



**2006** Statutory Financial Statements  
Sociographics  
Environmental Policy

**vivendi**

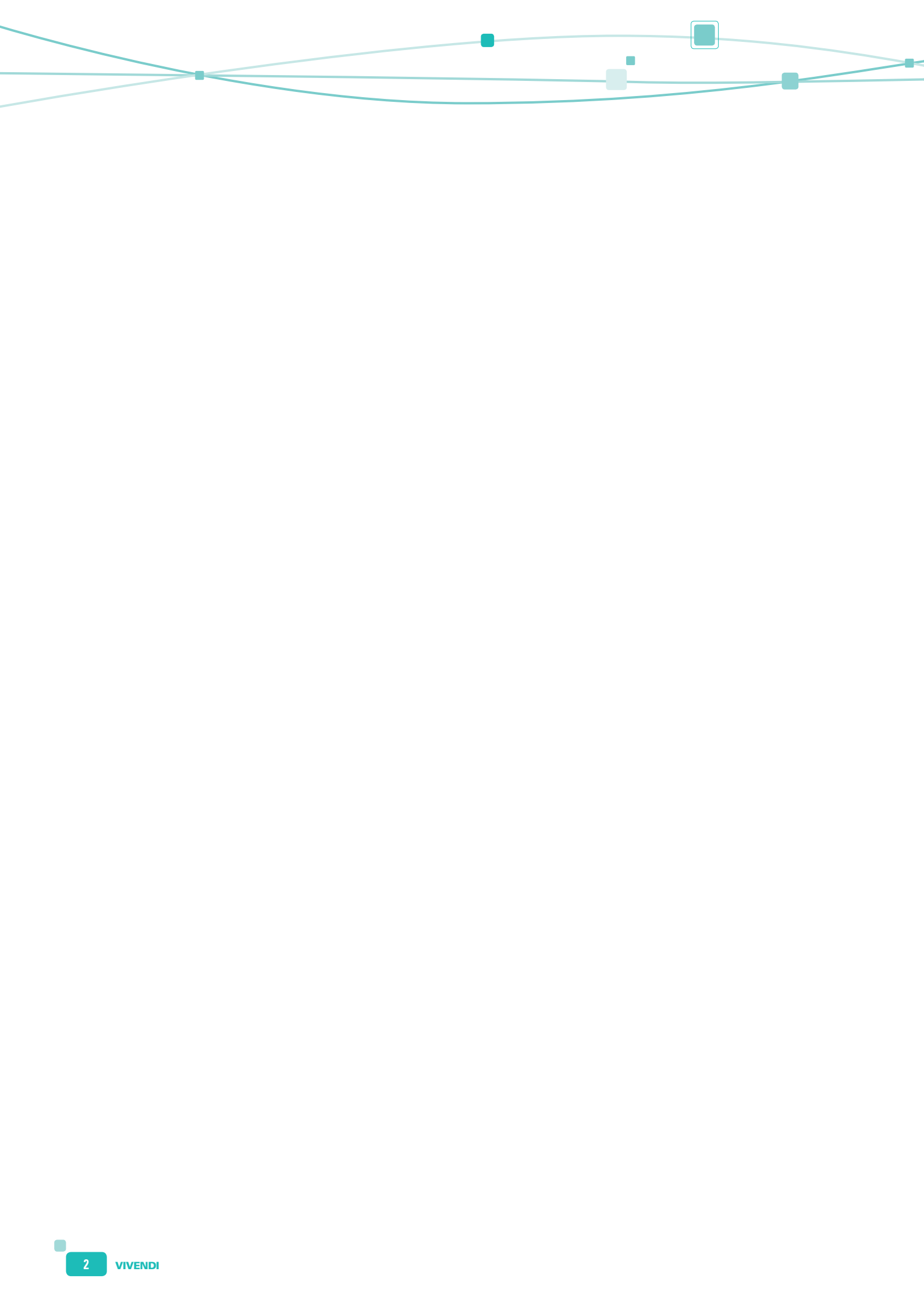




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*The "2006 Statutory Financial Statements - Sociographics - Environmental Policy" in English is a translation of the French "Comptes annuels - Données sociales et Politique environnementale" for information purposes. This translation is qualified in its entirety by reference to the "Comptes annuels - Données sociales et Politique environnementale".*



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## 2006 Statutory Financial Statements

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# 1 Statutory Auditors' Report on the Financial Statements

To the Shareholders

In compliance with the assignment entrusted to us at your General Meetings, we hereby report to you, for the year ended December 31, 2006, on:

- the audit of the accompanying Financial Statements of Vivendi S.A.,
- the justification of our assessments,
- the specific verifications and information required by law.

These Financial Statements have been approved by your Management Board. Our role is to express an opinion on these Financial Statements based on our audit.

## 1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in compliance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2006, and of the results of its operations for the year then ended in accordance with the accounting principles generally accepted in France.

Without qualifying our opinion, we draw attention to the point concerning the change in presentation of the Statement of cash flows, as described in Note 1 to the Financial Statements.

## 2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw attention to the following matters:

### Accounting policies

Note 1 to the Financial Statements describes the accounting policies relating to the change in presentation of the statement of cash flows.

As part of our assessment of the accounting policies implemented by your Company, we verified that the information presented in the notes to the Financial Statements was appropriate to the Company's circumstances and consistently applied.

### Accounting estimates

Note 1 to the Financial Statements also describes the accounting policies relating to financial assets and the valuation of long-term assets. Your Company recognizes provisions for impairment loss when the carrying amount of its financial assets exceeds their value in use. The value in use is defined as the estimate of the future economic benefits that will be generated by using the asset or selling it. Based on the information available at the date of this Report, we have assessed and examined on a test basis the accounting principles used by your Company. We have also assessed the significant estimates and have ensured that the assumptions and the subsequent judgements made by your management are reasonable.

Our assessments were an integral part of our audit of the Financial Statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.

### 3. SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with the auditing standards generally accepted in France, we have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and the conformity with the Financial Statements of the information given in the 2006 Annual Report – Registration Statement, and in the documents addressed to the Shareholders with respect to the financial position and the Financial Statements,

- the fair presentation of the information disclosed in the 2006 Annual Report – Registration Statement regarding the compensation and benefits granted to certain Executive Officers and the commitments given to them when they are appointed, or retire or change post.

In accordance with French law, we have ascertained that the information relating to the identity of the Shareholders has been included in the 2006 Annual Report – Registration Statement.

Paris-La Défense and Neuilly-sur-Seine, March 2007

The Statutory Auditors

**Salustro Reydel**

Member of KPMG International

Marie Guillemot  
Partner

Benoît Lebrun  
Partner

**Ernst & Young et Autres**

Dominique Thouvenin  
Partner

## 2006 Statutory Financial Statements

## 1. STATEMENT OF EARNINGS

<i>(in millions of euros)</i>	Note	2006	2005	2004
<b>Operating income</b>				
Income from water distribution activities		4.7	7.8	7.6
Other income		109.1	96.9	87.4
<b>Total revenues (A)</b>	2a	113.8	104.7	95.0
Reversal of provisions and expense reclassifications	2b	39.5	18.5	39.8
Other income		2.2	2.9	3.4
<b>Total (B)</b>		41.7	21.4	43.2
<b>TOTAL I (A + B)</b>		<b>155.5</b>	<b>126.1</b>	<b>138.2</b>
<b>Operating expenses</b>				
Other purchases and external charges	2b	161.5	132.3	221.0
Duties and taxes other than income tax	2b	23.3	7.9	10.5
Wages and salaries		35.5	33.8	40.8
Social security contributions		13.2	12.1	15.4
Depreciation, amortization and charges to provisions				
On intangible assets and PP&E: amortization and depreciation	2b	9.5	35.6	114.1
On current assets: charges to provisions		1.3	1.7	
For contingencies and losses: charges to provisions				
Other expenses		1.4	1.0	1.3
<b>TOTAL II</b>		<b>245.7</b>	<b>224.4</b>	<b>403.1</b>
<b>Earnings from operations (I-II)</b>		<b>(90.2)</b>	<b>(98.3)</b>	<b>(264.9)</b>

**STATEMENT OF EARNINGS** (contd.)

<i>(in millions of euros)</i>	Note	2006	2005	2004
<b>Financial income</b>				
From subsidiaries and affiliates		927.5	1,188.9	2,001.9
From other securities and long-term receivables		134.3	53.8	44.7
Other interest and similar income		145.2	363.9	388.1
Reversal of provisions and expense reclassifications		2,918.0	4,868.6	1,476.6
Foreign exchange gains		1,289.3	1,954.3	1,852.1
Net proceeds from the sale of marketable securities		32.1	112.6	5.6
<b>TOTAL III</b>		<b>5,446.4</b>	<b>8,542.1</b>	<b>5,769.0</b>
Financial expenses				
Amortization and charges to financial provisions		862.7	262.7	3,288.1
Interest and similar charges		276.9	650.2	979.3
Foreign exchange losses		1,283.1	1,721.2	1,699.3
Net expenses on the sale of marketable securities		14.0	124.8	0.1
<b>TOTAL IV</b>		<b>2,436.7</b>	<b>2,758.9</b>	<b>5,967.6</b>
<b>Net financial income/(loss) (III-IV)</b>	3	<b>3,009.7</b>	<b>5,783.2</b>	<b>(198.6)</b>
<b>Earnings from ordinary activities before tax (I-II+III-IV)</b>		<b>2,919.5</b>	<b>5,684.9</b>	<b>(463.5)</b>
Exceptional income				
From non-capital transactions		18.1	15.4	81.8
From capital transactions		9,915.1	1,785.4	7,175.9
Reversal of provisions and expense reclassifications		168.3	1,597.5	2,690.1
<b>TOTAL V</b>		<b>10,101.5</b>	<b>3,398.3</b>	<b>9,947.8</b>
Exceptional expenses				
On non-capital transactions		115.9	102.6	371.5
On capital transactions		9,225.0	2,794.1	8,268.0
Exceptional depreciation, amortization and charges to provisions		7.9	42.7	131.1
<b>TOTAL VI</b>		<b>9,348.8</b>	<b>2,939.4</b>	<b>8,770.6</b>
<b>Net exceptional items (V-VI)</b>	4	<b>752.7</b>	<b>458.9</b>	<b>1,177.2</b>
<b>Employee profit-sharing (VII)</b>				
<b>Income tax (VIII) (credit)</b>	5	<b>740.2</b>	<b>531.4</b>	<b>513.6</b>
<b>Total income (I+III+V+VIII)</b>		<b>16,443.6</b>	<b>12,598.0</b>	<b>16,368.6</b>
<b>Total expenses (II+IV+VI+VII)</b>		<b>12,031.2</b>	<b>5,922.8</b>	<b>15,141.3</b>
<b>Earnings for the year</b>		<b>4,412.4</b>	<b>6,675.2</b>	<b>1,227.3</b>

## 2. STATEMENT OF FINANCIAL POSITION

Assets <i>(in millions of euros)</i>	Note	Depreciation, amortization and provisions		Net		
		Gross		2006	2005	2004
<b>Non-current assets</b>						
<b>Intangible assets</b>	<b>6</b>	<b>13.4</b>	<b>11.8</b>	<b>1.6</b>	<b>4.9</b>	<b>5.4</b>
Preliminary expenses						
Concessions and similar rights					2.6	3.2
Other intangible assets		13.4	11.8	1.6	2.3	2.2
<b>Property, plant and equipment</b>	<b>6</b>	<b>61.1</b>	<b>51.4</b>	<b>9.7</b>	<b>14.7</b>	<b>19.4</b>
Land					0.3	0.3
Buildings and improvements		0.1	0.1	0.0	0.2	0.3
Industrial and technical plant		0.4	0.3	0.1	0.3	0.3
Other PP&E		58.9	49.9	9.0	13.2	17.9
PP&E under construction					0.2	
Concession PP&E	6	1.7	1.1	0.6	0.5	0.6
<b>Long-term investments(1)</b>	<b>7</b>	<b>51,802.0</b>	<b>16,021.4</b>	<b>35,780.6</b>	<b>30,420.5</b>	<b>28,535.7</b>
Investments in affiliates		49,348.4	15,245.8	34,102.6	29,195.9	27,605.2
Long-term portfolio securities		164.6		164.6	69.2	128.3
Loans to subsidiaries and affiliates		1,419.3	665.4	753.9	859.1	368.2
Other long-term investment securities		141.9	109.6	32.3	115.7	112.9
Loans		21.5		21.5	178.5	319.0
Other		706.3	0.6	705.7	2.1	2.1
<b>TOTAL I</b>		<b>51,876.5</b>	<b>16,084.6</b>	<b>35,791.9</b>	<b>30,440.1</b>	<b>28,560.5</b>
<b>Current assets</b>	<b>9</b>					
<b>Inventories and WIP</b>						
<b>Receivables(2)</b>		<b>3,259.5</b>	<b>210.1</b>	<b>3,049.4</b>	<b>4,685.8</b>	<b>5,845.3</b>
Trade accounts receivable and related accounts		14.5	1.5	13.0	7.9	31.1
Other receivables		3,245.0	208.6	3,036.4	4,677.9	5,814.2
<b>Marketable securities</b>		<b>1,731.4</b>	<b>2.6</b>	<b>1,728.8</b>	<b>2,075.8</b>	<b>1,846.6</b>
Treasury shares	8	1.9		1.9	38.4	9.1
Other securities		1,729.5	2.6	1,726.9	2,037.4	1,837.5
<b>Cash at bank and in hand</b>		<b>323.5</b>		<b>323.5</b>	<b>137.1</b>	<b>273.3</b>
<b>Prepayments(2)</b>		<b>249.2</b>		<b>249.2</b>	<b>252.5</b>	<b>405.7</b>
<b>TOTAL II</b>		<b>5,563.6</b>	<b>212.7</b>	<b>5,350.9</b>	<b>7,151.2</b>	<b>8,370.9</b>
<b>Deferred charges (III)</b>	<b>11</b>	<b>7.2</b>		<b>7.2</b>	<b>6.5</b>	<b>30.7</b>
<b>Unrealized foreign exchange losses (IV)</b>	<b>12</b>	<b>44.6</b>		<b>44.6</b>	<b>0.1</b>	<b>45.9</b>
<b>TOTAL ASSETS (I + II + III + IV)</b>		<b>57,491.9</b>	<b>16,297.3</b>	<b>41,194.6</b>	<b>37,597.9</b>	<b>37,008.0</b>
(1) Portion due within less than one year				730.5	23.1	7.0
(2) Portion due within more than one year				243.5	269.7	327.7

## STATEMENT OF FINANCIAL POSITION (contd.)

Equity and liabilities <i>(in millions of euros)</i>	Note	2006	2005	2004
<b>Equity</b>	<b>13</b>			
Share capital		6,363.7	6,344.1	5,899.4
Additional paid-in capital		11,529.6	11,210.8	10,585.0
Reserves				
Legal reserve		634.4	385.5	324.2
Tax-driven reserves				3.2
Blocked reserves				
Other reserves		3.2	3.2	
Retained earnings		10,389.7	5,110.8	4,597.8
Earnings for the year		4,412.4	6,675.2	1,227.3
Net equity		33,333.0	29,729.6	22,636.9
Tax-driven provisions				
<b>TOTAL I</b>		<b>33,333.0</b>	<b>29,729.6</b>	<b>22,636.9</b>
<b>Equity equivalents</b>				
Bonds redeemable in shares	14		1,892.0	3,130.9
<b>TOTAL II</b>			<b>1,892.0</b>	<b>3,130.9</b>
<b>Provisions</b>				
Provisions	15	610.1	700.9	941.5
<b>TOTAL III</b>		<b>610.1</b>	<b>700.9</b>	<b>941.5</b>
<b>Liabilities(1)</b>				
Convertible and other bond issues	16	3,692.5	2,851.2	3,051.4
Bank borrowings(2)	16	665.9	415.6	1,259.5
Other borrowings	16	2,809.1	1,895.6	5,556.2
Payments received on account for work-in-progress				0.2
Trade accounts payable and related accounts		36.5	28.6	97.5
Tax and employee-related liabilities		36.9	38.0	35.6
Amounts payable in respect of PP&E and related accounts			3.1	
Other liabilities		5.5	35.7	72.8
Deferred income		5.1	7.6	3.2
<b>TOTAL IV</b>		<b>7,251.5</b>	<b>5,275.4</b>	<b>10,076.4</b>
<b>Unrealized foreign exchange gains (V)</b>				<b>222.3</b>
<b>TOTAL EQUITY AND LIABILITIES (I + II + III + IV + V)</b>		<b>41,194.6</b>	<b>37,597.9</b>	<b>37,008.0</b>
(1) Portion due within more than one year		2,956.8	2,506.2	4,691.1
Portion due within less than one year		4,294.7	2,769.2	5,385.3
(2) Including current bank facilities and overdrafts		323.5	132.2	275.2

### 3. STATEMENT OF CASH FLOWS

<i>(in millions of euros)</i>	2006	2005 <sup>(2)</sup>
Earnings for the year	4,412.4	6,675.2
Elimination of non-cash income and expenses		
Charges to depreciation and amortization	9.5	35.5
Charges to provisions net of reversals		
Operating	1.0	(3.4)
Financial	(2,037.5)	(4,542.8)
Exceptional	(160.4)	(1,543.6)
Capital gains and losses	(688.6)	265.6
Merger and liquidation gains/deficits	0.4	752.0
<b>OPERATING CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,536.8</b>	<b>1,638.5</b>
Changes in working capital	(488.6)	55.1
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,048.2</b>	<b>1,693.6</b>
Capital expenditure	(1.5)	(1.6)
Purchases of investments in affiliates and securities	(1,760.9)	(470.0)
(Increase) decrease in loans to subsidiaries and affiliates	(190.3)	(526.8)
Advances and cash deposits in respect of the Canal+/TPS combination	(623.5)	
Receivables on the sale of non-current assets and other financial receivables	(73.9)	(30.4)
Proceeds from sales of intangible assets and PP&E	4.6	2.0
Proceeds from sales of investments in affiliates and securities	1,036.2	1,751.6
Increase in deferred charges relating to financial instruments	(3.0)	(4.6)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>(1,612.3)</b>	<b>720.2</b>
Net proceeds from issuance of shares	60.3	36.5
Dividends paid	(1,147.4)	(639.1)
Equity equivalents (bonds redeemable in shares)		
New long-term borrowings secured	1,204.7	1,241.7
Principal payments on long-term borrowings	(342.3)	(3,452.4)
Increase (decrease) in short-term borrowings	250.3	(842.6)
Change in net current accounts	398.3	1,366.5
Treasury shares	16.1	(60.7)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>440.0</b>	<b>(2 350.1)</b>
Change in cash	(124.1)	63.7
Opening net cash <sup>(1)</sup>	2,174.5	2,110.8
<b>CLOSING NET CASH<sup>(1)</sup></b>	<b>2,050.4</b>	<b>2,174.5</b>

(1) Cash and marketable securities net of provisions.

