominated in foreign currencies.



Notes to the Consolidated Financial Statements

Details concerning these instruments are provided in the table below:

(in millions of euros)	Year Ended December 31,	
	2007	2006
Currency swaps:		
Notional amount	1,192	900
Sales against the euro	260	308
Sales against other currencies	-	8
Purchases against the euro	930	576
Purchases against other currencies	2	8
Maturity:		
Due within one year	1,192	900
Forward contracts:		
Notional amount	882	278
Sales against the euro	25	236
Sales against other currencies	-	-
Purchases against the euro	845	27
Purchases against other currencies	12	15
Maturity:		
Due within one year	882	273
Due after one year and within five years	-	5

For accounting purposes, as of December 31, 2007, currency swaps and forward contracts are qualified as a net investment hedge of €233 million, €820 million as a cash flow hedge and €1,021 million as a fair value hedge.

The following tables present the notional amount of currency to be delivered or received under currency instruments (currency swaps and forwards). Positive amounts indicate currency receivable and negative amounts currency deliverable.

(in millions of euros)	December 31, 2007						
	EUR	USD	JPY	PLN	AUD	GBP	Other currency
Currency swaps:							
Sales against the euro	260	-	(208)	-	-	-	(52)
Sales against other currencies	-	-	-	-	-	-	-
Purchases against the euro	(930)	237	205	107	54	270	57
Purchases against other currencies	-	(2)	-	-	-	-	2
Forward contracts:							
Sales against the euro	25	-	(25)	-	-	-	-
Sales against other currencies	-	-	-	-	-	-	-
Purchases against the euro	(845)	845	-	-	-	-	-
Purchases against other currencies	-	(4)	-	-	-	1	3
	(1,490)	1,076	(28)	107	54	271	10

(in millions of euros)	December 31, 2006						
	EUR	USD	JPY	PLN	AUD	GBP	Other currency
Currency swaps:							
Sales against the euro	308	(230)	-	(5)	-	-	(73)
Sales against other currencies	-	8	-	-	-	-	(8)
Purchases against the euro	(576)	230	186	54	66	-	40
Purchases against other currencies	-	(8)	-	-	-	-	8
Forward contracts:							
Sales against the euro	236	(5)	(221)	-	(3)	(7)	-
Sales against other currencies	-	-	-	-	-	-	-
Purchases against the euro	(27)	27	-	-	-	-	-
Purchases against other currencies	-	(15)	-	-	-	12	3
	(59)	7	(35)	49	63	5	(30)



Notes to the Consolidated Financial Statements

24.2.3. Group Net Balance Sheet Positions

The table below shows the group's net position in the main foreign currencies as of December 31, 2007 and as of December 31, 2006:

(in millions of euros)	December 31, 2007					
	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

(in millions of euros)	December 31, 2006					
	USD	GBP	JPY	AUD	PLN	Other
Assets	60	-	-	-	-	80
Liabilities	-	(187)	(164)	(58)	(57)	(21)
Net balance before management	60	(187)	(164)	(58)	(57)	59
Derivative financial instruments	(71)	182	185	57	49	(39)
Net balance after management	(11)	(5)	21	(1)	(8)	20

The position of the dirham (MAD) is not included in the table above due to local constraints associated with this currency.

A uniform decrease of 1% in exchange rates against all foreign currencies in position as of December 31, 2007, would have a cumulated negative impact of -€1.2 million on net income.

24.3. Equity Market Risk Management

24.3.1. Available-for-Sale Securities

Vivendi's exposure to equity market risk primarily relates to available-for-sale securities. Before equity market risk management, a decrease of 10% of the stock prices of these securities would have a negative net impact on equity of €22 million (unchanged compared to December 31, 2006).

24.3.2. Vivendi Shares

As of December 31, 2007, Vivendi held 79,114 treasury shares (1.4 million as of December 31, 2006), representing a total net carrying amount of €1.9 million (-€33.4 million as of December 31, 2006). All of these treasury shares were held to hedge certain share purchase options granted to executives and employees. A 10% decrease or increase in the trading value of Vivendi shares would have an impact on the value of Vivendi treasury shares.

As part of its share repurchase program approved by the Combined Shareholders' Meeting held on April 20, 2006, Vivendi entrusted a financial intermediary for the implementation of a liquidity agreement drawn up in conformity with the professional code of ethics AFEI. The term of this agreement is one year, renewable by tacit agreement, and its purpose is the market making of Vivendi shares within the limit of available funds as provided in the agreement, the balance of which amounted to €92 million as of December 31, 2007. In 2007, 12.5 million shares were repurchased for a value of €381 million and a total number of 12.5 million shares were sold for an accounting value of €381 million pursuant to the implementation of this liquidity agreement. The company recognized capital gains in the amount of €4 million in 2007 (compared to €5 million in 2006). In addition, the company has not directly acquired or transferred any of its treasury shares under this repurchase program with the liquidity agreement.

In June 2001 and December 2002, Vivendi purchased call options on its own stock in order to enable the group to deliver shares upon the exercise of share purchase options granted to employees. Based on the current stock price, no options are in-the-money.



Notes to the Consolidated Financial Statements

	Year Ended December 31,	
	2007	2006
Call options purchased on Vivendi shares		
Number of shares	21,991,275	27,642,512
Total strike price (in millions of euros)	1,620	2,001
Maturity	December 2008	December 2008

In 2007 and 2006, Vivendi also hedged certain equity-linked to Vivendi and Canal+ SA debts using indexed swaps.

	Year Ended December 31,	
	2007	2006
Equity-linked swaps:		
Notional amount (in millions of euros)	123	123
Maturity:		
Due within one year	70	-
Due after one year and within five years	53	123

24.3.3. Hedges of other Commitments and Bonds Exchangeable for Shares

Bonds exchangeable for Sogecable SA shares

On October 30, 2003, Vivendi issued €605 million of 1.75% exchangeable bonds due 2008. The bonds are exchangeable for common shares of Sogecable SA (a limited liability company incorporated under the laws of the Kingdom of Spain, whose shares are listed on the Madrid Stock Exchange). Each bond is exchangeable at the option of the bondholder at any time, up to the tenth business day preceding the maturity date, into common shares of Sogecable SA at an exchange ratio of one share for one bond, subject to adjustment upon the occurrence of certain events. As of December 31, 2007, this ratio is fixed at 1,0118 share. Vivendi may at its discretion elect to pay holders exercising their option the cash equivalent in euros of the present market value of the relevant shares. In 2005, Vivendi divested 12.5 million Sogecable shares, at the bondholders' request, as part of the redemption of €363 million bonds exchangeable into Sogecable shares. In addition, Vivendi is entitled, at any time since October 30, 2006, at its discretion, to redeem in cash all, but not less than all, of the outstanding bonds, if on 20 out of 30 consecutive trading days, the product of (i) the closing price of a Sogecable share on the Madrid Stock Exchange and (ii) the then applicable exchange ratio equals or exceeds 125% of the sum of the principal amount of one bond (€29.32) plus accrued interest to, but excluding, the date set for redemption. In addition, Vivendi is entitled at any time to redeem in cash all, but not less than all, of the bonds outstanding at a price equal to the principal amount of the bonds plus accrued interest, if any, if less than 10% of the bonds originally issued remain outstanding at that time. Unless previously redeemed, exchanged or purchased and cancelled, the bonds will be redeemed in cash on the maturity date at their principal amount. The bonds, which are listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

These bonds consist of a financial debt as well as a financial derivative instrument. The option granted to the bondholders is recorded as an embedded derivative for its fair value (€19 million as of December 31, 2007, compared to €26 million as of December 31, 2006). The debt component is recorded at amortized costs of €212 million as of December 2007 and €203 million as of December 31, 2006. Please refer to Note 22.2.

As of December 31, 2007, Vivendi held 7.6 million Sogecable shares (unchanged compared to 2006) for a net value of €209 million (compared to €206 million as of December 31, 2006), of which 0.5 million shares were subject to a loan (compared to 1 million as of December 31, 2006). At the time of the issuance, Vivendi committed to lend a maximum of 20 million Sogecable shares to the financial institution acting as a bookrunner for the bond issue. Please refer to Note 15.



Notes to the Consolidated Financial Statements

24.4. Credit and Investment Concentration Risk and Counterparty Risk

Vivendi minimizes the concentration of its credit and investment risk and counterparty risk by entering into credit and investment transactions only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions (rated at least A- by rating agencies).

Although Vivendi's credit risk is limited to the replacement cost at the present-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and those losses, related to such risk if any, would not be material. The market risk on foreign exchange hedging instruments should be offset by changes in the valuation of the underlying hedged items. Vivendi's receivables and investments do not represent a significant concentration of credit risk due to its wide customer base, the wide variety of customers and markets in which its products are sold, the geographic diversity of its reporting units and the diversification of its portfolio among instruments and issuers.

24.5. Liquidity Risk

Vivendi believes that cash generated by its operations, cash and cash equivalents and the amounts available through its current credit lines, (available for €4.0 billion as of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007), or under process of syndication (these lines should be available for €2 billion from February 29, 2008, please refer to Note 29), guarantee a sufficient liquidity to finance the group's operating expenses, capital investment needs, debt service, dividend payments and business combinations underway as of December 31, 2007.

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

Note 25. Transactions with Related Parties

This note presents transactions with related parties performed during 2007 and 2006 which could impact results, activities or the financial position of the group in 2008 or thereafter. As of December 31, 2007, and to the best of the company's knowledge, no transactions with related parties presented hereunder are likely to have a material impact on the results, activities or financial position of the group.

As a reminder, group-related parties are those companies over which the group exercises control, joint control or significant influence (joint ventures and equity affiliates), shareholders exercising joint control over group joint ventures, minority shareholders exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise control, joint control, significant influence or in which they hold significant voting rights.

25.1. Compensation of Directors and Officers

The table below is a breakdown of Vivendi's compensation costs (including social security contributions) as well as other benefits granted to Management Board and Supervisory Board members in accordance with the different categories required by paragraph 16 of IAS 24.



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(in millions of euros)	Year Ended December 31,	
	2007	2006
Short-term employee benefits (a)	24	25
Social security contributions	3	3
Post-retirement benefits (b)	2	3
Other long-term benefits	-	-
Termination benefits (c)	ns*	ns*
Share-based payments	14	10
Total of costs accounted in P&L	43	41

ns*: not significant.

(a) Includes fixed and variable compensation, benefits in kind, as well as Supervisory Board attendance fees recognized over the period. In particular, the variable components attributable to the years 2007 and 2006 amounted to €14 million (of which €12 million was to be paid as of December 31, 2007) and €15 million paid in 2007, respectively.

(b) Includes defined pension benefit plans.

(c) Corresponds to the provision recognized over the period with respect to conventional indemnities upon voluntary retirement.

The members of the Management Board benefit from no contractual severance payment of any kind with respect to their service on the board even upon the expiration of their term of office. However, certain members are entitled to severance payments in the event of a breach of their employment contract (except in the event of dismissal for serious misconduct). As of December 31, 2007, the aggregate estimated amount of these payments was €23 million.

