VIVENDI UNIVERSAL
Form 20-F
June 29, 2006

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As filed with the Securities and Exchange Commission on June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal year ended December 31, 2005
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	Date of event requiring this shell company report

Commission File Number: 001-16301
VIVENDI S.A.
(Exact name of Registrant as specified in its charter)

N/A	**Republic of France**
(Translation of Registrant s name into English)	*(Jurisdiction of incorporation or organization)*

42 avenue de Friedland
75380 Paris Cedex 08
France
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Ordinary Shares, nominal value 5.50 per share	New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share, nominal value 5.50 per share	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

American Depositary Shares	63,224,034
Ordinary Shares, nominal value 5.50 per share	1,153,477,321

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 o Item 18 þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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PRESENTATION OF INFORMATION

This Annual Report on Form 20-F (referred to herein as this annual report or this document) has been filed with the US Securities and Exchange Commission (SEC).

Vivendi is a *société anonyme,* a form of limited liability company, organized under the laws of the Republic of France. Our annual general meeting of shareholders of April 20, 2006 authorized the change of our name from Vivendi Universal to Vivendi. As used in this annual report, references to the Company , Vivendi , the Group , we, and our mean Vivendi SA and its consolidated subsidiaries or its predecessor company and its consolidated subsidiaries.

In this annual report, references to Shares mean to the ordinary shares of Vivendi. The principal trading market for the ordinary shares of Vivendi is the Eurolist of Euronext Paris SA. ADSs refers to the American Depositary Shares of Vivendi which are listed on the New York Stock Exchange, or NYSE, each of which represents the right to receive one Vivendi ordinary share and ADRs refers to the American Depositary Receipts evidencing titles to the ADSs.

This annual report includes Vivendi s Consolidated Financial Statements for the years ended December 31, 2005 and 2004, and as at December 31, 2005 and 2004. Vivendi s Consolidated Financial Statements, including the notes thereto, are included in Item 18. Financial Statements .

In accordance with European Regulation no. 1606/2002 of July 19, 2002, we have prepared our Consolidated Financial Statements for the year ended December 31, 2005 in accordance with the International Financial Reporting Standards decreed by the International Accounting Standards Board (the IASB) applicable as at December 31, 2005, as approved by the European Union, which we refer to in this annual report as IFRS . IFRS differs in certain significant respects from generally accepted accounting principles in the United States, which we refer to in this annual report as US GAAP . IFRS, as adopted by the European Union, differs in certain respects from the IFRS issued by the IASB. However, our Consolidated Financial Statements for the year presented in this document in accordance with IFRS would not be different if we had applied IFRS issued by the IASB. Until December 31, 2004, the Group s Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in France or French GAAP . We have therefore restated our consolidated financial information at and for the year ended December 31, 2004, in accordance with the provisions of IFRS 1 First Time Adoption of IFRS . As a result, financial information set forth in this Annual Report for the year ended December 31, 2004 may differ from information previously published. See Item 18. Financial Statements Note 34 for a description of the significant differences between IFRS and US GAAP and a reconciliation of net income, shareholders equity and other measures from IFRS to US GAAP.

Various amounts in this document are shown in millions for presentation purposes. Such amounts have been rounded and, accordingly, may not total. Rounding differences may also exist for percentages.

CURRENCY TRANSLATION

Share capital in Vivendi is represented by ordinary shares with a nominal value of 5.50 per share. Our shares are denominated in euros. Because we intend to pay cash dividends denominated in euros, exchange rate fluctuations will affect the US dollar amounts that shareholders will receive on conversion of dividends from euros to dollars.

We publish our Consolidated Financial Statements in euros. Unless noted otherwise, all amounts in this annual report are expressed in euros. References to US dollars , US$, $ or dollars are to United States dollars and reference euro or are to euros.

This annual report contains translations of certain euro amounts into US dollars at specified rates. These translations should not be construed as representations that the converted amounts actually represent such US dollar amounts or that the original amounts could have been, or could be, converted into US dollars at the rates indicated or at any other rate. Unless otherwise stated, the translations of euro into US dollars have been made at the rate of $1.1842 per 1.00, or 0.8446 per $1.00, the noon buying rate in New York City for cable

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transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on December 30, 2005. For historical exchange rate information, refer to Item 3. Key Information Exchange Rate Information . For a discussion of the impact of foreign currency fluctuations on Vivendi s financial condition and results of operations, see Item 5. Operating and Financial Review and Prospects .

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to divestitures, acquisitions, working capital and capital requirements, available liquidity, maturity of debt obligations, business trends and other information that is not historical information. Forward-looking statements can be identified by context. For example, when we use words such as estimate(s), aim(s), expect(s), feel(s), will, may, believe(s), anticipate(s) and similar expressions in this document, we are intending to identify those statements as forward-looking. All forward-looking statements, including, without limitation, the launching or prospective development of new business initiatives and products, anticipated music or motion picture or game releases, and anticipated cost savings from asset disposals and synergies are based upon our current expectations and various assumptions. Our expectations, beliefs, assumptions and projections are expressed in good faith and we believe there is a reasonable basis for them. There can be no assurance, however, that management s expectations, beliefs and projections will be achieved. There are a number of risks and uncertainties that could cause our actual results to differ materially from our forward-looking statements. These include, among other things:

- our ability to retain or obtain required licenses, permits, approvals and consents;
- legal and regulatory requirements, and the outcome of legal proceedings and pending investigations;
- the lack of commercial success of our products or services, particularly in the television, motion pictures, music and game markets;
- challenges to, loss, infringement or inability to enforce intellectual property rights;
- lost sales due to piracy, particularly in the motion picture and music business;
- downturn in the markets in which we operate, particularly the music market;
- increased technical and commercial competition, particularly in the television market;
- our ability to develop new technologies or introduce new products and services;
- changes in our corporate rating or rating of Vivendi debt;
- the availability and terms of financing;
- changes in business strategy or development plans;
- political instability in the jurisdictions in which we operate;
- fluctuations in interest rates or foreign currency exchange rates and currency devaluations;
- inflation and instability in the financial markets;

restrictions on the repatriation of capital;

natural disasters; and

war or acts of terrorism.

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The foregoing list is not exhaustive; other factors may cause actual results to differ materially from the forward-looking statements. We urge you to review and consider carefully the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3. Key Information Risk Factors, Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures About Market Risk . All forward-looking statements attributable to us or persons acting on our behalf speak only as of the date they are made and are expressly qualified in their entirety by the cautionary statements. Vivendi does not undertake to update any forward-looking statement.

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PART I

Item 1: ***Identity of Directors, Senior Management and Advisers***

Not applicable.

Item 2: ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3: ***Key Information***

Selected Financial Data

In accordance with European Regulation no. 1606/2002 of July 19, 2002, we have prepared our Consolidated Financial Statements for the year ended December 31, 2005 in accordance with IFRS as approved by the European Union. As a result, comparative financial information for the year ended December 31, 2004 previously published under French GAAP has been adjusted to IFRS. For a summary of the material differences between IFRS and US GAAP that affect the reconciliation of our IFRS net income and shareholders equity to those under US GAAP, see Note 34 to our Consolidated Financial Statements.

The selected consolidated financial data under IFRS and US GAAP at and for the years ended December 31, 2005 and 2004 have been derived from our audited Consolidated Financial Statements and the related notes appearing elsewhere in this annual report. The selected consolidated financial data under US GAAP at and for the years ended December 31, 2003, 2002 and 2001 have been derived from our Consolidated Financial Statements not included in this annual report. You should read this section together with Item 5. Operating and Financial Review and Prospects and our Consolidated Financial Statements included in this annual report.

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Amounts in accordance with IFRS:

	Year Ended December 31, 2005	2004
	(In millions of euros, except per share data)	
CONSOLIDATED STATEMENT OF EARNINGS		
Revenues	19,484	17,883
Earnings from operations	3,746	3,233
Earnings from operations/Revenues (%)	19.2%	18.1%
Earnings from continuing operations before income taxes	4,378	4,338
Earnings on the divestiture of businesses or financial investments	668	1,738
Earnings from discontinued operations	92	777
Other charges from ordinary activities	(170)	(25)
Earnings	4,266	4,823
Attributable to:		
Equity holders of the parent	3,154	3,767
Minority interests	1,112	1,056
Earnings per share, attributable to the equity holders of the parent		
basic	2.74	3.29
diluted	2.72	3.27
Dividend per share	0.60	
Average share outstanding (millions)	1,149.6	1,144.4
Share outstanding at year end (millions)	1,153.5	1,072.6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Intangible assets (including goodwill and content assets)	18,195	17,762
Equity, attributable to equity holders of the parent	18,769	15,449
Minority interests	2,839	2,643
Total equity	21,608	18,092
Total assets	44,483	43,039
Financial net debt(a)	3,768	4,724
CONSOLIDATED STATEMENT OF CASH FLOWS		
Net cash provided by operating activities	3,558	4,238
Net cash provided by (used for) investing activities	(2,817)	3,744
Net cash provided by (used for) financing activities	(1,035)	(7,545)
Capital expenditures and purchases of investments	2,986	1,716

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Amounts in accordance with US GAAP:

	Year Ended December 31,				
	2005	2004 restated (b)	2003	2002	2001
	(In millions of euros, except per share data)				
CONSOLIDATED STATEMENT OF EARNINGS					
Revenues	20,156	21,208	25,321	40,062	51,733
Earnings, attributable to equity holders of the parent	2,571	2,921	(1,358)	(43,857)	(1,172)
Earnings (loss) per share basic	2.39	2.73	(1.27)	(40.35)	(1.19)
Earnings (loss) per share diluted	2.28	2.61	(1.27)	(40.35)	(1.19)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Shareholders equity	17,830	14,212	9,804	11,655	54,268
Total assets	43,772	43,104	54,696	69,790	151,139

(a) Vivendi believes that Financial Net Debt, a non-GAAP financial measure, is an important indicator measuring Vivendi s indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities (including commitments to purchase minority interests) less cash and cash equivalents all as reported on the Consolidated Statement of Financial Position, as well as derivative financial instruments recorded as assets and cash deposits backing borrowings (included in the Consolidated Statement of Financial Position under non-current financial assets). A reconciliation of this measure to the Consolidated Statement of Financial Position items is presented in Item 5. Operating and Financial Review and Prospects .

(b) The Company s shareholder s equity under US GAAP as at December 31, 2004 has been restated to reflect certain adjustments relating to Consolidated Financial Statements for the year ended December 31, 2002 under primary GAAP. These adjustments resulted in a decrease in the previously reported shareholder s equity as at December 31, 2004 of 271 million. Please refer to Item 18. Financial Statements Note 34 .

Exchange Rate Information

The following table sets forth, for the periods indicated, the end-of-period average, high and low noon buying rates in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise indicated, such rates are set forth as US dollars per euro. On June 27, 2006, the noon buying rate was 1.00 = $1.26.

Month Ended	Period End	Average Rate(1)	High	Low
May 31, 2006	1.28	1.28	1.30	1.26
April 30, 2006	1.26	1.23	1.26	1.20
March 31, 2006	1.21	1.20	1.22	1.19
February 28, 2006	1.19	1.19	1.22	1.18
January 31, 2006	1.22	1.21	1.23	1.18

December 31, 2005	1.18	1.19	1.21	1.17

Year Ended	Period End	Average Rate(2)	High	Low
December 31, 2005	1.28	1.24	1.36	1.16
December 31, 2004	1.36	1.24	1.30	1.18
December 31, 2003	1.26	1.13	1.26	1.04
December 31, 2002	1.05	0.95	1.05	0.86
December 31, 2001	0.89	0.89	0.95	0.84

(1) The average of the exchange rates for all days during the applicable month.

(2) The average of the exchange rates on the last day of each month during the applicable year.

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Dividends

The table below sets forth the total dividends paid per Vivendi ordinary share and per Vivendi ADS from 2001 through 2005. The amounts shown exclude the *avoir fiscal,* a French tax credit which was abolished as of January 1, 2005 (more information is provided under Item 10. Additional Information Taxation French Taxation of US Holders of Our Ordinary Shares or ADSs). We have rounded dividend amounts to the nearest cent.

	Dividend per Ordinary Share (euros)	**Dividend per ADS** (dollars)(1)
2001	1.00	0.89
2002	1.00	0.91
2003		
2004	0.60	0.77
2005(2)	1.00	1.27

(1) Translated solely for convenience into US dollars at the noon buying rates on the respective dividend payment dates or on the following business day, if such date was not a business day in the US. The noon buying rate may differ from the rate that may be used by the depositary to convert euros to US dollars for the purpose of making payments to holders of ADSs.

(2) The payment of a dividend of 1.00 per share for fiscal year 2005 was approved at the annual meeting of the shareholders held on April 20, 2006. This dividend was paid on May 4, 2006 to the holders of ordinary shares and May 25, 2006 to the holders of ADSs.

Risk Factors

You should carefully review the risk factors described below in addition to the other information presented in this document.

Our business operations in some countries are subject to additional risks.

We conduct business in markets around the world. The risks associated with conducting business internationally, and in particular in some countries outside Western Europe, the US and Canada, can include, among other risks:

- fluctuations in currency exchange rates (particularly the US dollar-euro exchange rate) and currency devaluations;
- restrictions on the repatriation of capital;
- differences and unexpected changes in regulatory environments;
- varying tax regimes which could adversely affect our results of operations or cash flows, including regulations relating to setting transfer costs and withholding tax on repatriation of funds and other payments made by joint ventures and subsidiaries; and
- tariffs, duties, export controls and other trade barriers.

We may not be able to insure or hedge against these risks and we may not be able to ensure compliance with all of the applicable regulations without incurring additional costs.

Currency exchange rate fluctuations may negatively affect our earnings from operations

A significant portion of our assets and liabilities, as well as part of our sales and costs, are denominated in a variety of foreign currencies. Our Consolidated Financial Statements are presented in euro. Therefore, when we prepare our Consolidated Financial Statements, we must translate our assets, liabilities, income and expenses in currencies other than the euro into euros at applicable exchange rates. As a result, increases and decreases in the value of the euro will affect the value of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency. Therefore, significant currency fluctuations may have an adverse effect on our results of operations. Furthermore, many of our expenses as part of our operations are not denominated in the same currency as that of the corresponding income. These expenses may represent a higher percentage of the sales figure as a result of exchange rate fluctuations and may therefore affect our profitability and cash flows.

We may not be able to retain or obtain required licenses, permits, approvals and consents.

We need to retain or obtain a variety of permits and approvals from regulatory authorities to conduct and expand our businesses. The process for obtaining or renewing these permits and approvals is often lengthy, complex and costly. If we are unable to retain or obtain the permits and approvals we need to conduct and expand our businesses at a reasonable cost and in a timely manner in particular, licenses to provide telecommunications services and broadcasting licenses our ability to achieve our strategic objectives could be impaired. In addition, any adverse changes in the regulatory environment in which our businesses operate could impose prohibitive costs on us and limit our revenue.

We may not be successful in developing new technologies or introducing new products and services.

The industries in which we operate are highly competitive and subject to rapid and significant changes in technology and are characterized by the frequent introduction of new products and services. The pursuit of necessary technological advances may require substantial investments of time and resources, and we may not succeed in developing marketable technologies. Furthermore, we may not be able to identify and develop new product and service opportunities in a timely manner. Finally, technological advances may render our existing products obsolete, forcing us to write off investments and make substantial new investments.

Our content assets in television, motion pictures, audio recordings and interactive games may not be commercially successful.

A significant amount of our revenue comes from the production and distribution of content offerings such as feature films, television series, audio recordings and interactive games. The success of content offerings depends primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a particular content offering depends on several variable factors, including the availability of alternative forms of entertainment and leisure time activities and the general economic situation. In addition, we distribute third party contents. Our operations in these businesses are subject to increasingly competitive markets and there can be no certainty that third parties will continue to transfer their rights under conditions that are commercially viable or that there will be no increase in the cost for obtaining these rights. These events could have a negative effect on our business, results of operations and financial condition.

We may have difficulty enforcing our intellectual property rights.

The decreasing cost of electronic and computer equipment and related technology has made it easier to create unauthorized versions of audio and audiovisual products such as compact discs, videotapes and DVDs. Similarly, advances in Internet technology have increasingly made it possible for computer users to share audio and audiovisual information without the permission of the copyright owners and without paying royalties to holders of applicable intellectual property or other rights. In addition, a substantial portion of our operations is heavily dependent on intellectual property rights that we own or for which we hold a license. If we fail to develop effective means of protecting our intellectual property, our results of operations and financial position may suffer.

The recorded music market has been declining and may continue to decline.

Economic recession, CD-R piracy and illegal downloading of music from the Internet and growing competition for consumer discretionary spending and shelf space have all contributed to a declining recorded music market. Unauthorized copies and piracy both decrease the volume of legitimate sales and put pressure on the price at which legitimate sales can be made and have had, and we believe will continue to have, an adverse effect on Universal Music Group s (UMG) revenue and operating income.

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Our motion picture businesses may lose sales due to unauthorized copies and piracy.

Technological advances and the conversion of motion pictures into digital formats have made it easier to create, transmit and share unauthorized copies of motion pictures. Unauthorized copies and piracy of these products compete against legitimate sales of these products. The continuous difficulty in passing and applying appropriate legislations and in enforcing court rulings in certain countries where piracy is endemic constitutes a threat for the film industry. A failure to obtain appropriate relief from unauthorized copying through the judicial process and legislation and an inability to curtail rampant piracy may have an adverse effect on our motion picture business.

Item 4: *Information on the Company*

History and Development of the Company

The commercial name of our company is Vivendi and the legal name of our company is Vivendi SA. Our prior name, Vivendi Universal, was changed to Vivendi upon authorization from our shareholders at our annual meeting of shareholders held on April 20, 2006.

Vivendi is a *société anonyme,* a form of limited liability company, organized under the laws of the Republic of France. We are governed by the French Commercial Code (*Code de Commerce*) and Decree no. 67-236 of March 23, 1967. Vivendi was initially organized under the name Sofiée SA on December 11, 1987, for a term of 99 years in accordance with the French Commercial Code. Our registered office is located at 42 avenue de Friedland, 75380 Paris Cedex 08, France, and the telephone number of our registered office is +(33-1) 71 71 1000. Our agent in the US is Vivendi Universal US Holding Co., located at 800 Third Avenue, 5th Floor, New York, New York 10022. All matters addressed to our agent should be to the attention of the Senior Vice President, Deputy General Counsel.

The Company is registered with the Register of Commerce and Companies of Paris (*Registre du Commerce et des Sociétés de Paris*) under number 343 134 763.

We were formed through the merger in December 2000 of Vivendi SA, The Seagram Company Ltd. and Canal Plus SA, with Vivendi continuing as the surviving parent entity (the Merger Transactions). From our origins as a water company, we expanded our business rapidly in the 1990s and transformed ourselves into a media and telecommunications company with the Merger Transactions in December 2000. Following the appointment of new management in July 2002, we commenced a significant asset divestiture program aimed at reducing the Vivendi group s indebtedness, which we have completed. See Our Strategy and Main Developments for 2005, 2004 and Subsequent Developments in 2006 and Main Developments for 2003 below.

Our Strategy

Vivendi is strengthening its position in media and telecommunications, two business sectors with strong growth rates. All of the Group s businesses music, interactive games, pay-TV and mobile and fixed-line telephony are focused on customer satisfaction. The Group s objective is to enhance its businesses by fostering innovation and creativity while building upon their strong operational compatibility.

The number of distribution platforms continues to grow as does the use of digital technology in mobile, satellite and internet applications. Vivendi is investing in:

- creating and publishing exclusive content;
- creating and managing distribution platforms for content and other services aimed at the general public by drawing on its vast expertise in subscriber database management, customer loyalty, marketing and distribution networks; and
- investing in telecom and pay-TV infrastructure and technological innovations particularly in mobile telephone and broadband applications.

Vivendi ranks either first or second in sales in nearly all of the markets it serves.

In 2005, as a result of our strategy, the distribution of digital music tripled at Universal Music Group. Vivendi Games was hugely successful with the *World of Warcraft* game and completed a number of external growth transactions. The Canal+ Group boosted subscriptions and announced the plan to combine the Canal+ Group s French pay-TV activities with those of the company TPS. SFR was successful in deploying its third generation network and in diversifying mobile services, while Maroc Telecom saw continued strong growth of mobile telephony and services based on ADSL broadband.

In 2006, as part of this strategy, Vivendi will focus its efforts on:

Completing the combination of Canal+ and TPS and finalizing the agreement with Lagardère to become a leader in the French broadcasting market, which will be able to compete with large foreign media companies, cable and Internet operators;

resolving its differences with Elektrim and Deutsche Telekom in order to assert Vivendi s rights with regard to its 51% equity stake in Elektrim Telekomunikacja and to eventually increase such stake to 100%;

moving further into music publishing, and in certain territories, into the production and distribution of recorded music; and

ensuring the balanced development of Vivendi Games among online, console and mobile games.

There are growth opportunities for third generation mobile telephony and related services, for pay-TV penetration and the development of downloading and interactive exchanges of content (music, games, film and television) over the internet. Vivendi plans to continue investing in all of its businesses in order to benefit from customer demand for innovative products and services. In addition, Vivendi intends to seek additional growth and value through selected acquisitions and investments that complement or extend its media and telecommunications businesses.

Main Developments for 2005 and 2004 and Subsequent Developments in 2006

Since 2002, our Group has evolved considerably, by divesting approximately 25 billion in assets and investing approximately 25 billion. Over the last four years, our Group s revenues were reduced by three, our operating income remained stable and our Financial Net Debt was reduced from 37.1 billion as of December 31, 2001 (under French GAAP) to 3.8 billion as of December 31, 2005 (under IFRS). In particular, the combination of Vivendi Universal Entertainment LLLP (VUE) and National Broadcasting Company, Inc. (NBC) in 2004 resulted, from an accounting standpoint, in the divestiture of 80% of VUE and the acquisition of 20% of NBC. An enterprise value of approximately 10.2 billion was attributed to VUE in this transaction, corresponding to the related reduction in Financial Net Debt (5.3 billion) and to the value of the 20% stake received in NBC (4.9 billion). Following this important reorganization, we emerged as a major participant in the media and telecommunications industries. In 2005, we consolidated our position in our strategic businesses as we acquired an additional 16% stake in Maroc Telecom and completed the combination of Cegetel and Neuf Telecom. In January 2006, we announced a combination agreement for the pay-TV businesses of the Canal+ Group and TPS followed by an agreement with Lagardère in February 2006.

For more information on our main developments in 2005 and 2004 and subsequent events in 2006, please see Item 5. Operating and Financial Review and Prospects .

Main Developments for 2003

In 2003, Vivendi invested 6.0 billion, including 1.6 billion of capital expenditures in its core businesses and 4 billion to purchase BT Group s 26% interest in SFR Cegetel. Vivendi also refocused, restructured, and recapitalized the Canal+ Group for close to 3 billion, eliminated major cash drains (essentially its Internet operations), divested non-strategic assets with proceeds of approximately 3 billion and refinanced its debt.

In January 2003, Vivendi purchased BT Group s 26% interest in Cegetel Groupe SA for 4 billion, thereby increasing its voting interest in the French telecommunications operator from 59% to 85% and its ownership interest from 44% to 70% (approximately 56% ownership interest in SFR, its mobile subsidiary). In

December 2003, Cegetel Groupe SA simplified the group s structure through the merger of Transtel, Cofira and SFR into Cegetel Groupe SA holding company. The new company resulting from the merger, which is both a mobile phone operator and the holding company of the group, was renamed SFR. Following the repurchase by SFR of the 0.3% stake held by minority shareholders in August 2005, SFR is 56.0% owned by Vivendi and 44.0 % owned by Vodafone.

In December, 2003, Vivendi recapitalized the Canal+ Group for 3 billion through the conversion of an inter-company loan into equity, with no cash impact. As a result of this recapitalization, the performance of the Canal+ Group in 2003 and divestitures of non-core assets, the Canal+ Group s financial net debt was close to 1 billion at the end of 2003, compared to approximately 5 billion on June 30, 2003.

During 2003, Vivendi divested approximately 3 billion of assets. The Canal+ Group s divestitures included the sale of its 89% interest in Canal+ Technologies, its interest in Telepiù, the Italian pay-TV platform, Canal+ Nordic, the company in charge of its pay-TV channel activities in the Nordic region, and Canal+ Belgique SA and its Flemish operations. Vivendi (through VUE) also sold Spencer Gifts, a novelty and gift store chain operating in the US, Canada and the UK and non-core operations including its publishing assets and its fixed-line telephony assets in Hungary.

Business Overview

General

We are a leading media and telecommunications company. Our media business is comprised of Universal Music Group (UMG), Vivendi Games and the Canal+ Group. On May 11, 2004, we completed the NBC-Universal transaction and currently have a 20% interest in NBC Universal (NBCU). Our telecommunications business is comprised of SFR and Maroc Telecom. We also maintain other non-core operations and investments.

Segment Data

The contribution of our business segments to our consolidated revenues for 2005 and 2004, in each case after the elimination of intersegment transactions, is as follows:

	Year ended December 31,			
	(as published)		**(on a comparable basis(a))**	
	2005	**2004**	**2005**	**2004**
	(millions of euros)			
Universal Music Group	4,893	4,989	4,893	4,819
Vivendi Games	641	475	641	475
Canal+ Group	3,452	3,560	3,407	3,277
SFR(b)	8,687	7,192	8,687	8,117
Maroc Telecom	1,860	1,581	1,860	1,611
Non-core operations and elimination of inter-segment transactions(c)	(49)	86	(49)	(62)
Total revenue	19,484	17,883	19,439	18,237

(a) Comparable basis essentially illustrates the effect of the divestitures that occurred in 2005 (primarily, NC Numéricâble) and 2004 (mainly the Flux-divertissement business of StudioExpand, Canal+ Benelux, UMG s music clubs, Kencell and Monaco Telecom) and includes the full consolidation of minority interests in distribution subsidiaries at SFR and of Mauritel at Maroc Telecom, as if these transactions had occurred as of January 1, 2004.

In 2004, comparable basis also includes estimated mobile-to-mobile sales at SFR applying in 2004 the rate applied in 2005. Comparable basis revenues are not necessarily indicative of the combined revenues that would have been reported had the events actually occurred as of January 1, 2004.

(b) Beginning January 1, 2005, SFR s revenue and cost of sales include mobile-to-mobile sales which amount to 909 million for the fiscal year ended December 31, 2005. In 2004, comparable basis includes estimated mobile-to-mobile sales applying in 2004 the rate applied in 2005, i.e., 875 million for fiscal year 2004.

(c) Including Vivendi Telecom International, Vivendi Valorisation and other non core businesses.

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Geographic Data

The contribution of selected geographic markets to our consolidated revenue for each of 2005 and 2004, is as follows:

	Year ended December 31,	
	2005	2004
	(millions of euros)	
France	12,216	10,835
Rest of Europe	1,933	2,176
United States	2,414	2,260
Morocco	1,773	1,516
Rest of World	1,148	1,096
Total	19,484	17,883

Our Segments

Media

Universal Music Group

Our music business is operated through Universal Music Group (UMG), in which we have held a 100% interest since February 7, 2006, compared to a 92% interest as at December 31, 2005. UMG is the largest recorded music company in the world in terms of revenues (based on management estimates for 2005 and the International Federation of the Phonographic Industry (IFPI) for 2004). In 2005, UMG held an estimated 25.6% of the global music market (according to management estimates), compared with 25.5% in 2004 (source: IFPI). UMG acquires, manufactures, markets and distributes recorded music through a network of subsidiaries, joint ventures and licensees in 75 countries. UMG also sells and distributes music video and DVD products and licenses recordings. UMG participates in and encourages the distribution of music over the Internet and over cellular, cable and satellite networks by making a significant amount of its content available in a digitized form. UMG is not dependent on any single artist. UMG s top 15 album releases accounted for 13% of unit volume in 2005 (13% in 2004).

UMG is also active in the music publishing market. UMG acquires rights to musical compositions (as opposed to recordings) in order to license them for use in recordings and related uses, such as in films, advertisements or live performances. We believe that UMG is the number three global music publishing company with over one million owned or administered titles.

The key to UMG s success has been its ability to consistently identify, attract and retain successful artists and market them effectively. We believe this is primarily attributable to:

- the stability of the management team compared to UMG s major competitors, which allows UMG to have a consistent strategy to respond effectively to industry and social trends and challenges;
- UMG s size and strength in marketing and distribution, which builds on itself by attracting established artists;
- UMG s large catalog of prior hit releases that provide a stable and profitable revenue stream, which accounts for approximately 30% of sales, without significant additional investment;
- UMG s diverse array of labels in the major markets and local representation across the globe complement each other through their focus on different genres, sub-genres and music segments and thereby mitigate the effect of

changes in consumer tastes; and

multi-album and multi-year contracts, which secure long-term relationships with some of the most important artists and talent finders in the industry.

Recorded Music

UMG s recorded music business is the largest in the world with particularly strong positions in the important North American and European markets, which together account for nearly three quarters of global sales.

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

Best-selling albums in 2005 were new releases from Mariah Carey, 50 Cent, Black Eyed Peas, Eminem, Kanye West and Jack Johnson, in addition to very strong carryover sales from Gwen Stefani. Other best sellers included debut releases from The Game, The Pussycat Dolls, Fallout Boy, Akon and the UK s Kaiser Chiefs. Regional best sellers included Latin artists Juanes and Daddy Yankee, Germany s Rammstein, Brazil s Ivete Sangalo and France s Chimène Badi. Best-selling albums in the first quarter of 2006 were new releases from Andrea Bocelli, Jack Johnson and Prince in addition to the debut release from Ne-Yo that topped the US album chart in March. Other best-sellers were NOW 21 in the US, Spitz and Dreams Come True in Japan and carryover sales from Mary J. Blige.

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

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

E-Commerce and Electronic Delivery

Legal digital distribution of music continued to increase in 2005, evolving into a significant revenue stream. Revenue growth was driven by several factors, including:

- growth of download offerings in the US;
- expansion of download offerings in Europe and Japan;
- worldwide growth of mobile offerings with particularly strong growth in the US; and
- the monetization of online music video streaming and downloads.

In 2005, UMG s US digital downloads registered more than 200 million retail sales, which increased almost three fold compared to 2004. This growth was driven primarily by Apple s iTunes and other US digital download retailers, such as Napster, Real Networks and Wal-Mart.

Outside the US, digital download revenue grew significantly, with over 44 million downloads in 2005, mainly due to growth in Japan and Europe. Growth in European downloads was driven primarily by iTunes and Napster, though local services such as OD2 and Germany s T-Online also contributed. In Japan, the growth in downloads was due to the highly successful launch of iTunes as well as mobile Over-The-Air (OTA) downloads through LabelMobile.

US mobile revenue became a significant revenue stream in 2005, carried by strong sales of mastertone products. UMG sold over 48 million mastertones in the US in 2005, a 380% increase over 2004. Mobile revenue outside the US continued to grow briskly, nearly doubling in 2005.

In 2005, UMG began to generate significant revenue from the online exploitation of its music video assets. UMG led the industry in establishing a business model in which rights holders and artists are paid for free-to-consumer video streams viewed within portals such as Yahoo!, AOL and MSN. Additionally, Apple s iTunes began selling video downloads for $1.99 each. UMG sold more than one million music video downloads in the US in less than three months, accounting for nearly half of all iTunes music video sales. Outside the US, revenue streams from video (excluding mobile sales) are less significant, but should increase in 2006 with additional streaming revenue and the continued expansion of download offerings.

In 2005, UMG maintained its leadership position in digital distribution primarily due to UMG s offering of the largest digital distribution catalog, delivery of new releases to digital retailers upon release and collaboration with digital retailers to promote its products. UMG continues to innovate by improving its download offerings with, among other enhancements, digital CD booklet artwork, more flexible pricing and promotional offerings.

In 2006, UMG anticipates continued growth in the download market due to strong sales of digital music players (particularly iPods), increased penetration of broadband and the emergence of new digital retail partners such as MTV. Sales of portable devices should also lead to growth in the subscription market as technology that allows rented downloads to be transferred to compatible portable devices improves and gains device penetration.

Video downloads and free-to-consumer video streaming will continue to be an important new source of revenue and ad-supported models should emerge for free-to-consumer audio as well. Additionally, mobile revenue should benefit from: strong growth in mastertone sales in the US and outside the US; the continued expansion of the ringback-tones market in the US and additional territories internationally, and the rollout of mobile broadband networks in the US, enabling greater consumption of mobile music entertainment products such as OTA audio and video downloads, video ringers and video streams. Across all product categories, UMG will seek to maximize revenue by making more content available and introducing new digital products and bundles.

Music Publishing

Music publishing involves the acquisition of rights to, and licensing of, musical compositions (as opposed to recordings). UMG enters into agreements with composers and authors of musical compositions for the purpose of acquiring an interest in the underlying copyright so that we may license the compositions for use in sound recordings, films, videos, commercials and by way of live performances and broadcasting. We license compositions for use in printed sheet music and song folios. We generally seek to acquire rights, but also administer musical compositions on behalf of third party owners such as other music publishers and composers and authors who have retained or reacquired rights.

UMG s publishing catalog includes more than one million titles that are owned or administered, including some of the world s most popular songs, such as American Pie , Strangers in the Night , Girl from Ipanema , Good Vibrations Want to Hold Your Hand , Candle in the Wind , I Will Survive and Sitting on the Dock of the Bay , among many other Among the significant artists and songwriters represented are ABBA, Anastacia, Avril Lavigne, 50 Cent, The Beach Boys, Mary J. Blige, Jon Bon Jovi, The Corrs, Gloria Estefan, No Doubt, Prince, Michel Sardou, Paul Simon, André Rieu, Andrew Lloyd Webber and U2. Legendary composers represented include Leonard Bernstein, Elton John and Bernie Taupin and Henry Mancini. In 2005, we concluded two separate deals to administer the remaining copyrights attributable to the esteemed songwriting team of Elton John and Bernie Taupin (UMG already owned certain other rights pursuant to a prior acquisition). Other new deals in 2005 included Mark Batson, Maximo Park, The Bravery, Ciara, Rock Music Publishing, Wolfmother, Iris Gruttmann (Schnappi), Chamillionaire, The D.O.C. and Wind-Up Entertainment.

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Seasonality

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

Competition

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

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

Finally, the recorded music business continues to be adversely affected by pressed disc and CD-R piracy, home CD burning and illegal downloading from the Internet. According to the IFPI, the worldwide music market decreased by 3% in 2005, with a 7% drop in physical music sales partly offset by growing demand for online and mobile music on the Internet and mobile phones. Sales of pirated music amounted to $4.6 billion in 2004 (most recent available data), as compared to $4.5 billion in 2003 and $4.6 billion in 2002. IFPI further estimates that one in three discs sold worldwide is a pirate copy and in 31 countries of the world, illegal recordings outsell the legitimate alternative. Pirate sales amounted to 1.2 billion copies in 2004 (a 2% increase compared to 2003).

Online music services continue to be developed to offer consumers a viable, legal and copy-protected online source of music. The industry and UMG are increasing their anti-piracy activities with a multi-pronged approach focusing on legal action, including participating in industry legislative efforts, public relations and education, and technical countermeasures while offering consumers new products and services (for further information, see E-Commerce and Electronic Delivery above).

Regulatory Environment

UMG s businesses are subject to laws and regulations in each jurisdiction in which they operate. In the US, certain UMG companies entered into a Consent Decree in 2000 with the Federal Trade Commission under which they agreed for seven years not to make the receipt of any co-operative advertising funds for their pre-recorded music products contingent on the price or price level at which such product is advertised or promoted. Also in the US, a UMG company entered into a Consent Decree with the Federal Trade Commission in 2004 under which it agreed to comply with the provisions of the Children s Online Privacy Protection Act and to maintain records demonstrating compliance. In 2003, following a lawsuit filed by the Federal Trade Commission, the Federal Trade Commission issued an order that generally prohibits UMG from entering into agreements with unaffiliated entities (i) to fix, raise or stabilize prices or price levels for sales of audio or video products in the United States and (ii) to prohibit, restrict, regulate or otherwise limit truthful, non-deceptive advertising for audio or video products in the United States. In 2006, following an investigation by the New York State Attorney General regarding the business dealings of major record companies with radio stations and with independent radio promoters, a UMG company entered into an Assurance of Discontinuance Agreement with the New York State Attorney General s office. That agreement provides for the UMG company to institute a variety of reforms in its radio promotion policies, including the appointment of a radio promotion compliance officer.

In December 2005, the New York State Attorney General opened an investigation into matters concerning the pricing of digital downloads. In connection with that inquiry, the New York State Attorney

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General has served a subpoena on the four major record companies. UMG is currently in the process of responding to that subpoena. In February 2005, the United States Department of Justice opened an investigation into matters concerning UMG s practices and policies related to the online distribution of music. In connection with that inquiry, the New York State Attorney General has served a subpoena on the four major record companies. UMG is currently in the process of responding to that subpoena.

In Canada, in connection with Vivendi s purchase of Seagram, UMG is required to continue its investments in Canada s domestic music industry as part of an undertaking given to the Canadian Department of Heritage.

Research and Development

UMG aims to pursue digital distribution opportunities and to protect its copyrights and the rights of its contracted artists from unauthorized digital or physical distribution. UMG has established eLabs, a business strategy and technology division, which supervises UMG s digitization and online distribution of content and negotiates agreements for selling that content through third parties. eLabs is actively engaged in various projects intended to open new distribution channels and improve existing ones. In addition, eLabs reviews and considers emerging technologies for application in UMG businesses, such as technological defenses against piracy and new physical formats. Research and development costs incurred by UMG are immaterial.

Raw Materials

The raw materials utilized by UMG s businesses are polycarbonate for the production of CDs and paper for packaging. Fluctuations in the price of these raw materials do not have a material impact on UMG s business.

Property, Plant and Equipment

Following the sale in May 2005 of UMG s manufacturing and distribution facilities in the United States and Germany to Glenayre Technologies, the parent company of Entertainment Distribution Corporation (EDC), UMG has outsourced the bulk of such facilities to third parties or joint ventures with other record companies. UMG retains distribution facilities in the UK and France and the properties housing the manufacturing and distribution facilities in Germany sold to EDC. UMG generally leases office buildings although a small number are owned.

Vivendi Games

Vivendi Games is a global developer, publisher and distributor of multi-platform interactive entertainment. Vivendi Games owns five global development studios which create online, PC, mobile and console games for the company s owned intellectual properties and licensed content. Vivendi Games two principal studios and publishing labels include Blizzard Entertainment and Sierra Entertainment (which includes Radical Entertainment, Swordfish Studios, High Moon Studios and Massive Entertainment). Vivendi Games is a leader in the subscription-based Massively Multi-Player Online Role-Playing Games (MMORPG) segment and holds leading market positions in PC, console, handheld and mobile games and is an emerging player in casual online games.

In 2005, Sierra, a division of Vivendi Games, acquired three independent studios, which have extended Vivendi Games internal developmental capabilities, each of these studios being well positioned to develop titles for the next generation of consoles. In March 2005, Sierra completed the acquisition of Vancouver-based Radical Entertainment, the developer of *The Incredible Hulk: Ultimate Destruction* and *The Simpsons: Hit & Run*. In June 2005, Sierra acquired UK-based Swordfish Studios, named Developer of the Year in 2004 by The Independent Game Developers Association. In December 2005, Sierra purchased High Moon Studios based in Carlsbad, CA. Sierra also owns Massive Entertainment, the creator of the *Ground Control* PC franchise, which established the studio as a top developer in the real-time strategy genre. In addition, in May 2005, Blizzard Entertainment acquired Swingin Ape studios, now renamed Blizzard Console. In October 2005, Vivendi Games sold Coktel, its studio specializing in educational games.

Vivendi Games library contains over 700 titles, many of which were developed in-house and for which Vivendi Games holds the intellectual property rights, including *Warcraft, StarCraft, Diablo* and *World of Warcraft* from Blizzard Entertainment, and Sierra s *Crash Bandicoot, Spyro the Dragon, Empire Earth, Leisure Suit Larry, Ground Control* and *Tribes*. Vivendi Games also maintains commercial relationships with strategic partners such as NBC Universal and Twentieth Century Fox. In 2005, Sierra signed an exclusive global agreement to publish games based on the literary works of Robert Ludlum, whose books have sold more than 290 million copies worldwide and generated the theatrical box office hits *The Bourne Identity* and *The Bourne Supremacy*.