(2) Amendment in 2005: the redemption in shares of bonds redeemable in shares and the cancellation of bonds redeemable in shares via current accounts are excluded from the Statement of Cash Flows.

## 3 Notes to the 2006 Statutory Financial Statements

Preliminary comment: amounts expressed in dollars are US dollars and amounts expressed in dirhams are Moroccan dirhams.

### KEY EVENTS OF THE YEAR

#### Combination of the Canal+ France and TPS Pay-TV activities in France

On January 6, 2006, Vivendi, TF1 and M6 entered into an agreement setting forth the terms and conditions of the proposed merger of (i) Télévision Par Satellite SNC (TPS) and its direct and indirect subsidiaries and (ii) the pay-TV publishing and service distribution activities of Groupe Canal+ in France (including overseas departments and territories) and other Francophone countries, into Canal+ France. TF1 and M6 would own an aggregate of 15% (9.9% and 5.1% respectively) of Canal+ France which would be under the exclusive control of Vivendi.

On March 14, 2006, Lagardère, Vivendi and Groupe Canal+ entered into an investment agreement mainly providing for the acquisition of TPS by Vivendi and Groupe Canal+. Under the terms of this agreement, Lagardère Active undertook, subject to certain conditions precedent, to acquire a 20% interest in Canal+ France by (i) transferring its 34% ownership interest in CanalSatellite (without dilution of the shareholdings of TF1 and M6) and (ii) acquiring Canal+ France shares from Groupe Canal+ Group for €525 million in cash, less "net cash" adjustments.

On August 30, 2006, the merger was authorized, pursuant to the merger control regulations, by a decision of the French Minister of the Economy, Finance and Industry, subject to Vivendi and Groupe Canal+ complying with certain undertakings (please refer to Commitments given).

The scope of Canal+ France's assets principally include 100% ownership of CanalSatellite, Canal+ Distribution, MultiThématiques, MediaOverseas, GIE Numérique and TPS and 49% ownership of Canal+ S.A. The assets of Canal+ Group held outside Canal+ France are StudioCanal, Cyfra+, Canal+ Régie and i>Télé.

The merger was completed on January 4, 2007.

#### Vivendi voluntarily delisted from the New York Stock Exchange (NYSE) and terminated its registration with the Securities and Exchange Commission (SEC)

On January 17, 2006, Vivendi announced its intention to terminate its American Depositary Receipts (ADR) program and to voluntarily delist its American Depositary Shares (ADS) from the NYSE. On August 3, 2006, Vivendi terminated its deposit agreement with The Bank of New York relating to its ADRs. On October 31, 2006, Vivendi filed a notice of termination of registration on Form 15 with the SEC, and terminated its reporting obligations under the U.S. Securities Exchange Act of 1934.

Vivendi SA was therefore able to repurchase and cancel all bonds redeemable in shares backing stock option plans granted to former Seagram employees (please refer to Note 14. Equity Equivalents). In the event of exercise, the former employees will receive a cash payment equal to the capital gain, rather than physical delivery of shares.

#### Purchase of the 7.7% minority interest in Universal Studios Holding held by Matsushita Electric Industrial (MEI) – Exchangeco – Simplification of North American structure

In February 2006, Vivendi group acquired from Matsushita Electric Industrial (MEI) its approximate 7.7% interest in Universal Studios Holding I Corp. (USHI) for a purchase price of \$ 1,154 million (€964 million). As a result, Vivendi group increased its ownership in UMG from 92.3% to 100% and NBC Universal (NBCU) from 18.5% to 20%.

Vivendi was also able to simplify its corporate structure which enabled it to:

- repurchase, on November 27, 2006 via an indirect Canadian subsidiary of Vivendi SA, all of the outstanding exchangeable shares

## 2006 STATUTORY FINANCIAL STATEMENTS

Notes to the 2006 Statutory Financial Statements

of Vivendi Exchangeco Inc. in exchange for one ordinary share of Vivendi SA plus a cash amount of Cdn.\$1.42 per exchangeable share (corresponding to a total cash outlay of Cdn.\$ 6.1 million). This exchange had no impact on the share capital of Vivendi SA due to the concurrent issuance of new Vivendi shares and the cancellation of an equivalent number of outstanding shares (please refer to Note 13. Equity);

- eliminate intermediary holding companies which no longer serve any purpose in the United States and Canada. The NBC Universal shares are now held directly by Vivendi SA (please refer to Note 7. Long-term Investments);
- reduce the current account advance granted by Vivendi to Vivendi Holding 1 Corp. (the holding company for the Group's US businesses) by approximately \$2.5 billion. Hedging swaps protecting Vivendi against foreign exchange risk related to this current account advance, which are now unnecessary, were fully settled during July 2006 via the purchase of US dollars on the market. At current market conditions, the financial surcharge of the hedging of the current account advance, related to the unfavorable US dollar/euro interest rate difference, has been eliminated;
- redeem the remaining bonds redeemable in shares issued in 2000 on the purchase of Seagram (please refer to Note 14. Equity Equivalents).

### Vivendi resolves dispute over DuPont shares and divests DuPont shares

At the beginning of June 2006, Vivendi Group announced, via its US subsidiary Vivendi Holding I Inc, that an agreement has been reached with the United States Internal Revenue Service (IRS), ending their dispute concerning the amount of tax due on the redemption of DuPont shares by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi Holding I Inc. in the total amount of \$671 million (€521 million). As a result of this settlement, the reversal of the entire deferred tax liability previously accounted for in connection with this matter (\$1,847 million), recorded on the Group's Statement of Financial Position and the inclusion of the tax credit with respect to the interest paid (\$135 million), generated a consolidated net gain of \$1,311 million (€1,019 million).

At the end of June 2006, Vivendi Group sold subsequently all of its 16.4 million freely transferable DuPont shares that it has held since its merger with Seagram, and after agreement with the IRS. This transaction was performed for a total amount of \$671 million (€534 million) and resulted in a pre-tax accounting capital loss of \$123 million (€98 million).

As at December 31, 2006, these transactions had an impact of over €1 billion on the Vivendi SA financial statements due to the reversal of the provision for SPC shares, the holding company for the Group's US shares.

### Disposals of the residual 5.3% stake in the share capital of Veolia Environnement

In July 2006, Vivendi sold its residual stake in Veolia Environnement's share capital (5.3%), by means of an Accelerated Book Building for a total amount of €861 million. This divestiture generated a capital gain of €492 million recognized in the 2006 Statement of Earnings.

### Agreement for the acquisition by UMG of BMG Music Publishing Group (BMGP)

On September 6, 2006, Universal Music Group (UMG) entered into a definitive agreement with Bertelsmann AG to purchase BMG Music Publishing Group (BMGP). The gross purchase price, financed by Vivendi SA, is €1,639 million. This amount was paid in cash on December 15, 2006 and includes an adjustment in respect of cash generated by BMGP between July 1, 2006 to December 15, 2006 and interest capitalized over this period. The final price consideration will be adjusted for cash generated by BMGP during the period from December 16, 2006 to the closing date of the transaction and for interest capitalized over this period. The transaction is subject to the regulatory approvals of the competition authorities in the relevant countries. Such approval has been obtained in the United States. However, on December 8, 2006, the European Commission announced that the transaction will be subject to a Phase II inquiry.

BMGP is among the world's leading music publishers with a catalog of over 1 million copyrights and a roster of chart-topping artists such as Coldplay, Justin Timberlake, Maroon 5, Christina Aguilera, R. Kelly and Juan Gabriel, among others. Its extensive catalog includes the entire playlist of The Scorpions, Barry Manilow and Gilbert Beaud, as well as Puccini and Ravel.

### Increase in SFR's stake in Neuf Cegetel

In 2006, pursuant to the exercise of its pre-emptive rights, SFR increased its stake in Neuf Cegetel from 28.2% to 40.5%, representing a total investment of €626 million. On October 24, 2006, Neuf Cegetel shares were admitted to trading on the Eurolist of Euronext Paris SA.

### Risk management of retirement pension obligations

Vivendi Group inherited from Seagram significant obligations related to pension plans and post-retirement benefits, mainly in the US and the UK.

As of December 31, 2006, according to the evaluation performed by independent actuaries, these obligations amounted to €1,478 million, covered by financial assets of €911 million,

Over a year ago, Vivendi established a risk management strategy to meet its retirement pension obligations based on the following three approaches:

- capping of 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;
- cancelling financial risks by the definitive transfer of the pension plans to insurance companies whenever market conditions are favorable.

## Investment in PTC

The legal uncertainty surrounding the ownership of Telco's stake in Polska Cyfrowa (PTC) a Polish mobile telecom company, due to the legal disputes involving Elektrim Telekomunikacja (Telco), Vivendi, Deutsche Telekom (DT) and Elektrim SA (Elektrim), prevents Telco from exercising joint control over PTC, as provided in the bylaws of PTC.

In addition, the courts have rendered several decisions that were unfavorable to Telco in 2006 (notably the decision of the Warsaw Court of Appeal on March 29, 2006, followed by the decision of the Court of Appeal on June 21, 2006 which cancelled the registration of Telco as

a PTC shareholder in the Trade and Companies Registry, and the decision on July 13, 2006 of the Trade and Companies Registry to reinstate Elektrim as a PTC shareholder). As a result, Vivendi SA has reduced the value of its Telco securities and receivables to nil in the Statement of Financial Position (please refer to Note 3. Net Financial Income/(Loss)).

Recently, several courts have rendered decisions that were favorable to Telco. In particular, on December 18, 2006, the Austrian Supreme Court rejected the request for annulment of the arbitration award rendered in Vienna on November 26, 2004 on the basis that Telco was not a party to that arbitration and that this arbitration award could not affect Telco's rights with respect to the PTC shares. On January 18, 2007, the Polish Supreme Court overturned the decision of the Warsaw Court of Appeal of March 29, 2006 and ordered that the case be reheard by the court of first instance. Consequently, Vivendi and Telco appealed for the registration of Telco as a shareholder of PTC.

Moreover, Vivendi continues legal proceedings, particularly for compensatory damages, the outcome of which remains uncertain.

## Vivendi modifies the terms of its liquidity rights agreement with General Electric with respect to its 20% stake in NBC Universal

Please refer to Note 23.2. Commitments received.

## NOTE 1. ACCOUNTING RULES AND METHODS

### General principles and change in accounting methods

The financial statements for the year ended December 31, 2006 have been prepared and presented in accordance with prevailing French law and regulations.

Accounting rules and methods are unchanged on those adopted for the preparation of the 2005 statutory financial statements, with the exception of the presentation rules adopted for the preparation of the Statement of Cash Flows. In 2005, the Statement of Cash Flows presented an analysis of the change in net indebtedness, whereas in 2006, it presents an analysis of the change in cash.

### Intangible assets and property, plant and equipment

Pursuant to CRC Regulation 2004-06 on the definition, recognition and valuation of assets, Vivendi opted for application of the preferred method of recognizing development costs in assets.

Depreciation and amortization is calculated using the straight-line and declining balance methods over the actual period of use of the assets concerned.

### Long-term investments

#### Investments in affiliates

"Investments in affiliates" consist of investments in Vivendi Group affiliates in which Vivendi holds a significant interest, in principle in excess of 10%. Investments in affiliates are valued at acquisition cost. An impairment loss is recorded if this value exceeds the value in use, in the amount of the difference.

The value in use of an investment is defined as the value of the future economic benefits expected to be derived from its use. This is generally calculated by discounting future cash flows, although a method better adapted to each investment may be adopted, such as comparative stock market values, values resulting from recent transactions, stock market prices in the case of listed entities, or the share held in net equity.

Pursuant to CRC Regulation n° 2004-06 on the definition, recognition and valuation of assets, Vivendi expenses security acquisition costs in the period incurred.

### Long-term portfolio securities

“Long-term portfolio securities” consist of securities in unconsolidated listed companies.

### Loans to subsidiaries and affiliates

“Loans to subsidiaries and affiliates” consist of medium and long-term loans to Group companies. They do not include current account agreements with Group subsidiaries used for the day-to-day management of cash surpluses and shortfalls.

### Treasury shares

All treasury shares held by Vivendi are recorded in Long-term Investments, with the exception of those purchased for sale to Group employees on exercise of stock purchase options granted to them, which are recorded in marketable securities. Impairment losses are recorded, where necessary, to reduce the net book value of these shares to their stock market value, based on the average closing share price in the month of December.

### Operating receivables

Operating receivables are recorded at nominal value. Provisions are recorded to reflect non-recovery risks.

### Marketable securities

Marketable securities are recorded at acquisition cost. Provisions are recorded if the probable trading value at the end of the period is less than the acquisition cost.

Marketable securities include treasury shares purchased for sale to Group employees on the exercise of stock purchase options granted to them (please refer to Note 9. Current Assets). Provisions are recorded if the gross value of these shares exceeds their expected sale price, based on the option strike price.

### Deferred charges relating to financial instruments

CRC Regulation 2004-06 on the definition, recognition and valuation of assets explicitly excludes financial instruments and related expenditure (e.g. loan issue costs) from its application scope. As such, the accounting treatment of deferred charges relating to financial instruments is unchanged. Loan issue costs are amortized over the loan term and deducted for tax purposes in the year incurred. Costs relating to the arrangement of credit lines are amortized over the term of such facilities.

### Equity equivalents

Bonds redeemable in Vivendi shares are recorded in “Equity equivalents”, as conversion into Vivendi shares is mandatory.

### Provisions

Vivendi applies CRC Regulation 2000-06 on liabilities. As such, a provision is recorded where Vivendi has an obligation to a third party and it is probable or certain that an outflow of resources will be necessary to settle this obligation, without receipt of equivalent consideration from the third party.

The provision amount is equal to the best estimate at the period end of the outflow of resources necessary to settle the obligation, where the risk exists at the period end.

The provision components are reviewed regularly and any necessary adjustments recorded.

### Employee benefit plans

The provision recorded encompasses all Vivendi employee benefit plans: retirement termination payments, pensions and supplemental pensions. It represents the difference between the value of actuarial obligations and that of plan assets, net of actuarial gains and losses.

The actuarial obligation is valued using the projected unit credit method (each activity period generates additional entitlement). Actuarial gains and losses are recognized using the corridor method set out in CNC Recommendation 03-R.01. Under this method actuarial gains and losses exceeding 10% of the obligation at the beginning of the year are amortized over the residual vesting period.

Related obligations are valued based on the following assumptions: rate of increase in salaries of 3 to 4% and in pensions of 2%, discount rate of 4.30% for general schemes and “Article 39” schemes and assumed retirement age of between 60 and 65 years of age.

Supplemental pension obligations other than retirement termination payments are partially funded by external insurance policies, the updated value of which is deducted from the actuarial obligation. The expected return on plan assets is 4.20% to 4.25%.

### Foreign currency-denominated transactions

Foreign currency-denominated income and expense items are translated using average monthly rates based on prior month closing exchange rates.

Foreign currency-denominated receivables, payables and cash balances are translated at the closing exchange rate.

Unrealized gains and losses on long-term receivables and payables are recorded in the Statement of Financial Position in Unrealized

foreign exchange gains and losses. A provision for foreign exchange losses is recorded in respect of unhedged unrealized exchange losses.

Foreign exchange gains and losses on cash balances and foreign currency current accounts are recorded immediately in foreign exchange gains and losses.

## Financial instruments

Vivendi uses derivative financial instruments to (i) reduce its exposure to market risks associated with interest and foreign exchange rate fluctuations and (ii) secure the value of certain financial assets.

Where Vivendi has entered into hedge arrangements, income and expenses relating to the financial derivatives are recorded in Net

financial income/(loss) and offset against the income and expenses generated by the hedged items.

Provisions are recorded in respect of unrealized capital losses on interest rate derivatives.

## Individual training entitlement

Pursuant to Opinion 2004 F issued by the CNC Urgent Issues Taskforce, Vivendi did not record a provision at the year end.

The company-wide agreement signed in May 2006 provides for the allocation to each employee of 14 training hours in 2004 and 20 training hours for each year thereafter. At the year end, training hours not used totaled 9,800.

## NOTE 2. OPERATING EARNINGS

### a) Revenues

Breakdown of revenues by business line:

<i>(in millions of euros)</i>	2006	2005
Water	4.7	7.8
Services to subsidiaries	109.1	96.9
<b>TOTAL</b>	<b>113.8</b>	<b>104.7</b>

Vivendi is a related party to one residual water contract, under which Veolia Eau is the operating manager (two contracts as at December 31, 2005).

Services to subsidiaries consist of assistance and domiciliation income, amounts billed to subsidiaries in respect of option plans and rebilled expenses.