In addition, as of December 31, 2007, the obligations in favor of the Management Board members related to pension plans and share-based compensation plans (cash-settled plans) amounted to €10 million (compared to €9 million in 2006) and €8 million (compared to €3 million in 2006), respectively. As of December 31, 2007, the reserves accrued in respect to such obligations amounted to €6 million (compared to €5 million in 2006) and to €7 million (compared to €3 million in 2006), respectively. For more information on pension plans and share-based compensation plans, please refer to Notes 20 and 21.

A detailed description of the compensations and benefits of corporate officers of the group is presented in the Annual Report.

25.2. Other Related Parties

In 2007 and 2006, most Vivendi related companies were equity affiliated, e.g., NBC Universal and Neuf Cegetel. Vivendi's related companies also include minority shareholders which exercise significant influence on group affiliates such as Vodafone, which owns 44% of SFR, the Kingdom of Morocco, which owns 30% of Maroc Telecom and Lagardère, which owns 20% of Canal+ France since January 4, 2007 (please refer to Note 2.1).

The main related-party transactions and amounts outstanding by these companies or Vivendi are detailed hereunder:

(in millions of euros)	December 31, 2007	December 31, 2006
Assets		
Non current content assets	41	66
Other intangible assets	42	-
Non current financial assets	4	1
Trade accounts receivable and other	241	218
Liabilities		
Short-term borrowings and other financial liabilities	11	14
Trade accounts payable and other (a)	444	476
Contractual obligations, net off balance sheet	486	382
Statement of earnings		
Revenues	394	431
Operating expenses	(675)	(751)
	(281)	(320)

(a) Includes the interim dividends to be paid by SFR to Vodafone (€197 million as of December 31, 2007 paid in 2008 and €197 million as of December 31, 2006 paid in 2007).



Notes to the Consolidated Financial Statements

The following is a summary of the related party transactions referenced above, all of which are conducted on an arm's length basis:

- Broadcasting rights regarding NBCU programs broadcast on the Canal+ Group channels and NBCU channels broadcast on CanalSat, and a movie production and distribution agreement with StudioCanal. In 2007, Canal+ France gave commitments relating to these contracts amounting to approximately to €510 million (compared to €415 million as of December 31, 2006), and StudioCanal received commitments relating to these contracts for a total amount of €24 million as of December 31, 2007 (compared to €33 million as of December 31, 2006). In 2007, the Canal+ Group recorded a net operating expense of €2 million compared to a net operating income of €15 million in 2006 in respect of business with NBCU and its subsidiaries. As of December 31, 2007, total receivables amounted to €44 million (compared to €48 million as of December 31, 2006), and total payables amounted to €17 million (compared to €10 million as of December 31, 2006). In addition, StudioCanal invested up to €41 million in co-production projects (compared to €66 million in 2006).
- Agreements with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer, signed in 2006 for a period of five years as a result of the Canal+ Group and TPS combination of the pay-TV activities in France.
- Cooperation and roaming agreements between SFR and Vodafone Group. These contracts generated a net expense of €18 million for SFR in 2007 compared to €25 million in 2006.
- Agreements with Neuf Cegetel which give SFR the right to use its networks and Neuf Cegetel the right to carry a volume of SFR and its subsidiaries calls. These contracts generated a net expense of €193 million as of December 31, 2007 compared to €245 million as of December 31, 2006.

Note 26. Contractual Obligations and Other Commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- contracts related to operations such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the statement of financial position, including finance leases (please refer to Note 12), off-balance sheet operating leases and subleases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to investments or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets; and
- contingent assets and liabilities linked to litigations in which Vivendi is either plaintiff or defendant (please refer to Note 27).



Notes to the Consolidated Financial Statements

26.1. Contractual Obligations and Commercial Commitments Recorded

Below is the summary of material contractual obligations and commercial commitments recorded in the statement of financial position as of December 31, 2007 and December 31, 2006. Further information is provided in Notes 26.1.1 and 26.1.2 of the present document and in the notes mentioned in the table below.

(in millions of euros)	Note	Total as of December 31, 2007				Total as of December 31, 2006
		Total	Payments due in			
			2008	2009-2012	After 2012	
Borrowings and other financial liabilities		8,296	1,967	5,780	549	8,197
<i>o/w nominal value of borrowings and other financial liabilities (a)</i>		7,461	1,744	5,190	527	7,346
<i>o/w interests to be paid (b)</i>		835	223	590	22	851
Contractual content commitments	10.2	2,365	2,196	152	17	2,151
Subtotal - future minimum payments related to the Consolidated Statement of Financial Position		10,661	4,163	5,932	566	10,348
Operating leases	26.1.1	1,624	304	920	400	1,589
Contractual content commitments	10.2	4,368	1,633	2,185	550	4,233
Other purchase obligations	26.1.2	1,358	584	492	282	1,438
Subtotal - not recorded in the Consolidated Statement of Financial Position		7,350	2,521	3,597	1,232	7,260
Total contractual obligations		18,011	6,684	9,529	1,798	17,608

(a) Future payment obligations are presented at their nominal value as set forth in the relevant agreements.

(b) The interest to be paid on floating rate borrowings is estimated based on the floating rate as of December 31, 2007.

Commitments specific to risk management are presented in Note 24.

26.1.1. Off Balance Sheet operating Leases and Subleases

(in millions of euros)	Future minimum lease payments as of December 31, 2007				Future minimum lease payments as of December 31, 2006
	Total	Due in			
		2008	2009-2012	After 2012	
Buildings (a)	1,639	301	932	406	1,610
Other	40	17	22	1	29
Leases	1,679	318	954	407	1,639
Buildings (a)	(55)	(14)	(34)	(7)	(50)
Subleases	(55)	(14)	(34)	(7)	(50)
Net total	1,624	304	920	400	1,589

(a) Mainly relates to offices and technical premises.

As of December 31, 2007, €19 million of provisions were recorded in the statement of financial position with respect to operating leases (compared to €20 million as of December 31, 2006). These provisions mainly related to the unoccupied buildings.

In 2007, net expense recorded in the statement of earnings with respect to operating leases amounted to €378 million (compared to €362 million in 2006).



Notes to the Consolidated Financial Statements

26.1.2. Off Balance Sheet Commercial Commitments

(in millions of euros)	Future minimum lease payments as of December 31, 2007				Future minimum payments as of December 31, 2006
	Total	Due in			
		2008	2009-2012	Après 2012	
Satellite transponders	(a) 936	229	431	276	774
Investment commitments (b)	(c) 316	303	13	-	561
Other	151	75	70	6	141
Given commitments	1,403	607	514	282	1,476
Satellite transponders	(45)	(23)	(22)	-	(38)
Received commitments	(45)	(23)	(22)	-	(38)
Net total	1,358	584	492	282	1,438

(a) Includes the new satellite capacity contract at Canal+ Group. Canal+ Group decided, following a bidding process, to retain Astra as the future sole operator carrying its television programs and services by satellite services in France. Due to an option of pre-payment granted to Canal+ Group, this contract represented an additional overall commitment of €200 million over 10 years of which €89 was million paid in 2007, upon the exercise of early payment by Canal+ Group.

(b) Mainly relates to Maroc Telecom, SFR and Canal+ Group.

(c) Mainly includes residual commitments of Maroc Telecom related to the agreement signed in 2006 with the government of the Kingdom of Morocco pursuant to which Maroc Telecom committed to carry out a capital expenditure program for a total amount of MAD 7.4 billion and to create 150 new jobs between 2006 and 2009. In return, the Moroccan government agreed to exempt Maroc Telecom from paying customs' duties on capex-related imports. As of December 31, 2007, approximately MAD 391 million (€35 million, at this time) of the capital expenditure program had yet to be spent. If Maroc Telecom does not make these investments, it will have to pay the unpaid customs' duties plus interest for late payment.



Notes to the Consolidated Financial Statements

26.2. Other Given and Received Commitments Relating to Operations

Ref	Nature of the commitment	Amount of the commitment	Expiry
Contingent liabilities			
(a)	SFR - UMTS license for France (assigned in August 2001)	1% of revenues earned	2021
(a)	SFR - GSM license for France (renewed in March 2006)	1% of revenues earned	2021
(b)	Maroc Telecom - Contribution to the provision of universal service	2% of Maroc Telecom annual revenues, net of interconnection costs	-
	Gabon Telecom - Contribution to mandatory health insurance	10% of annual revenue in mobile activities (excluding all taxes dropped by commissions paid to distributors) as of January 1 st 2008.	-
(c)	Obligations related to the permission to use the Consolidated Global Profit System	- Creation of jobs 600 connected with the group's businesses (760 already created at the beginning of 2008 since 2005) - Payment of €5 million annually for 5 years (€15 million already paid as of December 31, 2007)	2009
	Individual rights to training for French employees	Approximately 618 000 hours as of December 31, 2007	-
	Obligations in connection with pension plans and post-retirement benefits	Please refer to Note 20 "Employee benefits"	-
(d)	Various other miscellaneous guarantees given	Cumulated amount of €79 million	-
Contingent assets			
(a)	SFR - Licenses for SFR networks and for the supply of telecommunications services in France: GSM (March 2006 - March 2021) and UMTS (August 2001 - August 2021)	-	2021
(e)	Maroc Telecom - Licenses for networks and for the supply of UMTS telecommunications services in Morocco (2006 - 2031)	-	2031
	Various other miscellaneous guarantees received	Cumulated amount of €196 million	-

- (a) SFR holds licenses for its networks and for the supply of its telecommunications services in France for a period of 15 years for GSM (March 2006-March 2021), and 20 years for UMTS (August 2001-August 2021). In March 2006, the French Government authorized SFR to continue using its GSM license over the next 15 years (between April 1, 2006 and March 31, 2021), for an annual payment comprised of a fixed portion in an amount of €25 million (capitalized over the period for its present value of €278 million, please refer to Note 11) and a variable portion equal to 1% of the yearly revenues generated by the 2G technology. Since the variable portion cannot be reliably determined in order for it to be capitalized, it has not been recorded as a liability in the statement of financial position. Upon the acquisition of the UMTS license, the fixed amount paid, i.e., €619 million was recorded as an intangible asset (please refer to Note 11). Since the variable part of the fee (equal to 1% of GSM revenues) cannot reliably be determined, it is not recorded in the statement of financial position. It is recorded as an expense when incurred.
- (b) Maroc Telecom is required to contribute to the provision of universal service in the amount of 2% of its annual revenues, net of interconnection costs. This contribution to the universal service fund may be reduced by costs incurred directly by Maroc Telecom in this respect, subject to approval of the expenditure program by the Universal Service Management Committee of the ANRT (Moroccan National Telecommunications Regulatory Agency).
- (c) Under the terms of the permission to use the Consolidated Global Profit Tax System, Vivendi has undertaken to create 600 jobs connected with the group's businesses. Vivendi is committed to creating a minimum of 100 jobs by the end of 2005, 400 jobs by the end of 2006 and 600 jobs by the end of 2007. In January 2008, 760 jobs had been effectively created since 2005. In addition, Vivendi has undertaken to provide financial support for the creation of jobs not connected with the group's businesses in regions in difficulty selected by the French State. Vivendi's financial commitment involves an annual payment of €5 million to specialist companies over a 5-year period commencing January 1, 2005. The objective is the creation of 1,000 jobs over 3 years and 1,500 jobs over 5 years. As of December 31, 2007, 1,624 jobs had been effectively created. The undertakings are regularly monitored by a National Monitoring and Orientation Committee comprising representatives of each of the parties concerned. As of December 31, 2007, Vivendi is in full compliance with its commitments and intends to continue to act in accordance with the terms of its undertaking.