Top selling titles in 2005 included Blizzard s *World of Warcraft* and Sierra s *50 Cent: Bulletproof, Crash Tag Team Racing, Robots* and *F.E.A.R.*

World of Warcraft is the world s most popular game in the MMORPG segment, with more than 6.5 million customers worldwide as at May 2006. Either directly or in cooperation with local partners, Blizzard Entertainment has released *World of Warcraft* in over six countries within 12 months, and established in all regions the appropriate in-game support service for users. The title is distributed by Blizzard Entertainment in North America, Europe and Korea, and by China The9 Interactive Limited (C9I) in China, and Soft-World International Corporation in Taiwan. Blizzard Entertainment s track record includes nine No. 1 selling games and multiple Game of the Year awards. Its free Internet gaming service Battle.net is the largest in the world, with several million active users.

In 2006, Blizzard Entertainment intends to continue to expand *World of Warcraft s* customer base and retain existing subscribers with an expansion pack, *World of Warcraft: The Burning Crusade* and additional content patches bringing attractive new features throughout the year. Sierra s 2006 PC and console product line-up includes titles such as *Scarface: The World is Yours, Eragon, F.E.A.R. Extraction Point (Expansion Pack), Ice Age II, Caesar IV* and *The Legend of Spyro A New Beginning.* Sierra will also release titles for the next generation of consoles starting late 2006 including *Timeshift, F.E.A.R. 360* and *Eragon* for the Xbox 360. PSP (Playstation® Portable) titles for 2006 include *50 Cent Bulletproof G Unit Edition, Miami Vice The Game* and *M.A.C.H.* Nintendo DS titles for 2006 include *Eragon, Crash Boom Bang* and *The Legend of Spyro A New Beginning*.

In 2005, Vivendi Games entered the rapidly growing market for games on mobile phones by: launching five Vivendi Games titles via distributors; building up a mobile game development studio and staff in Meudon (France); recruiting senior management for a mobile games publishing unit; preparing its 2006 mobile game publishing slate; and receiving positive feedback on its plans from the world s major wireless network carriers.

Vivendi Games owns certain of the technologies used in its PC and console games and maintains relationships with top-tier external developers. External developer relationships are generally based on long-term, multiple product contracts in order to leverage the developed technology in sequels and spin-offs. Typically, the developer owns the underlying technology that it brings at the beginning of the development process. In the console games market, Vivendi Games is intensifying its development efforts for the next generation of consoles from Sony, Microsoft and Nintendo. High Moon and Swordfish Studios use the Unreal 3 technology which was licensed in 2005 by Vivendi Games as the basis for their engine. Radical Entertainment is transitioning its proprietary engine to the next generation.

Seasonality

PC and console software sales are historically higher during the last quarter of the year.

The subscription-based MMORPG business provides a more consistent revenue stream throughout the year as consumers are required to pay a monthly subscription fee or purchase hourly time cards in order to play the game. The more continuous revenue flow from *World of Warcraft* has helped reduce the seasonality of Vivendi Games revenues. For mobile games, there is a slight increase in sales at the end of the year due to the acquisition of cellular phones during the holidays.

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Competition

Vivendi Games main competitors are global publishers with products for multiple platforms and genres. The worldwide leader in interactive games is Electronic Arts (EA) with a 19.1% market share in 2005. In 2005, Vivendi Games was the second largest publisher of PC game software with a market share of 10.3% (including 2005 retail sales of *World of Warcraft*). Vivendi Games had the eighth largest share of the combined PC and console games market at 5.1%. (Source: Vivendi Games estimates based on GFK, Chart Track and NPD, France, UK, Germany and the US combined, from January to December 2005.)

Vivendi Games principal competitors in the MMORPG segment include NC Soft and Sony Online Entertainment. Vivendi Games major competitors in console and PC games include EA, Activision, Take 2, THQ and Ubisoft. In the mobile category, Vivendi Games mainly competes with Gameloft, EA, THQ, Glu and Hands-On-Mobile.

Piracy

Piracy is a serious concern for game publishers generally, and one that Vivendi Games anti-piracy department combats directly (via investigation, litigation, and criminal referrals) and in collaboration with third parties such as other publishers and trade associations. Vivendi Games has also pursued emerging business models, such as MMORP games developed by Blizzard Entertainment, which embrace the Internet and at the same time use technology to prevent piracy.

Regulatory Environment

Vivendi Games voluntarily participates in self-regulatory ratings systems established by various industry organizations around the world. In the US and in Europe, Vivendi Games adheres to ratings, advertising guidelines and online privacy principles adopted by the Entertainment Software Association and the Entertainment Software Rating Board. Pursuant to these guidelines, Vivendi Games displays on its product packaging and advertising the age group for which a particular product is intended and provides a brief description of the product s content.

Research and Development

Research and development costs include internal development costs as well as capitalized advances to external developers and license owners. Research and development costs were 186 million in 2005 (excluding the impact of writedowns and reserves on cancelled titles and net amortization of capitalized software development costs), 158 million in 2004 and 112 million in 2003.

Raw Materials

Vivendi Games principal raw materials are polycarbonate for the production of CDs and DVDs and paper for packaging. These raw materials do not constitute a significant amount in the total economics of a game. Price fluctuations affecting these raw materials are unlikely to have a material impact on Vivendi Games business.

Property, Plant and Equipment

In the US, Vivendi Games operates an assembling and distribution facility which it leases in Fresno, CA; all property and equipment in the building are owned by Vivendi Games. In Europe and Australia, Vivendi Games uses external partners for manufacturing and physical distribution. Vivendi Games leases its offices (major offices are located in Los Angeles, CA, Irvine, CA, Seoul, South Korea, Vélizy and Meudon, France).

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The Canal+ Group

The Canal+ Group has two principal lines of business:

Pay-TV channel production in France, which includes the Canal+ premium channel (Canal+ Le Bouquet) and theme channels such as Sport+, i>Télé, CinéCinéma channels, Planète channels, Jimmy, Seasons, Comédie! and Cuisine TV; and

Pay-TV channel distribution via satellite, cable, ADSL or 3G mobile telephony, which includes CanalSat and Media Overseas.

The Canal+ Group also engages in the production and distribution of films through StudioCanal, a major European studio involved in the production, co-production, acquisition and distribution of feature films.

Vivendi owns 100% of the Canal+ Group, which in turn owns 49% of Canal+ SA (the premium channel).

On January 6, 2006, after consulting with employee representative bodies, Vivendi, TF1 and M6 entered into an agreement with the objective of combining the French pay-TV activities of the Canal+ Group and TPS into a company controlled by Vivendi. Upon completion, Vivendi will have an 85% interest in the new company, while TF1 and M6 will have respective stakes of 9.9% and 5.1%. This combination agreement is subject to the approval of the French competition authorities and the French Broadcasting Authority, the *Conseil supérieur de l audiovisuel* or *CSA*.

On February 17, 2006, Lagardère, Vivendi and the Canal+ Group entered into a separate agreement under which Lagardère, already a partner of the Canal+ Group through CanalSat, would join the Canal+ Group, TF1 and M6 in the new company, temporarily named Canal+ France. The agreement with Lagardère is subject to the approval of the CSA and the French competition authorities.

Upon completion of these transactions, Canal+ France will be owned by the Canal+ Group (65%), Lagardère (20%), TF1 (9.9%) and M6 (5.1%) and Vivendi will have the exclusive control of Canal+ France through the Canal+ Group. The new company would comprise all the present assets of TPS and the Canal+ Group in Pay-TV, including 100% of CanalSat, Canal+, TPS, MultiThématiques, MediaOverseas, Sport+, Canal+ Active and Kiosque. StudioCanal, the advertising company, PSG[(1)] and i>Télé, on the one hand, and Cyfra+, on the other hand, will not be part of Canal+ France and will continue to be held 100% and 75% by the Canal+ Group, respectively.

We believe that Canal+ France will be a major participant in the French audiovisual market with the ability to react to the changing competitive environment created by the rise of new players, such as cable and internet operators.

Pay-TV France

Canal+ Group s pay-TV operations in France are centered on the Canal+ premium channel and 17 theme channels, which provide subscribers with exclusive high-quality content.

The Canal+ Premium Channel

Canal+ has been a pioneer in the field of pay-TV since 1984. Canal+ is broadcast via terrestrial, satellite, cable and ADSL networks, and since November 2005, via digital terrestrial television (DTT). Since March 5, 2005, Canal+ s digital subscribers have had access to Canal+ Le Bouquet , which offers premium content channels built around Canal+ (Canal+ Cinéma, Canal+ Sport, Canal+ Décalé, each with their own identity and programs, and Canal+ Hi-Tech). Canal+ is the first premium multi-channel service in France. Since November 2004, Canal+ has been the only French channel to broadcast films in Dolby Digital 5.1 on its dedicated wide screen (16/9) channel. Canal+ offers a unique programming format featuring exclusive first-

(1) In April 2006, the Canal+ Group entered into an agreement regarding the divestiture of its interest in the Paris Saint-Germain soccer club (PSG) to a group of institutional investors. The Canal+ Group finalized the divestiture of PSG on June 20, 2006.

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run movies, various sports events, news, documentaries French and foreign drama and original entertainment shows. Canal+ broadcasts approximately 430 films each year, 300 of which are exclusive first runs on French TV.

In 2005, Canal+ invested more than 135 million to acquire French-language productions. The channel holds exclusive first-run rights to movies produced by major US studios such as 20th Century Fox, NBC Universal, Sony/Columbia, and DreamWorks. Canal+ also has a special agreement with Walt Disney and Pixar covering exclusive broadcasting rights to recent feature-length animated films. In January 2005, the channel renewed its agreement with Luc Besson s EuropaCorp for a three-year period.

Canal+ offers premium sports coverage with exclusive commercial-free broadcasts and pre-game, half-time and post-game reports and high quality production methods with original camera positions and technical innovation. On December 10, 2004, the French soccer league granted the Canal+ Group exclusive rights to broadcast all French National League 1 games, France s top soccer league, for three seasons (2005-2008).

Canal+ is France s leading pay-TV channel, with 5.06 million subscriptions (group and individual subscriptions in mainland France and its overseas territories) as of December 31, 2005, a net increase of more than 105,000, as compared to 2004. During 2005, Canal+ gained 640,000 new subscriptions, its best sales since 1987. Its churn rate stood at 11.4%.

Theme Channels

Canal+ has a total of 17 theme channels which include i>Télé, a 24-hour news channel, Sport+, a sports channel, Jimmy, a channel dedicated to TV series, Seasons, a dedicated hunting and fishing channel, Comédie!, a comedy channel, Cuisine TV, a cooking channel, CinéCinéma s seven-channel package and the four documentary channels from the Planète package.

On January 3, 2005, the Canal+ Group and the Lagardère Group signed an agreement under which Lagardère sold its entire interest in the content producer MultiThématiques to the Canal+ Group. In return, the Canal+ Group sold its entire interest in Lagardère Thématiques to Lagardère. Now that the transactions have been completed, the Canal+ Group wholly owns MultiThématiques and its subsidiaries, and no longer holds any shares or voting rights in Lagardère Thématiques and its subsidiaries.

Pay-TV Distribution

CanalSat

The Canal+ Group currently owns 66% of CanalSat (formerly CanalSatellite), the leading French digital satellite pay-TV provider. CanalSat had almost 3.2 million subscriptions at the end of December 2005 (a net increase of almost 205,000 subscriptions, as compared to 2004). In 2005, CanalSat gained over 480,000 new subscribers (an 8% increase, compared to 2004) while maintaining its churn rate slightly below 10%.

CanalSat offers over 280 channels and services, about 55 of which are satellite exclusives. CanalSat has a multi-platform strategy based on satellite and ADSL services. In addition, CanalSat launched a package of channels specifically designed for 3G telephones, which has been broadcast on SFR s network since June 2005. In November 2005, CanalSat introduced Minipack CanalSat on the pay DTT service.

CanalSat s revenues are comprised mainly of subscription fees. In September 2005, CanalSat broadened its commercial offerings with new types of subscriptions and a wider price range.

Media Overseas

Media Overseas, a wholly-owned subsidiary of the Canal+ Group, is the operator for Canal+ and CanalSat in France s overseas territories and in other countries outside of France. Media Overseas is the only French overseas network and directly operates four satellite platforms (Africa, Caribbean, Indian Ocean and Pacific) in which it is the majority shareholder, covering 500 million people in the world and two-thirds of all French-speaking countries. Media Overseas also manages Cyfra+, Canal+ Group s Polish platform. At the end of December 2005, Media Overseas had a total of 660,000 active subscriptions in French overseas departments and territories and in Africa.

Cyfra+ (Poland)

The Canal+ Group is a major participant in pay-TV in Poland through its activity as programmer of the Canal+ premium package, which celebrated its 10th anniversary in 2005. The Canal+ Group also programs theme channels and operates the Cyfra+ digital platform. Cyfra+ offers subscribers 81 television and radio channels, 63 of which are in Polish, as well as approximately one hundred additional channels available free-to-air via satellite. Cyfra+ is the leading platform in Poland with close to 800,000 subscriptions at year end 2005. The Canal+ Group has a 49% stake in the operating activities of Cyfra+ in Poland, and has a 100% interest in Polcom which, in turn, holds a 26% interest in Cyfra+.

ADSL TV

Since the first quarter of 2004, with the launch of the digital version of Canal+ via ADSL, the Canal+ Group offers ADSL TV distribution as part of its strategy to reach as many homes as possible, especially in large city centers. The Canal+ Group s offerings Canal+ Le Bouquet and CanalSat (100 channels and services) have been available through Neuf Cegetel (formerly Neuf Telecom) since March 2004, France Telecom since the end of June 2004, and Free since November 2004. The Canal+ Group had over 200,000 ADSL subscriptions at year-end 2005.

Digital Terrestrial Television (DTT)

In January 2005, the Canal+ Group became the first operator to broadcast a full program (Canal+) over DTT. On March 31, 2005, Canal+ began broadcasting free-to-air programs as part of the launch of free DTT services. In May 2005, the CSA granted the Canal+ Group four new DTT authorizations, in addition to the authorization already held for the channel Canal+.

Legal Downloading of Video and Video On Demand (VOD)

In October 2005, the Canal+ Group launched CanalPlay, a legal video downloading service. Accessible via a PC, www.canalplay.com offers a large variety of videos available for download. CanalPlay has a library of close to 1,000 videos and since December 2005, offers videos for young people, in particular with the catalogs of Nickelodeon and Jetix. Users have one month to watch the video in a 24-hour window that begins with the start of viewing. For videos for young viewers, users can watch the video as many times as they wish during a one-month period.

StudioCanal

Through StudioCanal, the Canal+ Group is a major participant in the production, co-production, acquisition and distribution of European and French films and one of the main partners of the French film industry through its financial involvement in co-productions and in the provision of guaranteed minima for the distribution of films. StudioCanal has one of the largest film libraries in the world, with over 5,000 French, British and American feature film titles, including *Basic Instinct, Les Bronzés, The Pianist* and *Podium*. Some rights are held by StudioCanal for the whole world, others are limited to Europe or France.

In 2005, two StudioCanal films were among the 10 biggest box office hits in France: *Million Dollar Baby* with ticket sales totaling 3,200,000 and *The Russian Dolls* with ticket sales totaling 2,860,000. These films also achieved very high DVD sales, each selling over 400,000 copies. As a result of this performance and that of comedy DVDs such as *De Caunes/ Garcia 2*, StudioCanal took the lead for end-of-year video sales.

Seasonality

The Canal+ Group s revenues are mainly derived from subscriptions which provide the Canal+ Group s pay-TV activity with regular monthly revenues and with the ability to forecast income due to the length of subscription contracts. As a result, the Canal+ Group is less affected by seasonal variances other than with respect to new subscriptions more than 50% of which are usually generated in the last quarter of the calendar year.

Competition

Competition in the pay-TV sector remains largely national due to language and cultural factors specific to each country. Satellite TV dominates the French market and therefore cable TV penetration is weak compared to North America and certain other European countries. The Canal+ Group s main pay-TV competitors in France for the distribution of TV channels are TPS for satellite TV and cable operators. Since 2004, telecommunications providers have also developed triple play offers combining telephone, Internet and television access. In addition, new participants are entering the pay-TV industry as digital technology (including DTT in several European countries) expands broadcasting options.

The development of new distribution media also increases competition for premium channels such as Canal+, particularly with the release of certain films on DVD before they are broadcast on pay-TV channels. Digitization of content on physical media (DVD) or electronic media, favored by the emergence of high-tech equipment such as home cinema equipment and new generations of personal multimedia players, also represent competition for a premium channel such as Canal+. Competition for theme channels is more international than in the traditional pay-TV sector. In a move initiated by US-based media companies and studios, labels are expanding internationally on the model of Discovery, MTV, Fox Kids and the Disney Channel. In the film industry, StudioCanal s main competitors are other film studios from the US, Europe and France.

We also face competition from piracy, which the Canal+ Group actively combats to protect its commercial interests as well as those of copyright owners. In order to fight piracy, the Canal+ Group has created CK2 Security, a subsidiary dedicated to technological monitoring and research that employs approximately 15 people. In an agreement signed in 2003, the Canal+ Group renewed its relationship with Nagra+ as supplier of the conditional access system used for analog broadcasting of the Canal+ premium channel in France. This agreement allowed the Canal+ Group to change all the analog keys in February 2005 to further enhance the security of the system.

The Canal+ Group also seeks legal remedies in criminal proceedings against pirates.

Regulatory Environment

Our broadcast operations are subject to national laws and regulations overseen by such authorities as France s CSA. These authorities generally grant broadcasting licenses for specific time periods. Our broadcast operations are also subject to European Union legislation such as the Television Without Frontiers directive and other directives with respect to intellectual property, e-commerce, data protection and telecommunications.

The Canal+ Group owns 49% of Canal+ SA, a company listed under Compartment B of Eurolist by Euronext Paris, which holds the broadcasting license to broadcast the Canal+ premium channel terrestrially via satellite and cable. This authorization was renewed for a five-year period starting December 6, 2005.

Under its broadcasting license in France, Canal+ SA is subject to the following requirements: (i) a single shareholder may not own more than 49% of its capital; (ii) 60% of the films broadcast by the channel must be European films; and (iii) 40% of the films broadcast must be French-language films. Canal+ is also required to invest 4.5% of its revenues in television productions such as made-for-TV movies and original drama. In addition, the share capital of Canal+ SA, as the holder of the broadcasting license, can only be held up to 20% by a non-European Union shareholder.

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In May 2004, Canal+ entered into a five-year agreement, which became effective on January 1, 2005, with organizations of the French film industry under which Canal+:

renewed its financial commitment to support all film industry segments and agreed to continue to allocate at least 9% (up to 12.5% in certain circumstances) of its revenues to the acquisition of French-language films, as part of its obligation to devote 12% of its revenues to the acquisition of European movies;

agreed to continue to invest 80% of its French-language film obligation in films prior to the first day of filming; and

made certain other financial and technological commitments.

Our operations are also subject to the French Electronic Communications and Audiovisual Communication Services Act of July 9, 2004, which amended the Audiovisual Communications Act of September 30, 1986 regarding freedom of communications. The new Act confirms and harmonizes the must carry system that requires distributors of services via cable, satellite, ADSL and other networks that do not use terrestrial frequencies assigned by the CSA to provide public access to unused frequencies and increases from five to seven the number of licenses a single person may hold, directly or indirectly, for national digital services broadcast terrestrially.

In October 2004, the French Administrative Supreme Court cancelled the DTT authorizations (for a discussion of DTT services see Digital Terrestrial Television (DTT) above) granted in June 2003 by the CSA to i>Télé, Sport+, CinéCinéma, Planète, CanalJ and MCM channels. Canal+ s DTT authorization was not affected by this decision. In March 2005, the Canal+ Group applied to the CSA for the allocation of six DTT channels in addition to the one already allocated to Canal+: i>Télé, as a free-access channel, and Canal+ Cinéma, Canal+ Sport, CinéCinéma Premier, Sport+ and Planète as pay-TV channels. In May 2005, the CSA allocated four DTT channel authorizations to the Canal+ Group (out of the eight DTT channel authorizations that were allocated): i>Télé, as a free access channel, and Canal+ Cinéma, Canal+ Sport and Planète as pay-TV channels.

Regarding Canal+ Active s video-on-demand business, a multi-industry agreement (*protocole d accord interprofessionel*) on movies-on-demand was entered into on December 20, 2005 for a 12-month period.

Research and Development

In 2005, as in 2004 and 2003, the Canal+ Group did not incur significant research and development costs.

Raw Materials

Raw materials used in the Canal+ Group s business are primarily comprised of celluloid for the production of films, polycarbonate for the production of DVDs and paper for packaging. Price fluctuations affecting these raw materials are unlikely to have a material impact on the Canal+ Group s business.

Property, Plant and Equipment

The Canal+ Group s main assets recorded as property, plant and equipment include personal video recording equipment (PVRs) and set-top boxes (Pilotime, Mediasat, Syster), which are either lent or rented to subscribers; broadcasting related assets: including Canal+ s control room/playout and CanalSat s new broadcasting center.

Telecommunications

SFR

SFR is the second-largest telecommunications operator in France with 17.2 million customers as of December 31, 2005 (excluding wholesale customer base). Following the repurchase by SFR of the 0.3% stake held by minority shareholders in August 2005 and the subsequent cancellation of the corresponding shares by

SFR, Vivendi now holds a 56% interest in the share capital of SFR (the remaining 44% being held by Vodafone).

SFR offers mobile telephony services both on a subscription (post-paid) and a prepaid basis (via phone cards), with or without handsets as well as mobile multimedia services (such as music, television, video and games) and data transmission for residential, professional and corporate customers in mainland France and in the French overseas territories, Réunion and Mayotte, through its wholly-owned subsidiary Société Réunionnaise du Radiotéléphone (SRR).

SFR also operates in the fixed-line telecommunication sector (voice, data transmission and broadband Internet access) through its 34.9% interest in Neuf Cegetel. Upon completion of the merger between Cegetel and Neuf Telecom in August 2005, SFR and Louis Dreyfus SAS held an equal interest of 28.2% in Neuf Cegetel while the remaining stake of approximately 44% was held by the historical shareholders of Neuf Telecom. In May 2006, SFR exercised its preemptive rights and acquired an additional 6.9% stake in Neuf Cegetel s share capital. SFR now holds 34.9% of Neuf Cegetel and Louis Dreyfus 35.2%, the remaining share capital of Neuf Cegetel is held by the historical shareholders of Neuf Telecom. Neuf Cegetel, is the second largest fixed-line telecommunications operator in France and is the leading alternative operator within the markets for the general public and for professionals, corporate customers and operators. Neuf Cegetel markets its services under two brands, Neuf Telecom and Cegetel. At the end of 2005, Neuf Cegetel had close to 1.2 million customers for its ADSL Internet services.

Mobile Telephony

In 2005, the mobile phone market continued to grow in France, with an increase in SFR s mobile phone customer base of 3.5 million (representing a 7.9% annual growth) and 48 million mobile customers in France as at December 31, 2005, while the penetration rate of the mobile phone market increased from 73.9% in 2004 to 79.7% in 2005 (Source: French telecommunications regulatory authority, ARCEP (formerly ART), and SFR).

In 2005, the French market faced strong competition with the entry on the market of eight Mobile Virtual Network Operators (MVNOs) and the steady development of third generation (3G) mobile services following implementation by SFR and Orange of UMTS services in the French territory.

In 2005, SFR gained 1.38 million new customers to reach a total customer base of 17.2 million (a 9% increase compared to 2004). For the third consecutive year, SFR held the highest market share in terms of net sales (39.4%), while SFR s share in the mobile phone market in France increased to 35.8%, compared to 35.5% in 2004 and 35.3% in 2003 (Source: ARCEP and SFR). Despite a 16.3% reduction of the regulated call termination tariffs introduced on January 1, 2005, SFR s Average Revenue Per User (ARPU) remained stable at 429 in 2005. SFR proved ongoing commercial dynamism during the first quarter of 2006, with 130,000 new customers, taking its total customer base to 17.328 million (excluding wholesale customer base).

This achievement reflects the success of SFR s offering, which aims to increase the use of voice calls on the mobile network and to develop new services, mainly involving TV/Video and music. In this context, the following factors were decisive:

- SFR s investment strategy in its own telecommunications networks and in particular in its UTMS network through a significant increase of available capacities for voice calls and data transfers to meet its diversified customer needs;

- multiple initiatives to boost the French market, including 3G access from the lowest monthly subscription rate (22) and the cheapest pre-paid card (10) regardless of the plan chosen (subscription, pre-paid or rechargeable blocked accounts), along with a significant decrease in the price of 3G handsets; and

- a strong commercial presence within the French territory with 5,000 outlets.

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Network

SFR s mobile services operate through a GSM/GPRS (Global System for Mobile Communication/ General Packet Radio Service) license, the international standard for mobile communications and the dominant digital standard in Europe or through a UMTS (3rd generation mobile telephony or 3G) license. At the end of 2005, SFR s GSM/GPRS network covered 98% of the French population and SFR s UMTS network covered 60% of the French population.

The UMTS system is a third-generation mobile radio system which generates additional capacity, enables broadband media applications and high-speed Internet access. SFR will continue to invest in the development of its UMTS network in 2006 as a result of a significant capital expenditure program. In addition, since 2005, SFR has been preparing the introduction of the new HSDPA functionality (3G+) on its 3G network. The first HSDPA commercial pilots for corporate customers were launched in March 2006. In May 2006, SFR launched the first 3G+ commercial offerings in France for corporate customers. SFR was the first operator to offer 3G+ services to its corporate customers. In June 2006, SFR was also the first operator to extend its 3G+ offerings to the general public.

SFR will implement the Enhanced Data for Global Evolution (EDGE) standard in areas which are not covered by the UMTS network to improve its GSM/GPRS coverage. This standard will allow SFR to offer higher levels of communication output to its corporate customers compared with those provided by the GSM/GPRS network.

SFR s network was ranked first or first ex-aequo for quality on 56 out of the 59 criteria used by the ARCEP in its 2004/2005 annual audit on the quality of mobile networks. SFR is the only operator to have achieved this ranking for two consecutive years.

As a service operator, SFR does not intervene in any industrial processes directly. The various pieces of its network infrastructure, as well as the terminals and the SIM cards sold by SFR to its customers, are purchased from a variety of suppliers to avoid any dependence in this respect.

Services

In 2005, SFR s voice usage per user increased by 10.5%, compared to 2004, with an average length of communications (Average Usage Per User, AUPU[(2)]) of 296 minutes per month. This strong growth results in part from the launch of new offers in April 2005, including unlimited communications to three other SFR customers, representing a significant decrease in the price per minute paid by customers. Average voice usage of SFR customers continued to grow in the first quarter of 2006 to reach 309 minutes per month. For non-voice communications, the number of 3G customers and associated services, including video teleconferencing, downloading of music and access to video and television sharply increased during 2005. SFR had more than one million exclusively 3G customers at the end of 2005, largely exceeding its objective of 500,000 customers and 1.352 million as of March 2006.

Pursuant to strategic agreements signed with major record companies, the SFR music portal has a music catalog comprised of 500,000 titles. It is one of the top five leading legal platforms for downloading music in France, with 830,000 downloads in 2005 and more than one million downloads in January 2006. SFR mobile TV/Video service offers 54 channels (including the 26 channels of the CanalSat package with close to 20,000 customers at the end of December 2005) and more than 60 video programs, including 1.2 million TV/Video sessions in December 2005, for a total of 4.3 million TV/Video sessions in 2005. The use of video teleconferencing also expanded in 2005, with almost 2 million video teleconferences held on the SFR network by the end of 2005.

At the end of 2005, SFR had 4.8 million Vodafone *live*! customers, compared with 2.2 million at the end of 2004. In addition, the number of text messages continued to grow in 2005, with 5.4 billion short messaging

(2) AUPU (Average Usage Per User) is defined as the incoming and outgoing voice volumes divided by the average customer base (as defined by ARCEP) for the last twelve months.

services (SMS) and 98 million multimedia messaging services (MMS) sent over SFR s network over the year, compared with 4.5 billion and 37 million in 2004, respectively.

In the area of corporate services, 2005 was marked by strong sales, which confirmed the trend of the past years and significant strategic innovations. In October 2005, SFR launched the SFR Service Management offer, which provides a comprehensive service to SFR s corporate customers through mobile phone deployment and fleet management services. 2005 was also marked by a sharp increase in data transmission services, in particular with increased sales of Vodafone Mobile Connect Cards (a 300% increase) and of BlackBerry® Mobile Messaging services (a 244% increase).

SFR has signed roaming agreements covering over 212 countries for GSM/GPRS and 25 countries for UMTS. In 2005, SFR also launched the Vodafone Passport option, which allows SFR customers calling from outside of France to make calls at the rate specified for national calls beyond the minutes provided by each customer s package.

SFR has entered into various agreements with the manufacturers of telecommunication network infrastructures, service platforms and mobile terminals as well as agreements for the integration or development of software solutions (network and management software). Pursuant to these agreements, the relevant SFR entity is either granted a license to use the intellectual property rights of the supplier or transferred the ownership of the software along with the improvements and studies. SFR has also entered into marketing agreements under which the relevant SFR entity is authorized to include services developed by third parties within its offer of commercial services.

Seasonality

SFR s sales (acquisition of new customers) are generally higher at the end of the year.

Competition

SFR faces strong competition in the mobile market in France which remained dynamic with an increase in the penetration rate of 5.8 percentage points in 2005 at 79.7% at the end of 2005, compared to 73.9% at the end of 2004 (Source: ARCEP). SFR s mobile network competitors are Orange France and Bouygues Telecom. SFR s principal MVNO competitors are Debitel, Tele 2, NRJ Mobile, Virgin Mobile and Futur Telecom (SFR has a 40% interest in CID, the parent company of Futur Telecom).

At the end of 2005, the market share of Orange France, Bouygues Telecom and MVNOs was 46.7%, 16.9% and 0.6%, respectively, and 35.8% for SFR. The arrival of MVNOs on the French market, six of which have signed agreements with SFR and two with Orange, has intensified competition within the mobile phone market, increasing diversity and complementarities to the existing offers.

Regulatory Environment

Our French telecommunications operations are subject to national laws and regulations overseen by authorities such as France s ARCEP. This sector remains heavily regulated. SFR s GSM license was renewed by the French government for a further 15 years from March 25, 2006, for an annual fee of 25 million and 1% of SFR s revenues generated by the GSM network. In 2001, SFR was granted a UMTS license by the French government for a period of 20 years (2001-2021) in return for a one-time payment of 619 million, paid in September 2001 and an annual fee equal to 1% of SFR s future revenues generated by the UMTS network.

The sector-specific measures that the ARCEP can adopt in the relevant markets include the obligation to provide access, pricing controls (including wholesale cost pricing) and accounting separation. Within this new regulatory framework, the ARCEP has been granted wider powers and is responsible for studying the competitive conditions within each relevant market. It is responsible for allocating frequencies and phone numbers and is authorized to settle disputes relating to interconnection and access.

In 2004, a series of European directives known as the Telecoms Package were transposed into French law to encourage competition within the French telecommunications market. As a result, the ARCEP has to

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study 18 different markets identified as relevant by the European Commission and in each case, the ARCEP must, on the basis of the position of the participants in such markets, determine if it is appropriate to allow the normal rules of competition to prevail or if the regulator needs to intervene and impose specific measures designed to re-establish a competitive balance. In 2005, the ARCEP decided to abandon its project to introduce regulations to the market for mobile access and call origination (Market 15). This market, together with the associated retail market, is being monitored by the ARCEP until the end of 2006. Two other markets are currently being analyzed by the ARCEP: the market for SMS call termination (new within the European Union) and the international roaming market (Market 17). Regarding the market for SMS call termination, the ARCEP has considered that each of the mobile operators had a monopoly on SMS call termination, which could lead the ARCEP to impose a cost orientation SMS call termination rate on operators. The ARCEP should render a final decision on this matter in 2006 after considering the opinion of the French Competition Council. The EU Commission has a right of veto. With respect to the international roaming market, after having concluded in its preliminary decision that no individual mobile operator dominates the retail market or jointly dominates the wholesale market, the ARCEP has nevertheless referred to the EU Commission for the regulation of this market. In February 2006, the EU Commissioner for Information Society and Media indicated that she was contemplating an EU regulation to contain international roaming prices considered as too high. The final decision in this matter could be rendered by the end of 2007.

French Act no. 2005-882 of August 2, 2005 in favor of small businesses sets out provisions regarding the portability of mobile phone numbers, which allows subscribers to retain their phone number when switching operators, provided a request is made within ten days of the switch (currently two months). The implementing decree was published in January 2006 and its implementation by operators is scheduled for early 2007. In anticipation of such changes, SFR has unilaterally decided to offer its customers a temporary one-month period for portability starting April 12, 2006. In addition, several government committees were set up in 2005. The conclusions of these committees could lead to proposed legislation governing consumer protection (collective actions and various measures) or broadcasting (setting up a regulatory framework allowing television services broadcasting on mobile phones).

In July 2003, the French government, the association of French mayors (*Association des Maires de France*), the Association of French departments, the ARCEP and the three French mobile telecommunications operators, including SFR, launched a two-phase program to extend mobile services to 3,000 communities which do not have access to mobile services by 2007 (so called dead zones), extending coverage to 99% of the French population. The second phase of this program, which is entirely financed by the mobile operators, was launched in July 2004 and aims to cover approximately 1,200 communities.

SFR alone achieved almost half of the deployment scheduled for 2005 by all French mobile operators with 163 opened sites covering 251 areas. This deployment schedule goes beyond the initial commitments of all three French network operators (a total of 378 installed sites, compared with 300 as initially scheduled). Taken as a whole, this program represents an investment of approximately 150 million for SFR.

The rapid growth of mobile telephony in recent years has led to an international debate on the potential health risks caused by electromagnetic waves. At the end of 2000, SFR set up a dedicated management team, as well as a team of scientific advisers including an epidemiologist and a sociologist, in order to monitor research on this issue, understand the expectations of the various interested parties and recommend appropriate measures if necessary.

Expert opinion, both national and international, is generally of the view that mobile phone masts do not pose a health risk. In Ottawa, in July 2005, the World Health Organization (WHO) confirmed the position it had adopted in June 2000, that none of the studies recently undertaken make it possible to conclude that exposure to radiofrequency fields emitted by mobile phones or base stations has any harmful effect whatsoever on human health. This observation is repeated in the various studies by experts throughout the world and in particular in the report of the French environmental health agency, the *Agence Française de Sécurité Sanitaire Environnementale* (AFSSET), published in June 2005. SFR is paying close attention to scientific studies carried out by experts throughout the world. These studies have not shown any risk to the health of users.

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Certain results have, however, raised questions which merit further investigation, and research in this field is still on-going. In particular, the International Cancer Research Center, authorized by the World Health Organization, conducted a large-scale epidemiological study within thirteen countries, the conclusions of which are expected to be published in 2006.

Since September 2002, in accordance with the recommendations of the French Ministry of Health, SFR has provided an earphone kit, free of charge, in each package distributed to its customers. SFR, in association with the French Ministry for Research and other companies, created a foundation to study radiofrequencies and health in January 2005.

SFR complies with applicable regulations (in particular Decree no. 2002-775 of May 3, 2002) concerning the limitation of public exposure to electromagnetic fields and endeavors to keep the public, local authorities and its lessors informed about the latest developments and regulations on this issue. SFR has also taken an active part in the work of the French mobile operators association (*Association Française des Opérateurs Mobiles* AFOM) in order to enhance dialog and transparency on this issue. In April 2004, AFOM and the association of French mayors agreed to a best practices guide for the installation of mobile phone masts. In May 2005, the AFOM and the French Mayors Association published a first assessment of the application of the best practice guide and introduced monitoring indicators. SFR is implementing environmental management procedures in order to have some of its activities ISO 14001 certified beginning 2008. In 2005, SFR s two historical environmental projects reached their final stages with the integration into their surroundings of 90 % of new phone masts installed during the year 2005 and the collection of 60,000 used mobile phones for recycling.

Research and Development

In 2005, SFR s investments in research and development mainly focused on three main areas which include the quality of customer services, service platforms and the study of new telecommunications technologies in the fields of radio (HSDPA/ WiMax), core network (IMS/IPV6) and terminals, generally through experiments on pilot platforms.

As a result of its structure and size, SFR has adopted a strategy for academic and industrial network research by means of national or European projects in order to optimize investments and ensure that project results are properly shared. These multi-party projects have led to the filings of new patents mainly in the fields of mobile Internet, security and multimedia services.

SFR s research and development costs totaled more than 43 million in 2005, compared to 37 million in 2004.

Raw Materials

As a service operator, SFR s operations do not rely on raw materials.

Property, Plant and Equipment

SFR owns the telecommunications equipment which is used to operate its network. This equipment is either located in premises rented from third parties (principally through long-term lease agreements) or owned by SFR itself. In some cases, equipment is located in premises shared with other telecommunications operators. Most of the administrative buildings are rented. SFR uses external partners for the storage and distribution of its products such as mobile handsets.

Maroc Telecom

Maroc Telecom was created in 1998 following its spin-off from the *Office National des Postes et Télécommunications* (the Moroccan National Postal and Telecommunications Office). Maroc Telecom is Morocco s historic and leading telecommunications operator in both the fixed-line and the fast-growing mobile business. Maroc Telecom also controls 51% of Mauritel SA, the national telecommunications operator in Mauritania.

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Vivendi became the Kingdom of Morocco s strategic partner in Maroc Telecom after acquiring a 35% equity interest in Maroc Telecom in 2001 following an auction process organized by the Moroccan government. Pursuant to a shareholders agreement entered into at the time of the acquisition of the 35% interest, Vivendi controlled Maroc Telecom. The Moroccan government continued the process of privatizing Maroc Telecom by selling us 16% of Maroc Telecom s capital in November 2004 (this transaction closed in January 2005) and by conducting an equity offering of 14.9% of Maroc Telecom s share capital in December 2004 (which led to the simultaneous listing of Maroc Telecom on the Casablanca and Paris stock exchanges). As a result of these transactions, Vivendi now holds a 51% interest in Maroc Telecom s share capital, the remaining 34.1% and 14.9% of Maroc Telecom s share capital being held by the Kingdom of Morocco and the public, respectively.

Mobile Telephony

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

At the end of 2005, the penetration rate of mobile telephony was 41.3% and Maroc Telecom held a 66.7% market share. In 2005, Maroc Telecom s mobile customer base increased by more than 2.4 million, up 38%, to reach 8.8 million customers (excluding Mauritel), 96% of which were prepaid (source: *Agence Nationale de Réglementation des Télécommunications* (ANRT) Moroccan National Telecommunications Regulation Agency). During 2005, Maroc Telecom continued to improve its commercial offer and introduced new services in order to retain existing customers and attract new ones. In 2005, innovations included a more comprehensive handset range, a reduction in pack prices starting at MAD 290 (26), the introduction of MAD 50 (4.5) cards, increased offerings with the introduction of no commitment tariff plans and the development of its loyalty program through the remuneration of incoming traffic with loyalty points. Maroc Telecom s mobile customer base continued to grow in the first quarter of 2006 to reach 8.576 million customers(3) (excluding Mauritel), a net increase of 339,000 customers over the quarter.

The average churn rate was 12.2% at the end of 2005 compared to 11.6% at the end of 2004, despite a significant growth in the customer base. In 2005, Average Revenue Per User (ARPU(4)) reached MAD119 (approximately 11), compared to MAD123 in 2004, due to significant growth of the customer base in 2004 and the 7% decrease in fixed-to-mobile interconnection tariffs as of September 1, 2005. Excluding the impact of the January 1, 2005 incoming international tariff increase, blended ARPU decreased by 9% in 2005. Monthly ARPU for the first quarter of 2006, and churn rate were 10.1 euros and 15.3%, respectively.

Maroc Telecom remains the benchmark for the short messaging services (SMS) and the multimedia messaging services (MMS) market in Morocco and also offers MMS and GPRS roaming services to its post-paid customers. In 2005, the total number of outgoing SMS messages on Maroc Telecom s network reached more than 1.1 billion.

Fixed-line Telephony, Data and Internet

At the end of 2005, Maroc Telecom was the sole holder of a fixed-line telephony license and is the leading Internet and data services provider in Morocco. The market was opened to competition in 2005 following the grant of fixed-line licenses to two new operators, which are expected to start operating in 2006.

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

telephony services;

interconnection services with national and international operators;

(3) The customer base, in compliance with the definition of the ANRT and as used by Maroc Telecom in 2006, is calculated as the sum of prepaid customers giving or receiving a voice call during the last three months and the number of not resiliated postpaid customers.

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

data transmission services for professional markets and Internet service providers, as well as to other telecoms operators; and

Internet services which include Internet access services and related services such as hosting.