### b) Operating expenses and expense reclassifications

Other purchases and external expenses net of rebillings, professional fees repaid and expense reclassifications break down as follows:

<i>(in millions of euros)</i>	2006	2005
Purchases consumed	0.7	1.1
Rental charges	9.2	9.4
Insurance	19.1	18.9
Service providers and temporary staff	9.7	10.5
Commission and professional fees	95.0	69.2
Other external services	27.8	23.2
<b>Sub-total other purchases and external charges</b>	<b>161.5</b>	<b>132.3</b>
Amounts rebilled to subsidiaries (other income)	(18.3)	(16.7)
Insurance repayments and expense reclassifications	(39.5)	(13.3)
<b>TOTAL NET OF REBILLED EXPENSES AND REPAYMENTS</b>	<b>103.7</b>	<b>102.3</b>

The increase in commission and professional fees is attributable to costs incurred in respect of the Securities class action in the United States (€45.3 million) and the dispute opposing Vivendi and Deutsche Telekom and Elektrim (please refer to Key Events of the Year above).

Insurance repayments in respect of the Class Action litigation total €36.3 million in 2006, compared to €8.7 million in 2005.

Duties and taxes other than income tax include (i) royalties paid to the State and local authorities, together with sanitation royalties paid in respect of water distribution activities and (ii) two withholding taxes in respect of transactions with Canadian and US subsidiaries of €14.5 million.

The depreciation and amortization charge is €9.5 million in 2006, compared to €35.6 million in 2005. The 2005 charge notably included the accelerated amortization of the cost of replacing the 2004 credit line in the amount of €21.8 million.

### NOTE 3. NET FINANCIAL INCOME/(LOSS)

Net financial income/(loss) breaks down as follows:

<i>(in millions of euros)</i>	2006	2005
Net financing income/(cost)	33.0	(122.3)
Dividends received	927.5	1,188.7
Foreign exchange gains	6.3	233.1
Other financial income and expenses	(17.7)	(91.2)
Sales of investment securities	5.3	(31.0)
Movements in financial provisions	2,055.3	4,605.9
<b>TOTAL</b>	<b>3,009.7</b>	<b>5,783.2</b>

The change in net financing income/(cost) from a net cost of -€122.3 million to net income of +€33.0 million is due to:

- a decrease in the external net financing cost from -€186.3 million in 2005 to -€118.5 million in 2006 notably following:
  - the €1 billion redemption in November 2005 of the November 2002 bond issue redeemable in Vivendi shares,
  - a decrease in average external net debt (excluding bonds redeemable in shares) from €2.5 billion in 2005 to €1.7 billion in 2006 (mainly due to the sale of Vivendi's residual interest in Veolia Environnement in July for €0.9 billion),
- the increase in internal net financing income from €64.0 million in 2005 to €151.5 million in 2006.

Dividends were received from SFR in the amount of €852.0 million (€902.1 million in 2005), SIG 35, the Group real estate division holding company, in the amount of €28.3 million and Veolia Environnement in the amount of €18.3 million.

Movements in financial provisions present a net reversal of €2,055.3 million, including:

- the reversal of the provision for SPC shares in the amount of €2,335.2 million (holding company at the head of certain US Group assets, Universal Music and Vivendi Games), in line with valuations obtained for impairment test purposes and resulting notably from the positive impact of the resolution of the tax dispute concerning DuPont shares and the divestiture of the DuPont shares (please refer to Key Events of the Year above), the valuation of the intrinsic value of US assets and, conversely, the negative impact of the fall in the US dollar exchange rate in 2006,
- the reversal of the provision for Vivendi Telecom International shares in the amount of €451.0 million, following an increase in the Maroc Telecom share price,
- an additional charge to provisions of €442.0 million reducing to nil the total value of shares and receivables relating to Vivendi's investment in mobile telephony in Poland,
- a charge to provisions of €300.0 million in respect of NBC Universal shares following the fall in the US dollar exchange rate in 2006.

In 2005, the net reversal of financial provisions of €4,605.9 million included €3,135.7 million in respect of SPC shares and €1,163.2 million in respect of Canal+ Group shares.

## NOTE 4. NET EXCEPTIONAL ITEMS

Net exceptional income of €752.7 million breaks down as follows:

- a capital gain of €492.1 million on the sale of the 5.3% residual interest in Veolia Environnement;
- an internal capital gain of €203.9 million on the sale of Vivendi Universal Holding II shares, as part of the simplification of the corporate structure of US activities;
- a capital gain of €32.1 million on the contribution of the Sogecable shares (TIAP) to the Prisa takeover bid.

## NOTE 5. INCOME TAX EXPENSE/(CREDIT)

Vivendi is the head of a tax group comprising 39 companies (51 at the end of 2005), with total losses of €793.4 million in 2006 available for relief at the standard tax rate.

Vivendi recorded a tax group credit of €139.0 million, compared to €13.7 million in 2005. In 2006, €116.5 million of this tax credit concerns the

taxation at a rate of 8% of long-term capital gains recognized primarily within Canal+ Group.

The company also recorded a tax credit of €603.8 million in respect of the Consolidated Global Profit Tax System (€506.9 million in 2005 before deduction of €2.3 million in 2006 on the effective receipt of the receivable).

## NOTE 6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### Gross values

<i>(in millions of euros)</i>	Opening gross value	Additions	Disposals	Closing gross value
Intangible assets	18.5	0.5	(5.6)	13.4
Property, plant and equipment	62.1	1.0	(3.7)	59.4
Concession PP&E	1.6	0.1		1.7
<b>TOTAL</b>	<b>82.2</b>	<b>1.5</b>	<b>(9.3)</b>	<b>74.5</b>

### Depreciation and amortization

<i>(in millions of euros)</i>	Opening accumulated deprec./amort.	Charge	Reversal	Closing accumulated deprec./amort.
Intangible assets	13.6	1.7	(3.5)	11.8
Property, plant and equipment	47.9	5.4	(3.0)	50.3
Concession PP&E	1.1			1.1
<b>TOTAL</b>	<b>62.6</b>	<b>7.1</b>	<b>(6.5)</b>	<b>63.2</b>

## NOTE 7. LONG-TERM INVESTMENTS

Long-term investments (in millions of euros)	Opening gross value	Additions	Disposals	Reclassifications	Closing gross value	Accum. Impairment	Net value
Investments in affiliates	46,965.1	11,712.7	(9,224.5)	(104.9)	49,348.4	15,245.8	34,102.6
Long-term portfolio securities	69.2	75.9	(139.0)	158.5	164.6	,	164.6
Loans to subsidiaries and affiliates	1,150.3	2,671.0	(2,402.0)	,	1,419.3	665.4	753.9
Other long-term investment securities	119.5	333.7	(416.2)	104.9	141.9	109.6	32.3
Loans and other long-term investments	182.7	703.6	,	(158.5)	727.8	0.6	727.2
<b>TOTAL</b>	<b>48,486.8</b>	<b>15,496.9</b>	<b>(12,181.7)</b>	<b>0.0</b>	<b>51,802.0</b>	<b>16,021.4</b>	<b>35,780.6</b>

### Investments in affiliates

The simplification of the corporate structure of the Group's activities in the USA and Canada, launched in 2005, was continued in 2006 with the purchase at the beginning of the year of Matsushita's minority interests in certain US entities. This was reflected in the Vivendi statutory financial statements by an increase in Investments in affiliates of €9,979.2 million, including €6,360.0 million (\$8 billion) in respect of the acquisition of NBC Universal shares previously held by Universal Studios Holdings III Corp. and representing 20% of the share capital of the company, €2,593.3 million corresponding to an equity increase and the purchase of shares in the Canadian company, Vivendi Holdings Co and €398.0 million in respect of the acquisition of shares in the US company, Vivendi Holding 1 Corp. This reorganization also resulted in a decrease in Investments in affiliates of €8,791.8 million, including €5,915.8 million in respect of the SPC shares repurchased by SPC, the holding company for the Group's US assets and €2,335.8 million in respect of the removal of Vivendi Universal Holding II shares.

Other additions total €1,733.5 million and include (i) €1,661.5 million (\$2.2 billion) paid on the creation of Vivendi Finance Co, the US company which financed the acquisition from Bertelsmann of BMG Publishing in December.

In addition to those disposals relating to the simplification of the Group's corporate structure, other disposals of €432.8 million primarily include €368.9 million in respect of the sale in July of Vivendi's residual interest in Veolia Environnement (5.30%).

### Long-term portfolio securities

At the end of December 2006, Vivendi held 7.6 million shares in the Spanish company Sogecable (5.50% of the share capital) with a book value of €186.1 million. These shares are recorded in Long-term portfolio securities in the amount of €164.6 million and in Shares loaned in the amount of €21.5 million

### Loans to subsidiaries and affiliates

Loans to subsidiaries and affiliates, including accrued interest, total €753.9 million net, compared to €859.1 million at the end of 2005, and include a loan of CAD 612.5 million (€402.0 million) granted in 2006 to Vivendi Holdings Co and a €343.7 million loan to SPT, a Moroccan subsidiary of Vivendi, to finance the acquisition of a 16% interest in the share capital of Maroc Telecom in January 2005.

### Other long-term investment securities

Other long-term investment securities mainly comprise (i) shares in the UK company COE Group (formerly Scoot.com) in the amount of €104.9 million, impaired in full and previously classified in Investments in affiliates and (ii) 1,300,389 treasury shares in the amount of €31.5 million in the process of being cancelled. These shares, cancelled in March 2007, mainly regroup the residual balance of 296,501 shares purchased at the end of 2005 for external growth transactions and not used and 1,001,447 shares previously classified in marketable securities and backing stock purchase option plans granted to US employees. The amendment in May 2006 to the option exercise terms and conditions led to the cancellation of shares held to cover their exercise. The reclassification of these treasury shares does not impact the Statement of Earnings.

As at December 31, 2006, Vivendi does not hold any shares under the liquidity contract set up in January 2005 to encourage the regular listing of shares (Vivendi held 200,000 shares for this purpose at the end of 2005). In addition, following the exchange in full in 2006 of their Canadian shares by former Seagram shareholders who did not opt in December 2000 for the immediate exchange of their Seagram shares, 4.8 million stripped treasury shares remaining in the Vivendi Statement of Financial Position at the end of 2005 were recombined and cancelled during the year (please refer to Note 8. Treasury Shares).

### Loans and other long-term investments

Loans and other long-term investments mainly comprise advances made by Vivendi pursuant to the CanalSat-TPS combination: cash

deposit of €468.6 million placed in December 2006 with a financial institution that issued a guarantee to Lagardère Active and an advance of €150.0 million granted in January 2006 to TF1 and M6. The deposit

and this advance were repaid to Vivendi on January 4, 2007, on completion of the purchase of TPS by Canal+ Group.

This account heading also includes funds of €80.1 million paid by Vivendi SA under the aforementioned liquidity contract.

## NOTE 8. TREASURY SHARES

Treasury shares are included in Other long-term investment securities (please refer to Note 7. Long-term Investments), with the exception of shares purchased for presentation on the exercise of stock purchase

options granted to employees, that are recorded in marketable securities.

	As at Dec. 31, 2005		Purchases		Reclassification		Cancellation		Sales		As at Dec. 31, 2006	
	No. shares	Gross value (in million of euros)	No. shares	Value (in million of euros)	No. shares	Value (in million of euros)	No. shares	Value (in million of euros)	No. shares	Value (in million of euros)	No. shares	Gross Value (in million of euros)
<b>Long-term investment securities</b>												
External growth transactions	296,501	7.8	0	0.0	(296,501)	(7.8)	0	0.0	0	0.0	0	0.0
Liquidity contract	200,000	5.3	12,189,263	333.7	0	0.0	0	0.0	12,389,263	339.0	0	(0.0)
Other shares	2,441	0.1	0	0.0	(2,441)	(0.1)	0	0.0	0	0.0	0	0.0
Stripped shares	4,760,628	100.4	0	0.0	0	0.0	4,760,628	100.4	0	0.0	0	0.0
Shares in the course of cancellation	0	0.0	0	0.0	1,300,389	31.5	0	0.0	0	0.0	1,300,389	31.5
<b>Marketable securities</b>												
Shares backing stock options	1,983,500	47.4	0	0.0	(1,001,447)	(23.6)	0	0.0	902,939	21.9	79,114	1.9
<b>TOTAL</b>	<b>7,243,070</b>	<b>161.0</b>	<b>12 189 263</b>	<b>333.7</b>	<b>0</b>	<b>0.0</b>	<b>4,760,628</b>	<b>100.4</b>	<b>13,292,202</b>	<b>360.9</b>	<b>1,379,503</b>	<b>33.4</b>

Treasury shares backing stock purchase option plans granted to employees are recorded at acquisition cost, in the amount of €1.9 million for 79,114 shares at the end of 2006 (compared to €47.4 million for 1,983,500 shares in 2005). In 2006, 902,939 shares were presented to employees on the exercise of their options. After amendment of the exercise terms and conditions of the stock purchase option plans granted to US employees following the decision by Vivendi to delist

from the New York Stock Exchange, the presentation of treasury shares is now replaced by the direct payment to employees of the capital gain realized on the exercise of the option. As such, the 1,001,447 shares backing these US plans were reclassified at the end of 2006 in Other long-term investment securities, without impacting the Statement of Earnings, prior to their cancellation in March 2007.

## NOTE 9. CURRENT ASSETS

### Receivables

These mainly include:

- trade accounts receivable and related accounts net of provisions of €13.0 million (€7.9 million at the end of 2005),
- other accounts receivable net of provisions of €3,036.4 million (€4,677.9 million at the end of 2005), primarily comprising the following two items:
  - current account advances by Vivendi to subsidiaries of €1,921.6 million, compared to €4,034.9 million at the end of 2005,

– and a tax receivable in respect of the 2006 impact of the Consolidated Global Profit Tax System of €603.8 million.

### Marketable securities

Marketable securities excluding treasury shares (please refer to Note 8) have a net book value of €1,726.9 million (compared to €2,037.4 million in 2005) and comprise shares in treasury SICAVs and mutual funds.

### Prepaid expenses

<i>(in millions of euros)</i>	2006	2005
Premiums paid on the purchase of options on securities	240.2	245.3
Expenses relating to the following period	1.7	1.7
Discount paid to subscribers of the 700 million of euros bond issue of July 2004, the 600 million of euros bond issue of February 2005, the 630 million of euros bond issue of April 2005 and the 500 million of euros bond issue of October 2006	7.3	5.5
<b>TOTAL</b>	<b>249.2</b>	<b>252.5</b>

Premiums paid of €240.2 million include, with respect to the coverage of certain stock purchase option plans granted to employees, a premium of €225.5 million paid on the purchase in June 2001 of calls covering 22 million Vivendi shares (as the exercise price is greater than €75, the premium is provided in full) and a premium of €14.7 million paid on the purchase in December 2002 of calls covering 5.7 million

Vivendi shares, provided €14.6 million to reduce the value of these calls to their market value of €0.1 million.

Premiums of €14.5 million mature in 2007, with the balance maturing in 2008.

## NOTE 10. RECEIVABLES MATURITY SCHEDULE

<i>(in millions of euros)</i>	Gross value	Maturing within less than one year	Maturing within more than one year
<b>Non-current assets</b>			
Loans to subsidiaries and affiliates	1,419.3	26.1	1,393.2
Other long-term investments	706.3	704.4	1.9
<b>Current assets</b>			
Trade accounts receivable and related accounts	14.5	14.5	
Other receivables	3,245.0	3,227.2	17.8
<b>TOTAL</b>	<b>5,385.1</b>	<b>3,972.2</b>	<b>1,412.9</b>

**NOTE 11. DEFERRED CHARGES****Deferred charges relating to financial instruments**

<i>(In millions of euros)</i>	Opening balance	Increase	Amortization	Closing balance
Deferred charges relating to financial instruments	2.1	3.0	(0.7)	4.4
Issue costs	4.4		(1.6)	2.8
<b>TOTAL</b>	<b>6.5</b>	<b>3.0</b>	<b>(2.3)</b>	<b>7.2</b>

The increase in deferred charges relating to financial instrument represents the costs associated with the arrangement of the €2.0 billion revolving credit facility in August 2006.

**NOTE 12. UNREALIZED FOREIGN EXCHANGE LOSSES**

As at December 31, 2006, this account heading records unrealized foreign exchange losses, valued at year-end rates of exchange and notably €44.3 million in respect of the long-term receivable of CAD 610 million (excluding accrued interest) granted to Vivendi Holdings Co

(please refer to Note 7. Long-term Investments). This unrealized loss is provided in full (please refer to Note 15. Provisions).

**NOTE 13. EQUITY****a) Movements in equity**

<i>(in millions of euros)</i>	Number of shares <sup>(1)</sup>	Share capital	Additional paid-in capital	Reserves and retained earnings	Earnings	Total
As at 12/31/05, after allocation	1,153,477,321	6,344.1	11,210.8	11,027.3		28,582.2
Group Savings Plans	1,471,499	8.1	22.4			30.5
Redemption in shares of 2000 bonds redeemable in shares	4,760,628	26.2	352.3			378.5
Recombined shares cancelled in 2006	(4,760,628)	(26.2)	(74.2)			(100.4)
Stock options (subscription plans)	2,084,916	11.5	18.3			29.8
Other movements in 2006					4,412.4	4,412.4
<b>AS AT 12/31/06, BEFORE ALLOCATION</b>	<b>1,157,033,736</b>	<b>6,363.7</b>	<b>11,529.6</b>	<b>11,027.3</b>	<b>4,412.4</b>	<b>33,333.0</b>

(1) Par value of €5.50.

- The potential number of shares which could be created is 32,980,411:
  - (i) 32,174,851 on the exercise of stock subscription options,
  - (ii) 805,560 under the 2006 restricted stock plans to employees for no consideration.

## b) Allocation of earnings

As proposed to the Annual General Shareholders' Meeting of April 19, 2007, the allocation of earnings is as follows:

Distributable earnings (in euros)	
Earnings for the year	4,412,354,585
Retained earnings	10,389,661,401
<b>TOTAL</b>	<b>14,802,015,986</b>
Allocation	
Legal reserve	1,956,028
Dividends(1)	1,386,784,540
Other reserves	11,213,275,418
Retained earnings	2,200,000,000
<b>TOTAL</b>	<b>14,802,015,986</b>

(1) Dividend of 1.20 euro per share, based on the number of treasury shares held as at December 31, 2006. This amount will be adjusted to reflect the actual number of treasury shares held on the dividend payment date.