Notes to the Consolidated Financial Statements

	<p>(d) Including a guarantee capped at €17 million that would be reimbursed by December 2009, if it were to be called. In addition, Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the pursuit of their operations.</p> <p>(e) In July 2006, Maroc Telecom was awarded a 3G mobile license by the ANRT (the Moroccan National Telecommunications Regulatory Agency) for 25 years (July 2006 through July 2031) for a fixed fee of MAD 300 million (approximately €27 million, excluding tax, paid in the fourth quarter of 2006).</p>
<p>26.3. Share Purchase and Sale Commitments</p>	<p>In connection with the purchase or sale of assets, Vivendi grants or receives commitments to purchase or sell securities. The main commitments of this nature concern Vivendi's stake in NBC Universal and in the share capital of Canal+ France and are described below. Furthermore, Vivendi has granted or received purchase or sale options related to shares in equity affiliates and unconsolidated investments.</p> <p>NBC Universal</p> <p>As part of the NBC-Universal transaction which was completed in May 2004, Vivendi received certain liquidity commitments and guarantees from General Electric (GE) which were subsequently amended in December 2006. As part of the amended agreement that governs Vivendi's exit from NBCU, Vivendi is entitled to sell its stake in NBCU under mechanisms providing for exits at fair market value. Vivendi has the right to notify GE of its intent to sell in the public market its NBCU shares from November 15 until the Friday of the first full week of December of each year between 2007 and 2016 up to an amount of \$4 billion, which could lead to the public offering of a portion of Vivendi's stake the following year. GE has the right to pre-empt any of Vivendi's sales to the market. Under certain circumstances, if Vivendi exercises its right to sell its NBCU shares in the market, Vivendi will be able to exercise a put option to GE for those shares. Lastly, for the period between May 11, 2011 and May 11, 2017, GE will have the right to call either (i) all of Vivendi's NBCU shares or (ii) \$4 billion of Vivendi's NBCU shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC Universal transaction in May 2004 (i.e. \$8.3 billion), which value is increased by the US Consumer Price Index annually beginning in May 2009. If GE calls \$4 billion, but not all, of Vivendi's NBCU shares, GE must call the remaining NBCU shares held by Vivendi by the end of the 12-month period commencing on the date GE exercises its call option.</p> <p>Canal+ France</p> <p>As part of the combination of the Canal+ Group and TPS pay-TV activities in France, TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. The present value of this option was recorded as a financial liability in the amount of €1,034 million as of December 31, 2007. In addition, Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase its equity interest in Canal+ France to 34%. The present value of this option was €965 million as of December 31, 2007. Please refer to Note 2.1.</p> <p>Commitments related to transactions underway as of December 31, 2007</p> <p>As of December 31, 2007, Vivendi was involved in the acquisition of various companies or assets, the completion of which is subject to the approval of competition authorities or to consultation with the relevant labor relations and employee representative committees. These transactions include mainly the combination of Vivendi Games with Activision in order to create Activision Blizzard (please refer to Note 2.8), and the proposed take over of Neuf Cegetel by SFR (please refer to Note 2.9).</p>



Notes to the Consolidated Financial Statements

26.4. Contingent Assets and Liabilities Subsequent to Given or Received Commitments Related to the Divestiture or Acquisition of Shares

Ref.	Nature of the commitment	Amount of the commitment	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 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
	Commitment to Equitrax LLP	Commitment to use their royalty processing services for a period of seven years once the software has been developed and approved. It is anticipated that this commitment will begin in 2008.	2015
(c)	Combination of the Canal+ Group and TPS pay-TV activities in France	- Commitments regarding the broadcasting and rights from different contents and channels - Please refer to Note 2.1	2012
(d)	Divestiture of Canal+ Nordic (October 2003)	Specific guarantee capped at €50 million.	2010
(e)	Divestiture of NC Numéricable (March 2005)	Specific guarantees capped at €241 million (including tax and social risks) counter-guaranteed by France Telecom up to €151 million. €12 million of provisions.	2014
	Divestiture of PSG (June 2006)	- Customary guarantees capped at €18 million - Unlimited specific guarantee.	2008 2018
(f)	Divestiture of Sithe (December 2000)	Guarantees capped at \$480 million	-
(g)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees capped at €150 million total	2017
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	Guarantees rental payments obligations of the companies sold in the transaction in the amount of €383 million, but received in return for such guaranty a pledge over the cash of the divested companies sold and a counter-guarantee provided by the purchaser in the amount of €200 million	2026
(i)	Divestiture of Spirits and Wine activities of Seagram (2001)	Specific guarantees relating to a claim formed by the Republic of Colombia and certain of its political subdivisions.	-
	Other	Guarantees capped at €125 million (€8 million of provisions)	-
Contingent assets			
	Acquisition of BMGP by UMG (May 2007)	Reimbursement by Bertelsmann of payments made by UMG for employees who worked into BMGP in respect with compensation and retention plans signed before the acquisition of BMGP by UMG.	-
(e)	Guarantees on divestiture of NC Numéricable (March 2005)	€151 million counter-guaranteed by France Telecom	2014
(j)	Acquisition of Télé2 France by SFR (July 2007)	Guarantees capped at €358 million	2009
(k)	Divestiture of Xfera (2003)	Guarantees amounting to €71 million	
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	- Pledge over the cash of the divested companies sold - Counter-guarantee provided by the purchaser in the amount of €200 million - Additional of price for up to €50 million under certain conditions	2010
	Various other miscellaneous contingent assets	Cumulated amount of €63 million	-



Notes to the Consolidated Financial Statements

The accompanying notes are an integral part of the contingent assets and liabilities described above.

- (a) As part of the NBC-Universal transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction, and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses stemming from among other things any breach of their respective representations, warranties and covenants. Neither party will have any indemnification obligations for losses arising as a result of any breach of representations and warranties (i) for any individual item where the loss is less than \$10 million and (ii) in respect of each individual item where the loss is equal to or greater than \$10 million except where the aggregate amount of all losses exceeds \$325 million. In that event, the liable party will be required to pay the amount of losses which exceeds \$325 million, but in no event will the aggregate indemnification payable exceed \$2,088 million. In addition, Vivendi will have indemnification liabilities for 50% of every U.S. dollar of loss up to \$50 million and for all losses in excess for \$50 million relating to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of IACI's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of \$10 million and a payment basket of \$325 million. The representations and warranties other than those regarding authorization, capitalization and tax representations terminated on August 11, 2005. Notices of claims for indemnity for environmental matters must be made by May 11, 2009, except for remediation claims which must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.
- (b) In connection with the purchase of the approximate 7.7% stake held by Matsushita Electric Industrial Co, Ltd (MEI) in Universal Studios Holding I Corp on February 7, 2006, if Vivendi were to sell any of its NBCU interests in 2008 for more than \$7 billion, Vivendi agreed to pay MEI its pro rata share (33%) of the proceeds exceeding \$7 billion.
- (c) On August 30, 2006, the merger was authorized, pursuant to the merger control regulations, by a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Group Canal+ complying with certain undertakings. Without calling into question the pay-TV economic model, or the industrial logic behind the transaction and the benefits to the consumer, these commitments satisfy, more specifically, the following objectives:
- facilitate the access of television and video-on-demand (VOD) operators to rights on attractive audiovisual content and in particular French and US films and sporting events. To this end, the Canal+ Group undertakes, notably, to restrict the term of future framework agreements with major US studios to a maximum of three years, not to seek exclusive VOD rights, to guarantee non-discriminatory access to the StudioCanal catalogue, to restrict the proportion of films taken from this catalogue in the acquisition of films by the future entity and to cease soliciting combined offers for different categories of cinematographic and sporting rights. In addition, the Canal+ Group undertook to retrocede, within the framework of competition requirements, free-to-air audiovisuals rights to TV series and sporting events that the new entity may hold and does not use, more specifically to;
 - make available to all pay-TV distributors who wish several high-quality channels, enabling them to develop attractive products. Third parties will be provided with access to TPS Star, three cinema channels (CinéStar, CinéCulte, CinéToile), Sport+ and the children's channels Piwi and Teletoon. In addition, Canal+ will be available in digital (self distribution) to all operators wishing to include this channel in their product range;
 - enable French-language independent licensed channels to be included in the satellite offerings of the new group. The current proportion of theme channels in the group's offerings that are neither controlled by the Canal+ Group or one of the minority shareholders in the new entity (Lagardère, TF1, M6), will be retained at the current level as a minimum, including in the basic offering. This guarantee applies in terms of both the number of channels and revenue. These commitments are given by Vivendi and the Canal+ Group for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD, which cannot exceed five years.
- (d) In connection with the divestiture of Canal+ Nordic in October 2003, Canal+ Group granted a specific guarantee with a cap of €50 million which expires in April 2010 (which term could be extended under certain conditions). In addition, two guarantees given to American studios on output deals were retained by Canal+ Group, and amount to a maximum of €20 million and \$15 million, respectively, over the life of the contracts. These guarantees are covered by a counter-guarantee given by the buyers to Canal+ Group. Canal+ Group has also retained distribution guarantees given in favor of Canal Digital and Telenor Broadcast Holding by a former subsidiary which guarantees are covered by a counter-guarantee given by the buyers.
- (e) As part of the divestiture of NC Numéricâble on March 31, 2005, the Canal+ Group granted specific guarantees with a €241 million cap (including tax and social risks), for which €12 million of provisions were accrued as of December 31, 2007. Specific risks related to cable networks used by NC Numéricâble are included in this maximum amount and are counter-guaranteed by France Telecom up to €151 million. In addition, Canal+ Group received in January 2006, as part of the final divestiture of its 20% stake in Ypso, the right to a potential earn-out payment under certain conditions, that was not valued in the off-balance sheet accounts.



