Annual Financial Report and
Audited Consolidated Financial Statements
for the Year ended December 31, 2007

vivendi

VIVENDI

Société anonyme with a Management Board and Supervisory Board with a share capital of €6,406,087,710.00

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IMPORTANT NOTICE: READERS ARE STRONGLY ADVISED TO READ THE IMPORTANT DISCLAIMERS AT THE END OF THIS FINANCIAL REPORT.

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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 followings 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	1,144.4 (c)
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	1,144.9 (c)
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.

I – 2007 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 Télé2 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.
- 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.

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.

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

- **Acquisition of Sanctuary Group Plc by UMG**

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

- **Acquisition of a 2% stake in Maroc Telecom by Vivendi**

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

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.

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.

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

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

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

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

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

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

2 Statement of Earnings Analysis

2.1 Consolidated Earnings and Consolidated Adjusted Net Income

CONSOLIDATED STATEMENT OF EARNINGS					ADJUSTED STATEMENT OF EARNINGS
	Year Ended December 31,		Year Ended December 31,		
(In millions of euros, except per share amounts)	2007	2006	2007	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**
Attributable to :					
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 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 S.A.'s favor of a litigation instigated by it regarding its right to deduct VAT (+€73 million) and the sale of residual real estate assets in Germany (+€59 million). In 2006, it notably included the gain resulting from the sale of residual real estate assets in La Défense (+€32 million) partly offset by restructuring expenses at UMG, and at Maroc Telecom resulting from its voluntary redundancy plan.

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

For a breakdown of EBITA by business segment, please refer to 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.

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

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

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

Interest amounted to €166 million (compared to €203 million in 2006), representing an improvement of €37 million. This improvement reflected the increase in interest income generated by cash and cash equivalents (+€30 million), offset by the increase of interest expense incurred on borrowings (-€15 million). Interest expense on borrowings rose due to the increase in average outstanding borrowings (€7.2 billion for 2007 (compared to €6.7 billion for 2006), calculated on a daily basis), despite the relative stability in the average financing rate over the period (4.18% for 2007, compared to 4.20% for 2006). Furthermore, between January 1st and May 25, 2007, the capitalization of interest relating to the acquisition of BMG Publishing amounted to €25 million.

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

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

Other financial charges and income generated a net charge of €83 million (compared to a net income of €311 million in 2006), an unfavorable difference of €394 million. In 2007, this line item mainly included the dilution gain resulting from the entry of Lagardère into the share capital of Canal+ France (+€239 million, in addition to the dilution gain of €128 million recorded in the fourth quarter of 2006; please refer to 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.

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

(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%
o/w payments to artists and repertoire owners, net at UMG				
payment to artists and repertoire owners		*(638)*	*(620)*	*-3%*
recoupment of advances and other movements		*605*	*601*	*1%*
		(33)	*(19)*	*-74%*
o/w film and television rights, net at the Canal+ Group				
acquisition of film and television rights		*(676)*	*(599)*	*-13%*
consumption of film and television rights		*719*	*581*	*24%*
		43	*(18)*	*na**
o/w sports rights, net at the Canal+ Group				
acquisition of sports rights		*(785)*	*(683)*	*-15%*
consumption of sports rights		*727*	*717*	*1%*
		(58)	*34*	*na**
o/w advances to games' developers, net at Vivendi Games				
payment of advances		*(58)*	*(63)*	*8%*
recoupment of advances		*19*	*62*	*-69%*
		(39)	*(1)*	*na**
Neutralization of change in provisions included in EBITDA		19	158	-88%
Other cash operating items excluded from EBITDA		41	2	na*
Other changes in 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%
o/w NBC Universal		*305*	*262*	*16%*
Dividends received from unconsolidated companies	(b)	1	34	-97%
Capital expenditures, net (capex, net)	(c)	(1,626)	(1,645)	1%
o/w SFR		*(1,020)*	*(1,133)*	*10%*
o/w Maroc Telecom		*(363)*	*(255)*	*-42%*
Cash flow from operations (CFFO)		**4,881**	**4,466**	**9%**
Interest paid	(d)	(191)	(206)	7%
Other cash items related to financial activities	(d)	(24)	33	na*
Cash impact of currency hedging		*(14)*	*59*	*na**
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).

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	4,870	(a)	4,955	-1.7%	3.0%
Canal+ Group	4,363	(b)	3,630	20.2%	20.0%
SFR	9,018		8,678	3.9%	3.9%
Maroc Telecom	2,456		2,053	19.6%	21.8%
Vivendi Games	1,018		804	26.6%	33.5%
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.

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	**4,253**	(a)	**4,584**	**-7.2%**	**-2.6%**
Artist Services	66	(a)	8	x8.3	x8.7
Publishing	589	(b)	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	**624**	(c)	**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 Artist	Units	2006 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.

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.

4.2.2 THE CANAL+ GROUP (100% VIVENDI ECONOMIC INTEREST; VIVENDI ECONOMIC INTEREST IN CANAL+ FRANCE: 65%)

	Year Ended December 31,		
(in millions of euros, except for margins)	2007	2006	% change
Revenues			
Pay-TV – France (a)	3,747	3,001	24.9%
Other core operations (b)	616	592	4.1%
Other (c)	-	37	na*
Total Canal+ Group	**4,363**	**3,630**	**20.2%**
EBITA, excluding transaction costs related to the combination with TPS	490	252	94.4%
Transaction costs related to the combination with TPS	(90)	(177)	49.2%
EBITA	**400**	**75**	**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	5,224 (d)	3,581	45.9%
Total subscriptions in France	**10,544**	**8,819**	**19.6%**

*na: not applicable.

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

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

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

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

Revenues

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

Pay-TV in France

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

As of December 31, 2007, Canal+ Group's total portfolio amounts to more than 10.5 million pay-TV subscriptions (individual and collective, in France and overseas, including Africa). Net additions over the year 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.

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%***	***-1.9 pt***
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%	-0.7 pt
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%	+0.9 pt
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%	+1.5 pt
Cost of retention compared to total mobile service revenues (in%)	5.3%	4.7%	+0.6 pt
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.

Revenues

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

The favorable effects of an increase in the customer base along with growth in "voice" and "data" usage and the Enterprise segment dynamism were largely offset by strong cuts on mobile voice termination rates (21%) as of January 1, 2007, and on SMS termination rates (30%) as of mid-September 2006. SFR's ARPU decreased by 3.3% to €440 at the end of December 2007 (versus €455 at the end of December 2006).
Excluding the impacts of regulated tariff cuts, SFR mobile service revenues would have increased by 4.4%.
In 2007, SFR added 883,000 net new customers, taking its registered customer base to 18.766 million, a 4.9% increase versus last year. The contract customer base grew by 5.8% year-on-year to 12.294 million (676,000 net additions), leading to an improved customer mix of 0.5 percentage point in one year.
In 2007, SFR confirmed its leadership in mobile broadband networks and services both in Enterprise Segment and Mass Market:

- SFR number one in network quality in 2007 ARCEP survey for the fourth consecutive year[1];
- SFR leader in 3G/3G+ customer number with 4.1 million customers at the end of December 2007, compared to 2.7 million at the end of December 2006;
- Successful mobile Internet access offers with "Illimythics" launched in November 2007 and selected by more than 250,000 customers (more than 175,000 customers at the end of 2007) and more than 40,000 3G+ USB modems for laptops sold since July 2007; and
- Successful "Happy Zone" offer with more than 400,000 "Happy Zone" customers at the end of the year.

Despite the impact of the regulator's cut on SMS termination rates, net data revenues improved by 8.1% mainly due to interpersonal services (SMS and MMS), content (music, TV-Videos and games) and the development of mobile Internet and corporate segment operations. Net data revenues represented 13.7% of service revenues at the end of December 2007, compared to 12.8% at the end of December 2006. The number of text messages (SMS) sent by SFR customers grew by 15.2% on a year-on-year basis to 7.3 billion and revenues from data services, excluding SMS and MMS, increased by 21.4%.
Fixed and ADSL revenues reached €233 million, mainly reflecting the integration of Télé2 France since July 20, 2007. In total, SFR had 415,000 ADSL customers and 2.036 million fixed voice customers at the end of December 2007.

EBITA

SFR's mobile EBITDA increased by €14 million to €3,476 million. This increase was achieved due to a 0.9% increase in mobile service revenues and the strong control of other costs. It was, however, offset by a 2.1 percentage point increase in customer acquisition and retention costs to 12.8% of mobile service revenues (due to higher volumes of post-paid recruitments and retention initiatives and to the penetration of 3G devices among SFR's customers). Mobile depreciation costs increased by €31 million following years of investment at very high levels, in particular in the deployment of 2G and 3G/3G+ networks.
SFR's fixed and ADSL EBITDA was -€45 million, and EBITA was -€64 million, reflecting the launch of SFR ADSL and the integration of Télé2 France operations.
SFR's EBITDA amounted to €3,431 million and EBITA amounted to €2,517 million, decreases of 0.5% and 2.6% respectively compared to 2006.

Cash flow from operations (CFFO)

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

[1] *SFR was rated first or first placed equal on 30 out of 32 criteria measured by Arcep.*

4.2.4 MAROC TELECOM (53% VIVENDI ECONOMIC INTEREST[2])

(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	**2,456** (b)	**2,053**	**19.6%**	**21.8%**
EBITA	**1,091**	**912**	**19.6%**	**22.0%**
EBITA / Revenues (%)	***44.4%***	***44.4%***	**-**	
EBITDA	**1,397**	**1,194**	**17.0%**	**19.2%**
Capital expenditures, net (Capex, net)	**363**	**255**	**42.4%**	
Cash flow from operations (CFFO)	**1,001**	**943**	**6.2%**	

Data relating to the activities in Morocco	2007	2006	% change
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%	+1 pt
Prepaid	26%	21%	+5 pts
Total	**25%**	**20%**	**+5 pts**
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 outcoming calls and data services), net of promotions, excluding roaming revenues and equipment sales, divided by the average customer base over the period.

[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.*

e. Excludes Internet customers.

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

Revenues

For the full year 2007, Maroc Telecom's revenues increased by 19.6% to €2,456 million compared to 2006 (+10.5% at constant currency and at constant perimeter[3]).

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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[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.

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%**	
<u>% sales</u>				
Online games	77%	61%		
PC	6%	8%		
Console	15%	31%		
Other	2%	ns*		
<u>Breakdown of revenues by geographical area</u>				
North America	47%	51%		
Europe	41%	35%		
Asia Pacific and rest of the world	12%	14%		

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

*ns: not significant.

Revenues

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

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

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

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

EBITA

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

Blizzard Entertainment's EBITA[4] reached €345 million, a 37% increase compared to 2006. Development costs at Sierra Entertainment, Vivendi Games Mobile and Sierra Online created an overall negative impact[4] of €80 million.

[4] *Excluding allocation of group costs to the different divisions (€84 million) (which include commercialization and support services).*

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.

4.2.6 HOLDING & CORPORATE

	Year Ended December 31,	
(In millions of euros)	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 S.A.'s favor in February 2007 of a litigation instigated by it regarding its right to deduct VAT. This resulted in the recognition of income of €73 million, comprising the repayment of amounts paid following a tax audit of €50 million and reversals of provisions recorded in respect of fiscal years open to audit of €23 million. In addition, in 2007, EBITA included the positive impact of the sale of residual real estate assets in Germany (€59 million according to provisions previously recorded), and the non-recurring gains resulting from actions implemented as part of the management of retirement pension obligations (€19 million, compared to €56 million in 2006), offset by the impact of certain legal proceedings for -€84 million.

Cash flow from operations (CFFO)

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

4.2.7 NON CORE OPERATIONS AND OTHERS

	Year Ended December 31,	
(In millions of euros)	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).

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 S.A. centralizes daily cash surpluses (cash pooling) of all controlled entities which do not have a significant minority shareholder and which are not subject to local regulations restricting the transfer of financial assets. In such cases, cash surpluses are not pooled daily by Vivendi S.A. but rather distributed via dividend or, as the case may be, used to finance investments of the subsidiary.*

5.1 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 Télé2 France for €313 million, partially offset by disinvestment of €456 million), and net cash used for financing activities (€3,759 million, including the dividend paid by Vivendi S.A. to its shareholders in the amount of €1,387 million, the dividends paid by the consolidated subsidiaries to their minority shareholders amounting to €1,048 million and the repayment net of borrowings amounting to €1,046 million).
- Non-cash activities impacting Financial Net Debt amounted to €491 million. These mainly included the recognition of the put options granted to TF1 and M6 on their 15% interest in Canal+ France (€1,034 million – refer to section 1.1.1), the elimination of the cash received from Lagardère (€469 million; see above table) that was deducted from Financial Net Debt as of December 31, 2006, the inclusion of the financial debt of recently acquired companies (€291 million), the impact of the early settlement of rental guarantees related to the last three buildings in Germany (€180 million, net of related cash deposits), and the net decrease in borrowings (€1,046 million).

(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.

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		1.1.1	398	291	689
o/w consolidation of TPS by Canal+ Group (January)			*(81)*	*17*	*(64)*
o/w consolidation of Onatel by Maroc Telecom (January)			*(6)*	*60*	*54*
o/w acquisition of Gabon Telecom by Maroc Telecom (February)			*26*	*80*	*106*
o/w acquisition of Télé2 France by SFR (July)			*313*	*2*	*315*
o/w acquisition of Sanctuary by UMG (August)			*56*	*107*	*163*
Purchases of investments in equity affiliates			254	-	254
o/w capital increase subscribed of NBC Universal			*176*	-	*176*
Increase in financial assets			194	(70)	124
Total financial investments			***846***	***221***	***1,067***
Financial divestments					
Proceeds from sales of consolidated companies, after divested cash			(304)	280	(24)
o/w unwinding of the cash collateral related to the creation of Canal+ France (January)		1.1.1	*(469)*	*469*	-
o/w vendor warranty related to the divestiture of Xfera in 2003 (July)			*71*	-	*71*
o/w early settlement of rental guarantees related to the last three buildings in Germany (November)		1.1.3	*120*	*(180)*	*(60)*
Sales of investments in equity affiliates			(23)	9	(14)
Decrease in financial assets			(129)	-	(129)
o/w repayment of the advance paid to TF1 and M6 related to the creation of Canal+ France (January)		1.1.1	*(150)*	-	*(150)*
Total financial divestments			***(456)***	***289***	***(167)***
Financial investment activities			**390**	**510**	**900**
Dividends received from equity affiliates		3	(340)	-	(340)
o/w NBC Universal			*(305)*	-	*(305)*
Dividends received from unconsolidated companies		3	(1)	-	(1)
Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, net			**49**	**510**	**559**
Capital expenditures			1,647	-	1,647
Proceeds from sales of property, plant, equipment and intangible assets			(21)	-	(21)
Capital expenditures, net		3	***1,626***	***-***	***1,626***
Investing activities	**B**		**1,675**	**510**	**2,185**

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.

Please refer to the next page for the end of this table.

Table 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)
o/w exercise of stock options by executive management and employees		*(117)*	-	*(117)*
o/w capital increase subscribed by employees in connection with the stock purchase plan		*(31)*	-	*(31)*
(Sales) purchases of treasury shares		212	-	212
o/w acquisition to exchange for an additional 2% interest in Maroc Telecom	*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
o/w SFR		*710*	-	*710*
o/w Maroc Telecom		*303*	-	*303*
Total dividends and other transactions with shareholders		***2,498***	***-***	***2,498***
Transactions on borrowings and other financial liabilities				
Setting up of long-term borrowings and increase in other long-term financial liabilities		(758)	758	-
Principal payments on long-term borrowings and decrease in other financial liabilities		180	(180)	-
Principal payments on short-term borrowings		1,805	(1,805)	-
Other changes in short-term borrowings and other short-term financial liabilities		(181)	181	-
Non cash transactions		-	1,022	1,022
o/w put options granted to TF1 and M6 on their interest in Canal+ France	*1.1.1*	-	*1,034*	*1,034*
Interest paid	3	191	-	191
Other cash items related to financial activities	3	24	-	24
Total transactions on borrowings and other financial liabilities		***1,261***	***(24)***	***1,237***
Financing activities	**C**	**3,759**	**(24)**	**3,735**
Foreign currency translation adjustments	**D**	11	5	16
Change in Financial Net Debt	**A+B+C+D**	**351**	**491**	**842**

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 S.A.

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

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

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

SFR

As of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007, SFR had available a credit line of €1.2 billion (maturing April 2011) and a credit line of €450 million (maturing

November 2012). Considering the amount of SFR treasury notes outstanding on that day, the two credit lines were available in an aggregate amount of €157 million.

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 *corporate* Short-term *corporate* Senior unsecured debt	BBB A-2 BBB	Stable
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 Debt[5] to proportionate EBITDA[6] 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

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[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.*

(jointly liable guarantee) to SPT which contains the same financial ratios as those included in the €2 billion syndicated loan, set up in April 2005.

- Bonds

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

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 S.A. to SFR as of December 31, 2006 for a period three years. In addition, on January 2008, SFR paid its fourth interim dividend with respect to fiscal year 2007 (€448 million, of which €197 million was paid to Vodafone).

As of December 31, 2007, Maroc Telecom's positive net cash position was €126 million (compared to €241 million as of December 31, 2006).

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.

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.

II - Consolidated Financial Statements for the Year Ended December 31, 2007

Statutory Auditors' Report on the Consolidated Financial Statements

To the shareholders,

In compliance with the assignment entrusted to us by your general meetings, we have audited the accompanying consolidated financial statements of Vivendi for the year ended December 31, 2007.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion set out hereafter.

We certify that the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position as well as the results of operations of the Group of individuals and entities included in the consolidation, in accordance with the IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to the matter discussed in note 1.3.4.2 to the financial statements which exposes the changes in presentation performed of some costs of Canal+ Group.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- In the context of our assessment of the accounting rules and principles used by your company, we verified that note 1.1 to the financial statements provides appropriate information concerning the accounting method your company maintained concerning the acquisition of an additional interest in a consolidated subsidiary and the commitments to purchase minority interests in its subsidiaries, as well as expected changes in accounting treatment when the revised standards IFRS 3 and IAS 27 will be endorsed by the EU.
- Your company does not consolidate its shareholding in PTC and in 2006 reduced to zero the value of these shares in the balance sheet due to the litigation related to this shareholding, as described in note 27 to the financial statements. Within the scope of our assessment of the accounting rules and principles used by your company, we have assessed the assumptions used and ensured the reasonableness of the approach used.
- On each closing date, your company systematically performs impairment tests of goodwill and assets with indefinite lives and also assess if there is an indication for any loss of value of other tangible and intangible assets, under the conditions indicated in note 1.3.5.6 to the financial statements. We examined the implementation conditions of these impairment tests and checked that note 1.3.5.6. gives the appropriate information.
- Your company reassessed the value of NBC Universal shares accounted for under the equity method under the conditions indicated in note 14 to the financial statements. We examined the valuation methods used by your company. Within the scope of our assessment of such methods, we assessed the assumptions used and ensured the reasonableness of the resulting valuations.
- Your company recognizes provisions to cover risks related to financial transactions undertaken, share-based compensation, pension commitments, litigation, taxes payable, tax risks and other risks, as described in notes 6, 19, 20, 21 and 27 to the financial statements. We assessed the methods used by your company, described in the notes, on the basis of information available to date, and carried out tests in order to verify their application through sampling. Within the scope of our assessment, we ensured the reasonableness of the resulting estimates.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion set out in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, February 28, 2008

The Statutory Auditors

Salustro Reydel
Member of KPMG International

Ernst & Young et Autres

Benoît Lebrun Marie Guillemot

Dominique Thouvenin

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**
Attributable to :			
Equity holders of the parent		**2,625**	**4,033**
Minority interests		1,144	1,160
Earnings from continuing operations, attributable to the equity holders of the parent per share - basic	8	2.26	3.50
Earnings from continuing operations, attributable to the equity holders of the parent per share - diluted	8	2.25	3.47
Earnings, attributable to the equity holders of the parent per share - basic	8	**2.26**	**3.50**
Earnings, attributable to the equity holders of the parent per share - diluted	8	2.25	3.47
Adjusted net income	8	**2,832**	**2,614**
Adjusted net income per share - basic	8	**2.44**	**2.27**
Adjusted net income per share - diluted	8	2.43	2.25

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 S.A.'s shareholders	18	**20,342**	**19,912**
Minority interests		1,900	1,952
Total equity		**22,242**	**21,864**
Non-current provisions	19	1,594	1,388
Long-term borrowings and other financial liabilities	22	5,610	4,714
Deferred tax liabilities	6	1,096	1,070
Other non-current liabilities	16	1,078	1,269
Non-current liabilities		**9,378**	**8,441**
Current provisions	19	705	398
Short-term borrowings and other financial liabilities	22	1,766	2,601
Trade accounts payable and other	16	10,784	9,297
Current tax payables	6	204	447
Current liabilities		**13,459**	**12,743**
Total liabilities		**22,837**	**21,184**
Contractual obligations and other commitments	26	-	-
TOTAL EQUITY AND LIABILITIES		**45,079**	**43,048**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(In millions of euros)	Note	Year Ended December 31, 2007	2006
Operating activities			
EBIT		4,386	4,147
Adjustments		1,857	1,703
Including amortization and depreciation of tangible and intangible assets	*4.4*	*1,833*	*1,580*
Content investments, net	10	(97)	(111)
Gross cash provided by operating activities before income tax paid		***6,146***	***5,739***
Other changes in 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 S.A. to its shareholders		(1,387)	(1,152)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders		(1,048)	(1,034)
Transactions with shareholders		***(2,498)***	***(2,110)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	22	758	1,919
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	22	(180)	(576)
Principal payment on short-term borrowings	22	(1,805)	(723)
Other changes in short-term borrowings and other financial liabilities	22	181	178
Interest paid	5	(191)	(206)
Other cash items related to financial activities		(24)	39
Transactions on borrowings and other financial liabilities		***(1,261)***	***631***
Net cash provided by (used for) financing activities		**(3,759)**	**(1,479)**
Foreign currency translation adjustments		(11)	(28)
Change in cash and cash equivalents		**(351)**	**(502)**
Cash and cash equivalents			
At beginning of the period		**2,400**	**2,902**
At end of the period		**2,049**	**2,400**

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 S.A. shareholders: Common shares – Number of shares (In thousands)	Common shares – Amount	Additional paid-in capital	Treasury shares	Retained earnings and other: Retained earnings	Net unrealized gains (losses)	Foreign currency translation adjustments	Total	**Equity, attributable to equity holders of the parent**	Minority interests	**Total equity**
BALANCE AS OF DECEMBER 31, 2006		**1,157,034**	**6,364**	**7,257**	**(33)**	**7,907**	**96**	**(1,679)**	**6,324**	**19,912**	**1,952**	**21,864**
Dividends paid by Vivendi S.A. (€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 S.A. shareholders		**7,709**	**42**	**75**	**31**	**(1,325)**	**-**	**-**	**(1,325)**	**(1,177)**	**-**	**(1,177)**
Dividends		-	-	-	-	-	-	-	-	-	(1,047)	**(1,047)**
Other transactions with minority interests		-	-	-	-	-	-	-	-	-	(133)	**(133)**
Transactions with minority interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,180)**	**(1,180)**
Earnings		-	-	-	-	2,625	-	-	2,625	2,625	1,144	**3,769**
Charges and income directly recognized in equity		-	-	-	-	2	38	(1,058)	(1,018)	(1,018)	(16)	**(1,034)**
Total recognized charges and income for the period	18.3	**-**	**-**	**-**	**-**	**2,627**	**38**	**(1,058)**	**1,607**	**1,607**	**1,128**	**2,735**
Total changes over the period		***7,709***	***42***	***75***	***31***	***1,302***	***38***	***(1,058)***	***282***	***430***	***(52)***	***378***
BALANCE AS OF DECEMBER 31, 2007		**1,164,743**	**6,406**	**7,332**	**(2)**	**9,209** (a)	**134**	**(2,737)**	**6,606**	**20,342**	**1,900** (b)	**22,242**

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.