Dividends per share distributed in respect of the last three years were as follows:

Year	2005	2004	2003
Number of shares(1)	1,147,440,213	1,065,235,399	1,071,438,105
Dividend per share (in euros)(2)	1.00	0.60	0.00
Total distribution (in millions of euros)	1,147.4	639.1	-

(1) Number of shares ranking for dividend as at January 1, after deduction of treasury shares held at the dividend payment date.

(2) This dividend confers entitlement to a tax deduction of 50 % applicable in 2005 (2004 dividend) for private individuals tax resident in France pursuant to Art. 158-3 2e of the General Tax Code and of 40 % from January 2006 (2005 dividend).

## NOTE 14. EQUITY EQUIVALENTS

### Bonds redeemable in Vivendi shares

Bonds redeemable in Vivendi shares are recorded in "Equity equivalents" as their redemption in Vivendi shares is mandatory.

In 2005, this account heading comprised bonds redeemable in shares in the amount of €1,892 million, issued in December 2000 and reserved for Vivendi Universal Holding SAS in order to enable the presentation of Vivendi shares to former Seagram shareholders having opted in

December 2000 for the deferred exchange of their Seagram shares and holders of Seagram stock subscription options.

As at December 31, 2006 no bonds remain outstanding, following the exchange in full in 2006 of the Canadian securities of former Seagram shareholders for Vivendi shares and the amendment of the exercise terms and conditions of the stock subscription options following the delisting of the Vivendi share on the New York Stock Exchange.

**NOTE 15. PROVISIONS AND IMPAIRMENT****Summary table**

Nature <i>(in millions of euros)</i>	Opening balance	Charge for the period	Reversal	Utilization	Other mvts <sup>(1)</sup>	Closing balance
<b>Provisions</b>						
Provision for real estate contingencies and losses	320.9		18.7	69.2		233.0
Financial risks on call options	245.1			5.0		240.1
Financial risks on redemption premiums	2.6			2.6		0.0
Foreign exchange losses		44.3				44.3
Restructuring costs	4.0	0.5	0.6	0.8		3.1
Litigation and other	119.0	6.5	49.8	4.9	7.9	78.7
Employee benefits	9.3	1.3			0.3	10.9
<b>TOTAL I - PROVISIONS</b>	<b>700.9</b>	<b>52.6</b>	<b>69.1</b>	<b>82.5</b>	<b>8.2</b>	<b>610.1</b>
<b>Impairment</b>						
Long-term investments:						
Investments in affiliates and long-term portfolio securities	17,769.2	438.0	2,813.8	51.4	(96.2)	15,245.8
Loans to subsidiaries and affiliates	291.2	374.2				665.4
Other long-term investment securities	3.8		0.5		106.3	109.6
Other long-term investments and loans	2.1				(1.5)	0.6
Trade accounts receivable	1.2				0.3	1.5
Other receivables	243.8	7.0	42.2			208.6
Marketable securities	29.3			26.7		2.6
<b>TOTAL II - IMPAIRMENT</b>	<b>18,340.6</b>	<b>819.2</b>	<b>2,856.5</b>	<b>78.1</b>	<b>8.9</b>	<b>16,234.1</b>
<b>GRAND TOTAL (I + II)</b>	<b>19,041.5</b>	<b>871.8</b>	<b>2,925.6</b>	<b>160.6</b>	<b>17.1</b>	<b>16,844.2</b>
Charges and reversals:						
– operating		1.3				
– financial		862.6	2,883.5	34.4		
– exceptional		7.9	42.1	126.2		
Transactions not impacting charges or reversals					17.2	

(1) Other movements concern transfers on the liquidation of a subsidiary and share reclassifications.

The provision for real estate contingencies and losses covers potential losses incurred on the planned withdrawal in 2007 from office premises in Berlin (Germany) of €233.0 million.

The provision for financial risks on call options comprises the impairment of premiums paid on the purchase of calls covering treasury shares (please refer to Note 9. Current Assets)

Provisions for litigation and other primarily cover tax and employee-related risks of €71.1 million. The provision reversal of €49.8 million includes €27.1 million in respect of risks to which Vivendi is exposed within a consortium managing the water supply concession for the city of Buenos Aires, offset by a charge in respect of a long-term receivable granted to an Argentine subsidiary bringing this provision to €25.8 million. This risk is provided in addition to the impairment in full of shares in the company Aguas Argentinas (€14.6 million).

## NOTE 16. BORROWINGS

Borrowings total €7,167.5 million, compared to €5,162.4 million at the end of 2005.

### Bond issues exchangeable for shares (excluding accrued interest)

Bond issue	Issue date	Number of bonds outstanding as at 12/31/06	Amount as at 12/31/06 (in million of euros)	Rights conferred
Bonds exchangeable for Sogecable shares <sup>(2)</sup>	10/2003	7,522,833	220.6	Coupon 1.75%, maturing October 2008, issue price 29.32 euros, redemption at par. Parity: 1.0118 shares for 1 bond <sup>(1)</sup> .
<b>TOTAL</b>			<b>220.6</b>	

(1) Adjustment of the parity with effect from June 9, 2005 after a share capital increase with retention of preferential subscription rights by Sogecable between May 24 and June 7, 2005.

(2) To date, 13.1 million bonds have been exchanged for Sogecable shares, i.e. 63.6% of the initial bond issue.

### Other bond issues (excluding accrued interest)

Other bond issues represent a total of €3,405.7 million (€2,519.8 million as at December 31, 2005) and break down as follows:

In millions of euros	Issue date	Maturity date	Rate
700.0	10/2006	10/2011	Euribor 3 months + 0.50%, swapped at a fixed rate of 4.3736%
500.0	10/2006	10/2013	4.50%
630.0	04/2005	04/2010	3.625%
600.0	02/2005	02/2012	3.875%
700.0	07/2004	07/2007	Euribor 3 months + 0.55 %
53.3	03/1999	03/2009	Indexed to Vivendi SA and Canal+ share prices and swapped at floating rates
70.0	09/1998	09/2008	Indexed to Vivendi SA share price and swapped at floating rates
152.4	01/1997	01/2009	6.50%
3,405.7			

In addition to the bond issue exchangeable for shares of €220.6 million and other bond issues totaling €3,405.7 million presented above, plus related accrued interest of €66.2 million, borrowings notably comprise:

- medium-term treasury notes of €30.3 million (maturing 2007),
- medium- and long-term bank financing of €30.5 million,
- current account funds deposited by subsidiaries of €2,696.3 million,
- short-term treasury notes of €280.3 million,
- bank overdrafts of €323.5 million.

Principal payments on borrowings in 2006 totaled €412.2 million:

- redemption in January and February of bonds exchangeable for Sogecable shares in the amount of €21.1 million,
- redemption in March of the remaining bonds exchangeable for Veolia Environnement shares in the amount of €27.6 million,
- redemption in June of a €304.9 million bond loan issued in 1996,
- and other miscellaneous payments of €58.6 million.

The average maturity of Group medium-term debt is 3.0 years, compared to 3.3 years as at December 31, 2005, excluding revolving credit lines.

Borrowings maturing after more than one year total €2,956.8 million (€2,506.2 million as at December 31, 2005).

Excluding current account deposits made by subsidiaries, borrowings maturing within one year (excluding accrued interest) total €1,334.0 million, compared to €695.7 million at the end of 2005 and mainly include a bond issue in the amount of €700.0 million and treasury notes in the amount of €310.6 million.

In addition, a new €2.0 billion credit line was arranged in August (maturing August 2011, with possibility to extend a further two years), supplementing the €2.0 billion credit line arranged in April 2005 (maturing April 2012, further to the one-year extension agreed with banks in February 2007). If drawn, the April 2005 credit line will bear interest at Euribor plus a margin of between 25 and 30 basis points and the August 2006 credit line will bear interest at Euribor plus a margin of between 25 and 27.5 basis points. As at December 31, 2006, these credit lines had not been drawn.

## NOTE 17. DEBT MATURITY ANALYSIS

Liabilities (including accrued interest) <i>(in millions of euros)</i>	Gross value	Due within less than one year	Due within one to five years	Due within more than five years
Bond issues exchangeable for shares	221.2	0.6	220.6	
Other bond issues	3,471.3	765.6	1,605.7	1,100.0
Bank borrowings	665.9	635.4	30.5	
Other borrowings	2,809.1	2,809.1		
Trade accounts payable and related accounts	36.5	36.5		
Tax and employee-related liabilities	36.9	36.9		
Other liabilities	5.5	5.5		
<b>Total</b>	<b>7,246.4</b>	<b>4,289.6</b>	<b>1,856.8</b>	<b>1,100.0</b>

## NOTE 18. ITEMS IMPACTING SEVERAL ACCOUNT HEADINGS OF THE STATEMENT OF FINANCIAL POSITION

The "Related parties" column in the following table presents the amounts included in the various categories of the Statement of Financial Position, concerning transactions with companies fully consolidated in the Group Consolidated Statement of Financial Position.

Assets <i>(in millions of euros)</i>	Accrued income	Related parties
Investments in affiliates		42,771.4
Loans to subsidiaries and affiliates	26.1	1,353.6
Other long-term investment securities	0.1	
Loans		
Other long-term investments	4.9	
Trade accounts receivable and related accounts	1.9	9.4
Other receivables	253.0	2,265.7
Deferred charges		
Prepaid expenses		
Unrealized foreign exchange losses		44.3
<b>TOTAL</b>	<b>286.0</b>	<b>46,444.4</b>

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Liabilities <i>(in millions of euros)</i>	Accrued expenses	Related parties
Bond issues exchangeable for shares	0.6	
Other bond issues	65.6	
Bank borrowings	1.4	
Other borrowings	0.2	2,692.4
Trade accounts payable and related accounts	33.6	
Tax and employee-related liabilities	18.2	
Amounts payable in respect of PP&E and related accounts		
Other liabilities	2.8	
Deferred income		
Unrealized foreign exchange gains		
<b>TOTAL</b>	<b>122.4</b>	<b>2,692.4</b>

### NOTE 19. FINANCIAL INCOME AND EXPENSES CONCERNING RELATED PARTIES

<i>(in millions of euros)</i>	Financial expenses	Financial income
<b>TOTAL</b>	<b>289.3</b>	<b>1,237.5</b>
Incl. Related parties	79.7	1,129.7

### NOTE 20. COMPENSATION OF DIRECTORS AND OFFICERS

Gross compensation paid to members of the Management Board, who are employees of Vivendi SA, in respect of 2006 totaled €8.9 million, of which €3.7 million was rebilled to subsidiaries. Cumulative gross

directors' fees paid in 2006 to members of the Supervisory Board and compensation paid to the Chairman of the Supervisory Board totaled €2.1 million.

### NOTE 21. MANAGEMENT SHARE OWNERSHIP

As at December 31, 2006, members of the Management Board, the Supervisory Board and executive management held 0.06% of the share capital of the company

### NOTE 22. AVERAGE NUMBER OF EMPLOYEES

The annual average number of employees, weighted for effective presence and including temporary employees and employees under fixed-term contracts, was 228 in 2006, unchanged on last year.

The breakdown of employees by category as at December 31, 2006 and 2005 is as follows (226 and 231 employees respectively):

	12/31/2006	12/31/2005
Engineers and executives	174	172
Supervisors	28	34
Other employees	24	25
<b>TOTAL</b>	<b>226</b>	<b>231</b>

**NOTE 23. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES****Description of procedures**

Vivendi prepares detailed records on all contractual obligations, commercial and financial commitments and contingent obligations, to which it is party or exposed. These detailed records are updated on a regular basis by concerned departments and reviewed with senior management. In order to ensure completeness, accuracy and consistency of the records, some dedicated internal control procedures are performed, including but not limited to:

- prior approval via a specific procedure of financial commitments including off-balance sheet commitments,
- regular review of minutes of Shareholders' Meetings, meetings of the Board of Directors, the Management Board, the Supervisory Board and their Committees, and the Executive Committee for matters such as contracts, litigation, and authorization of asset acquisitions or divestitures,
- review with banks and financial institutions of items such as pledges or guarantees,
- review with internal and/or external legal counsel of pending litigation and court proceedings, environmental matters and related assessments of contingent liabilities,
- review of tax examiner's reports and, where appropriate, revised notices of assessments in respect of prior years,
- review with risk management, insurance agents and brokers of coverage for unrecorded contingencies,
- review of related party transactions for guarantees and other given or received commitments,
- review of all contracts and agreements.

**Note 23.1. Commitments Given**

Vivendi has given a certain number of financial commitments on behalf of its subsidiaries and in respect of its holding company activities. The main commitments are presented below.

**Universal Music Group**

- On the merger with Seagram, Vivendi assumed a guarantee given to Commonwealth Atlantic Properties, expiring May 1, 2015 and covering rent paid by UMG, with a residual value of \$64 million as at December 31, 2006.

- As part of the restructuring of guarantees underwriting the financing of the acquisition of Interscope, Vivendi provided a guarantee capped at \$103 million to a financial institution in February 2007 and assumed a certain number of commitments of some of its US subsidiaries.
- Vivendi provided guarantees to several banks which granted credit line facilities to certain UMG subsidiaries to cover working capital requirements, totaling approximately €10 million as at December 31, 2006.
- Vivendi provided UMG companies in the Netherlands with guarantees covering commitments to third parties.

**Canal+ Group**

- On the sale of Canal+ Group's activities in Benelux, Vivendi provided a guarantee of \$15 million to a financial institution on behalf of its subsidiary.
- Vivendi provided a guarantee of approximately €7 million to a Polish bank in order to assure the financing requirements of the local subsidiary of Canal+ Group.
- As part of the combination of TPS and Canal+, Vivendi, alongside Canal+ Group, gave a certain number of commitments in August 2006 to the Regulatory authorities aimed notably at (1) facilitating access by television and video-on-demand (VOD) operators to rights on attractive audiovisual content and in particular French and US films and sporting events (2) making available to all pay-TV distributors who so wish several high-quality channels, enabling them to develop attractive products and (3) enabling French-language independent licensed channels to be included in the satellite offerings of the new group. These commitments were given for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD that cannot exceed five years.

On the contribution of TPS to Canal+ France on January 4, 2007, Vivendi counter-guaranteed TF1 and M6 commitments to suppliers of programs for TPS, in the amount of approximately €300 million.

In addition, under the terms of the agreement of January 6, 2006, TF1 and M6 hold a put option granted by Vivendi in respect of their 15% stake in Canal+ France that may be exercised in February 2010. The exercise price will be based on an independent expert valuation at market price, subject to a floor of €1,130 million for 15% of the new pay-TV group in France.

Finally, under the March 2006 agreements, Lagardère holds a call option enabling it to increase its stake in Canal+ France to 34% that

may be exercised in October 2009. The exercise price will be based on an independent expert valuation, subject to a floor of €1,050 million for 14% of Canal+ France.

### Maroc Telecom

- On the Maroc Telecom IPO, Vivendi granted employees of this company a share price guarantee of 58.01 dirhams per share, covering 4.16 million shares and representing a maximum amount of €21.8 million.

The share price on February 19, 2007 was 132 dirhams.

Employees will benefit from this guarantee during a period of 6 months following the end of the 3-year lock-up period applicable to employees.

- In addition, when a 6 billion dirhams syndicated loan was secured to finance the acquisition of a 16% stake in Maroc Telecom, repaid in the amount of 2 billion dirhams in 2006, Vivendi granted a security (caution solidaire) to the lending banks. This guarantee expires on the maturity of this loan, i.e. January 4, 2012.

### Vivendi Games

- On the renegotiation of Vivendi Games real estate leases in the United States, Vivendi granted a rental guarantee to the owners of the premises. This guarantee represented a commitment of approximately \$16 million as at December 31, 2006 in respect of residual rent payable under the leases.
- Guarantees capped at €26 million were granted by Vivendi to various suppliers in respect of commitments contracted by Vivendi Games.

### Holding company and others

- As at December 31, 2006, Vivendi continued to guarantee commitments given by Veolia Environnement subsidiaries for a total amount of approximately €13 million, mainly relating to a performance bond given to a local US authority. All these guarantees are being progressively transferred to Veolia Environnement and have been counter-guaranteed by this latter.
- Vivendi provided counter-guarantees to US financial institutions which issued a certain number of surety bonds in favor of certain US operating subsidiaries for a total amount of €7 million.
- On the purchase of the 7.7% minority interest in Universal Studios Holding I Corp held by Matsushita Electric Industrial (MEI) on February 7, 2006, Vivendi undertook, in the event of the sale of all or part of its interest in NBCU for more than \$7 billion (for 20% of NBCU) to retrocede part of this selling price to MEI, calculated as follows: if the NBCU shares are sold in 2007, Vivendi will pay MEI 66.66% of its share (i.e. 7.659%) of the selling price in excess of \$7 billion; this percentage will be reduced to 33.33% if the sale takes place in 2008.

- In December 2006, Vivendi undertook to grant its subsidiary SFR a three-year revolving loan of up to €700 million.
- Pursuant to the receipt of authorization to adopt the French Consolidated Global Profit Tax System, Vivendi undertook on August 23, 2004 to contribute to the creation of at least 1,600 permanent jobs over a period of three years and 2,100 permanent jobs over a period of five years. To this end, Vivendi notably undertook to pay €5 million per year for five years. This commitment is currently respected.
- In addition, Vivendi has given a certain number of real estate lease commitments for a total net amount of approximately €37 million.
- As part of the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million, to several subsidiaries of Nexity (SAS Nexim 1 to 6). The guarantees expire June 30, 2017.

These autonomous guarantees are in addition to the vendor warranties granted by Sig 35, Vivendi's subsidiary, to SAS Nexim 1 to 6 in connection with guarantee contracts dated June 28, 2002. The vendor warranties are valid for a period of 5 years, from June 28, 2002, except those relating to litigation (valid until the end of the proceedings), tax, custom, and employee-related liabilities (statute of limitations plus 3 months) and the decennial guarantee applicable to real estate.