The number of fixed-lines was slightly over 1.3 million as of December 31, 2005, a 2.4% increase as compared to 2004. The residential customer base was 884,546 lines at the end of 2005, a slight 0.6% decrease as compared to 2004. The number of professional and corporate users reached 292,519 at the end of 2005, representing a 3.5% increase over 2004.

Public telephony is comprised of a network of public booths and an extensive network of phone shops, which are managed by private entrepreneurs who lease, on average, four lines per shop. Phone shops generate revenue equal to the difference between the retail price (determined by Maroc Telecom) and the rate charged by Maroc Telecom. This activity has grown significantly since October 2004, largely as a result of the termination in October 2004 of the chaining requirement imposing a minimum distance of 200 meters between phone shops. The termination of the chaining requirement enabled a more concentrated phone shop network. The number of lines reached 164,091 at year-end 2005, a 20.6% increase as compared to 2004. Maroc Telecom provides companies with data transmission solutions including X25, Frame relay, digital and analog lease lines, and IP VPN links. Maroc Telecom s Internet offer consists of Internet access packages under the Menara brand provided to residential and professional customers. The launch of ADSL services in October 2003 has helped to increase Maroc Telecom s Internet customer base.

At year-end 2005, as a result of rate cuts introduced in March 2005 and year-end promotions, Maroc Telecom had more than 252,000 subscribers to its Internet access services, more than 96% of whom were ADSL subscribers. The ADSL customer base continued to experience strong growth in the first quarter of 2006, particularly as a result of promotions during the first quarter, to reach 296,000 lines (a 54,000 increase over the quarter).

Distribution

Maroc Telecom has an extensive distribution network with a direct and indirect network comprising nearly 40,000 points-of-sale (approved by Maroc Telecom) and subject to distribution agreements with local resellers or with national retailers.

As of December 31, 2005, the various distribution channels were as follows:

the direct network, comprised of 277 sales agencies;

the local indirect network, comprised of independent resellers subject to exclusive agreements, which are managed by the closest Maroc Telecom commercial agency. A significant part of these resellers also operate phone shops approved by Maroc Telecom;

an independent local network, primarily dedicated to mobile telephony, managed by GSM Al Maghrib, a company in which Maroc Telecom held a 35% stake until March 2006; and

retailers with nationwide networks whose main business is not in telecommunications (supermarkets, newspaper and magazine retailers, tobacco shops or Moroccan post offices).

Network

Maroc Telecom s fixed-telephony and data transmission network has a switching capacity of nearly 1.9 million lines and provides national coverage, as a result of its focus on servicing newly created urban residential areas. Maroc Telecom manages a fully digitized network as well as a fiber optic interurban transmission infrastructure capable of carrying data at high speed. To meet customer demand, the international Internet bandwidth increased five-fold from 1.4 Gbits/s at year-end 2004 to reach 7.1 Gbits/s at the end 2005.

In mobile telephony, Maroc Telecom is focused on growing both population and geographic coverage. At year-end 2005, Maroc Telecom had more than 4,180 GSM sites (compared to 3,750 in 2004 and 3,300 in

2003). Maroc Telecom covers 97% of the Moroccan population. At December 31, 2005, Maroc Telecom had entered into 399 commercial roaming agreements (more than 353 of which are operational) for its postpaid customers with operators in 207 countries and 68 roaming agreements for its pre-paid customers with operators in 41 countries. Maroc Telecom has entered into roaming agreements to offer MMS and GPRS in 54 countries.

Mauritel Group

Maroc Telecom holds 80% of the share capital of Compagnie Mauritanienne de Communications (CMC), which in turn holds 51% of the share capital of Mauritel SA. The remaining 20% of the share capital of CMC is held by Mauritanian investors. The Mauritel Group is comprised of Mauritel SA and its wholly owned subsidiary Mauritel Mobiles.

Mauritel SA is the only fixed-line telephony operator in Mauritania, which provides both fixed-line telephony (voice and data) and Internet access services. At the end of 2005, Mauritel had a fixed-line customer base of approximately 40,000, representing a 1.5% penetration rate (source: Mauritel).

Mauritel Mobiles is the leading mobile phone operator in Mauritania with an estimated market share of 70% (source: Mauritel Mobiles estimates), ahead of its competitor, Mauritano-Tunisienne de Télécommunications (Mattel), which is part-owned by the Tunisian historic telecommunications operator. Mauritel Mobiles customer base increased from less than 7,200 customers at the end of 2000 to more than 465,000 customers as at December 31, 2005 (source: Mauritel Mobiles).

Seasonality

Maroc Telecom s revenues in mobile and public telephony traditionally increase in July and August, with the return of Moroccans residing abroad, and in the two-week period preceding Aïd El Adha (which was on January 21st in 2005), while the month of Ramadan (from October 5th to November 3rd in 2005) is a low point in consumption for both fixed-line and mobile telephony.

Competition

At the end of 2004, there were two GSM operators in Morocco (Maroc Telecom and Médi Télécom (Méditel)), five licenses for GMPCS-type satellite telecommunications networks, three licenses for operators of VSAT type satellite-based telecommunications networks and two licenses for operators of shared resources radio electric networks.

In 2005, the fixed-line market was open to further competition with fixed-line telephony licenses granted to Méditel and Maroc Connect (including a local loop license allowing limited mobility within a 35 km diameter). Third generation (UMTS) licenses will be granted in 2006 at a fixed price.

Fixed-line Telephony

As of December 31, 2005, the two operators holding the new fixed-line licenses had not launched their services but are expected to start operating in 2006.

The public telephony market has been open to competition since 2004 with Méditel, which opened phone shops using GSM technology in spring 2004, and Globalstar, which opened phone shops using satellite technology. At year end 2005, Maroc Telecom s market share in the public telephony market was estimated at approximately 96% of the number of lines. Méditel, through the installation of GSM gateways known as Link Optimization Boxes (LO Box), entered the professional fixed-line market. The installation of this equipment for outgoing PABX lines facilitates the transformation of fixed-to-mobile traffic into mobile-to-mobile traffic without using Maroc Telecom s fixed-line network.

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

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Mobile

Maroc Telecom s competitor in this segment is Méditel, a mobile license holder since August 1999. The majority shareholders in Méditel are Telefonica and Portugal Telecom, each with 32.18% of the share capital and a group of Moroccan investors led by *Banque Marocaine du Commerce Extérieur*. As of December 31, 2005, Maroc Telecom held 66.7% of the mobile market (source: ANRT).

Internet

Maroc Telecom holds a 95% market share of the Internet market, excluding subscription-free services and its competitors include Maroc Connect, distributor of the Wanadoo brand, with an estimated market share of less than 5%, as well as other ISPs (source: ANRT). Maroc Telecom has a 97% market share in the high growth ADSL market (source: ANRT).

Regulatory Environment

The Kingdom of Morocco created the *Agence nationale de réglementation des télécommunications* (ANRT), a telecommunications regulatory authority, which is in charge of liberalizing and regulating the telecommunications market in Morocco and manages the liberalization and privatization program of the telecommunications market advocated by the World Bank. Maroc Telecom fulfills its obligations as a fixed-line operator by providing universal service.

In 2004, the government of the Kingdom of Morocco re-launched the liberalization process in the telecommunications sector by amending and supplementing the Post and Telecommunications Act of August 7, 1997 with Moroccan Law no. 55-01, which institutes a more gradual sanction system based on fines, relieves the operators of some obligations related to universal service and local community development and authorizes the use of alternative infrastructures. The government also published a policy paper for the liberalization of the sector for the 2004-2008 period.

In February 2005, the ANRT launched an invitation to tender for the allocation of additional fixed-line telephony licenses for local loop, national transmission and international gateway and transit. In July and September, such new licenses were granted to Médi Télécom and Maroc Connect.

In 2005, changes to the regulation related to interconnection, and general conditions for the operation of a telecommunications network were made respectively through Decree no. 2-05-770 and Decree no. 2-05-771 of July 13, 2005. The ANRT has launched an invitation to tender in May 2006 for the allocation of 3G mobile licenses (a maximum of three licenses). Regulatory controls will be implemented as scheduled: pre-selection of the carrier (July 2006), partial unbundling of the local loop (January 2007) and total unbundling of the local loop (January 2008).

Research and Development

Maroc Telecom s research and development activities focus on the introduction of new Maroc Telecom products and/or services or the transformations or improvements to existing Maroc Telecom products. In 2005, Maroc Telecom s research and development expenses were immaterial in 2004 and were approximately 2 million in 2003 and 2002.

Raw Materials

As a service operator, Maroc Telecom s operations do not rely on raw materials.

Property, Plant and Equipment

For the development of its networks and commercial, support and administrative functions, Maroc Telecom has approximately 4,500 sites (including buildings and land) throughout Morocco, including 3,350 leased locations and 1,150 owned locations.

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Other

NBC Universal

In May 2004, Vivendi completed the combination of the businesses of NBC with those of VUE and certain related assets to create one of the world s leading media companies, NBC Universal (NBCU). As at December 31, 2005, Vivendi held 18.5% of NBCU. In February 2006, Vivendi increased its interest in NBCU to 20% (please refer to Item 5. Operating and Financial Review and Prospects Combination of VUE and NBC to form NBC Universal .

NBCU is engaged in a variety of media and entertainment businesses, including:

- production of live and recorded television programs;
- production and distribution of motion pictures;
- operation, under licenses from the Federal Communications Commission (FCC), of television broadcasting stations;
- furnishing of US network television services to affiliated stations;
- ownership of several cable/ satellite networks around the world;
- operation of theme parks; and
- investment and programming activities in multimedia and the Internet.

The NBC television network is one of four major US commercial broadcast television networks and serves 230 affiliated stations in the US. NBC owns and operates Telemundo, a leading US Spanish-language commercial broadcast television network.

At December 31, 2005, NBC owned and/or operated 30 VHF and UHF television stations including those located in Birmingham, Alabama; Los Angeles, California; San Diego, California; Hartford, Connecticut; Miami, Florida; Chicago, Illinois; New York, New York; Raleigh-Durham, North Carolina; Columbus, Ohio; Philadelphia, Pennsylvania; Providence, Rhode Island; Dallas, Texas; and Washington, DC. Broadcasting operations of the NBC Television Network, the Telemundo network, and the company s owned stations are subject to FCC regulation.

NBCU operations also include investment and programming activities in cable television, principally through USA Network, Bravo, CNBC, SCI FI Channel, MSNBC, CNBC Europe, CNBC Asia Pacific, and entertainment channels across Europe and Latin America. NBCU has equity investments in Arts and Entertainment, The History Channel, the Sundance Channel, ValueVision Media, Inc., and a non-voting interest in Paxson Communications Corporation. NBCU has secured exclusive US television rights to the Olympic Games through 2012.

Veolia Environnement

Until June 2002, we held approximately 63% of the share capital of VE, a global environmental services company. We gradually reduced our share capital in VE to 40.8% in July 2002, 20.3% in December 2002, and 5.3% in December 2004. In December 2004, we entered into a three-year derivative contract with Société Générale to benefit from any potential capital gains on our 5% interest in Veolia Environnement over a price of 23.91 per share. In October 2005, this derivative instrument was settled before maturity. For further information on the December 2004 transaction, see Other 2005 transactions .

Elektrim Telekomunikacja

Vivendi holds 51% of Elektrim Telekomunikacja and Carcom, whose only asset is a 51% interest in Polska Telefonia Cyfrowa (PTC), a major participant in the Polish telecommunications market. For further information on Elektrim Telekomunikacja please refer to Item 5. Operating and Financial Review and Prospects Elektrim Telekomunikacja situation in 2005 and Item 8. Financial Information Litigation .

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Public Takeover Offers

To our knowledge, we have not been the target of any public takeover offer by third parties in respect of our shares during the last or current fiscal year. Moreover, we have not sought to acquire another company in a public takeover except as might be disclosed in this document or in last year s annual report on Form 20-F.

Organizational Structure

Please refer to Item 5. Operating and Financial Review and Prospects and Item 18. Financial Statements Note 31 for a list of our principal operational subsidiaries and affiliates as of December 31, 2005.

Patents, Licenses, Contracts, Manufacturing Processes

Other than our mobile telecommunication licenses (see Item 18. Financial Statements Note 11 for further information), we have no patent, license, contract or other manufacturing process that is, individually, material to Vivendi.

Item 5: ***Operating and Financial Review and Prospects***

Basis of Presentation of Financial Information

The following discussion presents a review of Vivendi s financial and business segment results. It should be read in conjunction with Vivendi s Consolidated Financial Statements and the related notes presented in Item 18 of this document.

Accounting Policies

Our Operating and Financial Review and Prospects are based on our Consolidated Financial Statements. Before January 1, 2005, our Consolidated Financial Statements were prepared in accordance with French GAAP. Effective January 1, 2005, we adopted IFRS, along with other European listed companies, in accordance with European Union regulations. IFRS as adopted by the European Union differ in certain significant ways from accounting principles generally accepted in the United States (US GAAP). For a complete description of the Group s significant accounting policies, please see Note 1 to our Consolidated Financial Statements.

Critical accounting estimates

Some of the accounting methods and policies used in preparing our Consolidated Financial Statements under IFRS and the reconciliation of net earnings and shareholders equity to US GAAP require our management s assessments of estimates based on historical results and assumptions deemed realistic and reasonable. Despite periodic reviews of these estimates and assumptions, changes in facts and circumstances could affect these estimates and assumptions which in turn could impact the reported amount of Group assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the measurement of deferred taxes, contingencies and provisions, employee benefits, share-based compensation and certain financial instruments, revenue recognition and the valuation of goodwill, other intangible assets and property, plant and equipment, as discussed below.

Deferred taxes

Deferred tax assets relate primarily to tax losses carried forward. They are recognized insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deferred tax assets. As of December 31, 2005, our recorded deferred tax assets amounted to 1,784 million.

The carrying value of deferred tax assets is reviewed at end of each reporting period and revalued or reduced to the extent it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is notably taken

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of prior year results, expected future results, non-recurring items unlikely to occur in the future and the tax strategy. The assessment of the Group s ability to utilize tax losses carried forward is therefore to a large extent judgment-based. If the future taxable results of the Group differ materially from those expected, the Group could be required to increase or decrease the carrying value of deferred tax assets, which could materially impact the Group s statement of financial position and statement of earnings. Further information is provided in Item 18. Financial Statements Notes 1.3.10 and 6 .

Contingencies and Provisions

Provisions are recognized when at the end of the reporting period the Group has a legal, regulatory or contractual obligation as a result of past events, for which the amount can be measured with sufficient reliability and for an outflow of resources (without expected offset) which would most likely be required to settle this obligation. Where the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recorded and a disclosure is made in the notes to the Consolidated Financial Statements. Contingent liabilities are often resolved over a long time period.

Establishing provisions and liabilities related to tax uncertainties, legal issues and restructuring charges, including environmental matters, requires significant management judgment and estimates. Management continually evaluates these estimates based on changes in the relevant facts, circumstances and events that may impact such estimates as well as their relevance and adequacy. While management believes that the current provisions and liabilities for these matters are adequate, there can be no assurance that such circumstances will prevail in the future. Further information is provided in Item 18. Financial Statements Notes 20, 22, 29 and 30 .

Employee benefits

Vivendi s employee benefit obligations are determined using actuarial models and assumptions applicable in the countries where the plans are offered, principally the US and the UK. The discount rate and the expected return on plan assets are two critical assumptions used to measure a plan s expense and/or liability. We review these critical assumptions at least annually. Other assumptions include demographic factors such as the expected residual length of service and the rate of compensation increase. These assumptions are reviewed periodically and are updated to reflect our prior experience. Actual results in any given year may differ from actuarial assumptions because of economic and other factors. The discount rate enables us to state expected future cash flows at a present value on the measurement date. We have little flexibility in selecting the discount rate, which must reflect the market rate for high-quality fixed income investments. We determine the proper discount rate by reference to returns received on treasury notes and notes issued by investment grade companies having maturity equivalent to those of the plans. A lower discount rate increases the present value of benefit obligations and pension expenses. In order to reflect market interest rate conditions, we reduced our weighted-average discount rate from 5.1% in 2004 to 4.9% in 2005 for pension plans and from 5.3% in 2004 to 5.2% for postretirement benefits plans. To determine the expected return on plan assets, we consider, for each country, the structure of the asset portfolio and the expected rate of return for each of the components. The weighted-average expected return on plan assets was 4.7% in 2005 and 6.4% in 2004.

Changes in key assumptions used to calculate our pension plans and post-retirement benefit plans would be as follows:

- a 50 basis point increase in the 2005 discount rate would lead to an increase of 2 million in the pre-tax expense, whereas a 50 basis point decrease would have had no significant impact on the 2005 expense; and

- a 50 basis point increase (or decrease) in the expected return on plan assets for 2005 would lead to a decrease (or an increase) of 4 million in the pre-tax expense.

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Further information on our principal pension and post retirement benefit plans, including disclosure on these assumptions, is provided in Item 18. Financial Statements Note 21 .

Share-based compensation

We maintain stock option incentive plans that grant subscription rights and options to purchase our ordinary shares to certain senior executives and employees and certain employees of equity affiliates. These plans constitute an additional compensation borne by us. The compensation cost is equal to the value of the option as of the grant date and is calculated using a binomial model based on certain assumptions. Those assumptions are described in Item 18. Financial Statements Note 19 and include among others, the expected dividend yield and the expected volatility. Volatility measures the expected variation over time in the return on a financial asset. Given the extremely high volatility of Vivendi ordinary shares prior to the valuation period of these stock option plans (1999 2002), we have limited relevant statistical data for prior periods to estimate future volatility for purposes of valuing our stock option plans in accordance with IFRS 2. We have therefore measured the value of our stock options using the implicit volatility rate for short-term securities. These variables make it difficult for us to estimate the fair value of stock options.

Financial instruments

The fair value of derivative instruments or financial assets that are not traded in an active market (such as unlisted equity securities, currency options and embedded derivatives) are determined using valuation techniques. The determination of an appropriate valuation methodology is based on our judgment. Underlying assumptions are based principally on existing market conditions. Changes in these assumptions may cause Vivendi to recognize impairments or losses in the future. Further information is provided in Notes 1.3, 15, 25 and 26 to our Consolidated Financial Statements.

Revenue recognition

We have revenue recognition policies for each of our business units based on the nature of their business. For a summary of these revenue recognition policies, see Item 18. Financial Statements Note 1.3.4 .

We record provisions for estimated returns on products sold to customers through distributors, such as recorded music, software products and DVD. These provisions are estimated based on past sales statistics and take into account the economic environment and product sales forecasts. Differences may arise with respect to the amount and timing of the revenue for any period if actual performance varies from these estimates.

Impairment of Assets

Investments and receivables from equity affiliates

We hold minority investments in companies having operations or technology in areas within or adjacent to our strategic focus and receivables from these companies. Some of these companies are publicly traded with highly volatile share price while others are not publicly traded and their value is difficult to determine. We record an investment impairment charge when we believe an investment has experienced a decline in value which is not temporary and record an allowance for receivables if recoverability is uncertain. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments or receivables, thereby possibly requiring an impairment charge in the future.

Goodwill, other intangible assets or property, plant and equipment

An impairment test is performed when events or changes in the economic environment indicate a risk of impairment for goodwill, other intangible assets, property, plant or equipment. This test is used to determine whether the carrying value of the asset or group of assets under consideration exceeds its or their recoverable value. Recoverable value is defined as the higher of an asset s fair value (less selling costs) and its value in use.

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Value in use is equal to the estimated present value of future cash flows to be derived from the use and sale of the asset.

Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by our executive management and presented to the management board. These actuarial valuations are based on assumptions that take into account the discount rate reflecting current market assessments of the time value of money and risks specific to the relevant asset or group of assets and the perpetual growth rate, which are those used to prepare three-year budget plans and forecasts and, for later years, rates used by the market.

Fair value is the amount derived from the sale of the asset or group of assets in an arm s length transaction, less selling costs. The fair value is determined based on market data (market comparables, recent transactions and stock market prices), or in the absence of reliable data, on discounted cash flows.

If the recoverable value is less than the carrying value of an asset or group of assets, an impairment loss is recognized for the difference. No significant impairment losses were recorded in 2005 or 2004. Further information is provided in Notes 10, 11, 12 and 13 to our Consolidated Financial Statements.

Music Advances to Artists

For established artists, we capitalize advances and direct costs associated with the creation of master recordings and expense these costs as the related royalties are earned or when the amounts are determined to be unrecoverable. An established recording artist is an artist whose current popularity and past performance provide a reasonable assurance for future recoupment of royalty advances payable to such artist against earnings. Advances to artists who are not established are expensed as incurred. Estimates of recoverability can vary based on the current popularity of the artist which is measured by sales throughout the reporting period. Unearned balances are reviewed periodically and appropriately reserved if future performance is no longer assured. Further information is provided in Item 18. Financial Statements Note 11 .

Certain other significant accounting policies do not involve the same level of measurement uncertainties as those discussed above, but are nevertheless important to understand our Consolidated Financial Statements. For a discussion of accounting policies we have selected from acceptable alternatives, see Item 18. Financial Statements Note 1 .

Exemptions to IFRS

As a first-time adopter of IFRS, we have elected to follow certain exemptions to IFRS as permitted by IFRS 1 First time adoption of International Reporting Standards , section 13. These exemptions are described below.

Business combinations

In accordance with the provisions of IFRS 1, we have elected not to restate business combinations that occurred prior to January 1, 2004.

As permitted under French GAAP prior to December 31, 1999, goodwill could be recorded as a reduction of shareholders equity when the acquisition was paid for with equity securities (notably US Filter in 1999 and Canal+ in 1998 and 1999). For more information, see Item 18. Financial Statements Note 34.3.3 . Additionally, certain acquisitions (notably Havas in 1998 and Pathé in 1999) were accounted for as mergers. Under this method, goodwill is computed as the difference between the consideration paid and the net historical book value acquired.

However, if we had restated past business combinations to comply with IFRS 3, our shareholders equity and the amount of goodwill as of January 1, 2004 would not have been materially greater due to the disposal of Havas, Pathé, and US Filter and the impairment of goodwill losses recorded on the Canal+ Group.

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Cumulative unrecognized actuarial gains and losses

In accordance with the provisions of IFRS 1, we have elected to record unrecognized actuarial gains and losses relating to pension and post-retirement and other employee and post-employment benefit obligations against consolidated equity as of January 1, 2004.

The application of this option resulted in a 279 million decrease in our shareholders equity, net of deferred tax (423 million before deferred tax), as of January 1, 2004.

As of January 1, 2004, the restatement of actuarial losses and past service cost in the transitional statement of financial position resulted in a decrease in the related cost recognized in our earnings from operations which represented a 31 million saving in our IFRS statement of earnings for 2004. Please refer to Item 18. Financial Statements Note 33.7.I .

Cumulative translation adjustments

In accordance with the provisions of IFRS 1, we have elected to offset the accumulated foreign currency translation adjustments against retained earnings as of January 1, 2004. Foreign currency translation adjustments result from the translation into euros of the financial statements of subsidiaries whose functional currency is not the euro. Consequently, upon divestiture of the subsidiaries, affiliates or joint ventures whose functional currency is not the euro, these adjustments are not recorded as earnings.

As of January 1, 2004, this option had no impact on our shareholders equity but had a material impact on our 2004 net income following the sale of our 80% interest in VUE. Please refer to Item 18. Financial Statements Note 33.6 .

Revaluation of certain intangible assets and property, plant and equipment at fair value

We have chosen not to apply the option provided in IFRS 1 allowing the valuation, of certain intangible assets and property, plant and equipment at their fair value as of January 1, 2004.

Share-based payment

We have decided to adopt IFRS 2 Share-based payment with retrospective effect as of January 1, 2004 and we recognize all plans for which rights remained to be vested as of January 1, 2004.

For all other IFRS standards, any adjustment of the carrying value of assets and liabilities as of January 1, 2004 was measured retrospectively as if IFRS had been applied.

Other IFRS Options

Pending the publication of standard or interpretations by the IASB or IFRIC (International Financial Reporting Interpretations Committee), we have elected the following options:

Acquisition of minority interests

In the absence of guidance provided by the IFRS, in the event of an acquisition of an additional interest in a subsidiary, we have opted to recognize as goodwill the excess of the acquisition cost over the carrying amount of the acquired minority interests.

Commitments to purchase minority interests

In accordance with IAS 32, put options granted by us to minority shareholders are reported as financial liabilities at the present value of the acquisition cost.

In the absence of guidance provided by IFRS 3 on business combinations and pending publication of an IASB/IFRIC guidance on initial recognition of these options, we record the difference between the carrying amount of the minority interests and the acquisition cost, at present value, including any subsequent change in this present value (with the exception of the undiscounting effect or expected losses) against goodwill.

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Loyalty programs

Pending an IFRIC interpretation, we do not accrue loyalty coupons granted to customers of SFR and Maroc Telecom for the replacement of mobile phones, provided that these programs do not result in an additional cost. In effect, such bonuses do not represent a benefit greater than that granted to new customers at the inception date of a contract. Loyalty coupons convertible into free services are accrued.

Main developments occurring in 2005 and 2004

Overview of 2005 and 2004

Over the last two years, we achieved our principal strategic goal to consolidate our positions in our core businesses.

In January 2005, we completed the acquisition of an additional 16% stake in Maroc Telecom, in August 2005, we completed the combination of Cegetel and Neuf Telecom, and in January 2006, we announced an industrial agreement aimed at combining the pay-TV businesses of the Canal+ Group and TPS. In February 2006, we also announced a draft agreement with Lagardère.

In August 2004, we were admitted to the French Consolidated Global Profit Tax System to optimize our tax structure, in May 2004, we completed the strategic alliance between VUE and NBC to form NBC Universal, and in December 2004, we divested 15% out of our 20.3% stake in Veolia Environnement.

The actions taken in 2004 and 2005 illustrated the priority given by our management to strengthen our competitive position among the major European players in the Media and Telecommunications businesses. As a result, all our businesses earnings increased measurably in 2005.

In addition, our financial flexibility was fully restored due to (i) the reduction of borrowings which was 6.6 billion as of December 31, 2005, compared to 11.3 billion as of January 1, 2004, (ii) the return to investment grade rating by Fitch (May 12, 2004), Standard and Poor s (June 1, 2004) and Moody s (October 22, 2004), (iii) the redemption of all our high yield notes and (iv) the extension of the maturity of our Group s borrowings. Consequently, our interest expense decreased significantly to 218 million in 2005 compared to 406 million in 2004.

2005 developments

Acquisition of 16% of the capital of Maroc Telecom

On November 18, 2004, we agreed with the Kingdom of Morocco to the acquisition of an additional 16% interest in Maroc Telecom, through our wholly-owned subsidiary Société de Participation dans les Télécommunications. We have been a strategic holding partner with operating control of Maroc Telecom since the beginning of 2001. This acquisition, which was completed on January 4, 2005, enabled us to increase our stake in Maroc Telecom from 35% to 51%. Pursuant to the Maroc Telecom Shareholder Agreements, we already held a majority of the voting rights at shareholders meetings and on the supervisory board until December 30, 2005. Following this acquisition, our control is now assured by the direct holding, unlimited in time, of a majority of the voting rights at shareholder meetings and by the right to appoint, by virtue of shareholder agreements and the company bylaws, three of the five members of the management board of Maroc Telecom and five of the eight members of its supervisory board. This acquisition constitutes a new and decisive milestone in our strategic partnership with the Kingdom of Morocco. The acquisition was made at a cost of MAD 12.4 billion (approximately 1.1 billion as of the transaction date) and included a premium for continuing control. Payment was made on January 4, 2005 and was 50% financed by a borrowing of MAD 6 billion (approximately 551 million as of December 31, 2005) (please refer to Liquidity and Capital resources for 2005 and 2004). Pursuant to IAS 32, the forward purchase commitment was recorded in our 2004 Consolidated Statement of Financial Position for 1.1 billion and included in our Financial Net Debt. On January 4, 2005, this financial liability was offset by cash outflow. Please refer to Item 18. Financial Statements Note 2.1 Acquisition of an additional 16% stake in Maroc Telecom on January 4, 2005 .

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SFR: combination of Cegetel and Neuf Telecom to create Neuf Cegetel, the leading alternative fixed-line telecommunications operator in France

The combination of Cegetel SAS (Cegetel) and Neuf Telecom was announced on May 11, 2005 and completed on August 22, 2005. After acquiring the 35% interest held by SNCF in Cegetel, in accordance with the financial provisions of the pre-existing agreements and after re-capitalizing Cegetel, SFR contributed its entire interest in the capital of Cegetel to Neuf Telecom in exchange for a 28.2% interest in the share capital of Neuf Telecom as well as bonds issued by Neuf Telecom in a total amount of 380 million, 200 million of which were redeemed by Neuf Telecom at the end of November 2005.

The reference shareholders SFR and Louis Dreyfus had an equal 28.2% interest in Neuf Cegetel (increased to 34.9% in May 2006) while the remaining stake (approximately 44%) was held by Neuf Telecom historical shareholders. SFR s 28.2% interest in Neuf Cegetel (a 15.8% interest for Vivendi, since Vivendi hold 56% of SFR shares) is equity-accounted.

Pursuant to IFRS 5, Cegetel qualified as discontinued operations as of January 1, 2004:

From an accounting standpoint, this combination is accounted for as the divestiture of 71.8% of SFR s interest in Cegetel for 617 million (corresponding to the value of Neuf Telecom shares received for 237 million and the value of the bonds issued by Neuf Telecom in an amount of 380 million) and the concurrent acquisition of a 28.2% interest in the share capital of Neuf Telecom.

As a result, earnings and expenses of Cegetel from January 1, 2004 to August 22, 2005 were deconsolidated and presented netted, of which 71.8% were recorded as earnings from discontinued operations and 28.2% as income from equity affiliates.

As of December 31, 2005, this transaction resulted in a capital gain of 121 million (58 million after SFR s minority interests) recorded in earnings from discontinued operations.

After the reimbursement by Cegetel of the shareholders loan granted by SFR, all of the cash flows generated during the completion of the transaction had a negative impact of 329 million on SFR s cash position (including the deconsolidation of Cegetel s cash position in the amount of 30 million). Given the recognition of the put option granted by SFR to SNCF as of December 31, 2004 in accordance with IAS 32 (the present value of such commitment being 304 million as of that date), this transaction had a favorable impact of 97 million on our Financial Net Debt (including the deconsolidation of borrowings and other financial liabilities of Cegetel in the amount of 122 million). For the definition of Financial Net Debt, please see Liquidity and capital Resources for 2004 and 2005 .

Please refer to Item 18. Financial Statements Note 7. Discontinued operations and assets held for sale .

Reinforcement of the program offerings and distribution of the Canal+ Group in 2005 and 2004

In 2005, the Canal+ Group continued to enhance its program offerings for subscribers.

In August 2005, after obtaining exclusive rights to broadcast the French Professional Soccer League 1 for three seasons (2005-2008) in December 2004, for an annual cost of 600 million, the Canal+ Group won exclusive rights to broadcast the Champions League on pay-TV until the end of the 2008/2009 season. In addition, after signing in May 2004 several agreements guaranteeing a stronger partnership with the French film industry (covering the period 2005-2009) and after extending in November 2004 an agreement to first broadcast all of Twentieth Century Fox film features, the Canal+ Group renewed its exclusive rights agreements with NBC Universal (January 2005), DreamWorks (January 2005), Spyglass (April 2005) and Sony Pictures Television International (September 2005, including Columbia Pictures, TriStar Pictures and Screen Gems).

In addition, in May 2005, the *Conseil Supérieur de l Audiovisuel* (the French Broadcasting Authority) allocated four DTT channel authorizations to the Canal+ Group: Canal+Cinéma, Canal+Sport, i>Télé and

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Planète. On March 31, 2005, Canal+ began broadcasting unscrambled programs as part of the launch of free DTT services.

On November 4, 2005, the Canal+ Group launched two pay-TV offerings on DTT. The first one, which included Canal+, Canal+Cinéma and Canal+Sport, was the only premium multi-channel offering available through plug-and-play. The second one, which included Planète, Canal J, Eurosport and Paris Première, was a low price thematic offering. In addition, the Canal+ Group launched on October 15, 2005 the first general, unscrambled and 24/7 news channel on DTT: i>Télé.

Elektrim Telekomunikacja situation in 2005

On December 12, 2005, after consulting with the EU competition authorities in November 2005, Vivendi acquired Ymer s stakes in Elektrim Telekomunikacja (Telco) (2%) and in Carcom (1%), for a total cash consideration of 90 million. From that date, Vivendi has held a 51% equity and voting interest in both Telco and Carcom and fully controls these entities, which are now consolidated.

Telco/Carcom s only asset is a 51% interest in Polska Telefonia Cyfrowa (PTC), a Polish mobile telecom company. Due to the legal dispute involving Telco, Vivendi, Deutsche Telekom and Elektrim SA, the uncertainty surrounding the ownership of PTC prevents Telco/ Carcom from exercising its joint control over PTC, as provided in the company s bylaws. This situation requires that we no longer consolidate our stake in PTC. Please refer to Item 18 Financial Statements Notes 2.3 and 30 .

As of December 31, 2005, the simplified organization chart of Telco and PTC is as follows:

Organization chart as of December 31, 2004:

Simplified organization chart as of December 31, 2005:

Including the acquisition of our additional stake in December 2005, we have invested 1,966 million in Telco/PTC (including capital, current accounts and capitalized interest). As of December 31, 2005, given the impairment losses recorded since the end of 2001, the net book value of our investment in PTC was 531 million.

Canal+ and TPS combination agreement and Lagardère agreement

Canal+ and TPS combination agreement

On January 6, 2006, after consulting with the relevant labor relations committees, we entered into an agreement with TF1 and M6 for the combination of the pay-TV operations of the Canal+ Group and TPS in France and in other French speaking territories. The new group, temporarily named Canal+ France , will be controlled by us. This agreement is subject to consultation procedures with the *Conseil supérieur de l audiovisuel* and approval by French competition authorities. Upon completion of this transaction, we will own 85% of the new group.

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The terms of this combination (assuming the Lagardère draft agreement described below is completed) are as follows:

During the first phase, on January 6, 2006, we paid TF1 and M6 a 150 million advance corresponding to a 15% interest in TPS after cancellation of the debt of TPS and the transformation of TPS from a S.N.C. into a S.A. In addition, TF1 and M6 agreed to divest TPS to us, directly or via the Canal+ Group. Until the completion of the transaction, the Canal+ Group and TPS will retain their management autonomy.

During a second phase, following the approval by the competition authorities, the 150 million advance, plus interest, would be repaid to us. TF1 s and M6 s interests in the new group Canal+ France would be 9.9% and 5.1%, respectively. Canal+ France would be comprised of the Canal+ Group and TPS, by way of an exchange of shareholding without cash payment. The remaining stake would be shared between us and Lagardère.

However, if we resolve not to complete the combination, we would keep a 15% interest in TPS in exchange for our initial advance of 150 million and would compensate TF1 and M6 for an amount of 100 million.

Under certain strictly defined circumstances related to the conditions of the approval by the competition authorities, we could acquire TF1 s and M6 s stake in TPS for 900 million (plus interest) or could determine not to complete the combination, under circumstances described above.

Moreover, TF1 and M6 would benefit from a put option granted by us on their 15% interest in the new group for a minimum of 3 years following the completion of the transaction. The exercise price of this option would be based on the market value, as determined by a third-party valuation expert, with a minimum guarantee of 1,130 million for 15% of the new pay-TV group in France, representing 7.5 billion for 100%.

The scope of the new pay-TV group in France corresponds to 100% of CanalSat and TPS, 49% of Canal+ SA, MultiThématiques and MediaOverseas. We refer to this scope using the name Canal+ France . The assets not included in Canal+ France are StudioCanal, Cyfra+, Canal+ Régie and i>Télé, as to which we benefit from any potential increase in their value.

From an accounting standpoint, the 150 million advance will be recorded as a current financial asset. Following the formation of the new group, the transaction would be recorded as the acquisition by the Canal+ Group of 85% of TPS, which would be fully consolidated, and the dilution by 15% of Vivendi in the Canal+ Group share capital. The put option granted by us to TF1 and M6 would be accounted for as a 1,130 million financial liability.

Agreement with Lagardère

In February 2006, we and the Canal+ Group announced that we had entered into a draft agreement with Lagardère, in accordance with the terms and conditions of the combination agreement with TF1 and M6. Pursuant to this draft agreement, Lagardère, which is a partner of the Canal+ Group within CanalSat, will become a shareholder of the Canal+ France group, including the pay-TV operations of the Canal+ Group and TPS. In addition, there will be no dilution of the investments of TF1 and M6.

Following the transfer of its 34% shareholding in CanalSat, Lagardère would acquire a 20% interest in a new company having a scope equivalent to Canal+ France for a cash consideration of 525 million.

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If these two transactions are completed, the structure of the new group would be as follows:

For more information about the ownership and voting interests in these entities, please refer to Item 18. Financial Statements Note 31 .

Lagardère would have the benefit of a call option for an additional 14% interest in the new company, exercisable for thirty-three months following the completion of the transaction at the greater of the market value and 1.05 billion, corresponding to a valuation of 7.5 billion for 100% of the temporarily named Canal+ France .

In addition, under certain circumstances, Lagardère will have a liquidity right for its stake in the event of an IPO and, under certain other circumstances related to the approval of the combination with TPS by the competition authorities and to Lagardère s specific assets, the right to sell its entire interest in CanalSat to Vivendi/ Canal+ Group before December 31, 2006 for 985 million (including 126 million for its pro-rata share of cash).

The agreement with Lagardère is subject to consultation procedures with the *Conseil supérieur de l audiovisuel* and approval by French competition authorities.

With the foregoing agreement with Lagardère, Vivendi seeks to achieve the creation of Canal+ France, which will hold 100% of CanalSat and TPS, during the third quarter of 2006. Vivendi would, directly or indirectly, retain a majority of the share capital and exclusive control of the new group and the terms of the put option to TF1 and M6 would remain unchanged.

2005 Divestitures

The Canal+ Group: Unwinding of MultiThématiques/ Lagardère cross-shareholdings

In January 2005, the Canal+ Group and Lagardère Group announced a new agreement to end their joint holding in MultiThématiques (a wholly-owned subsidiary of the Canal+ Group) and Lagardère Thématiques. This transaction, which closed on February 11, 2005, resulted in a 20 million increase in our Financial Net Debt (corresponding to the acquisition of 30% of MultiThématiques for 71 million and the divestiture of 49% of Lagardère Thématiques for 51 million). This transaction generated a capital gain of 26 million.

The Canal+ Group: Withdrawal from NC Numéricâble/Ypso

In 2005 and early 2006, the Canal+ Group sold its entire stake in NC Numéricâble to a consortium including Cinven, an investment fund, and Altice, a cable operator. This transaction was achieved in two steps.

During the first step, signed in December 2004 and completed on March 31, 2005, the Canal+ Group retained approximately 20% in Ypso, a cable operator resulting from the merger between NC Numéricâble and France Télécom s cable operations and certain assets of TDF. The Canal+ Group s proceeds from the divestiture amounted to an enterprise value of 96 million (including adjustments to the number of networks actually transferred). Net of divestiture fees and a 37 million loan granted by the Canal+ Group to the new operator, the transaction had a positive impact of 52 million on our Financial Net Debt. Given the adjustment in value realized in 2004, the capital loss on this divestiture was approximately 13 million.

During the second step, in January 2006, the Canal+ Group completed the divestiture of its remaining 20% stake in Ypso to Cinven-Altice for an amount of 44 million. Beforehand, in December 2005, the Canal+ Group had sold its preferred shares without voting rights to Ypso and Ypso had fully reimbursed the company loan granted by the Canal+ Group (which resulted in a capital gain of 29 million and a positive impact of 76 million on Financial Net Debt, including 39 million as accrued interest for the loan reimbursement).

Altogether, the withdrawal from NC Numéricâble/Ypso had a positive impact of 167 million on Financial Net Debt and generated a capital gain of 73 million for the Canal+ Group, after taking into consideration depreciations recorded in 2004.

UMG: Divestiture of CD and DVD manufacturing facilities in the United States and Germany

In May 2005, UMG divested its CD and DVD manufacturing and distribution facilities in the United States and Germany to Entertainment Distribution Company, LLC (EDC), a division of Glenayre Technologies, Inc. This transaction had no material impact on our earnings from operations as of December 31, 2005, after taking into account the cost of externalizing related pension obligations. This transaction had a negative cash impact in the year ended December 31, 2005 reflecting the net selling price, certain post-closing adjustments of the selling price and the cash cost of externalizing the related pension obligations. Under the terms of the supply contracts entered into as part of the transaction, EDC is required to grant a minimum of 37 million of UMG rebates between 2005 and 2014.