Year Ended December 31, 2006

(In millions of euros, except number of shares)	Note	Attributable to Vivendi S.A. shareholders: Common shares: Number of shares (In thousands)	Common shares: Amount	Additional paid-in capital	Treasury shares	Retained earnings and other: Retained earnings	Retained earnings and other: Net unrealized gains (losses)	Retained earnings and other: Foreign currency translation adjustments	Retained earnings and other: Total	**Equity, attributable to equity holders of the parent**	Minority interests	**Total equity**
BALANCE AS OF DECEMBER 31, 2005		**1,153,477**	**6,344**	**6,939**	**(60)**	**5,349**	**899**	**(702)**	**5,546**	**18,769**	**2,839**	**21,608**
Dividends paid by Vivendi S.A. (€1.0 per share)		-	-	-	-	(1,152) (a)	-	-	(1,152)	**(1,152)**	-	**(1,152)**
Termination of Vivendi Exchangeco shares		-	-	278	-	(278)	-	-	(278)	**-**	-	**-**
Other transactions with shareholders		3,557	20	40	27	(14) (b)	-	-	(14)	**73**	-	**73**
Dividends and other transactions with Vivendi S.A. shareholders		**3,557**	**20**	**318**	**27**	**(1,444)**	**-**	**-**	**(1,444)**	**(1,079)**	**-**	**(1,079)**
Acquisition of an additional 7.7% stake in USHI		-	-	-	-	-	-	-	-	**-**	(832)	**(832)**
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests		-	-	-	-	-	-	-	-	**-**	(1,232)	**(1,232)**
Other transactions with minority interests		-	-	-	-	-	-	-	-	**-**	22	**22**
Transactions with minority interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,042)**	**(2,042)**
Earnings		-	-	-	-	4,033	-	-	4,033	**4,033**	1,160	**5,193**
Charges and income directly recognized in equity		-	-	-	-	(31)	(803)	(977)	(1,811)	**(1,811)**	(5)	**(1,816)**
Total recognized charges and income for the period	18.3	**-**	**-**	**-**	**-**	**4,002**	**(803)**	**(977)**	**2,222**	**2,222**	**1,155**	**3,377**
Total changes over the period		***3,557***	***20***	***318***	***27***	***2,558***	***(803)***	***(977)***	***778***	***1,143***	***(887)***	***256***
BALANCE AS OF DECEMBER 31, 2006		**1,157,034**	**6,364**	**7,257**	**(33)**	**7,907**	**96**	**(1,679)**	**6,324**	**19,912**	**1,952** (c)	**21,864**

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 S.A. (Compartment A).

Vivendi is a leader in entertainment with activities in music, TV, cinema, mobile, fixed and internet, and games.

The Consolidated Financial Statements reflect the financial and accounting situation of Vivendi and its subsidiaries (the "group"), together with interests in equity affiliates and joint ventures. They are reported in euros, and all values are rounded to the nearest million.

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

On April 24, 2008, the Consolidated Financial Statements for the year ended December 31, 2007 will be submitted for approval at Vivendi's Annual General Shareholders' meeting.

Note 1. Accounting Policies and Valuation Methods

1.1. Compliance with Accounting Standards

The Consolidated Financial Statements of Vivendi S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed in the European Union (EU) with a mandatory application as of December 31, 2007. These standards and interpretations applied to Vivendi's financial statements present no difference with the standards published by the International Accounting Standards Board (IASB).

In addition, Vivendi applied the following options in the preparation of its 2007 Consolidated Financial Statements and its 2006 comparative financial statements:

- in the event of the acquisition of an additional interest in a subsidiary, Vivendi recognizes the excess of the acquisition cost over the carrying amount of minority interests acquired as goodwill,
- in accordance with IAS 32, put options granted by Vivendi to holders of minority interests in its subsidiaries are reported as financial liabilities at the present value of the cost of acquisition. Vivendi accounts for as goodwill the difference arising on initial recognition of these options, between the carrying amount of the minority interests and the present value of the cost of acquisition. The subsequent change in this present value is also accounted for as goodwill representing the excess of the cost of acquisition over the fair value of purchased minority interests.

While the applied accounting treatment differs from that set out in the revised standards IFRS 3 and IAS 27, as published by the IASB on January 10, 2008, with a mandatory application on or after January 1, 2010, but not yet endorsed in the EU, it has been maintained in 2007 in order to apply a uniform and identical accounting treatment to the considered periods. The accounting treatment in the revised standards IFRS 3 and IAS 27, in the event of the acquisition of an additional interest in a subsidiary, will recognize the excess of the acquisition cost over the carrying amount of minority interests acquired, deducted from equity attributable to Vivendi S.A. shareholders.

Vivendi applied the following new standards and interpretations:

- IFRS 7 "Financial instruments: disclosures" and Amendment to IAS 1 "Presentation of financial statements: capital disclosures".
  On August 18, 2005, the IASB issued IFRS 7 "Financial instruments: disclosures" and an amendment to IAS 1 "Presentation of financial statements: capital disclosures". This standard and amendment, both of which were endorsed in the EU on January 11, 2006 and published in the Official Journal of the EU on January 27, 2006, are with mandatory application for periods beginning on or after January 1, 2007.
  The objective of IFRS 7 is to bring together all disclosures relating to financial instruments in a new standard, after having redefined those disclosures currently required by IAS 32 – Financial instruments: disclosure and presentation, and IAS 39 – Financial instruments: recognition and measurement. Amendment to IAS 1 adds requirements for qualitative disclosures on the objectives, policies and processes of operations impacting capital and for quantitative data on what elements constitute a component of the share capital.
- IFRIC 10 "Interim Financial Reporting and Impairment" endorsed in the EU on June 1, 2007 and published in the Official Journal of the EU on June 2, 2007. IFRIC 10 clarifies that impairment losses on goodwill and certain financial assets ("available for sale"

equity investments and non-quoted equity instruments measured at cost) that are recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements.

- IFRIC 13-IAS18 Interpretation " Customer Loyalty Programmes " as published by the IFRIC but not yet endorsed by the EU.
  The accounting treatment applied by Vivendi is consistent with this interpretation and therefore its adoption has no impact on Vivendi's Consolidated Financial Statements. This interpretation applies to the recognition of awards associated with loyalty programs and granted by SFR, Maroc Telecom and Canal+ Group to their customers in the form of free or discounted goods or services.
  The IFRIC-13 Interpretation relies upon the principle of valuing loyalty awards at their fair value, defined as the excess price over the sales incentive that would be granted to any new customer, and, if any such excess price exists, results in deferring the revenue recognition associated with the subscription for the amount of this excess price. In the specific case of SFR, Maroc Telecom and Canal+ Group, the application of IFRIC-13 Interpretation leads to the following:
  - Whenever a loyalty award granted to an existing customer does not represent an excess price over the sales incentive that would be granted to a new customer at the inception date of a subscription or at the purchase of a package of goods and/or services, revenue recognition is not deferred; whenever an excess price exists, the corresponding deferred revenue associated with the subscription would be spread over its duration.
  - Whenever loyalty points are convertible into free services, the revenue corresponding to the value of those points is deferred and then recognized when the customer uses these points.

1.2. Presentation of the Consolidated Financial Statements

1.2.1 Presentation of the consolidated statement of earnings

Pursuant to IAS 1, the main line items presented in the consolidated statement of earnings of Vivendi are revenues, income from equity affiliates, interest, provision for income taxes, earnings from discontinued operations and earnings.

The presentation of the consolidated statement of earnings now includes a subtotal known as "EBIT" which is the difference between charges and income that do not result from financing activities, equity affiliates, discontinued operations and taxes.

1.2.2 Presentation of the consolidated statement of cash flows

In accordance with IAS 7, the presentation of the consolidated statement of cash flows is as follows:

Net cash provided by operating activities

Net cash provided by operating activities is calculated using the indirect method based on EBIT. EBIT is adjusted for non-cash items and the change in net working capital. Net cash provided by operating activities excludes the cash impact of financial charges and income and the net change in working capital related to property, plant and equipment and intangible assets.

Net cash used for investing activities

Net cash used for investing activities includes the change in net working capital related to property, plant and equipment and intangible assets as well as the cash impact of income received from financial investments (particularly dividends received from equity affiliates).

Net cash used for financing activities

Net cash used for financing activities includes the net interest paid on borrowings and cash and cash equivalents, as well as the cash impact of other items related to financing activities such as premiums paid in connection with the early redemption of borrowings, the unwinding of derivative instruments and the cash impact of foreign currency hedging.

1.2.3 Presentation of the operating performance by business segment and of the group

EBITA

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations).

Vivendi considers EBITA, a non-GAAP measure, as the key operating performance measure of the business units reported in the segment data. The method used in calculating EBITA therefore eliminates the accounting impact of the amortization of intangible assets acquired through business combinations. This enables the operating performance of the business segments to be measured on a comparable basis, regardless of whether their activity results from the company's internal growth or acquisitions and without the accounting impact of amortization with no cash impact.

The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations and the impairment of goodwill and other intangibles acquired through business combinations that are included in EBIT.

Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the performance of continuing operations by excluding most non-recurring and non-operating items.

Adjusted net income, includes the following items: EBITA (**), income from equity affiliates (*) (**), interest (*) (**), income from investments (**) and taxes and minority interests related to these items.

It does not include the following items: impairment losses of goodwill and other intangibles acquired through business combinations (*) (**); the amortization of intangibles acquired through business combinations (**); other financial charges and income (*) (**); earnings from discontinued operations (**); provisions for income taxes and minority interests relating to these adjustments; and non-recurring tax items (notably the changes in deferred tax assets relating to the Consolidated Global Profit Tax System and the reversal of tax liabilities relating to risks extinguished over the period).

(*) Items as presented in the consolidated statement of earnings. (**) Items as reported by each business unit segment.

1.2.4 Presentation of the consolidated statement of financial position

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle which generally consists of 12 months, are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities.

Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade accounts receivable and other. They do not include deferred tax assets, current tax receivables, cash and cash equivalents and assets held for sale.

Segment liabilities include provisions, other non-current liabilities and trade accounts payable. They do not include borrowings and other financial liabilities, deferred tax liabilities, current tax payables and liabilities associated with assets held for sale.

1.3. Principles Governing the Preparation of the Consolidated Financial Statements

Pursuant to IFRS accounting policies, the Consolidated Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below. The Consolidated Financial Statements include the financial statements of Vivendi and its subsidiaries after eliminating the main intragroup items and transactions.

Vivendi has a December 31st year-end. Subsidiaries that do not have a December 31st year-end prepare interim financial statements, except when their year-end falls within the three months prior to December 31st.

Subsidiaries acquired are included in the Consolidated Financial Statements from the date of acquisition, or, for convenience reasons and if the impact is not material, the date of the most recent Consolidated Statement of Financial Position.

1.3.1 Use of estimates

The preparation of Consolidated Financial Statements in compliance with IFRS requires group management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions by Vivendi Management, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of group assets, liabilities, equity or earnings.

The main estimates and assumptions relate to the measurement of:

- deferred taxes: estimates concerning the recognition of deferred tax assets, updated annually for factors such as the expected tax rate and the future tax results of the group (please refer to Notes 1.3.10 and 6);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a reassessment of the risk at any time (please refer to Notes 1.3.9 and 19);
- employee benefits: assumptions updated annually, such as the probability of employees remaining with the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.9 and 20);
- share-based compensation: assumptions updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.11 and 21);
- certain financial instruments: fair value estimates (please refer to Notes 1.3.7 and 23);
- revenue recognition: estimates of provisions for returns deducted from certain revenue items (please refer to Notes 1.3.4 and 4);

- goodwill: valuation methods adopted for the identification of intangible assets acquired via business combinations (please refer to Notes 1.3.5.1 and 9);
- goodwill, indefinite useful life intangible assets and assets in progress: assumptions updated annually following impairment tests performed on each of the group's cash-generating units (CGUs) determined by future cash flows and discount rates (please refer to Notes 1.3.5.6 and 9); and
- UMG and Vivendi Games content assets: estimates of the future performance of beneficiaries to whom advances recognized in the statement of financial position are granted (please refer to Notes 1.3.5.2 and 10).

1.3.2 Principles of consolidation

A list of Vivendi's major subsidiaries, joint ventures and other associated entities is presented in Note 28 "Major consolidated entities".

Full consolidation

All companies in which Vivendi has a controlling interest, specifically those in which it has the power to govern the financial and operational policies to obtain benefit from their operations, are fully consolidated.

A controlling position is presumed to exist when Vivendi holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by Vivendi.

A controlling position also exists when Vivendi, holding an interest of 50% or less in an entity, has (i) control over more than 50% of the voting rights by virtue of an agreement with other investors, (ii) the power to govern the financial and operational policies of the entity by virtue of a statute or contract, (iii) the right to appoint or remove from office the majority of the members of the board of directors or other governing body, or (iv) the power to assemble the majority of voting rights at meetings of the board of directors or other governing body.

Vivendi consolidates special purpose entities that it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

Proportionate consolidation

Companies that are controlled jointly by Vivendi or another member of the group and a limited number of other shareholders under the terms of a contractual arrangement are proportionally consolidated.

Equity accounting

Entities over which Vivendi exercises significant influence are accounted for under the equity method.

Significant influence is presumed to exist when Vivendi holds, directly or indirectly, at least 20% of an entity's voting rights unless it can be clearly demonstrated otherwise. Significant influence can be demonstrated on the basis of other criteria, such as representation on the board of directors or the entity's equivalent governing body, participation in policy-making processes, material transactions with the entity or interchange of managerial personnel.

1.3.3 Foreign currency translation

The Consolidated Financial Statements are presented in millions of euros. The presentation currency and the functional currency of the group is the euro.

Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the transaction date. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed, apart from differences on borrowing in foreign currencies, which constitute a hedge of the net investment in a foreign entity. These differences are allocated directly to equity until the divestiture of the net investment.

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures and other associated entities for which the functional currency is not the euro, are translated into euros as follows: the Consolidated Statement of Financial position is translated at the exchange rate at the end of the period; and the Consolidated statement of Earnings and the Consoldiated Statement of Cash Flow are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in equity. In accordance with the provisions of IFRS 1 "First time adoption of International Financial Reporting Standards", Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences resulted from the translation into euro of the financial statements of subsidiaries having foreign currencies as their functional currencies. Consequently, on the subsequent divestiture of the subsidiaries, joint ventures or other associated entities, whose functional currency is not the euro, these adjustments are not taken to earnings.

1.3.4 Revenues from operations and associated costs

Revenues from operations are reported when it is probable that future economic benefits will be obtained by the group and when these revenues can be reliably measured.

1.3.4.1 Universal Music Group (UMG)

"Physical" music sale

Revenues from the sale of "physical" recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

"Digital" music sale

Revenues from the sale of "digital" recorded music are recognized when the distribution platform (on-line or mobile music distributor) notifies UMG of a sale to the final customer.

Cost of revenues includes manufacturing and distribution costs, royalty expenses, copyright expenses, artists' costs, recording costs and direct overheads. Selling, general and administrative expenses notably include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.

1.3.4.2 The Canal+ Group

Pay television

Revenues from television subscription services for terrestrial, satellite or cable pay television programming are recognized over the service period. Revenues from advertising are recognized over the period during which advertising commercials are broadcast. Revenues from ancillary services (such as interactive services or video-on-demand services) are recognized over the service period. Beginning January 1, 2007, in order to be consistent with the accounting practices of other business segments, subscriber management and acquisition costs, as well as television distribution costs incurred by Canal+ Group, are included in selling, general and administrative expenses instead of cost of revenues. Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented in these financial statements. The reclassified costs amounted to €510 million for 2006.

Theatrical film and television programming distribution

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and television or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates, are recognized upon shipment and availability of the product for retail sale to the ultimate customer. Amortization of film and television capitalized and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in cost of revenues.

1.3.4.3 SFR and Maroc Telecom

Revenues from telephone packages are recognized as multiple-element sales in accordance with IAS 18. Revenues from the sale of telecommunications equipment (mobile phones and other), net of discounts granted to the customers through the distribution channel, are recognized upon activation of the line. Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period. Revenues from incoming and outgoing traffic are recognized when the service is rendered.

Customer acquisition and loyalty costs for mobile phones, principally consisting of rebates on the sale of equipment to customers through distributors, are recognized as a deduction from revenues. Customer acquisition and loyalty costs consisting of premiums not related to the sale of equipment as part of telephone packages and commissions paid to distributors are recognized as selling and general expenses.

Sales of services provided to customers managed by SFR and Maroc Telecom on behalf of content providers (mainly toll numbers) are accounted for gross, or net of content providers' fees when the provider is responsible for the content and for setting the price to be paid by subscribers.

Cost of revenues comprises purchasing costs (including purchases of mobile phones), interconnection and access costs, and network and equipment costs. Selling, general and administrative expenses notably include commercial costs consisting of marketing and customer care expenses.

1.3.4.4 Vivendi Games

Revenues from the sale of boxes for Massively Multiplayer Online Role Playing Games (MMORPG), as well as revenues from the sale of boxes for other games, are recorded upon transfer of the ownership and related risks to the distributor, net of a provision for estimated returns (please refer to Note 1.3.4.5 hereof) and rebates. Revenues generated by subscriptions and prepaid cards for online games are recorded on a straight-line basis over the duration of the service.

Cost of revenues includes manufacturing, warehousing, shipping and handling costs, royalty expenses, research and development expenses, and the amortization of capitalized software development costs.

1.3.4.5 Other

Provisions for estimated returns are deducted from sales of products to customers through distributors. They are estimated based on past sales statistics and take into account the economic environment and product sales forecasts to final customers.

Selling, general and administrative expenses principally include salaries and employee benefits, rents, consulting and services fees, insurance costs, travel and entertainment expenses, administrative department costs (e.g., Finance department, General Counsel comprising legal department, etc.), provisions for receivables and other operating expenses.

Advertising costs are expensed as incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising at UMG and Vivendi Games is treated as a marketing expense and expensed when the expected profit is individualized and can be estimated.

1.3.5 Assets

1.3.5.1 Goodwill and business combinations

In accordance with the provisions of IFRS 1, Vivendi elected not to restate business combinations prior to January 1, 2004.

In accordance with the provisions of IFRS 3, business combinations are recorded using the purchase method. Under this method, on the initial consolidation of an entity over which the group has acquired exclusive control, the assets acquired and the liabilities and contingent liabilities assumed are recognized at their fair value at the acquisition date. At this date, goodwill is initially measured at cost, being the excess of the cost of the business combination over Vivendi's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If goodwill is negative, it is recognized directly in the statement of earnings.

Subsequently, goodwill is measured at cost less accumulated impairment losses recorded (please refer to Note 1.3.5.6 hereof). In the event of a loss in value, an impairment loss is recorded in losses of intangible assets acquired through business combinations.

In addition, the following principles are applied to business combinations:

- if possible on the acquisition date, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;
- in the event of acquisition of an additional interest in a subsidiary, the excess of the acquisition cost over the carrying amount of minority interests acquired is recognized as goodwill; and
- goodwill is not amortized.

1.3.5.2 Content assets

UMG

Music publishing rights and catalogs include music catalogs, artists' contracts and publishing rights acquired in December 2000, as part of the acquisition of The Seagram Company Ltd. or more recently. They are amortized over 15 years in selling, general and administrative expenses.

Royalty advances to artists, songwriters and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis for concluding that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Royalties earned by artists, songwriters and co-publishers are recognized as an expense in the period in which the sale of the product takes place, less a provision for estimated returns.

The Canal+ Group

Film, television or sports broadcasting rights

When signing contracts for the acquisition of film, television or sports broadcasting rights, the rights acquired are presented as contractual commitments. They are recorded in the statement of financial position, classified as content assets, as follows:

- film and television broadcasting rights are recognized at their acquisition cost, when the screening certificate has been obtained and the programming is available for exhibition; they are expensed over their broadcasting period;
- sports broadcasting rights are recognized at their acquisition cost, on the opening of the broadcasting period of the related sports season or upon the first payment and are expensed as they are broadcast; and
- expensing of film, television or sports broadcasting rights is included in cost of revenues.

Theatrical film and television rights produced or acquired to be sold

Theatrical film and television rights produced or acquired before their initial exhibition, to be sold, are recorded as a content asset at capitalized cost (mainly direct production and overhead costs) or at their acquisition cost. Theatrical film and television rights are amortized, and other related costs are expensed, pursuant to the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis). Such revenues are estimated to be generated over a maximum 12-year period. Where appropriate, estimated losses in value are provided in full against earnings of the period, on an individual product basis, in which the losses are estimated.

Film and television rights catalogs

Catalogs are comprised of film rights acquired for a second television exhibition, or film and television rights produced or acquired that are sold after their first television exhibition (i.e., after the first broadcast on a terrestrial channel). They are recognized as an asset at their acquisition or transfer cost, and amortized as groups of films or individually, based on the estimated revenue method, respectively.

Vivendi Games

In the ordinary course of its business, Vivendi Games pays advances on royalties and license fees to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software developments, graphics and editorial contents). Such royalty and license fee advances are recognized as an expense, based on contractual rates, in the period in which revenues from the sale of the games integrating the intellectual property content are recognized. Any portion of capitalized royalty and license fee advances not deemed to be recoverable from future royalties and license fees is expensed during the period in which the loss becomes evident.

1.3.5.3 Research and development costs

Research costs are expensed when incurred. Development expenses are capitalized when the feasibility and profitability of the project can reasonably be considered certain.

Cost of software for rental, sale or commercialization

Capitalized software development costs comprise costs incurred during the internal development of products. Software development costs are capitalized when the technical feasibility of the software has been established and they are considered recoverable. These costs are mainly generated by Vivendi Games as part of games development and are amortized over a four month-period starting when the product is placed on sale. Technical feasibility is determined individually for each product. Non-capitalized software development costs are immediately recorded in research and development costs.