### Contingent liabilities

- 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 (representations and warranties), and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses stemming from among other things any breach of their respective representations, 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 exceed \$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 dollar of loss up to \$50 million and for all losses in excess of \$50 million relating to liabilities arising out of the most favored nation provisions set forth in certain contracts. As part of the unwinding of InterActiveCorp's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were modified and Vivendi's liability is now subject to a de minimus exception of \$10 million and a payment basket of \$325 million.

The representations and warranties, other than those regarding authorization, capitalization and tax representations, terminated on August 11, 2005. Notices of claims for indemnity for environmental

matters must be made by May 11, 2009, except for remediation claims which must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.

- In 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 on December 18, 2005.
- In connection with the divestiture of Canal+ Nordic in October 2003, Vivendi granted certain customary guarantees to the acquirers capped at €50 million and expiring in April 2010. Application of these guarantees may be extended under certain conditions.
- Finally, as a result of the divestiture of assets and the discontinuation of certain operations in recent years, Vivendi is exposed to commitments given to purchasers, sellers and certain insurers with regards to tax and employee liabilities, which will expire in line with prevailing statutes of limitation, and environmental liabilities in the United States

## Note 23.2. Commitments Received

- On December 14, 2006, Vivendi informed General Electric (GE) of its decision not to exercise its exit rights with respect to NBC Universal (NBCU) in January 2007. Vivendi remains a shareholder in NBC Universal with a 20% stake.
- Simultaneously, Vivendi and GE modified the agreement which governs the liquidity of Vivendi's interests in NBCU.
- As part of the modified agreement that governs Vivendi's exit from NBCU, Vivendi can 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 between \$1 billion and \$4 billion of its NBCU shares in November of each year from 2007 to 2016, 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 shares to the market. Under certain circumstances, if Vivendi does exercise its right to monetize its equity interest in NBCU and if GE does not exercise its pre-emptive rights, Vivendi will be able to exercise a put option to GE. In addition, for the period between May 11, 2011 and May 11, 2017, GE has the right to call either (i) all of Vivendi's NBCU or (ii) \$4 billion of Vivendi's shares in NBC Universal, in each case at the greater of their market value at the time the call is exercised and their value as determined at the time of the NBC-Universal transaction in May 2004 (i.e. \$8.3 billion), 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 shares held by Vivendi by the end of the 12 month-period commencing on the date GE exercises its call option.
- Under existing shareholder agreements (SFR, Maroc Telecom, etc.), Vivendi has obtained a certain number of rights (pre-emption rights, priority rights, etc.) which enable it to control the capital structure of companies owned partially by other shareholders. In return, Vivendi has granted similar rights to the latter in the event that it sells its interests to third parties.
  - Vivendi has a first rank security on UGC shares held by family shareholders to guarantee the payment of its loan to the latter.

## NOTE 24. INSTRUMENTS USED TO MANAGE BORROWINGS

For cash management purposes and as part of its financing policy, Vivendi enters into various hedging arrangements of different durations as appropriate, as is normal practice within major groups and, in part, on behalf of its subsidiaries. Hedging arrangements are not speculative in nature.

In 2006, 75% of average Group debt was denominated in euros. The average cost of this debt (including bank margins and hedging arrangements) over the year as a whole was 3.76%, compared to 3.69% in 2005. The remaining debt was denominated 16% in dollars, with an average finance cost of 5.37% (3.83% in 2005) and 9% in dirhams with an average finance cost of 5.08% (4.63% in 2005). All currencies

together, the average finance cost in 2006 was 4.20%, including margins and hedging arrangements, compared to 3.92% in 2005.

In 2006, external hedging arrangements implemented by the Group (fixing floating interest rates) covered an average of €0.5 billion long and short-term debt, compared to €0.5 billion in 2005. The Group uses only swap instruments and caps.

At the end of 2006, open swaps in the Group totaled €1.0 billion and caps totaled €0.45 billion. The average duration of swap instruments and caps was 3.7 years and 9 months respectively.

Instruments held by Vivendi SA to hedge borrowings break down as follows:

Vivendi SA External Hedging Arrangements <i>(in millions of euros)</i>	As at 12/31/2006	Average rate	Maturing within < 1 year	Maturing within 1 to 5 years	Maturing within > 5 years	Counterparty
Fixed-rate receiver swaps	280	3.28 %	250	30		Banks
Fixed-rate payer swaps	(700)	3.87 %		(700)		Banks
Sales of caps						
Purchases of floors						
<b>SUB-TOTAL</b>	<b>(420)</b>		<b>250</b>	<b>(670)</b>	<b>0</b>	

Inter-co hedging arrangements between Vivendi SA and its subsidiaries <i>(in millions of euros)</i>	As at 12/31/2006	Average rate	Maturing within < 1 year	Maturing within 1 to 5 years	Maturing within > 5 years	Counterparty
Fixed-rate receiver swaps						
Fixed-rate payer swaps						
Sales of caps						
Purchases of floors						
<b>SUB-TOTAL</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	

## NOTE 25. DEFERRED DEDUCTIONS FOR TAXES

Timing differences between the tax and accounting treatment of income and expense items would generate a future reduction in tax liabilities (including contributions) of €197 million, due to the deferred deduction for tax purposes of certain expenses provided.

As at January 1, 2006, the tax group headed by Vivendi, which is authorized to apply the Consolidated Global Profit Tax System since January 1, 2004, had (i) tax losses carried forward of €10.6 billion available for relief at the standard tax rate and (ii) net long-term capital losses carried forward of €26.0 billion.

In respect of 2006, the tax group headed by Vivendi realized a tax loss of €0.8 billion available for relief at the standard tax rate and a net long-term capital gain of €6.7 billion.

Vivendi consolidated earnings in respect of 2006 will be determined in November 2007 at the latest, the deadline for submission of the consolidation package.

Following a reform of the tax treatment of long-term capital gains and losses, long-term capital losses in respect of investments in affiliates will lapse on January 1, 2007, with the exception of long-term capital losses available for relief at the reduced rate of 15%, valued at €0.1 billion.

Finally, total net capital gains benefiting from deferred taxation pursuant to Article 38-7 bis and 210B of the French General Tax Code, amount

to close to €5.5 billion, including €5.4 billion in respect of SFR shares.

## NOTE 26. DISCLOSURE OF SHAREHOLDINGS

Article 356 of the French Companies Act of July 12, 1985, requires companies to disclose the acquisition or divestiture of investments resulting in the crossing of defined shareholding limits.

No acquisitions or divestitures in 2006 fall within the scope of this article.

## NOTE 27. SUBSEQUENT EVENTS

None.

# 4 Subsidiaries and Affiliates

(in thousands of euros, unless otherwise stated)	Share capital	Equity excl. share capital(1)	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi(2)	Guarantees and endorsements granted by Vivendi	2005 Revenues	2006 Revenues	2005 Earnings	2006 Earnings	Dividends received by Vivendi during 2006	Comments
				Gross	Net								
Groupe Canal+ S.A. *(3) 1, place du Spectacle 92130 Issy les Moulineaux	100,000	1,530,417	100,00	5,198,133	5,198,133		15,000	195,895	349,501	(54,309)	1,064,261		
NBC Universal Inc.(4) 30 Rockefeller Plaza New York, NY 10112		dollars 23,288 million	20.00	6,359,963	6,059,963			dollars 14,216 million	dollars 15,383 million	dollars 2,301 million	dollars 1,899 million		
Other subsidiaries and affiliates (Summary information)				21,875	21,875	14,664							prov. for advances 4,647

(1) Including earnings of the year.

(2) Including current account advances.

(3) Company holding 49% of Canal+ SA and all other assets transferred by Canal+ on the Vivendi-Canal+ - Seagram merger on December 8, 2000.

(4) Consolidated figures.

\* This company is primarily a holding company. The amounts presented in the «Revenues» columns comprise operating income and financial income from investments.

## 2006 STATUTORY FINANCIAL STATEMENTS

Subsidiaries and Affiliates

## SUBSIDIARIES AND AFFILIALES (contd.)

(In thousands of euros, unless otherwise stated)	Share capital	Equity excl. share capital(1)	% share capital held	Book value of investments		Out-standing loans and advances granted by	and endorse-ments granted by Vivendi	2005 Revenues	2006 Revenues	2005 Earnings	2006 Earnings	Dividends received by Vivendi during 2006	Com-ments
				Gross	Net								
Société Française du Radiotéléphone 42, avenue de Friedland 75008 PARIS	1,343,455	810,300	55.96	9,807,026	9,807,026			8,400,552	8,466,428	1,599,382	1,605,979	851,974	
Vivendi Telecom International*(3) 42, avenue de Friedland 75008 PARIS	1,190,647	(603 720)	100.00	1,190,905	1,190,905	1,546,057	55,200	5,837	4,019	2,653	(132 889)		
Elektrim Telekomunikacja*(4) Al. Jana Pawla II 00-828 Warsaw Poland	10,008,090 thousand zlotys (5)	(8,273,595) thousand zlotys (5)	47.07	1,117,080	0	621,199		230 thousand zlotys (5)	60 thousand zlotys (5)	(65,976) thousand zlotys (5) (6)	(205,575) thousand zlotys (5)		prov. for advances 621,199
Other subsidiaries and affiliates (Summary information)				196,905	53,559	357,914	366 300 (7)						prov. for advances 17,781

(1) Including earnings of the year.

(2) Including current account advances.

(3) Company carrying Group telephony investments in Morocco and Poland.

(4) Elektrim Telekomunikacja (held 3.93% by Vivendi Telecom International) and Carcom Warszawa (held 51% by Vivendi) hold 51% of the share capital of PTC, the leading mobile phone operator in Poland.

(5) As at December 31, 2006, 1 euro = 3.8310 zlotys.

(6) Compared with provisional losses of 46,880 thousand zlotys reported in the 2005 annual report.

(7) Guarantee given to the Moroccan bank Attijariwafa in respect of a loan granted in January 2005 to Société de Participation dans les Télécommunications to finance the acquisition of 16 % of the share capital of Maroc Télécom.

\* This company is primarily a holding company. The amounts presented in the «Revenues» column comprise operating income and financial income from investments.

## SUBSIDIARIES AND AFFILIALES (contd.)

(in thousands of euros, unless otherwise stated)	Share capital	Equity excl. share capital	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi (2)	Guarantees and endorsements granted by Vivendi	2005 Revenues	2006 Revenues	2005 Earnings	2006 Earnings	Dividends received by Vivendi during 2006	Comments
				Gross	Net								
<b>Holding companies and non-core activities</b>													
I - Holding companies													
SPC * (3) 42, avenue de Friedland 75008 Paris	19,612,555	(13,302,260)	100,00	19,748,105	6,310,805					3,135,239 (7)	2,284,457 (8)		
Vivendi Finance Company (4) Corporation Trust Center 1209, Orange Street Wilmington, 19801 County of New Castle Delaware, U.S.A.	US\$ 2,207,452 thousand	US\$ 7,398 thousand	100,00	1,661,488	1,661,488						US\$ 7,398 thousand		
Vivendi Holding 1 Corporation (5) * 800 Third Avenue New York, New York 10022		US\$ 13,875,498 thousand	(5)	397,962	397,962	57,188		US\$ 4,138,210 thousand (9)		US\$ (247,907) thousand	US\$ 4,075,983 thousand (9)		
Vivendi Holdings Company (6) Summit Place - 1601 Lower Water Street Halifax - Nova Scotia B3J 2V1 Canada	CAD 27,278,858 thousand	CAD (23,167,742) thousand	(6)	2,565,251	2,565,251	412,981			CAD (485,306) thousand		CAD (6,243) thousand		
Centenary SGPS Rua Calouste Gulbenkian 52 Edificio Mota Galiza Freguesia de Massaleros Concelho do Porto Portugal	880	145,859	100.00	146,621	146,621					(121)	4,173		fiscal year 07/01/05 to 06/30/06
Other subsidiaries and affiliates (Summary information)				77,068	77,068	87,865							

(1) Including earnings of the year.

(2) Including current account advances.

(3) Company holding, indirectly, the Group's stakes in Universal Music and Vivendi Games.

(4) Company created on the acquisition of BMG Publishing in December 2006.

(5) Company included in the corporate structure of the Group's US assets (excl. NBC Universal), indirectly wholly owned by Vivendi (via SPC).

(6) Company included in the corporate structure of the Group's US assets (excl. NBC Universal), indirectly wholly owned by Vivendi (via SPC).

Vivendi holds preferred shares of €2.6 billion.

(7) Including a reversal of provisions of €3,135.7 million against securities representing Group US assets.

(8) Including a reversal of provisions of €2,284.2 million against securities representing Group US assets.

(9) Including a dividend of US\$4,055 million from Universal Music Group.

\* This company is primarily a holding company. The amounts presented in the «Revenues» columns comprise operating income and financial income from investments.

## 2006 STATUTORY FINANCIAL STATEMENTS

Subsidiaries and Affiliates

## SUBSIDIARIES AND AFFILIALES (contd.)

(in thousands of euros, unless otherwise stated)	Share capital	Equity excl. share capital(1)	% share capital held	Book value of investments		Out-standing loans and advances granted by Vivendi(2)	Guarantees and endorsements granted by Vivendi	2005 Revenues	2006 Revenues	2005 Earnings	2006 Earnings	Dividends received by Vivendi during 2006	Com ments
				Gross	Net								
<b>II - Non-core activities</b>													
Energies USA *													
L'Aquarène - 1, place Montgolfier 94417 Saint-Maurice	80,941	85,974	100,00	143,362	143,362					1,950	24,356		
Société d'Investissements et de Gestions 35 (3) *													
1, Terrasse Bellini - 92919 Paris La Défense Cedex	2,274	46,350	99,64	181,188	48,623	971		3,170	2,340	171,267	46,122	28,313	
Société Nouvelle d'Etudes et de Gestion (SNEGE) *													
59 bis, avenue Hoche - 75008 Paris	263,951	19,343	100,00	263,951	263,951					3,429	6,556		
RE-ASCOP													
59 bis, avenue Hoche - 75008 Paris	77,749	5,814	97,06	79,083	79,083					886	1,933		
Other subsidiaries and affiliates (Summary information)				192,391	76,844	258,200						44,340	prov. on advances 218,359
<b>TOTAL</b>				<b>49,348,359</b>	<b>34,102,521</b>	<b>3,357,039</b>	<b>436,500</b>					<b>924,627</b>	

(1) Including earnings of the year.

(2) Including current account advances.

(3) Real estate sector lead company retained by Vivendi.

\* This company is primarily a holding company. The amounts presented in the «Revenues» columns comprise operating income and financial income from investments.

## 5 Financial Results of the Last Five Years

(in millions of euros)	2006	2005	2004	2003	2002
<b>Share capital at the end of the year</b>					
Share capital	6,363.7	6,344.1	5,899.4	5,893.4	5,877.1
Number of shares outstanding	1,157,033,736 <sup>(a)</sup>	1,153,477,321	1,072,624,363	1,071,518,691	1,068,558,994
<b>Potential number of shares created by:</b>					
Conversion of bonds issued in January 1999					18,820,004 <sup>(d)</sup>
Conversion of Veolia Environnement bonds issued in April 1999				16,654,225 <sup>(d)</sup>	16,654,225
Redemption of bonds redeemable in shares issued in December 2000		18,992,487 <sup>(f)</sup>	21,866,411	23,389,853	35,378,444
Redemption of bonds redeemable in shares issued in November 2002			78,672,470 <sup>(h)</sup>	78,675,630	78,678,206
Exercise of stock subscription options	32,174,851	33,684,358	26,505,520	19,193,741	5,518,568
Grant of restricted stock units for no consideration in 2006	805,560 <sup>(b)</sup>				
<b>Results of operations:</b>					
Revenues	113.8	104.7	95.0	125.8	113.9
Earnings before tax, depreciation, amortization and provisions	1,467.3	15.2	80.1	3,290.2	1,287.0
Income tax expense/(credit)	(740.2) <sup>(c)</sup>	(531.4) <sup>(c)</sup>	(513.6) <sup>(c)</sup>	(77.7) <sup>(c)</sup>	(130.2) <sup>(c)</sup>
Earnings after tax, depreciation, amortization and provisions	4,412.4	6,675.2	1,227.3	4,839.9	(21,956.5)
Earnings distributed	1,386.8 <sup>(d)</sup>	1,147.4 <sup>(g)</sup>	639.1		
<b>Per share data (in euros)</b>					
Earnings after tax but before depreciation, amortization and provisions	1.91 <sup>(e)</sup>	0.47	0.55	3.14	1.32
Earnings after tax, depreciation, amortization and provisions	3.81 <sup>(e)</sup>	5.79	1.14	4.52	(20.51)
Dividend per share	1.20 <sup>(d)</sup>	1.00 <sup>(g)</sup>	0.60		
<b>Employees</b>					
Number of employees (annual average)	228	228	222	291	374
Payroll	35.5	33.8	40.8	59.3	70.7
Employee benefits (social security contributions, social works, etc.)	13.2	12.1	15.4	26.9	24.3

- a. Number taking account of movements up to December 31, 2006, approved by the Board of Directors on January 24, 2007: creation of (i) 4,760,628 shares to redeem bonds redeemable in Vivendi shares (held by former Seagram shareholders having elected for deferred exchange), (ii) 1,471,499 shares in respect of Group Savings Plans, and (iii) 2,084,916 shares following the exercise of stock subscription options by Group employees and conversely, the cancellation of 4,760,628 treasury shares.
- b. Restricted stock units for no consideration granted in 2006 to employees holding an employment contract with Vivendi or one of its majority-owned French or Moroccan subsidiaries. In other countries, restricted stock units which will not result in the issue of new shares but the payment of a cash amount.
- c. This negative amount represents the tax saving recorded by the tax group headed by Vivendi plus, from 2004, the income generated by application of the Consolidated Global Profit Tax System.
- d. The Annual General Shareholders' Meeting of April 19, 2007 will be asked to approve the distribution of a dividend of €1.20 per share in respect of 2006, representing a total dividend distribution of €1,386.8 million. This amount takes into account the number of treasury shares held as at December 31, 2006 and will be adjusted to take account of effective holdings as at the dividend payment date.
- e. This calculation takes account of movements up to December 31, 2006, approved by the Management Board on January 24, 2007 and ranking for dividends from January 1, 2006.