Notes to the Consolidated Financial Statements

- (f) In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted guarantees on its own representations and those of Sithe. Claims, other than those made in relation to foreign subsidiary commitments, are capped at \$480 million. In addition, claims must exceed \$15 million, except if they relate to foreign subsidiaries or the divestiture of certain electrical stations to Reliant in February 2000. Some of these guarantees expired.
- (g) In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million to several subsidiaries of Nexity (Nexim 1 to 6). The guarantees are effective until June 30, 2017.
- (h) In connection with the disposal of the last three buildings in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark) in November 2007, Vivendi agreed to continue to guarantee certain lease payments (i.e., €383 million) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In exchange, Vivendi received in return for such guarantee a pledge over the cash of the divested companies and a counter-guarantee provided by the purchaser in the amount of €200 million. Consequently, Vivendi's economic exposure to these guarantees is now covered and Vivendi may recognize additional income of up to €50 million as a result of definitive settlement (before September 30, 2010).
- (i) A former Seagram subsidiary, divested in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint.
- (j) The Share Purchase Agreement (SPA) dated October 2, 2006 between Tele 2 Europe SA and SFR contains certain indemnities, guarantees, representations and warranties which will expire on January 20, 2009, except for those relating to tax and social matters which expire three months following the end of the applicable statute of limitations. The maximum liability under these provisions is 100% of the final purchase price (i.e., €358 million). On July 18, 2007, in accordance with European Union antitrust regulation, the European Commission approved the purchase of the fixed and internet activities of Télé2 France by SFR, subject to commitments on the handling and distribution of audio-visual content. Details of the commitments undertaken by the Vivendi group and SFR related to this transaction can be obtained on Vivendi's web site at the following address: http://www.vivendi.com/corp/fr/filiales/index_sfr.php.
- (k) Vivendi received guarantees on the repayment of amounts paid in July 2007 (€71 million), in the event of a favorable decision of the Spanish Courts concerning Xfera's tax litigation to cancel the 2001, 2002 and 2003 radio spectrum fees. These guarantees include a bank first demand guarantee relating to 2001 fees for an amount of €57 million.

Several guarantees given in 2007 and during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations of certain guarantees relating, among other things, to employees, environment and tax liabilities, that are linked to share ownership, or given in connection with the dissolution or winding-up of certain businesses has not yet expired. To the best of our knowledge, no material claims for indemnification against such liabilities have been made to date.

26.5. Shareholders Agreements

Under existing shareholder agreements (including SFR, Maroc Telecom and Canal+ France), Vivendi holds certain rights (such as preemptive rights, priority rights, etc.) which enable it to control the capital structure of consolidated companies owned partially by other shareholders. Conversely, Vivendi has granted similar rights to the other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders agreements or provisions of the bylaws of consolidated entities, equity affiliates or unconsolidated interests (including NBC Universal, Elektrim Telekomunikacija and Neuf Cegetel), Vivendi has given or received certain rights (preemptive and other rights) enabling it to protect its shareholder's rights.

Shareholders' Agreement between Vivendi, TF1 and M6

Pursuant to Shareholders' Agreement between Vivendi, TF1 and M6, dated as of January 4, 2007, TF1 and M6 were granted a tag-along right in the event of the transfer of the exclusive control of Canal+ France by Vivendi/Canal+ Group, together with a priority right to sell their stakes on the market in the event of a public offering of Canal+ France's shares. TF1 and M6 are not represented on the supervisory board of Canal+ France and do not have rights of any kind in respect of the management of Canal+ France. Vivendi has a pre-emptive right over all the shares of Canal+ France owned by TF1 and M6.



Notes to the Consolidated Financial Statements

Strategic Agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active

The CanalSatellite agreement entered into between Lagardère and Canal+ Group in 2000 terminated on January 4, 2007. Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to preserve its economic interest in Canal+ France, which rights vary according to the level of its ownership in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France, including in the event that Lagardère were to exercise its call option. The main provisions of these strategic agreements are as follows:

- The Chairman and all members of the management board of Canal+ France will be appointed by Canal+ Group. Lagardère will be represented by two out of the eleven members of the supervisory board. This number will be increased to three in the event of an increase to a level of 34% of Lagardère's ownership in Canal+ France.
- Lagardère has certain veto rights over Canal+ France and, in certain cases, over its major subsidiaries (including in the event of a change in the statutes, a major and lasting change in the business, its transformation into a company in which the partners have unlimited liability, a single investment of over a third of revenues, a public offering of the company's shares, in certain circumstances the entry of a third party as a shareholder, and, so long as Lagardère owns 34% of Canal+ France's capital, borrowings over the thresholds of 50% and 90% of revenues as a function of the margin of earnings from operations (EFO¹), and certain other rights (including a tag-along right, an anti-dilution right, certain bidding rights in the event of the sale of Canal+ France) intended to protect its economic interest. Vivendi has a pre-emptive right in the event of a sale of Lagardère's equity interest.
- Between 2008 and 2014, Lagardère will have a liquidity right exercisable between March 15th and April 15th of each calendar year, provided, however, that Lagardère owns at least 10% but no more than 20% of the capital and voting rights of Canal+ France, and provided further that it has waived its right to exercise its call option (if such option has not lapsed) enabling it to own 34% of the capital of Canal+ France. Pursuant to this liquidity right, Lagardère will be able to request the public offering of Canal+ France shares. In this event Vivendi/Canal+ Group has the right to acquire all of Lagardère's equity interest.
- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of guarantees with respect to Canal+ France's obligations. Pursuant to this mechanism, Lagardère has the option to participate in such financing and guarantee arrangements pro rata its level of ownership in the share capital of the company. With effect from 2011, after the reimbursement of the shareholder loans to which Lagardère has not contributed in proportion of its equity interest, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not necessary for the financing of its operations provided that Lagardère owns at least 34% of the share capital of Canal+ France.

Shareholders' Agreement between SFR and the Louis Dreyfus Group

On September 13, 2006, SFR and the Louis Dreyfus Group signed an agreement which became effective on October 24, 2006, the date of the initial public offering of Neuf Cegetel, and has an initial term of six years, renewable automatically for periods of three years in the absence of a decision to the contrary by the parties. The agreement provides notably for pre-emptive rights in favor of each of the parties in the event of the transfer of their Neuf Cegetel shares to a third party, subject to certain exceptions. The provisions of this new shareholders' agreement do not impact the governance of Neuf Cegetel and do not call into question the equity accounting of Neuf Cegetel by SFR. Please refer to Note 2.9.

Pursuant to Article L. 225-100-3 of the French Commercial Code, some rights and obligations of Vivendi resulting from shareholders' agreements (SFR, Maroc Telecom, NBC Universal and Cyfra+) could be amended or terminated in the event of a change of control of Vivendi or a tender offer being made on Vivendi. These shareholders' agreements are subject to confidentiality provisions.

1. EFO (Earnings From Operations as defined and used by Vivendi until June 30, 2006, please refer to Note 1.2.3 "Change in presentation" page 188 of the 2006 Annual Report) consists of gross margin, selling, general and administrative expenses, costs related to employee benefit plans excluding the change in financial component, costs related to share base payments, restructuring costs, the change in currency hedging instruments related to operating activities and gain and loss on the divestments of property, plant and equipment and intangible assets.

26.6. Collaterals and Pledges

The amount of the group's assets that are pledged or mortgaged for the benefit of third parties was €1 million as of December 31, 2007 (compared to €51 million as of December 2006). Moreover, Vivendi received some guarantees from third parties on some of its receivables for €32 million as of December 31, 2007 (compared to €42 million as of December 31, 2006).



Notes to the Consolidated Financial Statements

Note 27. Litigations

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

The expenses which may result from these proceedings are only recognized as a provision when they become likely and when their amount can either be quantified or estimated on a reasonable basis. In the last case, the amount of the provision represents Vivendi's best estimate of the risk. The amount of the provision recognized is calculated based on an appraisal of the level of the risk, bearing in mind that the occurrence of an ongoing event may lead, at any time, to a reappraisal of the risk. As of December 31, 2007, provisions recorded by Vivendi for all claims and litigations amounted to €436 million.

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

The situation of proceedings disclosed hereunder is described as of February 26, 2008, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2007.

COB/AMF Investigation Opened in July 2002

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

Investigation by the Financial Department of the Parquet de Paris

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

PSG Transfers

An investigation entrusted to a Judge has been opened in connection with the terms of transfer of PSG soccer players and the remuneration of intermediaries between 1998 and 2002. PSG is a former subsidiary of the Vivendi group. The investigation is ongoing.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims in a single action under its jurisdiction entitled *In re Vivendi Universal 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, they filed a consolidated class action suit that may benefit potential groups of shareholders. Damages of unspecified amount are claimed. Vivendi contests these allegations.

Fact discovery and depositions closed on June 30, 2007.



Notes to the Consolidated Financial Statements

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 Certiorari seeking to appeal the Second Circuit's decision on class certification. On October 9, 2007, the Supreme Court denied the petition.

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

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, 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. Liberty Media seeks rescission damages. The case has been consolidated with the securities class action.

Elektrim Telekomunikacja

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

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

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

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

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

Proceedings against Deutsche Telekom before the Paris Commercial Court

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

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

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

Proceedings 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 also 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.



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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 for amount of approximately €2.2 billion corresponding to the difference between the fair market value of 48% of PTC and the price paid by DT to Elektrim as a result of the exercise of its call option.

Arbitration proceedings in Vienna

On January 10, 2007 and July 5, 2007, DT lodged arbitration claims in Vienna against Elektrim Autoinvest, a 51% indirect subsidiary of Vivendi, and Carcom, which own 1.1% and 1.9% of the share capital of PTC, respectively. DT alleges that Elektrim Autoinvest and Carcom breached the PTC Shareholders' agreement by supporting Telco and opposing the implementation in Poland of the Arbitration Award rendered in Vienna on November 26, 2004 and claims it has a call option on Carcom's and Elektrim Autoinvest's shareholding in PTC (1.9%).

On June 12, 2007, DT lodged an arbitration claim in Vienna against Vivendi, VTI, Carcom and Elektrim Autoinvest. DT alleges that the defendants committed a fault when they opposed the implementation in Poland of the Arbitral Award rendered in Vienna on November 24, 2006 and claiming damages of at least €1.2 billion.

Tort Claim initiated by T-Mobile against Telco before the Warsaw Tribunal

T-Mobile initiated a tort action against Telco before the Warsaw Tribunal on November 15, 2007. T-Mobile is claiming damages in the amount of approximately €3.5 billion as compensation for alleged misconducts in connection with the litigation involving the PTC shares.

Vivendi's Case against the Polish State

On August 10, 2006, Vivendi and VTI served the Republic of Poland with a request for arbitration on the basis of the treaty signed on February 14, 1989, between France and Poland relating to the reciprocal encouragement and protection of investments. In its request, Vivendi claimed that the Republic of Poland failed to comply with its obligations to protect and fairly treat foreign investors under such treaty. Vivendi is claiming compensation in the amount of €1.9 billion.

French Competition Council - Mobile Telephone Market

On June 29, 2007, the Commercial Chamber of the French Supreme Court partially reversed the decision rendered by the Court of appeal on December 12, 2006, confirming the order rendered by the French Competition Council ordering SFR to pay a fine of €220 millions, and recognizing that an illegal agreement existed due to exchange of information among French mobile telephone operators between 1997 and 2003 and imposing a financial penalty on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed.