Cost of internal use software

Direct internal and external costs incurred for the development of computer software for internal use, including web site development costs, are capitalized during the application development stage. Application development stage costs generally include software configuration, coding, installation and testing. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized. These capitalized costs, mainly recognized at SFR, are amortized over 4 years. Maintenance and minor upgrade and enhancement costs are expensed as incurred.

1.3.5.4 Other intangible assets

Intangible assets acquired separately are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at acquisition date. The historical cost model is applied to intangible assets subsequent to their initial recognition. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

SFR and Maroc Telecom

Licenses to operate telecom networks are recorded at historical cost based upon the discounted value of deferred payments and amortized on a straight-line basis from the effective service start date over their estimated useful life until maturity. Licenses to operate in France are recognized in the amount of the fixed upfront fee paid upon the granting of the license. The variable fee which cannot reliably be determined (equal, in the case of the UMTS and GSM licenses, to 1% of the revenues generated by the activity) is recorded as an expense when incurred.

Vivendi has chosen not to apply the option provided in IFRS 1 involving the remeasurement of certain intangible assets at their fair value as of January 1, 2004.

1.3.5.5 Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to moving an asset to its physical location and preparing it for use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

Property, plant and equipment mainly consist of the networks equipments of telecommunications activities, each part of which is amortized generally over 4 to 20 years. The useful lives of the main parts are as follow:

- buildings: over 8 to 20 years;
- pylons: over 15 to 20 years;
- radio and transmission equipment: over 8 to 10 years;
- switch centers: 8 years; and
- servers and hardware: over 4 to 8 years.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in "borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in amortization expenses.

Subsequent to initial recognition, the cost model is applied to property, plant and equipment.

Vivendi has elected not to apply the option provided by IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2004.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to apply IFRIC Interpretation 4 "Determining whether an arrangement contains a lease" to commercial contracts for the supply of the Canal+ Group satellite capacity and to commercial contracts for the supply of SFR and Maroc Telecom telecommunications services (please refer to Note 26.1).

1.3.5.6 Asset impairment

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, Vivendi re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets as well as assets in progress are subject to an annual impairment test during the fourth quarter of each fiscal year. This test is performed in order to compare the carrying amount of each group's operating units to the carrying amount of the corresponding assets (including goodwill).

The recoverable amount is determined as the higher of the value in use and the fair value (less costs to sell) as described hereafter, for each individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, an impairment test of goodwill is performed by Vivendi for each CGU (Cash Generating Unit) or group of CGUs, depending on the level at which Vivendi management measures return on operations.

The value in use of each asset or group of assets is determined as the discounted value of the future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the most recent budget and three-year business plan approved by Vivendi management and presented to the Management Board. The applied discount rates reflect the current assessment by the market of the time value of money and risks specific to each asset or group of assets. In particular, the perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets and three-year business plans, and beyond the period covered, are consistent with growth rates estimated by the company by extrapolating the growth rates used in the budgets and three-year business plans, without exceeding the long-term average growth rate for the markets in which the group operates.

The fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions or stock market prices) or, on discontinued future cash flows in the absence of reliable data.

If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded first against goodwill.

The impairment losses recognized in respect of property, plant and equipment and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed.

1.3.5.7 Financial assets

Financial assets consist of financial assets measured at fair value and financial assets recognized at amortized cost. Financial assets are initially recognized at the fair value of the consideration given, for which the best evidence is the transaction price (including associated transaction costs, if any).

Financial assets at fair value

Financial assets at fair value include available-for-sale securities, derivative financial instruments with a positive value (please refer to Note 1.3.7 below) and other financial assets measured at fair value through profit or loss.

Most of these financial assets are actively traded in organized public markets, their fair value being determined by reference to the published market price at the period end. For financial assets for which no published market price exists in an active market, fair value is estimated. As a last resort, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

Available-for-sale securities consist of unconsolidated interests and other securities not qualifying for classification in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities are recognized in equity until the financial asset is sold, collected or removed from the statement of financial position in another way, or until there is objective evidence that the investment is impaired, at which time the accumulated gain or loss previously reported in equity is expensed in other financial charges and income.

Other financial assets measured at fair value through profit or loss mainly consist of assets held for trading which Vivendi intends to sell in the near term (primarily marketable securities). Unrealized gains and losses on these assets are recognized in other financial charges and income.

Financial assets at amortized cost

Financial assets at amortized cost consist of **loans and receivables** (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables and other loans and receivables, and debtors) and **held-to-maturity investments** (financial assets with fixed or determinable payments and fixed maturity). At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying amount and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate) is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

1.3.5.8 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. It is usually computed using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and estimated selling costs.

1.3.5.9 Trade accounts receivable

Trade accounts receivable are recognized at the fair value, which corresponds generally to the nominal value. Provisions for impairment of receivables are specifically evaluated in each business unit, generally using a default percentage based on the unpaid amounts during one reference period related to revenues for this same period. Accounts receivable on resiliated clients, on clients with whom Vivendi is involved in litigation or a dispute are generally depreciated in full.

1.3.5.10 Cash and cash equivalents

The "cash and cash equivalents" category consists of cash in banks, euro-denominated and international monetary UCITS (Undertakings for Collective Investments in Transferable Securities), which satisfy the recommendation No. 2005-02 of the AMF, and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities longer than three months without early exit possibilities and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets.

1.3.6 Assets held for sale and discontinued operations

A non-current asset or a group of assets and liabilities is held for sale when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate sale and divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for sale have been met or when Vivendi has sold the asset. Discontinued operations are presented on a single line of the statement of earnings for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations. In addition, the cash flows generated by discontinued operations are presented on one separate line of the statement of consolidated cash flows for the periods presented.

1.3.7 Financial liabilities

Long and short-term borrowings and other financial liabilities include:

- notes and facilities, as well as miscellaneous other borrowings (including treasury bills and debt related to finance leases) and related accrued interest;
- obligations arising in respect of commitments to purchase minority interests; and
- the negative value of other derivative financial instruments. Derivatives with positive fair values are recorded as financial assets in the statement of financial position.

Borrowings

All borrowings are initially accounted for at the fair value of the consideration received, for which the best evidence is the transaction price, net of transaction costs directly attributable to the borrowing. Borrowings bearing interest are subsequently valued at amortized cost, applying the effective interest method. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the borrowing. In addition, where the borrowing comprises an embedded derivative (e.g., an exchangeable bond) or an equity instrument (e.g., a convertible bond), the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument (please refer to Note 1.3.8). In the event of a change in expected future cash flows (e.g., early redemption not initially expected), the amortized cost is adjusted against earnings in order to reflect the value of the new expected cash flows, discounted at the initial effective interest rate.

Commitments to purchase minority interests

Vivendi has granted commitments to purchase minority interests to certain shareholders of its fully consolidated subsidiaries. These purchase commitments may be optional (e.g., put option) or firm (e.g., forward purchase contracts). As indicated in Note 1.1 above, the following accounting treatment has been adopted in accordance with prevailing IFRS:

- on initial recognition, the commitment to purchase minority interests is recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through minority interests and the balance through goodwill;
- subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to goodwill;
- where applicable, at the time of initial recognition or the recognition of subsequent changes, any expected loss on purchase is recognized in other financial charges and income; and
- on maturity of the commitment, if the minority interests are not purchased, the entries previously recognized are reversed; if the minority interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the minority interests.

Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps and forward exchange contracts. They also include stock options used to hedge debt where principal repayment terms are based on the value of Vivendi or other stock, as well as Vivendi stock purchase option plans granted to executives and employees. All derivative financial instruments are used for hedging purposes.

When these contracts qualify as hedges for accounting purposes, the gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item. When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the statement of financial position or of a firm commitment which remains unrecognized in the balance sheet, it is a fair value hedge. The instrument is remeasured at fair value through earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the statement of earnings. When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through equity, whereas its ineffective portion is recognized through earnings. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the statement of earnings and recorded on the same line as the hedged item. When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as hedges for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

Furthermore, income and expenses relating to foreign currency instruments used to hedge highly probable budget exposures and firm commitments, contracted pursuant to the acquisition of editorial content rights (sports, audiovisual, film rights, etc.) are recognized in EBIT. In all other cases, gains and losses arising on the fair value remeasurement of instruments are recognized in other financial charges and income.

1.3.8 Compound financial instruments

Certain financial instruments comprise a liability component and an equity component.

The various components of these instruments are accounted for in equity and borrowings and other financial liabilities according to their classification, as defined in IAS 32 "Financial Instruments: Disclosure and Presentation".

The component classified as borrowings and other financial liabilities is valued at the issuance date at the present value discounted at the market rate (taking into account credit risk at the issuance date) of the future contractual cash flows (including interest and repayment of the nominal value) of similar instruments with the same characteristics (maturity and cash flows) but without any option for conversion or redemption in shares.

The component classified as equity is defined as the difference between the fair value of the instrument and the fair value of the financial liability component.

1.3.9 Other liabilities

Provisions

Provisions are recognized when at the end of the reporting period, Vivendi has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources (for no consideration) will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements.

Employee benefit plans

In accordance with the laws and practices of each country in which it operates, Vivendi participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and post-employment benefits, principally severance, to eligible employees, former employees, retirees and their beneficiaries fulfilling the required conditions. Retirement pensions are provided for substantially all employees through defined contribution plans, which are integrated with local social security and multi-employer plans, or defined benefit plans which are generally managed *via* group pension plans. The plan funding policy implemented by the group is consistent with applicable government funding requirements and regulations.

Defined contribution plans

Contributions to defined contribution and multi-employer plans are expensed during the year.

Defined benefit plans

Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding Vivendi shares or debt instruments.

Pension expenses are determined by independent actuaries using the projected unit credit method. This method is based on assumptions updated annually, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2006 and 2007, and the means of determining these assumptions, are presented in Note 20 "Employee benefits". In this way, the group recognizes pension-related assets and liabilities and the related net expense over the estimated term of service of Vivendi's employees.

A provision is recorded in the statement of financial position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, net of prior services costs and unrecognized actuarial gains and losses which remain unrecognized in the balance sheet in accordance with the "corridor method". Where financial assets exceed recognized obligations, a financial asset is recognized up to the maximum cumulative amount of net actuarial losses, unrecognized past service costs and the present value of future redemptions and the expected decrease in future contributions.

Actuarial gains and losses are recognized through profit and loss for the year using the "corridor method": actuarial gains and losses in excess of 10% of the greater of the obligation and the fair value of plan assets are divided by the average remaining service period of active employees.

On January 1, 2004, in accordance with the provisions of IFRS 1, Vivendi decided to record unrecognized actuarial gains and losses against consolidated equity.

The cost of plans is included in selling, general and administrative expenses, apart from the financial component which is recorded in other financial charges and income. The financial component of this cost consists of the undiscounting of actuarial liability and the expected return on plan assets.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the US) are subject to provisions which are assessed through an actuarial computation comparable to the method used for pension provisions.

1.3.10 Deferred taxes

Differences existing at the closing date between the tax base value of assets and liabilities and their carrying amount in the consolidated statement of financial position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying amount (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying amount (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is notably taken of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group prove significantly different to those expected, the group will be obliged to increase or decrease the carrying amount of deferred tax assets, with a potentially material impact on the statement of financial position and statement of earnings of the group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from impairment of goodwill losses not deductible for tax purposes, or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact neither earnings, nor tax income or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not earnings, if the tax relates to items that are credited or charged directly to equity.

1.3.11 Share-based compensation

With the aim of aligning the interest of executive management and employees with shareholders' interest by providing them with an additional incentive to improve company performance and increase the share price on a long-term basis, Vivendi maintains several share-based compensation plans (group saving plans and restricted stocks) or other equity instruments based on the value of the Vivendi share price (stock purchase plans – until first semester 2002 – and stock option plans), which are settled either in equity instruments or cash. The granting of these plans is approved by the Management Board, followed by the Supervisory Board.

Stock Option and Restricted Stock plans granted

Characteristics of certain plans

Restricted stock plans

In 2006, Vivendi set up restricted stock plans in accordance with the 2005 French Finance Act. The restricted stocks granted are generally conditional upon the achievement of specified performance objectives and will vest 100% at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares, of the same class as existing shares making up the share capital of the company, employee shareholders are entitled, at the end of the vesting period, to dividends and voting rights attached to these shares. The compensation cost corresponds to the value of the equity instruments received by the beneficiary, equal to the difference between the fair value of the shares to be received less the discounted value of the dividends expected to be distributed by Vivendi over the vesting period.

Cash-settled instruments

Beginning in 2006, following the delisting of Vivendi's shares from the NYSE and given prevailing US securities regulations, Vivendi grants specific instruments to US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees; however, these equity instruments are exclusively cash-settled instruments.

- When the instruments grant entitlement to the appreciation of the value of the Vivendi shares, they are known as "stock appreciation rights" (SARs), which are the economic equivalent of stock options. Under a SAR plan, the beneficiaries will receive, upon exercise of their rights, a cash payment based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SARs and their strike price as set at the grant date.
- When the instruments grant entitlement to the value of Vivendi shares, they are known as "*restricted stock units"* (RSUs), which are the economic equivalent of restricted stocks. Under a RSU plan, the beneficiaries will receive, in general, at the end of a four-year period following the grant date, a cash payment based on the Vivendi share price (as quoted on the Paris Stock Exchange) and equal to the share price at this date, plus the value of dividends paid on Vivendi shares in respect of the two fiscal periods preceding the vesting date, and converted into the local currency at the prevailing exchange rate. These Vivendi RSUs are simply units of account and do not have any value outside the context of this plan. They do not carry voting rights and do not represent an ownership interest in Vivendi or any of its businesses.

Accounting for instruments

In accordance with IFRS 2, share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is amortized over the vesting period, generally 3 years for stock option plans and 2 years for restricted stock plans conditional upon active employment within the group at the vesting date, and the achievement of specific performance objectives for restricted stock plans, apart from specific cases.

Vivendi uses a binomial model to assess the value of such instruments. This method relies on assumptions updated at the valuation date such as the computed volatility of Vivendi shares, the risk-free discount rate, the expected dividend yield and the probability of concerned employees remaining with the group until the exercise of their rights.

The computed volatility corresponds to the average of (a) the implied volatility, based on Vivendi put and call options traded on a liquid market with a maturity of six months or more and (b) the 3-year historical volatility of Vivendi shares. Expected dividend yield at the grant date is based on Vivendi's dividend distribution policy, which is currently an anticipated dividend of at least 50% of adjusted net income.

However, depending on whether the equity instruments granted are equity-settled through the issuance of Vivendi shares or cash-settled, the valuation and recognition of the expense differs:

- Instruments settled through the issuance of Vivendi shares:
    - the expected term of the option granted is presumed to be the mid-point between the vesting date and the end of the contractual term,
    - the value of the instruments granted is estimated and fixed at the grant date,

  - the expense is recognized with a corresponding increase in equity.

- Instruments settled in cash:
  - the expected term of the instruments granted is presumed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the mean of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights,
  - the value of the instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date,
  - the expense is recognized as a provision,
  - moreover, as SAR and RSU plans are primarily denominated in US dollars, the value changes in line with fluctuations in the euro/dollar exchange rate.

The share-based compensation cost is allocated to each business segment, pro rata to the number of equity instruments or equivalents granted to their managers and employees.

The dilutive effect of stock options and restricted stock plans settled through the issuance of Vivendi shares granted to managers and employees which are in the process of vesting is reflected in the calculation of diluted earnings per share.

In accordance with the transitional provisions of IFRS 1 with respect to IFRS 2, the group elected for retrospective application of IFRS 2 as of January 1, 2004. Consequently, all share-based compensation plans for which rights remained to be vested as of January 1, 2004 are now recognized in accordance with IFRS 2.

Share purchase plans

Vivendi also maintains share purchase plans (group saving plans) that allow substantially all of its French full-time employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain restrictions relating to their sale or transfer, are purchased by employees with a maximum discount of 20% compared to the average opening market price for Vivendi shares during the 20 trading days preceding the date on which the share capital increase was authorized by the Management Board (grant date). The difference between the subscription price of the shares and the share price on the date of the grant (corresponding to the subscription period closing date) represents the benefit granted to beneficiaries. Furthermore Vivendi takes into account a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares, which is deducted from the benefit granted to the employees. This expense is recognized with a corresponding increase in equity and allocated to each business segment, pro rata to the number of shares subscribed.

1.4. Contractual Obligations and Contingent Assets and Liabilities

Once a year, Vivendi and its subsidiaries prepare detailed records on all material contractual obligations, commercial and financial commitments and contingent obligations, for which it is jointly and severally liable. These detailed records are updated by the relevant departments and reviewed by senior management on a regular basis. In order to ensure completeness, accuracy and consistency of these records, some dedicated internal control procedures are performed, including (but not limited to):

- the review of the minutes of shareholders' meetings, meetings of the Management Board and of the Supervisory Board and meetings of the Supervisory Board committees, for matters such as contracts, litigation, and authorization of asset acquisitions or divestitures;
- the review with banks and financial institutions of pledges and guarantees;
- the review with internal and/or external legal counsels of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies;
- the review of tax examiner's reports, and as the case may be, notices of assessments and tax expense analyses for prior years;
- the review with the risk management department and insurance agents and brokers with which the group contracted, of insurance coverage for unrecorded contingencies;
- the review of related-party transactions for guarantees and other given or received commitments; and
- more generally, the review of the main contracts and agreements.

1.5. New IFRS standards and IFRIC interpretations that have been published but are not yet effective

The IFRIC interpretations that have been issued by the IFRIC and that are not yet effective, but which have been applied in anticipation are detailed in Note 1.1.

Among other IFRS accounting standards and IFRIC interpretations issued by the IASB/IFRIC at the date of approval of these consolidated financial statements but that are not yet effective, and for which Vivendi has not elected an earlier application, the main ones which may affect Vivendi are as follows:

- the standard IFRS 8 – Operating Segments, related to segment data, shall apply to periods beginning on or after January 1, 2009;
- the amendment to IAS 23 – Borrowing Costs, on capitalisation of borrowing costs attributable to the cost of a fixed asset, shall apply to periods beginning on or after January 1, 2009;
- amendments to IAS 1- Presentation of Financial Statements : A revised presentation, related to the presentation of financial statements and notably addressing the presentation of equity, shall apply to periods beginning on or after January 1, 2009;
- the revised standards IFRS 3-*Business Combinations* and IAS 27-*Consolidated and Separate Financial Statements* concerning, respectively, the accounting for business combinations and the application of the purchase method and the accounting treatment of transactions with minority interests, shall apply to periods beginning on or after January 1, 2010; and
- the amendment to IFRS 2, Share-based Payment on the accounting for vesting conditions and cancellations, shall apply to periods beginning on or after January 1, 2009.

Vivendi is currently assessing the potential impacts that the application of these standards and interpretations may have on the statement of earnings, the statement of financial position, the statement of cash flows and the content of the notes to the financial statements.

Note 2. Changes in the Scope of Consolidation

Preliminary note: the enterprise value of an acquired/divested stake in fully consolidated subsidiaries is defined as the cash paid/received plus the value of principal payments on consolidated/deconsolidated borrowings and net cash acquired as applicable.

2.1. Combination of the Canal+ Group and TPS pay-TV Activities in France (January 2007)

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007. At that date, TF1 and M6 contributed TPS to Canal+ France in exchange for 15% of Canal+ France (9.9% and 5.1%, respectively). On the same date, Lagardère transferred to Canal+ France its 34% stake in CanalSatellite in exchange for 10.18% of Canal+ France. As a result of the completion of this contribution and the €469 million cash consideration paid by Lagardère in December 2006, Lagardère holds a 20% interest in Canal+ France. Details of these transactions and the preliminary transactions that occurred during the fourth quarter of 2006 are presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006, as published in the 2006 Annual Report (from pages 198 to 201).

These transactions can be summarized as follows:

- TF1 and M6 contributed 100% of TPS in exchange for 15% of Canal+ France. From an accounting standpoint, this contribution is accounted for as the acquisition by Vivendi and Canal+ Group of 85% of TPS and the sale of 15% of Canal+ France to TF1 and M6 (including the additional investment in CanalSatellite, purchased at the same time from Lagardère, see below).
- Lagardère contributed its 34% equity interest in CanalSatellite and a cash consideration of €469 million, in exchange for 20% of Canal+ France. From an accounting standpoint, this transaction is considered as the acquisition of minority interests in CanalSatellite, over which Canal+ France exercises full control and the sale of 20% of Canal+ France to Lagardère (including TPS, purchased at the same time from TF1 and M6, see above).
- In addition, Vivendi, Canal+ Group, Lagardère, TF1 and M6 entered into other agreements, such as put options granted by Vivendi and Canal+ Group to TF1 and M6 on their 15% stake in Canal+ France, a call option granted by Vivendi and Canal+ Group to Lagardère for a 14% stake in Canal+ France as well as some other contractual commitments which are not recorded in the statement of financial position, as indicated below.

As a result of the completion of these transactions, Vivendi and Canal+ Group hold an aggregate 65% of Canal+ France, Lagardère holds 20%, TF1 holds 9.9% and M6 holds 5.1%. Canal+ France encompasses all the pay-TV activities of Canal+ Group and TPS in France.

The effect of the combination on the consolidated financial statements in 2007 can be summarized as follows:

- Acquisition of 85% of TPS from TF1 and M6

Canal+ France has been fully consolidating TPS since January 4, 2007, on which date TF1 and M6 contributed 100% of TPS Gestion, a company which wholly owns TPS to Canal+ France. From this date, Vivendi and Canal+ Group are entitled to exercise their shareholders' rights and therefore have the power to govern the financial and operational policies of TPS to obtain benefits from its operations. Accordingly, Vivendi and Canal+ Group have been exercising full control over TPS since January 4, 2007.

TF1 and M6 contributed 100% of the share capital of TPS Gestion, a company which wholly owns TPS SNC, to Canal+ France. Such contribution was valued at €900 million for 100% of TPS.