Divestiture of Vivendi s stake in UGC

In December 2005, pursuant to the exercise of the call option held by the family shareholders of UGC, we completed the divestiture of our 37.8% interest in UGC SA (representing 40% of the voting interests), previously equity-accounted for an amount of 89 million (including interests). The price may be adjusted depending on the date of a future sale by the UGC family shareholders within various periods of exercise of the call. During 2005, we received 54 million in cash, the remaining proceeds (approximately 34 million) being due before 2008. This transaction generated a capital gain of 10 million.

Other 2005 transactions

IACI exited Vivendi Universal Entertainment (VUE). IACI and Vivendi agreed to end litigation

On June 7, 2005, Vivendi, NBC Universal (NBCU) and InterActiveCorp (IACI) unwound IACI s interests in VUE through the purchase by NBCU of IACI s common and preferred interests in VUE. The unwinding of IACI s interests was funded in part through (i) $160 million of capital contributions by us, through our subsidiary Universal Studios Holding Corp., (ii) the sale of treasuries (negotiable US Government debt obligations) funding the defeasance of the covenants of the VUE Class A preferred interests and (iii) the exchange of 56.6 million shares of IACI stock securing the put/call rights relating to the VUE Class B preferred interests. As a result of this exchange, we renounced the after-tax benefit related to the increase of IACI s stock price above $40.82 per share in May 2022. Our obligations to fund the after-tax cost of 94.56% of the 3.6% per annum cash coupon on the VUE Class B preferred interests and pay up to $520 million to NBCU in respect of any loss from the disposition of the theme parks were eliminated.

As part of this transaction, we agreed with IACI to terminate our pending tax dispute. In addition, we agreed with General Electric (GE) to defer by one year, to January 2007 and May 2010, respectively, the dates on which we may first exercise our rights to monetize our equity interest in NBCU over time at fair market value and on which GE may exercise its call right on our equity interest in NBCU.

The impact of this transaction on our consolidated statement of earnings was a gain of 194 million for the year ended December 31, 2005.

Early termination of the derivative structure affecting 5% of the share capital of Veolia Environnement

On October 25, 2005, we agreed with Société Générale to the early termination of the derivative structure (collar option) on 5% of the share capital of Veolia Environnement (20,321,100 shares) set up in December 2004.

As part of the divestiture of 15% of Veolia Environnement s share capital on December 2004, we agreed with Société Générale to a derivative transaction on a notional commitment representing 5% of Veolia Environnement s share capital allowing us to benefit, within a three years period, from an increase in Veolia Environnement s share price above 23.91. This derivative structure was terminated earlier in October 2005. Given the increase of the Veolia Environnement share price by reference to the exercise price of the collar option set in December 2004, the termination of this instrument generated a financial income of 115 million in 2005, corresponding to the gross proceeds of the transaction (208 million, net of fees) less the carrying value of the collar option as of January 1, 2005 (93 million).

We continue to own 5.3% in the share capital of Veolia Environnement (21,522,776 shares). We also held 218,255,690 Veolia Environnement warrants which expired in March 2006.

Partial redemption of bonds exchangeable into Sogecable shares

In November and December 2005, we opted for the early redemption of 363 million of bonds exchangeable into Sogecable shares with an exchange ratio of 1.0118 share for 1 bond. We delivered 12,540,403 Sogecable shares to bond holders. As of December 31, 2005, the residual amount of this borrowing was 242 million and we held 8,340,850 Sogecable shares. This transaction generated a capital gain of 256 million recorded as financial income and had no impact on our cash position.

Subsequent Events since December 31, 2005

Purchase of the 7.7% stake held by Matsushita Electric Industrial (MEI) in Universal Studios Holding Corp (USHI)

In February 2006, we acquired the 7.659% minority interest held by Matsushita Electric Industrial Co, Ltd (MEI) in our subsidiary, Universal Studios Holding 1 Corp. (USHI) for a purchase price of $1,154 million. USHI is a holding company located in the United States, which was 92.341% owned and 100% controlled by us prior to this transaction. USHI s assets correspond to Vivendi s main operations in the United States (excluding Vivendi Games): 100% of Universal Music Group (UMG) and 20% of NBC Universal (NBCU). Following this transaction, we increased our economic interest from 92.3% to 100% in UMG and from 18.5% to 20% in NBCU, respectively. This transaction resulted in a $1,154 million increase (approximately 960 million) in our Financial Net Debt.

Investment in 19.9% of the voting capital of Amp d

In February 2006, following the Amp d share capital increase, we and UMG increased our interest in the share capital of Amp d to 19.9%. Amp d is an aggregator and creator of generation multi-media mobile content over a customized user interface platform and a mobile virtual network operator (MVNO) offering 3G telephony and content services nationwide in the United States. Amp d has developed handsets that allow music and video downloading over the cellular network and the Internet. We supply music and video clips, mobile games and video/ programming through our business units UMG and Vivendi Games and through NBCU. Our total investment in Amp d amounts to 47 million.

Sale of Canal+ s interest in Paris Saint-Germain (PSG)

In April 2006, the Canal+ Group announced that it had signed an agreement to sell its entire interest in the soccer club Paris Saint-Germain to Colony Capital, Butler Capital Partners and Morgan Stanley. This transaction was finalized on June 20, 2006.

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Increase of SFR s stake in Neuf Telecom

In May 2006, SFR exercised its preemptive rights to acquire shares of Neuf Telecom held by Telecom Italia and a financial investor, increasing SFR s stake in Neuf Telecom from 28.2% to 34.9%.

Settlement of tax dispute over DuPont Shares and Sale of DuPont Shares

In June 2006, we announced that an agreement had been reached with the Internal Revenue Service (IRS) ending our dispute concerning the amount of tax due on the redemption of our DuPont shares in April 1995. In full settlement of this dispute, we agreed to pay a total of approximately $671 million (including tax in the amount of $284 million and interest of $387 million). This settlement will result in the elimination of the deferred tax liability recorded in our consolidated statement of financial position, which at December 31, 2005, was $1,847 billion. In June 2006, we sold all our 16.4 million shares in DuPont for a total consideration of $671 million.

2004 developments

Permission to use the French Consolidated Global Profit Tax System as of January 1, 2004

On December 23, 2003, we applied to the Ministry of Finance for permission to use the Consolidated Global Profit Tax System under Article 209 *quinquies* of the French tax code. Authorization was granted by an order, dated August 22, 2004, and notified on August 23, 2004, for a five-year period beginning with the taxable year 2004. This period may be extended. We are thus entitled to consolidate our own profits and losses (including tax losses carried forward as of December 31, 2003) with the profits and losses of its subsidiaries operating within and outside France.

Subsidiaries in which we own at least 50% of outstanding shares, both French and foreign, as well as Canal+ SA, fall within the scope of the Consolidated Global Profit Tax System, including, but not limited to Universal Music Group, Vivendi Games, CanalSat, SFR and, as of January 1, 2005, Maroc Telecom. The 2004 Finance Act authorized the unlimited carry forward of existing ordinary losses as of December 31, 2003, which, combined with our permission to use the Consolidated Global Profit Tax System, enables us to maintain our capacity to use ordinary losses carried forward.

As of December 31, 2005, Vivendi SA recognized in its 2005 earnings a current tax saving of 507 million. In addition, a deferred tax asset of 580 million was recognized in respect of expected tax savings for 2006. Given the reversal of the deferred tax asset recognized in 2004 in the amount of expected tax savings in 2005 (492 million), the net change in deferred tax assets relating to the Consolidated Global Profit Tax System in 2005 was 88 million.

As of December 31, 2004, Vivendi SA recognized in its 2004 earnings the expected tax savings relating to 2004 fiscal year (464 million) and a deferred tax asset relating to the expected tax savings for 2005 (492 million).

For an analysis of the impact of the Consolidated Global Profit Tax System on the 2004 2005 earnings, please refer to Item 18. Financial Statements Note 6. Tax expense as of December 31, 2005 and 2004 .

Combination of VUE and NBC to form NBC Universal (NBC-Universal transaction)

On October 8, 2003, we announced the signing of a definitive agreement with General Electric (GE) for the combination of the respective businesses of the National Broadcasting Company (NBC) and Vivendi Universal Entertainment LLLP (VUE) to form NBC Universal (NBCU). The transaction, which was completed on May 11, 2004, resulted, from an accounting standpoint, in the divestiture of 80% of our interest in VUE for 8,002 million (corresponding to gross cash proceeds of 3,073 million and a value of 4,929 million for the 20% interest in NBC received in the transaction, before Universal Studios Holding III Corp. (USH) minority interests) and in the concurrent acquisition of a 20% interest in NBC (for 4,929 million). The new company, called NBC Universal, is 80% owned and controlled by GE, with 18.5%

owned and 20% controlled by us (through our subsidiary, USH) as presented in the following organizational chart:

(*) Before the closing of the NBC-Universal transaction, Vivendi exercised the call option on Barry Diller s 1.5% stake in VUE for $275 million (226 million).

(**) The MEI s 7.659% minority interest was repurchased in February 2006.

VUE s assets divested as part of the transaction included Universal Pictures Group, Universal Television Group, Universal Studios Networks as well as interests in five theme parks.

NBCU s assets mainly include: the NBC Television Network, Universal Pictures studios, television production studios (NBC Studios and Universal Television), a portfolio of cable networks, several NBC local stations, Spanish-language TV broadcaster Telemundo and its Telemundo local stations and interests in five theme parks.

Net income and expenses of VUE from January 1, 2004 to May 11, 2004, date of the closing of the transaction, were therefore deconsolidated and presented netted, in the amount of 80% in earnings from discontinued operations and in the amount of 20% in income from equity affiliates. A description of the transaction is also presented in Notes 2.4 and 7.2 to our Consolidated Financial Statements.

On May 11, 2004, as part of the NBC-Universal transaction, GE paid to USH, $3.65 billion (3.073 billion) of cash consideration. The cash consideration received by Vivendi amounted to 2,926 million, net of divestiture fees and of the amount paid to MEI. We retained responsibility for the cost of the defeasance of covenants of the VUE Class A preferred interests (657 million; i.e., 607 million after minority interests) and for the net costs of the dividends of 3.6% per annum on the VUE Class B preferred interests (298 million; i.e., 275 million after minority interests). We also retained the right to receive from NBCU, when certain put/call rights relating to the VUE Class B preferred interests are exercised, the potential after-tax economic benefit related to the divestiture of the 56.6 million shares of IACI stock transferred to NBCU as part of the NBC Universal transaction (above $40.82 per share). We also have certain contingent obligations in connection with the NBC-Universal transaction relating to taxes, commitments related to exclusive businesses of the agreement for the combination and other matters customary for a transaction of this type.

On June 7, 2005, Vivendi, NBCU and IACI unwound IACI s interests in VUE through the purchase by NBCU of IACI s common and preferred interests in VUE. As part of this transaction, our obligations to fund the after-tax cost of 94.56% of the 3.6% per annum cash coupon on the VUE Class B preferred interests and pay up to $520 million to NBCU in respect of any loss from the disposition of Universal Parks and Resorts were eliminated. We also terminated our right to receive any after tax benefit related to the increase of IACI s stock price above $40.82 per share in May 2022.

As part of the agreements, we are entitled to sell our stake in NBCU under mechanisms providing for exits at fair market value, the timing of which has been deferred by one year as part of the June 2005 VUE restructuring. As a result, we will be able to sell our shares on the market beginning in 2007, for an amount up to $3 billion in 2007 and $4 billion in 2008 and each year thereafter. GE will have the right to pre-empt any of our sales to the market. Under certain circumstances, if we exercise our right to sell our shares on the market and if GE does not exercise its preemptive right, we will be able to exercise a put option to GE. Lastly, for a 12-month period commencing on May 11, 2010, GE will have the right to call either (i) all of our NBCU shares or (ii) $4 billion of our NBCU shares, in each case at the greater of their market value at the time the call is exercised and their value as determined at the time of the NBC-Universal transaction (i.e. $8.3 billion). If GE calls $4 billion, but not all, of our NBCU shares, GE must call the remaining NBCU shares held by us by the end of the 12-month period commencing on May 11, 2011.

In addition to the exit rights, as part of the agreements with GE, we have certain veto, board designation, information and consent rights in NBCU. We currently hold three out of 15 seats on the board of directors of NBCU. Our governance rights in NBCU may terminate, under certain circumstances, upon a change in control of Vivendi.

The divestiture of 80% of our interests in VUE generated a capital gain of 707 million, net of a 244 million tax impact. The acquisition cost of the 20% stake in NBC received by USH, corresponded to the fair value of this stake as defined in the VUE/NBC combination agreement, i.e., 4,929 million ($5,854 million, as of the transaction date). The book value of the NBC assets acquired amounted to 738 million ($877 million, as of the transaction date). In addition, in the context of the NBC-Universal transaction, we expanded VUE s relationship with DreamWorks Pictures for seven years and UMG acquired DreamWorks Records for 94 million in January 2004. The label s roster and catalog are comprised of rock and pop, country, urban, film scores and soundtracks and Broadway cast recordings.

Divestiture of 15% of Veolia Environnement

In December 2004, we disposed of 15% of our 20.3% interest in Veolia Environnement through three transactions: (i) 10% were placed under an accelerated book building procedure by institutional investors for total proceeds of 997 million (24.65 per share), (ii) 2% were sold to Veolia Environnement for 195 million (23.97 per share) and (iii) 3% were sold to Société Générale for 305 million (24.65 per share).

The last two transactions were carried out following the non-exercise of the call options granted by us in November 2002 to certain institutional shareholders of Veolia Environnement relative to our interest in that company. The exercise price was 26.50 per share. As these options expired on December 23, 2004, the related premium recorded as a deferred income in the amount of 173 million in December 2002 was recorded as a financial income in the Consolidated Statement of Earnings on their expiry date.

Overall, we received a total amount of 1,497 million in these transactions, generating a capital gain of 1,606 million before tax (1,445 after tax). From a tax standpoint, the associated capital gain of 477 million was offset by our current capital losses and, therefore, did not result in any cash capital gain tax.

Veolia Environnement, which was fully consolidated until December 31, 2002 and accounted for using the equity method thereafter, was fully deconsolidated on December 9, 2004. Currently, we retain 5.3% interest in Veolia Environnement.

In order to finalize the financial separation from its former subsidiary, Vivendi decided to substitute a third party in its guarantee commitments with respect to network renewal costs, granted to Veolia Environnement in June 2000 and in December 2002. For this purpose, on December 21, 2004, we signed a contract of full assignment with Veolia Environnement and a third party to transfer all our residual obligations towards Veolia Environnement. As a result, we paid the third party a balance of 194 million corresponding to the present value on that day of the maximum exposure until 2011 (including 2004 renewal costs of 35 million). The costs for 2004 were accounted for as an operating expense. The remaining balance was recorded as other financial charges and income.

Listing of Maroc Telecom and full consolidation of Mauritel

Listing of Maroc Telecom on the Casablanca and Paris Stock Exchanges The shares of Maroc Telecom have been trading on the Casablanca Stock Exchange and the Eurolist (formerly the *Premier Marché*) of Euronext Paris SA since December 13, 2004. The introduction price was fixed at MAD 68.25 per

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share (6.16 per share based on the dirham/euro exchange rate, as of December 10, 2004). As of December 31, 2004, the market price was 8.41 per share. As part of the offer, 130,985,210 common shares were sold by the Kingdom of Morocco, representing 14.9% of Maroc Telecom s share capital.

Full Consolidation of Mauritel by Maroc Telecom since July 1, 2004 Mauritel, previously equity-accounted, has been fully consolidated by Maroc Telecom since July 1, 2004. For the second half of 2004, Mauritel generated revenues and earnings from operations of 34 million and 11 million, respectively. For more details, please refer to Item 18. Financial Statements Note 30. Significant subsidiaries as of December 31, 2005 and 2004 .

Completion of the asset divestiture plan: Vivendi disposed of approximately 1.1 billion in assets (excluding the NBC-Universal and Veolia Environnement transactions) in 2004

The Canal+ Group

Sportfive In March 2004, RTL Group and the Canal+ Group signed an agreement with Advent International for the divestiture of their respective interests in Sportfive. Before signing the agreement on March 31, 2004, the Canal+ Group and RTL Group acquired Jean Claude Darmon s approximate 4.9% stake in Sportfive for a total consideration of 60 million (including a price adjustment of 5 million). The sale to Advent International of the 48.85% stake in Sportfive held by the Canal+ Group, for which the group received 274 million in cash, was completed on June 25, 2004. This divestiture generated a capital gain of 38 million (including a 22 million provision reversal).

The Canal+ Group completed, among other things, the divestiture of the companies of StudioExpand s flux-divertissement business in June 2004 and Canal+ Benelux in August 2004 for a total amount of 42 million (the deconsolidation of the cash held by these companies, as well as the payment of a litigation had a negative impact of 26 million on our Financial Net Debt). These divestitures generated a capital gain of 65 million (net of a 24 million provision reversal).

Quai André Citroën Headquarters In September 2004, the Canal+ Group completed the divestiture of its former headquarters at Quai André Citroën for 108 million. This divestiture generated a capital gain of 13 million.

Non-core operations

Vivendi Telecom International (VTI)

Kencell In May 2004, we sold our 60% interest in Kencell, Kenya s No. 2 mobile phone operator, for a cash consideration of $230 million (190 million as of the transaction date). This divestiture generated a capital gain of 39 million (net of a 7 million provision accrual).

Monaco Telecom In June 2004, we sold to Cable and Wireless our 55% interest in Monaco Telecom for a total cash consideration of 169 million (including a 7 million dividend distribution). This divestiture generated a capital loss of 4 million (net of a 5 million provision accrual).

Completion of the Total Withdrawal from Publishing Operations: Divestiture of Brazilian Publishing Operations

In February 2004, we divested our interest in Atica & Scipione, publishing operations in Brazil, for a total consideration of 32 million. This divestiture generated a capital loss of 8 million.

Divestiture of United Cinema International (UCI)

In October 2004, together with Viacom, we completed the divestiture of our respective 50% stakes in the European operations of the UCI Cinemas group to Terra Firma. In addition, UCI Group divested its 50% stake in UCI the Japan to Sumitomo Corporation (50% of transaction proceeds were paid by UCI Cinemas to us). As part of these transactions, we received 170 million. These transactions generated a capital gain of 64 million.

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Other 2004 transactions

Divestiture of two Philip Morris Towers In June 2004, the divestiture of the Cèdre tower (27,000 square meters) and the Egée tower (55,000 square meters) located at La Défense, Paris, resulted in a 333 million reduction in our Financial Net debt with respect to long-term leases signed with Philip Morris in 1996. In addition, the reimbursement of the different participating loans and/or guarantees granted by us resulted into a net cash inflow of 84 million.

UMG: divestiture of the stake held in VIVA Media In August 2004, UMG sold its approximately 15% interest in VIVA Media to Viacom for a total consideration of 47 million. This divestiture generated a capital gain of 26 million.

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Results of Operations

Consolidated statement of earnings in 2005 and 2004

The table below presents the Group s consolidated statement of earnings in euro for each of the years ended December 31, 2004 and 2005. The information below should be read in conjunction with the Consolidated Financial Statements and the Notes thereto, included elsewhere in this annual report.

	Year ended December 31,	
	2005	**2004**
	(In millions of euros, except per share amounts)	
Revenues	19,484	17,883
Cost of revenues	(9,898)	(9,100)
Margin from operations	9,586	8,783
Margin from operations rate	49%	49%
Selling, general and administrative expenses	(5,807)	(5,464)
Other operating expenses	(33)	(86)
Earnings from operations	3,746	3,233
Other income from ordinary activities	75	89
Other charges from ordinary activities	(170)	(25)
Income from equity affiliates	326	221
Earnings before interest, other financial charges and income and income taxes	3,977	3,518
Interest	(218)	(406)
Other financial charges and income	619	1,226
Interest and other financial charges and income	401	820
Earnings from continuing operations before income taxes	4,378	4,338
Provision for income taxes	(204)	(292)
Earnings from continuing operations	4,174	4,046
Earnings from discontinued operations	92	777
Earnings	4,266	4,823
Attributable to:		
Equity holders of the parent	3,154	3,767
Minority interests	1,112	1,056
Earnings, attributable to the equity holders of the parent per share basic (in euros)	2.74	3.29
Earnings, attributable to the equity holders of the parent per share diluted (in euros)	2.72	3.27

Consolidated earnings review

In 2005, earnings attributable to equity holders of the parent were 3,154 million (representing basic and diluted earnings per share of 2.74 and 2.72, respectively) compared to 3,767 million in 2004 (representing basic and diluted earnings per share of 3.29 and 3.27, respectively).

The 613 million decrease (-16%) in earnings attributable to equity holders of the parent was due to the following favorable impacts:

a 513 million increase in earnings from operations, as a result of the return to break-even at Vivendi Games (+ 244 million), the return to growth at UMG (+ 121 million) and ongoing profitability at SFR (+ 90 million despite a negative net impact of 115 million of non recurring items in 2005) and at Maroc Telecom (+ 100 million);

a 188 million reduction in interest, resulting from the decrease in the average amount of borrowings as well as improved financing conditions;

a 105 million increase in income from equity affiliates; and

88 million from lower provisions for income taxes mainly due to non-recurring items. Excluding non-recurring items, provisions for income taxes were higher as a result of the improvement in taxable earnings (UMG, SFR, Maroc Telecom), offset by tax savings resulting from the utilization of ordinary losses carried forward in France and in the United States.

More than offset by the following defavorable items:

a 685 million decrease in earnings from discontinued operations. The 2004 numbers reflected the impact of the divestiture of VUE on May 11, 2004, including capital gains for 707 million and 80% of charges and income generated by VUE over the period in the amount of 132 million;

a 607 million decrease in other financial income, mainly due to capital gains on the divestiture of businesses or financial investments in the amount of 668 million in 2005 compared to 1,738 million in 2004 (including 1,606 million of capital gain on the sale of the 15% Veolia Environnement stake);

a 145 million increase in other charges from ordinary activities, mainly resulting from the accounting in 2005 of non-cash adjustments relating to the NBC-Universal transaction;

a 56 million increase in minority interest earnings; and

a 14 million decrease in other income from ordinary activities.

Analysis of the main items of the consolidated statement of earnings

Revenues

Vivendi s 2005 consolidated revenues amounted to 19,484 million compared to 17,883 million in 2004, representing a 1,601 million increase.

On a comparable basis[5], revenues amounted to 19,439 million compared to 18,237 million, representing a 6.6% increase (+6.5% at constant currency). Each of the businesses contributed to this performance.

Cost of revenues and margin from operations rate

In 2005, cost of revenues amounted to 9,898 million (a 798 million increase compared to 9,100 million in 2004) and remained stable at 51% of revenues, compared to 2004. However, if mobile-to-mobile sales[6] at SFR had been invoiced since January 1, 2004 instead of January 1, 2005 (applying in 2004 the rate

(5) Comparable basis essentially illustrates the effect of the divestitures that occurred in 2005 (primarily, NC Numéricâble) and 2004 (mainly, the Flux-divertissement business of StudioExpand, Canal+ Benelux, UMG s music clubs, Kencell and Monaco Telecom) and includes the full consolidation of minority interests in distribution subsidiaries at SFR and of Mauritel at Maroc Telecom as if these transactions had occurred as of January 1, 2004. In 2004, Comparable basis also includes estimated mobile-to-mobile sales at SFR applying in 2004 the rate applied in 2005.

(6)

Mobile-to-mobile sales were not invoiced (income and expenses) between French mobile operators until December 31, 2004. They have been treated as an exchange of goods and services, the fair value of which was not determinable for the year ended December 31, 2004, and no revenues were recognized on these calls. Since 2005, these call terminations have been invoiced. For the year ended December 31, 2004, the impact of estimated mobile-to-mobile sales amounted to 875 million on revenues and to - 875 million on cost of revenues.

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applied in 2005), cost of revenues in 2004 would have been increased by 875 million, and cost of revenues in 2005 would have declined by 77 million compared to 2004.

The margin from operations increased by 803 million to reach 9,586 million in 2005, mainly due to increased margin from operations at SFR, VUG and Maroc Telecom. The margin from operations rate was stable at 49%. However, if mobile-to-mobile sales at SFR had been invoiced since January 1, 2004 instead of January 1, 2005 (applying in 2004 the rate applied in 2005), the margin from operations rate would have increased by 2 basis points (49% in 2005 compared to 47% in 2004). This increase was mainly due to improved margins at Vivendi Games, which strongly benefited from the immediately profitable launch of *World of Warcraft* and efficient cost control, notwithstanding the negative impact of non-recurring costs associated to product cancellations and the write-off of certain titles.

Selling, general and administrative expenses

In 2005, selling, general and administrative expenses amounted to 5,807 million compared to 5,464 million in 2004, representing an increase of 343 million. This increase in cost was mainly due to the impact of a 220 million fine from the French Antitrust Council. Please refer to Item 18. Financial Statements Note 30 .

Depreciation and amortization

Depreciation and amortization are part of either administrative and commercial expenses or cost of revenues. In 2005, depreciation and amortization amounted to 1,525 million compared to 1,654 million in 2004, representing a 129 million decrease. This improvement was mainly due to changes in the scope of UMG (divestiture of CD and DVD manufacturing facilities in the United States and Germany in May 2005), slightly offset by higher amortization costs at SFR, as a result of the commencement of the amortization period for the UMTS license beginning mid June 2004.

Other operating expenses

In 2005, other operating expenses amounted to 33 million compared to 86 million in 2004, representing a 53 million decrease. They mainly consisted of restructuring charges (primarily at Maroc Telecom and UMG), which amounted to 51 million in 2005 compared to 103 million in 2004.

Earnings from operations

In 2005, Vivendi s earnings from operations amounted to 3,746 million compared to 3,233 million in 2004.

This 15.9% increase (+ 513 million) resulted from higher revenues (particularly at SFR, Maroc Telecom and Vivendi Games), combined with efficient cost control within the Group (mainly at SFR, Vivendi Games and UMG) and a reduction in restructuring costs (notably at UMG and Vivendi Games). In 2005, earnings from operations were negatively impacted by 115 million as a result of a 220 million fine from the French Antitrust Council which was partly offset by favorable non-recurring items of 105 million. In 2004, earnings from operations included non-recurring costs associated to product cancellations and the write-off of certain titles at VUG.

On a comparable basis, earnings from operations increased by 457 million to 3,719 million, representing a 14.0% increase (+13.7% at constant currency), compared to 3,262 million in 2004.

Other income from ordinary activities

In 2005, other income from ordinary activities amounted to 75 million, compared to 89 million in 2004, representing a 14 million decrease.

In 2005, other income from ordinary activities included 38 million of dividends received from unconsolidated companies (compared to 23 million in 2004) including Veolia Environnement which was previously equity-accounted and 37 million of interests received for long-term financial receivables (compared to 66 million in 2004). This decline in interest income resulted from the fact that Vivendi ceased to record interest related to Elektrim Telekomunikacja s loan due to the company s situation. Please refer to Item 18. Financial Statements Notes 2.3 and 30 .

Other charges from ordinary activities

In 2005, other charges from ordinary activities amounted to 170 million compared to 25 million in 2004, representing a 145 million increase. They included non-cash adjustments relating to the NBC-Universal transaction (124 million) as well as exceptional goodwill amortization (48 million) at UMG, which was recorded to offset the activation of deferred tax assets related to ordinary loss carry forwards not recognized at the end of 2000 as part of the purchase price allocation of UMG.

Income from equity affiliates

In 2005, income from equity affiliates amounted to 326 million, compared to 221 million in 2004, representing a 105 million increase, including 156 million from VUE/NBC Universal. Specifically, it included Vivendi s equity interest in twelve months of 2005 NBC Universal earnings (361 million) compared to 234 days of NBC Universal earnings and 132 days of 20% of VUE earnings in 2004 (NBCU was created through the combination of NBC and VUE as of May 11, 2004). In addition, in 2005, income from equity affiliates included 50 million in Neuf Cegetel losses compared to 22 million in Cegetel SAS losses in 2004.

Interest

In 2005, interest amounted to 218 million compared to 406 million in 2004, representing a 188 million decrease. The average amount of borrowings (calculated on a daily basis) decreased to 6.7 billion in 2005 compared to 8.9 billion in 2004. This decrease was mainly due to the impact of the divestiture plan and in particular the divestiture of VUE in May 2004.

In 2005, average borrowing costs decreased to 3.92%, compared to 5.01% in 2004. This decrease resulted from the combined effect of the redemption of the High Yield Notes (83% in June 2004 and the remaining Notes in January 2005), funded by the proceeds received from the NBC-Universal transaction as well as new credit facilities obtained under better financial terms in 2004 and 2005 as a result of the upgrading of Vivendi s credit rating to Investment Grade in 2004.

In March 2005, Vivendi completed its plan to unwind interest rate swaps without cash consideration, which represented a 84 million charge for the full year of 2004.

Other financial charges and income

In 2005, other financial charges and income generated a 619 million income compared to a 1,126 million income in 2004, representing a 607 million decrease.

Other financial charges and income mainly included the amortized cost on borrowings (including premiums incurred for the early redemption of borrowings and for the unwinding of derivative instruments), changes in value of derivative instruments, gains/ losses on foreign currency translations (other than gains/ losses on foreign currency translations on operating activities, recorded in earnings from operations), financial component of costs related to employee benefit plans, as well as capital gains/ losses on the divestiture of businesses or financial investments.

Impact of amortized cost on borrowings (including premiums incurred for early redemption)

In 2005, the impact of amortized cost on borrowings was a charge of 115 million (compared to a charge of 486 million in 2004). This improvement was due to the large number of early redemptions of borrowings in

2004 following the NBC-Universal transaction. These early redemptions generated exceptional costs in 2004 and lower recurring costs in 2005 as the total amount of borrowings declined:

Premiums incurred for the early redemption of notes and other financial liabilities represented a charge of 71 million as of December 31, 2005, compared to a 308 million charge as of December 31, 2004, corresponding to the premium (including accrued interests) related to the early redemption of 83% of the High Yield Notes in June 2004. A charge of 50 million was incurred in 2005 for the redemption of the remaining High Yield Notes in January 2005. In addition, the early redemption of the bonds exchangeable into Vinci shares in the course of March 2005 generated a charge of 27 million.

In 2005, the impact of amortized cost on borrowings represented a charge of 44 million (compared to a charge of 178 million as of December 31, 2004, including a 53 million charge due to the cancellation of credit lines following the NBC-Universal transaction).

Changes in value of derivative instruments

In 2005, the depreciation of derivative instruments generated a loss of 2 million compared to a 10 million loss in 2004. This decrease was due to:

the early termination of the collar on the 5% stake in Veolia Environnement in 2005, representing an upside adjustment of 25 million;

the upside adjustment to the value of the embedded option on the bonds exchangeable into Sogecable shares (16 million in 2005), corresponding to the portion of the bonds not exchanged during the fourth quarter of 2005, compared to a downside adjustment of 11 million in the first nine months of 2004; and

the smaller downside adjustment to the value of the put option granted to SNCF on 35% of the capital of Cegetel SAS exercised on August 22, 2005 (14 million as of December 31, 2005, compared to 35 million as of December 31, 2004).

In addition, in 2004, downside adjustments were partly offset by the upside adjustment of the value of the interest rate swaps without cash consideration (18 million).

Change in financial component of costs related to employee benefit plans

In 2005, the financial component of costs related to employee benefit plans remained nearly unchanged at 35 million (including 75 million of interest charges and 40 million of expected return on assets) compared to 37 million in 2004 (including 83 million for the effect of undiscounting actuarial losses and 46 million of expected return on assets).

Gain/(loss) on the divestiture of businesses or financial investments

In 2005, gains or losses on the divestiture of businesses or financial investments amounted to 668 million. They resulted from the financial gain on the exchange of Sogecable shares related to the redemption of bonds exchangeable into Sogecable shares (256 million), the gains related to the unwinding of IACI s interest in VUE (194 million), the financial gain on the early termination of the collar on the 5% stake in Veolia Environnement (115 million) and on the divestiture of the stake in Lagardère Thématiques (26 million), as well as capital gains on the divestiture of remaining assets at UCI (34 million).

In 2004, they amounted to 1,738 million and resulted from the impact of the divestiture of 15% of Veolia Environnement which represented a portion of Vivendi s 20.3% stake in this company (1,606 million), various liquidation bonuses (74 million), capital gains on the divestiture of the flux-divertissement business of StudioExpand and Canal+ Benelux (65 million), certain UCI assets (64 million), Kencell (39 million) and Sportfive (38 million) and the impact of the abandonment of Internet operations (34 million) as well as the financial gain on the divestiture of the stake in Viva Media (26 million). These positive impacts were partly offset by provisions recorded for the NC Numéricâble divestiture (56 million).

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Provisions for income taxes

In 2005, provision for income taxes amounted to 204 million compared to 292 million in 2004. The effective tax rate amounted to 4.7% in 2005 compared to 6.7% in 2004. Excluding the impact of non-recurring items, the effective tax rate reached 20% in 2005 compared to 23% in 2004.

Excluding the impact of non-recurring tax items and taxes related to non-recurring items (change in deferred tax assets, reversal of deferred tax liabilities relating to tax years no longer open to audit), the tax expense increased by 63 million, due to higher taxable earnings (UMG, SFR, Maroc Telecom). This increase was offset by tax savings resulting from the utilization of ordinary losses carried forward (mainly in France, including the impact of the Consolidated Global Profit Tax System and in the United States).

Earnings from discontinued operations

In 2005, earnings from discontinued operations generated a 92 million profit equal to 72% of the charges and income generated by Cegetel over the period, i.e. a loss of 29 million (the residual 28% being classified in income from equity affiliates) and capital gains generated by the divestiture of Cegetel, i.e. 121 million. In accordance with IFRS 5, following the Cegetel-Neuf Telecom combination, which was announced on May 11, 2005 and closed on August 22, 2005, Cegetel qualified as a discontinued operation.

In 2004, earnings from discontinued operations amounted to 777 million, essentially reflecting the impact of the divestiture of VUE in May, 2004. This impact was comprised of 80% of charges and income generated by VUE over the period for 132 million (the residual 20% being classified in income from equity affiliates) and 707 million of capital gains generated by the divestiture.

Minority Interests

In 2005, earnings attributable to minority interests, mainly of SFR and Maroc Telecom, amounted to 1,112 million compared to 1,056 million in 2004, representing a 56 million increase. The decline resulting from the acquisition of an additional 16% interest in Maroc Telecom in January 2005 was more than offset by the increase of SFR s earnings attributable to minority interests as a result of increased earnings at SFR.

Adjustments to conform to US GAAP

The following is a summary of the most significant adjustments to our Consolidation Statement of Earnings for the years ended December 31, 2005 and December 31, 2004, which would be required if US GAAP had been applied instead of IFRS.

	Year Ended December 31,	
US GAAP	**2005**	**2004**
	(In millions, except per share amount)	
Revenues	20,156	21,208
Earnings from operations(a)	3,311	3,334
Earnings, attributable to equity holders of the parent	2,571	2,921
Earnings, attributable to equity holders of the parent per share basic	2.39	2.73
Earnings, attributable to equity holders of the parent per share diluted	2.28	2.61

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(a) The reconciliation of the earnings from operations as reported under IFRS to the earnings from operations under US GAAP is as follows:

	Year Ended December 31, 2005								
	UMG	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding and Corporate	Non core operations	VUE	Total Vivendi
	(In millions of euros)								
Earnings from operations IFRS	480	41	203	2,422	762	(195)	33		3,746
Adjustments to conform to US GAAP									
Business combinations/goodwill/impairment	(2)		2	(6)		(124)			(130)
Divestiture of Cegetel				(51)		(2)			(53)
Employee benefit plans	(23)					(44)			(67)
Share-based compensation	1					45			46
Intangible assets		(6)		(147)	(31)				(184)
Other	(22)	(10)		12	(14)	(21)	8		(47)
Earnings from operations US GAAP	434	25	205	2,230	717	(341)	41		3,311

	Year Ended December 31, 2004								
	UMG	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding and Corporate	Non core operations	VUE	Total Vivendi
	(In million of euros)								
Earnings from operations IFRS	359	(203)	188	2,332	662	(193)	88		3,233
Adjustments to conform to US GAAP									
Business combinations/goodwill/impairment	(6)	(2)	(19)						(27)
Divestiture of VUE and Cegetel	1			(67)		(1)		387	320
Employee benefit plans	(31)					(55)			(86)
Share-based compensation	6	5	10	14	1	8			44
Intangible assets		6		(110)					(104)
Other	(33)	(15)	(20)	3	11		8		(46)
Earnings from operations US GAAP	296	(209)	159	2,172	674	(241)	96	387	3,334

Comparison of 2005 versus 2004

Earnings from operations

The most significant reconciliation items between IFRS and US GAAP impacting earnings from operations in 2005 and 2004 are as follows:

Divestiture of VUE (May 2004) and Cegetel (August 2005): Under US GAAP, VUE and Cegetel did not qualify as discontinued operations and as a result were fully consolidated in the consolidated statement of earnings until their disposal, which occurred on May 11, 2004 and August 22, 2005, respectively. However, these operations qualified as discontinued under IFRS and were presented on a single line of the statement of earnings during the relevant periods. See Item 18. Financial Statements Note 34.4 .

Acquisition of minority interests in SFR (26% in January 2003) and in Maroc Telecom (16% in January 2005): Under US GAAP, acquisitions of minority interests in SFR and Maroc Telecom were treated as step- up acquisitions and consequently, the purchase price was allocated to the fair value of the incremental portion of the identifiable assets acquired and liabilities assumed, with any excess being allocated to goodwill. Under IFRS, the difference between the purchase price of the minority interests acquired and their net carrying value was recognized as goodwill. Consequently, earnings from operations in US GAAP include the amortization of the portion of the purchase price allocated to definite-lived intangible assets, in particular to customer relationship. Regarding SFR, the customer relationship was valued on the basis of both the acquisition costs of new customers at the date of the transaction and the discounted value of expected revenues attributable to the customers

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existing at the date of the acquisition. This customer relationship is amortized over periods ranging from 3 to 5 years. The related charge amounted to 147 million in 2005 and 2004. For Maroc Telecom, in US GAAP, the customer relationships were valued on the basis of the discounted value of expected revenues attributable to the customers existing at the date of the acquisition. These customer relationships are amortized over periods ranging from 6 to 7 years. The mobile license is amortized over 11 years. The related amortization charges amounted to 31 million in 2005. See Item 18. Financial Statements Note 34.5 .

Impairment losses of goodwill and other intangible assets acquired through business combinations: the impairment losses recorded with respect to goodwill and other intangible assets acquired through business combinations were included in earnings from operations under US GAAP for 130 million in 2005 and 27 million in 2004. Under IFRS, they were excluded from earnings from operations. See Item 18. Financial Statements Note 34.5 .

Earnings attributable to equity holders of the parent

For the years ended December 31, 2005 and 2004, earnings attributable to equity holders of the parent amounted to 2,571 million and 2,921 million, respectively under US GAAP, compared to 3,154 million and 3,767 million under IFRS.

In 2005, the most significant reconciling item between IFRS and US GAAP impacting earnings attributable to equity holders of the parent were the changes in estimates of uncertainties related to income taxes in a business combination. Under IFRS, pursuant to IAS 12, adjustments resulting from the post-acquisition changes in estimates of income tax uncertainties existing or arising at the time of a business combination are recognized in the income statement. Under US GAAP, such adjustments reduce or increase goodwill. In 2005, under IFRS, a tax benefit of 273 million was recorded as an income due to adjustments resulting from changes in estimates of income tax uncertainties, whereas under US GAAP, those adjustments were recorded as goodwill, which generated a reconciling difference of 287 million on the Statement of Financial Position (after taking into account a foreign currency translation adjustment of 14 million). In 2004, no material reconciling difference was generated.

In 2004, one of the most significant reconciling items related to capital gain on the divestiture of VUE. Under IFRS, VUE was classified as an asset held for sale as of January 1, 2004 and measured at the lower of carrying value and fair value less selling costs. However, under US GAAP, it was classified as an asset held for sale in 2003 and the following reconciliation items between IFRS and US GAAP had to be considered:

under IFRS, the carrying value did not include that portion of the cumulative translation adjustment which was reclassified to earnings at the time of divestiture. In addition, as a result of its reversal against retained earnings pursuant to IFRS 1, the cumulative foreign currency translation adjustments were nil as of January 1, 2004; and

under US GAAP, the carrying value also included that portion of the cumulative translation adjustment which was reclassified to earnings at the time of divestiture. As a result, the carrying value of VUE was reduced and a corresponding impairment loss of 920 million was recognized on December 31, 2003.