SFR is involved in contentious proceedings connected with this order brought by customers and consumer associations before the Commercial Court of Paris. Since SFR is challenging the merits of these proceedings, it is not in a position to determine the potential impact of their outcome.

Claim against a former Seagram subsidiary

A former Seagram subsidiary, divested in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices, including alleged participation in a scheme to illegally distribute their liquor products in Colombia and money laundering, claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to their purchase of Vivendi's former Seagram subsidiary in 2001 and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint. The discovery process is just beginning.



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Compañía 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 Compañía de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentine Province of Tucuman, which was entered into in 1995 and terminated in 1997. The arbitration award held that the actions of the Provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty.

The arbitration tribunal awarded Vivendi and its subsidiary damages of \$105 million plus interest and costs. On December 13, 2007, the Argentine Government filed an application for the arbitration award to be set aside, in particular on the basis of an alleged conflict of interest concerning one of the arbitrators. ICSID will appoint an ad hoc committee to issue a ruling on this application, in the first quarter of 2008.

Claim against the company Compagnie Immobilière Phénix Expansion

Compagnie Immobilière Phénix Expansion (CIP Expansion), a former subsidiary of Vivendi, is the subject of a claim by Tso Yaroslavstroï, the Russian public corporation, relating to a contract for the construction of prefabricated houses in the Yaroslav region. On March 30, 2005, Tso Yaroslavstroï filed a claim against CIP Expansion with the ICC International Court of Arbitration, seeking an order for the payment of sums representing, in particular, the loss of profits envisaged from the sale of the prefabricated houses and compensation for the loss suffered. The award is expected to be issued during the first quarter of 2008.

Fermière de Cannes

On March 19, 2003, Anjou Grandes Opérations, Anjou Patrimoine and Anjou Services, three subsidiaries of Vivendi resulting from the break-up of Compagnie Immobilière Phénix (CIP), became the subject of claims a shareholders' action (ut singuli) brought by shareholders of Fermière de Cannes claiming that funds were owed to the company. Following a judgment of the French Supreme Court ("Cour de Cassation"), the Paris Court of Appeal, in a judgment dated December 6, 2007, upheld the claim of the shareholders and ordered two company officers of CIP and Fermière de Cannes, jointly and severally, to pay €67 millions in resulting from the offences of aiding and abetting, and concealing, the misappropriation of company assets in the exercise of their functions. The case against Anjou Services and the former subsidiaries of CIP was dismissed. The two company officers have filed an appeal with the French Supreme Court.

SCI Carrec

On October 2006, SCI Carrec filed a claim against société Gambetta Défense V before the tribunal of first instance of Nanterre seeking indemnification for its prejudice suffered in connection with the sale of a building in 1988. As part of this sale, SCI Carrec was granted an indemnity by Compagnie Générale des Eaux, the predecessor of Vivendi.

Parabole Reunion

In July 2007, the group Parabole Réunion filed a suit before the Tribunal of first instance of Paris following the termination of the distribution on an exclusive basis of the TPS channels in Réunion Island, Mayotte, Madagascar and Mauritius. Pursuant to a decision dated September 18, 2007, Groupe 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.



Notes to the Consolidated Financial Statements

Universal Music Group

Investigations into Prices in the Online Music Distribution Market

In December 2005, the New York State Attorney General opened an investigation into matters concerning the pricing of digital downloads. In February 2006, the United States Justice Department commenced a similar investigation. In connection with those inquiries, both the New York State Attorney General and the Department of Justice served subpoenas on the four major record companies. UMG has responded to the subpoenas served by the New York State Attorney General and the Department of Justice.

Brazilian Tax Dispute

The State of São Paulo Tax Authority (Brazil) filed an action disputing certain deductions taken by a UMG company in Brazil for sales tax payments on account of copyright and neighboring rights payments for domestic Brazilian repertoire.

Class action against Activision in the United States

In February 2008, a purported class action was filed in the United States against Activision and its directors regarding the combination of Activision and Vivendi Games, and against Vivendi and its concerned subsidiaries. Vivendi intends to defend this action vigorously.



Notes to the Consolidated Financial Statements

Note 28. Major Consolidated Entities

As of December 31, 2007, approximately 430 entities were consolidated or accounted for using the equity method (compared to approximately 400 entities as of December 31, 2006).

C: Consolidated; E: Equity.

	Note	Country	December 31, 2007			December 31, 2006		
			Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi SA		France		Parent company		Parent company		
Universal Music Group, Inc.		USA	C	100%	100%	C	100%	100%
PolyGram Holding, Inc.		USA	C	100%	100%	C	100%	100%
UMG Recordings, Inc.		USA	C	100%	100%	C	100%	100%
Centenary Holding B.V.		Netherlands	C	100%	100%	C	100%	100%
Universal International Music B.V.		Netherlands	C	100%	100%	C	100%	100%
Centenary Music International B.V.		Netherlands	C	100%	100%	C	100%	100%
Universal Entertainment GmbH		Germany	C	100%	100%	C	100%	100%
Universal Music K.K.		Japan	C	100%	100%	C	100%	100%
Universal Music France S.A.S.		France	C	100%	100%	C	100%	100%
Centenary Music Holdings Limited		UK	C	100%	100%	C	100%	100%
Canal+ Group SA		France	C	100%	100%	C	100%	100%
Canal+ France SA	2.1	France	C	65%	65%	C	90%	90%
Canal+ SA (a)		France	C	49%	32%	C	49%	44%
MultiThématiques S.A.S.		France	C	100%	65%	C	100%	90%
Canal Overseas S.A.S. (ex Media Overseas S.A.S.)		France	C	100%	65%	C	100%	90%
Canal+ Distribution S.A.S. (b)		France	C	100%	65%	C	66%	59%
TPS Cinema S.N.C.		France	C	100%	65%	-	-	-
StudioCanal SA		France	C	100%	100%	C	100%	100%
Cyfra+		Poland	C	75%	75%	C	75%	75%
SFR SA (c)		France	C	56%	56%	C	56%	56%
Société Réunionnaise du Radiotéléphone S.C.S.		France	C	100%	56%	C	100%	56%
FrNet2 France S.A.S. (d)	2.5	France	C	100%	56%	-	-	-
Société Financière de Distribution SA		France	C	100%	56%	C	100%	56%
Neuf Cegetel SA		France	E	40%	22%	E	40%	23%
Maroc Telecom SA	2.7	Morocco	C	53%	53%	C	51%	51%
Mauritel SA		Mauritania	C	51%	22%	C	51%	21%
Onatel	2.2	Burkina Faso	C	51%	27%	-	-	-
Gabon Telecom SA	2.3	Gabon	C	51%	27%	-	-	-
Mobisud France		France	C	66%	35%	C	66%	34%
Mobisud Belgique		Belgium	C	100%	53%	-	-	-
Vivendi Games Inc.		USA	C	100%	100%	C	100%	100%
Blizzard Entertainment, Inc.		USA	C	100%	100%	C	100%	100%
NBC Universal		USA	E	20%	20%	E	20%	20%
Other								
Elektrim Telekomunikacja		Poland	C	51%	51%	C	51%	51%
Polska Telefonia Cyfrowa (e)	27	Poland	-	-	-	-	-	-
Vivendi Mobile Entertainment		France	C	100%	100%	C	100%	100%

(a) This company is consolidated because (i) Vivendi has majority control over the board of directors, (ii) no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi and (iii) Vivendi assumes the majority of risks and benefits pursuant to an agreement with Canal+ SA 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+ SA results in return for exclusive commercial rights to the Canal+ SA subscriber base.



Notes to the Consolidated Financial Statements

- (b) On December 31, 2007, Canal+ Distribution and Canal+ Active S.A.S. merged into CanalSatellite SA. As a result of these operations, CanalSatellite SA was transformed into a simplified joint stock company and renamed to Canal+ Distribution S.A.S.
- (c) SFR SA is 56% owned by Vivendi and 44% owned by Vodafone. Under the terms of the shareholders' agreement, Vivendi has management control of SFR, majority control over the board of directors, appoints the chairman and CEO, has majority control over shareholders' general meetings, and no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi.
- (d) Corresponds to the fixed telephony and broadband activities of Tél  2 France acquired in July 2007 (please refer to Note 2.5).
- (e) Due to the legal disputes surrounding the ownership of Telco' stake in PTC which prevents Telco/Carcom from exercising joint control over PTC, as provided in the bylaws of PTC, Vivendi has not consolidated its stake in PTC.

Note 29. Subsequent Events

The main events that occurred since December 31, 2007, were as follows:

- **Planned acquisition of Kinowelt by StudioCanal.** On January 17, 2008, StudioCanal announced its planned acquisition of the entire share capital of Kinowelt, the leading German independent film company specializing in the acquisition and distribution of films.
- **Vivendi SA obtained a new syndicated loan.** On January 18, 2008, in anticipation of financing requirements associated with the transactions involving Activision and Neuf Cegetel, Vivendi entered into a €3.5 billion new syndicated loan underwritten by a pool of banks. This new facility consists of 3 tranches:
 - a €1.5 billion tranche under a bridging loan repayable with capital raised through a rights issue in the approximate same amount to be carried out upon completion of the acquisition of Neuf Cegetel; and
 - a €2 billion tranche under a "revolver" facility, half of which will be available during a three year period and the other half during a five year period.
- **Results of the Bidding Process relating to League 1 Broadcasting Rights.** On February 6, 2008, following the completion of a bidding process, the French Professional Football League awarded Canal+ Group nine out of the ten television lots offered for League 1 broadcasting rights (2008-2009 to 2011-2012). Canal+ Group will therefore continue to broadcast all League 1 football events on its channels. Each season these events will notably include all matches of all League 1 clubs, the top ten matches of the season, the Sunday night match fixture, multiplex programs to open and close the championship, and all informational programs. Canal+ Group will pay €465 million per season for these rights, compared to €600 million for each of the last three seasons.
- **Sales of certain music publishing catalogs by UMG** in connection with the European Commission mandated conditions of the BMG Music Publishing acquisition: please refer to Note 2.4.



2007 Statutory Financial Statements (summarized)

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Note:

The 2006 Statutory Financial Statements of Vivendi SA (summarized), the Statutory Auditors' Report on the Financial Statements and the Statutory Auditors' Special Report on Regulated third-party Agreements and Commitments are respectively presented in pages 284 through 294, pages 320 and 321, pages 321 through 324 of the Document de référence No. D07-0240, filed with the French Autorité des Marchés Financiers (AMF) on March 28, 2007, and in pages 274 through 284, pages 310 and 311, pages 312 through 314 of the English translation of this Document de Référence ("Annual Report").