The purchase price of 85% of TPS (€787 million) was determined on the basis of the fair value of the Canal+ France shares received by TF1 and M6, plus the costs directly attributable to the acquisition. Canal+ France has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by Canal+ France:

(in millions of euros)	January 4, 2007
Net carrying value of TPS before business combination:	
Long-lived assets and content assets (a)	112
Cash and cash equivalents	81
Net working capital	(210)
Provisions	(88)
Other liabilities	(13)
Carrying value of TPS' assets and liabilities (A)	**(118)**
Fair value adjustments of TPS' assets and liabilities incurred and assumed as at combination date:	
Customer list (b)	150
TPS trade name (c)	25
Assumed liabilities related to broadcasting rights and fair value adjustments to other long-term contracts (d)	(484)
Deferred tax assets, net	123
Total fair value adjustments of TPS' assets and liabilities incurred and assumed (B)	**(186)**
Fair value of TPS' assets and liabilities incurred and assumed (C = A + B)	**(304)**
Fair value of TPS' net assets acquired by Vivendi from TF1 and M6 (85% 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 S.A., which owns 10% of CanalSatellite's share capital. This contribution of assets was valued at €891 million and paid for in Canal+ France shares (10.18%), these shares, in addition to the shares acquired on December 19, 2006, give Lagardère 20% of the share capital of Canal+ France, after taking into account all contributions (including TPS). In accounting terms, the acquisition of the 34% stake in CanalSatellite, a company controlled by Canal+ France, is a purchase of minority interests which resulted in the recognition of goodwill in the amount of €564 million.

- Sale of 20% of Canal+ France to Lagardère

Lagardère's purchase of 20% of Canal+ France took place in two stages: (1) on December 19, 2006, the sale to Lagardère Active of 9.82% of Canal+ France (without TPS and with 66% of CanalSatellite, but based on the exchange ratio in the combination completed on January 4, 2007) for €469 million in cash and (2) on January 4, 2007, the contribution of 10.18% of Canal+ France (including TPS) to Lagardère Active in consideration for 34% of CanalSatellite.
From an accounting standpoint, the sale of 9.82% of Canal+ France generated a capital gain of €128 million in the 2006 consolidated net income. The 10.18% dilution of Canal+ Group in Canal+ France resulted in a dilution gain of €239 million in consolidated net income in 2007. The impact of this transaction on the value of TPS in Vivendi's consolidated financial statements breaks down as follows:

(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.

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 S.A., the national telecommunications operator of Gabon, for a purchase price of €31 million (including acquisition fees). Gabon Telecom has been fully consolidated since March 1, 2007. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and recorded in the Consolidated Financial Statements as of March 31, 2008. The final goodwill may significantly differ from the preliminary goodwill which amounts to €19 million as of December 31, 2007.

2.4. Acquisition of BMG Music Publishing by UMG (May 2007)

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

2.5. Acquisition of the fixed telephony and broadband activities of Télé2 France by SFR (July 2007)

On October 2, 2006, SFR entered into an agreement with the Tele2 AB Group to acquire the entire fixed telephony and broadband activities of Télé2 France. The acquisition was completed on July 20, 2007 for an enterprise value (on a cash and debt free basis) of €345 million. From an accounting standpoint, the purchase price amounted to €361 million (including acquisition costs). In accordance with the accounting standards applicable to business combinations, SFR performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by SFR. The major assets acquired were a customer list, amortized over 41 months, and intangible assets (service access fees), amortized over 36 months. The preliminary goodwill amounted to €220 million. The allocation of the purchase price will be completed within the 12-month period prescribed by accounting standards and the final allocation may significantly differ from that amount.

(in millions of euros)	July 20, 2007
Net carrying value of Télé2 France (A)	**67**
Fair value adjustments of Télé2 France's assets and liabilities incurred and assumed as at acquisition date (preliminary):	
Customer list	98
Intangible assets	14
Others	(38)
Total fair value adjustments of Télé2's assets and liabilities incurred and assumed (preliminary) (B)	**74**
Fair value of Télé2's assets and liabilities incurred and assumed (C = A + B)	**141**
Preliminary goodwill	220
Purchase price of fixed telephony and broadband activities of Télé2 France	**361**

2.6. Acquisition of Sanctuary Group Plc by UMG

On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group Plc ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded products, merchandising and artist services. UMG declared the offer wholly unconditional and gained control of the company on August 2, 2007, having received valid acceptances of the offer from shareholders representing 60% of the issued share capital of Sanctuary and having acquired a further 30% of the issued share capital, for a cash consideration of €19 million. Sanctuary was delisted from the London Stock Exchange on September 3, 2007, and pursuant to the provisions of the English Companies Act 2006, UMG acquired the remaining Sanctuary shares to obtain 100% legal ownership of the company on September 27, 2007. The total acquisition price paid by UMG was €170 million, including a total cash consideration, including costs, of €70 million and Sanctuary's net debt of €100 million. Sanctuary has been fully consolidated since August 2, 2007. In accordance with the accounting standards applicable to business combinations, UMG has performed an allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by UMG. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below.

(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 Vivendi shares acquired on the market for a cash consideration of €214 million. From an accounting standpoint, the difference between the fair value of Vivendi shares delivered (€229 million as at the exchange date) and the acquired minority interests was accounted for as goodwill, in the amount of €201 million.

2.8. Proposed creation of Activision Blizzard (December 2007)

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

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

Within five business days after the closing of the transaction, Activision Blizzard will commence a cash tender offer for up to 146.5 million of its shares at $27.50 per share. According to the terms of the business combination agreement, the tender offer will be funded as follows: (a) the first $2.928 billion of aggregate tender offer consideration will be funded from Activision Blizzard's available cash on hand, including the $1.731 billion in proceeds received from the Vivendi share purchase, short term investments (excluding restricted cash) and, if necessary, borrowings made under one or more new credit facilities from Vivendi or third party lenders, (b) if the aggregate tender offer consideration exceeds $2.928 billion, Vivendi has agreed to purchase from Activision Blizzard, at a purchase price of $27.50 per share, additional newly issued shares of Activision Blizzard common shock in an amount up to $700 million, and (c) if the aggregate tender offer consideration exceeds $3.628 billion, any remaining funds required to complete the tender offer will be borrowed by Activision Blizzard from Vivendi or third-party lenders. If the tender offer is fully subscribed, Vivendi and its subsidiaries are expected to own approximately 68.0% of the issued and outstanding shares of Activision Blizzard on a fully diluted basis.

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

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

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

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

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

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

2.9. Proposed take over of Neuf Cegetel by SFR

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

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

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

2.10. Other 2007 changes in scope

- Acquisition of Debitel France and its distribution subsidiary, Videlec by CID, a company owned 40% by SFR, in November 2007; and
- Acquisition of Octone by UMG in April 2007.

Note 3. Segment Data

3.1. Business Segment Data

The group operates through different entertainment businesses. Each business offers different products and services that are marketed through different channels. Given the unique customer base, technology, marketing and distribution requirements of these businesses, they are managed separately and represent the primary segment reporting level. As of December 31, 2007, Vivendi had five business segments engaging in the activities described below:

- Universal Music Group, sale of recorded music and exploitation of music publishing rights;
- the Canal+ Group, production and distribution of pay-TV in France, analog or digital (terrestrially, *via* satellite or ADSL);
- SFR, mobile phone services in France, as well as fixed and ADSL services developed or acquired recently;
- Maroc Telecom, telecommunications operator (mobile, fixed and Internet) essentially in Morocco as well as in other African countries; and
- Vivendi Games, publishing and distribution of video games, online or on other media (such as console, PC and mobile phones).

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Segment earnings correspond to EBITA of each business segments.

Additionally, segment data is elaborated according to the following principles:

- the segment "Holding & Corporate" includes the cost of Vivendi S.A.'s headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the businesses;
- the segment "Non-core operations and others" includes miscellaneous businesses outside Vivendi's core businesses, which assets are being divested or liquidated and which are not disclosed as discontinued operations as they do not comply with criteria prescribed by IFRS5, as well as Vivendi Mobile Entertainment, which operates, under the "ZaOza" brand, a new service to sell digital content on the Internet and on mobile phones;
- inter-segment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be proposed by third parties; and
- the business segments presented hereunder are identical to those appearing in the information given to Vivendi's Management and Supervisory Boards.

Vivendi has identified five geographic areas, consisting of its four main geographic markets (France, Rest of Europe, US and Morocco), as well as the rest of the world.

3.1.1 Consolidated Statement of Earnings

Year Ended December 31, 2007 (In millions of euros)	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 financial charges related to share-based compensation plans	(4,123)	(3,727)	(5,573)	(1,057)	(701)	(89)	(30)	79	(15,221)
Financial charges related to stock options and share-based compensation plans	(12)	(8)	(14)	(2)	(83)	(35)	-	-	(154)
EBITDA	**735**	**628**	**3,431**	**1,397**	**234**	**(124)**	**(19)**	**-**	**6,282**
Restructuring charges	(67)	(31)	-	9	1	(1)	-	-	(89)
Gains (losses) on tangible and intangible assets	1	(4)	(44)	9	(1)	-	-	-	(39)
Other non recurring items	1	(1)	-	(1)	1	51	14	-	65
Depreciation of tangible assets	(46)	(131)	(504)	(257)	(43)	(6)	(6)	-	(993)
Amortization of intangible assets excluding those acquired through business combinations	-	(61)	(366)	(66)	(11)	(1)	-	-	(505)
Adjusted earnings before interest and income taxes (EBITA)	**624**	**400**	**2,517**	**1,091**	**181**	**(81)**	**(11)**	**-**	**4,721**
Amortization of intangible assets acquired through business combinations	(236)	(30)	(12)	(23)	-	-	-	-	(301)
Impairment losses of intangible assets acquired through business combinations	-	(25)	(9)	-	-	-	-	-	(34)
Earnings before interest and income taxes (EBIT)	**388**	**345**	**2,496**	**1,068**	**181**	**(81)**	**(11)**	**-**	**4,386**
Income from equity affiliates									373
Interest									(166)
Income from investments									6
Other financial charges and income									(83)
Provision for income taxes									(747)
Earnings from discontinued operations									-
Earnings									**3,769**
Attributable to :									
Equity holders of the parent									**2,625**
Minority interests									1,144

Year Ended December 31, 2006 (In millions of euros)	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 financial charges related to share-based compensation plans	(4,104)	(3,382)	(5,210)	(853)	(630)	(89)	(30)	105	(14,193)
Financial charges related to stock options and share-based compensation plans	(40)	(9)	(19)	(6)	(19)	(20)	-	-	(113)
EBITDA	**811**	**239**	**3,449**	**1,194**	**155**	**(109)**	**(1)**	**-**	**5,738**
Restructuring charges	(15)	-	-	(30)	(2)	(4)	1	-	(50)
Gains (losses) on tangible and intangible assets	-	7	(43)	1	(1)	5	(1)	-	(32)
Other 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**
Attributable to :									
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.

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
incl. investments in equity affiliates (a)	*48*	*2*	*1,134*	-	-	*5,641*	-	*6,825*
Unallocated assets								4,250
Total assets								**45,079**
Segment liabilities	2,977	3,421	5,591	1,383	402	378	9	14,161
Unallocated liabilities								8,676
Total liabilities								**22,837**
Increase in tangible and intangible assets	42	156	1,020	488	56	1	4	**1,767**
Net industrial investments (capex, net) (b)	38	143	1,020	363	56	1	5	**1,626**
DECEMBER 31, 2006								
Segment assets	8,953	5,398	12,415	4,045	428	7,134	174	38,547
incl. investments in equity affiliates (a)	*21*	*2*	*1,055*	*1*	-	*5,953*	-	*7,032*
Unallocated assets								4,501
Total assets								**43,048**
Segment liabilities	2,890	2,457	5,130	959	331	389	196	12,352
Unallocated liabilities								8,832
Total liabilities								**21,184**
Increase in tangible and intangible assets	46	150	1,380	361	86	2	-	**2,025**
Net industrial investments (capex, net) (b)	45	141	1,133	255	76	(4)	(1)	**1,645**

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%***

(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 sold, net	(3,797)	(3,580)
Cost of service revenues	(6,080)	(6,059)
Other	1	3
Cost of revenues	**(9,876)**	**(9,636)**

4.2. Personnel Costs and Average Employee Numbers

(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.

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
o/w property, plant and equipment	*12*	*993*	*905*
o/w content assets	*10*	*40*	*50*
o/w other intangible assets	*11*	*465*	*402*
Amortization of intangible assets acquired through business combinations		301	223
o/w content assets	*10*	*235*	*199*
o/w other intangible assets	*11*	*66*	*24*
Impairment losses of other intangible assets acquired through business combinations		34	-
Amortization and depreciation of tangible and intangible assets		**1,833**	**1,580**

Note 5. Financial Charges and Income

Interest

(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**
Impacts of amortized cost on borrowings		*28*	*26*
Interest at effective rate		***194***	***229***

The impact of amortized cost on borrowings is recorded under "other financial charges" (please refer to the Note hereafter). This impact represents the difference between the interest at nominal rate and the interest at effective rate.

Other Financial Charges and Income

(In millions of euros)	Note	Year Ended December 31 2007		2006
Other capital gain on the divestiture of businesses		262		189
o/w the gains on the sale of 20% of Canal+ France to Lagardère	2.1	239		*128*
Downside adjustment on the divestiture of businesses		(40)		(104)
Other capital gain on financial investments		4		932
o/w the capital gain on the sale of Veolia Environment shares	15	-		*832*
Downside adjustment on financial investments		(185)		(631)
o/w the capital loss incurred on the PTC shares		-		*(496)*
o/w the capital loss on the sale of DuPont shares	6.2	-		*(98)*
o/w the write-off of the 19.7% minority stake in Amp'd	15	(65)		-
Financial components of employee benefits	20.2	(29)		(32)
Impacts of amortized cost on borrowings	5	(28)		(26)
Change in derivative instruments		9		24
Effect of undiscounting liabilities		(75)	(a)	(15)
Other		(1)		(26)
Other financial charges and income		**(83)**		**311**

a. As prescribed by accounting principles, when the effect of the time value of money is material, the amount for which financial assets or liabilities (mainly trade accounts receivable and payable, as well as provisions) are recorded on the balance sheet shall be the present value of the expected income or expenses, respectively. At each subsequent period-end, the present value of such financial assets or liabilities is adjusted to take into consideration the passage of time. As of December 31, 2007, this line item corresponds mainly to the effect of undiscounting of liabilities related to the combination of pay-TV activities in France with the Canal+ Group and TPS (please refer to Note 2.1).

Note 6. Income Taxes

6.1. Consolidated Global Profit Tax System

On December 23, 2003, Vivendi applied to the French Ministry of Finance for permission to use the Consolidated Global Profit Tax System under Article 209 *quinquies* of the French tax code. Authorization was granted by an order, dated as of August 22, 2004, and notified on August 23, 2004, for a five-year period beginning with the taxable year 2004 and ending with the taxable year as of December 31, 2008. This period may be extended for an additional three-year period. Therefore, Vivendi is entitled to consolidate its own profits and losses (including tax losses carried forward as of December 31, 2003) with the profits and losses of its subsidiaries operating within and outside France. Subsidiaries in which Vivendi owns at least 50% of outstanding shares, both French and foreign, as well as Canal+ S.A., fall within the scope of the Consolidated Global Profit Tax System, including, but not limited to Universal Music Group, Vivendi Games, CanalSat, SFR and, as of January 1, 2005, Maroc Telecom. The 2004 Finance Act authorized the unlimited carry forward of existing ordinary losses as of December 31, 2003, which, combined with Vivendi's permission to use the Consolidated Global Profit Tax System, enables Vivendi to maintain its capacity to use ordinary losses carried forward.

The effect of applying the Consolidated Global Profit Tax System on the valuation of losses carried forward is as follows:

- as of December 31, 2006, Vivendi carried forward losses of €9,344 million as the head company consolidating for tax purposes the results of its French and foreign subsidiaries (based on tax results converted in accordance with French tax rules for the latter) in which it held at least a 50% equity interest, as well as of Canal+ SA;
- on February 26, 2008, the date of the Management Board's meeting held to approve the financial statements for the Year Ended December 31, 2007, the 2007 taxable profits of the tax group companies, as of December 31, 2007 and, as a consequence, the amount of ordinary tax losses available for carry forward as such date, cannot be determined with sufficient certainty in accordance with French tax rules;
- therefore, before the impact of 2007 taxable profits on the future utilization of ordinary tax losses carried forward, Vivendi S.A. will be able to achieve maximum tax savings up to €3,115 million (undiscounted value based on the current income tax rate of 33.33%); and
- nonetheless, the period during which losses will be utilized cannot currently be determined with sufficient precision given the uncertainty associated with economic activity and Vivendi's ability to maintain SFR or the Canal+ Group (two French entities) in its taxable income basket. As a result, Vivendi values its tax losses carried forward under the Consolidated Global Profit Tax System based on one year's forecast results, taken from the following year's budget.

Impact of the Consolidated Global Profit Tax System on the Consolidated Financial Statements for the years ended December 31, 2007 and 2006 is as follows:

(in millions of euros)	December 31, 2005	Income / (charges) in the statement of earnings	Collections	December 31, 2006	Income / (charges) in the statement of earnings	Collections	**December 31, 2007**
Current taxes	507	602	(505)	604	551 (a)	(603)	552
Deferred tax assets	580	(43)	-	537	53	-	590
	1,087	**559**	**(505)**	**1,141**	**604**	**(603)**	**1,142**

a. Corresponds to the expected tax savings for 2007 (€552 million) and the difference between the 2006 forecasted tax savings and the related 2007 tax savings received in 2007.

As of December 31 2007, current taxes corresponded to the 2007 expected tax savings. Deferred tax assets corresponded to the 2008 forecasted tax savings.

On February 26, 2008, the date of the Management Board meeting held to approve the financial statements for the year ended December 31, 2007, Vivendi intends to apply for permission to use the Consolidated Global Profit Tax System for an additional three-year period, in accordance with applicable law.

6.2. Settlement of Litigation relating to DuPont Shares

At the beginning of June 2006, Vivendi announced that an agreement had been reached with the United States Internal Revenue Service (IRS) ending their dispute concerning the amount of tax due on the redemption by DuPont of certain of its shares held by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi in the total amount of approximately $671 million (€521 million), including tax of $284 million and interest of $387 million.

As a result, after including the payment made in connection with the agreement with the IRS (-$671 million) and a tax credit related to the deductible portion of this payment ($135 million), the reversal of the entire deferred tax liability established in connection with this matter ($1,847 million) recorded on the group's balance sheet resulted in a net gain of $1,311 million (€1,019 million), which was recorded under "Provision for income taxes" of the 2006 statement of earnings and breaks down as follows:

- reversal of the deferred tax liability of $1,547 million, recorded by Seagram in April 1995, net of tax of $284 million paid in connection with the agreement with the IRS, generated a gain of $1,263 million. This deferred tax liability corresponded to the additional tax which would have been owed to the IRS if the gain on the DuPont share redemption in 1995 had been fully taxable; and
- the difference between the reversal of the provision for interest in an amount of $462 million ($300 million after accounting for the tax benefit of deductible interest resulting in a savings of $162 million), and interest paid of $387 million ($252 million after accounting for the tax benefit of deductible interest resulting in a savings of $135 million), generated a gain of $75 million or $48 million after taking into account the effect on income tax of tax-deductible interest. This interest was provided for by Vivendi in December 2000 as part of the allocation of the purchase price of Seagram.

Furthermore, the agreement with the IRS provided that the 16.4 million DuPont shares that Vivendi has held since its merger with Seagram could be freely transferred and therefore subject to taxation in accordance with ordinary general tax rules. At the end of June 2006, Vivendi sold these shares at a unit price of $40.82, for a total amount of $671 million (€534 million), resulting in an accounting loss of $123 million (€98 million) and a capital gain for tax purposes of $523 million (€417 million). The tax on the capital gain is fully covered by the above mentioned tax-deductible interest and the US tax loss carry-forwards of Vivendi.

6.3. Provision for Income Taxes

		Year Ended December 31,	
(In millions of euros)	Note	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**

6.4. Provision for Income Taxes and Income Tax Paid by Geographical Area

(In millions of euros)	Note	Year Ended December 31, 2007	2006
Provision for income taxes:			
Current			
France		(394)	(497)
US		(18)	(539)
o/w DuPont shares tax litigation settlement	6.2	-	*(521)*
Morocco		(350)	(282)
Other jurisdictions		(96)	(44)
		(858)	**(1,362)**
Deferred			
France		33	7
US		(45)	1,798
o/w DuPont shares tax litigation settlement	6.2	-	*1,603*
Morocco		7	-
Other jurisdictions		116	104
		111	**1,909**
Provision for income taxes		**(747)**	**547**
Income tax (paid) / collected :			
France		(560)	(522)
o/w SFR		*(920)*	*(852)*
US		(15)	(541)
o/w DuPont shares tax litigation settlement	6.2	-	*(521)*
Morocco		(306)	(286)
Other jurisdictions		(191)	(32)
Income tax paid		**(1,072)**	**(1,381)**

6.5. Effective Tax Rate

(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**
Elimination:			
Income from equity affiliates		(373)	(337)
Earnings before provision for income taxes		**4,143**	**4,309**
French statutory tax rate (a)		**33.33%**	**33.33%**
Theoretical provision for income taxes based on French statutory tax rate		**(1,381)**	**(1,436)**
Reconciliation of the theoretical and effective provision for income taxes:			
Permanent differences		**22**	**(55)**
o/w other differences from tax rates		*(65)*	*(51)*
o/w impact of the changes in tax rates		*33*	*-*
Consolidated Global Profit	6.1	**605**	**561**
o/w current tax savings		*552*	*604*
o/w changes in related deferred tax assets		*53*	*(43)*
Other tax losses		**(56)**	**(26)**
o/w use of unrecognized ordinary losses		*87*	*175*
o/w unrecognized tax losses		*(143)*	*(201)*
Restatements in respect of the provision for income taxes of previous years		**2**	**1,380**
o/w DuPont shares litigation settlement		*-*	*1,082*
Capital gain or loss on the divestiture of financial investments or businesses		**61**	**123**
Effective provision for income taxes		**(747)**	**547**
Effective tax rate		**18.0%**	**-12.7%**

a. The French statutory tax rate is 33.33%. The December 30, 2004 Finance Act (Act No. 2004-1484) provided for the phasing out of the additional contribution surtax equal to 3% of the corporate tax liability of French companies since 2002. This surtax was reduced to 1.5% beginning January 1, 2005 and was abolished in 2006. Act No. 99-1140 of December 29, 1999 dealing with the financing of the social security system provided for the introduction of a surtax equal to 3.3% of the corporate tax liability of French companies. This surtax had the effect of raising the French corporate tax rate by 1.1 percentage points. The French corporate tax rate was therefore 34.43% in 2007 and in 2006.