Under US GAAP, the divestiture of 80% of VUE generated a capital gain of 377 million compared to 707 million under IFRS. See Item 18. Financial Statements Note 34.4.1 .

Furthermore, in 2004, given the developments surrounding the ownership of Elektrim Telekomunikacja s interest in PTC (see Item 18. Financial Statements Note 2), the carrying value of this investment was fully impaired in the US GAAP consolidated statement of financial position, as it has been in the primary GAAP consolidated statement of financial position since December 31, 2002. In 2001, the impairment related to Elektrim Telekomunikacja that had been recognized under primary GAAP included an accrual for contingent losses (300 million) that did not meet the FAS 5 criteria for accrual and therefore was not taken into account under US GAAP. No other material impairment losses were recognized as of December 31, 2004.

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Business segment results

Revenues and earnings from operations by business segment for the years ended December 31, 2005 and 2004
Revenues and earnings from operations as published by business segment for the years ended December 31, 2005 and 2004

The table below presents the Group s revenues and earnings from operations by business segment for each of the years ended December 31, 2004 and 2005.

	AS PUBLISHED		
	Year ended December 31,		
	2005	**2004**	**% Change**
	(In millions of euros)		
Revenues			
Universal Music Group	4,893	4,989	-1.9%
Vivendi Games	641	475	34.9%
Canal+ Group	3,452	3,560	-3.0%
SFR(a)	8,687	7,192	20.8%
Maroc Telecom	1,860	1,581	17.6%
Non core operations and elimination of inter segment transactions(b)	(49)	86	na*
Total Vivendi	19,484	17,883	9.0%
Earnings from operations			
Universal Music Group	480	359	33.7%
Vivendi Games	41	(203)	na*
Canal+ Group	203	188	8.0%
SFR(a)	2,422	2,332	3.9%
Maroc Telecom	762	662	15.1%
Holding & Corporate	(195)	(193)	-1.0%
Non core operations(b)	33	88	-62.5%
Total Vivendi	3,746	3,233	15.9%
Earnings from operations/Revenues(%)	19%	18%	+1 point

na: not applicable*

(a) In accordance with IFRS 5, Cegetel qualified as discontinued operations as of January 1, 2004. Net income and expenses from January 1, 2004 to August 22, 2005 were deconsolidated and presented in the amount of 71.8% in earnings from discontinued operations and in the amount of 28.2% in income from equity affiliates. Consequently, revenues and earnings from operations as published for SFR for both 2005 and 2004 exclude Cegetel and only include mobile operations (including the distribution subsidiaries as of January and April 2005). In addition, as of January 1, 2005, SFR revenues include mobile-to-mobile sales for 909 million for the year ended December 31, 2005.

(b) Includes Vivendi Telecom International, Vivendi Valorisation and other non core businesses.

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Revenues and earnings from operations on a comparable basis by business segment for the years ended December 31, 2005 and 2004

The table below presents the Group s revenues and earnings from operations by business segment on a comparable basis for each of the years ended December 31, 2004 and 2005. Comparable basis essentially illustrates the effect of the divestitures that occurred in 2005 (primarily, NC Numéricâble) and 2004 (mainly, the Flux-divertissement business of StudioExpand, Canal+ Benelux, UMG s music clubs, Kencell and Monaco Telecom) and includes the full consolidation of minority interests in distribution subsidiaries at SFR and of Mauritel at Maroc Telecom as if these transactions had occurred as of January 1, 2004. In 2004, comparable basis also includes estimated mobile-to-mobile sales at SFR applying in 2004 the rate applied in 2005. Comparable basis results are not necessarily indicative of the combined results that would have occurred had the events actually occurred as of January 1, 2004.

	COMPARABLE BASIS (UNAUDITED)			
	Year ended December 31,			
	2005	2004	% Variation	% Change at constant currency
	(In millions of euros)			
Revenues				
Universal Music Group	4,893	4,819	1.5%	1.6%
Vivendi Games	641	475	34.9%	34.6%
Canal+ Group	3,407	3,277	4.0%	3.3%
SFR(a)	8,687	8,117	7.0%	7.0%
Maroc Telecom	1,860	1,611	15.5%	16.0%
Non core operations and elimination of inter segment transactions	(49)	(62)	21.0%	21.0%
Total Vivendi	19,439	18,237	6.6%	6.5%
Earnings from operations				
Universal Music Group	480	399	20.4%	18.8%
Vivendi Games	41	(203)	na*	na*
Canal+ Group	176	187	-5.9%	-9.3%
SFR(a)	2,422	2,338	3.6%	3.6%
Maroc Telecom	762	671	13.6%	14.2%
Holding & corporate	(195)	(193)	-1.0%	-1.6%
Non core operations	33	63	-47.6%	-47.6%
Total Vivendi	3,719	3,262	14.0%	13.7%
Earnings from operations/Revenues (%)	19%	18%	+1 point	+1 point

na: not applicable*

(a) As of January 1, 2005, SFR revenues include mobile-to-mobile sales for 909 million for the year ended December 31, 2005. In 2004, comparable basis also included estimated mobile-to-mobile sales applying in 2004 the rate applied in 2005, representing 875 million for the year ended December 31, 2004.

Reconciliation of revenues and earnings from operations as published to revenues and earnings from operations on a comparable basis

Vivendi provides information related to the operating performances of its businesses on a comparable basis in order to better reflect the actual results of the operations, adjusted from changes in the scope of consolidation, and because it is recommended under IFRS to promote comparability. Nonetheless, this information on a comparable basis is not compliant with pro forma information as required by Article 11 of Regulation S-X under the US Securities Exchange Act of 1934. Revenues and earnings from operations on a comparable basis provide useful information to investors because they include comparable operations in each period presented and thus represent meaningful comparative information for assessing earnings trends.

For the year ended December 31, 2005

For the year ended December 31, 2005, the contribution of the Canal+ Group assets divested in 2005 (mainly NC Numéricâble) to revenues and earnings from operations as published amounted to 45 million and 27 million, respectively. Revenues and earnings from operations on a comparable basis excluded this impact.

For the year ended December 31, 2004

	Year ended December 31, 2004								
	As published	Divestiture of Canal+ assets(a)	UMG Music Clubs	SFR s distribution subsidiaries	Mobile-to-mobile sales(b)	Mauritel	Divestiture of VTI assets(c)	Other	Comparable basis (unaudited)
	(In millions of euros)								
Revenues									
Universal Music Group	4,989		(170)						4,819
Vivendi Games	475								475
Canal+ Group	3,560	(283)							3,277
SFR	7,192			50	875				8,117
Maroc Telecom	1,581					31		(1)	1,611
Non core operations and elimination of inter segment transactions	86						(118)	(30)	(62)
Total Vivendi	17,883	(283)	(170)	50	875	31	(118)	(31)	18,237
Earnings from operations									
Universal Music Group	359		40						399
Vivendi Games	(203)								(203)
Canal+ Group	188	(1)							187
SFR	2,332			6					2,338
Maroc Telecom	662					9			671
Holding & Corporate	(193)								(193)
Non core operations	88						(17)	(8)	63
Total Vivendi	3,233	(1)	40	6		9	(17)	(8)	3,262
Earnings from operations/Revenues(%)	18%								18%

(a) Mainly corresponds to Flux-divertissement business of StudioExpand, Canal+ Benelux and NC Numéricâble.

(b) Corresponds to an estimate of the mobile-to-mobile sales applying in 2004 the rate applied in 2005.

(c) Corresponds to Monaco Telecom and Kencell.

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Comments on revenues and earnings from operations for controlled business segments

Universal Music Group (UMG)

The following table analyzes revenues and earnings from operations for Universal Music Group (UMG) for the years ended December 31, 2005 and 2004.

	Year ended December 31,				
	As published			Comparable basis (unaudited)(a)	
	2005	2004	% change	% change	% change at constant currency
	(In millions of euros, except for margins)				
Revenues					
North America(b)	2,091	2,006	4.2%	4.2%	4.5%
Europe	1,821	2,003	-9.1%	-0.6%	-0.6%
Asia	425	455	-6.6%	-6.6%	-5.0%
Rest of the world(b)	207	191	8.5%	8.5%	1.9%
	4,544	4,655	-2.4%	1.3%	1.4%
Publishing	392	372	5.6%	5.6%	5.8%
Elimination of intercompany transactions	(43)	(38)	-14.6%	-14.6%	-14.7%
Total UMG	4,893	4,989	-1.9%	1.5%	1.6%
Earnings from operations	480	359	33.8%	20.4%	18.8%
Earnings from operations/Revenues (%)	10%	7%	+3 points	+2 points	+2 points
Physical market shares(c)					
North America	34.0%	32.5%			
Europe	25.4%	26.8%			
Asia	12.3%	12.4%			
Rest of the world	na*	na*			
Total UMG	25.6%	25.5%			
Physical music market growth(c)					
North America	-7.0%	2.2%			
Europe	-5.0%	-5.3%			
Asia	-8.8%	-1.8%			
Rest of the world	na*	na*			
Total World	-6.3%	-1.3%			

**na: not applicable.*

(a) Comparable basis primarily illustrates the effect of the divestitures of UMG s music clubs in the United Kingdom and in France as if these transactions had occurred as of January 1, 2004.

(b) In order to better reflect management responsibility, some operations presented in rest of the world in 2004 were reallocated to North America. As a result, breakdown of revenues by business differs from figures published in 2004.

(c) Physical music market and market share data for 2005 are UMG estimates using the IFPI methodology. Physical music market and market share data for 2004 are IFPI data. Excludes digital sales.

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Best-selling titles (units sold, in millions)

Artist	2005 Units	Artist	2004 Units
Mariah Carey	8	Eminem	9
50 Cent	8	U2	8
Black Eyed Peas	7	Shania Twain	5
Eminem	5	Guns N Roses	5
Gwen Stefani	4	Black Eyed Peas	4
Kanye West	4	Nelly (Suit)	4
Jack Johnson	4	Ashlee Simpson	4
The Game	3	D-12	3
Nickelback	3	Kanye West	3
NOW 20	3	Keane	3
The Killers	3	NOW 16	3
Bon Jovi	3	Toby Keith	3
OST Get Rich Or Die Tryin	2	George Strait	3
The Pussycat Dolls	2	Hoobastank	3
Fallout Boy	2	Gwen Stefani	2
% of top 15 of total units sold by UMG	13%		13%

Revenues

UMG estimates that the global music market declined by 2% in 2005 with a 6% decline in physical music sales partly offset by strong growth in the digital sector. The IFPI reported that sales of music via the Internet and mobile phones were $1.1 billion for the record industry in 2005 compared to $380 million in 2004. For the first six months of the year, according to the IFPI, the global music market declined by 1.9% with higher digital sales nearly offsetting a 6% decrease in physical music sales.

In the US, total album unit sales for the industry as measured by SoundScan decreased by 7.2%, while sales of digital tracks increased from 141 million in 2004 to 353 million in 2005. In 2005, UMG outperformed the market with a 2-basis point increase in market share reaching an unprecedented 31.7%. UMG had the top two best-selling albums of the year with Mariah Carey and 50 Cent and seven of the top 10 and twenty seven of the top 50.

UMG s revenues amounted to 4,893 million, a 1.6% increase on a comparable basis at constant currency, with growth in North America and music publishing offsetting weakness in Asia. Digital sales were 259 million, nearly three times the number of 2004 sales, and represented 5.3% of UMG s total revenues. There was strong growth in both the on-line and mobile sectors.

Best-sellers in 2005 included new releases from Mariah Carey, 50 Cent, Black Eyed Peas, Eminem, Kanye West and Jack Johnson in addition to very strong carryover sales from Gwen Stefani. Other best-sellers were debut releases from The Game, The Pussycat Dolls, Fall Out Boy, Akon and the U.K. s Kaiser Chiefs. Regional best sellers included Latin artists Juanes and Daddy Yankee, Germany s Rammstein, Brazil s Ivete Sangalo and France s Chimène Badi.

Earnings from operations

Earnings from operations increased to 480 million, an 18.8% increase on a comparable basis at constant currency. This increase reflects higher sales volumes, continued cost savings efforts and lower restructuring charges in 2005.

UMG artists dominated the best seller lists in their major markets, topping all the major music genres which enabled UMG to gain market share and lead the competition by earning an unprecedented 40 Grammy awards.

Vivendi Games

The following table analyzes revenues and earnings from operations for Vivendi Games for the years ended December 31, 2005 and 2004.

	As published			
	Year ended December 31,			
	2005	2004	% change	% change at constant currency
	(In millions of euros, except for margins)			
Revenues	641	475	34.9%	34.6%
Earnings from operations	41	(203)	na*	na*
Earnings from operations/ Revenues(%)	6%	na*	na*	na*
% sales				
PC	17%	46%		
Console	34%	48%		
Online games and other	49%	6%		
Breakdown of revenues by geographical area				
North America	53%	56%		
Europe	33%	34%		
Asia pacific and rest of the world	14%	10%		

**na: not applicable*

Best-selling titles	2005	2004
	World of Warcraft	*Half-Life 2*
	50 Cent: Bulletproof	*Simpsons: Hit and Run*
	Crash Tag Team Racing	*Crash Twinsanity*
	Robots	*World of Warcraft*
	F.E.A.R.	*Spyro: A Hero s Tail*
	Hulk II	

Revenues

In 2005, Vivendi Games revenues amounted to 641 million, a 34.9% increase compared to 2004 (a 34.6% increase at constant currency). This increase was driven by the MMORPG *World of Warcraft* as well as the very strong performance of the fourth quarter release *50 Cent: Bulletproof,* the gritty urban action game starring multi-platinum recording artist 50 Cent. Other top sellers during 2005 included the new releases *Robots, Hulk II, F.E.A.R.*, which was named Best Action Game of E3 2005 by the E3 Critics, *Crash Tag Team Racing* and strong sales in North America from the distribution of *Delta Force: Black Hawk Down* and *FlatOut*.

During 2005, *World of Warcraft* was successfully launched in several key territories South Korea (January), Europe (February), China (June) and Taiwan (November) and continued its strong growth in North America following its commercial launch in late 2004.

World of Warcraft continues to be the fastest-growing game in its category, totaling more than 5.5 million customers globally via directly managed operations in North America, Europe and South Korea and licensed operations in China and Taiwan.

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Earnings from operations

In 2005, Vivendi Games earnings from operations amounted to 41 million, a 244 million increase compared to a loss of 203 million (243 million at constant currency). This strong and fast improvement in earnings from operations is the result of a strategy followed since 2004 and new developments (on-line and studios acquisitions), which resulted in a better balanced portfolio of products due to the extraordinary on-line game activity growth illustrated by the remarkable success of *World of Warcraft*. Lower costs resulting from the global turnaround plan executed in 2004 also impacted the earnings from operations positively. Additional releases contributing to the strong performance included *50 Cent: Bulletproof, Robots, Hulk II, F.E.A.R.* and *Crash Tag Team Racing* as well as the North America distribution of *Delta Force: Black Hawk Down* and *FlatOut*. However, earnings from operations included increased product development costs linked to recently acquired studios (Radical, Swingin Ape, Swordfish and High Moon).

The Canal+ Group

The following table analyzes revenues and earnings from operations for the Canal+ Group for the years ended December 31, 2005 and 2004.

	Year ended December 31,			
	As published			Comparable basis (unaudited)(a)
	2005	2004	% change	% change
	(In millions of euros, except for margins)			
Revenues				
Pay-TV France(b)	2,765	2,663	3.8%	4.3%
Other core operations(b)	642	624	2.9%	3.1%
Other(b)	45	273	-83.5%	na*
Total Canal+ Group	3,452	3,560	-3.0%	4.0%
Earnings from operations	203	188	8.0%	-5.9%
Earnings from operations/Revenues(%)	6%	5%	+1 point	
Subscriptions (in thousands)				
Analog	2,278	2,455	-7.2%	-7.2%
Digital	2,186	1,917	14.0%	14.0%
Individual subscribers	4,464	4,372	2.1%	2.1%
Collective(c)	407	395	3.0%	3.0%
Overseas (individual and collective)(c)	190	188	1.1%	1.1%
Total Canal+ (premium channel)	5,061	4,955	2.1%	2.1%
CanalSat	3,192	2,989	6.8%	6.8%
NC Numéricâble		436	na*	na*
Total subscriptions in France	8,253	8,380	-1.5%	3.9%

**na: not applicable.*

(a) Comparable basis primarily illustrates the effect of the divestitures made by the Canal+ Group (Canal+ Benelux in 2004 and NC Numéricâble in March 2005) as if these transactions had occurred as of January 1, 2004.

(b) To better reflect the performances of each separate business, the Canal+ Group has reallocated dedicated operations (notably NC Numéricâble, with revenues of 175 million in 2004) to the line Other and holding costs to the line Other core operations ; these elements were previously reported in Pay-TV France . Moreover, the line Other core operations includes operations from StudioCanal, pay-TV activities in Poland, PSG soccer club and holdings.

(c) Overseas collective subscriptions, previously recorded under the Collective line in 2004, are now reported with individual subscribers in Overseas line.

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Revenues

The Canal+ Group reported revenues of 3,452 million, a 130 million increase on a comparable basis representing a 4% increase compared to 2004.

Pay-TV

In 2005, on a comparable basis, revenues from pay-TV operations in France increased by 114 million, a 4% increase compared with year-end 2004, due to increased revenue per subscriber and a larger subscription base.

The Group s total portfolio as of December 31, 2005 reached 8.25 million subscriptions. Net additions over the year were approximately 310,000. In 2005, the Canal+ Group achieved over 1.1 million gross additions, a 13% increase compared to 2004, including approximately 640,000 to Canal+, which posted its best recruitment period since 1987.

Total subscriptions to Canal+ at the end of 2005 were 5.06 million, a 105,000 increase compared with December 2004. This was more than twice the growth in 2004. The churn rate stood at 11.4%. Launched in March 2005, the Canal+ Group s premium channel package, Canal+ *Le Bouquet,* represented more than 52% of the total Canal+ subscriptions at the end of 2005.

CanalSat subscriptions as of December 31, 2005 reached 3.19 million, a nearly 205,000 increase compared to 2004. Over the year, CanalSat recruited over 480,000 new subscribers (an 8% increase compared with 2004), while maintaining a churn rate slightly below 10%.

Other core operations

Other Canal+ Group operations increased revenues by 3% compared with 2004 on a comparable basis. The slight decrease in StudioCanal sales (a 3% decrease at 380 million) reflected the termination of non-profitable businesses, particularly in-house film production. Pay-TV operations in Poland performed strongly (a 28% increase at 193 million) mainly due to an increased subscription portfolio.

Earnings from operations

The Canal+ Group s 2005 earnings from operations amounted to 203 million, an 8.0% increase compared to 2004. On a comparable basis, earnings from operations were close to those of 2004.

Pay-TV

Portfolio growth and price increases achieved in 2004 led to increased revenues in 2005, both from Canal+ and CanalSat. In 2005, earnings from operations also reflected higher marketing costs due to record gross subscriber additions (1.1 million gross additions, a 13% increase compared with 2004) and the start of a new contract for exclusive broadcasting of League 1 soccer. These investments will be amortized starting 2006, as portfolio net growth (+310,000) and higher revenues per subscriber in 2005 will have produced their full effect.

Other core operations

Other Canal+ Group operations generated a sharp increase in earnings from operations, due to higher pay-TV subscriptions in Poland and the success of StudioCanal s Working Title deal.

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SFR

The following table analyzes revenues and earnings from operations for SFR for the years ended December 31, 2005 and 2004.

	Year ended December 31,			
	As published			Comparable basis (unaudited)(a)
	2005	2004	% change	% change
	(In millions of euros, except for margins)			
Revenues				
Network revenues	8,220	6,837	20.2%	7.1%
Equipment sales, net	348	286	21.7%	-6.2%
Other (including connection fees)	119	69	72.5%	72.5%
Total SFR	8,687	7,192	20.8%	7.0%
Earnings from operations	2,422	2,332	3.9%	3.6%
Earnings from operations/Revenues(%)	na*	na*	na*	-1 point(b)
Capital expenditures (Capex)	1,072	876	22.4%	20.4%
Customers (end of period, in thousands)(c)				
Postpaid	10,880	9,601	13.3%	
Prepaid	6,318	6,219	1.6%	
Total SFR trade name	17,198	15,820	8.7%	
Wholesale customers total base	119		na*	
Total SFR network	17,317	15,820	9.5%	
Market share (customer base)(c)/(d)	35.8%	35.5%	+0.3 point	
Market share (new customers)(c)/(d)	39.4%	38.2%	+1.2 point	
ARPU (in euros/year)(e)				
Postpaid	576	603	-4.5%	-3.7%
Prepaid	186	183	1.6%	1.8%
Total	429	432	-0.7%	-0.2%
Data ARPU (in euros/year)	59	50	18.0%	
AUPU (in minutes/year)(f)	296	268	10.5%	
Churn rate (in %/year)				
Postpaid	12%	14%	-2 points	
Total SFR customers	23%	24%	-1 point	

**na: not applicable.*

(a) For 2004, comparable basis includes estimated mobile-to-mobile sales at SFR applying in 2004 the rate applied in 2005 and illustrates the full consolidation of minority stakes in distribution subsidiaries as of January 1, 2004. It does not include the revenues from phone directory activities (Annuaire Express) as of January 1, 2004 (with an impact on network revenues and ARPU and with no impact on SFR total revenues).

(b) On a comparable basis, the margin rate declined in 2005 compared to 2004 due to a fine from the French Competition Council, which SFR appealed.

(c) Source: French Telecommunications Regulatory Authority (ARCEP).

(d) SFR excluding wholesale customer total base.

(e) ARPU (Average Revenue Per User) is calculated by dividing revenues net of promotions and net of third-party content provider revenues (including toll numbers related revenues) excluding roaming in and equipment sales by average ARCEP total customer base for the last twelve months. ARPU is calculated excluding estimated mobile-to-mobile sales.

(f) AUPU (Average Usage per User) is defined as the incoming and outgoing voice volumes divided by the average customer base (as defined by ARCEP) for the last twelve months.

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Revenues

SFR revenues increased by 20.8% from 2004 to 8,687 million. On a comparable basis, revenues increased by 7.0%, mainly reflecting the year on year increase in the customer base combined with a stable blended ARPU despite a 16.3% decrease in fixed incoming voice termination rate on January 1, 2005. Excluding the call termination rate decrease, revenue s growth would have been 8.4%.

SFR demonstrated continuing commercial dynamism throughout the twelve months of 2005 with 1.378 million net new customers, taking its registered customer base to 17.198 million, an 8.7% increase compared to 2004. The postpaid customer base grew by 13.3% year on year to 10.880 million, with more than 90% of new customers being postpaid customers.

Blended annual ARPU excluding mobile-to-mobile termination remained stable at 429, despite the fixed incoming voice rate cut, benefiting from the improved customer mix at 63.3% of postpaid (compared to 60.7% in 2004) and a 10.5% increase in the blended average voice usage per customer (AUPU) to 296 minutes per month.

These results highlighted the success of SFR s strategy to substitute fixed voice usage with mobile voice usage and to develop new services around music, video and TV. This was made possible due to additional voice capacity and speed brought by SFR investments in 3G technology along with major strategic agreements with various content providers, including CanalSat in June, UMG in July, and FIFA in November.

SFR has achieved an excellent performance with 3G, with 1,003,000 3G customers at the end of December 2005. SFR s 3G success can also be seen in the usage patterns of its 3G customers: for example, 340,000 songs were downloaded in the month of December 2005 alone, placing SFR in the top 5 legal music download platforms in France.

Net data revenues improved significantly (a 27.7% increase) to represent 13.2% of network revenues (excluding mobile-to-mobile termination) for 2005, compared to 9.6% at the end of December 2004. This increase was mainly attributable to the 21% increase in text messaging (SMS) to 5.4 billion SMS, the 164% increase of Multimedia Messaging Services (MMS) to 98 million and the further penetration of Vodafone Live! (4,785,000 SFR customers were recorded in the mobile multimedia services portal compared to 2,230,000 at the end of December 2004), which contributed to an 18% growth in net data ARPU to 59.

Earnings from operations

SFR s earnings from operations increased by 3.9% to 2,422 million. On a comparable basis, earnings from operations increased by 3.6%. This increase mainly reflected a 6.9% growth in network revenues (excluding mobile-to-mobile termination), a slight increase of 0.8 basis point in customer acquisition and retention costs due to the penetration of 3G devices in the SFR customer base to 13.2% of network revenues (excluding mobile-to-mobile termination), and the strict control of other costs. The earnings from operations were also impacted by 115 million of adverse non-recurring items, consisting in a 220 million fine from the French Antitrust Council which was partly offset by the recognition of favorable non-recurring items of 105 million.

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Maroc Telecom

The following table analyzes revenues and earnings from operations for Maroc Telecom for the years ended December 31, 2005 and 2004.

	Year ended December 31,			
	As published			Comparable Basis (unaudited)(a)
	2005	2004	% change	% change at constant currency
	(In millions of euros, except for margins)			
Revenues				
Mobile	1,156	879	31.5%	29.2%
Fixed and Internet	1,082	1,011	7.0%	5.9%
Elimination of intercompany transactions	(378)	(309)	na*	na*
Total Maroc Telecom	1,860	1,581	17.6%	16.0%
Earnings from operations	762	662	15.1%	14.2%
Earnings from operations/ Revenues(%)	41%	42%	-1 point	
Mobile(b)				
Number of customers (end of period, in thousands)	8,800	6,361	38.3%	
% of prepaid customers	*96%*	*96%*		
Market share (as per ANRT)	67%	68%		
ARPU (in euros/ month)(c)				
Postpaid	64.3	71.8	-10.4%	
Prepaid	8.5	8.6	-1.2%	
Total	10.8	11.2	-3.6%	
Churn rate (in %/ year)				
Postpaid	14%	16%		
Prepaid	12%	11%		
Total	12%	12%		
Fixed and Internet (in thousands)(b)				
Number of lines(d)				
Residential	885	890	-0.6%	
Public phone(e)	164	136	20.6%	
Professional and corporate	292	283	3.2%	
Total	1,341	1,309	2.4%	
Number of Internet subscribers	252	105	na*	
Number of ADSL subscribers	242	60	na*	

**na: not applicable*

(a) Comparable basis illustrates the effects of the full consolidation of Mauritel as if this transaction had occurred on January 1, 2004.

(b) Excluding Mauritel.

(c) ARPU (Average Revenue per User) is calculated by dividing revenues (from incoming and outcoming calls and data services) net of promotions excluding roaming in and equipment sales by average customer base over the period.

(d) Excluding Internet customers.

(e) Including Téléboutique lines and Maroc Telecom s public phones.

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Revenues

Maroc Telecom s revenues totaled 1,860 million, a 17.6% increase compared to 2004 (a 16% increase at constant currency on a comparable basis) due to the performance of mobile and internet businesses.

Mobile

Mobile revenues amounted to 1,156 million, a 31.5% increase compared to 2004 (a 29.2% increase at constant currency on a comparable basis). Excluding the impact of the increase of incoming international interconnection tariffs applied by the Moroccan National Telecommunications Regulations Agency (ANRT) as of January 1, 2005, revenues increased by 25.8% (a 23.6% increase at constant currency on a comparable basis) compared to 2004.

This increase was primarily due to the continuing growth of the customer base (8.8 million of customers, representing a 38.3% increase compared to 2004), with a net increase of the customer base of more than 2.4 million since the beginning of 2005. The blended monthly ARPU stood at 10.8 (compared to 11.2 in 2004) with a positive impact from the increase of incoming international interconnection tariffs applied as of January 1, 2005 (an 8.9% decrease excluding this impact). The churn rate was 12.2% compared to 11.6% in 2004.

Fixed

Fixed telephony and internet revenues totaled 1,082 million, a 7% increase compared to 2004 (a 5.9% increase at constant currency on a comparable basis). This increase was due to (i) the growth of the fixed customer base and broadband internet activity and (ii) the continuing growth of incoming international traffic, which offset the decrease of the average invoice per customer.

The fixed customer base reached 1.34 million lines at the end of 2005, a 2.4% increase compared to the end of 2004. As a result of the monthly fee decrease in March 2005 and to year-end promotions, the ADSL customer base experienced significant growth to approximately 242,000 subscribers at the end of December 2005, as compared to approximately 60,000 at the end of December 2004.

Earnings from operations

Maroc Telecom earnings from operations amounted to 762 million, a 15.1% increase compared to 2004 (a 14.2% increase at constant currency on a comparable basis). Excluding the non-recurring impacts of the voluntary retirement plan introduced at the end of 2004, earnings from operations would have increased by 15.9% at constant currency on a comparable basis.

Holding & Corporate

Earnings (losses) from operations

Losses from operations amounted to 195 million at the end of December 2005, a 1% increase compared to 2004. The ongoing effort to control costs at the Paris headquarters and New York office and a lower amortization cost of stock options due to their declining profile over time were slightly offset by higher one-time items and increased pension costs.

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Non core operations and elimination of inter segment transactions

	As Published Year Ended December 31,	
	2005	2004
	(In millions of euros)	
Revenues		
Vivendi Telecom International (VTI)	6	125
Other operations	55	86
Non core operations	61	211
Elimination of inter segment transactions	(110)	(125)
Total revenues	(49)	86
Earnings from operations	33	88

Revenues

Revenues from non core operations amounted to 61 million and were mainly comprised of Vivendi Valorisation revenues, accounted for in Other operations . In 2004, VTI s revenues included 118 million generated by Kencell (divested in May 2004) and Monaco Telecom (divested in June 2004).

Earnings from operations

Earnings from operations of non core entities declined significantly due to changes in the scope of consolidation in 2004.

Liquidity and Capital Resources for 2005 and 2004

We consider Financial Net Debt, a non-GAAP financial measure, to be an important indicator measuring our indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities less cash and cash equivalents all as reported on the Consolidated Statement of Financial Position as well as derivative financial instruments recording as assets and cash deposits backing borrowings (included in the Consolidated Statement of Financial Position under non current financial assets).

Financial Net Debt should be considered in addition to, not as a substitute for, Vivendi s borrowings and other financial liabilities and cash and cash equivalents reported in the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP. Vivendi management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain of Vivendi s debt covenants. Moreover it should be emphasized that Financial Net Debt as determined by Vivendi may be defined and calculated differently by other companies, thereby affecting comparability.

Liquidity management and capital resources

Change in the Financial Net Debt in 2005

Financial Net Debt amounted to 3,768 million at December 31, 2005, compared to 4,724 million at December 31, 2004 (including the firm commitment to purchase an additional 16% interest in Maroc Telecom for 1.1 billion). This decrease was principally due to 5,648 million of net cash flow before interest, other financial items and taxes generated by operating activities, which include the following items:

an increase in the amount of tax paid to 1,386 million (compared to 622 million in 2004). This reflects SFR s tax payments resulting from the reorganization of SFR Cegetel s legal structure in 2003 (1,414 million paid in 2005, of which 628 million was for the 2004 fiscal year, compared to

68 million paid in 2004), which was partly offset by 465 million received from the French Treasury in respect of the Consolidated Global Profit Tax System for fiscal year 2004;

a net increase in capital expenditures to 1,491 million (32%), mainly at Maroc Telecom (+38%) and SFR (+26%);

the cost of interest on borrowings and refinancing activities (540 million), including:

the cost of interest on borrowings, which decreased substantially to 218 million (as compared to 406 million in 2004);

refinancing costs of 111 million (with an impact of 281 million on cash and cash equivalents) including unwinding interest-rate swaps without counterparties and the early redemption of bonds exchangeable for Vinci shares and the remaining High Yield Notes; and

the cost of foreign exchange hedging (217 million), due to the increase of the US dollar in 2005.

financing activities of 1,723 million, including:

dividend payments made to Vivendi shareholders (689 million) and minority shareholders (965 million); and

the favorable impact of partial reimbursement of the Sogecable convertible bonds (363 million) in exchange for Sogecable shares held by Vivendi.

investing activities of 95 million, including:

the acquisition of an additional 16% interest in Maroc Telecom for 1,112 million, already accounted for at the end of 2004;

the positive impact of the Cegetel-Neuf Telecom combination (+ 97 million) (including a 329 million negative impact on cash and cash equivalents and a 426 million decrease in borrowings and other financial liabilities);

other investing operations (560 million), including the unwinding of IACI s interest in VUE (203 million), the acquisition of a 2% interest in Elektrim Telekomunikacja (91 million), the acquisition of development studios by Vivendi Games (52 million) and various other acquisitions (214 million); and

divestitures for 609 million, including the partial redemption of Notes issued by Neuf Telecom (200 million), the divestiture of NC Numéricâble/Ypso (133 million), the divestiture of UGC (54 million), various other divestitures and the reimbursement of financial receivables for 221 million.

Changes in the Financial Net Debt in 2004

Financial Net Debt amounted to 4,724 million as of December 31, 2004, compared to 9,928 million as of January 1, 2004, representing a 5,204 million decrease. This positive development reflects the recovery of Vivendi s financial flexibility, as a result of the completion of the divestiture program launched in 2002. During 2004, Vivendi divested VUE (2,926 million) as part of the formation of NBCU, 15% of Veolia Environnement (1,497 million) and other businesses and interests for a positive impact of 939 million on Financial Net Debt.

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	December 31, 2005			
	Borrowings	Commitments to purchase minority interests	Derivative financial instruments and other(a)	Financial Net Debt
	(In millions of euros)			
Borrowings and other financial liabilities				
Long-term	4,442	39	64	4,545
Short-term	2,125	69	21	2,215
Derivative financial instruments in assets			(29)	(29)
Cash deposits backing borrowings			(61)	(61)
	6,567	108	(5)	6,670
Cash and cash equivalents				(2,902)
Financial Net Debt				3,768

	December 31, 2004			
	Borrowings	Commitments to purchase minority interests	Derivative financial instruments and other(a)	Financial Net Debt
	(In millions of euros)			
Borrowings and other financial liabilities				
Long-term	4,497	414	446	5,357
Short-term	1,722	1,103	17	2,842
Derivative financial instruments in assets			(257)	(257)
Cash deposits backing borrowings			(59)	(59)
	6,219	1,517	147	7,883
Cash and cash equivalents				(3,159)
Financial Net Debt				4,724

(a) Other corresponds to cash deposits backing borrowings.

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Since January 1, 2004, Vivendi decreased the amount of its Financial Net Debt as set forth in the table below:

	Cash and cash equivalents	Borrowings and other(a)	Impact on Financial Net Debt
		(In millions of euros)	
Financial Net Debt as of January 1, 2004	(2,726)	12,654	9,928
Net cash related to:			
Operating activities	(4,238)		(4,238)
Investing activities	(3,744)	(407)	(4,151)
Financing activities	7,545	(4,404)	3,141
Foreign currency translation adjustments	15	14	29
Net cash of discontinued operations	(11)	26	15
Change in financial net debt over the year ended December 31, 2004	(433)	(4,771)	(5,204)
Financial Net Debt as of December 31, 2004	(3,159)	7,883	4,724
Net cash related to:			
Operating activities	(3,558)		(3,558)
Investing activities	2,817	(1,402)	1,415
Financing activities	1,035	148	1,183
Foreign currency translation adjustments	(37)	41	4
Net cash of discontinued operations			
Change in financial net debt over the year ended December 31, 2005	257	(1,213)	(956)
Financial Net Debt as of December 31, 2005	(2,902)	6,670	3,768

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

We believe that our cash flow plus our unused credit facilities should provide a sound basis for funding our future cash requirements.

Cash flows provided by operating activities

For the year ended December 31, 2005, net cash provided by operating activities amounted to 3,558 million compared to 4,238 million for the year ended December 31, 2004, representing a 680 million decrease mainly due to tax payments resulting from the reorganization of SFR Cegetel s legal structure in 2003.

The following table sets forth changes in cash flows provided by operating activities.

	Year ended December 31,		
	2005	2004	% change
	(In millions of euros)		
Revenues	19,484	17,883	9%
Operating expenses excluding depreciation and amortization	(14,153)	(12,948)	9%
Sub-total	5,331	4,935	8%
Restructuring charges paid	(110)	(140)	-21%
Dividends received from unconsolidated companies	37	23	61%
Dividends received from equity affiliates			
NBC Universal	346	357	-3%
Other	9	47	-81%
	355	404	-12%
Content investments, net(a)			
Advances to artists and repertoire owners, net at UMG			
Payment of advances	(588)	(535)	10%
Recoupment of advances	570	669	-15%
	(18)	134	na*
Film and television rights, net at Canal+ Group			
Acquisition of film and television rights	(567)	(588)	-4%
Consumption of film and television rights	551	578	-5%
	(16)	(10)	60%
Sports rights, net at Canal+ Group(b)			
Acquisition of sports rights	(554)	(383)	45%
Consumption of sports rights	570	460	24%
	16	77	-79%
Other	3	18	-83%
	(15)	219	na*
Other changes in net working capital and other	50	39	28%
Net cash provided by operating activities before interest paid, other financial items and income tax paid	5,648	5,480	3%
Interest paid	(218)	(406)	-46%
Premium paid as part of the early redemption of borrowings and the unwinding of derivative instruments			
Unwinding of interest rate swaps without cash consideration(c)	(131)	(56)	na*
Early redemption of bonds exchangeable into Vinci shares(c)	(108)	(8)	na*
Early redemption of the High Yield Notes	(41)	(265)	na*
Other	(1)		na*

	(281)	(329)	-15%

**na: not applicable.*

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	Year ended December 31,		
	2005	2004	% change
	(In millions of euros)		
Other financial items (excluding sales of financial investments)	(210)	87	na*
Income tax (paid)/collected			
Income tax paid at SFR	(1,414)	(68)	na*
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System	465		na*
Other	(437)	(554)	-21%
	(1,386)	(622)	na*
Other	5	28	-82%
Net cash provided by operating activities	3,558	4,238	-16%
Contribution to the reduction of financial net debt	(3,558)	(4,238)	-16%

**na: not applicable.*

(a) For more details, please refer to Item 18. Financial Statements Note 10. Content assets and liabilities as of December 31, 2005 and December 31, 2004 .

(b) The Canal+ Group obtained exclusive rights to broadcast the French Professional Soccer League 1 for the seasons 2005/2006, 2006/2007 and 2007/2008. The cost of these rights were 1,800 million, representing 600 million per season. They have been recognized as follows:
Rights were recorded as off-balance sheet commitments for 1,800 million at their acquisition date in December 2004.

Upon the opening of each League 1 season (in July 2005, July 2006 and July 2007, respectively), the rights corresponding to the related season are recognized in the Statement of Financial Position, as current content assets (less than 12 months), against current accounts payable owed to the French Professional Soccer League. Therefore, in July 2005, we recorded a 600 million content asset and an accounts payable for the same amount (to which the related VAT was added) in our statement of financial position. As of that date, the rights recorded as off-balance sheet commitments were 1,200 million with respect to the 2006/ 2007 and 2007/ 2008 seasons.

The asset is then amortized as cost of revenues over its broadcasting period, on a pro rata basis of the games broadcast. As of December 31, 2005, after broadcasting 19 days of League 1 soccer, the portion of the amortized rights related to the 2005/ 2006 season was 300 million and the net amount of these rights in content assets was 300 million.

Accounts payable are amortized in line with payments to the French Professional Soccer League. As of December 31, 2005, in accordance with the payment schedule, payments related to the rights to the 2005/ 2006 season totaled 273 million and the accounts payable balance (including VAT) was 391 million.

(c) Pursuant to IAS 32 and IAS 39, derivative financial instruments are recognized in the Statement of Financial Position at fair value. When this value is negative (for example, interest rate orphan swaps, net of interest), these instruments are recorded as financial liabilities under borrowings and other liabilities . Consequently, when a derivative financial instrument is unwound at its market value, as recorded in the Statement of Financial Position, the premium paid is deducted from cash but has no impact on Financial Net Debt, the corresponding liability having already been reflected in the Statement of Financial Position.

Cash flows used for (provided by) investing activities

In 2005, investing activities contributed 1,415 million to the increase in Financial Net Debt. Investments pending at December 31, 2005 will be financed using the Group s customary and recurring methods: either net cash flows generated by the businesses, the Group s undrawn facilities or by any other appropriate financing means.

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The table below presents information related to the consolidated cash flows provided by investing activities and the impact of investing activities on Financial Net Debt for the year ended December 31, 2005.