Per share data is presented subject to the exercise of stock subscription options exercisable by employee beneficiaries up to the day preceding the Shareholders' Meeting held to adopt the 2006 financial statements and before deduction of treasury shares.

## 2006 STATUTORY FINANCIAL STATEMENTS

Financial Results of the Last Five Years

- f. As at December 31, 2005, 4,760,628 of the 36,391,224 treasury shares stripped in 2000 to enable exchange transactions as part of the Sofiée/Vivendi/Seagram merger remained outstanding. These shares are recombined when the bare owners present their bonds redeemable in shares for redemption, and cancelled in accordance with commitments given.
- Taking into account future cancellations, the potential number of shares which could be created in order to redeem these bonds as at December 31, 2005 is 18,992,487, corresponding to bonds redeemable in shares issued in exchange for stock options granted by Seagram, after deduction of expired plans and adjustment for the new grant ratio resulting from the distribution of premiums to Vivendi shareholders in 2002. These bonds were amortized early in September 2006 following termination of the American Depository Receipts program on August 3, 2006.
- g. Equal to a dividend distribution of €1 per share to 1,147,440,213 shares (including shares issued to redeem bonds redeemable in shares and shares issued following the exercising of stock options up to April 25, 2006 and ranking for dividends from January 1, 2005). The number of shares is stated after deduction of treasury shares and stripped shares where Vivendi is the beneficial owner.
- h. In November 2002, Vivendi issued at a unit price of €12.71, 78,678,206 bonds redeemable at an exchange ratio of 1 share for 1 bond (8.25 % – 2005; prepaid coupon of €2.95). As at December 31, 2004, 78,672,470 bonds were outstanding. In the event of early conversion (possible since May 26, 2003), prepaid interest will be considered repaid by the investor via a decreased exchange ratio equal to the interest rate multiplied by the number of days to final maturity. On this basis, the potential number of shares which could be created at the year end is 72,822,148.
- i. In April 1999, Veolia Environnement issued at a unit price of €271 (redemption premium of €17), 10,516,606 bonds (1.5 % – 2005; coupon increased to 2.25 % from September 1, 2002 after waiver by bondholders of the guarantee provided by Vivendi), of which 5,183,704 bonds were converted into Veolia Environnement shares on the initial public offering of this company in July 2000. The remaining bonds are convertible at a conversion ratio of 3.124 Vivendi shares for 1 Veolia Environnement bond. As at December 31, 2004, 5,331,058 bonds were outstanding. This bond issue was redeemed on January 1, 2005.
- j. In January 1999, Vivendi issued at par (€282) 6,028,363 bonds (1.25 % – 2004) convertible into Vivendi shares at an exchange ratio of 3.124 shares for 1 bond. As at December 31, 2003, 6,024,329 bonds were outstanding. This bond issue was redeemed on January 1, 2004.

# 2

## Sociographics

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Vivendi's sociographics are based on a global scope and include the companies in which Vivendi holds more than 50%, as well as companies less than 50% held if Vivendi has management control.

Each entity guarantees the accuracy of the information it submits. An initial coherency check and review is carried out at each subsidiary's level. Consistency controls and a second verification are performed at the consolidation level of each business unit. These indicators are then aggregated and controlled by the holding company.

In 2006, for the second year in a row, a new social data information reporting system was used. Mandatory controls and historical data integrated in the system enhanced the monitoring, accuracy and reliability of the employment indicators.

The heading "Corporate" in the following tables refers to the corporate headquarters and the New York office, "Others" refers to VU Net and

Vivendi Telecom International. Data related to Maroc Telecom includes neither the Mauritel Group nor Onatel.

For 2004, the "SFR" item reflects SFR and Cegetel, while for 2005 and 2006, this item refers only to the SFR entities since Cegetel was deconsolidated in fiscal year 2005.

As the goal of complete coverage for the group's reporting was reached in 2006, in contrast to previous years, the scope of the reporting in the form of a percentage of the workforce covered is no longer indicated.

A comparison of employment information is facilitated by the stabilization of the group's consolidation scope.

## 1 Headcount

There were 34,694 employees in 2006 (compared to 34,031 in 2005 and 37,906 in 2004, excluding Universal Music Publishing International in the United Kingdom). The increase in the number of employees in 2006

is the result of changes in the scope of consolidation of the group and increased recruiting at Vivendi Games to support the development of Blizzard Entertainment's *World of Warcraft* game.

### 1.1. HEADCOUNT BY BUSINESS SEGMENT

The table below shows the group's employees by business segment at December 31, 2004, 2005 and 2006.

	2006	2005	2004
Universal Music Group	7,869	7,915	9,661
Canal+ Group	3,699	3,880	4,275
SFR	8,014	8,033	9,781
Maroc Telecom	11,259	11,251	12,204
Vivendi Games	3,567	2,657	1,654
Corporate	271	278	285
Other	15	17	46
<b>TOTAL</b>	<b>34,694</b>	<b>34,031</b>	<b>37,906</b>

## 1.2. GEOGRAPHIC BREAKDOWN OF HEADCOUNT

The following table shows the group's staffing levels by geographic region at December 31, 2004, 2005 and 2006.

	2006	2005	2004
France	13,243	13,142	14,529
North America	5,006	4,416	4,713
South and Central America	350	345	336
Asia-Pacific	1,445	1,500	1,409
Africa	11,424	11,418	12,252
Europe (excl. France)	3,226	3,210	4,667
<b>TOTAL</b>	<b>34,694</b>	<b>34,031</b>	<b>37,906</b>

## 1.3. HEADCOUNT BREAKDOWN BY GENDER

	2006		2005		2004	
	% women	% men	% women	% men	% women	% men
Universal Music Group	45	55	45	55	44	56
Canal+ Group	52	48	50	50	48	52
SFR	54	46	54	46	51	49
Maroc Telecom	23	77	22	78	22	78
Vivendi Games	21	79	21	79	29	71
Corporate	56	44	54	46	54	46
Other	47	53	47	53	39	61
<b>AVERAGE</b>	<b>38</b>	<b>62</b>	<b>38</b>	<b>62</b>	<b>39</b>	<b>61</b>

In 2006 and 2005, the Vivendi group had an average of 38% women, as compared to 41% in 2004. In 2006, the increased number of female employees within the Canal+ Group, Maroc Telecom, and Corporate

Headquarters was balanced by a strong male presence at Vivendi Games. In 2006, Vivendi Games represented a more significant portion of the group than in 2004 and 2005.

## 2 New Hires

Vivendi has significant operations in the US and other parts of the world. The notion of hiring, particularly the notions of permanent and fixed-term employment contracts as they apply to French institutions, have no equivalents in other countries. In the US, the notions of interns and hiring are very different from those in France. For example, summer jobs held by students are considered to be the same as new employees. Short-term additions to the staff are also treated as new hires in the US. The tables below represent the number of new hires of all types.

These remarks also apply to the notion of employment termination worldwide. Consequently, the disclosure requirements imposed by French legislation concerning hiring and new employees and employment terminations and departures in the following tables refer to these concepts. In 2006, the number of new employees remained steady, driven particularly by the success of the *World of Warcraft* game.

## 2.1. NEW HIRES IN THE GROUP

New hires	2006	2005	2004
Universal Music Group	1,189	1,740	1,748
Canal+ Group	714	970	764
SFR	1,173	1,363	1,041
Maroc Telecom	198	138	184
Vivendi Games	1,753	1,494	864
Corporate	29	41	42
Other	-	-	2
<b>TOTAL</b>	<b>5,056</b>	<b>5,746</b>	<b>4,645</b>

No subsidiary reported any particular hiring difficulties over the past three fiscal years.

## 2.2. NEW HIRES IN FRANCE

New hires	2006			2005			2004		
	Total	Hiring of permanent staff	% permanent	Total	Hiring of permanent staff	% permanent	Total	Hiring of permanent staff	% permanent
Universal Music Group	96	46	48	95	50	53	132	49	37
Canal+ Group	603	133	22	813	275	34	647	148	23
SFR	1,189	611	51	1,324	759	57	1,018	589	58
Vivendi Games	520	358	69	487	388	80	100	65	65
Corporate	27	13	48	36	22	61	35	23	66
Autres	-	-	-	-	-	-	-	-	-
<b>TOTAL/AVERAGE</b>	<b>2,435</b>	<b>1,161</b>	<b>48% (avg)</b>	<b>2,755</b>	<b>1,494</b>	<b>54% (avg)</b>	<b>1,931</b>	<b>874</b>	<b>45% (avg)</b>

For French subsidiaries, the average number of new employees hired under permanent employment contracts was 48% in 2006. The hiring

rate for permanent employees is the number of permanent employment contracts in relation to the total number hired by each subsidiary.

## 3 Changes in Headcount Pursuant to New Consolidation Scope

### 3.1. ACQUISITIONS

A number of additional companies were consolidated by Vivendi in fiscal year 2006, including Optimum Releasing in the United Kingdom (Canal+ Group) with 26 employees, High Moon Studios (Vivendi Games) with 109 employees, Secret Lair Studios (Vivendi Games) with 26 employees, Centerscore (Vivendi Games) with 17 employees, all

three in the US ; Arsenal Music (UMG) in Brazil with 7 employees, BG Productions in France (UMG) with 3 employees, UMG Romania with 14 employees, and Vale Music in Spain (UMG) with 59 employees. Overall, a total of 261 employees were added to the group's scope of consolidation in 2006.

	2006	2005	2004
Universal Music Group	83	5	21
Canal+ Group	26	115	68
SFR	-	-	720
Maroc Telecom	-	-	-
Vivendi Games	152	323	-
<b>TOTAL</b>	<b>261</b>	<b>443</b>	<b>809</b>

### 3.2. DIVESTITURES

In fiscal year 2006, 183 employees exited the group's consolidation scope: 168 employees of Paris Saint-Germain football club and 15 employees of SESE, both entities of the Canal+ Group.

Employee reduction due to divestitures	2006	2005	2004
Universal Music Group	-	2,132	637
Canal+ Group	183	619	223
SFR	-	1,963	-
Maroc Telecom	-	-	-
Vivendi Games	-	66	35
Other	-	-	2,129
<b>TOTAL</b>	<b>183</b>	<b>4,780</b>	<b>3,024</b>

## 4 Headcount Reductions

### 4.1. INFORMATION ON PLANS TO REDUCE HEADCOUNT AND SAVE EMPLOYMENT

The number of economic layoffs fell sharply in 2006 as compared to fiscal years 2005 and 2004, years in which major restructurings were completed. Economic layoffs are essentially the result of restructuring operations carried out in 2004 and 2005 by UMG, Vivendi Games and Maroc Telecom. At UMG, departures (72% of the total number of jobs

eliminated in 2006) are the result of the restructuring program initiated in 2005 and 2004, particularly in the Asia Pacific region (China, Japan, Taiwan, Thailand and Singapore: 96 employees), in the US (46 employees) and in the United Kingdom (48 employees).

Number of employees concerned	2006	2005	2004
Universal Music Group	216	173	752
Canal+ Group	6	33	273
SFR	-	-	-
Maroc Telecom	-	911	-
Vivendi Games	76	110	503
Corporate	3	11	30
Other	-	17	121
<b>TOTAL</b>	<b>301</b>	<b>1,255</b>	<b>1,679</b>

### 4.2. JOB TRANSITION AIDS AND PROGRAMS

In France, several types of job transition aids and programs were offered to the employees affected by the restructurings:

- internal transfers: job openings within the group were posted on the intranet,
- reclassification leaves,
- training leave to allow employees to improve their professional qualifications,

- assistance in starting a business,
- outplacement services.

In countries where this type of measure does not exist, Vivendi implemented job transition programs for employees who were laid off. Elsewhere in the world, Vivendi managed the terminations in accordance with practices in each country in compliance with the group's code of ethics.

### 4.3. REHIRES

Vivendi has a policy of giving preference to employees laid off for economic reasons when a job opening arises. In 2006, 38 employees

were concerned by this provision, compared with four in 2005, and 20 in 2004.

#### 4.4. TERMINATION FOR OTHER CAUSES

The table below summarizes departures from the group during the reference year for any reason other than economic layoff: resignations,

individual terminations, departures due to the end of a fixed-term contract, retirement.

	2006	2005	2004
Universal Music Group	1,124	1,207	1,656
Canal+ Group	732	828	859
SFR	1,240	1,148	1,016
Maroc Telecom	194	116	125
Vivendi Games	932	638	644
Corporate	33	37	37
Other	1	3	9
<b>TOTAL</b>	<b>4,256</b>	<b>3,977</b>	<b>4,346</b>

## 5 Working Hours

#### 5.1. WORKING HOURS FOR FULL-TIME EMPLOYEES

As approaches to work schedules vary widely from one country to the next, so does the number of hours worked. In France, all Vivendi subsidiaries apply the law mandating a 35-hour work week. Full-time work is defined as the most widespread work week used in the company for full-time employees.

The differences between 2004 and 2006 in the number of hours worked per week and per year listed in Tables 5.1 and 5.2 below are due to a better understanding of the labor reality in certain countries, particularly in the emerging countries where the concept of hours worked per year does not exist.

(hours)	Hours worked per week			Hours worked per year*		
	2006	2005	2004	2006	2005	2004
Universal Music Group	38.4	38.3	37.9	1,789	1,837	1,938
Canal+ Group	35.7	35.9	35.3	1,664	1,684	1,630
SFR	35.0	35.0	35.0	1,606	1,606	1,607
Maroc Telecom	38.5	38.5	38.5	1,751	1,751	1,999
Vivendi Games	38.6	38.8	39.9	1,945	2,001	2,078
Corporate	35.0	35.0	35.0	1,557	1,560	1,568
Other	35.0	35.0	35.0	1,583	1,820	1,603
<b>AVERAGE</b>	<b>37.5</b>	<b>37.4</b>	<b>37.2</b>	<b>1,742</b>	<b>1,753</b>	<b>1,852</b>

\* Since 2005, days off for leave are not included in this data.

## 5.2. WORKING HOURS FOR PART-TIME EMPLOYEES

Part-time work is defined as the number of hours worked most widely used in the company for part-time employees.

This indicator has remained stable. In 2006, as in the two previous years, the number of hours per week varied from 10 to 32; and the weighted average number of hours was 27.1 hours per week and 1,320 hours per year.

(hours)	Hours worked per week			Hours worked per year		
	2006	2005	2004	2006	2005	2004
Universal Music Group	25.4	25.0	27.7	1,226	1,204	1,360
Canal+ Group	30.5	30.2	27.9	1,383	1,370	1,256
SFR	26.2	26.1	25.4	1,317	1,353	1,323
Maroc Telecom *	-	-	-	-	-	-
Vivendi Games	27.9	28.7	29.4	1,366	1,338	1,529
Corporate	28.0	28.0	28.0	1,215	1,215	1,215
Other	9.8	9.8	17.5	521	521	804
<b>AVERAGE</b>	<b>27.1</b>	<b>27</b>	<b>26.4</b>	<b>1,320</b>	<b>1,335</b>	<b>1,314</b>

\* Maroc Telecom has no part-time employees.

## 5.3. OVERTIME

Overtime hours are those worked beyond the contractual number of working hours. In 2006, the majority (82%) of overtime hours worked

were in the US and Morocco (64% and 18%, respectively).

Overtime hours worked	2006	2005	2004
Universal Music Group	213,923	209,515	250,258
Canal+ Group	19,212	14,132	25,071
SFR	7,357	10,620	12,937
Maroc Telecom	76,387	61,084 *	608,087
Vivendi Games	117,778	68,779	68,613
Corporate	342	767	3,600
Other	-	-	-
<b>TOTAL</b>	<b>434,999</b>	<b>364,897</b>	<b>968,566</b>

\* In 2004, Moroccan legislation imposed a cap on overtime hours worked in companies; consequently, overtime hours decreased sharply between 2004 and 2005.

## 5.4. ABSENTEEISM

Absenteeism is defined as the number of work days not worked, excluding paid leave, training programs, union-related absences, exceptional and contractual leaves, and compensation time for extra hours worked under the French 35-hour work week law.

In 2006, the reasons for absenteeism were largely personal, such as sick days (40%) and absences for family reasons (40%), particularly maternity leave and paternity leave (the case most often cited in France), as well as marriage, death and moving.

### 5.4.1. Absenteeism in the Group

Days of absence per employee per year	2006	2005	2004
Universal Music Group	3.3	5.4	6.6
Canal+ Group	10.3	10.5	10.9
SFR	17.5 *	29	22.9
Maroc Telecom	5.0	4.4	4.1
Vivendi Games	4.2	6.0	6.4
Corporate	6.5	5.8	3.9
Other	12.6	1.4	5.5
<b>AVERAGE</b>	<b>8.0</b>	<b>11.3</b>	<b>10.4</b>

\* Since 2006, leaves with contract suspension have been eliminated from this figure. Leaves for family reasons (maternity and paternity leaves) represent about half of the absences at SFR, where a work agreement facilitates this type of leave. The absentee rate at SFR, excluding leaves for family reasons, is 12.5 days per employee per year.

### 5.4.2. Absenteeism in the Group in France

Days of absence per employee per year	2006	2005	2004
Universal Music Group	11.4	16.1	28.5
Canal+ Group	10.2	10.8	11.4
SFR	17.5 *	29.5	23.1
Vivendi Games	4.0	11.4	9.3
Siège	7.1	6.8	5.0
Other	12.6	1.4	5.5
<b>AVERAGE</b>	<b>14.2</b>	<b>22.6</b>	<b>19.8</b>

\* Since 2006, leaves with contract suspension have been eliminated from this figure. Leaves for family reasons (maternity and paternity leaves) represent about half of the absences at SFR, where a work agreement facilitates this type of leave. The absentee rate at SFR, excluding leaves for family reasons, is 12.5 days per employee per year.