6.6. Changes in Current and Deferred Tax Assets and Liabilities

Changes in deferred tax assets / (liabilities), net

(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		
Recognized deferred taxes		
Tax losses (a)	3,441	3,745
Temporary differences (b)	1,003	1,053
Recognized deferred taxes	**4,444**	**4,798**
Unrecognized deferred taxes		
Tax losses	(2,691)	(2,838)
Temporary differences	(331)	(476)
Unrecognized deferred taxes	**(3,022)**	**(3,314)**
Recorded deferred tax assets	**1,422**	**1,484**
Deferred tax liabilities		
Purchase accounting reevaluation of assets (c)	666	535
Spirits and wine sale	152	177
Other	278	358
Recorded deferred tax liabilities	**1,096**	**1,070**
Deferred tax assets / (liabilities), net	**326**	**414**

a. Mainly includes deferred tax assets in respect of ordinary tax losses carried forward by Vivendi as head of the tax group under the Consolidated Global Profit Tax System (€3,115 million as of December 31, 2006, before adjustment due to the expected 2007 tax savings amounting to €552 million, please refer to section 6.1 above) and ordinary tax losses carried forward by the US tax group (€131 million as of December 31, 2006), hence a recognized deferred tax asset on losses carried forward amounting to €750 million.

b. Mainly includes the deferred tax assets related to not deductible provisions, which mainly include provisions related to employee benefit plans and share-based compensation plans.

c. These tax liabilities generated by asset revaluations as a result of the purchase price allocation of company acquisition costs are cancelled on the depreciation, amortization or divestiture of the underlying asset and generate no current tax charge.

Maturity of losses carried forward

The tax losses carried forward reported to tax authorities for the fiscal year ended December 31, 2006, which are material to Vivendi are described below along with their respective maturity periods:

- France: losses carried forward amounted to €9,344 million and can be carry forward indefinitely; and
- United-States: losses carried forward amounted to $534 million and can be carried forward for a twenty-year period. No losses will mature prior to December 31, 2022.

6.7. Tax Audits

The years ended December 31, 2007 and 2006 and prior years, when appropriate, are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has operations. Various tax authorities have proposed or levied assessments for additional tax in respect of prior years. Management believes that the settlement of any or all of these assessments will not have a material impact on the results of operations, financial position or liquidity of Vivendi. Besides, in respect of the Consolidated Global Profit Tax System, the consolidated income reported by Vivendi S.A. for the years 2004 and 2005 is under audit by the French tax authorities. This tax audit, which started in 2007, is underway, and, as of today, the French tax authorities have not proposed any assessment that would materially impact the amount of losses carried forward in respect of the fiscal years considered.

Note 7. Reconciliation of Earnings attributable to Equity Holders of the Parent and adjusted Net Income

(In millions of euros)	Note	Year Ended December 31, 2007		Year Ended December 31, 2006	
Earnings attributable to equity holders of the parent (a)		**2,625**		**4,033**	
Adjustments					
Amortization of intangible assets acquired through business combinations		301		223	
Impairment losses of intangible assets acquired through business combinations (a)		34		-	
Other financial charges and income (a)		83		(311)	
Earnings from discontinued operations (a)		-		-	
Change in deferred tax asset related to the Consolidated Global Profit Tax System	6.1	(53)		43	
Non recurring items related to provision for income taxes		74	(b)	(1,284)	(b)
Provision for income taxes on adjustments		(155)		(83)	
Minority interests in adjustments		(77)		(7)	
Adjusted net income		**2,832**		**2,614**	

a. As presented in the consolidated statement of earnings.

b. Corresponds mainly to the reversal of tax liabilities relating to risks extinguished over the period. In 2006, includes mainly the gain from the settlement of the Dupont litigation (€1,082 million).

Note 8. Earnings per Share

	Year Ended December 31, 2007		Year Ended December 31, 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).

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	-	-	739 (a)	(416)	**4,246**
Canal+ Group	3,412	-	10	1,427 (b)	1	**4,850**
o/w StudioCanal	*129*	-	-	-	(2)	***127***
SFR	4,024	(6)	-	252 (c)	-	**4,270**
Maroc Telecom	1,600	-	4	384 (d)	(28)	**1,960**
Vivendi Games	109	-	-	1	(9)	**101**
Non core operations and others	-	-	-	-	-	**-**
Total	**13,068**	**(6)**	**14**	**2,803**	**(452)**	**15,427**

(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	(358) (e)	**3,923**
Canal+ Group	3,784	-	(54) (f)	23	(341) (g)	**3,412**
o/w StudioCanal	*106*	-	-	23	-	***129***
SFR	4,024	-	-	-	-	**4,024**
Maroc Telecom	1,636	-	-	-	(36)	**1,600**
Vivendi Games	77	-	-	-	32	**109**
Non core operations and others	-	-	-	-	-	**-**
Total	**13,796**	**-**	**(54)**	**29**	**(703)**	**13,068**

a. Mainly corresponds to goodwill attributable to the acquisition of BMG Music Publishing for €599 million (please refer to Note 2.4) and of Sanctuary for €102 million (please refer to Note 2.6).

b. Corresponds to goodwill attributable to the acquisition of 65% of TPS (€804 million), the acquisition of 34% of CanalSatellite (€564 million) and the put option granted to TF1 and M6 on their stake in Canal+ France (€932 million), offset by goodwill attributable to the sale of 10.18% and 15% of Canal+ France to Lagardère, and TF1 and M6, respectively (€873 million) (please refer to Note 2.1).

c. Corresponds mainly to the goodwill attributable to the acquisition of the fixed and ADSL activities of Télé2 France for €220 million.

d. Corresponds to goodwill attributable to the acquisition of Onatel and Gabon Telecom for €164 million and €19 million, respectively (please refer to Notes 2.2 and 2.3) and the acquisition of a 2% interest in Maroc Telecom by Vivendi for €201 million (please refer to Note 2.7).

e. Includes €67 million, a portion of the allocation of the excess of the acquisition cost (€964 million) over the carrying amount of the approximately 7.7% stake in Universal Studios Holding I Corp acquired from MEI. The remaining amount (€65 million) was accounted for as an investment in equity affiliates (NBCU).

f. The put option granted to minority shareholders on TKP shares maturing October 2006 was not exercised. The goodwill calculated following the initial recognition of the put option was reversed.

g. Corresponds mainly to the derecognition of the goodwill (€341 million) attributable to the sale of 9.82% of Canal+ France to Lagardère on December 19, 2006 (please refer to Note 2.1).

Goodwill Impairment Test

During the fourth quarter of 2007, Vivendi reviewed the value of goodwill allocated to its cash-generating units (CGUs). In the absence of any identified indicator of impairment, the test was performed on the basis of an internal valuation. After this test, Vivendi Management reached the conclusion that the recoverable value of its CGUs or groups of CGUs exceeded their carrying value.

CGUs or groups of CGUs tested are as follows:

Business segments	Cash Generating Units (CGUs)	Groups of CGUs
Universal Music Group	Music recording	Universal Music Group
	Music publishing (including BMGP)	
Canal+ 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 and comparables model	8.25%	2.0%	DCF and comparables model	8.25%	2.5%
Canal+ Group						
Pay TV in France	DCF	8.80%	1.5%	Value of transactions with TF1, M6 and Lagardère (please refer to Note 2.1)	-	-
StudioCanal	DCF	8,75 % - 9,25 %	0%-1%	DCF	8.25 % - 8.75 %	0%-1%
SFR	DCF and comparables model	8.00%	2.5%	DCF and comparables model	8.0%	2.5%
Maroc Telecom	Stock market price	-	-	Stock market price, DCF and comparables model	10.5%	2.5%
Vivendi Games	Value of transaction with Activision (please refer to Note 2.8)	-	-	DCF	11.0 % - 12.0 %	3.5%

DCF: Discounted Cash Flows.

Note 10. Content Assets and Commitments

10.1. Content Assets

December 31, 2007	Content assets, gross	Accumulated amortization and impairment losses	Content assets
		(In millions of euros)	
Music catalogs and publishing rights	5,690	(3,175)	2,515
Advances to artists and repertoire owners	449	-	449
Merchandising contracts and artists services	61	(3)	58
Sports rights	378	-	378
Film and television costs	4,428	(3,801)	627
Games advances	146	(82)	64
Content assets	**11,152**	**(7,061)**	**4,091**
Deduction of current content assets	(1,084)	120	(964)
Non current content assets	**10,068**	**(6,941)**	**3,127**

December 31, 2006	Content assets, gross	Accumulated amortization and impairment losses	Content assets
		(In millions of euros)	
Music catalogs and publishing rights	4,854	(3,221)	1,633
Advances to artists and repertoire owners	362	-	362
Sports rights	366	-	366
Film and television costs	4,023	(3,452)	571
Games advances	194	(164)	30
Content assets	**9,799**	**(6,837)**	**2,962**
Deduction of current content assets	(1,046)	204	(842)
Non current content assets	**8,753**	**(6,633)**	**2,120**

Changes in the main content assets are as follows:

(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	1,313 (b)	23
Purchases of catalogs	11	9
Divestitures of catalogs	-	-
Assets held for sale	(12)	-
Changes in foreign currency translation adjustments and other	(198)	(189)
Closing balance of music catalogs and publishing rights	**2,515**	**1,633**

a. This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the consolidated statement of earnings.

b. Mainly corresponds to acquired catalogs relating to the acquisition of BMG Music Publishing by UMG (please refer to Note 2.4).

(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 coproductions and catalogs	(97)	(56)
Acquisition of film and television rights	676	599
Consumption of film and television rights	(719)	(581)
Business combinations	119	10
Other	19	66
Closing balance of film and television costs	**627**	**571**

10.2. Contractual Content Commitments

Commitments given recorded in the Statement of Financial Position: content liabilities

Content liabilities are part of "Trade accounts payable and other" or part of "Other non-current liabilities" depending on their nature or maturity, current or non-current, as applicable (please refer to Note 16). Content liabilities related to share-based compensation plans are part of provisions (please refer to Note 21).

	Minimum Future Payments as of December 31, 2007				**Total as of December 31, 2006**
		due in			
(In millions of euros)	**Total**	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**

Off balance sheet commitments given/received

	Minimum Future Payments as of December 31, 2007					**Total as of December 31, 2006**
			due in			
(In millions of euros)	**Total**		2008	2009-2012	After 2012	
Film and television rights (a)	3,278	(c)	1,160	1,617	501	2,672
Sports rights	181	(d)	95	86	-	748
Creative talent, employment agreements and others (b)	1,005		453	503	49	979
Total given	**4,464**		**1,708**	**2,206**	**550**	**4,399**
Film and television rights (a)	(87)		(67)	(20)	-	(118)
Sports rights	-		-	-	-	(29)
Creative talent, employment agreements and others (b)				not available		
Other	(9)		(8)	(1)	-	(19)
Total received	**(96)**		**(75)**	**(21)**	**-**	**(166)**
Total net	**4,368**		**1,633**	**2,185**	**550**	**4,233**

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 report to Note 29). These commitments will be recognized in the statement of financial position upon the opening of every season.

Note 11. Other Intangible Assets

December 31, 2007	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
		(In millions of euros)	
Internally developed software (a)	1,146	(697)	449
Acquired software (b)	2,061	(1,333)	728
Telecom licenses	1,339	(312)	1,027
Other	1,101	(533)	568
	5,647	**(2,875)**	**2,772**

As of December 31, 2007, Vivendi does not hold any other intangible assets with an indefinite life.

December 31, 2006	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
		(In millions of euros)	
Internally developed software (a)	968	(574)	394
Acquired software (b)	1,630	(1,135)	495
Telecom licenses	1,318	(227)	1,091
Other	675	(393)	282
	4,591	**(2,329)**	**2,262**

a. Includes mainly the cost of internal software developed by SFR.

b. Includes mainly SFR software amortized over 4 years.

The changes in other intangible assets are as follows:

(In millions of euros)	Year Ended December 31, 2007	Year Ended December 31, 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).

Note 12. Property, Plant and Equipment

December 31, 2007	Property, plant and equipment, gross	Accumulated depreciation and impairment losses	Property, plant and equipment
		(In millions of euros)	
Land	159	(1)	158
Buildings	1,899	(1,112)	787
Equipment and machinery	7,683	(4,814)	2,869
Construction-in-progress	183	-	183
Other	2,947	(2,269)	678
	12,871	**(8,196)**	**4,675**

December 31, 2006	Property, plant and equipment, gross	Accumulated depreciation and impairment losses	Property, plant and equipment
		(In millions of euros)	
Land	246	(20)	226
Buildings	1,939	(1,184)	755
Equipment and machinery	6,527	(3,995)	2,532
Construction-in-progress	273	-	273
Other	2,379	(1,786)	593
	11,364	**(6,985)**	**4,379**

As of December 31, 2007, property, plant and equipment financed by finance lease contracts amounted to €48 million, compared to €65 million in 2006.

The change in Property, Plant and Equipment is as follows:

	Year Ended December 31,	
(In millions of euros)	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).

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
Licenses (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
Licenses (b)	251	259
Other	438	330
Property, plant, equipment and intangible assets of telecom operations at Maroc Telecom	**1,997**	**1,548**

a. Principally pylons, radio and transmission equipment, switch centers and servers and hardware, recorded as "Property, plant and equipment".

b. Recorded as "Other intangible assets".

c. Includes the discounted value of the fixed royalty GSM license used by SFR, which was renewed for 15 years in March 2006 (for a gross amount of €278 million).

Note 14. Investments in Equity Affiliates

		Voting Interest		Value of Equity Affiliates	
(In millions of euros)	Note	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).

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	176	(a)	301	(305)	(484)	(b)	5,641
Neuf Cegetel	1,020	40	(c)	78	(33)	(14)		1,091
Other	59	43		(6)	(2)	(1)		93
	7,032	**259**		**373**	**(340)**	**(499)**		**6,825**

(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	165	(d)	301	(262)	(670)	(b)	5,953
Neuf Cegetel	363	626	(c)	38	-	(7)		1,020
Other	74	(1)		(2)	(9)	(3)		59
	6,856	**790**		**337**	**(271)**	**(680)**		**7,032**

a. Includes Vivendi's subscription to the NBC Universal capital increase (€176 million) in order to finance the acquisitions of Oxygen Media and Hallmark International Group.

b. Includes changes in foreign currency translation adjustments (-€481 million in 2007 and -€673 million in 2006).

c. Corresponds to additional acquisitions by SFR.

d. Includes Vivendi's subscription to the NBC Universal capital increase (€98 million) to finance the acquisition of iVillage by NBC Universal and the allocation (€65 million) of the excess of the acquisition cost over the carrying amount of the approximate 7.7% stake in Universal Studios Holding I Corp, acquired from MEI (please refer to Note 9).

Financial Information Relating to Equity Affiliates

The following condensed information relating to equity affiliates corresponds to Vivendi's equity in the stand-alone financial statements of these affiliates. This equity is calculated by applying Vivendi's ownership interests in these affiliates, as presented in Note 28.

	December 31, 2007		December 31, 2006	
(In millions of euros)	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

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
Sogecable shares hedging the exchangeable bonds	24.3.3	206	3	-	-	209
PTC shares held by Telco and Carcom	27	-	-	-	-	-
Amp'd shares (a)		42	-	23	(65)	-
Other		77	(1)	28	(7)	97
Available-for-sale securities		**325**	**2**	**51**	**(72)**	**306**

(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)	-
Sogecable shares hedging the exchangeable bonds	24.3.3	282	(48)	(28)	-	206
PTC shares held by Telco and Carcom	27	531	-	(496)	(35)	-
LBI fund shares		87	-	(87)	-	-
Amp'd shares		17	-	27	(2)	42
Other		145	9	(83)	6	77
Available-for-sale securities		**2,475**	**(7)**	**(2,078)**	**(65)**	**325**

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

b. This residual stake of 5.3% in Veolia 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.

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)	Year Ended December 31,	
	2007	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
o/w VAT to be received	*820*	*705*
o/w social costs and other taxes	*44*	*39*
o/w prepaid charges	*298*	*204*
Trade accounts receivable and other	**5,208**	**4,489**

Trade Accounts Payable and other

(In millions of euros)	Note	Year Ended December 31,	
		2007	2006
Trade accounts payable		5,859	4,898
Other (a)		4,925	4,399
o/w royalty advances to music artist	10.2	*1,436*	*1,279*
o/w prepaid telecommunication revenues (b)		*795*	*772*
o/w VAT		*750*	*635*
o/w social costs and other taxes		*705*	*619*
Trade accounts payable and other		**10,784**	**9,297**

a. Includes the debt incurred in connection with the interim dividend to be paid to Vodafone by SFR (€197 million with respect to the fiscal year 2007 paid in 2008 and €197 million with respect to the fiscal year 2006 paid in 2007).

b. Mainly includes subscriptions and prepaid cards sold but not consumed, mobile phones held by distributors as well as roll-over minutes.

Other non-current Liabilities

		Year Ended December 31,	
(In millions of euros)	Note	2007	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.

Note 17. Cash and Cash Equivalents

(In millions of euros)	Year Ended December 31,	
	2007	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.

18.3. Statement of Recognized Charges and Income

(In millions of euros)	Note	Year Ended December 31, 2007 – Attibutable to Vivendi S.A.'s shareholders		Year Ended December 31, 2007 – Minority interests	Year Ended December 31, 2007 – Total	Year Ended December 31, 2006 – Attibutable to Vivendi S.A.'s shareholders		Year Ended December 31, 2006 – Minority interests	Year Ended December 31, 2006 – Total
Net Income		**2,625**		**1,144**	**3,769**	**4,033**		**1,160**	**5,193**
Foreign currency translation adjustments		**(1,058)**	(a)	**(17)**	**(1,075)**	**(977)**	(a)	**(44)**	**(1,021)**
Assets available for sale	15	2		-	2	(847)		-	(847)
Valuation gains/(losses) taken to equity		*2*		-	*2*	*(7)*		-	*(7)*
Transferred to profit or loss on divestiture		-		-	-	*(840)*		-	*(840)*
Hedging instruments	24	38	(b)	2	40	20		5	25
Tax		(2)		(1)	(3)	24		(1)	23
Unrealized gains (losses)		**38**		**1**	**39**	**(803)**		**4**	**(799)**
Charges and income directly recorded in equity related to equity affiliates		(2)		-	(2)	5		-	5
Other		4		-	4	(36)		35	(1)
Other impacts on retained earnings		**2**		**-**	**2**	**(31)**		**35**	**4**
Charges and income directly recognized in equity		**(1,018)**		**(16)**	**(1,034)**	**(1,811)**		**(5)**	**(1,816)**
TOTAL RECOGNIZED CHARGES AND INCOME OVER THE PERIOD		**1,607**		**1,128**	**2,735**	**2,222**		**1,155**	**3,377**

a. Includes changes in foreign currency translation adjustments relating to the investment in NBC Universal of -€481 million in 2007 and -€662 million in 2006.

b. Includes the impact of the fluctuation in the fair value of cash flow hedging instruments (€27 million in 2007) and net investment hedging instruments (€11 million in 2007).

Note 19. Provisions

(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)	527	(c)	32	655
Contigent liabilities due to disposal	26.4	155	8	(84)	(11)	-		(2)	66
Cost of dismantling and restoring site (d)		86	5	(3)	-	-		(8)	80
Other		263	104	(58)	(46)	3		7	273
Provisions		**1,786**	**592**	**(457)**	**(172)**	**588**		**(38)**	**2,299**
Deduction of current provisions		(398)	(405)	95	72	(46)		(23)	(705)
Non current provisions		1,388	187	(362)	(100)	542		(61)	1,594

(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	186	(e)	(26)	-	-	(5)	260
Contigent liabilities due to disposal	26.4	173	98		(102)	(12)	-	(2)	155
Cost of dismantling and restoring site (d)		95	9		-	-	-	(18)	86
Other		170	60		(47)	(18)	-	98	263
Provisions		**1,798**	**614**		**(559)**	**(118)**	**-**	**51**	**1,786**
Deduction of current provisions		(578)	(179)		344	8	-	7	(398)
Non current provisions		1,220	435		(215)	(110)	-	58	1,388

a. Includes employee deferred compensation.

b. Excludes employee termination reserves recorded under restructuring costs in the amount of €45 million in 2007 and €25 million in 2006.

c. Includes losses on onerous contracts and losses related to long-term contractual commitments estimated as part of business combinations. Concerns primarily contracts valid over several years relating to the broadcast of future film and TV productions and broadcasting rights of multi-channel digital TV packages. Includes, in particular, liabilities assumed in connection with the combination of the Canal+ Group and TPS pay-TV activities in France relating primarily to broadcasting rights, as well as the market value of other long-term contractual commitments. Please refer to Note 2.1.

d. SFR is required to dismantle and restore each mobile telephony antenna site following the termination of the site lease agreement.

e. The costs incurred in 2006 relating to the combination of the Canal+ France and TPS pay-TV activities in France amounted to €177 million, of which €165 million were recorded as provisions. As of December 31, 2007, the remaining provision amounted to €109 million.

Note 20. Employee Benefits

20.1. Analysis of the Expense Related to Employee Benefit Plans

The following table provides the cost of employee benefit plans excluding its financial component. The total cost of defined benefit plans is disclosed in Note 20.2.2 hereunder.

	Year Ended December 31,	
(In millions of euros)	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: non applicable.

a. The applicable discount rates were determined by reference to returns received on notes issued by investment grade companies having maturities identical to that of the valued plans. A 50 basis point increase in the 2007 discount rate would have lead to a decrease of €2 million in the pre-tax expense. A 50 basis point decrease in the 2007 discount rate would have lead to an increase of €3 million in the pre-tax expense.

b. For each country where Vivendi has plan assets, expected returns on plan assets were determined taking into account the structure of the asset portfolio and the expected rates of return for each of the components. A 50 basis point increase (or decrease) in the expected return on plan assets for 2007 would have led to a decrease of €2 million in the pre-tax expense (or an increase of €2 million).

The assumptions used in accounting for the pension benefits, by country, were as follows:

	US		UK		Germany		France	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.7%	4.9%	5.3%	4.3%	5.3%	4.3%
Expected return on plan assets	6.0%	5.0%	5.0%	4.5%	na*	na*	5.0%	4.4%
Rate of compensation increase	na*	4.0%	4.9%	4.6%	3.5%	3.5%	3.5%	3.5%

*na: non applicable.

Through its pension management policy in the US (until December 2007) and in the UK, Vivendi put in place an investment strategy, including notably the use of derivatives, which protects the group against unfavorable changes in interest rates and increases in the rate of inflation. Thus, an increase in the pension obligation is compensated for by a symmetrical increase in the fair value of the plan assets.

For the VUPS plan in the UK, this has resulted in the use of interest and inflation derivatives that protect the group from unfavorable movements in interest rates and inflation.

The assumptions used in accounting for the postretirement benefits, by country, were as follows:

	US		Canada	
	2007	2006	2007	2006
Discount rate	6.0%	5.3%	5.6%	4.8%
Rate of compensation increase	4.0%	4.0%	na*	na*

*na: non applicable.

Pension plan assets

The range of investment allocation by asset category for each major plan was as follows:

	Minimum	Maximum
Equity securities	10%	24%
Real estate	1%	1%
Debt securities	72%	86%
Cash	4%	4%

Vivendi's allocation of its pension plan assets as of December 31, 2007 and 2006 was as follows:

	December 31,	
	2007	2006
Equity securities	20.9%	9.7%
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.