	Impact on cash and cash equivalents	Impact on borrowings and other (a)	Impact on Financial Net Debt
	(In millions of euros)		
Financial investments			
Purchases of consolidated companies, after acquired cash			
Acquisition of an additional 16% stake in Maroc Telecom by Vivendi (January)	1,112	(1,100)	12
Unwinding of cross-shareholdings in MultiThématiques: purchase by Canal+ of the shares held by Lagardère (February)	20		20
Vivendi Games acquisition of development studios: Radical, Swingin Ape, Swordfish and High Moon Studios	52		52
Telco/Carcom (December)	80	50	130
Other(b)	142	(1)	141
Total financial investments	1,406	(1,051)	355
Financial divestments			
Proceeds from sales of consolidated companies, after divested cash			
Merger Cegetel Neuf Telecom (August)	329	(426)	(97)
Termination on Veolia Environnement collar option (October)	(140)	93	(47)
NC Numéricâble enterprise value (March)	(96)		(96)
Preferred shares with no Ypso voting right (December)	(37)		(37)
Unwinding of IACI stake in VUE by Vivendi (June)	203		203
Other(b)	(59)	(18)	(77)
	200	(351)	(151)
Sales of investments in equity affiliates			
Sale of the stake in UGC	(54)		(54)
Decrease in financial assets			
Reimbursement of bonds issued by Neuf Telecom	(200)		(200)
Other	(26)		(26)
	(226)		(226)
Total financial divestments	(80)	(351)	(431)
Investing activities in 2005 excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets	1,326	(1,402)	(76)
Capital expenditures			
At SFR	1,099		1,099
At Maroc Telecom	291		291

Other	190		190
	1,580		1,580
Proceeds from sales of property, plant, equipment and intangible assets	(89)		(89)
Investing activities in 2005	2,817	(1,402)	1,415

In 2004, investing activities contributed 4,151 million to the decrease in Financial Net Debt.

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The table below presents information related to the consolidated cash flows provided by investing activities and the impact of investing activities on Financial Net Debt for the year ended December 31, 2004.

	Impact on cash and cash equivalents	Impact on borrowings and other (a)	Impact on Financial Net Debt
	(In millions of euros)		
Financial investments			
Purchases of consolidated companies, after acquired cash			
VUE exercise of the call option on Barry Diller s stake (1.5%) (May)	226		226
DreamWorks purchase of the music rights catalog (January)	64		64
DreamWorks advance on film rights distribution agreement (January)	30		30
Other(b)	44	(12)	32
	364	(12)	352
Purchases of investments in equity affiliates			
Sportfive exercise of his put option by Jean-Claude Darmon (March)	30		30
	30		30
Total financial investments	394	(12)	382
Financial divestments			
Proceeds from sales of consolidated companies, after divested cash			
VUE (May)	(2,926)		(2,926)
15% of Veolia Environnement (December)	(1,497)		(1,497)
Kencell (May)	(190)		(190)
Monaco Telecom (June)	(169)	(98)	(267)
Flux-divertissement business of StudioExpand and Canal+ Benelux (June/August)	(49)	7	(42)
Viva Media (August)	(47)		(47)
Cèdre and Egée towers (June)	(84)	(249)	(333)
Atica & Scipione (February)	(32)		(32)
UCI Cinemas (October)	(170)		(170)
Other(b)	197	(55)	142
	(4,967)	(395)	(5,362)
Sales of investments in equity affiliates			
Sportfive (March)	(274)		(274)
	(274)		(274)
Decrease in financial assets			
Other(b)	(23)		(23)

	(23)		(23)
Total financial divestments	(5,264)	(395)	(5,659)
Investing activities in 2004 excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets	(4,870)	(407)	(5,277)

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	Impact on cash and cash equivalents	Impact on borrowings and other (a)	Impact on Financial Net Debt
	(In millions of euros)		
Capital expenditures	1,322		1,322
At SFR	870		870
At Maroc Telecom	211		211
Other	241		241
	1,322		1,322
Proceeds from sales of property, plant, equipment and intangible assets	(196)		(196)
Investing activities in 2004	(3,744)	(407)	(4,151)

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

(b) Including acquisition and divestiture fees.

Cash flows used for financing activities

In 2005, financing activities contributed 1,183 million to the increase in Financial Net Debt. Vivendi continued its strategy to refinance its debt in order to extend the maturity of the average amount of its borrowings and to reduce interest charges. Please refer to Item 18. Financial Statements Notes 23 and 24 .

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The table below presents information related to the consolidated cash flows provided by financing activities and the impact of financing activities on Financial Net Debt for the year ended December 31, 2005.

	Impact on cash and cash equivalents	Impact on borrowings and other(a)	Impact on Financial Net Debt
	(In millions of euros)		
Transactions on equity			
Net proceeds from issuance of common shares	(39)		(39)
(Sales) purchases of treasury shares	108		108
Cash dividends paid by Vivendi S.A.	689		689
Cash dividends paid by subsidiaries to their minority shareholders			
SFR (March, May, September and November)(b)	712		712
Maroc Telecom (June)(c)	196		196
Other subsidiaries	57		57
	965		965
Transactions on equity	1,723		1,723
Transactions on borrowings and other financial liabilities			
Setting up of long-term borrowings and increase in other long-term financial liabilities			
Maroc Telecom MAD 6 billion borrowings MAD 4 billion tranche (January)(d)	(350)	350	
Vivendi 600 million notes (February)(e)	(600)	600	
Vivendi 630 million notes (April)(f)	(630)	630	
SFR 600 million notes (July)(g)	(600)	600	
SFR 1.2 billion revolving credit facility	(200)	200	
	(2,380)	2,380	
Principal payment on long-term borrowings and decrease in other long-term financial liabilities			
Payments			
Vivendi High Yield Notes (January)(h)	394	(394)	
Vivendi Bonds exchangeable into Vinci shares (March)(f)	527	(527)	
Other	155	(155)	
	1,076	(1,076)	
Other financing arrangements			
Vivendi Promissory note to USI (NBC Universal subsidiary) (January)	573	(573)	
Partial redemption of bonds exchangeable into Sogecable shares (November, December)		(363)	(363)

	573	(936)	(363)
	1,649	(2,012)	(363)
Principal payments on short-term borrowings			
SFR Securitization program	423	(423)	
Other	540	(540)	
	963	(963)	

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	Impact on cash and cash equivalents	Impact on borrowings and other(a)	Impact on Financial Net Debt
	(In millions of euros)		
Net increase (decrease) in short-term borrowings and other			
SFR Treasury bills	(632)	632	
Maroc Telecom MAD 6 billion borrowings MAD 2 billion tranche (January)(d)	(177)	177	
Other	(111)	111	
	(920)	920	
Other financing activities		28	28
Derivative instruments		(205)	(205)
Transactions on borrowings and other financial liabilities	(688)	148	(540)
Financing activities in 2005	1,035	148	1,183

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

(b) In 2005, SFR paid a dividend of 1,614 million for 2005 fiscal year, including 712 million paid to minority shareholders.

(c) In 2005, Maroc Telecom paid a dividend of 398 million for 2004 fiscal year, including 196 million paid to minority shareholders.

(d) To finance the purchase of 16% of Maroc Telecom on January 4, 2005, a MAD 6 billion note (representing 551 million as of December 31, 2005) was issued by Société de Participation dans les Télécommunications (SPT), a Moroccan company wholly-owned by Vivendi, which now directly holds 51% of Maroc Telecom s shares. The borrowing comprises two tranches, a MAD 2 billion tranche with a 2006 maturity and a MAD 4 billion tranche with a 2011 maturity.

(e) On February 15, 2005, Vivendi issued notes for 600 million maturing on February 15, 2012 with a 3.9% yield rate. The proceeds of this issue were used to repay, at no penalty, the $780 million note issued to NBC Universal on May 11, 2004, which was due to expire no later than May 2007. This new note issue enabled Vivendi SA to extinguish its remaining secured debt.

(f) On April 6, 2005, Vivendi issued notes for 630 million with a 3.755% yield rate, maturing in April 2010. These notes enabled Vivendi to extend the average maturity of the Group s debt and the early redemption of bonds exchangeable into Vinci shares, issued in March 2001, for a total consideration of 527 million and redeemable in

March 2006.

(g) On July 18, 2005, SFR issued notes for 600 million maturing in July 2012 with a 3.4% yield rate which enabled SFR to diversify its financing sources and extend the maturity of its debt.

(h) On January 21, 2005, the remaining High Yield Notes were redeemed for a principal amount of 394 million (corresponding to $107 million notes issued in dollars and 316 million notes issued in euros), following the sending of a formal Note of Redemption to all bondholders in December 2004. On completion of this transaction, none of the High Yield Notes issued by Vivendi remained outstanding. In addition, Vivendi paid a premium to the bondholders (41 million) and accrued interest, representing a total cash outflow of 437 million.

In 2004, financing activities contributed 3,141 million to the Financial Net Debt increase. Vivendi continued its refinancing plan in order to extend the maturity of the average amount of borrowings and to reduce their interests. Please refer to Item 18. Financial Statements Notes 23 and 24 .

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The table below presents information related to the consolidated cash flows provided by financing activities and the impact of financing activities on Financial Net Debt for the year ended December 31, 2004.

	Impact on cash and cash equivalents	Impact on borrowings and other(a)	Impact on Financial Net Debt
	(In millions of euros)		
Transactions on equity			
Net proceeds from issuance of common shares	(18)		(18)
(Sales) purchases of treasury shares	27		27
Cash dividends paid by Vivendi S.A.			
Cash dividends paid by subsidiaries to their minority shareholders SFR(b)	1,470		1,470
Maroc Telecom(c)	303		303
Other subsidiaries	59		59
	1,832		1,832
Transactions on equity	1,841		1,841
Transactions on borrowings and other financial liabilities			
Setting up of long-term borrowings and increase in other long-term financial liabilities			
SFR 1.2 billion revolving credit facility	(350)	350	
Vivendi 700 million floating notes (July)(d)	(700)	700	
Other	(98)	98	
	(1,148)	1,148	
Principal payment on long-term borrowings and decrease in other long-term financial liabilities			
Payments			
UMG Loan contracted by UMO (£136 million) (May)(e)	205	(205)	
Vivendi 2.5 billion dual currency facility (May)(e)	1,000	(1,000)	
Vivendi High Yield Notes (June)(f)	2,000	(2,000)	
Other	243	(243)	
Other financing arrangements			
Vivendi Promissory note to USI (NBC Universal subsidiary) (January)		658	658
	3,448	(2,790)	658
Principal payments on short-term borrowings			
Vivendi 3 billion multicurrency revolving credit facility(e)	1,000	(1,000)	
Vivendi convertible 1.25% (OCEANE) (January)	1,699	(1,699)	
SFR 600 million bonds (July)	600	(600)	
Other	1,044	(1,044)	

Other financing activities	204	(143)	61
	4,547	(4,486)	61
Net increase (decrease) in short-term borrowings and other			
SFR securitization program	(422)	422	
SFR treasury bills	(218)	218	
Vivendi treasury bills	(274)	274	
Other	(229)	229	
	(1,143)	1,143	
Derivative instruments		581	581
Transactions on borrowings and other financial liabilities	5,704	(4,404)	1,300
Financing activities in 2004	7,545	(4,404)	3,141

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

(b) In January 2004, SFR paid an exceptional dividend of 899 million, including 398 million paid to minority shareholders. In addition, it paid an aggregate dividend of 1,258 million for fiscal year 2003 (including 556 million to minority shareholders) and a 2004 interim dividend of 1,167 million (including 516 million to minority shareholders).

(c) In 2004, the total amount of dividends paid by Maroc Telecom was 465 million.

(d) At the same time of the redemption of the High Yield Notes, Vivendi issued 700 million of floating rate notes to European institutional investors. These notes, issued on July 12, 2004, have a three-year maturity and a yield of three month EURIBOR + 60 basis points.

(e) At the same time of the NBC-Universal transaction, Vivendi repaid the 1.8 billion drawn portion of the 3 billion multicurrency revolving credit facility, the 1 billion Tranche B of the 2.5 billion dual currency facility (the unused portion of both loans being cancelled) and the £136 million (205 million) loan contracted by a subsidiary of UMG.

(f) On May 25, 2004, Vivendi launched a tender offer to purchase 1 billion of High Yield Notes. On June 16, 2004, the size of this offer was increased to 2.4 billion (including premium and interests). As part of this offer, the holders of the notes were also solicited to waive covenants attached to the notes. On June 29, 2004, the offer terminated with a tender rate of 96.4% for the 9.50% and 9.25% High Yield Notes and a tender rate of 72.0% for the 6.25% high yield notes, representing a total amount of approximately 2.0 billion, out of a total amount of 2.4 billion (representing 83% of the total notes tendered). In addition, the covenants attached to the notes were waived. The premium amount paid to bondholders and the accrued interest was 0.3 billion.

Other borrowings in 2005 and 2006

On April 19, 2005, a MAD 6 billion credit facility was set up by SPT from Attijari, a Moroccan bank. This facility was backed by a cash collateral deposit made by Vivendi Telecom International (VTI) for the same amount. This cash deposit has the same maturity as the facility and is recoverable upon repayment of the facility. For these reasons, the borrowing and the cash collateral are netted in Vivendi s consolidated Statement of Financial Position. As of December 31, 2005, the credit facility and the related cash deposit were fully redeemed.

On April 25, 2006, SFR issued notes for 300 million (maturity October 2007) with an interest rate of EURIBOR 3 months + 0.08% margin.

Undrawn facilities in 2006

On April 29, 2005, in order to benefit from favorable bank credit market conditions, Vivendi issued a 2 billion syndicated loan to refinance its 2.5 billion syndicated loan. With an initial maturity of 5 years, the loan was extended by one year. In February 2007, this syndicated loan can be extended by one more year to April 2012. As of June 28, 2006, this facility was undrawn.

SFR set up a 1.2 billion credit facility in July 2004 (with an initial 5-year maturity, amended in 2005, and renewed up to 1.16 billion until April 2011), as well as an additional 5-year credit facility of 450 million in November 2005 (with a maturity date of November 2010 that can be extended by two years). As of June 28, 2006, the 1.2 billion facility was drawn in the amount of 300 million and the 450 million facility was undrawn.

On April 18, 2006, Vivendi issued a 900 million syndicated loan (maturity December 15, 2006). It carries customary provisions similar to the 2 billion syndicated loan described below. As of June 28, 2006, this facility was drawn in the amount of 350 million.

Credit ratings

As of June 28, 2006, Vivendi s credit ratings were as follows:

Rating agency	Rating date	Type of debt	New ratings	Outlook	Previous ratings	
Standard & Poor s	July 27, 2005	Long-term corporate Short-term corporate Senior unsecured debt	BBB A-2 BBB	Stable	BBB- A-3 BBB-	(June 1, 2004)

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Moody s	September 13, 2005	Long-term senior unsecured debt	Baa2	Stable	Baa3	(October 22, 2004)
Fitch Ratings	December 10, 2004	Long-term senior unsecured debt	BBB	Positive) (December 19, 2005	BBB-	(May 12, 2004)

Financial Net Debt: Reconciliation to US GAAP

The following table provides a reconciliation of Financial Net Debt to US GAAP.

	December 31, 2005					
	Borrowings and other financial liabilities		Derivatives financial instruments in assets and cash deposits backing		Cash and Cash	Total Financial
	Long-term	Short-term	borrowings	Sub total	Equivalents	Net Debt
	(in millions of euros)					
Financial Net Debt IFRS	4,545	2,215	(90)	6,670	(2,902)	3,768
Adjustments to conform to US GAAP						
Real estate defeased properties(a)	240			240		240
Put options granted to various third parties by Canal+ Group(b)		(55)		(55)		(55)
Other			6	6		6
Financial Net Debt US GAAP	4,785	2,160	(84)	6,861	(2,902)	3,959

	December 31, 2004			
	Borrowings and other financial liabilities	Derivatives financial instruments in assets and cash deposits backing	Cash and Cash	Total Financial

	Long-term	Short-term	borrowings	Sub total	Equivalents	Net Debt
			(in millions of euros)			
Financial Net Debt IFRS	5,357	2,842	(316)	7,883	(3,159)	4,724
Adjustments to conform to US GAAP						
Real estate defeased properties(a)	240			240		240
Put options granted to SNCF on 35% of the share capital of Cegetel S.A.S.(b)	(184)			(184)		(184)
Put options granted to various third parties by Canal+ Group(b)	(47)	(3)		(50)		(50)
Other			5	5		5
Financial Net Debt US GAAP	5,366	2,839	(311)	7,894	(3,159)	4,735

(a) An annual rental guarantee of 12 million was granted by Vivendi to the buyer of the Berlin building Quartier 207 in 1996. Under IFRS, Vivendi does not consolidate the building and the debt used for its acquisition to the extent the related annual rental guarantees terminate in December 2006, considering the likely exercise by the buyer of the building of the put option granted by the Dresdner Bank. Under US GAAP, this building and this debt have to be consolidated. Please refer to Item 18. Financial Statements Note 34. Summary of significant differences between accounting policies adopted by Vivendi and US GAAP .

(b) Under IFRS, commitments granted by Vivendi to shareholders of certain of its fully consolidated subsidiaries to purchase their minority interests are reported, in accordance with IAS 32, as financial liabilities at the present value of the purchase consideration. Under US GAAP SFAS 150, these commitments are recorded as liabilities at their fair value. Except for share purchase agreement in the form of a firm commitment (e.g. forward purchase contract), this fair market value is generally estimated to be nil. However, any potential losses expected to be incurred upon the exercise of put options correspond to the negative fair value of the options, which are recorded through income and classified as financial liabilities in the statement of financial position under US GAAP. Please refer to Item 18. Financial Statements Note 34. Supplemental disclosures required under US generally accepted accounting principles (US GAAP) and US securities and exchange commission (SEC) .

Description of Vivendi s covenants as of December 31, 2005

Vivendi has established a number of borrowing facilities in the last few years in order to restructure its debt and improve its financing conditions. As part of this policy, Vivendi and its subsidiaries, SFR and Maroc Telecom, are subject to certain financial covenants pursuant to which they are required to maintain various financial ratios computed at the end of each half year. As of December 31, 2005, each of Vivendi, SFR and Maroc Telecom were in compliance with applicable financial ratios.

The bonds issued by Vivendi contain customary provisions related to events of default and negative pledge.

The 2.0 billion syndicated facility, set up in April 2005, contains customary provisions related to events of default, negative pledge and restrictions on divestitures and merger transactions. In addition, Vivendi is required to maintain a ratio of Proportionate Financial Net Debt[(7)] to Proportionate EBITDA[(8)] not exceeding 3 for the duration of the loan.

SFR has established a credit line of 1.2 billion in July 2004 (with an initial 5-year maturity, amended in 2005, and renewed up to 1.16 billion until April 2011), and a 5-year credit line of 450 million in November 2005 (with a maturity date of November 2010 that can be extended by two years). Both credit lines contain customary provisions related to events of default, negative pledge and merger and divestiture restrictions. These facilities are subject to a change of ownership clause. In addition, SFR must comply with the following financial ratios computed at the end of each half year:

a ratio of Financial Net Debt to EBITDA not exceeding 3.5; and

a ratio of Earnings from operations to Net Financing Costs (interest) equal to or greater than 3.

On January 4, 2005, SPT issued a MAD 6 billion facility to finance the acquisition of 16% of Maroc Telecom. The borrowing is comprised of two tranches: a MAD 2 billion tranche with a 2006 maturity date and a MAD 4 billion tranche with a 2011 maturity date. Vivendi has granted a security (*caution solidaire*) to SPT in the amount of MAD 6 billion. The security contract contains the same financial ratios as those included in the 2.5 billion syndicated loan issued by Vivendi in May 2004:

a ratio of Proportionate Financial Net Debt to Proportionate EBITDA not exceeding 2.8; and

a ratio of Proportionate EBITDA to Net Financing Costs equal to or greater than 4.5.

This borrowing contains negative pledge and acquisition and restructuring restrictions and customary events of default provisions, as well as early repayment events in the case of a change in the borrower s ownership or Vivendi s non-compliance with certain financial ratios.

In 2006, the financial covenants used in the MAD 6 billion facility will be replaced by the one provided in the 2.0 billion syndicated facility set up in April 2005.

Vivendi s cash flow on a consolidated basis is not available in full to Vivendi at the parent company level. In particular, dividends and other distributions (including payment of interest, redemption of borrowings, other returns on investment or other payments) from Vivendi s subsidiaries are restricted under certain agreements. Some of Vivendi s subsidiaries that are less than wholly-owned are unable to pool their cash with Vivendi and must pay a portion of any dividends to other shareholders. These subsidiaries include SFR and Maroc Telecom.

Since January 1, 2004, SFR has implemented the dividend distribution plan agreed to by its two shareholders, which resulted in the distribution of exceptional premiums and reserves in the course of 2004 and the introduction of quarterly interim dividend payments. In addition, the ability of Vivendi s subsidiaries to make certain distributions may also be limited by financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments.

(7) In 2005, defined as our Financial Net Debt less the share of Financial Net Debt attributable to minority shareholders of SFR and Maroc Telecom.

(8) In 2005, defined as our modified EBITDA (Earnings from Operations before depreciation, amortization, restructuring and other one time items) less modified EBITDA attributable to minority shareholders of SFR and Maroc Telecom plus the dividends received from NBC Universal and Veolia Environnement.

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Contractual and other obligations

Contractual obligations as of December 31, 2005

In addition to the previously discussed financing arrangements, we have obligations under certain contractual arrangements to make future payments for goods and services. These contractual obligations secure the future rights to various assets and services to be used in the normal course of operations. For example, we are contractually committed to make certain minimum lease payments for the use of property under lease agreements. In accordance with applicable accounting rules, the future rights and obligations pertaining to firm commitments, such as operating lease obligations and certain purchase obligations under contracts, are not reflected as assets or liabilities on the accompanying consolidated statement of financial position.

The table below sets forth our aggregate contractual obligations at December 31, 2005, and the estimated timing and effect that such obligations are expected to have on our liquidity and cash flow in future periods:

	Note to our Consolidated Financial Statements	Total as of December 31, 2005	Payments due in					
			2006	2007	2008	2009	2010	After 2010
			(In millions of euros)					
Long-term borrowings and other financial liabilities	23	4,545		799	393	308	1,209	1,836
including finance leases	*12*	*362*		*40*	*30*	*15*	*16*	*261*
Short-term borrowings and other financial liabilities	24	2,215	2,215					
Contractual contents commitments	10.3	704	550	33	26	65	3	27
Subtotal recorded in our Consolidated Statement of Financial Position		7,464	2,765	832	419	373	1,212	1,863
Operating leases	29.2	1,506	251	227	214	195	155	464
Contractual contents commitments	10.3	4,627	1,522	1,274	735	222	190	684
Other purchase obligations	29.3	1,111	318	144	140	139	86	284
Subtotal not recorded in our Consolidated Statement of Financial Position		7,244	2,091	1,645	1,089	556	431	1432
Total contractual obligations		14,708	4,856	2,477	1,508	929	1,643	3,295

The amounts presented above for contractual obligations not recorded in our consolidated statement of financial position are the minimum amounts guaranteed to third parties.

We have other obligations in connection with pension plans which are described in Note 21 to our Consolidated Financial Statements. As these obligations are not contractually fixed as to timing and amount, they have not been included in this disclosure.

In 2006, Vivendi purchased an annuity to cover the cost of providing non-qualified pension and life insurance benefits for former Seagram senior executives for a one time cost of $95 million. As a result of this purchase, Vivendi will no longer have any significant on-going funding obligations with respect to these non-qualified pension and life insurance liabilities, which will in turn decrease the future volatility of the liabilities associated with these benefits within Vivendi s financial statements.

Vivendi plans to terminate its US defined benefit pension plan, consisting mainly of 10,000 vested members and retirees. From the third quarter of 2006, changes to the plan investment policy will ensure all interest rate risks within the plan will be fully hedged. By the end of the first quarter of 2007, Vivendi intends to use plan assets to purchase annuities to cover future plan liabilities.

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(A) Contractual content commitments

	Total as of December 31, 2005	Payments due in 2006	2007	2008	2009	2010	After 2010
	(In millions of euros)						
Film and television broadcasting rights(a)	135	135					
Sports rights(b)	373	358	5	10			
Creative talent and employment agreements(c)	196	57	28	16	65	3	27
Subtotal recorded in our Consolidated Statement of Financial Position	704	550	33	26	65	3	27
Film and television broadcasting rights(a)	2,320	795	337	237	156	138	657
Sports rights	1,377(b)	309	690	362	13	2	1
Creative talent and employment agreements(c)	930	418	247	136	53	50	26
Subtotal not recorded in our Consolidated Statement of Financial Position	4,627	1,522	1,274	735	222	190	684
Total contractual content obligations	5,331	2,072	1,307	761	287	193	711

(a) Includes primarily contracts valid over several years relating to the broadcast of future film and TV productions (mainly exclusivity contracts with major US studios and pre-purchases in the French movie industry), StudioCanal film coproduction commitments (given and received) and broadcasting rights of CanalSat and Cyfra+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release.

(b) Includes 1,200 million in respect of residual rights to broadcast the French Professional Soccer League won by the Canal+ Group in December 2004 for the seasons 2006 2008. These rights are recognized in the statement of financial position on the opening of the related sport season or at first payment.

(c) UMG routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other product (Creative talent and employment agreements). Until the artist or other party has not delivered his or her content, UMG s obligation is not recorded in the statement of financial position.

(B) Other purchase obligations

	Future minimum	Payments due in	After

	payments	2006	2007	2008	2009	2010	2010
			(In millions of euros)				
Satellite transponders	883	123	130	130	130	86	284
Capital expenditures(a)	183	179	4				
Other	45	16	10	10	9		
Total	1,111	318	144	140	139	86	284

(a) Mainly related to SFR and Maroc Telecom.

Other contractual commitments as of December 31, 2005

In addition to the contractual obligations previously discussed, certain of our other contractual commitments entail variable or undeterminable quantities and/or prices and, thus, do not meet the definition of a purchase obligation. As certain of these commitments, such as those relating to telecom licenses and share purchases and sales, are significant to our business, we have described these arrangements below.

(A) Other commitments relating to operations

(1) SFR holds an UMTS license for its networks and for the supply of its telecommunications services in France for a period of 20 years (August 2001-August 2021). On the acquisition of this license, the fixed amount paid, i.e. 619 million, was recorded as an intangible asset (please refer to Item 18. Financial Statements Note 11. Other intangible assets as of December 31, 2005 and December 31,

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2004). Since the variable part of the fee (equal to 1% of GSM revenues) cannot reliably be determined, it is not recorded as a liability in the statement of financial position. It is recorded as an expense when incurred.

(2) SFR holds a GSM license for its networks and for the supply of its telecommunications services in France for a period of 15 years (March 1991-March 2006). In March 2006, the French Government authorized SFR to keep on using its GSM license during the next 15 years (between April 1, 2006 and March 31st, 2021), against a yearly payment divided in a fixed part of 25 million (capitalized over the period for its present value of 278 million as of March 31, 2006) and a variable part equal to 1% of the yearly revenues generated by the 2G technology. This variable part cannot be calculated with enough precision to be capitalized and is therefore not recorded as a liability in the statement of financial position.

(B) Share purchase and sale commitments

(1) As part of the divestiture of NC Numéricâble in March 2005, the Canal+ Group granted two call options to Cinven and Altice, at a pre-defined price, on its stake in Ypso Holding (holding company of the new group). The first option concerns half of the Canal+ Group s stake while the second option concerns the Canal+ Group s remaining stake. These options can be exercised during one year starting on March 31, 2008 and March 31, 2010 respectively. Please refer to Item 18. Financial Statements Note 32.3. Divestiture of the residual 20% stake in Ypso January 31, 2006 .

(2) As part of the NBC-Universal transaction which occurred in May 2004, Vivendi received certain liquidity commitments and guarantees from General Electric (GE). As part of the agreements with GE, Vivendi is entitled to sell its stake in NBCU under mechanisms providing for exit conditions at fair market value. In connection with the unwinding of IACI s interest in VUE on June 7, 2005, the dates initially set for Vivendi s liquidity rights in the original NBCU agreement were deferred by one year, including the date GE may exercise its call right on Vivendi s equity interest. As a result, Vivendi will be able to monetize its equity interest in NBCU beginning in 2007, for an amount up to $3 billion in 2007 and $4 billion in 2008 and each year thereafter. GE will have the right to pre-empt any Vivendi sale 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 preemptive right, Vivendi will be able to exercise a put option to GE. Lastly, for a 12-month period commencing on May 11, 2010 (sixth anniversary of completion of the NBC-Universal transaction), GE will have the right to call either (i) all of Vivendi s NBCU shares, or (ii) $4 billion of Vivendi s NBCU shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC-Universal transaction (i.e. $8.3 billion). If GE calls $4 billion, but not all, of Vivendi s NBCU shares, GE must call the remaining NBCU shares held by Vivendi by the end of 12-month period commencing on May 11, 2011 (seventh anniversary of completion of the NBC-Universal transaction).

Note 29 to our Consolidated Financial Statements provides additional information with respect to the contractual and other obligations listed above and describes our principal contingent commitments related to the divestiture or acquisition of businesses.

Off-balance sheet arrangements

As of December 31, 2005, we had no off-balance sheet arrangements which have or are reasonably likely to have a material future effect on the Group s financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditure or capital resources.

Research and development

Research and development play an active role in several of our businesses. For detailed information on research and development, see Item 4. Information on the Company Our Segments Media Universal Music Group , Information on the Company Our Segments Media Vivendi Games , Informa-

tion on the Company Our Segments Media Canal+ Group , Information on the Company Our Segments Telecommunications SFR , Information on the Company Our Segments Telecommunications Maroc Telecom and Item 18. Financial Statements Note 20 .

Trends affecting our Revenue

The following are the key factors currently affecting our revenue:

UMG Revenues will continue to benefit from the anticipated growth in the download music market resulting from the strong sales of digital music players (particularly iPods), increased penetration of broadband and the emergence of new digital retail partners such as MTV. UMG s revenues will also benefit from the growth in the subscription market that is expected with improvements in technology that would enable rented downloads to be transferred to compatible portable devices. Although physical sales of recorded music will continue its decline, the growth of digital sales is expected to more than offset such decline.

Vivendi Games Revenue growth is based on the growth of the video game industry and the popularity of its games. Vivendi Games anticipates that the global video games market worldwide will continue to grow due to increased broadband penetration in all markets and enhanced handset capabilities. This growth will be primarily driven by the on-line and mobile segments, which will be characterized by more casual gamers and new business models based on higher levels of subscriptions and micro transactions via direct-to-consumer relationships. During this transition, Vivendi Games expects that its games offering will be responsive to changes in consumer preferences and that the number of its sales in video games will continue to grow. Sales of key franchises, such as Blizzard Entertainment s *World of Warcraft* will continue to contribute significantly to its net revenue.

Canal+ Group Revenue growth will be affected by the pace of expansion of the Canal+ Group s pay-TV activities in France, and the penetration rate of pay-TV in France is behind other comparable markets such as the UK. This expansion will be partly driven by the development of Canal+ and CanalSat offerings through ADSL and digital terrestrial television (DTT). The Canal+ Group intends to lead the way in developing new TV product offerings in France: access of TV content on mobile, video-on-demand (VOD), high definition TV and personal video recording (PVR) capacity.

SFR Revenue growth is driven by the growth in the number of mobile subscribers in France with a mobile phone penetration rate of 79.7% at the end of 2005. SFR expects a continuing increase of mobile phone penetration in France, in a strong competitive environment in which Mobile Virtual Networks Operators (MVNO) have a significant share. Strong increase in third generation (3G) customers should lead, on the one hand, to the development of new usages around new multimedia services (such as music, visiophony and TV/ Video) and, on the other hand, to the increase of voice usage with the continuation of fixed to mobile substitution. However, rate cuts of 24% imposed by the French regulator (Arcep) on call termination rates on January 1, 2006 will negatively impact fixed and mobile incoming revenues.

Maroc Telecom Revenue growth is affected by the number of subscribers and rate structure. Maroc Telecom expects continuing penetration in the mobile and ADSL markets as well as maintaining its leadership position in the fixed-line market.

Item 6: ***Directors, Senior Management and Employees***

Management and Supervisory Boards

Until April 28, 2005, our company was a *société anonyme à conseil d administration*, a form of stock corporation with a single board of directors. At the shareholders meeting held on April 28, 2005 (the Annual Meeting), our shareholders approved the change of our corporate form to a *société anonyme à directoire et conseil de surveillance*, a form of limited liability company with a two-tier management structure pursuant to which a management board (*directoire*) manages our day-to-day affairs under the general supervision of a supervisory board (*conseil de surveillance*). Most of the members of our board of directors were appointed as members of the supervisory board at the Annual Meeting and seven of our senior executives were appointed as members of the management board by the supervisory board.

The Management Board

Mission

The management board is invested, with respect to third parties, with the broadest powers to act in all circumstances on behalf of the Company within the limitations of Vivendi s purpose, subject to the powers specifically granted by law to the supervisory board and to shareholders acting at general meetings and except with respect to matters that require the prior authorization of the supervisory board, as set forth in the Company s by-laws. The actions that the management board may not take without the prior authorization of the supervisory board include (i) any transactions that could substantially affect the Vivendi Group s scope of activity, (ii) the admission of the Company s securities to trading on a regulated market, (iii) any investment commitments or acquisitions of assets exceeding the amounts set by the supervisory board, (iv) the issuance of marketable securities of any kind as authorized by an extraordinary shareholders meeting in accordance with Articles L.225-129-2 *et seq.* of the French Commercial Code, (v) the issuance of bond loans as provided for in Article L.228-40 of the French Commercial Code, or credit facilities, for a term or for a sum exceeding those set by the supervisory board, (vi) the issuance of stock options, or the grant of restricted stock or any similar security, to employees or certain categories of employees, (vii) the execution of any agreements and transactions, arbitrations and the acceptance of any settlements involving amounts in excess of the sums set by the supervisory board, and (viii) the execution of any draft agreements relating to a merger, a spin-off or a contribution in kind involving amounts in excess of the thresholds set by the supervisory board. For more information on the management board, please refer to Item 10. Additional Information Organizational Documents of Vivendi .

Composition

Members of the management board are nominated by the supervisory board. The following table sets forth the names of the members of our management board, their ages, positions and principal responsibilities as at the date of this annual report:

Name	Age	Positions and Responsibilities
Jean-Bernard Lévy	51	Chairman of the management board and Chief Executive Officer of Vivendi
Abdeslam Ahizoune	51	Chairman of the management board and Chief Executive Officer of Maroc Telecom
Jacques Espinasse	63	Chief Financial Officer of Vivendi
Frank Esser	47	Chairman and Chief Executive Officer of SFR
Bertrand Meheut	54	Chairman of the executive board and Chief Executive Officer of the Canal+ Group. Chairman and Chief Executive Officer of Canal+ SA
Doug Morris	67	Chairman and Chief Executive Officer of Universal Music Group
René Pénisson	64	Chairman of Vivendi Games. Senior Executive Vice-President, Human Resources of Vivendi

Biographies of Our Management Board

Jean-Bernard Lévy was appointed chairman of our management board and Chief Executive Officer of Vivendi on April 28, 2005. Mr. Lévy has served as Chief Operating Officer of Vivendi since August 2002. From 1998 to 2002, he was Managing Partner, Corporate Finance at the French equities broker Oddo Pinatton. Mr. Lévy was chairman and Chief Executive Officer of Matra Communication (Lagardère Group) from 1995 to 1998. From 1993 to 1994, he was Chief of Staff to Mr. Gérard Longuet, the French Minister for

Industry, Postal Services, Telecommunications and Foreign Trade. From 1988 to 1993, he was General Manager, Communication Satellites of Matra Marconi Space. From 1986 to 1988, he acted as Technical Adviser to Mr. Gérard Longuet, the French Minister for Postal and Telecommunications Services and from 1978 to 1986, he was an engineer with France Telecom.

Abdeslam Ahizoune was appointed chairman of the management board of Maroc Telecom in February 2001 and was appointed to our management board on April 28, 2005. Mr. Ahizoune served as chairman and Chief Executive Officer of Maroc Telecom from 1998 to 2001. He held a number of positions in the Moroccan government: Minister of Telecommunications from 1997 to 1998 and Managing Director of the Office *National des Postes et Télécommunications* (ONPT) from February 1995 to August 1997, Minister of Postal and Telecommunications Services and Managing Director of the ONPT from August 1992 to February 1995 and Director of Telecommunications in the Ministry of Post and Telecommunications from 1983 to 1992. From 1982, Mr. Ahizoune held a number of positions in the Postal and Telecommunications Services and then in the ONPT. Mr. Ahizoune is a member of the board of directors of the following organizations: Mohammed V Solidarity Foundation (*Fondation Mohammed V pour la Solidarité*) since April 2004, Al Akhawayne University, since November 2003, the Mohammed VI Foundation for the Environment (*Fondation Mohammed VI pour l Environnement*) since June 2001 and the Lalla Salma Association Against Cancer. Mr. Ahizoune is a member of the Support Committee (*Comité de Soutien*) of the Mohammed V Solidarity Foundation since 2001, and is a member of the Executive Committee of the International Chamber of Commerce, Paris, France, since February 2004. Mr. Ahizoune holds an engineering degree from the *Ecole Nationale Supérieure des Télécommunications* in Paris, France (1977).

Jacques Espinasse was appointed Chief Financial Officer of Vivendi in July 2002 and was appointed to our management board on April 28, 2005. Mr. Espinasse was formerly Chief Operating Officer of TPS, a French satellite television service, a position he held from 1999 until 2001, when he became a member of the board of directors of TPS. Previously, he held a variety of senior management positions in major French companies, including CEP Communication and Groupe Larousse Nathan, where he was appointed Senior Executive Vice-President in 1984. In 1985, he became Chief Financial Officer of the Havas group. He was appointed Senior Executive Vice-President of the Havas group when it was privatized in May 1987 and held this position until January 1994. He is a director of SES Global.

Frank Esser was appointed chairman of SFR in December 2002 and has been with the group since September 2000, when he was appointed Chief Executive Officer. Mr. Esser was appointed to our management board on April 28, 2005. He has also been a board member of the GSM Association since February 2003 and became chairman of its Public Policy Committee in 2004. Prior to joining SFR, he was Executive Vice-President at Mannesmann, in charge of international investments and business development. Mr. Esser studied economics, business and information technology in Freiburg and Cologne (Germany) and has a doctorate in economics.

Bertrand Meheut joined Canal+ Group in October 2002 as vice-chairman and Chief Operating Officer, and was appointed chairman of the Executive Board of the Canal+ Group on February 7, 2003 and chairman and Chief Executive Officer of the Canal+ SA on February 20, 2003. Mr. Meheut was appointed to our management board on April 28, 2005. After graduating from *l Ecole des Mines*, a French engineering school, he held various positions in the chemicals industry, primarily in the life sciences sector. He spent most of his career at Rhône-Poulenc, which became Aventis after merging with Germany s Hoechst. He served as chairman and Chief Executive Officer of Aventis CropScience, an Aventis and Schering subsidiary, running agrichemicals and biotechnologies operations.

Doug Morris was appointed chairman and Chief Executive Officer of Universal Music Group in November, 1995 and was appointed to our management board on April 28, 2005. A graduate of Columbia University, he began his music career as a songwriter for music publisher Robert Mellin, Inc. In 1965, Mr. Morris joined Laurie Records as a writer and producer and was later promoted to Vice-President and General Manager. Following this, he created his own label, Big Tree Records, which was distributed and eventually acquired by Atlantic Records in 1978. At this time, he was named President of ATCO Records, beginning his 17-year association with Warner Music. In 1980, Mr. Morris was appointed President of

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Atlantic Records and in 1990 assumed the position of co-chairman and Co-CEO (with Ahmet Ertegun) of the Atlantic Recording Group. In 1994, he was promoted to President and Chief Operating Officer of Warner Music U.S. and was soon after appointed chairman. Mr. Morris began his association with the MCA Music Entertainment Group (now Universal Music Group) in July 1995, by forming a joint venture, New York City-based, full service record label. Throughout his career, he has worked with some of the most popular and influential artists of the past four decades including The Rolling Stones, Phil Collins, Pete Townsend, Led Zeppelin, Stevie Nicks, Bette Midler, Tori Amos, INXS, Erykah Badu, and Mariah Carey. He serves on the boards of The Robin Hood Foundation, The Cold Spring Harbor Laboratory and is a director of The Rock and Roll Hall of Fame. In 2003, the National Academy of Recording Arts and Sciences (NARAS) awarded Mr. Morris with the President s Merit Award.