The 2005 Statutory Financial Statements of Vivendi SA (summarized), including the Statutory Auditors' General Report on the Financial Statements, are presented in pages 287 through 298 of the Document de référence No. D06-0178, filed with the French Autorité des Marchés Financiers (AMF) on March 28, 2006, the Statutory Auditors' Report on Regulated Agreements being presented pages 109 through 111. They are also respectively presented in pages 287 through 298 and pages 109 through 112 of the English translation of this Document de Référence ("Annual Report").



1. Presentation of the Vivendi SA 2007 Statutory Financial Statements

1.1. Statement of Earnings

Earnings from operations

Vivendi reports a net loss from operations of €68.2 million for 2007, compared to a loss of €90.2 million in 2006.

Revenues

Revenues total €91.6 million for 2007 compared to €113.8 million in 2006 and include, in addition to €4.5 million, billed in 2007 under the last water distribution contract not yet legally transferred to Veolia Eau, assistance to subsidiaries and domiciliation services, amounts billed to subsidiaries in respect of option plans and rebilled expenses.

Operating expenses

Operating expenses total €181.0 million compared to €245.7 million in 2006 and notably comprise:

- commissions and professional fees of €60.4 million in respect, for a significant proportion, of the Securities class action litigation in the United States and the dispute opposing Vivendi and Deutsche Telekom and Elektrim SA in Poland, compared to €95.0 million in 2006,
- wages, salaries and social security contributions of €48.5 million, compared to €48.7 million in 2006,
- duties and taxes other than income tax of €6.5 million compared to €23.3 million in 2006 (including withholding tax of €14.4 million on transactions with Canadian and US subsidiaries pursuant to the simplification of the Group's corporate structure).

Net financial income/(loss)

Net financial income for the year is €984.5 million, compared to €3,009.7 million in 2006 and breaks down as follows:

- income from subsidiaries and affiliates, primarily consisting of dividends of €2,023.6 million (€927.5 million in 2006) and notably from SFR in the amount of €902.1 million (€852.0 million in 2006), from Canal+ Group in the amount of €650 million, from NBC Universal in the amount of €290 million and from SIG 35 in the amount of €146.7 million (Group real estate division holding company sold on January 1, 2008),
- a decrease in the external net financing cost (€53.3 million compared to €118.5 million in 2006), notably due to non recurring foreign currency swaps leading to a €37.4 million favorable impact (unwinding at the end of July 2006 of dollar/euro currency swaps as part of the simplification of group structure) and a decrease in average external net debt (€1.5 billion in 2007, compared to €1.7 billion in 2006).
- Movements in financial provisions present a net charge of €1,097.4 million, comprising:
 - charges of (i) €733.2 million in respect of NBC Universal shares due to the fall in the US dollar exchange rate in 2007 and (ii) €115.0 million in respect of Vivendi Holding 1 shares, due to the fall in the US dollar and the unfavorable movement in the value of Universal Music which were not fully offset by the revaluation of Vivendi Games with a view to the Activision deal,
 - a charge to provisions of €178.4 million 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.

In 2006, the net reversal of financial provisions of €2,055.3 million included (i) a reversal of the provision for SPC shares in the amount of €2,335.2 million (holding company at the head of certain US Group assets, essentially Universal Music and Vivendi Games), a reversal of the provision for Vivendi Telecom International shares in the amount of €451.0 million and (ii) a charge to provisions of €442.0 million relating to Vivendi's investments in Poland and a charge to provisions of €300.0 million in respect of NBC Universal shares following the fall in the US dollar exchange rate.

Net exceptional items

Net exceptional income of €9.1 million compared to €752.7 million in 2006 and breaks down as follows:

- a settlement of two tax disputes and risks in the company's favor in the amount of €109.1 million,
- a net reversal of unused provisions of €36.2 million on the sale of the Berlin real estate,
- a net capital loss of €549.7 million due to transfers within the Group as part of the ongoing legal simplification of the Universal Music Group and Vivendi Games corporate structure, offset in the amount of €543.5 million by the reversal of provisions for SPC shares, prior to its absorption by Vivendi in September 2007,
- charges to provisions and impairments in respect of real estate division companies in France and Germany and notably (i) charges to provisions following the granting of guarantees and corresponding to provisions previously recorded in the accounts of real estate division companies, the reversal of which enabling in part the payment of a dividend by SIG 35 and (ii) charges to cover sundry risks including €33.7 million to cover the payment of compensation due by Vivendi, as guarantor of a former company officer, to beneficiaries of the Appeal Court decision in December 2007 concerning Fermière de Cannes.



Presentation of the Vivendi SA 2007 Statutory Financial Statements

	<p>Income tax (expense)/credit Vivendi recorded a tax group credit of €27.7 million, compared to €139.0 million in 2006. In 2006, €116.5 million of this tax credit concerned the taxation at a rate of 8% of long-term capital gains recognized primarily within Canal+ Group.</p> <p>The company also recorded a tax credit of €552.0 million in respect of the Consolidated Global Profit Tax System (€603.8 million in 2006 before deduction of €0.6 million in 2007 on the effective receipt of the receivable).</p> <p>Earnings for the year Earnings for the year are €1,504.4 million, compared to €4,412.4 million in 2006.</p>
<p>1.2. Statement of Financial Position</p>	<p>The Vivendi SA Statement of Financial Position reports net assets of €40.0 billion as at December 31, 2007, compared to €41.2 billion as at December 31, 2006.</p> <p>Non-current assets Long-term investments decreased from €35,780.6 million net as at December 31, 2006 to €35,599.5 million net as at December 31, 2007, as a consequence of the simplification of the corporate structure of the Group's activities in the United States and Canada, launched in 2005 and close to completion at the end of 2007, as well as impairment of financial assets.</p> <p>Since September 2007 Vivendi directly holds, for an amount of €9,587.1 million the entire share capital of the US company, Vivendi Holding 1, a direct shareholder of Universal Music and indirect shareholder of Vivendi Games. The rationalization notably enabled in 2007 a reduction in the number of intermediate structures and was achieved in France through upstream mergers, including €19,748.1 million in respect of the cancellation of the gross value of SPC shares, and in Canada through liquidations.</p> <p>Other main investments are (i) an increase of €175.6 million (\$257 million) in the gross value of the investment in the 20% stake in NBC Universal, following a share capital increase to finance the acquisition of television companies in the United States and (ii) the acquisition for €229.5 million of a 2% interest in Maroc Telecom financed by the exchange of Vivendi shares with Caisse de Dépôt et de Gestion du Maroc.</p> <p>Equity Vivendi SA net equity, before the appropriation of 2007 earnings, is €34.1 billion compared to €33.3 billion at the end of 2006 and takes into account the dividend distribution of €1,387.3 million in April 2007.</p> <p>Borrowings Borrowings total €5,362.8 million, compared to €7,167.5 million at the end of 2006.</p> <p>Bond issues total €2,987.5 million, including accrued interest.</p> <p>The average maturity of Group medium-term debt is 2.7 years as at December 31, 2007, compared to 3.0 years as at December 31, 2006, excluding revolving credit lines.</p> <p>Borrowings maturing after more than one year total €2,635.8 million at the end of 2007, compared to €2,956.8 million at the end of 2006.</p>



2. 2007 Statutory Financial Statements

2.1. Statement of Earnings

(in millions of euros)	2007	2006
Operating income		
Total revenues	91.6	113.8
Reversal of provisions and expense reclassifications	20.3	39.5
Other income	0.9	2.2
Total I	112.8	155.5
Operating expenses		
Other purchases and external charges	114.1	161.5
Duties and taxes other than income tax	6.5	23.3
Wages and salaries	35.4	35.5
Social security contributions	13.1	13.2
Depreciation, amortization and charges to provisions		
On intangible assets and PP&E: amortization and depreciation	7.8	9.5
On current assets: depreciation		1.3
For contingencies and losses: charges to provisions	1.7	
Other expenses	2.4	1.4
Total II	181.0	245.7
Earnings from operations (I-II)	(68.2)	(90.2)
Financial income		
From subsidiaries and affiliates	2,023.6	927.5
From other securities and long-term receivables	127.5	134.3
Other interest and similar income	141.1	145.2
Reversal of provisions and expense reclassifications	364.3	2,918.0
Foreign exchange gains	775.6	1,289.3
Net proceeds from the sale of marketable securities	72.8	32.1
Total III	3,504.9	5,446.4
Financial expenses		
Amortization and charges to financial provisions	1,461.7	862.7
Interest and similar charges	265.8	276.9
Foreign exchange losses	792.3	1,283.1
Net expenses on the sale of marketable securities	0.6	14.0
Total IV	2,520.4	2,436.7
Net financial income / (loss) (III-IV)	984.5	3,009.7
Earnings from ordinary activities before tax (I-II + III-IV)	916.3	2,919.5
Exceptional income		
From non-capital transactions	75.3	18.1
From capital transactions	2,828.9	9,915.1
Reversals of provisions and expense reclassifications	673.4	168.3
Total V	3,577.6	10,101.5
Exceptional expenses		
On non-capital transactions	27.1	115.9
On capital transactions	3,380.2	9,225.0
Exceptional depreciation, amortization and charges to provisions	161.2	7.9
Total VI	3,568.5	9,348.8
Net exceptional items (V-VI)	9.1	752.7
Employee profit-sharing (VII)		
Income tax (credit) (VIII)	579.0	740.2
Total income (I + III + V + VIII)	7,774.3	16,443.6
Total expenses (II + IV + VI + VII)	6,269.9	12,031.2
Earnings for the year	1,504.4	4,412.4



2007 Statutory Financial Statements

2.2. Statement of Financial Position

Assets (in millions of euros)	Gross	Depreciation, amortization and provisions	Net	
			31/12/2007	31/12/2006
Non-current assets				
Intangible assets	13.8	12.6	1.2	1.6
Preliminary expenses				
Concessions and similar rights				
Other intangible assets	13.8	12.6	1.2	1.6
Property, plant and equipment	60.4	55.1	5.3	9.7
Land				
Buildings and improvements	0.1		0.1	
Industrial and technical plant	0.4	0.3	0.1	0.1
Other PP&E	58.2	53.5	4.7	9.0
Concession PP&E	1.7	1.3	0.4	0.6
Long-term investments (a)	39,326.4	3,726.9	35,599.5	35,780.6
Investments in affiliates	37,046.4	2,760.2	34,286.2	34,102.6
Long-term portfolio securities	209.6		209.6	164.6
Loans to subsidiaries and affiliates	1,849.9	851.9	998.0	753.9
Other long-term investment securities	109.9	109.3	0.6	32.3
Loans	15.6	4.9	10.7	21.5
Other	95.0	0.6	94.4	705.7
Total I	39,400.6	3,794.6	35,606.0	35,791.9
Current assets				
Inventories and WIP				
Receivables (b)	3,160.3	394.3	2,766.0	3,049.4
Trade accounts receivable and related accounts	36.1		36.1	13.0
Other receivables	3,124.2	394.3	2,729.9	3,036.4
Marketable securities	1,215.6	2.6	1,213.0	1,728.8
Treasury shares	1.9		1.9	1.9
Other securities	1,213.7	2.6	1,211.1	1,726.9
Cash at bank and in hand	151.7		151.7	323.5
Prepayments (b)	233.2		233.2	249.2
Total II	4,760.8	396.9	4,363.9	5,350.9
Deferred charges (III)	5.1		5.1	7.2
Unrealized foreign exchange losses (IV)				44.6
Total assets (I + II + III + IV)	44,166.5	4,191.5	39,975.0	41,194.6
(a) Portion due within less than one year			121.1	730.5
(b) Portion due within more than one year			4.0	243.5