20.2.2 Analysis of the expense recorded and the benefits paid

	Pension Benefits		Post-retirement Benefits		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
(In millions of euros)	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:

	Pension Benefits					Post-retirement Benefits				
	Year Ended December 31,				January 1,	Year Ended December 31,				January 1,
(In millions of euros)	2007	2006	2005	2004	2004	2007	2006	2005	2004	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)**

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:

		Pension Benefits		Post-retirement Benefits		Total	
(In millions of euros)	Note	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
		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)
Special termination benefits		-	4	-	-	-	4
Other (foreign currency translation adjustments)		(56)	(65)	(9)	(19)	(65)	(84)
Benefit obligation at the end of the year		**780**	**1,319**	**144**	**159**	**924**	**1,478**
o/w wholly or partly funded benefits		*495*	*997*	-	-	*495*	*997*
o/w wholly unfunded benefits (b)		*285*	*322*	*144*	*159*	*429*	*481*
Changes in fair value of plan assets							
Fair value of plan assets at the beginning of the year		911	806	-	-	911	806
Expected return on plan assets		40	39	-	-	40	39
Experience gains (losses) (c)		(24)	24	-	-	(24)	24
Contributions by employers		56	223	14	16	70	239
Contributions by plan participants		-	-	1	1	1	1
Business combinations		-	-	-	-	-	-
Divestitures		-	-	-	-	-	-
Settlements		(395)	(19)	-	-	(395)	(19)
Transfers		-	-	-	-	-	-
Benefits paid		(104)	(116)	(15)	(17)	(119)	(133)
Other (foreign currency translation adjustments)		(41)	(46)	-	-	(41)	(46)
Fair value of plan assets at the end of the year		**443**	**911**	**-**	**-**	**443**	**911**
Funded status							
Underfunded obligation		(337)	(408)	(144)	(159)	(481)	(567)
Unrecognized actuarial (gains) losses		71	117	(16)	(18)	55	99
Unrecognized past service cost		4	4	-	-	4	4
Adjustment related to asset ceiling		-	-	-	-	-	-
Net (provision) asset recorded in the statement of financial position		**(262)**	**(287)**	**(160)**	**(177)**	**(422)**	**(464)**
o/w assets		*17*	*21*	-	-	*17*	*21*
o/w including provisions for employee benefit plans (d)	*19*	*(279)*	*(308)*	*(160)*	*(177)*	*(439)*	*(485)*

a. Represents the impact on the benefit obligation resulting from the difference between benefits estimated at the previous year-end and benefits paid during the year. As a reminder, between 2005 and 2004, experience gains (losses) in respect of commitments amounted to -€8 million and -€7 million, respectively.

b. Certain pension plans, in accordance with local laws and practices, are not covered by pension funds. As of December 31, 2007, they principally comprise supplementary pension plans in the US and pension plans in Germany.

c. Represents the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year. As a reminder, in 2005 and 2004, experience gains (losses) in respect of plan assets amounted to €9 million and €6 million, respectively.

d. Includes a current liability of €60 million as of December 31, 2007 (compared to €73 million as of December 31, 2006).

Benefit obligation and fair value of plan assets detailed by country:

	Pension Benefits		Post-retirement Benefits	
	Year Ended December 31,		Year Ended December 31,	
(In millions of euros)	2007	2006	2007	2006
Benefit obligations				
US companies	116	564	121	137
UK companies	420	488	-	-
German companies	101	111	-	
French companies	89	82	-	-
Other	54	74	23	22
	780	**1,319**	**144**	**159**
Fair value of plan assets				
US companies	52	456	-	-
UK companies	321	354	-	-
French companies	46	43	-	-
Other	24	58	-	-
	443	**911**	**-**	**-**

20.2.4 Additional information on pension benefits in France

Vivendi maintains ten funded pension plans in France, of which four are invested through insurance companies. The allocation of assets by category of the various plans was as follows:

	Equity securities	Real estate	Debt securities	Cash	Total
Corporate Supplementary Plan	17.5%	5.0%	76.0%	1.5%	100.0%
Corporate Management Supplementary Plan	18.0%	4.5%	76.0%	1.5%	100.0%
SFR Supplementary Plan	19.0%	6.0%	74.0%	1.0%	100.0%
Canal+ Group IDR* Plan	16.0%	11.0%	73.0%	0.0%	100.0%

* IDR (Indemnités de départ en retraite): Indemnities payable on retirement.

The asset allocation remains fairly stable over time and the current asset allocation reflects the target asset allocation. Contributions to these plans amounted to €4 million in 2006, €5 million in 2007 and are estimated to be less than €5 million for 2008. Contributions to these ten plans amounted to €5 million in 2006 and in 2007, and are estimated to €6 million in 2008.

20.2.5 Benefits estimation and future payments

For 2008, pension fund contributions and benefit payments to retirees by Vivendi (contributions by employers) are estimated at €54 million in respect of pensions (€26 million of which relates to contributions to pension funds) and €12 million in respect of post-retirement benefits.

The table below presents, for its nominal value, the estimated future benefit payments that will be met by the pension funds or by Vivendi:

(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

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:

		Year Ended December 31,	
(In millions of euros)	Note	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
o/w former ADS option and acquisition plans converted into SAR plans (May 2006)	*79*	*62*
Vivendi “restricted stock unit” plans	9	6
UMG employee equity unit plan	55	71
Blizzard employee equity unit plan	78	12
Provisions related to cash-settled instruments	**231**	**154**

21.2. Information on Plans Granted by the Group

Vivendi has granted to employees several stock-based compensation plans. Depending on the fiscal residence of the employee, the plans are either equity-settled (mainly in the European Union and in Morocco) or cash-settled (mainly in the United States). These equity instruments are mainly composed of stock option plans (or stock appreciation right “SAR” plans, when they are cash settled) and of restricted stock plans (or restricted stock unit “RSU” plans, when they are cash-settled). The fair value of the equity-settled instruments granted is estimated and fixed at the grant date. The fair-value of the cash-settled instruments is initially estimated at the grant date and re-estimated at each reporting date; the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The characteristics and assumptions used to value these instruments are as follows (refer to Note 1.3.11 for further description of these plans and of the accounting methods applied by Vivendi):

Equity-settled instruments

	Subscription plans										
	2007 (a)			2006 (b)			2005 (b)	2004 (b)	2003 (b)		
Grant date	October 25	September 17	April 23	December 12	September 22	April 13	April 26	May 21	December 9	May 28	January 29
Data at grant date											
Options strike price (in euros)	30.79	30.79	30.79	29.41	28.54	28.54	23.64	20.67	19.07	14.40	15.90
Maturity (in years)	10	10	10	10	10	10	10	10	10	10	8
Expected term (in years)	6.5	6.5	6.5	6	6	6	10	10	10	10	8
Number of instruments granted	63,200	42,400	5,718,220	24,000	58,400	5,481,520	7,284,600	8,267,200	310,000	10,547,000	1,610,000
Share price (in euros)	29.24	29.60	31.75	29.39	27.9	28.14	23.72	20.15	18.85	15.67	15.20
Expected volatility	21 %	21 %	20 %	21 %	22 %	26 %	17 %	20 %	20 %	20 %	20 %
Risk-free interest rate (e)	4.12 %	4.16 %	4.17 %	3.93 %	3.73 %	3.99 %	3.48 %	4.35 %	3.90 %	3.90 %	3.90 %
Expected dividend yield	4.27 %	4.22 %	3.94 %	4.25 %	4.05 %	3.80 %	3.37 %	2.98 %	3.18 %	3.83 %	3.95 %
Fair value of the granted option at the grant date (in euros)	**4.30**	**4.52**	**5.64**	**4.43**	**4.20**	**5.38**	**4.33**	**4.78**	**4.21**	**3.65**	**2.64**
Fair value of the plan at the grant date (in millions of euros)	0.3	0.2	32.3	0.1	0.2	29.5	31.5	39.5	1.3	38.5	4.3

	Restricted stock plans							
	2007				2006			
Grant date	October 25 (c)	September 17 (c)	April 23 (c)	January 24 (d)	December 12 (d)	December 12 (c)	September 22 (c)	April 13 (c)
Data at grant date								
Maturity - vesting period (in years)	2	2	2	0	0	2	2	2
Number of instruments granted	5,266	3,536	476,717	8,670	353,430	2,001	4,861	456,968
Share price (in euros)	29.24	29.60	31.75	32.25	29.39	29.39	27.90	28.14
Expected dividend yield	4.27 %	4.22 %	3.94 %	3.88 %	4.25 %	4.25 %	4.05 %	3.80 %
Performance conditions achievement rate	100%	100%	100%	na*	na*	100%	100%	100%
Fair value of the granted option at the grant date (in euros)	**26.79**	**27.15**	**29.30**	**29.80**	**26.94**	**26.94**	**25.69**	**26.04**
Fair value of the plan at the grant date (in millions of euros)	0.1	0.1	14.0	0.3	9.5	0.1	0.1	11.9

Cash-settled instruments

	SARs		
	2007 (a)	2006 (b)	
Grant date	April 23	September 22	April 13
Strike price (in US dollars)	41.34	34.58	34.58
Maturity at the grant date (in years)	10	10	10
Number of instruments granted at grant date	1,280,660	24,000	1,250,320
Data at the valuation date (December 31, 2007)			
Expected term (in years)	5.8	4.7	4.4
Share price (in US dollars)	46.46	46.46	46.46
Expected volatility	21%	21%	21%
Risk-free interest rate (e)	4.21 %	4.17 %	4.15 %
Expected dividend yield	4.12%	4.12%	4.12%
Fair value of the granted option as of December 31, 2007 (in US dollars)	**9.78**	**12.89**	**12.42**
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	12.5	0.3	15.5

	RSUs			
	2007	2006		
Grant date	April 23 (c)	December 12 (d)	September 22 (c)	April 13 (c)
Maturity at the origin (in years)	2	0	2	2
Number of instruments initially granted	106,778	141,495	2,000	104,250
Data at the valuation date (December 31, 2007)				
Expected term (in years)	1.3	1	0.7	0.3
Share market price (in US dollars)	46.46	46.46	46.46	46.46
Expected dividend yield	4.12%	4.12%	4.12%	4.12%
Performance conditions achievement rate	100%	na*	100%	100%
Fair value of the granted option as of December 31, 2007 (in US dollars)	**44.55**	**44.55**	**46.46**	**46.46**
Fair value of the plan as of December 31, 2007 (in millions of US dollars)	4.8	6.3	0.1	4.8

*na: non applicable.

a. Stock options and SARs granted since January 1, 2007 vest at the end of a three-year vesting period. Therefore, the compensation cost is recognized on a straight-line basis over the vesting period.

b. Stock options and SARs granted before January 1, 2007 vest annually in one-third tranches from the grant date's anniversary. Two-thirds of the vested instruments become exercisable at the beginning of the third year from the grant date and the remaining one-third becomes exercisable at the beginning of the fourth year from the grant date. The compensation cost is recorded over the vesting period, but not on a straight line basis, given the vesting conditions. The expense is accounted for using the degressive method in accordance with the following spread rates: 61% in year 1, 28% in year 2 and 11% in year 3.

c. The restricted stock and RSU plans are conditional upon the achievement of certain operating objectives in terms of group adjusted net income and cash flow from operations as set forth in the budget of the ongoing fiscal year. As with grants in 2006, operating performance objectives were satisfied in 2007; therefore, all shares and RSUs granted in 2007 are definitively acquired and will be vested by the beneficiaries following the two-year vesting period. The compensation cost is therefore recognized on a straight-line basis over this period.

d. Vivendi set up a grant of 15 restricted shares without any performance conditions for all non-temporary employees and who are employed and who have been employed by the company for at least six months as of this date. Given the immediate vesting of such grant, the compensation cost was recognized in full on the grant date. For employees who are residents of France and Morocco, the 15 shares granted to each beneficiary will be issued to an individual account at the end of a two-year period from the grant date. At the end of this period, the restricted shares will remain unavailable for an additional two-year period. For employees who reside outside France and Morocco, each beneficiary definitively acquired a right to receive 15 RSUs which will remain unavailable for a four-year period after the grant date.

e. The risk-free interest rate used is the rate of "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date.

Former ADS option and acquisition plans converted into SAR plans (May 2006)

On May 15, 2006, the ADS option and acquisition plans for US resident employees were converted into SAR plans. The terms and conditions of the stock options granted remain unchanged (exercise price, vesting period, maturity, etc.), but can only be cash-settled henceforth. As a result, the estimated value of the vested rights of these plans as of that date (€67 million) has been recorded as a liability and classified in provisions as a deduction from equity.

21.3. Information on Outstanding Plans

Transactions involving all equity-settled and cash-settled plans since January 1, 2006 are summarized below:

Equity-settled instruments

	Stock Options on Vivendi Shares				Restricted Stock Plans	
	Number of Stock Options Outstanding	Weighted Average Strike Price of Stock Options Outstanding	Total Intrinsic Value	Weighted Average Remaining Contractual Life	Number of Restricted Stocks Outstanding	Weighted Average Remaining Period Before Issuing Shares
		(in euros)	(in millions of euros)	(in years)		(in years)
Balance as of December 31, 2005	**62,697,995**	**44.7**			-	
Granted	5,563,920	28.5			817,260	
Exercised	(1,840,970)	14.2			-	
Forfeited	(2,447,721)	140.2			-	
Cancelled	(513,302)	23.9			(11,700)	
Balance as of December 31, 2006	**63,459,922**	**44.2**			**805,560**	
Granted	5,823,820	30.8			494,189	
Exercised (a)	(7,733,586)	14.5			(60)	
Forfeited	(11,208,989)	66.7			-	
Cancelled	(374,932)	26.1			(22,796)	
Balance as of December 31, 2007	**49,966,235**	**42.3**	**230.1**	**4.8**	**1,276,893**	**0.9**
Exercisable as of December 31, 2007	**36,296,309**	**46.6**	**194.6**		**-**	
Acquired as of December 31, 2007	**38,921,347**	**46.1**	**201.9**		**394,813**	

a. The weighted average share price for options exercised was €31.54.

Cash-settled instruments

	SARs (including former ADS converted into SARs in May 2006)				RSUs	
	Number of SARs Outstanding	Weighted Average Strike Price of SARs Outstanding	Total Intrinsic Value	Weighted Average Remaining Contractual Life	Number of Restricted Stocks Units Outstanding	Weighted Average Remaining Period Before Acquisition
		(in US dollars)	(in millions of US dollars)	(in years)		(in years)
Balance as of December 31, 2005	**37,903,611**	**50.3**				
Granted	1,274,320	34.6			247,745	
Exercised	(1,781,581)	19.3			-	
Forfeited	(2,381,357)	44.1			-	
Cancelled	(551,937)	40.4			(1,334)	
Balance as of December 31, 2006	**34,463,056**	**51.9**			**246,411**	
Granted	1,280,660	41.3			106,778	
Exercised (a)	(1,855,291)	29.7			-	
Forfeited	(2,516,746)	49.6			-	
Cancelled	(189,108)	43.2			(10,297)	
Balance as of December 31, 2007	**31,182,571**	**53.0**	**114.2**	**2.4**	**342,892**	**0.9**
Exercisable as of December 31, 2007	**28,221,179**	**54.8**	**85.3**		**-**	
Acquired as of December 31, 2007	**28,631,239**	**54.5**	**90.1**		**141,495**	

a. The weighted average share price for SAR exercised was $43.91.

The following table summarizes information concerning stock options for ordinary shares outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Strike Price
		(in euros)	(in years)		(in euros)
Under €20	4,887,514	14.7	5.1	4,887,514	14.7
€20 - €30	19,263,581	23.9	7.2	13,933,668	22.8
€30 - €40	5,827,254	30.8	9.2	215,114	32.0
€40 - €50	7,009,308	46.9	1.8	7,009,308	46.9
€50 - €60	728,039	55.9	1.9	625,204	56.3
€60 - €70	1,368	67.8	1.2	1,368	67.8
€70 - €80	6,879,016	76.5	0.9	6,879,016	76.5
€80 and more	5,370,155	94.6	0.7	5,370,155	94.6
	49,966,235	**42.3**	**4.8**	**38,921,347**	**46.1**

The following table summarizes information concerning stock appreciation rights outstanding and vested as of December 31, 2007:

Range of Strike Prices	Number Outstanding	Weighted Average Strike Price	Weighted Average Remaining Contractual Life	Number Vested	Weighted Average Strike Price
		(in US dollars)	(in years)		(in US dollars)
Under $20	518,459	14.9	3.8	518,459	14.9
$20 - $30	1,092,386	24.4	5.7	1,092,386	24.4
$30 - $40	3,004,335	32.9	7.0	1,689,383	32.8
$40 - $50	11,353,514	43.6	2.1	10,117,134	43.8
$50 - $60	2,888,630	57.8	1.2	2,888,630	57.8
$60 - $70	6,650,844	65.9	1.1	6,650,844	65.9
$70 - $80	5,662,960	74.0	2.0	5,662,960	74.0
$80 and more	11,443	175.2	2.0	11,443	175.2
	31,182,571	**53.0**	**2.4**	**28,631,239**	**54.5**

21.4. Long-term Incentive Plans

21.4.1 UMG long-term incentive plan

Since 2003, UMG has maintained an Equity Incentive Plan. Under the plan, certain key executives of UMG are awarded equity units. These equity units are phantom stock units whose value is intended to reflect the value of UMG, net of certain other adjustments as defined in the plan. These equity units are simply units of account, and they do not represent an actual ownership interest in either UMG or Vivendi. In general, the plan calls for equity units to vest at the end of a fixed vesting period that typically coincides with the term of the executive's employment agreement. In general, the Plan calls for cash payments to be made to participants at the end of that vesting period, based on the value of the equity units at that time (all amounts under the plan are due in 2008 and 2009). The Plan is denominated in U.S. dollars. As of December 31, 2007, there are 1,350,000 units granted (unchanged compared to December 31, 2006).

While an executive's equity units generally vest at the end of a fixed vesting period, compensation expense is recognized over the vesting period as services are rendered. Specifically, the expense recognized is based on the portion of the vesting period that has elapsed and the last available estimated value of those equity units. The expense is recorded as a provision. As of December 31, 2007, the estimated value of the rights vested, i.e., 1,134,000 units, amounted to $78 million (€55 million), compared to $93 million (€71 million) as of December 31, 2006. Changes in the local currency valuation are charged or credited to earnings as incurred. For 2007 this arose principally from a decrease in the estimated enterprise value of UMG and resulted in a credit to overheads of approximately €9 million.

Except in the case of certain transactions, the cash payments made under the Plan will be based on the appraised value of UMG as determined by a third-party valuation. This appraised value is based on UMG's total enterprise value, taking into account other adjustments as defined in the Plan as of December 31 of the year preceding the payment. As of December 31, 2007, no payment has yet been made (or were due to be made) under the Plan. Accordingly, no third-party valuation has been undertaken at this stage. In order to value the equity units for accounting purposes prior to an actual payment, the value of the Units is estimated based on publicly-available estimates of UMG's enterprise value as of December 31, 2007.

21.4.2 Blizzard (Vivendi Games subsidiary) long-term incentive plan

In 2006, Blizzard implemented the Blizzard Equity Plan (BEP), an equity incentive plan denominated in U.S. dollars. Under the Blizzard Equity Plan, certain key executives and employees of Blizzard were awarded restricted shares of Blizzard stock and other cash settled awards of Blizzard as follows:

- In October 2006, 1,361,000 restricted shares were granted. The value of the shares is determined every year based on an external independent appraisal. In general, the participants may only redeem vested shares in exchange for cash payments over the 10-year life of the grant. These restricted shares vest in one-third increments over three years, starting January 1, 2007.
- In March 2007, 729,000 cash settled stock options were granted with a strike price of $19.24 and a fixed exercise/payment term on May 1, 2009. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options shall vest in accordance with the following schedule: one-third (243,000 awards) immediately vested at the date of grant, one-third as of January 1, 2008 and the remaining portion as of January 1, 2009.
- In March 2007, an additional 1,215,000 cash settled stock options were granted with a strike price of $19.24 and a fixed exercise/payment term on May 1, 2010. These awards call for cash payments to be made to participants at this fixed date based on the value of Blizzard shares at that time. These options vest in one-third increments over 3 years, starting January 1, 2008.

On December 1, 2007, Vivendi signed a definitive business combination agreement (''BCA'') with Activision, Inc. (''Activision'') to combine Vivendi Games with Activision. Under the terms of the agreement, Vivendi Games will be merged with a wholly owned subsidiary of Activision. Under the provisions of the BEP, the consummation of this transaction will be deemed a change in control, which will automatically trigger cash payments to the beneficiaries for the portion of awards that are vested at the closing date of the transaction. The outstanding non-vested rights shall become immediately vested upon the closing of the transaction, cancelled and extinguished and converted into a new right to receive an amount in cash eighteen months after the closing date upon the terms and subject to the conditions set forth in the BEP, including continued employment through the payment date.

With respect to both the payments made on the closing date with respect to previously vested awards and eighteen months thereafter with respect to the unvested awards, participants will be entitled to receive, in aggregate, a cash payment equal to the product of the number of shares subject to the awards and the per share fair value of Blizzard, less, for the cash-settled stock options, the applicable aggregate strike price.

The expense recognized in 2007 is based on the present obligation to make cash payments to the beneficiaries for the rights vested as of December 31, 2007 (equal to the portion of rights that should be vested at the closing date of the transaction assuming a closing in 2008) and was derived from the value of Blizzard shares as determined under the BEP. As of December 31, 2007, the estimated value of the rights vested amounted to $113 million (€78 million). As of December 31, 2007, the estimated value of the non-vested rights amounted to $89 million (€62 million), which will be recognized as an expense over the eighteen-month period from the closing date.

21.5. Employee Stock Purchase Plans

Vivendi maintains employee stock purchase plans that allow substantially all of the group's full-time French employees and retirees to purchase Vivendi shares through capital increases reserved for them.

The characteristics of the plan granted in 2007 and the related assumptions used to measure the advantage granted to employees (with a discounted price for Vivendi shares and a discount for non-transferability) are as follows:

	2007
Grant date	June 29,
Subscription price (in euros)	24.60
Data at grant date	
Share price (in euros)	31.9
Number of shares subscribed (a)	1,276,227
Expected dividend yield	3.94%
Risk-free interest rate	4.59%
5-year interest rate	6.54%
Discount for non-transferability (b)	9.2%
Fair value of instrument at grant date (in euros)	4.38
Fair value of the plan at grant date (in millions of euros)	6

a. The increase in capital was registered on July 18, 2007, for a total amount of €31 million.

b. Computed as a percentage of the share price at the grant date.

In 2006, 1,471,499 shares were subscribed as part of the employee stock purchase plan for a total amount of €30 million. The fair value of the plan as of grant date amounted to €4.98 per share.