René Pénisson was appointed chairman of Vivendi Games in January 2004, Senior Executive Vice-President, Human Resources of Vivendi in April 2004 and was appointed to our management board on April 28, 2005. Prior to these positions, Mr. Pénisson served as adviser to the chairman and Chief Executive Officer, Social Relations and Organization of Vivendi from September 2002. From 1999 to 2002, he was a member of the Executive Committee of Aventis, Senior Executive Vice-President, Human Resources of Aventis and chairman of Aventis Animal Nutrition and of the company RP Industrialization. From 1997 to 1999, he served as member of the Executive Committee of Rhône Poulenc SA. From 1982 to 1997, Mr. Pénisson was Executive Vice-President, Basic Chemicals Division of Rhône Poulenc, Chief Operating Officer of Rhône Poulenc Chimie and Senior Executive Vice-President, Human Resources of the Rhône Poulenc Group.

The Supervisory Board

Mission

The supervisory board determines the strategic directions of Vivendi and monitors its management as required by law. At any time of the year, the supervisory board may carry out any verifications or controls which it deems necessary and may demand any documents which it deems useful to the fulfillment of its mission. In addition, the supervisory board grants the management board permission to carry out certain transactions, as described above, for which its prior authorization is required. For more information on the supervisory board, please refer to Item 10. Additional Information Organizational Documents of Vivendi .

Composition

Our supervisory board, which can be comprised of 3 to 18 members, currently has 11 members. The appointment of members of the supervisory board is approved by our shareholders for renewable terms of a maximum of four years, subject to the provisions of our by-laws (*statuts*) relating to age limits. The following table sets forth the composition of our supervisory board as at the date of this annual report.

Name	Age	Position	Expiration of term(1)
Jean-René Fourtou(2)(3)	67	Chairman of the supervisory board	2008
Henri Lachmann(3)	67	Vice-Chairman and Member of the supervisory board	2008
Claude Bébéar(2)(3)	70	Member of the supervisory board	2008
Gérard Brémond(3)	68	Member of the supervisory board	2008
Fernando Falcó y Fernández de Córdova(3)(5)	67	Member of the supervisory board	2009
Sarah Frank	59	Member of the supervisory board	2009
Paul Fribourg(3)(4)	52	Member of the supervisory board	2006
Gabriel Hawawini(3)(5)	58	Member of the supervisory board	2009
Patrick Kron	52	Member of the supervisory board	2009
Andrzej Olechowski	58	Member of the supervisory board	2009
Pierre Rodocanachi(3)	67	Member of the supervisory board	2008
Karel Van Miert(3)	64	Member of the supervisory board	2008

(1) Term expires at the annual shareholders meeting approving the financial statements for the year set forth in this column.

(2) According to the criteria of the AFEP/Medef report, this member of the supervisory board is not considered independent.

(3) This member was a director prior to the change of our corporate form and was appointed as member of the supervisory board for the remainder of his term as director.

(4) On June 7, 2006, Mr. Fribourg resigned from his position at his own request.

(5) Term of office renewed at the shareholders meeting held on April 20, 2006.

Biographies of Our Supervisory Board

Jean-René Fourtou was appointed to the board of directors of Vivendi in July 2002 and served as chairman and Chief Executive Officer of Vivendi until April 28, 2005, when he became chairman of the supervisory board. He joined Bossard & Michel as a consultant in 1963. In 1972, he became Chief Operating Officer of Bossard Consultants and chairman and Chief Executive Officer of the Bossard Group in 1977. In 1986, he was appointed chairman and Chief Executive Officer of the Rhône-Poulenc Group. From December 1999 to May 2002, he served as vice-chairman and Chief Operating Officer of Aventis. He is chairman of the supervisory board of the Canal+ Group and a member of the supervisory board of Maroc Telecom. He is the vice-chairman of the supervisory board of AXA and a member of the Executive Committee of AXA Millésimes SAS. Mr. Fourtou is currently a director of NBC Universal, Cap Gemini, Sanofi-Aventis and Nestlé. He is also the honorary chairman of the International Chamber of Commerce. Mr. Fourtou co-chairs the Franco-Moroccan Economic Impetus Group. Since April 2006, Jean-René Fourtou has been a director of Nestlé.

Henri Lachmann was appointed to the board of directors of Vivendi in December 2000 and appointed to our supervisory board on April 28, 2005. In 1963, he joined Arthur Andersen, the international auditing firm, where he served successively as auditor, then as manager of the Accounting Review Department. In 1970, he joined the Strafor Facom Group, where he held various management positions until June 1981, when he was appointed Group chairman. Since 1999, after serving as vice-chairman and chairman and Chief Executive Officer, he became chairman of the supervisory board of Schneider Electric Group in May 2006. He is a member of the supervisory board of AXA and director of various AXA subsidiaries. He is also a director of the *Association Nationale des Sociétés par Actions* (ANSA), a member of the supervisory board of the Norbert Dentressangle Group and a non-voting board director (censor) of Fimalac. He is chairman of the Marie Lannelongue Surgical Center.

Claude Bébéar was appointed to the board of directors of Vivendi in July 2002 and appointed to our supervisory board on April 28, 2005. Since 1958, his entire career has been spent in the insurance sector. From 1975 to 2000, he headed a group of insurance companies, which became AXA in 1984. Currently, Mr. Bébéar is chairman of the supervisory board of the AXA Group and chairman and Chief Executive Officer of the board of directors of Finaxa. Mr. Bébéar established and chairs the *Institut du Mécénat de Solidarité*, a humanitarian and social welfare organization, as well as the *Institut Montaigne*, an independent political think tank. He is a director of BNP Paribas and various AXA Group subsidiaries and a non-voting board director (censor) of Schneider Electric.

Gérard Brémond was appointed to the board of directors of Vivendi in January 2003 and appointed to our supervisory board on April 28, 2005. At the age of 24, he joined a family construction business which builds homes, offices and warehouses. An architecture enthusiast, his meeting with Jean Vuarnet, the Olympic ski champion, led to the creation and development of the mountain resort of Avoriaz in the French Alps. Mr. Brémond developed other resorts, both in the mountains and on the coast, and created the Pierre et Vacances Group. By successively acquiring Orion, Gran Dorado, Center Parcs and Maeva, the Pierre et Vacances Group has become one of the leading tourism operators in Europe. Mr. Brémond founded two communications companies (television and film production). He currently serves as chairman and Chief Executive Officer of Pierre et Vacances SA. He also serves as chairman or director of several Pierre et Vacances Group companies and as a director of Groupe Maeva SAS. He is the chairman and Chief Executive Officer of SA Société d Investissement Touristique et Immobilier and SA Société d Investissement Touristique et Immobilier s permanent representative on the Board of directors of Peterhof, SERL, Lepeudry et Grimard, and CFICA. He is the chairman and Chief Executive Officer of GB Développement SA and GB Développement SA s permanent representative on the board of directors of Ciné B. He is also a director of Holding Green BV, a Dutch company and a member of the supervisory board of Center Parcs Europe NV.

Fernando Falcó y Fernández de Córdova was appointed to the board of directors of Vivendi in September 2002 and appointed to our supervisory board on April 28, 2005. He served as chairman of the Organisation and Union of Riesgos del Tiétar and of Real Automóvil Club de España for 27 years, chairman of the Group Vins René Barbier, Conde de Caralt et Segura Viudas, vice-chairman of Banco de Extremadura and as a member of the board of directors of various companies. Mr. Falcó has established and managed various agricultural businesses, as well as family businesses involved in the export of agricultural products. He contributed to the creation of services and safety measures for motorists with the implementation of technical assistance and travel assistance services in Spain, Europe and throughout the world. In this capacity, he represented Spain on the FIA (International Automobile Federation) as well as on the AIT (International Tourism Alliance). Mr. Falcó is a member of the Spanish Higher Council for traffic and road safety (Ministry of the Interior) and is part of the Group for Urban Mobility (Madrid). Until 2002, he was vice-chairman of the World Council for Tourism and Motoring of the FIA, which is headquartered in Paris. In June 1998, he was appointed chairman of the AIT based in Geneva, a position he held until 2001. Mr. Falcó is a member of the Regional Council of the ASEPEYO of Madrid. He currently serves as director of Fomento de Construcciones y Contratas (FCC) and FCC Construcción. He is director and vice-chairman of the Executive Committee of Sogecable, vice-chairman of Canal Digital+, director of Vinexco (Falcó Group) and director of Realia.

Sarah Frank was appointed to the supervisory board of Vivendi on April 28, 2005. From 1990 to 1997, Ms. Frank was chairman and Chief Executive Officer of BBC Worldwide Americas, a subsidiary of the British television channel, BBC, for North and South America. In 1993, the American magazine, USA Today, named her one of the 25 most influential people in American television. In 1994, she received the Matrix award presented by the New York Women in Communications Association. Ms. Frank was Vice-President and Director of Education at Thirteen/WNET New York, a flagship public television station in New York City, where she directed the educational programs of the station. She created a television series aimed at helping teenagers understand the consequences of the events on September 11, 2001, as well as a website for parents and teachers called *Dealing with the Tragedy*. She has contributed to the expansion of the National Teacher Training Institute, a nationwide program to promote the integration of new technology into classroom curricula. Most recently, she co-produced with WGBH *They Made America*, a documentary series based on the book by Sir Harold Evans. Ms. Frank serves on the boards of The Foundation of the New York Chapter of

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the National Academy of Television Arts and Sciences, Branded Media Corporation, Inc. and the Coalition for Quality Children s Media. She is a member of the New York Women s Forum and a member of the Leadership Committee of the University of Michigan UROP program.

Paul Fribourg was appointed to the board of directors of Vivendi in January 2003 and appointed to our supervisory board on April 28, 2005. He is chairman and Chief Executive Officer of ContiGroup Companies (formerly Continental Grain Company), a private company with French and Belgian roots, that has diverse agribusiness activities. Since the age of 26, he has held several management positions in this company, both in Europe and the United States. He is a member of the US Council on Foreign Relations and a director of the Park East Synagogue, The Browning School, New York University, Nightingale-Bamford School, America-China Society, Loews Corporation, Appeal of Conscience Foundation, Endeavor Global, Inc. He is chairman of The Lauder Institute/ Wharton Business School, member of the JP Morgan National Advisory Board, member of Rabobank International North American Agribusiness s advisory board and a director of Deans Advisors at Harvard Business School.

Gabriel Hawawini was appointed to the board of directors of Vivendi in May 2003 and appointed to our supervisory board on April 28, 2005. He is Professor of Investment Banking of INSEAD in Fontainebleau, France, where he currently serves as Dean. Before joining INSEAD, he taught at New York and Columbia universities from 1974 to 1982. Mr. Hawawini was vice-chairman of the French Finance Association from 1984 to 1986 and served on editorial committees for several university publications. He is the author of twelve books, and over seventy research publications about management based on value creation, risk appraisal, asset valuation, portfolio management and the structure of financial markets. Among other publications, he is the author of *Mergers and Acquisitions in the US Banking Industry*, published by North Holland in 1991 and *Finance for Executives: Managing for Value Creation* (South Western Publishing, 2002) which is in its second edition. He has advised many private companies on the implementation of management systems based on value creation. Since 1982, he has organized, directed and participated in several programs to improve management methods worldwide.

Patrick Kron was appointed to the supervisory board of Vivendi on April 28, 2005. He began his career at the French Ministry of Industry between 1979 and 1984 before joining the Péchiney Group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of Péchiney s most important factories in Greece before becoming Chief Operating Officer of Péchiney s subsidiary in Greece. Between 1988 and 1993, he held several senior operational and financial positions in the aluminum processing division within Péchiney and then became chairman and Chief Executive Officer of Péchiney Electrométallurgie. In 1993, he became a member of the Executive Committee of Péchiney and was appointed chairman of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he managed the Food, Health and Beauty Care Packaging Sector of Péchiney and held the position of Chief Operating Officer of American National Can in Chicago (USA). From 1998 to 2002, Patrick Kron was chairman of the management board of Imerys before joining Group Alstom as Director on July 24, 2001 and Chief Operating Officer on January 1, 2003. He has been the chairman and Chief Executive Officer of Alstom since March 11, 2003. He is a director of Imerys and a director of the association *Les Arts Florissants William Christie*.

Andrzej Olechowski was appointed to the supervisory board of Vivendi on April 28, 2005. He was Deputy Governor of the National Bank of Poland from 1989 to 1991. He held various functions in the Polish government: in 1991, he was appointed Secretary of State to the Trade Ministry, in 1992, Minister of Finance, and from 1993 to 1995, Minister of Foreign Affairs, a period during which he served as economic advisor to President Lech Walesa. From 1994 to 1998, Mr. Olechowski served as chairman of the City Council of Wilanów. In 2000, he was a candidate in the Presidential elections in Poland. In 2001, he was one of the creators of the Civic Platform, a Polish centrist political party. From May 1998 to June 2000, Mr. Olechowski served as chairman of Bank Handlowy w Warszawie, of which he is currently a member of the supervisory board. He sits on the boards of several public, charitable and educational foundations, since 1995 he has served as a consultant for Central Europe Trust Polska. Mr. Olechowski is a lecturer at the Jagiellonian University in Krakow and the Collegium Civitas in Warsaw. He is the author of numerous publications on international trade and foreign policy. He is a director of Euronet, a member of the supervisory board of Bank Handlowy w Warszawie, vice-chairman of the supervisory board of PKN Orlen, a member of the Interna-

tional Advisory Board of Textron and a member of the European Advisory Board of Citigroup. He is also a senior advisor to Central Europe Trust Polska.

Pierre Rodocanachi was appointed to the board of directors of Vivendi in May 2004 and appointed to our supervisory board on April 28, 2005. He is the chairman of the Strategic Committee at Booz Allen Hamilton, an international management and strategy consulting firm. He joined Booz Allen Hamilton in 1973 and in 1979 became CEO of its French subsidiary. In 1987, he was appointed Senior vice-chairman and became a member of the Strategic Committee and of the Operations Committee of Booz Allen Hamilton Inc. and manager of all its activities for Southern Europe. Prior to joining Booz Allen Hamilton, Mr. Rodocanachi began his career as a researcher in a solids physics laboratory at the *Centre national de la recherche scientifique* (CNRS). Then, for five years, he managed the planning department of the French General Delegation for Scientific and Technical Research (DGRST). From 1969 to 1971, he served as Technical Consultant on Scientific Matters for the French Minister of Industry and, from 1971 to 1973, was the Deputy Director for the French National Agency for Research Valuation (ANVAR). Mr. Rodocanachi is a director and chairman of the Audit Committee of Odier-Bungener-Courvoisier (OBC) Bank and a director of Dollfus Miege & Cie (DMC). He is a member of the French Olympic Medalists Association, a Chevalier of the Legion of Honor and a recipient of the French National Order of Merit. He is director of the publication of *Commentaire*, a journal of political economy.

Karel Van Miert was appointed to the board of directors of Vivendi in May 2004 and appointed to our supervisory board on April 28, 2005. He is a former Vice-President of the European Commission and a former President of Nyenrode University from April 2000 through March 2003. He obtained a degree in International Relations at the University of Ghent, followed by a postgraduate degree from the Center for European Studies at the University of Nancy. From 1968 to 1970, he worked for the National Scientific Research Fund and then for several European Commissioners including Mr. Sicco Mansholt in 1968, and in 1973, as a member of the Private Office of Mr. Henri Simonet, the Vice-President of the European Commission. After starting his political career with the Belgian Socialist Party as International Secretary in 1976, he became Head of the Private Office of Mr. Willy Claes, Minister of Economic Affairs in 1977. He chaired the Socialist Party from 1978 to 1988 and became vice-chairman of the Confederation of European Social Democratic Parties in 1978. From 1986 to 1992, he was Vice-President of the International Socialist Party. He was a member of the European Parliament from 1979 to 1985 and then took a seat in the Belgian Chamber of Representatives. In 1989, Mr. Van Miert was appointed member of the European Commission responsible for transport, credit, investment and consumer policy. For six years, he served under President Jacques Delors and in 1992, he assumed interim responsibility for environmental policies. As Vice-President of the European Union Commission, Mr. Van Miert was responsible for competition policy from 1993 to 1999. From April 2000 to March 2003, he chaired the University of Nyenrode in the Netherlands where he taught European competition policy. He is the author of several publications on European integration. In 2003, Mr. Van Miert chaired the European Union High Level Group on Trans-European Transport Networks. He is a director of Agfa-Gevaert NV, Anglo American plc, De Persgroep, Royal Philips Electronics NV, Solvay SA, Münchener Rück, RWE AG and Sibelco NV.

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Senior Executives

The following table sets forth the names of our senior executives and members of the executive committee, their ages, positions and principal responsibilities as at the date of this annual report:

Name	Age	Positions and Responsibilities
Jean-Bernard Lévy	51	Chairman of the management board and Chief Executive Officer of Vivendi
Jacques Espinasse	63	Member of the management board and Chief Financial Officer of Vivendi
Robert de Metz	54	Senior Executive Vice-President, Strategy and Development
René Pénisson	64	Chairman of Vivendi Games, Member of the management board and Senior Executive Vice-President, Human Resources of Vivendi.
Jean-François Dubos	60	Executive Vice-President and General Counsel, Secretary of the management and supervisory boards
Michel Bourgeois	56	Executive Vice-President, Communications and Public Affairs
Régis Turrini	47	Executive Vice-President, Mergers and Acquisitions

Biographies of our Senior Executives

The biographies for Messrs. Jean-Bernard Lévy, Jacques Espinasse and René Pénisson are provided under The Management Board Biographies .

Robert de Metz was appointed Senior Executive Vice-President, Strategy and Development of Vivendi in April 2005. From September 2002 to April 2005, he served as Vivendi s Senior Executive Vice-President, Divestitures, Mergers and Acquisitions. Prior to these positions, Robert de Metz was involved in asset management from 2000 to 2002, although he spent most of his career as an investment banker. Robert de Metz is a graduate of the Paris Institute of Political Sciences and Ecole Nationale d Administration. He began his career as an *Inspecteur des Finances* at the Inspection Générale des Finances of the French Ministry of Finances and Economic Affairs (1979-1983). He then worked as an investment banker at Banque Indosuez (1983-1987), Demachy Worms & Cie (1987-1991) and Paribas (1991-1999) where he was appointed member of the management board in 1997. Robert de Metz is a director of NBC Universal, Inc. and a member of the supervisory board and of the audit committee of Maroc Telecom.

Jean-François Dubos was appointed Executive Vice-President and General Counsel, Secretary of the management and supervisory boards of Vivendi in April 2005. Prior to this position, Mr. Dubos served as Executive Vice-President and General Counsel, Secretary of the board of directors of Vivendi. Mr. Dubos is responsible for managing the group s legal and administrative services departments. He is a member of the French Administrative Supreme Court (*Maître des Requêtes au Conseil d Etat*), currently on temporary leave. Mr. Dubos joined Compagnie Générale des Eaux, the predecessor of Vivendi, as deputy to the Chief Executive Officer in 1991, and since 1994, has held the position of General Counsel. From 1993 to 1999, he was the Chief Executive Officer of the Group s subsidiary Carrousel du Louvre. From 1984 to 1991, while a fulltime member of the French Administrative Supreme Court (*Conseil d Etat*), he worked on a wide range of matters, including education, interior affairs, urban planning, historical preservation and codification of laws. From 1981 to 1984, he was co-head of the cabinet of the French Ministry of Defense. Mr. Dubos currently serves on the board of directors of two water distribution companies, Société des Eaux de Melun and CMESE and on the supervisory board of Groupe Canal+ and on the board of Sogecable (Spain). He is also Vivendi s permanent representative on the board of SFR.

Michel Bourgeois was appointed Executive Vice-President Communications and Public Affairs of Vivendi in September 2002. In this position, he is responsible for corporate communications, internal communications, media, public relations and public affairs. From 2000 to 2002, he was Executive Vice-

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President Corporate Communications, France, of the pharmaceuticals company Aventis. Mr. Bourgeois previously held successive positions at Rhône-Poulenc from 1987 to 2000, in Media Relations and Corporate Communications and was Adviser to the chairman, Mr. Jean-René Fourtou, from 1995 to 2000.

Régis Turrini was appointed Executive Vice-President of Vivendi, in charge of mergers and acquisitions in April 2005. Prior to this position, he served as Executive Vice-President of Vivendi in charge of divestitures, mergers and acquisitions since January 2003. He reports to Robert de Metz, Senior Executive Vice-President, Strategy and Development of Vivendi. Mr. Turrini is an attorney admitted to the Paris Bar, and a graduate of the Paris Institute of Political Sciences and Ecole nationale d Administration. He began his career as a judge to the court dealing with disputes in the French civil service. He then joined law firms Cleary Gottlieb Steen & Hamilton (from 1989 to 1992), followed by Jeantet & Associés (from 1992 to 1995), as a corporate lawyer. In 1995, Mr. Turrini joined the investment bank ARJIL & Associés (Lagardère Group) as executive director. He was then appointed managing director and from 2000 managing partner. Mr. Turrini is a director of various Vivendi subsidiaries.

There are no family relationships among or between any of the members of the management and supervisory boards and the senior executives. There was no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any of those mentioned above was selected as a member of the management or supervisory boards or senior executive.

The Board of Directors

Until April 28, 2005, Vivendi was a *société anonyme à conseil d administration* with a single board of directors. The following table sets forth the composition of our board of directors in 2004 through April 28, 2005:

Name	Position	Year of appointment as Director
Jean-René Fourtou(1)(2)	Chairman and Chief Executive Officer	2002
Claude Bébéar(1)(2)	Director	2002
Gérard Brémond(2)	Director	2003
Bertrand Collomb	Director	2003
Fernando Falcó y Fernández de Córdova(2)	Director	2002
Paul Fribourg(2)	Director	2003
Gabriel Hawawini(2)	Director	2003
Gerard Kleisterlee	Director	2002
Marie-Josée Kravis	Director	2001
Henri Lachmann(2)	Director	2000
Pierre Rodocanachi(2)	Director	2004
Karel Van Miert(2)	Director	2004

(1) According to the criteria of the AFEP/Medef report, this director was not considered independent.

(2) Appointed as member of the supervisory board at the Annual Meeting held on April 28, 2005.

Compensation of Members of our supervisory board

In 2005, the aggregate amount of directors fees (*jetons de présence)* paid by Vivendi to members of its board of directors from January 1st, 2005 through April 28, 2005, when Vivendi revised its corporate structure, and to members of its supervisory board from April 28, 2005 to the end of fiscal year 2005 was 960,789. A member of the supervisory board is entitled to receive a fixed director s fee of 25,000 in 2005 for one full year of service plus a variable portion of 5,500 per meeting. In addition, members of the Audit Committee are entitled to receive compensation of 6,000 per meeting and members of the other committees are entitled to receive compensation of

4,500 per meeting. The compensation of the chairmen of these committees is double these amounts.

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The table below sets forth the amount of director s fees paid in 2005:

Members of the supervisory board	2005 Directors fees (in euro)
Jean-René Fourtou	0
Henri Lachmann	107,500
Claude Bébéar	102,416
Gérard Brémond	76,791
Fernando Falcó y Fernández de Córdova	75,500
Sarah Frank	43,500
Paul Fribourg	77,875
Gabriel Hawawini	79,000
Patrick Kron	43,500
Andrzej Olechowski	43,500
Pierre Rodocanachi	92,500
Karel Van Miert	76,916
Directors up to April 28, 2005	
Bertrand Collomb	54,083
Marie-Josée Kravis	61,333
Gerard Kleisterlee	26,375

The compensation of the chairman of the supervisory board is determined by the supervisory board on the basis of recommendations made by the Human Resources Committee. The supervisory board meeting held on April 28, 2005 set the following rules applicable to the compensation of the chairman of the supervisory board for the year 2005: in consideration for his services, the chairman of the supervisory board is entitled to a fixed compensation of 1,000,000 for the full year 2005, he does not receive stock option grants or restricted stocks awards *(actions gratuites)* and he does not benefit from a severance payment.

From January 1st to April 28, 2005, Mr. Fourtou, in his capacity as chairman and chief executive officer of the Company, received a gross compensation amount (fixed and variable) of 2,664,516 including a 2,320,000 bonus for 2004 paid in 2005 and benefits in kind. In addition, he received 400,000 undiscounted stock options. In 2005, as chairman of the supervisory board, Mr. Fourtou received a pro rata gross amount of 666,667 for his service and the benefits in kind of a company car and the availability of a chauffeur. However, he did not receive any director s fees from Vivendi or any of its subsidiaries. His travel expenses and other expenditures incurred in connection with his duties were paid by the Company. In addition, Mr. Fourtou has waived his right to the retirement pension paid by Vivendi since he joined the Group.

Compensation of Members of our management board

In 2005, the aggregate amount of compensation for services, including benefits in kind, awarded to each of the members of our management board was:

	Compensation and Other Benefits in 2005 (in euro)			
Members of the Management Board	**Fixed compensation**	**2005 bonus (paid in 2006)**	**Benefits in kind(*)**	**Total**

Jean-Bernard Lévy	800,000	1,472,000	195,047(**)	2,467,047
Abdeslam Ahizoune	512,757	346,958		859,715
Jacques Espinasse	460,000	846,400	10,164	1,316,564
Frank Esser	650,000	1,150,500	13,727	1,814,227
Bertrand Meheut	650,000	1,189,500	28,014(a)	1,867,514
Doug Morris	4,453,144	9,881,733(b)	127,525(c)	14,462,402
René Pénisson	460,000	846,400	22,000(a)	1,328,400

(*) Includes employer s pension contributions in excess of the legal tax-deductible threshold and the benefit of a company car.

(**) Includes 181,595 of holiday premium pay for previous salaried position.

(a) Includes valuation of days of holiday transferred from the time saving account (compte épargne temps) to the pension savings plan.

(b) Includes the 2006 payment of the 2005 portion amount of a deferred long-term bonus under the Universal Music Group contract, in the amount of 3,977,800.

(c) Includes air travels and the benefit of a company car.

The compensation of the chairman of our management board is determined by our supervisory board on the basis of recommendations made by the Human Resources Committee. For 2005, the compensation of the chairman of the management board includes a gross annual fixed salary of 800,000 (unchanged for 2006), and a variable element between 120% and 200% of the gross annual fixed salary. For 2005, Mr. Levy also received 400,000 non-discounted stock options. His travel expenses and other expenditures incurred in connection with his duties are paid by the Company.

While Mr. Jean-Bernard Lévy holds his position as chairman of the management board, his employment contract with the Company is suspended. In the event that he no longer holds his position, his employment contract with the Company will be reinstated. In addition, pursuant to his employment contract, Mr. Jean-Bernard Lévy is entitled to a severance payment equal to the compensation received during the preceding six months (including bonus compensation and regardless of the unexpired term of his notice period).

Pursuant to their employment contracts, the other members of the management board (other than Mr. René Pénisson) are entitled to a severance payment. Mr. Abdeslam Ahizoune is entitled to a severance payment equal to the compensation received during the preceding twenty-four months (including bonus compensation and the legal amount of indemnity payments). A similar provision also applies to Mr. Frank Esser. Mr. Jacques Espinasse is entitled to a severance payment equal to the compensation received during the preceding twelve months (including bonus compensation). Mr. Bertrand Meheut is entitled to a severance payment of 2 million (including the legal amount of indemnity payments). Pursuant to the provisions of his employment contract with Universal Music Group, Mr. Doug Morris is entitled to a severance payment equal to the compensation to be received until December 31, 2008 (including bonus compensation), which may not be less than one year s salary, in any event.

In December 1985, a complementary pension plan applicable to Vivendi s managers was adopted by the Compagnie Générale des Eaux. Beneficiaries are guaranteed a pension equal to a percentage of their basic remuneration, based on the age of retirement (48.6% at the age of 60 and 60% at the age of 65), with a maximum amount of 300,000 (including pensions paid by the general regime). This plan pays a pension under the condition that the beneficiary has reached 60 years old, has a minimum of 15 years of service within the Company and is still salaried by the Company at the time of retirement. In addition, all compulsory and optional pension provisions must be paid at the time of retirement. In the event of a departure from the Company before the age of 60, the employee loses all benefits under this plan. Members of the management board having an employment contract with Vivendi SA are eligible to this complementary pension plan.

Senior managers and members of our management board having an employment contract with the Company may also elect to benefit from a defined benefit pension plan. The length of the terms as chairman of the management board will be taken into account for purposes of seniority and benefits under this plan. This plan pays a pension based on years of service (over a period of 20 years), under the condition that the beneficiary has a minimum of three years in office. The plan pays a pension based on the reference salary received during the preceding three years, which may not be the higher of the applicable reference salary and 60 times the French social security upper limit (currently, 1,864,000). Acquisition of rights is also subject to an upper limit of 30% of the reference salary. In the event of a departure from the Company for any cause before the age of 55, the beneficiary loses all benefits under this plan. However, the beneficiary will maintain his or her rights in the event of a retirement at the initiative of the employer after the age of 55.

There is no possibility to cumulate the complementary pension plan and the defined benefit pension plan. Only the most favorable plan will be retained upon retirement. The grant of this complementary pension plan to certain members of the management board holding a French employment contract is defined as a regulated related-party agreement, as referred to in the special report of the statutory auditors approved by the shareholders meeting held on April 20, 2006, in accordance with Article L. 225-88 of the French Commercial Code.

Mr. Doug Morris is entitled to benefit under the Seagram pension plan for a part of his career within the Group, for which Vivendi has ceased to contribute. He also benefits from UMG pension plans applicable to all UMG employees within the United States, for which UMG contributes up to a maximum amount of $16,260 each year, in addition to the employee s contributions.

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At December 31, 2005, the total amount of the pension obligations for members of our management board was 2,194,155.

Executive Compensation

In 2005, the aggregate amount of the top ten compensation packages (including benefits in kind) paid by Vivendi SA to its senior managers and executive officers for services in all capacities was approximately 14.35 million. The aggregate amount of the top ten compensation packages (including benefits in kind) paid to executive officers within the Group was approximately 45.99 million. All executive officers have waived their right to receive directors fees in their capacity as board members or permanent representatives within controlled subsidiaries, within the meaning of Article L. 233-16 of the French Commercial Code.

The compensation of Vivendi s corporate officers and principal executives is determined by the supervisory board on the basis of recommendations made by the Human Resources Committee. Compensation amounts include a fixed and a variable element. For 2005, the variable element for corporate officers and senior executives of the headquarters is based on financial objectives representing 60% of the variable compensation, linked to both the adjusted net income attributable to equity holders of Vivendi (35%) and operational cash flow (25%). The performance of the priority actions of the general management represents 40% of the variable compensation. For 2005, the variable element for corporate officers (including the subsidiaries chairmen or executives) is based on the Group s financial objectives (representing 15% of the variable compensation), (b) the financial objectives of their entity (60%) and (c) priority actions for their entity (25%).

Corporate Governance

We seek to apply the highest international standards of corporate governance and, through the Disclosure Committee, we are implementing the rules and procedures set out by the US Sarbanes-Oxley Act. Our Company has taken the following actions: increased the number of committees emanating from the former board of directors and the current supervisory board (the Audit Committee, the Human Resources Committee, the Strategy Committee and the Corporate Governance Committee), created a special Disclosure Committee to ensure accuracy of publicly disclosed information, adopted internal charters governing the operations of the supervisory board and management board, implemented the broadcasting of shareholders meetings via the Internet, eliminated double voting rights in order to assure equality of shareholder rights, eliminated the policy of issuing stock in the event of a takeover bid, shortened the length of time securities need to be blocked for the exercise of voting rights, shortened the terms of members of the supervisory board to four years, and provided for the appointment of an employee as a member of the supervisory board when employee participation in our share capital reaches 3%.

Committees of the Supervisory Board

Until April 28, 2005, the board of directors comprised four committees. As a consequence of the change of our corporate form at the shareholders meeting held on April 28, 2005, the committees described below have become committees of our supervisory board.

Creation and Functioning of Committees Common Attributes

The permanent committees of the supervisory board are the Audit Committee, the Strategy Committee, the Human Resources Committee and the Corporate Governance Committee.

Each committee fulfills a role of review, analysis and preparation with respect to certain deliberations of the supervisory board. Each committee produces, within its area of expertise, proposals, recommendations and opinions, where appropriate. In accordance with French law, the committees have no decision-making authority, they serve a purely consultative function, acting under the authority of the supervisory board, to which they are accountable.

Committee members are appointed by the supervisory board and cannot appoint proxies. Unless otherwise decided by the supervisory board, the committee members terms are the same as their respective terms on the supervisory board and are renewable. The supervisory board appoints a chairman for each committee, who presides over the committee for the duration of his or her term as a committee member. The committee chairman or one of its members reports upon the committee s work to the supervisory board at each scheduled meeting of the supervisory board. Each committee establishes its own charter, which must be approved by the supervisory board, pursuant to the provisions of the supervisory board s internal charter. Each committee meets upon being convened by its chairman and sets its own meeting schedule. Committee meetings may also be held by telephone conference or videoconference. The chairman of each committee draws up the agenda of the meetings and presides over the committee s deliberations. The chairman of a committee may decide to invite all members of the supervisory board to attend its meetings but only the members of the committee take part in its deliberations. Minutes of each meeting are drawn up by the secretary of the supervisory board, who attends the meetings of each of the supervisory board s committees.

In addition to the permanent committees, the supervisory board may decide to form ad hoc committees, for a limited term, with regard to certain exceptional transactions or assignments.

Audit Committee

The Audit Committee must be comprised of at least four members of the supervisory board, all of whom must be independent as such term is defined by the AFEP/Medef report of October 2003 on corporate governance for listed companies and Rule 10A-3(b)(1)(ii) of the Securities Exchange of 1934, as amended, and one of whom must have finance or accounting expertise. The current members are Henri Lachmann (chairman), Gabriel Hawawini, Pierre Rodocanachi and Karel Van Miert. Henri Lachmann is the financial expert of the Audit Committee, due to his knowledge of generally accepted accounting principles, procedures of internal control and the roles of the Audit Committee.

The Audit Committee prepares the supervisory board s deliberations and provides recommendations or opinions, with regard to accounting procedures, particularly in the following areas: (i) review of our accounts and consolidated annual, half-year and quarterly accounts before they are presented to the supervisory board, (ii) coherence and effectiveness of our internal control measures, (iii) issuance of opinions on the annual report of the Compliance Program, (iv) follow-up on the mandates accorded to the external and internal auditors and review of the conclusions of their audits, (v) accounting methods and principles, specifically, the activities to be included within our consolidated accounts, our off balance-sheet risks and commitments, (vi) procedures for selecting statutory auditors, including issuance of an opinion regarding such auditor s fees and verification of compliance with rules ensuring such auditor s independence, (vii) selection of the statutory auditors, specifically regarding fees and regulatory compliance and (viii) any topic that, in its opinion, could represent risks or serious procedural deficiencies.

The Audit Committee meets at least four times a year and at any other time requested by Vivendi. For the purpose of carrying out its tasks, the committee may, with no members of the management board present, meet with the statutory auditors and the members of our management responsible for preparing financial statements and conducting internal audits, including the Chief Financial Officer, the Chief Accounting Officer and the Treasurer.

With respect to internal audit and risk management, the committee reviews the most significant off-balance sheet commitments, meets with the director of Internal Audit, and renders its opinion on the organization of, and work performed by, the internal audit department. The Audit Committee may engage, at Vivendi s expense, external experts, when it deems necessary. With respect to the selection of statutory auditors, the committee reviews the fees paid by us or any of our subsidiaries to the statutory auditors and any member of their network. The committee also monitors compliance with the rules regarding the statutory auditors independence.

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The Audit Committee met five times in 2005 and reviewed:

- the financial statements and the consolidated financial statements for the financial year 2004 and their reconciliation to US GAAP, the 2005 half-year and quarterly accounts and the reports of the Company s statutory auditors;
- the impact on the Group of the application of the international accounting standards (IFRS);
- the results of internal audit plans;
- internal control procedures and their implementation within the Group;
- the renewal of the mandate of the Company s statutory auditors; and
- the compliance procedures put into place within each business unit of the Group.

Strategy Committee

The Strategy Committee must be comprised of at least four members of the supervisory board. The current members are Claude Bébéar (chairman), Gérard Brémond, Sarah Frank, Patrick Kron, Andrzej Olechowski and Karel Van Miert.

The Strategy Committee prepares the supervisory board s deliberations and provides recommendations with respect to the following: (i) our strategic direction, (ii) acquisitions and divestitures of a sizeable nature, strategic joint ventures and/or industry and financial cooperation agreements, (iii) granting of security interests, including endorsement and guarantees in favor of third parties, exceeding certain thresholds, (iv) sizeable internal restructuring operations, (v) transactions falling outside our announced strategy, (vi) financial transactions that may impact the balance sheet s structure, and (vii) sizeable financial transactions that are material to the Company and our liquidity and debt situation.

The Strategy Committee met four times in 2005 and reviewed:

- the Group s priorities and strategic challenges;
- potential developments in telecommunications, games and the Internet;
- challenges of digital terrestrial television and developments in the pay-TV sector in France;
- the impact of changing the Company s corporate name; and
- the situation in telephony in Poland.

Human Resources Committee

The Human Resources Committee must be comprised of at least four members of the supervisory board. The current members are Pierre Rodocanachi (who replaced Paul Fribourg as Committee chairman on June 7, 2006), Gérard Brémond, Fernando Falcó y Fernández de Córdova and Sarah Frank.

The Human Resources Committee prepares the supervisory board s deliberations and provides recommendations with respect to the following: (i) compensation of the chairman of the supervisory board, (ii) compensation of the members of the management board, (iii) allocation of stock options to members of the management board, (iv) allocation and modes of payment of supervisory board members fees, (v) compensation of principal executives, (vi) issuance of recommendations with respect to liability coverage and complementary retirement packages for our executive officers and (vii) oversight of, and issuance of recommendations with respect to the recruitment of principal executives.

The Human Resources Committee met four times in 2005 and reviewed:

the compensation (including bonus compensation), representation and travel expenses of directors (*mandataires sociaux*) and stock option plans for 2005;

an additional defined pension plan for senior managers; and

the succession plans for executive officers at the Company s headquarters and at the business unit level.

Corporate Governance Committee

The Corporate Governance Committee must be comprised of at least three members of the supervisory board. The current members are Claude Bébéar (chairman), Gabriel Hawawini, Fernando Falcó y Fernández de Córdova and Andrzej Olechowski. Paul Fribourg left the Committee on June 7, 2006.

The Corporate Governance Committee prepares the supervisory board s deliberations and provides recommendations with respect to the following: (i) candidates for membership of the supervisory board and composition and functions of board committees, (ii) criteria of independence with respect to supervisory board members, (iii) appointment of the chairman of the management board and its members, (iv) succession plans for the chairman of the management board and its members, (v) organization and role of the supervisory board, (vi) preparation of the annual meeting concerning the evaluation of the chairman of the management board, (vii) review of national and international practices in the field of corporate governance, and (viii) recommendations regarding our corporate governance measures.

The Corporate Governance Committee met twice in 2005 and reviewed:

the proposed amendments to the Company s by-laws and the internal regulations of the supervisory board and the management board;

the candidates for membership of the supervisory board, the appointment of the chairman and vice-chairman of the supervisory board and the composition of the committees of the supervisory board; and

the allocation of directors fees to members of the supervisory board.

Employees

At December 31, 2005, Vivendi had approximately 34,000 employees worldwide. The following tables show the number of employees by business segments and geographic locations at December 31, 2005 and 2004.

Employees by business segments

	Number of Employees	
	in 2005	**in 2004**
Canal+ Group	3,880	4,275
UMG	7,915	9,661
Vivendi Games	2,657	1,654
SFR(a)	8,033	9,781
Maroc Telecom	11,251	12,204(b)
Other(c)	295	331
Total	34,031	37,906

(a) Excludes fixed-line operations as of December 31, 2005.

(b) Excludes Mauritel.

(c) Includes VU Net, VTI, and Corporate for 2004 and including Corporate for 2005.

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Employees by geographic location

	Number of Employees	
	in 2005	**in 2004**
North America	4,416	4,713
Europe (excl. France)	3,210	4,667
France	13,142	14,529
Africa-Middle East	11,418	12,252
Asia Pacific	1,500	1,409
South America	345	336
Total	34,031	37,906

The decrease in the number of employees is the result of divestitures and restructurings undertaken since 2002.

Our employees membership in trade unions varies from country to country and we are party to numerous collective bargaining agreements. As generally required by law, we renegotiate our labor agreements in Europe annually in each country in which we operate. Although we have experienced strikes and work stoppages in the past, we believe that relations with our employees and their unions are generally good. We are not aware of any material labor arrangement that has expired or is soon to expire and that is not expected to be satisfactorily renewed or replaced in a timely manner.

Share Ownership

The following table sets forth the share ownership of the members of our supervisory and management boards as of December 31, 2005.