2007 Statutory Financial Statements

Equity And Liabilities (in millions of euros)	31/12/2007	31/12/2006
Equity		
Share capital	6,406.1	6,363.7
Additional paid-in capital	12,145.9	11,529.6
Reserves		
Legal reserve	636.4	634.4
Other reserves	11,215.9	3.2
Retained earnings	2,200.0	10,389.7
Earnings for the year	1,504.4	4,412.4
Net equity	34,108.7	33,333.0
Tax-driven provisions		
Total I	34,108.7	33,333.0
Equity equivalents		
Total II		
Provisions	416.4	610.1
Total III	416.4	610.1
Liabilities (a)		
Convertible and other bond issues	2,987.5	3,692.5
Bank borrowings (b)	298.4	665.9
Other borrowings	2,076.9	2,809.1
Trade accounts payable and related accounts	25.4	36.5
Tax and employee-related liabilities	25.8	36.9
Amounts payable in respect of PP&E and related accounts	17.2	
Other liabilities	14.9	5.5
Deferred income	2.8	5.1
Total IV	5,448.9	7,251.5
Unrealized foreign exchange gains (V)	1.0	
Total equity and liabilities (I + II + III + IV + V)	39,975.0	41,194.6
(a) Portion due within more than one year	2,661.9	2,956.8
Portion due within less than one year	2,787.0	4,294.7
(b) Including current bank facilities and overdrafts	149.4	323.5



2007 Statutory Financial Statements

2.3. Statement of Cash Flows

(in millions of euros)	2007	2006
Earnings for the year	1,504.4	4,412.4
Elimination of non-cash income and expenses		
Charges to depreciation and amortization	7.7	9.5
Charges to provisions net of (reversals)		
Operating		1.0
Financial	1,097.4	(2,037.5)
Exceptional	(512.2)	(160.4)
Capital (gains) & losses	552.2	(688.6)
Merger and liquidation gains/deficits	(29.1)	0.4
Operating cash flows before changes in working capital	2,620.4	1,536.8
Changes in working capital	152.2	(488.6)
Net cash provided by operating activities	2,772.6	1,048.2
Capital expenditure	(0.7)	(1.5)
Purchases of investments in affiliates and securities	(1,125.6)	(1,760.9)
Increase in loans to subsidiaries and affiliates	(922.5)	(190.3)
Advances and cash deposits in respect of the Canal+/TPS combination	623.5	(623.5)
Receivables on the sale of non-current assets and other financial receivables	10.1	(73.9)
Proceeds from sales of intangible assets and PP&E		4.6
Proceeds from sales of investments in affiliates and securities	2,486.4	1,036.2
Decrease in loans to subsidiaries and affiliates	339.0	
Increase in deferred charges relating to financial instruments		(3.0)
Net cash provided by/(used in) investing activities	1,410.2	(1,612.3)
Net proceeds from issuance of shares	148.4	60.3
Dividends paid	(1,387.3)	(1,147.4)
New long-term borrowings secured		1,204.7
Principal payments on long-term borrowings	(705.3)	(342.3)
Increase (decrease) in short-term borrowings	(369.5)	250.3
Change in net current accounts	(2,343.1)	398.3
Treasury shares	(213.6)	16.1
Net cash provided by/(used in) financing activities	(4,870.4)	440.0
Change in cash	(687.6)	(124.1)
Opening net cash (a)	2,050.4	2,174.5
Closing net cash (a)	1,362.8	2,050.4

(a) Cash and marketable securities net of impairment.



3. Subsidiaries and Affiliates

(in thousands of euros) unless otherwise stated	Share capital	(a) Equity excl. share capital	% share capital held	Book value of investments		(b) Outstanding loans and advances granted by Vivendi	Guarantees and endorsements granted by Vivendi	2006 Revenues	2007 Revenues	2006 Earnings	2007 Earnings	Dividends received by Vivendi during 2007	Comments
				Gross	Net								
Groupe Canal+ SA * (c) 1, place du Spectacle 92130 Issy les Moulineaux	100,000	789,264	100.00	5,198,133	5,198,133		10,428	349,501	40,093	1,064,261	(91,153)	650,000	
NBC Universal Inc. (d) 30 Rockefeller Plaza New York, NY 10112 - USA		24,563 million dollars	20.00	6,535,521	5,502,521			15,383 million dollars	14,809 million dollars	1,899 million dollars	2,074 million dollars	290,017	
Société Française du Radiotéléphone 42, avenue de Friedland 75008 Paris	1,343,455	610,854	55.96	9,807,026	9,807,026	700,000		8,466,428	8,601,280	1,605,979	1,412,112	902,090	
Vivendi Telecom International * (e) 42, avenue de Friedland 75008 Paris	1,190,647	(602,769)	100.00	1,190,905	1,190,905	1,620,746		4,019	1,681	(132,889)	951		
Elektrim Telekomunikacja *(f) Al. Jana Pawla II 00-828 Varsovie Pologne	10,008,090 thousand zlotys	(8,314,102) thousand zlotys	47.07	1,117,080	0	790,730		60 thousand zlotys	51 thousand zlotys	(292,207) thousand zlotys	(175,056) thousand zlotys		prov. on advances 790,730
Other subsidiaries and affiliates (Summary information)				131,708	70,579	299,237	(i)						

(a) Including earnings of the year.

(b) Including current account advances.

(c) Company 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 (held 3.93% by Vivendi Telecom International) and Carcom Warszawa (held 51% by Vivendi) hold 51% of the share capital of PTC, the leading mobile phone operator in Poland.

(g) As at December 31, 2007, 1 euro = 3.5935 zlotys.

(h) Compared with provisional losses of 205,575 thousand zlotys reported in the 2006 Annual Report.

(i) Guarantee given to the Moroccan bank Attijariwafa in respect of a loan of dhs 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.

* This company is primarily a holding company. The amounts presented in the "Revenues" columns comprise operating income and financial income from investments.



Subsidiaries and Affiliates

(in thousands of euros, unless otherwise stated)	Share capital	(a) Equity excl. share capital	% share capital held	Book value of investments		(b) Outstanding loans and advances granted by Vivendi	Guarantees and endorsements granted by Vivendi	2006 Revenues	2007 Revenues	2006 Earnings	2007 Earnings	Dividends received by Vivendi during 2007	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	3,186,797 thousand dollars	253,412 thousand dollars	100.00	2,389,449	2,389,449					7,398 thousand dollars	246,014 thousand dollars		
Vivendi Holding 1 Corporation (d) * 800 Third Avenue New York New York 10022, U.S.A		14,224,498 thousand dollars	100.00	9,587,062	9,472,062			(e) 4,138,210 thousand dollars	14,121 thousand dollars	(e) 4,075,983 thousand dollars	(66,426) thousand dollars		
Centenary Holdings Ltd Clarendon House 2 Church Street Hamilton HM 11 Bermuda	52,352 thousand dollars	103,609 thousand dollars	100.00	105,097	105,097			78 thousand dollars	83 thousand dollars	63 thousand dollars	51 thousand dollars		
Centenary SGPS Rua Calouste Gulbenkian 52 Edificio Mota Galiza Freguesia de Massaleros Concelho do Porto Portugal	880	148,378	100.00	146,621	146,621					4,173	2,520		fiscal year from 07/01/2006 to 06/30/2007
Other subsidiaries and affiliates (Summary information)				73,637	54,056							22,172	

(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 (excl. NBC Universal).

(e) Including a dividend of 4,055 million dollars from Universal Music Group.

* This company is primarily a holding company. The amounts presented in the "Revenues" columns comprise operating income and financial income from investments.



Subsidiaries and Affiliates

(in thousands 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	2006 Revenues	2007 Revenues	2006 Earnings	2007 Earnings	Dividends received by Vivendi during 2007	Comments
				Gross	Net								
II - Non core activities													
Société d'investissements et de Gestion 35 (c) * 1, Terrasse Bellini - 92919 Paris La Défense Cedex	38	2,435	99.64	178,964	0	7,067		2,340	354	46,122	103,313	146,709	
Société Nouvelle d'Etudes et de Gestion (SNEGE) * 59 bis, avenue Hoche - 75008 - Paris	263,951	21,373	100.00	263,951	263,951					6,556	8,089	6,060	
Other subsidiaries and affiliates (Summary information)				321,210	85,921	483,175						6,339	prov. on advances 434,087
Total				37,046,365	34,286,121	3,900,955	363,498					2,023,387	

(a) Including earnings of the year.

(b) Including current account advances.

(c) Group real estate division holding company sold in January 2008.

* This company is primarily a holding company. The amounts presented in the "Revenues" column comprise operating income and financial income from investments.



4. Statutory Auditor's Report on the Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us at your general meetings, we hereby report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying financial statements of Vivendi S.A.;
- 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 these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in compliance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for 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 and of the results of its operations for the year then ended in accordance with the accounting principles generally accepted in France.

2. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw attention to the following matters:

Accounting policies

In the notes to the financial statements, Note 1 describes the accounting policies relating to accounting for equity investments, provisions and staff benefit plans.

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 to the company's circumstances and consistently applied.

Accounting estimates

Your company recognizes provisions for impairment loss when the carrying amount of its financial assets exceeds their value in use. The value in use is defined as the estimate of the future economic benefits that will be generated by using the asset or selling it. Based on the information available at the date of this report, we have assessed and examined on a test basis the accounting principles used by your company. We have also assessed the significant estimates and have ensured that the assumptions and the subsequent judgements made by your management are reasonable.

Our assessments were an integral part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.



Statutory Auditor's Report on the Financial Statements

3. Specific verifications and information

In accordance with the auditing standards generally accepted in France, we have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and the conformity with the financial statements of the information given in the 2007 Annual Report, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
- the fair presentation of the information disclosed in the 2007 Annual Report regarding the compensation and benefits granted to certain executive officers and the commitments given to them when they are appointed, or retire or change post.

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 included in the 2007 Annual Report.

Paris La Défense et Neuilly sur Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Marie Guillemot

Benoît Lebrun

Dominique Thouvenin

Partner

Partner

Partner



5. Statutory Auditor's Special Report on regulated third-party Agreements and Commitments

To the Shareholders

As Statutory Auditors of Vivendi, we hereby present our report on related party agreements and commitments.