Note 22. Borrowings and other Financial Liabilities

Analysis of Long-Term Borrowings and Other Financial Liabilities

(In millions of euros)	Note	Nominal interest rate (%)	Effective interest rate (%)	Maturity	December 31, 2007	December 31, 2006
Finance leases	12	-	-	2009 - 2011	9 (a)	247
***Asset-backed borrowings** (b)*					***9***	***247***
Notes						
€700 million notes (October 2006) (c)		Euribor 3 months +0.50%	-	October 2011	700	700
€500 million notes (October 2006) (c)		4.50%	4.58%	October 2013	500	500
€630 million notes (April 2005) (c)		3.63%	3.63%	April 2010	630	630
€600 million notes (February 2005) (c)		3.88%	3.94%	February 2012	600	600
€600 million notes (July 2005) - SFR (c)		3.38%	3.43%	July 2012	600	600
€400 million notes (October 2006) - SFR (c)		Euribor 3 months +0.125%	-	October 2008	- (d)	400
Bonds exchangeable for Sogecable shares	24.3	1.75%	6.48%	October 2008	- (d)	221
Other notes		-	-	na*	209	275
Facilities					-	
MAD 6 billion notes - tranche B: 4 billion		TMP BDT 5 yrs. +1.15% (e)	-	December 2011	353	359
€1.2 billion credit facility - SFR		Euribor 1 month +0.175%	-	April 2011	440	-
€450 million credit facility - SFR		Euribor 1 month +0.16%	-	November 2011	290	-
Other		-	-	na*	202	138
Unsecured borrowings					***4,524***	***4,423***
Nominal value of borrowings					**4,533**	**4,670**
Cumulative effect of amortized cost and split accounting of embedded derivatives		na*	-	na*	(9)	(40)
Borrowings					**4,524**	**4,630**
Put options granted to TF1 and M6 on 15% of the share capital of Canal+ France	2.1	na*	-	February 2010	1,034	-
Put options granted to various third parties by Canal+ Group and SFR		na*	-	-	33	43
Commitments to purchase minority interests					**1,067**	**43**
Embedded derivative in bonds exchangeable for Sogecable shares	24.3	na*	-	October 2008	-	26
Other financial derivative instruments	24	na*	-	-	19	15
Other derivative instruments					**19**	**41**
Long-term borrowings and other financial liabilities					**5,610**	**4,714**

*na: non applicable.

a. The early settlement of rental guarantees related to the last three buildings in Germany, which took place at the end of November 2007, involved a payment of €120 million and a deconsolidation of debt relating to finance lease commitments (€180 million, net of related cash deposit previously recorded in financial assets for €51 million. Please refer to Note 15). In addition, this transaction generated a capital gain of €59 million. Please refer to Note 26.

b. Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower's and/or its guarantors' assets.

c. The notes, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

d. This borrowing was recorded as a short term borrowing.

e. The interest rate is calculated based on the weighted average rate of the treasury bonds issued by the Kingdom of Morocco.

Analysis of Short-Term Borrowings and Other Financial Liabilities

(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 S.A.		Eonia +0.05%	-	167
SFR		Eonia +0.20%	376	950
Current portion of long-term borrowings				
€700 million notes (July 2004) - Vivendi S.A.		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.

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).

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:

		Year Ended December 31,			
		2007		2006	
(In millions of euros)	Note	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.

The following table sets forth the value of derivative financial instruments recorded in the Consolidated Statements of financial position as of December 31, 2007 and December 31, 2006:

	December 31, 2007		December 31, 2006	
	Derivative financial instruments		Derivative financial instruments	
(In millions of euros)	as assets	as liabilities	as assets	as liabilities
Interest rate risk managements				
Pay-fixed interest rate swaps	32	-	14	-
Pay-floating interest rate swaps	1	2	3	1
Interest rate caps	-	-	1	-
	33	**2**	**18**	**1**
Foreign currency risk management				
Currency swaps	6	3	2	4
Forward contracts	15	3	13	1
	21	**6**	**15**	**5**
Equity market risk management				
Swaps indexed on Vivendi shares	-	2	-	4
Swaps indexed on other shares	15	-	11	-
	15	**2**	**11**	**4**
Other derivative instruments				
Embedded derivative in bonds exchangeable for Sogecable shares	-	19	-	26
Other embedded derivatives on borrowings	-	18	-	16
Other	-	6	8	-
		43	**8**	**42**
Derivative financial instruments	**69**	**53**	**52**	**52**
Deduction of current derivative financial instruments	(32)	(34)	(37)	(11)
Non current derivative financial instruments	**37**	**19**	**15**	**41**

The portfolio of derivative instruments set up by the group mainly includes cash flow hedging instruments, which represent a fair value of €45 million as of December 31, 2007 as well as net investment hedging instruments, fair value hedging and derivative instruments recorded at fair value against Earnings for a non material aggregate amount.

24.1. Interest Rate Risk Management

Interest rate risk management instruments are used by Vivendi to reduce net exposure to interest rate fluctuations, to adjust the respective proportion of fixed and floating interest rates in the total debt and to lower net financing costs.

Average gross borrowings and average cost of borrowings

In 2007, average gross borrowings amounted to €7.2 billion (compared to €6.7 billion in 2006), of which €3.3 billion was of fixed rates and €3.9 billion was of floating rates (compared to €3.0 and €3.7 billion in 2006, respectively). In 2007, the average cost of borrowings was 4.29% (compared to 4.22% in 2006) before taking into account the impact of interest rate derivative instruments. After interest rate management, the average cost of borrowings was 4.18%, with a fixed rate ratio of 64% (compared to 4.20%, with a fixed-rate ratio of 52% in 2006).

Interest rate hedges

Interest rate risk management instruments used by Vivendi include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate borrowings to LIBOR and EURIBOR indexed ones. Pay-fixed swaps convert floating rate borrowings into fixed rate borrowings. These instruments enable the group to manage and reduce volatility in future cash flows required for interest payments on floating rate borrowings.

At the end of December 2006, Vivendi has a number of interest rate caps. If interest rates rise above the strike rate, the caps convert floating-rate borrowings into fixed-rate borrowings. Below the strike rate, the caps are not activated and Vivendi is able to benefit from decreases in interest rates.

At the end of December 2007, borrowings totaled €6.2 billion. Before considering any hedging instruments, floating-rate borrowings totaled €3.2 billion, hedged by swaps for the amount of €1.5 billion.

Moreover, cash and cash equivalents totaled €2 billion and are entirely of floating rate. Given the relative weighting of the Group's fixed-rate positions (borrowings of €3.0 billion based on fixed rate and €1.5 billion in floating-rate borrowings hedged by interest rate swaps for a total amount of €4.5 billion), and floating-rate positions (borrowings of €3.2 billion less cash and cash equivalents of €2 billion, for a total amount of €1.2 billion), an increase of 100 basis points in short-term interest rates would generate a decrease of €3 million in interest cost and a decrease of 100 basis points in short-term interest rates would generate a increase of €3 million in interest cost.

The following table summarizes information concerning Vivendi's interest rate risk management instruments:

	Year Ended December 31,		
(In millions of euros)	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	700	(a)
Due after five years	-	50	(b)
Pay-floating interest rate swaps			
Notional amount	130	280	
Average interest rate paid	4.65%	3.66%	
Average interest rate received	4.48%	3.28%	
Maturity:			
Due within one year	30	250	
Due after one year and within five years	100	30	
Due after five years	-	-	
Net position at Fixed interest rate	**1,470**	**970**	
Interest rate caps			
Notional amount	-	450	(c)
Guarantee rate bought	-	3.57%	
Maturity:			
Due within one year	-	450	
Due after one year and within five years	-	-	

a. In 2006, Vivendi hedged its €700 million floating-rate notes issued in October 2006 (Please refer to Note 22) with pay-fixed interest rate swaps for a notional amount of €700 million and with a maturity of five years (i.e., 2011). For accounting purposes, such derivative instruments are qualified as cash flow hedges. In 2007, SFR extended its interest rate coverage by setting up €400 million of additional hedges in the form of swaps:
    - four fixed-rate payer swaps maturing in 4 and 5 years (i.e., 2011 and 2012) for a total nominal amount of €200 million. These instruments are classified as cash flow hedges for accounting purposes.
    - two swaps against 1-month Euribor, each of which may be cancelled at the option of the bank, and maturing in 5 years (i.e., 2012) for a total nominal amount of €200 million. These instruments are recorded at fair value through profit or loss in the accounts.
b. Deferred-start in October 2007 pay-fixed interest rate swaps with a maturity of 5 years, and are qualified as a cash flow hedge.
c. In 2006, SFR completed the hedging of its interest rate risk on its treasury bill program with the implementation of additional interest rate caps of €300 million maturing in 2007, that will be converted into pay-fixed interest rate swaps or deferred-start swaps with maturities of 4 and 5 years (i.e., 2011 and 2012). For accounting purposes, such derivative instruments are qualified as a cash flow hedge.

24.2. Foreign Currency Risk Management

Vivendi's foreign currency risk policy seeks to hedge highly probable budget exposures, resulting primarily from monetary flows generated by commercial activities performed in currencies other than the euro and firm commitments, essentially relating to the acquisition of editorial content including sports, audiovisual and film rights, valued in foreign currency. For this purpose, Vivendi enters into currency swaps and forward contracts, in accordance with procedures prohibiting speculative transactions:

- Vivendi is the sole counterparty for foreign currency transactions within the group, unless specific regulatory or operational restrictions require otherwise;
- all foreign currency hedging transactions are backed, in amount and by maturity, by an identified economic underlying item; and
- all identified exposures are hedged at a minimum of 80% for forecasted transactions exposures and 100% for firm commitment contracts.

In addition, Vivendi also hedges foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities by entering into currency swaps and forward contracts enabling the refinancing or investment of cash balances in euros or the local currency.

As of December 31, 2007, Vivendi had effectively hedged approximately 100% (compared to 96% as of December 31, 2006) of its foreign currency cash flows as well as borrowing-related exposure. The principal currencies hedged were the the pound sterling, the US dollar and the Japanese yen. In 2007, firm commitment contracts and forecasted transactions were entirely hedged. 2008 forecasted transactions were hedged at 80% in accordance with Vivendi's internal procedures with respect to foreign currency hedging and will be reviewed as of June 30, 2008.

In addition, in order to protect its net investment in certain Japanese subsidiaries against a potential devaluation, Vivendi hedged its Japanese exposure by setting up forward contracts and currency swaps for a notional amount of €233 million. For accounting purposes, such derivative instruments are qualified as net investment hedge.

Finally, with a view to the investment in Activision in 2008 of at least $1.7 billion, Vivendi set up in December 2007 a forward contract for the purchase of $1.2 billion, to partially hedge the purchase of the necessary U.S. dollars. The euro equivalent of this amount as of December 31, 2007 is €820 million. These instruments are classified as cash flow hedges for accounting purposes.

24.2.1 Sensitivity of operating indicators and indebtedness to the US dollar and the Moroccan dirham

An increase represents the appreciation of the euro against currency concerned.

	USD				MAD			
Average exchange rate used over the year 2007								
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Revenues	-0.3%	0.3%	-0.6%	0.6%	-0.5%	0.5%	-0.9%	1.1%
Earnings before interest and income taxes (EBIT)	0.1%	-0.1%	0.1%	-0.1%	-1.1%	1.3%	-2.2%	2.7%
Net cash provided by operating activities	0.1%	-0.1%	0.3%	-0.2%	-0.9%	1.0%	-1.6%	2.0%

	USD				MAD			
Exchange rate used as of December 31, 2007								
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Redemption value of borrowings	-0.1%	0.1%	-0.1%	0.1%	-0.3%	0.4%	-0.6%	0.8%
Cash and cash equivalents	-0.1%	0.1%	-0.2%	0.2%	-0.6%	0.6%	-1.1%	1.4%

24.2.2 Characteristics of foreign currency risk management instruments

As of December 31, 2007, excluding the net position of borrowings denominated in Moroccan Dirham (MAD), Vivendi's foreign currency denominated borrowings were not material. Nonetheless, Vivendi uses derivative instruments to manage its foreign currency exposure to intercompany current accounts denominated in foreign currencies.

Details concerning these instruments are provided in the table below:

(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.

	December 31, 2007						
(In millions of euros)	**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**

	December 31, 2006						
(In millions of euros)	**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)**

24.2.3 Group net balance sheet positions

The table below shows the group's net position in the main foreign currencies as of December 31, 2007 and as of December 31, 2006:

	December 31, 2007					
(In millions of euros)	**USD**	**GBP**	**JPY**	**AUD**	**PLN**	**Other**
Assets	55	7	-	-	-	67
Liabilities	(148)	(369)	(182)	(55)	(119)	(36)
Net balance before management	**(93)**	**(362)**	**(182)**	**(55)**	**(119)**	**31**
Derivative financial instruments	47	366	203	55	107	(3)
Net balance after management	**(46)**	**4**	**21**	**-**	**(12)**	**28**

	December 31, 2006					
(In millions of euros)	**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.

	Year Ended December 31,	
	2007	2006
Call options purchased on Vivendi shares		
Number of shares	21,991,275	27,642,512
Total strike price (in millions of euros)	1,620	2,001
Maturity	December 2008	December 2008

In 2007 and 2006, Vivendi also hedged certain equity-linked to Vivendi and Canal+ S.A. debts using indexed swaps.

	Year Ended December 31,	
	2007	2006
Equity-linked swaps:		
Notional amount (in millions of euros)	123	123
Maturity:		
Due within one year	70	-
Due after one year and within five years	53	123

24.3.3 Hedges of other commitments and bonds exchangeable for shares

Bonds exchangeable for Sogecable SA shares

On October 30, 2003, Vivendi issued €605 million of 1.75% exchangeable bonds due 2008. The bonds are exchangeable for common shares of Sogecable S.A. (a limited liability company incorporated under the laws of the Kingdom of Spain, whose shares are listed on the Madrid Stock Exchange). Each bond is exchangeable at the option of the bondholder at any time, up to the tenth business day preceding the maturity date, into common shares of Sogecable S.A. at an exchange ratio of one share for one bond, subject to adjustment upon the occurrence of certain events. As of December 31, 2007, this ratio is fixed at 1,0118 share. Vivendi may at its discretion elect to pay holders exercising their option the cash equivalent in euros of the present market value of the relevant shares. In 2005, Vivendi divested 12.5 million Sogecable shares, at the bondholders' request, as part of the redemption of €363 million bonds exchangeable into Sogecable shares. In addition, Vivendi is entitled, at any time since October 30, 2006, at its discretion, to redeem in cash all, but not less than all, of the outstanding bonds, if on 20 out of 30 consecutive trading days, the product of (i) the closing price of a Sogecable share on the Madrid Stock Exchange and (ii) the then applicable exchange ratio equals or exceeds 125% of the sum of the principal amount of one bond (€29.32) plus accrued interest to, but excluding, the date set for redemption. In addition, Vivendi is entitled at any time to redeem in cash all, but not less than all, of the bonds outstanding at a price equal to the principal amount of the bonds plus accrued interest, if any, if less than 10% of the bonds originally issued remain outstanding at that time. Unless previously redeemed, exchanged or purchased and cancelled, the bonds will be redeemed in cash on the maturity date at their principal amount. The bonds, which are listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.

These bonds consist of a financial debt as well as a financial derivative instrument. The option granted to the bondholders is recorded as an embedded derivative for its fair value (€19 million as of December 31, 2007, compared to €26 million as of December 31, 2006). The debt component is recorded at amortized costs of €212 million as of December 2007 and €203 million as of December 31, 2006. Please refer to Note 22.2.

As of December 31, 2007, Vivendi held 7.6 million Sogecable shares (unchanged compared to 2006) for a net value of €209 million (compared to €206 million as of December 31, 2006), of which 0.5 million shares were subject to a loan (compared to 1 million as of December 31, 2006). At the time of the issuance, Vivendi committed to lend a maximum of 20 million Sogecable shares to the financial institution acting as a bookrunner for the bond issue. Please refer to Note 15.

24.4. Credit and Investment Concentration Risk and Counterparty Risk

Vivendi minimizes the concentration of its credit and investment risk and counterparty risk by entering into credit and investment transactions only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions (rated at least A- by rating agencies).

Although Vivendi's credit risk is limited to the replacement cost at the present-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and those losses, related to such risk if any, would not be material. The market risk on foreign exchange hedging instruments should be offset by changes in the valuation of the underlying hedged items. Vivendi's receivables and investments do not represent a significant concentration of credit risk due to its wide customer base, the wide variety of customers and markets in which its products are sold, the geographic diversity of its reporting units and the diversification of its portfolio among instruments and issuers.

24.5. Liquidity Risk

Vivendi believes that cash generated by its operations, cash and cash equivalents and the amounts available through its current credit lines, (available for €4.0 billion as of February 26, 2008, the date of the Management Board meeting which approved the financial statements for the year ended December 31, 2007), or under process of syndication (these lines should be available for €2 billion from February 29, 2008, please refer to Note 29), guarantee a sufficient liquidity to finance the group's operating expenses, capital investment needs, debt service, dividend payments and business combinations underway as of December 31, 2007.

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

Note 25. Transactions with Related Parties

This note presents transactions with related parties performed during 2007 and 2006 which could impact results, activities or the financial position of the group in 2008 or thereafter. As of December 31, 2007, and to the best of the company's knowledge, no transactions with related parties presented hereunder are likely to have a material impact on the results, activities or financial position of the group.

As a reminder, group-related parties are those companies over which the group exercises control, joint control or significant influence (joint ventures and equity affiliates), shareholders exercising joint control over group joint ventures, minority shareholders exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise control, joint control, significant influence or in which they hold significant voting rights.

25.1. Compensation of Directors and Officers

The table below is a breakdown of Vivendi's compensation costs (including social security contributions) as well as other benefits granted to Management Board and Supervisory Board members in accordance with the different categories required by paragraph 16 of IAS 24.

	Year Ended December 31,	
(In millions of euros)	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).

The following is a summary of the related party transactions referenced above, all of which are conducted on an arm's length basis:

- Broadcasting rights regarding NBCU programs broadcast on the Canal+ Group channels and NBCU channels broadcast on CanalSat, and a movie production and distribution agreement with StudioCanal. In 2007, Canal+ France gave commitments relating to these contracts amounting to approximately to €510 million (compared to €415 million as of December 31, 2006), and StudioCanal received commitments relating to these contracts for a total amount of €24 million as of December 31, 2007 (compared to €33 million as of December 31, 2006). In 2007, the Canal+ Group recorded a net operating expense of €2 million compared to a net operating income of €15 million in 2006 in respect of business with NBCU and its subsidiaries. As of December 31, 2007, total receivables amounted to €44 million (compared to €48 million as of December 31, 2006), and total payables amounted to €17 million (compared to €10 million as of December 31, 2006). In addition, StudioCanal invested up to €41 million in co-production projects (compared to €66 million in 2006).

- Agreements with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer, signed in 2006 for a period of five years as a result of the Canal+ Group and TPS combination of the pay-TV activities in France.

- Cooperation and roaming agreements between SFR and Vodafone Group. These contracts generated a net expense of €18 million for SFR in 2007 compared to €25 million in 2006.

- Agreements with Neuf Cegetel which give SFR the right to use its networks and Neuf Cegetel the right to carry a volume of SFR and its subsidiaries calls. These contracts generated a net expense of €193 million as of December 31, 2007 compared to €245 million as of December 31, 2006.

Note 26. Contractual Obligations and Other Commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- contracts related to operations such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the statement of financial position, including finance leases (please refer to Note 12), off-balance sheet operating leases and subleases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;

- commitments related to investments or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets; and
- contingent assets and liabilities linked to litigations in which Vivendi is either plaintiff or defendant (please refer to Note 27).

26.1. Contractual Obligations and Commercial Commitments Recorded

Below is the summary of material contractual obligations and commercial commitments recorded in the statement of financial position as of December 31, 2007 and December 31, 2006. Further information is provided in Notes 26.1.1 and 26.1.2 of the present document and in the notes mentioned in the table below.

		Total as of December 31, 2007				Total as of December 31, 2006
		Total	Payments due in			
(in millions of euros)	Note		2008	2009-2012	After 2012	
Borrowings and other financial liabilities		8,296	1967	5780	549	8197
o/w nominal value of borrowings and other financial liabilities (a)		*7,461*	*1744*	*5190*	*527*	*7346*
o/w interests to be paid (b)		*835*	*223*	*590*	*22*	*851*
Contractual content commitments	10.2	2,365	2196	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	1633	2185	550	4,233
Other purchase obligations	26.1.2	1,358	584	492	282	1,438
Subtotal - not recorded in the Consolidated Statement of Financial Position		**7,350**	**2,521**	**3,597**	**1,232**	**7,260**
Total contractual obligations		**18,011**	**6,684**	**9,529**	**1,798**	**17,608**

a. Future payment obligations are presented at their nominal value as set forth in the relevant agreements.
b. The interest to be paid on floating rate borrowings is estimated based on the floating rate as of December 31, 2007.

Commitments specific to risk management are presented in Note 24.

26.1.1 Off balance sheet operating leases and subleases

	Future minimum lease payments as of December 31, 2007				Future minimum lease payments as of December 31, 2006
	Total	Due in			
(in millions of euros)		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).

26.1.2 Off balance sheet commercial commitments

(in millions of euros)	Future minimum lease payments as of December 31, 2007 – Total		Due in 2008	Due in 2009-2012	Due in After 2012	Future minimum payments as of December 31, 2006
Satellite transponders	936	(a)	229	431	276	774
Investment commitments (b)	316	(c)	303	13	-	561
Other	151		75	70	6	141
Given commitments	**1,403**		**607**	**514**	**282**	**1,476**
Satellite transponders	(45)		(23)	(22)	-	(38)
Received commitments	**(45)**		**(23)**	**(22)**	**-**	**(38)**
Net total	**1,358**		**584**	**492**	**282**	**1,438**

a. Includes the new satellite capacity contract at Canal+ Group. Canal+ Group decided, following a bidding process, to retain Astra as the future sole operator carrying its television programs and services by satellite services in France. Due to an option of pre-payment granted to Canal+ Group, this contract represented an additional overall commitment of €200 million over 10 years of which €89 was million paid in 2007, upon the exercise of early payment by Canal+ Group.

b. Mainly relates to Maroc Telecom, SFR and Canal+ Group.

c. Mainly includes residual commitments of Maroc Telecom related to the agreement signed in 2006 with the government of the Kingdom of Morocco pursuant to which Maroc Telecom committed to carry out a capital expenditure program for a total amount of MAD 7.4 billion and to create 150 new jobs between 2006 and 2009. In return, the Moroccan government agreed to exempt Maroc Telecom from paying customs' duties on capex-related imports. As of December 31, 2007, approximately MAD 391 million (€35 million, at this time) of the capital expenditure program had yet to be spent. If Maroc Telecom does not make these investments, it will have to pay the unpaid customs' duties plus interest for late payment.