## 6 Compensation and Benefits

Compensation and benefits for fiscal year 2006 totaled 2,227 million euros.

## 7 Training

### 7.1. TOTAL TRAINING COSTS COMPARED TO TOTAL PAYROLL

The percentage of payroll costs allocated to training is a frequently-used indicator in France. Outside France, there is no standard computation method. This is why the indicator we use here is total training expenditures as a percentage of total payroll. Assuming that the salary costs for employees in training represent a minimum of 50%

of the training expenses, the expenditures have been recreated on this basis.

The decline in expenditures at UMG is due to changes in the teaching modes of certain mandatory training modules, which resulted in a significant cost reduction.

Payroll costs allocated to training (percentage)	2006	2005	2004
Universal Music Group	0.4	1.1	0.4
Canal+ Group	3.0	2.3	2.3
SFR	3.6	3.4	3.7 *
Maroc Telecom	7.5	8.5	10.3
Vivendi Games	1.2	0.5	0.5
Corporate	1.7	1.5	2.6
Other	4.8	6.5	3.0
<b>AVERAGE</b>	<b>2.0</b>	<b>2.4</b>	<b>2.2</b>

\* Excludes training of customer service employees.

In 2006, Maroc Telecom implemented a program to prepare the ISO 27001 certification process for its IT security. This awareness

campaign resulted in the training of 10,600 employees.

### 7.2. AVERAGE TRAINING TIME IN HOURS

The average training time is calculated by taking the total number of hours spent in training and dividing it by the number of employees trained during the year. In this calculation, each employee trained

counts as one, no matter how many training sessions he or she attended.

Average training time (hours)	2006	2005	2004
Universal Music Group	6.9	6.6	5.3
Canal+ Group	25.6	27.4	22.7
SFR	30.1	32.7	33.6
Maroc Telecom	28.0	44.0	29.7
Vivendi Games	15.5	9.4	18.4
Corporate	33.2	21.2	27.5
Other	23.8	60.0	54.4
<b>AVERAGE</b>	<b>24.0</b>	<b>30.3</b>	<b>25.0</b>

### 7.3. HOURS OF TRAINING PER EMPLOYEE TRAINED IN FRANCE

(hours)	2006	2005	2004
Universal Music Group	21.3	28.2	21.8
Canal+ Group	26.3	29.5	24.1
SFR	29.8	32.5	34.3
Vivendi Games	39.4	31.8	20.5
Corporate	52.9	23.5	39.7
Other	23.8	60.0	54.4
<b>AVERAGE HOURS OF TRAINING</b>	<b>29.6</b>	<b>31.5</b>	<b>31.0</b>

The high number of training hours in the "Other" category, in 2005 and 2004, primarily reflects training offered to employees affected by

redundancy plans in certain entities.

### 7.4. TRAINING OBJECTIVES

In compliance with the disclosure requirements imposed by Law 2004-391 of May 4, 2004 governing professional training throughout life, the specific purposes for professional training per trained employee reported as percentages are indicated, by subsidiary, in the table below. In 2006, the definition of each objective was refined; as a result, the classification of training conducted during the year was adjusted accordingly. The study covers the group's French and Moroccan companies.

Training for adaptation to the position is intended to help the employee acquire adequate skills to keep the position with the structure it has at the time of the training; this training is specific to the position and is not transferable to a different position.

The training for a change in the position is designed to maintain the ability of the employees to hold a position, particularly with respect to

changes in jobs (inside and outside the company), technologies and organizations; this training is geared toward the acquisition of knowledge, skills or a qualification to anticipate a potential change in activities, duties, or new operating methods. This training is specific to the position.

Skill development training supports access to various levels of professional qualification, contributes to the economic and cultural development of employees or to company promotion. This type of training is designed for the acquisition of skills, the use of which assumes a change in the professional classification of the employee. This training is not required under the employment contract as established at the time the training is completed. This training may be desirable and responds to a goal to improve the employee's potential.

(percentage)	Training for adaptation to the position		Training for change in a position		Skill development	
	2006	2005	2006	2005	2006	2005
Universal Music Group	89.5	99	5.7	0.5	4.8	0.5
Canal+ Group	70	94	6	-	24	6
SFR	62	93	34	6	4	1
Maroc Telecom	38	-	20	-	42	-
Vivendi Games	57	89	9	-	34	11
Corporate	13	47	62	47	25	6
Other	-	-	90	62	10	38
<b>AVERAGE</b>	<b>53</b>	<b>92</b>	<b>25</b>	<b>6</b>	<b>22</b>	<b>2</b>

## 8 Optional and Statutory Profit Sharing

This indicator includes only group companies in France. In 2006, optional and statutory profit-sharing amounted to €42.8 million and €44.8 million respectively.

## 9 Industrial Relations and Collective Bargaining Agreements

The agreements signed in 2006 essentially covered two issues: working conditions (16%) and compensation (34%). The other agreements

signed also covered employee benefits, anti-discrimination measures, health and safety.

Number of agreements signed	2006	2005	2004
Universal Music Group	27	28	50
Canal+ Group	11	9	58
SFR	14	8	8
Maroc Telecom	2	1	2
Vivendi Games	8	3	25
Corporate	2	8	2
Other	-	-	3
<b>TOTAL</b>	<b>64</b>	<b>57</b>	<b>148</b>

In 2006, 42% of the agreements were signed in UMG subsidiaries and 32 agreements (50% of the total) were signed in French subsidiaries of the Vivendi group.

## 10 Health and Safety Conditions

### 10.1. HEALTH AND SAFETY COMMITTEES

This study, which was further refined in 2006, lists the number of committees, commissions, and bodies composed of professionals and employee representatives dedicated to studying the issues of health, hygiene or safety in the workplace within the group. Under the new

Moroccan commercial code, Moroccan companies must now set up health and safety committees. In 2006, negotiations between the unions and management of Maroc Telecom resulted in the organization of elections of delegates who now sit on these bodies.

Number of health and safety committees	2006	2005	2004
Universal Music Group	25	54	54
Canal+ Group	9	9	9
SFR	18	19*	20
Maroc Telecom	8	-	-
Vivendi Games	9	10	7
Corporate	1	1	2
Other	1	1	1
<b>TOTAL</b>	<b>71</b>	<b>94</b>	<b>93</b>

\* Excluding seven special commissions (real estate strategy in the Paris region, smoking and non-smoking areas, information systems, replacement of information systems, new information system for customer relations, installation of flat screens for computers).

## 10.2. NUMBER OF EMPLOYEES TRAINED IN SAFETY

	2006	2005	2004
Universal Music Group	762	834	1,080
Canal+ Group	155	435	194
SFR	4,643	1,045	614
Maroc Telecom	-	63	-
Vivendi Games	189	57	20
Corporate	69	70	93
Other	-	-	-
<b>TOTAL</b>	<b>5,818</b>	<b>2,504</b>	<b>2,001</b>

Particular emphasis was placed on work safety in 2006, particularly at SFR, Maroc Telecom, and Vivendi Games: as a result, the number of employees trained in safety was significantly higher than in 2005.

A training program intended for all SFR employees, implemented in 2005 was continued throughout 2006. This "Safety awareness" training consists of two modules of half a day each.

In 2006, Vivendi placed an emphasis on practical training in order to provide volunteers with the skills to better assist in first aid and in the event of a building evacuation:

- 10 people received first aid training provided by a Red Cross instructor over two half-days; eight of these people are part of the evacuation team. The cost of this training was incurred by Vivendi,

- 26 "evacuation volunteers" participated in two drills,
- incidents that endanger personal safety or put the building at risk are communicated via the group's Intranet.

Furthermore, nine members of the security team participated in eight exercises organized by Vivendi's head of security and deputy head of security: response to fire alarms, application of security procedures when faced with suspicious packages (contaminants, explosives).

Twice a year, Vivendi employees are trained in life safety emergency evacuation procedures for the offices in New York. The training provides instruction on the emergency plan for the building and Vivendi's employees role in that plan to ensure employee safety from a fire or another emergency. Specifically, employees are trained on emergency and escape procedures, emergency escape routes, employee assignments, preferred means of reporting fires or other emergencies, and what employees are expected to do if an evacuation alarm is sounded.

### 10.3. FREQUENCY RATE OF WORKPLACE ACCIDENTS (WITH WORKDAYS LOST)

The frequency rate of workplace accidents in the workplace continued to decline to 3.21 in 2006 compared to 3.53 in 2005 and 4.46 in 2004. The

sharp drop in 2004 and 2005 was the result of stronger safety measures, particularly at Maroc Telecom, Vivendi Games and Canal+ Group.

Workplace accident frequency rate (with workdays lost)	2006	2005	2004
Universal Music Group	3.56	2.96	3.96
Canal+ Group	2.63	3.68	5.21
SFR	3.85	3.63	2.98
Maroc Telecom	3.40	4.06	5.85
Vivendi Games	1.28	2.80	4.49
Corporate	-	-	2.01
Other	-	-	-
<b>AVERAGE</b>	<b>3.21</b>	<b>3.53</b>	<b>4.46</b>

Computation method : 
$$\frac{\text{number of workplace accidents with workdays lost} \times 1,000,000}{\text{number of employees} \times \text{annual hours worked (estimated at 1,750 for the group)}}$$

### 10.4. ACCIDENT SEVERITY RATE (WITH WORKDAYS LOST)

The accident severity rate (with workdays lost) remained stable in 2006 after a sharp decline between 2004 and 2005. No fatal accidents were

recorded in the group in 2006.

Accident severity rate (with workdays lost)	2006	2005	2004
Universal Music Group	0.05	0.04	0.05
Canal+ Group	0.05	0.08	0.11
SFR	0.09	0.06	0.05
Maroc Telecom	0.28	0.28	0.40
Vivendi Games	0.02	0.01	0.02
Corporate	-	-	0.01
Other	-	-	-
<b>AVERAGE</b>	<b>0.13</b>	<b>0.12</b>	<b>0.17</b>

Computation method : 
$$\frac{\text{number of days lost for workplace accidents} \times 1,000}{\text{number of employees} \times \text{annual hours worked (estimated at 1,750 for the group)}}$$

## 11 Gender Equality

Gender equality in the work place is expressed through two indicators in particular:

- the employment rate for women in the group,
- the percentage of women at the managerial level.

### 11.1. EMPLOYMENT RATE OF WOMEN IN THE GROUP

See "Breakdown of employees by gender" above.

### 11.2. PERCENTAGE OF WOMEN IN MANAGERIAL POSITIONS

The group had an average of 34% women in managerial positions in 2006, slightly up from 2004.

Percentage of women executives	2006	2005	2004
Universal Music Group	40	39	38
Canal+ Group	45	42	42
SFR	34	35	32
Maroc Telecom	26	26	22
Vivendi Games	18	21	28
Corporate	49	45	46
Other	36	38	34
<b>AVERAGE</b>	<b>34</b>	<b>34</b>	<b>33.4</b>

### 11.3. EMPLOYMENT AND INTEGRATION OF DISABLED WORKERS

For the purposes of this indicator, the definition of "disabled worker" used is the one stipulated by the national laws of each country or the definition of Convention 159 of the International Labor Organization, namely: any individual whose prospects for securing, retaining and

advancing in suitable employment are substantially reduced as a result of a duly recognized physical, sensory, intellectual or mental impairment.

Number of employees with disabilities	2006	2005	2004
Universal Music Group	31	41	83
Canal+ Group	30	34	42
SFR	149	111	113
Maroc Telecom	-	-	-
Vivendi Games	1	1	3
Corporate	-	-	-
Other	-	-	1
<b>TOTAL</b>	<b>211</b>	<b>187</b>	<b>242</b>

The number of disabled workers within the group rose in 2006 from 2005, but remained below the 2004 data. Because of the changes in the scope of consolidation, it is difficult to compare this information for SFR.

In May 2006, a second three-year agreement on the employment of persons with disabilities was signed at SFR. It covers, in particular,

the hiring and adaptation of jobs to persons with disabilities, concrete assistance to reconcile a disability with the employee's professional life, training/awareness actions for employees and managers, the development of cooperation with the protected sector, financial support for students with disabilities, and joint programs with major educational institutions in secondary schools to encourage high-school students with disabilities to continue their studies.

## 12 Territorial and Regional Impact

The territorial impact of Vivendi's activities is difficult to measure since the group has operations in a large number of countries. In 2006, Vivendi initiated relations, created partnerships, or participated in

projects with 462 different institutions or associations, compared to 367 in 2005 and 264 in 2004. Most of the projects in which Vivendi is involved (87%) are related to educational institutions.

	UMG		Canal+ Group		SFR		Maroc Telecom		Vivendi Games		Corporate		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Employment Procurement Associations	13	20	4	4	-	-	1	-	5	1	-	-	-	-	23	25
Educational Institutions	256	186	25	20	87	71	6	6	2	8	24	29	-	-	400	320
Environmental Groups	1	2	-	-	7	4	-	-	-	-	-	-	-	-	8	6
Consumer Groups	-	-	5	3	12	5	-	-	-	-	-	-	-	-	17	8
Local Residents Groups	2	2	-	-	9	-	-	-	1	3	5	-	-	-	14	8
<b>TOTAL</b>	<b>272</b>	<b>210</b>	<b>34</b>	<b>27</b>	<b>115</b>	<b>80</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>27</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>462</b>	<b>367</b>

### 12.1. VIVENDI'S CONTRIBUTION TO JOB CREATION IN FRANCE

Vivendi has made commitments to French public authorities to create jobs in the regions most affected by unemployment and industrial restructuring. Those commitments consisted of two components.

The first component is the creation of 600 jobs linked to Vivendi's activities. Vivendi's commitment represents the creation of a minimum of 100 jobs by the end of 2005, of 400 jobs by the end of 2006 and 600 jobs by the end of 2007. At December 31, 2006, 449 jobs had been created.

The second component was a contribution to the creation of jobs (€5 million per year over a five-year period for the creation of 1,000 jobs in three years and 1,500 jobs in five years) unrelated to Vivendi's businesses in the form of financial support for viable projects to create or expand businesses. Operations initiated early in 2005 led to the

approval of: 265 jobs in the Sarrebourg Château-Salins area, 397 jobs in the Pays d'Arles area, and 511 jobs in the Oise area. In February 2006, three new operations began with the approval of 151 jobs in the Arras, Saint-Omer, Calais and Berck Montreuil area, 166 jobs in the Chalon-sur-Saône area, and 142 jobs in the Dreux area. At the end of December 2006, there were 1,632 new certified jobs (jobs being created for projects approved by commitment committees) and Vivendi had paid €10 million. There were 806 jobs actually created, which represents about half of the certified jobs.

Based on the progress made in prospecting and the projects initiated, three new job creation areas have been designated: the Abbeville, Montdidier area, the Thann, Cernay area, and the Tonnerrois area. The first work meetings began at year-end 2006.

The following table shows commitments made for each area and the progress of the projects at December 31, 2006.

	Objectives	Certified jobs *	Identified Projects
Sarrebourg	250	265	177
Arles	300	397	197
Oise	300	511	280
Dreux	250	142	52
Châlon	250	166	53
Pas-de-Calais	250	151	47
<b>TOTAL</b>	<b>1,600</b>	<b>1,632</b>	<b>806</b>

\* Certified jobs: jobs being created following a valid application approved by the relevant commitment committee.

## 13 Social and Cultural Activities

In France, social and cultural activities are established at the company level mainly for the benefit of employees or their family. This notion is difficult to express at the global level. Each entity is allowed to set its own policy and contribution. In 2006, this amount was €7.15 million

compared to €6.43 million in 2005 and €5.72 million in 2004. The scope of this indicator includes the group's French and Moroccan companies as well as SEDACI (a company of the Canal+ Group located in Senegal) in 2006.

## 14 Sub-contracting

This section provides the number of sub-contracting assignments performed in the group lasting at least one week.

The Vivendi group is less affected by sub-contracting than companies with a high number of manual laborers. In addition, Vivendi has a limited presence in less developed countries. At SFR, subcontracting consists mainly of client services and technical support.

Number of assignments performed by sub-contractors	2006	2005	2004
Universal Music Group	125	157	244
Canal+ Group	13	39	30
SFR	5,011	2,422	2 *
Maroc Telecom	-	-	-
Vivendi Games	-	109	25
Corporate	-	3	1
Other	-	-	4
<b>TOTAL</b>	<b>5,149</b>	<b>2,730</b>	<b>306</b>

\* SRR (Société Réunionnaise du Radiotéléphone) only.

## 15 Temporary Workers

A temporary worker is defined as a person assigned to users on a temporary basis, for the performance of a precise and temporary (non-lasting) job known as an "assignment": the user provides work for this

person and pays the temporary employment company for this purpose. One single person who has completed several assignments is counted for each assignment.

Number of temporary assignments	2006	2005	2004
Universal Music Group	1,421	1,299	1,188
Canal+ Group	820	858	889
SFR	2,793	4,427	2,139
Maroc Telecom	-	-	-
Vivendi Games	582	671	278
Corporate	19	13	28
Other	-	-	3
<b>TOTAL</b>	<b>5,635</b>	<b>7,268</b>	<b>4,525</b>

## 16 The Group Compliance Program

Since 2002, Vivendi has committed to implementing a Compliance Program which sets out general ethics rules which are applicable to each and every group employee.

These guidelines cover the rights of employees, the quality of information and its protection, the prevention of conflicts of interest, commercial ethics and the respect of competition rules, the use of group property and resources, financial ethics and respect for the environment.

The objective of the Compliance Program is to make employees aware of their professional responsibilities, to provide them with a reference tool that helps them determine appropriate conduct.

These general rules are applied in each operational business unit and are adapted to both local legislation and business activities as required. As a result, certain entities have implemented an additional code of conduct.

The implementation of the Compliance Program is followed by the legal teams and the compliance officers of the main operational entities and headquarters.