1. Agreements and commitments entered into during the year

We are not required to identify any other agreements and commitments, but to inform you, based on the information provided to us, of the principal terms and conditions of these agreements and commitments brought to our attention. It is not our role to determine whether they are beneficial or appropriate. It is your responsibility, pursuant to Article R.225-58 of the French Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We were not informed of any agreements and commitments governed by Article L.225-86 of the French Commercial Code.

2. Agreements and commitments approved during previous years which were applicable during the year

In addition, in accordance with the French Commercial Code, we have been informed of the following agreements and commitments, which were approved during previous years were applicable during the period.

2.1. Revolving credit line

At its meeting 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 12 months, with interest payable at the EURIBOR rate for the period + 0.15 %.

As at December 31, 2007 the line of credit had been fully drawn for €700 million. The total amount of interest received by your company for 2007 amounted to €14.4 million.

2.2. Service contract with the firm Conseil DG

At its meeting on June 7, 2005, your Supervisory Board authorized your Management Board to negotiate and sign a service contract with the firm Conseil DG, chaired by Mr. Andrzej Olechowski.

The contract became effective as of June 8, 2005 for a one-year renewable period. At its meeting on June 7, 2006, as the ongoing disputes between Deutsche Telekom, Elektrim, Telco and your company over the ownership of shares in PTC had not been settled, your Supervisory Board renewed its contract for a one-year period, and provided for further renewal of the contract by tacit agreement.

Under the terms of the contract, your company agreed to pay fixed consulting fees of €60,000 before tax in monthly instalments of €5,000 before tax. It also agreed to pay a one-off success fee of €1,000,000 before tax, in the event of a final settlement of the ongoing disputes in Poland during the contract term, from which the fixed consulting fees would be deducted.

This agreement terminated on July 7, 2007. Your company paid the sum of €35,000 before tax to the firm Conseil DG for 2007.

2.3. Agreement and commitment on the additional retirement benefits

Your Supervisory Board decided in principle to introduce an additional pension plan for senior executives, including the members of the Management Board holding an employment contract with your Company.

The principal 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 20 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 2007 for the additional retirement benefits for Management Board members amounted to €1,941,840.



Statutory Auditor's Special Report on regulated third-party Agreements and Commitments

2.4. 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 waive the interest 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, 2007 were €145.8 million by Scoot Europe NV and €1,620.7 million by VTI.

Outstanding interest due to your company in 2007 totalled €90.6 million.

2.5. Support agreement

Your company signed a support agreement with its subsidiary SFR for a five-year period. SFR pays your company consideration comprising an annual flat rate fee of €6 million and 0.3% of revenue from January 1, 2006. From April 1, 2007 onwards, SFR shall pay your company a sum corresponding to 0.2% of its revenue before tax, excluding revenue generated by equipment sales. Your Supervisory Board authorized a Rider to the contract on February 28, 2008.

The income received by your company in 2007 relating to this agreement amounted to €19 million before tax.

2.6. Agreements related to the restructuring of UGC

In connection with the agreements signed in 2003 between your company and the family shareholders of UGC concerning the restructuring of UGC, your company granted a promise to sell to the family shareholders for €80 million (plus interest at 3.5% from August 25, 2003). The promise to sell provided for a supplementary payment in the event of the sale by the family shareholders of UGC shares with capital gains.

On November 24, 2005, your company signed a Rider to the promise to sell of December 2003 with the family shareholders of UGC, setting forth the conditions governing the exercise of the option.

On December 15, 2005, the family shareholders of UGC exercised their promise to buy UGC shares from your company for a principal amount of €80 million (€88.6 million including interest). An initial payment of €54 million was made to your company in 2005. In 2006, your company received €5.4 million in cash. In 2007, your company received €11.4 million in cash. The remaining balance will be paid by December 31, 2008 at the latest.

2.7. 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.



Statutory Auditor's Special Report on regulated third-party Agreements and Commitments

In 2007, your company did not receive any credit notes or payments related to this agreement.

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 verify that the information provided to us complies with the source documents from which it is derived.

Paris La Défense and Neuilly sur Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Marie Guillemot

Benoît Lebrun

Dominique Thouvenin

Partner

Partner

Partner

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Section 1

Recent Events

All significant events which took place between December 31, 2007 and the date of the filing of this document with the Autorité des Marchés Financiers (AMF, the French exchange regulation authority) are described in the following chapters of this document:

- Chapter 2: "Highlights", "Description of the Group and its Businesses" and "Litigation",
- Chapter 4: "Annual Financial Report" and "Consolidated Financial Statements for fiscal year ended December 31, 2007".

Section 2

Outlook

2.1. 2008 Forecasts (in the Current Perimeter of Vivendi)

For 2008, in its current perimeter (i.e., excluding the impact of the proposed Activision and Neuf Cegetel transactions; as described below), Vivendi expects to achieve a profit growth similar to 2007. This anticipated growth in operating performances is expected to be driven by Canal+, Maroc Telecom and Vivendi Games, with a renewed mobile momentum for SFR, and UMG leading the transition towards digital distribution and new revenue models. This forecast is based on an assumed exchange rate of €1 for \$1.50. Vivendi confirms its objective of maintaining a distribution rate of at least 50% of Adjusted Net Income in 2008.

These forecasts have been prepared on the basis of the financial targets of each business unit for 2008:

Universal Music Group: including BMG Publishing (BMGP) and Sanctuary for 12 months, revenues and EBITA are anticipated to increase slightly. In 2008, UMG will focus its efforts on finalizing the successful integration of BMGP and Sanctuary, leading the transition to digital distribution with innovative models and continuing its diversification in order to transform itself into a Music Entertainment company as well as continuing to implement operational efficiencies to maximize profitability.

Canal+ Group: revenues are anticipated to increase by 3% to 4% and EBITA is expected to exceed €600 million, before transition costs of approximately €80 million related to the TPS merger. In 2008, following the award of nine out of the ten television lots offered for League 1 broadcasting rights (2008-2009 to 2011-2012) in the amount of €465 million for each season (compared to €600 million for each of the last three seasons), Canal+ Group will focus its efforts on successfully completing the technical migration of TPS subscribers, capitalizing on Canal+ Le Bouquet's enhanced offering, including Canal+ Family and Canal+ on Demand (Catch-up TV), increasing the penetration of HD, PVR and Multi+ options (Multi-Room), and pursuing the digitization of Canal+ subscribers. In addition, Canal+ Group confirms its €1 billion EBITA target for 2010.

SFR: revenues and EBITDA from mobile operations are expected to grow slightly together with cash flow from operations (CFFO) due to decreased capital expenditures. DSL and fixed activities are in an investment phase, which will impact EBITDA and cash flow from operations (CFFO). As a result, before the impact of the potential integration of Neuf Cegetel, SFR's EBITA is expected to remain nearly stable despite increased depreciation expenses. In 2008, the priorities for SFR will be to close the proposed transaction with Neuf Cegetel, to consolidate its leadership in network quality and services, to grow mobile Internet usage and maintain its No.1 position, to pursue momentum within the enterprise business, and to pursue operational excellence (cost savings program and reduction of capital expenditures).

Maroc Telecom: revenues are expected to increase by more than 7% and EBITA by more than 9%. In 2008, the priorities for Maroc Telecom will be to retain its leadership position in all its market segments, to maintain Mauritel's leadership position, to pursue the integration of Onatel and Gabon Telecom by accelerating growth through network deployment and improved quality of service.

Vivendi Games: in 2008, Vivendi Games' priorities will be to complete the proposed Activision Blizzard transaction, which is expected to close in the first half of 2008, as well as to sustain growth at Blizzard Entertainment and to maintain its excellent operating margin. It should be noted that the success of *World of Warcraft: The Burning Crusade* in 2007 will render comparison for the first quarter and first half of 2008 more difficult.



Section 2

Outlook

2.2. 2009 Outlook (including Activision Blizzard and Neuf Cegetel)

In addition, including the creation of Activision Blizzard for the first half of 2008 and the acquisition of Neuf Cegetel by SFR in 2008, revenues of Vivendi should amount to approximately €30 billion in 2009 (compared to €20 billion in 2006). In addition, as of December 31, 2009, Activision Blizzard outlook should be as follows (excluding equity-based compensation and restructuring costs, and impact of purchase price allocation): revenues of \$4.3 billion, operating income of \$1.1 billion, operating margin above 25% and earnings per share above \$1.20.

2.3. Reminder

The 2008 forecasts regarding revenues, EBITA and EBITA margin rate, EBITDA and Cash Flow from Operations (CFFO) is based on data, assumptions and estimates considered as reasonable by Vivendi management. They are subject to change or modifications due to uncertainties related notably to the economic, financial, competitive and/or regulatory environment. Moreover, the materialization of certain risks described in Chapter 2 of this Annual Report could have an impact on the group's operations and its capacity to achieve its forecasts for 2008.

In addition, as a reminder, Vivendi considers that the non-GAAP measures EBITDA, EBITA, Adjusted Net Income, and CFFO are relevant indicators of the group's operating and financial performance. Each of the indicators is defined in the appropriate section of the Financial Report or in the notes to the Consolidated Financial Statements for the year ended December 31, 2007, included in Chapter 4 of this Annual Report.

Section 3

Statutory Auditors' Report on the Forecasts of Adjusted Net Income Group Share

In our capacity as statutory auditors and in accordance with EU Regulation 809/2004, we hereby report on the profit forecast for Vivendi, which is included in Section 5 of the registration document filed with the French stock exchange regulatory body (AMF) on March 18, 2008, under the heading "2008 Forecasts (in the current perimeter of Vivendi)".

In accordance with EU Regulation 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 Appendix 1, paragraph 13.2 of the EU Regulation 809/2004, as to the proper compilation of the profit forecast.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (Compagnie nationale de commissaires aux comptes) relating to this engagement. Our work consisted in an assessment of the preparation process for the profit 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 Vivendi. We also gathered all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the profit 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 forecast and that we do not express a conclusion on the achievability of these figures.

We conclude that:

- this profit forecast has been properly compiled on the basis stated;
- the accounting methods applied in the preparation of the profit forecast are consistent with the accounting principles adopted by Vivendi.



Section 3

Statutory Auditors' Report on the Forecasts of Adjusted Net Income Group Share

This report is issued for the sole purpose of the public offering in France and other European Union countries in which the 2007 registration document, as approved by the French Stock Exchange Regulatory Body (AMF), will be published and may not be used for any other purpose.

Paris La Défense and Neuilly-sur-Seine, March 18, 2008

The Statutory Auditors

Salustro Reydel
Membre de KPMG International

Ernst & Young et Autres

Benoît Lebrun

Marie Guillemot

Dominique Thouvenin

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Section 1

Firms Responsible for the Audit of 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.

Last renewal: Combined Shareholders' Meeting held on April 20, 2006, for a six-year period expiring following 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.

Last renewal: Combined Shareholders' Meeting held on April 28, 2005, for a six-year period expiring following 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 following 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 following the Shareholders' Meeting held to approve the financial statements for fiscal year 2011.

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vivendi

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