26.2. Other Given and Received Commitments Relating to Operations

References	Nature of the commitment	Amount of the commitment	Expiry
	Contingent liabilities		
(a)	SFR - UMTS license for France (assigned in August 2001)	1% of revenues earned	2021
(a)	SFR - GSM license for France (renewed in March 2006)	1% of revenues earned	2021
(b)	Maroc Telecom - Contribution to the provision of universal service	2 % of Maroc Telecom annual revenues, net of interconnection costs	-
	Gabon Telecom - Contribution to mandatory health insurance	10% of annual revenue in mobile activities (excluding all taxes dropped by commissions paid to distributors) as of January 1st 2008.	-
(c)	Obligations related to the permission to use the Consolidated Global Profit System	- Creation of jobs 600 connected with the Group's businesses (760 already created at the beginning of 2008 since 2005) - Payment of €5 million annually for 5 years (€15 million already paid as of December 31, 2007)	2009
	Individual rights to training for French employees	Approximately 618 000 hours as of December 31, 2007	-
	Obligations in connection with pension plans and post-retirement benefits	Please refer to Note 20 "Employee benefits"	-
(d)	Various other miscellaneous guarantees given	Cumulated amount of €79 million	-
	Contingent assets		
(a)	SFR - Licenses for SFR networks and for the supply of telecommunications services in France: GSM (March 2006 - March 2021) and 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.

d. Including a guarantee capped at €17 million that would be reimbursed by December 2009, if it were to be called. In addition, Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the pursuit of their operations.

e. In July 2006, Maroc Telecom was awarded a 3G mobile license by the ANRT (the Moroccan National Telecommunications Regulatory Agency) for 25 years (July 2006 through July 2031) for a fixed fee of MAD 300 million (approximately €27 million, excluding tax, paid in the fourth quarter of 2006).

26.3. Share Purchase and Sale Commitments

In connection with the purchase or sale of assets, Vivendi grants or receives commitments to purchase or sell securities. The main commitments of this nature concern Vivendi's stake in NBC Universal and in the share capital of Canal+ France and are described below. Furthermore, Vivendi has granted or received purchase or sale options related to shares in equity affiliates and unconsolidated investments.

NBC Universal

As part of the NBC-Universal transaction which was completed in May 2004, Vivendi received certain liquidity commitments and guarantees from General Electric (GE) which were subsequently amended in December 2006. As part of the amended agreement that governs Vivendi's exit from NBCU, Vivendi is entitled to sell its stake in NBCU under mechanisms providing for exits at fair market value. Vivendi has the right to notify GE of its intent to sell in the public market its NBCU shares from November 15 until the Friday of the first full week of December of each year between 2007 and 2016 up to an amount of $4 billion, which could lead to the public offering of a portion of Vivendi's stake the following year. GE has the right to pre-empt any of Vivendi's sales to the market. Under certain circumstances, if Vivendi exercises its right to sell its NBCU shares in the market, Vivendi will be able to exercise a put option to GE for those shares. Lastly, for the period between May 11, 2011 and May 11, 2017, GE will have the right to call either (i) all of Vivendi's NBCU shares or (ii) $4 billion of Vivendi's NBCU shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC Universal transaction in May 2004 (i.e. $8.3 billion), which value is increased by the US Consumer Price Index annually beginning in May 2009. If GE calls $4 billion, but not all, of Vivendi's NBCU shares, GE must call the remaining NBCU shares held by Vivendi by the end of the 12-month period commencing on the date GE exercises its call option.

Canal+ France

As part of the combination of the Canal+ Group and TPS pay-TV activities in France, TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. The present value of this option was recorded as a financial liability in the amount of €1,034 million as of December 31, 2007. In addition, Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase its equity interest in Canal+ France to 34%. The present value of this option was €965 million as of December 31, 2007. Please refer to Note 2.1.

Commitments related to transactions underway as of December 31, 2007

As of December 31, 2007, Vivendi was involved in the acquisition of various companies or assets, the completion of which is subject to the approval of competition authorities or to consultation with the relevant labor relations and employee representative committees. These transactions include mainly the combination of Vivendi Games with Activision in order to create Activision Blizzard (please refer to Note 2.8), and the proposed take over of Neuf Cegetel by SFR (please refer to Note 2.9).

26.4. Contingent Assets and Liabilities Subsequent to Given or Received Commitments Related to the Divestiture or Acquisition of Shares

Ref.	Nature of the commitment	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;	2010
		- Obligation to cover the Most Favored Nation provisions limited to 50% of every dollar of loss up to $50 million and to 100% of all losses in excess for $50 million;	-
		- Violation of environmental laws and remedial actions: indemnification of aggregate losses stemming from VUE operations. $325 million deductible ($10 million de minimis exclusion) capped at $2,088 million.	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 Numéricâble (March 2005)	Specific guarantees capped at €241 million (including tax and social risks) counter-guaranteed by France Telecom up to €151 million. €12 million of provisions.	2014
	Divestiture of PSG (June 2006)	- Customary guarantees capped at €18 million	2008
		- Unlimited specific guarantee.	2018
(f)	Divestiture of Sithe (December 2000)	Guarantees capped at $480 million	-
(g)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees capped at €150 million total	2017
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	Guarantees rental payments obligations of the companies sold in the transaction in the amount of €383 million, but received in return for such guaranty a pledge over the cash of the divested companies sold and a counter-guarantee provided by the purchaser in the amount of €200 million	2026
(i)	Divestiture of Spirits and Wine activities of Seagram (2001)	Specific guarantees relating to a claim formed by the Republic of Colombia and certain of its political subdivisions.	
	Other	Guarantees capped at €125 million (€8 million of provisions)	-
	Contingent assets		
	Acquisition of BMGP by UMG (May 2007)	Reimbursement by Bertelsmann of payments made by UMG for employees who worked into BMGP in respect with compensation and retention plans signed before the acquisition of BMGP by UMG.	-
(e)	Guarantees on divestiture of NC Numéricâble (March 2005)	€151 million counter-guaranteed by France Telecom	2014
(j)	Acquisition of Télé2 France by SFR (July 2007)	Guarantees capped at €358 million	2009
(k)	Divestiture of 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 €50 million under certain conditions	2010
	Various other miscellaneous contingent assets	Cumulated amount of €63 million	-

The accompanying notes are an integral part of the contingent assets and liabilities described above.

a. As part of the NBC-Universal transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction, and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses stemming from among other things any breach of their respective representations, warranties and covenants. Neither party will have any indemnification obligations for losses arising as a result of any breach of representations and warranties (i) for any individual item where the loss is less than $10 million and (ii) in respect of each individual item where the loss is equal to or greater than $10 million except where the aggregate amount of all losses exceeds $325 million. In that event, the liable party will be required to pay the amount of losses which exceeds $325 million, but in no event will the aggregate indemnification payable exceed $2,088 million. In addition, Vivendi will have indemnification liabilities for 50% of every U.S. dollar of loss up to $50 million and for all losses in excess for $50 million relating to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of IACI's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of $10 million and a payment basket of $325 million. The representations and warranties other than those regarding authorization, capitalization and tax representations terminated on August 11, 2005. Notices of claims for indemnity for environmental matters must be made by May 11, 2009, except for remediation claims which must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.

b. In connection with the purchase of the approximate 7.7% stake held by Matsushita Electric Industrial Co, Ltd (MEI) in Universal Studios Holding I Corp on February 7, 2006, if Vivendi were to sell any of its NBCU interests in 2008 for more than $7 billion, Vivendi agreed to pay MEI its pro rata share (33%) of the proceeds exceeding $7 billion.

c. On August 30, 2006, the merger was authorized, pursuant to the merger control regulations, by a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Group Canal+ complying with certain undertakings. Without calling into question the pay-TV economic model, or the industrial logic behind the transaction and the benefits to the consumer, these commitments satisfy, more specifically, the following objectives:

- facilitate the access of television and video-on-demand (VOD) operators to rights on attractive audiovisual content and in particular French and US films and sporting events. To this end, the Canal+ Group undertakes, notably, to restrict the term of future framework agreements with major US studios to a maximum of three years, not to seek exclusive VOD rights, to guarantee non-discriminatory access to the StudioCanal catalogue, to restrict the proportion of films taken from this catalogue in the acquisition of films by the future entity and to cease soliciting combined offers for different categories of cinematographic and sporting rights.

In addition, the Canal+ Group undertook to retrocede, within the framework of competition requirements, free-to-air audiovisuals rights to TV series and sporting events that the new entity may hold and does not use, more specifically to;

- make available to all pay-TV distributors who wish several high-quality channels, enabling them to develop attractive products. Third parties will be provided with access to TPS Star, three cinema channels (CinéStar, CinéCulte, CinéToile), Sport+ and the children's channels Piwi and Teletoon. In addition, Canal+ will be available in digital (self distribution) to all operators wishing to include this channel in their product range;
- enable French-language independent licensed channels to be included in the satellite offerings of the new group. The current proportion of theme channels in the Group's offerings that are neither controlled by the Canal+ Group or one of the minority shareholders in the new entity (Lagardère, TF1, M6), will be retained at the current level as a minimum, including in the basic offering. This guarantee applies in terms of both the number of channels and revenue.

These commitments are given by Vivendi and the Canal+ Group for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD, which cannot exceed five years.

d. In connection with the divestiture of Canal+ Nordic in October 2003, Canal+ Group granted a specific guarantee with a cap of €50 million which expires in April 2010 (which term could be extended under certain conditions). In addition, two guarantees given to American studios on output deals were retained by Canal+ Group, and amount to a maximum of €20 million and $15 million, respectively, over the life of the contracts. These guarantees are covered by a counter-guarantee given by the buyers to Canal+ Group. Canal+ Group has also retained distribution guarantees given in favor of Canal Digital and Telenor Broadcast Holding by a former subsidiary which guarantees are covered by a counter-guarantee given by the buyers.

e. As part of the divestiture of NC Numéricâble on March 31, 2005, the Canal+ Group granted specific guarantees with a €241 million cap (including tax and social risks), for which €12 million of provisions were accrued as of December 31, 2007. Specific risks related to cable networks used by NC Numéricâble are included in this maximum amount and are counter-guaranteed by France Telecom up to €151 million. In addition, Canal+ Group received in January 2006, as part of the final divestiture of its 20% stake in Ypso, the right to a potential earn-out payment under certain conditions, that was not valued in the off-balance sheet accounts.

f. In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted guarantees on its own representations and those of Sithe. Claims, other than those made in relation to foreign subsidiary commitments, are capped at $480 million. In addition, claims must exceed $15 million, except if they relate to foreign subsidiaries or the divestiture of certain electrical stations to Reliant in February 2000. Some of these guarantees expired.

g. In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million to several subsidiaries of Nexity (Nexim 1 to 6). The guarantees are effective until June 30, 2017.

h. In connection with the disposal of the last three buildings in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark) in November 2007, Vivendi agreed to continue to guarantee certain lease payments (i.e., €383 million) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In exchange, Vivendi received in return for such guarantee a pledge over the cash of the divested companies and a counter-guarantee provided by the purchaser in the amount of €200 million. Consequently, Vivendi's economic exposure to these guarantees is now covered and Vivendi may recognize additional income of up to €50 million as a result of 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 Telekomunikacja and Neuf Cegetel), Vivendi has given or received certain rights (preemptive and other rights) enabling it to protect its shareholder's rights.

- Shareholders' Agreement between Vivendi, TF1 and M6:

Pursuant to Shareholders' Agreement between Vivendi, TF1 and M6, dated as of January 4, 2007, TF1 and M6 were granted a tag-along right in the event of the transfer of the exclusive control of Canal+ France by Vivendi/Canal+ Group, together with a priority right to sell their stakes on the market in the event of a public offering of Canal+ France's shares. TF1 and M6 are not represented on the supervisory board of Canal+ France and do not have rights of any kind in respect of the management of Canal+ France. Vivendi has a pre-emptive right over all the shares of Canal+ France owned by TF1 and M6.

- Strategic Agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active:

The CanalSatellite agreement entered into between Lagardère and Canal+ Group in 2000 terminated on January 4, 2007.
Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to preserve its economic interest in Canal+ France, which rights vary according to the level of its ownership in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France, including in the event that Lagardère were to exercise its call option. The main provisions of these strategic agreements are as follows:

- The Chairman and all members of the management board of Canal+ France will be appointed by Canal+ Group. Lagardère will be represented by two out of the eleven members of the supervisory board. This number will be increased to three in the event of an increase to a level of 34% of Lagardère's ownership in Canal+ France.
- Lagardère has certain veto rights over Canal+ France and, in certain cases, over its major subsidiaries (including in the event of a change in the statutes, a major and lasting change in the business, its transformation into a company in which the partners have unlimited liability, a single investment of over a third of revenues, a public offering of the company's shares, in certain circumstances the entry of a third party as a shareholder, and, so long as Lagardère owns 34% of Canal+ France's capital, borrowings over the thresholds of 50% and 90% of revenues as a function of the margin of earnings from operations (EFO[1]), and certain other rights (including a tag-along right, an anti-dilution right, certain bidding rights in the event of the sale of Canal+ France) intended to protect its economic interest. Vivendi has a pre-emptive right in the event of a sale of Lagardère's equity interest.
- Between 2008 and 2014, Lagardère will have a liquidity right exercisable between March 15th and April 15th of each calendar year, provided, however, that Lagardère owns at least 10% but no more than 20% of the capital and voting rights of Canal+ France, and provided further that it has waived its right to exercise its call option (if such option has not lapsed) enabling it to own 34% of the capital of Canal+ France. Pursuant to this liquidity right, Lagardère will be able to request the

[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.

public offering of Canal+ France shares. In this event Vivendi/Canal+ Group has the right to acquire all of Lagardère's equity interest.

- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of guarantees with respect to Canal+ France's obligations. Pursuant to this mechanism, Lagardère has the option to participate in such financing and guarantee arrangements pro rata its level of ownership in the share capital of the company. With effect from 2011, after the reimbursement of the shareholder loans to which Lagardère has not contributed in proportion of its equity interest, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not necessary for the financing of its operations provided that Lagardère owns at least 34% of the share capital of Canal+ France.

- Shareholders' Agreement between SFR and the Louis Dreyfus Group:

On September 13, 2006, SFR and the Louis Dreyfus Group signed an agreement which became effective on October 24, 2006, the date of the initial public offering of Neuf Cegetel, and has an initial term of six years, renewable automatically for periods of three years in the absence of a decision to the contrary by the parties. The agreement provides notably for pre-emptive rights in favor of each of the parties in the event of the transfer of their Neuf Cegetel shares to a third party, subject to certain exceptions. The provisions of this new shareholders' agreement do not impact the governance of Neuf Cegetel and do not call into question the equity accounting of Neuf Cegetel by SFR. Please refer to Note 2.9.

Pursuant to Article L. 225-100-3 of the French Commercial Code, some rights and obligations of Vivendi resulting from shareholders' agreements (SFR, Maroc Telecom, NBC Universal and Cyfra+) could be amended or terminated in the event of a change of control of Vivendi or a tender offer being made on Vivendi. These shareholders' agreements are subject to confidentiality provisions.

26.6. Collaterals and Pledges

The amount of the Group's assets that are pledged or mortgaged for the benefit of third parties was €1 million as of December 31, 2007 (compared to €51 million as of December 2006). Moreover, Vivendi received some guarantees from third parties on some of its receivables for €32 million as of December 31, 2007 (compared to €42 million as of December 31, 2006).

Note 27. Litigations

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

The expenses which may result from these proceedings are only recognized as a provision when they become likely and when their amount can either be quantified or estimated on a reasonable basis. In the last case, the amount of the provision represents Vivendi's best estimate of the risk. The amount of the provision recognized is calculated based on an appraisal of the level of the risk, bearing in mind that the occurrence of an ongoing event may lead, at any time, to a reappraisal of the risk. As of December 31, 2007, provisions recorded by Vivendi for all claims and litigations amounted to €436 million.

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

The situation of proceedings disclosed hereunder is described as of February 26, 2008, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2007.

COB/AMF Investigation Opened in July 2002

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

Investigation by the Financial Department of the Parquet de Paris

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

PSG Transfers

An investigation entrusted to a Judge has been opened in connection with the terms of transfer of PSG soccer players and the remuneration of intermediaries between 1998 and 2002. PSG is a former subsidiary of the Vivendi group. The investigation is ongoing.

Securities Class Action in the United States

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

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

Fact discovery and depositions closed on June 30, 2007.

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

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

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

Elektrim Telekomunikacja

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

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

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

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

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

Proceedings against Deutsche Telekom before the Paris Commercial Court

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

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

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

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

On October 23, 2006, Vivendi filed a civil Racketeer Influenced and Corrupt Organizations Act (RICO) complaint in federal court in the State of Washington, claiming that T-Mobile had illegally appropriated Vivendi's investment in PTC through a pattern of fraud and racketeering. Named in the complaint are T-Mobile USA, Inc., T-Mobile Deutschland GmbH Deutsche Telekom AG and Mr Zygmunt Solorz-Zak, Elektrim's main shareholder. Vivendi is claiming compensation in the amount of approximately €7.5 billion.

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

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

Arbitration proceedings in Vienna

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

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

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

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

Vivendi's Case against the Polish State

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

French Competition Council – Mobile Telephone Market

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

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

Claim against a former Seagram subsidiary

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

Compañia de Aguas de Aconquija and Vivendi against the Republic of Argentina

On August 20, 2007, the International Center for Settlement of Investment Disputes (ICSID) issued an arbitration award in favor of Vivendi and its Argentine subsidiary Compañia de Aguas de Aconquija, relating to a dispute that arose in 1996 regarding the water concession in the Argentine Province of Tucuman, which was entered into in 1995 and terminated in 1997. The arbitration award held that the actions of the Provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty.

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

Claim against the company Compagnie Immobilière Phénix Expansion

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

Fermière de Cannes

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

SCI Carrec

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

Parabole Reunion

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

Universal Music Group

Investigations into Prices in the Online Music Distribution Market

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

Brazilian Tax Dispute

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

Class action against Activision in the United States

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

Note 28. Major Consolidated Entities

As of December 31, 2007, approximately 430 entities were consolidated or accounted for using the equity method (compared to approximately 400 entities as of December 31, 2006).

C: Consolidated; E: Equity.

			December 31, 2007			December 31, 2006		
	Note	Country	Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi S.A.		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 S.A.		**France**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
Canal+ France S.A.	2.1	France	C	65%	65%	C	90%	90%
Canal+ S.A. (a)		France	C	49%	32%	C	49%	44%
MultiThématiques S.A.S.		France	C	100%	65%	C	100%	90%
Canal Overseas S.A.S. (ex MediaOverseas 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 S.A.		France	C	100%	100%	C	100%	100%
Cyfra+		Poland	C	75%	75%	C	75%	75%
SFR S.A. (c)		**France**	**C**	**56%**	**56%**	**C**	**56%**	**56%**
Société 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 S.A.		France	C	100%	56%	C	100%	56%
Neuf Cegetel S.A.		France	E	40%	22%	E	40%	23%
Maroc Telecom S.A.	2.7	**Morocco**	**C**	**53%**	**53%**	**C**	**51%**	**51%**
Mauritel S.A.		Mauritania	C	51%	22%	C	51%	21%
Onatel	2.2	Burkina Faso	C	51%	27%	-	-	-
Gabon Telecom S.A.	2.3	Gabon	C	51%	27%	-	-	-
Mobisud France		France	C	66%	35%	C	66%	34%
Mobisud Belgique		Belgium	C	100%	53%	-	-	-
Vivendi Games Inc		**USA**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
Blizzard Entertainment, Inc.		USA	C	100%	100%	C	100%	100%
NBC Universal		**USA**	**E**	**20%**	**20%**	**E**	**20%**	**20%**
Other								
Elektrim Telekomunikacja		Poland	C	51%	51%	C	51%	51%
Polska Telefonica Cyfrowa (e)	27	Poland	-	-	-	-	-	-
Vivendi Mobile Entertainment		France	C	100%	100%	C	100%	100%

a. This company is consolidated because (i) Vivendi has majority control over the board of directors, (ii) no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi and (iii) Vivendi assumes the majority of risks and benefits pursuant to an agreement with Canal+ S.A. via Canal+ Distribution S.A.S., as modified by an amendment dated as of December 28, 2007. Indeed, Canal+ Distribution, a wholly-owned subsidiary of Vivendi, guarantees Canal+ S.A. results in return for exclusive commercial rights to the Canal+ S.A. subscriber base.

b. On December 31, 2007, Canal+ Distribution and Canal+ Active S.A.S. merged into CanalSatellite S.A. As a result of these operations, CanalSatellite S.A. was transformed into a simplified joint stock company and renamed to Canal+ Distribution S.A.S.

c. SFR S.A. is 56% owned by Vivendi and 44% owned by Vodafone. Under the terms of the shareholders' agreement, Vivendi has management control of SFR, majority control over the board of directors, appoints the chairman and CEO, has majority control over shareholders' general meetings, and no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi.

d. Corresponds to the fixed telephony and broadband activities of Télé2 France acquired in July 2007 (please refer to Note 2.5).

e. Due to the legal disputes surrounding the ownership of Telco' stake in PTC which prevents Telco/Carcom from exercising joint control over PTC, as provided in the bylaws of PTC, Vivendi has not consolidated its stake in PTC.

Note 29. Subsequent Events

The main events that occurred since December 31, 2007, were as follows:

- **Planned acquisition of KinoWelt by StudioCanal.** On January 17, 2008, StudioCanal announced its planned acquisition of the entire share capital of KinoWelt, the leading German independent film company specializing in the acquisition and distribution of films.
- **Vivendi SA obtained a new syndicated loan.** On January 18, 2008, in anticipation of financing requirements associated with the transactions involving Activision and Neuf Cegetel, Vivendi entered into a €3.5 billion new syndicated loan underwritten by a pool of banks. This new facility consists of 3 tranches:
  - a €1.5 billion tranche under a bridging loan repayable with capital raised through a rights issue in the approximate same amount to be carried out upon completion of the acquisition of Neuf Cegetel; and
  - a €2 billion tranche under a "revolver" facility, half of which will be available during a three year period and the other half during a five year period.
- **Results of the Bidding Process relating to League 1 Broadcasting Rights.** On February 6, 2008, following the completion of a bidding process, the French Professional Football League awarded Canal+ Group nine out of the ten television lots offered for League 1 broadcasting rights (2008-2009 to 2011-2012). Canal+ Group will therefore continue to broadcast all League 1 football events on its channels. Each season these events will notably include all matches of all League 1 clubs, the top ten matches of the season, the Sunday night match fixture, multiplex programs to open and close the championship, and all informational programs. Canal+ Group will pay €465 million per season for these rights, compared to €600 million for each of the last three seasons.
- **Sales of certain music publishing catalogs by UMG** in connection with the European Commission mandated conditions of the BMG Music Publishing acquisition: please refer to Note 2.4.