At the beginning of each year, subsidiaries submit a report to Vivendi on the actions taken in the prior year. The 2006 report presented to the Audit Committee shows both the progress made by the subsidiaries which, to that point, did not yet have the adequate tools to raise the level of awareness of their employees with regard to the Compliance Program and the efforts made by these subsidiaries in emphasizing the importance of the Compliance Program.

A section of the group Intranet is dedicated to the Compliance Program.



# 3

## Environmental Policy

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Vivendi is committed to evaluating, measuring and, where feasible, reducing the environmental impacts of its activities through more effective and productive management, while it continues to safeguard the health and safety of its employees, partners and customers.

Consistent with this commitment, Vivendi has introduced the following initiatives:

- programs to ensure compliance with applicable environmental, health and safety regulations in force at all of its facilities in the various countries throughout the world where the group operates,
- training programs intended to strengthen the technical knowledge and expertise of group employees with regard to the environment and to impress on them the importance of health and safety issues at work,
- regular assessment of its various operational sites and facilities to ensure they are functioning correctly and are in compliance with applicable regulatory standards with regard to environmental, health and safety matters,
- participation in efforts by industry and governments to improve environmental protection, encourage the decrease in the environmental impacts of the group's activities,
- annual publication of a sustainable development report on the group's commitments and progress made regarding environmental protection, health and safety issues.

## 1 Environmental Commitments

To ensure the success of its environmental policy, the group has made the following ten environmental commitments:

- to define relevant environmental performance objectives for the group,
- to provide quantitative assessment of the environmental impacts of its operations and activities,
- to ensure continuing compliance with applicable environmental regulations and encourage a reduction in environmental risks,
- to identify ways to reduce the environmental impacts of the group's activities,
- to take part in selected research and development activities for environmentally friendly technologies,
- to identify and introduce practices to reduce waste and consumption of raw materials,
- to promote and take part in dialog with interested environmental parties and partners,
- to introduce training programs intended to strengthen and improve the technical skills of employees regarding the environment, health and safety,
- to regularly inform the public about the group's activities and the progress made,
- to use information and communication technologies to build and implement environmental management systems appropriate to each subsidiary's activities at the relevant facilities and operations.

## 2 Environmental Information

Information regarding the environmental impact of Vivendi's operations is provided according to the type of business and its effects.

### 2.1. WATER RESOURCES, RAW MATERIALS AND ENERGY – USE OF SOIL – WASTE EMISSIONS INTO THE AIR, WATER AND SOIL - NOISE POLLUTION, ODOR NUISANCE AND WASTE

Vivendi's operations produce few air emissions and wastewater discharges having a direct environmental impact.

In 2000, Vivendi adopted three environmental performance goals in the areas of drinking water consumption, carbon dioxide emissions and waste generation.

As a result of the changes in the consolidation scope of the group, Vivendi intends to establish new performance objectives related to waste and carbon dioxide emissions for the 2007-2012 period.

#### 2.1.1. Wastewater

With a few exceptions, all of the wastewater generated by group activities has a composition similar to domestic wastewater and is discharged directly into municipal collection and treatment systems, where it is treated before being discharged into the environment. Depending on the site, wastewater receives primary, secondary or tertiary treatment, in accordance with the practices and regulations in force in each municipality.

#### 2.1.2. Air Discharge

Direct air emissions from the various Vivendi operations are extremely low. Most direct emissions of carbon dioxide are generated by the use of back-up generators in the event of power failure and space heating. Carbon dioxide emissions indirectly caused by Vivendi's operations result primarily from electrical consumption and the use of the group's vehicles.

Vivendi's Paris and New York offices are subject to regular air analyses. The results of these analyses are communicated by Management to the health and safety committees.

#### 2.1.3. Waste

Vivendi's various activities produce wastes that mainly consist of paper, cardboard and packaging, plastic, wood and lumber, glass, commercial and consumer batteries, used petroleum products, and paint residues, as well as waste from electrical and electronic equipment. Various wastes are recycled by the group, as applicable.

#### 2.1.4. Nuisance Odor and Noise Pollution

Vivendi's operations generate almost no significant nuisance odors or noise pollution. Limited noise is generated by the operation of machinery and vehicles within the group's facilities. Any harmful effects of the noise are mitigated by the structure of the buildings. The group maintains strict control over its sites and regularly verifies that noise levels do not exceed 80 decibels for extended periods of time. In a vast majority of the group's sites, the noise levels are below 40 decibels.

#### 2.1.5. Environmental Reporting

In accordance with its commitments regarding the measurement and reduction of the group's environmental impact, Vivendi continues to identify, assess and measure the environmental effects of its operations. The data presented below was consolidated from information from those group sites that meet specific criteria in terms of environmental impact (which include the number of employees, water and electricity consumption and waste production).

In 2004 and 2005, as a result of continuing changes to the consolidation scope, in particular with the divestiture of the motion picture and theme park activities of Vivendi Universal Entertainment to create NBC Universal and of certain Universal Music Group manufacturing and distribution facilities, significant changes were made to Vivendi's overall operations. Data for the divested Vivendi Universal Entertainment facilities are not included in the data set forth below beginning with 2004 and data from the divested Universal Music Group facilities are not included in the data set forth below beginning with 2005. The scope of environmental reporting was extended in 2004, and now includes a number of smaller facilities that had previously been viewed as not contributing a significant environmental impact to the overall group numbers. Due to these changes to the type and scope of facilities included in the environmental reporting, the data from fiscal years is not directly comparable.

For each fiscal year, the data is provided by the technical or environmental departments within each of the group's operational entities. Data from each of the operating units, in turn, is collated and reviewed at the head office.

## ENVIRONMENTAL POLICY

## Environmental Information

Carbon Dioxide (in millions of kilograms)	2006	2005	2004
Universal Music Group (1)	13.8	13.1	68.3
Canal+ Group (2)	5.6	4.8	2.0
SFR, Maroc Telecom (3)	57.4	53.8	29.3
Vivendi Games (4)	2.8	1.8	0.9
Headquarters – Corporate	0.8	0.8	0.3
<b>TOTAL</b>	<b>80.4</b>	<b>74.3</b>	<b>100.8</b>

Water Consumption (in thousands of cubic meters)	2006	2005	2004
Universal Music Group (1)	88.8	82.1	388.3
Canal+ Group (2)	30.6	39.5	36.2
SFR, Maroc Telecom (3)	440.9	412.3	157
Vivendi Games (4)	3.1	4.1	3.5
Headquarters – Corporate	18.4	19.0	12.8
<b>TOTAL</b>	<b>581.1</b>	<b>556.9</b>	<b>597.8</b>

Waste Generation (in tons)	2006	2005	2004
Universal Music Group (1)	555.0	543	10,324
Canal+ Group (2)	691.0	1,787.5	1,156
SFR, Maroc Telecom (3)	1,988.6	2,806	2,738
Vivendi Games (4)	214.0	206	993
Headquarters – Corporate	100.2	11	101
<b>TOTAL</b>	<b>3,548.8</b>	<b>5,353.5</b>	<b>15,312</b>

(1) Data for 2005 and 2006 reflects the sale of certain UMG manufacturing and distribution facilities.

(2) The 2004 data includes Canal+ Group's operations France only. 2005 and 2006 data include Canal+ Poland and MediaOverseas.

(3) Excluding Maroc Telecom in 2004. Cegetel's facilities are no longer included in 2005 and 2006 data, as a result of the merger of Cegetel and Neuf Telecom to form Neuf Cegetel. SFR holds a 40.5% stake in Neuf Cegetel.

(4) Data for 2006 reflects the acquisition of additional facilities.

## 2.2. MEASURES TAKEN TO LIMIT DAMAGE TO THE BIOLOGICAL EQUILIBRIUM, TO THE ENVIRONMENT AND TO PROTECTED ANIMAL AND PLANT SPECIES

Vivendi's activities have little direct impact on the biological equilibrium, the environment and protected animal and plant species.

Vivendi has established guidelines for improving the integration of its sites within the surrounding environment. Group installations can have different environmental effects, including the visual impact of buildings, noise pollution, traffic, infrastructure development, light pollution and telecommunications antennas. Vivendi makes use of rigorous planning for its construction projects taking into account the principles of sustainable development, reducing water and energy consumption and the integration of buildings within the surrounding environment.

In France, SFR, while continuing efforts to expand its coverage area, committed to an extensive program to integrate its antennas into the

surrounding environment over four years ago. SFR is using all possible technical means to ensure the sustainable deployment of its infrastructure while respecting populations and the local context. To further guarantee the success of these efforts, SFR works cooperatively with elected officials, lessors and local authorities, and with the assistance of architects, town planners and landscapers. At the end of 2006, 94% of new sites had been integrated into the surrounding environment (excluding Société Réunionnaise du Radiotéléphone, TDF and dead zone sites). In addition to this excellent performance, SFR played a major role in the development of a common policy on the integration of relay antennas that has been adopted by the French Association of Mobile Phone Operators.

## 2.3. MEASURES TAKEN FOR THE PURPOSE OF ENVIRONMENTAL ASSESSMENT OR CERTIFICATION

Since 2001, Vivendi has had a formal program for assessing the environmental, health and safety programs implemented by group companies. Since the introduction of this program, over 75 formal site assessments have been completed, with an average of ten sites assessed annually.

The assessment program is comprised of the following activities:

- a pre-assessment questionnaire is completed by the facility, a site visit and an inspection are conducted, and various documents regarding environmental, health and safety aspects of the site are reviewed,
- a written report detailing the conclusions and recommendations of the assessment is sent to the facility. Any areas which do not comply with environmental, health or safety regulations are presented in detail, together with any corrective action to be taken. Other potential improvements to the site's environmental, health or safety programs, in particular the implementation of "Best Practices" appropriate to the site are also suggested,

- the facility must then correct all nonconformities identified regarding environmental, health and safety regulations, and report on the progress of any corrective action,
- the sites are then re-assessed, during the next two to four years, depending on the complexity of the facility and the results of the first assessment.

The assessments are conducted under the direct supervision of the group's Director of Environmental Affairs, Health and Safety. Each assessment is conducted by a team of auditors appropriate to the type of facility being reviewed.

Group facilities are encouraged to seek appropriate environmental certifications, including EMAS and ISO 14000 environmental certification. In 2006, SFR obtained ISO 14001 certification for its environmental management system at three pilot sites.

## 2.4. MEASURES TAKEN TO ENSURE COMPLIANCE OF ACTIVITIES WITH APPLICABLE LEGAL AND STATUTORY PROVISIONS

Vivendi has introduced comprehensive processes to ensure the compliance of its operations with applicable legal and statutory provisions regarding the environment, health and safety matters. In all of the main sites a designated employee is responsible for environmental matters. This person receives continuing education that is appropriate

to his or her responsibilities. Vivendi has developed eighteen environmental principles based on the ISO 14001 standards which give precise guidelines regarding compliance with the group's environmental regulations and standards.

## 2.5. EXPENSES INCURRED TO MINIMIZE THE ENVIRONMENTAL IMPACT OF THE COMPANY'S ACTIVITIES

In 2006, expenditures for environmental protection by Vivendi's various activities are estimated at €0.98 million, compared with €1.35 million in 2005, and €9.4 million in 2004 (including VUE until May 11, 2004). This

figure takes into account internal programs, monitoring of activities in group facilities and expenses related to environmental protection for each operational site.

## 2.6. THE EXISTENCE OF INTERNAL ENVIRONMENTAL MANAGEMENT SERVICES, TRAINING AND INFORMING EMPLOYEES ABOUT THE ENVIRONMENT, MEANS DEDICATED TO REDUCING ENVIRONMENTAL RISK AS WELL AS THE ORGANIZATION INTRODUCED TO DEAL WITH POLLUTION ACCIDENTS WITH CONSEQUENCES EXTENDING PREMISES

Vivendi has a team of professionals responsible for establishing internal rules and procedures regarding environment, health and safety matters, and for organizing controls at each site throughout the world. This team also conducts the assessment program at the most significant sites to ensure that they comply with national, regional and local regulations in force.

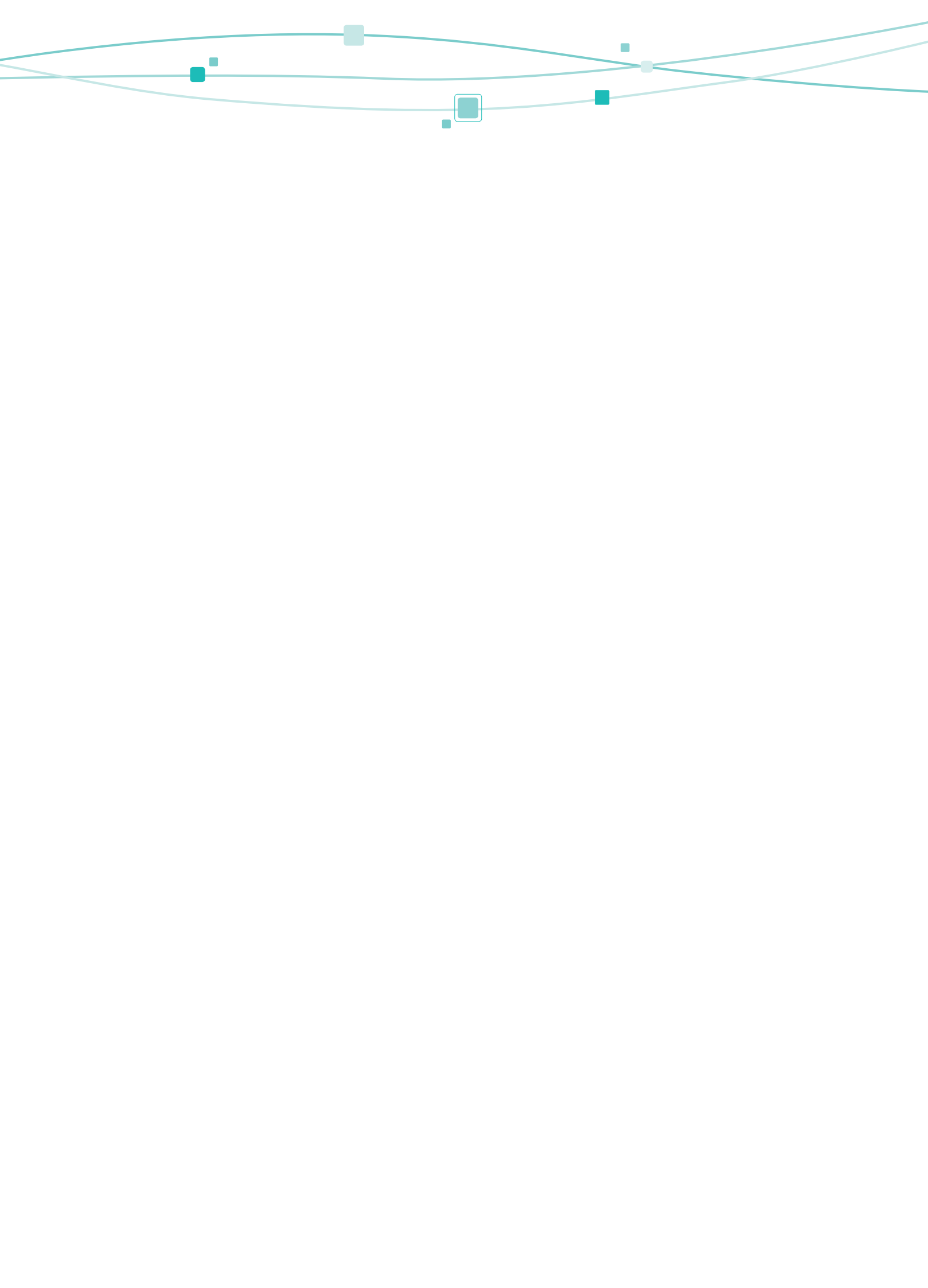
The person in charge of environmental, health and safety issues for the group is an environmental engineer with advanced degrees and professional certifications who reports directly to Vivendi's General Counsel. In addition, in the various operational units, there are specialists with responsibility for environmental, health and safety matters. These employees currently include engineers, hygienists, consultants and safety specialists.

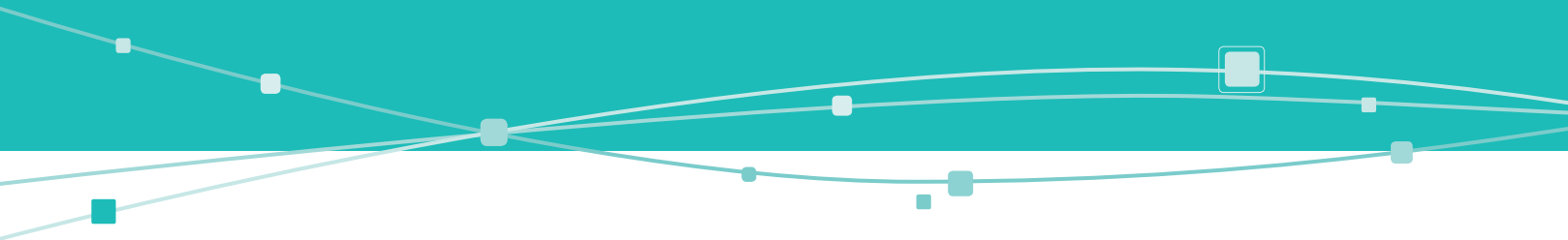
All major sites have a designated employee responsible for environmental, health and safety issues. In addition to his or her daily activities, this person must immediately report all nonconformities. In each major facility, a team has been created to intervene in the event of an accident or spill which may harm the environment. These teams work in close collaboration with local intervention teams (such as fire departments) to provide necessary protection.

Within Vivendi, nine employees are primarily responsible for environmental, health and safety issues (eight in the business units and one in headquarters).

## 2.7. ENVIRONMENTAL PROVISIONS, GUARANTEES AND PENALTIES

In 2006, Vivendi did not receive any notification from a regulatory agency alleging non-compliance with environmental, health and safety requirements at its various operational sites.





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