Members of our supervisory board

Name	**Number of shares held**
Jean-René Fourtou	500,000(1)
Henri Lachmann	4,000
Claude Bébéar	2,000
Gérard Brémond	1,000
Fernando Falcó y Fernández de Córdova	1,500
Sarah Frank	1,000
Paul Fribourg	1,000
Gabriel Hawawini	1,390
Patrick Kron	1,000
Andrzej Olechowski	1,000
Pierre Rodocanachi	1,800
Karel Van Miert	1,000
Total	516,690(2)

(1) Includes 128,622 as usufructuary.

(2) Representing approximately 0.04% of our share capital.

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Members of our management board

Name	Number of shares held(1)
Jean-Bernard Lévy	57,615
Abdeslam Ahizoune	10,000
Jacques Espinasse	77,475
Frank Esser	16,095
Bertrand Meheut	19,801
Doug Morris	10,000
René Pénisson	36,783
Total	227,769(2)

(1) Includes shares held in the Group Saving s Plan (PEG), valued on the basis of 26.46 corresponding to the share price of Vivendi at close of business on December 30, 2005.

(2) Representing approximately 0.02% of our share capital.

None of the members of our management or supervisory boards or our senior management own options that would, taking into account their current shareholding, entitle them to own more than 1% of our outstanding shares.

Stock Option Plans

As of December 31, 2005, a total of 100,601,606 options to exercise new or existing shares were outstanding, of which 12,824,444 were held by members of our management or supervisory boards with the remainder being held by our employees or executives.

Vivendi has the following stock purchase and stock subscription plans:

Stock Purchase Plans[1]

SO I, SO 10 and SO 100 Plans (traditional options)

Options granted under the SO I, SO 10 and SO 100 Plans have an eight or ten-year term. These options normally vest over three years from the date of grant in equal one-third amounts and become exercisable, with respect to the then vested portion of the grant after the second anniversary of the grant date. After the third anniversary of the grant date, the entire grant is vested and exercisable. Employees terminated by Vivendi and its subsidiaries and affiliates retain options granted under this plan that have vested before their termination date and the plan permits the acceleration of vesting or the extension of the exercise period in connection with an optionholder s termination of employment upon approval of the management board. Such an acceleration or extension is subject to the approval of the supervisory board with respect to options granted to members of the management board and our top 20 executives. In the event of a bid or tender offer for all or substantially all of the shares of Vivendi, these options immediately vest and become exercisable and the underlying shares remitted upon exercise will be freely transferable. Due to the pending termination of our ADR program, we now settle options granted to our US executives under traditional stock option plans through the payment of a cash amount instead of issuing new ADRs.

SO III Plan (performance options)

The options granted under the SO III Plan vest and become exercisable after a five-year period following the date of grant and remain exercisable until the expiration of the eight-year term of the options. The number of options that can be exercised is determined based on the performance of Vivendi s stock price vis-à-vis a benchmark price index composed of a basket of indexes (55% Media, 35% Telecoms and 10% Utilities).

[1] Stock option plans in which treasury shares are delivered upon exercise.

SO IV Plan (performance options)

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

if, after a three-year period, the performance of Vivendi s stock price exceeds the index performance by 9% or more;

if, after a four-year period, the performance of Vivendi s stock price exceeds the index performance by 12% or more; or

if, after a five-year period, the performance of Vivendi s stock price exceeds the index performance by 15% or more.

In addition, following each of the third, fourth and fifth anniversaries of the date of grant, the vesting of options will be accelerated after each quarter if the performance of Vivendi s stock price exceeds the index performance by the percentage required for the period examined, increased by 0.75% per quarter (x% + 0.75% per quarter). In the event of a take-over bid, the options granted under the SO IV plan will become vested and immediately exercisable and the underlying shares remitted upon exercise will be freely transferable.

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The table below sets forth certain information relating to our stock purchase plans as of December 31, 2005.

e of the areholders Meeting	Meetings of the Board of Directors and Grant Dates	Number of Options Granted	Number of Benefi-ciaries	Number of Options Granted to Members of Governing Bodies	Number of Members of Governing Bodies who can exercise their Options	Expiration Date	Exercise Price of Options per Ordinary Share	Number of Options cancelled at December 31, 2005	Number of Ordinary Shares purchased by December 31, 2005	Balance Ordinar Shares t be purchas
SO I										
05/15/1998	07/03/1998	2,192,760	648	598,857	13	07/03/2006	49.13	21,946		2,158,1
	01/22/1999	42,672	13			01/22/2007	59.64			43,8
	04/08/1999	3,302,569	818	1,068,015	11	04/08/2007	63.21	17,877		3,296,6
	09/10/1999	15,000	2			09/10/2007	60.10			15,4
	11/25/1999	9,000	3			11/25/2007	60.88			9,2
	03/10/2000	5,000	2			03/10/2008	103.42			5,1
	05/23/2000	2,783,560	1,047	914,000	12	05/23/2008	108.37	3,431		2,624,1
09/21/2000	11/23/2000	20,000	1			11/23/2008	81.43			20,5
	11/23/2000	3,114,000	511			11/23/2008	81.43	14,399		2,726,4
	12/11/2000	5,508,201	1,988	1,489,771	12	12/11/2008	76.47	30,875		4,456,5
	12/11/2000	5,378,697	1,693	1,605,400	2	12/11/2008	$65.74	10,399		4,584,5
	03/09/2001	2,000	1			03/09/2009	67.83			1,3
	03/09/2001	127,500	2			03/09/2009	$63.75			7,7
	04/24/2001	11,000	2			04/24/2009	73.42			11,3
	09/25/2001(a)	6,999,322	1,545	1,553,157	14	10/10/2009	46.87	65,479		6,020,6
	09/25/2001(a)	6,334,305	1,271	1,653,265	6	10/10/2009	$42.88	14,811		4,601,5
11/13/2000	09/25/2001(a)	304,959	41	62,254	3	10/10/2009	46.87			295,0
04/17/2000	09/25/2001(a)	917,995	361	32,080	2	10/10/2009	46.87	37,417		694,6
	09/25/2001(a)	75,712	15			10/10/2009	$42.88			58,5
	09/25/2001(a)	586,950	33	54,180	2	10/10/2009	57.18			485,9
	09/25/2001(a)	78,260	4			10/10/2009	$52.31			59,0
09/21/2000	01/24/2002	56,392	46			01/24/2010	53.38			36,4
	01/24/2002	200,000	1			01/24/2010	53.38			205,6
	01/24/2002	1,200,000	4	150,000	1	01/24/2010	$45.64			1,186,7
	03/05/2002(b)	200,000	1			03/20/2010	$37.98			206,4
	04/24/2002	404,000	2			04/24/2010	37.83			4,1
	04/24/2002	200,000	2			04/24/2010	$33.26			206,4
	05/29/2002	75,000	1			05/29/2010	33.75			75,0
	05/29/2002	20,000	1			05/29/2010	$31.62			20,0
		40,164,854		9,180,979				216,634		34,117,4

SO III										
05/15/1998	05/11/1999		5,729,237	53	2,392,259	10	05/11/2007	71.00	62,676	5,734,7
			5,729,237		2,392,259				62,676	5,734,7
O 10/SO 100										
05/15/1998	11/25/1999		1,919,520	189,207	1,100	10	11/25/2007	60.88		2,108,9
	11/25/1999		283,620	28,362			11/25/2007	$61.83		311,9
			2,203,140		1,100					2,420,9
SO IV										
09/21/2000	12/11/2000		3,700,000	65	1,925,000	12	12/11/2008	76.47	25,710	2,416,7
	12/11/2000		1,500,000	26	700,000	3	12/11/2008	$65.74		1,264,3
			5,200,000		2,625,000				25,710	3,681,0

(a) Grant date is October 10, 2001.
(b) Grant date is March 20, 2002.

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Stock Subscription Plans[1]

Since December 2000, we have set up seven stock option plans in 2002, 2003, 2004 and 2005, under which a total of 35,982,900 options have been granted, representing approximately 3.12% of our share capital, as of December 31, 2005. Options are settled through the issuance of shares or ADRs. Due to the pending termination of our ADR program, we now settle the options granted to our US executives under our stock subscription plans through the payment of a cash amount instead of issuing new ADRs. The plans granted in 2002 and January 2003 have each an eight-year term. Each of the plans granted in May 2003, December 2003, May 2004, April 2005 and June 2005 have a ten-year term.

The table below sets forth certain information relating to our stock subscription plans as of December 31, 2005.

f the olders ing	Meetings of the Board of Directors or of the Management Board and Grant dates	Number of Options Granted	Number of Benefi-ciaries	Number of Options Granted to Members of Governing Bodies	Number of Members of Governing Bodies who can exercise the Options	Expiration Date	Exercise Price per Ordinary Share	Number of Options cancelled at December 31, 2005	Number of Ordinary Shares purchased by December 31, 2005	Balan Ordi Sha to purch
/1998	12/10/1998	285,840	45			12/10/2006	36.37			28
		285,840								28
/2000	09/25/2002(a)	2,451,000	13	1,800,000	6	10/10/2010	12.10		149,000	2,30
	09/25/2002(a)	1,168,300	38	100,000	1	10/10/2010	$11.79		176,667	67
	01/29/2003	1,610,000	34	1,175,000	8	01/29/2011	15.90		10,000	1,58
	01/29/2003	50,000	1	50,000	1	01/29/2011	$16.85			5
		5,279,300		3,125,000					335,667	4,61
/2003	05/28/2003	10,547,000	414	3,000,000	9	05/28/2013	14.40	295,516	306,656	9,80
	05/28/2003	752,000	75	180,000	1	05/28/2013	$16.44	10,168	53,832	66
	12/09/2003	310,000	29	0	0	12/09/2013	19.07	53,334		25
	12/09/2003	705,000	51	0	0	12/09/2013	$22.59	133,336	13,531	44
	05/06/2004(b)	8,267,200	425	2,320,000	8	05/21/2014	20.67	330,841		7,85
	05/06/2004(b)	1,012,400	138	0	0	05/21/2014	$24.61	109,469		83
	03/09/2005(c)	7,284,600	472	2,595,000	11	04/26/2015	23.64	116,500		7,16
	03/09/2005(c)	1,786,400	184	125,000	1	04/26/2015	$30.63	58,000		1,72
		30,664,600		8,220,000				1,107,164	374,019	28,74
/2005	06/28/2005	39,000	4		0	06/28/2015	$30.63			3
		39,000								3

(a) Grant date is October 10, 2002.
(b) Grant date is May 21, 2004.
(c) Grant date is April 26, 2005.

In connection with the merger of The Seagram Company Ltd. and Canal Plus with Vivendi in December 2000, we were authorized by our general shareholders meeting to assume any commitments undertaken by each of these companies resulting from stock options granted to their respective employees and executive officers. We were granted similar authorizations by our general shareholders meetings following the acquisitions of MP3.com, Inc. in August 2001 and USA Networks in May 2002.

Options granted under each of these plans have a ten-year term and normally vest and become exercisable over one year from the date of grant.

As of December 31, 2005, there were: (i) 18,992,487 options outstanding under the Seagram Stock Incentive Plans that were granted between February 1996 and August 2000, exercisable at an adjusted unit price comprised between \$33.84 and \$74.41, (ii) 40,674 options outstanding under the MP3.com, Inc Equity Incentive Plans that were granted between July 1999 and October 2000, exercisable at an adjusted unit price comprised between \$36.17 and \$426.05, and (iii) 1,929,885 options outstanding under the USA Networks,

[1] Stock option plans in which treasury shares are delivered upon exercise.

Inc. Stock Incentive Plans that were granted between December 2000 and April 2001, exercisable at an adjusted unit price comprised between $9.06 and $31.6.

Commitment Made by Certain Directors and Officers with Respect to the Exercise of Their Stock Options

At the request of the French Minister of the Economy, Finance and Industry regarding the application of Vivendi for the consolidated global profits tax system, Messrs. Jean-René Fourtou, Jean-Bernard Lévy and Jacques Espinasse agreed to unilaterally and personally renounce 2 of profit resulting from any capital gain realized pursuant to the exercise of the stock options granted to them by the Board of Directors, prior to December 23, 2003, the application date for the requested tax system, which was obtained on August 22, 2004, effective as of January 1, 2004.

Group Savings Plan

On July 26, 2005, we issued 1,399,097 new ordinary shares for the benefit of the employees of our Group at a preferential price per share of 19.46. Our employees could purchase these shares solely through our statutory Group savings schemes (*Plan Epargne Groupe* or PEG).

Item 7: ***Major Shareholders and Related Party Transactions***

Major Shareholders

To our knowledge, in June 23, 2006 no individual shareholder beneficially owns, or exercises control or direction over, 5% or more of the outstanding Vivendi ordinary shares.

Related Party Transactions

Please refer to Item 18. Financial Statements Note 28 for a discussion of related party transactions.

Item 8: ***Financial Information***

Consolidated Financial Statements

See Item 18. Financial Statements .

Litigation

COB/ AMF Procedure

On September 12, 2003, following an investigation opened by the Autorité des marchés financiers (AMF) (formerly, the Commission des opérations de bourse or COB) on July 4, 2002, the AMF notified Vivendi of certain accounting charges which, in its view, could result in an administrative penalty for non-compliance with COB Regulation no. 98-07 relating to public disclosure requirements.

The charges complained of took place prior to July 2002, the date on which Vivendi s management was changed. First, they related to the financial information derived from the methods of consolidation of Cegetel, Maroc Telecom and Elektrim Telekomunikacja in accordance with French GAAP and second, to other items of financial information.

Vivendi challenged these allegations, taking the view shared by its auditors that the methods of consolidation of these companies, which had been applied over the period subject to the COB s investigation, were in accordance with the applicable accounting regulations.

Pursuant to a decision of the AMF Sanction Commission, dated November 3, 2004 and notified to the Company on December 7, 2004, Vivendi was ordered to pay a financial penalty of 1 million. In its decision, the AMF ruled that Elektrim Telekomunikacja should have been consolidated under the proportionate consolidation method, rather than under the equity method of consolidated applied for the fiscal year 2001.

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On February 4, 2005, Vivendi appealed the AMF Sanction Commission s decision before the Paris Court of Appeal. On June 28, 2005, the Paris Court of Appeal partially overturned the decision of the AMF s Sanction Commission, validated Vivendi s accounting treatment and reduced the amount of Vivendi s penalty from 1 million to 300,000.

On August 25, 2005, the AMF appealed the decision of the Paris Court of Appeal before the French Supreme Court (*Cour de cassation*). On February 3, 2006, Vivendi submitted its briefs in response.

AMF Investigation into Vivendi s Purchase of Its Own Shares

On May 4, 2004, the AMF commenced an investigation into Vivendi s purchase of its own shares between September 1, 2001 and December 31, 2001. The AMF s report of investigation has not been submitted to the Sanction Commission of the AMF. However, on June 6, 2005, the AMF transmitted its report of investigation to the *Parquet de Paris* (the public prosecutor s office), which led to additional prosecution charges to the investigation already underway by the financial department of the *Parquet de Paris*.

AMF Investigation in Connection with the Issuance of Notes Mandatorily Redeemable for New Shares of Vivendi

On January 18, 2005, Vivendi and two of its senior executives, Messrs. Jean-René Fourtou and Jean-Bernard Lévy, were served with a notice of complaint issued by the AMF following the inquiry made into market movements in the Vivendi share price at the time of issuance of notes mandatorily redeemable for new shares of Vivendi (ORAs) in November 2002.

In its complaints, the AMF alleges that Deutsche Bank sold institutional investors a product comprising of both ORAs and hedging in respect of the Vivendi shares, the description of which was not sufficiently detailed in the prospectus. Vivendi takes the view that it fully complied with its obligations as an issuer to provide information and intends to challenge these allegations before the AMF s Sanction Commission.

On January 19, 2006, Messrs. Jean-René Fourtou and Jean-Bernard Lévy filed their memorandum in response.

Investigation by the Financial Department of the Parquet de Paris

The investigation initiated by the financial department of the *Parquet de Paris* for the publication of false or misleading information regarding the financial situation or forecasts of Vivendi, as well as the publication of untrue or inaccurate financial statements (for financial years 2000 and 2001) is ongoing. The application for Vivendi to be joined as a civil party was definitively granted by an order of the Paris Court of Appeal dated June 25, 2003.

It is too early to predict with certainty the precise outcome of the disputes set out below, to determine their duration or to quantify any potential damages. In the opinion of Vivendi, the claimants complaints are without legal or factual cause of action. Vivendi plans to defend vigorously against them and will assert all its rights.

Securities Class Action Litigation

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

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

The proceedings are currently in the discovery stage in which the plaintiffs have to prove violation that caused a loss to the shareholders. The judge extended this stage until November 30th, 2006.

In parallel with these proceedings, the procedure for certification of the potential claimants as a class with standing to act on behalf of all shareholders (class certification) is ongoing. The judgment on the class certification is expected in the course of 2006.

Elektrim Telekomunikacja

Since the purchase on December 12, 2005 of the 2% interest in the share capital of the companies Elektrim Telekomunikacja Sp. z o.o (Telco) and Carcom Warszawa (Carcom) held by Ymer, Vivendi is a 51% shareholder in each of Telco and Carcom. Both companies are organized and existing under the laws of Poland and own, either directly or indirectly 51% of the capital of Polska Telefonia Cyfrowa Sp. z o.o. (PTC), the primary mobile telephone operator in Poland. Telco s shareholding in PTC (representing approximately 48% of PTC) is the subject of several litigations the most important of which are described below.

Arbitral Award Rendered in Vienna on 26 November 2004 (the Vienna Award)

In December 2000, Deutsche Telekom (DT) initiated arbitration proceedings in Vienna against Elektrim and Telco in order to challenge the validity of the contribution of 48% of the capital of PTC made in 1999 by Elektrim to Telco.

In the Vienna Award, it was ruled that:

the Telco transfer is ineffective and the PTC shares which were the subject of this transfer remained Elektrim s property at all material times;

the transfer of the PTC shares to Telco by Elektrim does not as such qualify as a Material Breach under Article 16.1 of the Shareholders Agreement but it would do so in case Elektrim would not recover the shares from Telco within two months at the latest from the notification of the award;

DT s Economic Impairment Claim is dismissed; and

this arbitral tribunal has no jurisdiction over Telco and DT s claims against Telco cannot be entertained in this Arbitration.

The arbitral tribunal having ruled that it had no jurisdiction with respect to Telco, Vivendi considers that the Vienna Award is not binding over Telco and does not affect Telco s ownership rights with respect to the PTC shares.

On August 3, 2005, the Vienna arbitral tribunal rendered its final award with respect to costs, thereby terminating these proceedings. Telco was not submitted to any costs and was granted reimbursement of its costs.

On December 20, 2005, the commercial tribunal of Vienna partly set aside the Vienna Award (please refer below).

Exequatur Proceedings of the Vienna Award before Polish Courts

On February 2, 2005, Elektrim and DT obtained a partial *exequatur* of the Vienna Award, the Warsaw Court (Regional Court Civil Division) having recognized only the first three points of the award s provisions. Telco appealed this partial exequatur decision for having violated the terms of the New York Convention of June 10, 1958 on the recognition and execution of foreign arbitral awards and its right to a fair trial. The General Prosecutor of Warsaw also lodged an appeal against this decision. On March 29, 2006 the Appeal Court in Warsaw dismissed Telco s and the Public Prosecutor s appeals and thus confirmed the partial *exequatur* obtained on February 2, 2005. Telco intends to file a cassation before the Polish Supreme Court.

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Declaratory Proceedings before the Polish Courts

Following the Vienna Award, in December 2004, Telco initiated proceedings on the merits with the intention of obtaining a declaratory judgment confirming that it is the rightful owner of the PTC shares. At Telco s request, the Warsaw Court (Regional Court Commercial Division), by a protective injunction dated December 30, 2004, prohibited any changes to the shareholders registry kept by PTC in which Telco is registered. DT and Elektrim have appealed this injunction. On June 21, 2006, the Appeal Court withdrew this injunction.

Proceedings before the Registry Court (District Court) of Warsaw

On February 25, 2005, despite the injunction of December 30, 2004, the Warsaw Registry Court responsible for the Trade and Companies Registry (KRS), registered Elektrim on the said Registry as a shareholder of PTC in place of Telco, on the basis of a list of PTC s shareholders and deliberations of the company governing bodies prepared and provided by DT and Elektrim under circumstances which Telco considers fraudulent. Telco appealed this registration decision and lodged a complaint with the Warsaw Prosecutor.

On August 26, 2005, the Regional Court in Warsaw quashed the decision of February 25, 2005. Consequently, on November 15, the Registry Court re-registered Telco as a shareholder of PTC and its representatives as members of the management and supervisory boards of PTC. However, the current management of PTC, appointed by DT and Elektrim, is still, to date, refusing the Telco representatives access to PTC s premises. The Registry Court s decision of November 15, 2005 was appealed by, among others, Elektrim and DT and on June 14, 2006, the Appeal Court overturned the decision and remanded the case back to the Registry Court for re-examination.

Proceedings concerning the Mega Operation before Polish Courts

In October 2005, following searches in the Registry Court, Telco discovered that Elektrim had, on January 31, 2005, supposedly contributed the 48% of the PTC capital which belonged to Telco to one of its subsidiaries, Mega Investments Sp. z o.o. (Mega), at a value which was considerably less than their market value. The searches carried out by Telco have also shown that on June 15, 2005 Elektrim pledged the shares it held in Mega s capital to the company PAI Media, as guarantee for a loan of 90 million granted by PAI Media to ZE PAK, another Elektrim s subsidiary. Telco has initiated all the proceedings in Poland which are necessary to have invalidated these fictive transactions which relate to its shareholding in PTC. Civil liability proceedings against the directors of Mega, PAI Media and Elektrim have also been initiated. In addition, Telco has lodged a complaint with the Warsaw Prosecutor.

Proceedings for the Annulment of the Vienna Award before the Austrian Courts

On December 20, 2005, the Vienna Commercial Court annulled at Telco s request the first sub-paragraph of the Vienna Award which deemed that the contribution of the PTC shares made by Elektrim to Telco in 1999 had been ineffective and that the PTC shares which are the subject of the said transfer had never left Elektrim s ownership. All the other rulings of the Vienna Award were left unchanged, including the ruling which referred to the absence of jurisdiction of the arbitral tribunal with respect to Telco. The Vienna Commercial Court in particular considered that the arbitral tribunal, after having declared non-jurisdiction with respect to Telco, had contradicted itself by rendering a decision which was likely to affect Telco s rights. On February 3, 2006, DT and Elektrim have appealed this decision.

Vivendi Case against the Polish State

On February 28, 2005, Vivendi in the context of the amicable recovery proceedings provided in the treaty, commenced proceedings to seek the Republic of Poland to comply with its commitments in terms of the protection and fair treatment of investors pursuant to the Agreement between the Government of the Republic of France and the Government of the Republic of Poland on the reciprocal encouragement and protection of investments signed on February 14, 1989.

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

On August 22, 2003, Vivendi and Vivendi Telecom International S.A. (VTI) lodged an arbitration claim with an arbitration court under the auspices of the London Court of International Arbitration (LCIA) against Elektrim, Telco and Carcom Warszawa. This request for arbitration relates to the Third Amended and *Restated Investment Agreement* of September 3, 2001 entered into by and among Elektrim, Telco, Carcom, Vivendi and VTI (TIA). The purpose of this Agreement, amongst other things, is to govern relations between Vivendi and Elektrim within Telco. The initial subject matter of the dispute related to the entry into force of certain provisions of this agreement, but has been extended since then by Elektrim to its global validity. Vivendi additionally requested the LCIA to rule on Elektrim s contractual liability resulting from its breach of this Agreement.

On March 24, 2005, the LCIA took preventive action against Elektrim prohibiting it from transferring the PTC shares and enjoining it to exercise all the rights attached to the shareholding in PTC in accordance with Telco s instructions. The interim measure was confirmed on April 28, 2005.

On May 22, 2006, the LCIA, in its partial award, confirmed the validity of the TIA. The Tribunal also found that May 7, 2003, was the date on which various terms of the TIA and Telco s articles of association became effective. Elektrim notified Vivendi of its intent to contest the validity of this partial award.

Proceedings before the Polish Competition and Consumer Protection Office

On April 7, 2005, the Polish Competition and Consumer Protection Office opened an enquiry in order to determine whether Vivendi controlled Ymer (owner of 2% of Telco s capital until December 2005) and whether it consequently violated the provisions of the national law of December 15, 2000 on the protection of competition by omitting to declare its taking control of Telco.

Proceedings against DT before the Paris Commercial Court

In April 2005, Vivendi summoned DT before the Paris Commercial Court for criminal responsibility for having wrongfully terminated negotiations. In September 2004, DT ended, without prior notice and without justifying it by legitimate reasons, tripartite negotiations with Elektrim which had begun one year earlier in relation to the transfer of 51% of PTC to DT. Vivendi considers that this abrupt withdrawal was motivated by DT s wish to appropriate the PTC shareholding at a lower cost by maneuvers which Vivendi considers to be illegal. Vivendi is claiming compensation from DT which is today estimated at 2.2 billion, corresponding to the harm suffered as a result of DT s behaviour.

Arbitral Proceedings under the Aegis of the International Chamber of Commerce of Geneva (Switzerland)

Intensive discussions took place in February and March 2006 between Vivendi, Elektrim and Deutsche Telekom as a result of which the parties agreed to settle all pending litigation on the ownership of the PTC shares and to put in place a new joint-venture within PTC between Vivendi and DT. This agreement could not be implemented because DT, after the announcement of the decision of the Warsaw Court of Appeal of March 29, 2006, abruptly decided not to sign the relevant documents. Vivendi believes that the agreement, subject to Swiss law, has been validly concluded by the parties, and has therefore initiated on April 13, 2006, an arbitration proceedings in Geneva under the aegis of the International Chamber of Commerce against DT and Elektrim to enforce its rights thereunder.

DT s Call Option

On June 12, 2006, Elektrim announced that an arbitral tribunal in Vienna has rendered an award authorizing DT to exercise a call option in respect of 48% of PTC. Neither Vivendi nor Telco have access to the content of this award as they are not parties to this arbitration proceeding which was between Elektrim and DT. Therefore, such award may not be enforceable against Telco.

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Settlement of Tax Dispute over DuPont Shares

In June 2006, Vivendi announced that an agreement had been reached with the IRS. This agreement ends their dispute relating to both the tax treatment as reported by Seagram for the redemption of 156 million DuPont shares held by Seagram in April 1995 and $1.3 million of deductions made by Seagram during the same tax year in connection with insurance premium expenses. The IRS was claiming additional tax in the amount of approximately $1.5 billion, plus interest accumulated since 1995. On May 31, 2006, in full settlement of this dispute, Vivendi agreed to pay to the IRS a total of approximately $671 million, including tax in the amount of $284 million and interest of $387 million. As a result of this settlement, Vivendi may now eliminate the deferred tax liability previously recorded in connection with this dispute.

SFR

On December 1, 2005, the French Competition Council issued an order against French mobile telephone operators in respect of the operation of the mobile telephone market, principally during the period 2000-2002. The resulting fine paid by SFR amounted to 220 million and was entered in SFR s accounts as an expense and was paid during the 2005 fiscal year. However, SFR considers the fine to be unjustified and unrelated to the facts in the case and has therefore appealed the order. On February 9, 2006, SFR filed its appellate brief. A hearing before the Court of Appeal is scheduled on September 12, 2006. SFR is the subject of contentious proceedings brought by customers and consumer associations in connection with this order. As SFR is currently challenging this order, it is not in a position to determine the potential impact of the outcome of these proceedings and has made no provision in its accounts in relation thereto.

SFR is the subject of contentious proceedings which have been served in connection with competition law, proceedings which are often common with other telecommunications service providers. The management of SFR is not in the position to determine the potential impact of the outcome of these proceedings and, consequently, has made no provision in its accounts in relation thereto.

Universal Music Group

The Office of the New York Attorney General (NYAG) is investigating radio promotion practices in the music industry, in particular with regard to the four music majors commercial relationships with New York radio stations and independent promoters. UMG received subpoenas in September 2004, November 2004 and March 2005, and several additional requests for information from the NYAG with respect to its radio promotion practices. UMG complied with the subpoenas and fully cooperated with the investigation.

On May 10, 2006, UMG entered into an agreement with the NYAG, whereby UMG agreed to modify its radio promotion practises. The other three major record companies have also reached agreements with the NYAG that provide for similar reforms of their respective radio promotion practises.

In December 2005, the NYAG opened an investigation of the four major record companies regarding their business dealings with Apple Computer and other digital service providers, as well as their pricing of digital downloads. In connection with this investigation, UMG received a subpoena requesting documents and information. In March 2006, the U.S. Department of Justice opened a similar investigation and also served a subpoena on UMG seeking documents and information. UMG is cooperating in both investigations and is in the process of responding to the subpoenas.

Dividend Policy

Future dividends will depend on the Group s earnings, financial condition and other factors. The payment and amount of dividends are subject to the recommendation of the management board and resolution by the Company s shareholders at Vivendi s annual shareholders meeting.

For fiscal year 2005, our management board proposed a dividend of 1.00 per share, representing a distribution rate of approximately 55% of our consolidated adjusted net income. The dividend was approved at the shareholders meeting held on April 20, 2006.

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Vivendi expects to continue to propose a dividend distribution rate of approximately 50% of its consolidated adjusted net income in 2006.

Significant Changes

The significant events that occurred between December 31, 2005 and June 23, 2006 are described in the appropriate sections. In particular, the acquisition of an additional 16% stake in Maroc Telecom, completed on January 4, 2005 is described in Item 18. Financial Statements Note 2.1 , the combination of Cegetel of Neuf Telecom to create Neuf Cegetel is described in Item 18. Financial Statements Note 2.2 , the situation involving Elektrim Telekomunikacja is presented in Item 18. Financial Statements Note 2.3 and the proposed combination between Canal+ and TPS of their French pay-TV operations is described in Item 4. Information on the Company 2005 Developments .

Item 9: ***The Offer and Listing***

Market Price Information

Our ordinary shares are traded on the Compartment A of Eurolist (formerly the *Premier marché*) by Euronext Paris S.A. (ISIN code: FR 0000127771) and in the form of American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE) under the symbol V . Each such ADS represents one share. Vivendi is in the process of terminating its ADR facility in the US and delisting the ADSs from the NYSE. Vivendi expects that the ADSs will be delisted from the NYSE in August 2006.

The table below sets forth the reported high and low sales prices of Vivendi ordinary shares and ADSs on the Eurolist and on the NYSE, respectively.

Last Six Months

	Eurolist (Ordinary Shares)		NYSE (ADSs)	
	High	**Low**	**High**	**Low**
May, 2006	29.60	26.95	$ 36.89	$ 34.65
April, 2006	29.13	27.36	36.53	33.68
March, 2006	29.35	25.00	35.11	30.75
February, 2006	26.61	24.74	31.93	29.83
January, 2006	26.88	25.00	32.34	30.48
December, 2005	26.90	24.71	31.85	29.38

Last Two Years by Quarter

	Eurolist (Ordinary Shares)		NYSE (ADSs)	
	High	**Low**	**High**	**Low**
2006				
Second Quarter (through June 27, 2006)	29.60	26.08	$ 37.00	$ 33.42
First Quarter	29.35	24.74	35.11	29.83
2005				
Fourth Quarter	27.50	24.39	32.54	28.95
Third Quarter	27.56	24.66	33.01	30.96

Second Quarter	26.48	22.50	31.54	29.65
First Quarter	25.21	22.78	32.73	30.38

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	Eurolist (Ordinary Shares)		NYSE (ADSs)	
	High	Low	High	Low
2004				
Fourth Quarter	24.00	20.31	32.28	25.94
Third Quarter	23.29	19.06	28.27	23.57
Second Quarter	23.37	19.00	28.10	23.08
First Quarter	23.85	19.30	29.32	24.45

Last Five Years

	Eurolist (Ordinary Shares)		NYSE (ADSs)	
	High	Low	High	Low
2006 (through June 27, 2006)	29.60	24.74	$ 37.00	$ 29.83
2005	27.56	22.50	31.54	28.95
2004	24.00	19.00	32.28	23.08
2003	19.71	11.03	24.28	12.30
2002	64.40	8.62	57.90	8.90
2001	82.00	40.22	76.00	37.30

We urge you to obtain current market quotations.

Item 10: ***Additional Information***

Organizational Document of Vivendi

At the shareholders meeting held on April 28, 2005, our shareholders approved the change of our corporate form to a *société anonyme à directoire et conseil de surveillance* and the adoption of amended by-laws (*statuts)*, a copy of which is filed as an exhibit to this annual report.

Register Information

Vivendi is registered with the Paris Trade Register (*Registre du Commerce et des Sociétés de Paris*) under the registration number 343 134 763.

Purpose

Under Article 2 of our *statuts,* the main corporate purpose of Vivendi is (i) to provide any direct or indirect telecommunications and media/entertainment activities, and any interactive services, to individual, business and public-sector customers, (ii) to market any products and services related to the foregoing, (iii) to engage in any commercial, industrial, financial, stock, share and real-estate transactions directly or indirectly related to the aforementioned purpose or to any similar or related purposes, or contributing to the fulfilment of these purposes, and (iv) more generally, to engage in the management and acquisition, by way of subscription, purchase, contribution, exchange or through any other means, of shares, bonds and any other securities of companies already existing or to be formed and the right to sell such securities.

Members of the Management and Supervisory Boards

Under the French Commercial Code, each member of the supervisory board must be a shareholder of Vivendi. Our *statuts* provide that a member of the supervisory board must own at least 1,000 shares of Vivendi for as long as he or she serves as a member of the supervisory board. Members of the supervisory board are elected for a four-year term and are eligible for reelection upon the expiration of his or her term of office. No more than one-third of the members of the supervisory board may be older than the age limit set by law, which is presently seventy. The annual shareholders meeting may allocate an aggregate amount of fees to be distributed by the supervisory board to its members. The compensation of the Chairman and Vice-Chairman of the supervisory board is determined by the supervisory board.

The management board can be composed of two to seven members who are not required to be shareholders of Vivendi. The supervisory board appoints the members of the management board for a four-year term and determines their compensation. Members of the management board may be reappointed and may be dismissed at any time either by the supervisory board or by the shareholders at a shareholders meeting.

The French Commercial Code strictly forbids loans by the Company to any member of our supervisory or management board. In addition, the Company may not provide overdrafts for or guarantee any obligations of a member of our management or supervisory board. This prohibition also applies to spouses or heirs of such persons and other intermediaries.

Under the French Commercial Code, any agreement between the Company and any member of its supervisory or management board that cannot be reasonably considered to be in the ordinary course of business or is not at arm s length is subject to the supervisory board s prior consent. The same applies to agreements between the Company and another company if one of the members of the Company s supervisory or management board is the owner, general partner, manager, director, general manager or member of the executive or supervisory board of the other company. Moreover, any agreement entered into between the Company and any shareholder holding more than 10% of the voting rights, or in case of a corporation, the company controlling the latter according to Article L. 233-3 of the French Commercial Code, is subject to the same procedure. The member of the supervisory or management board concerned must (i) inform the supervisory board of the agreement and (ii) obtain its approval. The Chairman of the supervisory board must inform the statutory auditors of the existence of the agreement and the shareholders must then vote on a special report prepared by the statutory auditors concerning the agreement at the shareholders meeting. If the shareholders fail to approve the agreement, third parties may still rely on it, but the member of the supervisory or management board concerned and, in some circumstances, the other members of the management board, may be held liable to the Company for any loss the Company may incur under the agreement. The party to the agreement may not participate either in the vote of the supervisory board, nor in the vote at the shareholders meeting. In addition, the shares of the party to the agreement are not counted for the quorum and majority.

Shareholders Meetings

General

In accordance with the French Commercial Code, there are two types of shareholders general meetings, ordinary and extraordinary. Ordinary general meetings of shareholders are required for matters that are not specifically reserved by law to extraordinary general meetings, such as the election of members of the supervisory board, the appointment of statutory auditors, the approval of annual accounts, the declaration of dividends and the authorization for the issuer to trade in its own shares. Extraordinary general meetings of shareholders are required for approval of matters such as amendments to our *statuts,* including any amendment required in connection with extraordinary corporate actions (e.g., among other things, increasing or decreasing our share capital, creating a new class of equity securities, selling or transferring substantially all of our assets and voluntary liquidation).

The French Commercial Code requires our management board to convene an annual general meeting of shareholders for approval of the annual accounts. This meeting must be held within six months of the end of each fiscal year unless extended by order of the President of the Commercial Court (*Tribunal de Commerce*). Both the management and supervisory boards may also convene an ordinary or extraordinary general meeting upon proper notice at any time during the year. If either the management or supervisory board fails to convene a shareholders meeting, our independent auditors or a court appointed agent may call the meeting at the request of (i) any interested party in the event of emergency, (ii) one or more shareholders holding at least 5% of our share capital, (iii) certain duly qualified associations of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of the voting rights of the Company or (iv) by the workers committee in the event of an emergency.

Shareholders holding more than 50% of our share capital or voting rights after a tender offer or a sale of a controlling stake of Vivendi s share capital may also convene a shareholders meeting.

Notice

We must announce general meetings at least 30 days in advance by means of a preliminary notice (*avis de réunion*) published in the *Bulletin des Annonces Légales Obligatoires* (BALO). The preliminary notice must first be sent to the AMF. The AMF also recommends that the preliminary notice be published in a financial newspaper of national circulation in France and by e-mail or postal mail for registered shares. This preliminary notice must contain the agenda of the meeting and a draft of the resolutions to be considered. Within 10 days of the notice, one or several shareholders holding a specified percentage of shares (determined on the basis of a formula relating to capitalization), the workers committee in cases of emergency or certain duly qualified associations of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of the voting rights of the Company may propose additional resolutions to be voted on at the meeting. We must send a final notice (*avis de convocation*) containing the agenda, other information about the meeting and general information on Vivendi at least 15 days prior to the meeting or at least six days prior to the resumption of any meeting adjourned for lack of a quorum. The final notice must also be published in the BALO and in a newspaper authorized to publish legal announcements in the local administrative department (*département*) in which we are registered.

During the 15 days preceding a shareholders meeting, any shareholder may submit to the management board written questions relating to the agenda for the meeting. The management board must respond to these questions.

Attendance and Voting

Each share confers on the shareholder the right to cast one vote, subject to certain limited exceptions under the French Commercial Code. Shareholders may attend ordinary and extraordinary general meetings and exercise their voting rights subject to the conditions specified in the French Commercial Code and our *statuts*. There is no requirement that shareholders have a minimum number of shares in order to attend or to be represented at an ordinary or extraordinary general meeting.

A holder of registered shares must have his or her shares registered in his or her own name in a shareholder account maintained by us or on our behalf. A holder of shares in bearer form must obtain from the accredited financial intermediary with whom the shares have been deposited a certificate indicating the number of bearer shares owned and attesting that the shares are not transferable until the time fixed for the meeting. These formalities must be fulfilled prior to 3.00 p.m. (Paris time) on the day before the shareholders meeting, unless otherwise specified in the notice of meeting or required by applicable laws and regulations.

Proxies and Votes by Mail

Shareholders may vote in person, by proxy or by postal mail. Proxies will be sent to any shareholder on request, but can only be exercised by the shareholder s spouse or another shareholder. Alternatively, shareholders may send the Company a blank proxy without nominating any representative. In this case, the chairman of the meeting will vote the blank proxies in favor of all resolutions proposed by the management board and against all others. Upon decision of the management board specified in the notice of meeting, shareholders may also vote by remote transmission, in accordance with the terms and conditions set by law and regulations.

Quorum and Majority

The French Commercial Code requires that 20% of the shares entitled to voting rights must be represented by shareholders present in person or voting by mail or by proxy or by any means provided for in our bylaws including by remote data transmission, to fulfill the quorum requirement for either an ordinary or an extraordinary general meeting where an increase in Vivendi s share capital is proposed through incorporation of reserves, profits or share premium. No quorum is required upon second convocation of such meeting.

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For any other extraordinary general meeting, the quorum requirement upon first convocation is 25% of the shares entitled to voting rights, on the same basis, and 20% of the shares entitled to voting rights, on the same basis, upon second or further convocation. If the quorum is not present at a meeting, the meeting is adjourned for a maximum of two months. Any deliberation by the shareholders that takes place without a quorum is void.

A simple majority of shareholders of the shareholder votes cast may pass any resolution on matters required to be considered at an ordinary general meeting, or concerning a capital increase by incorporation of reserves, profits or share premium at an extraordinary general meeting. At any other extraordinary general meeting, a two-thirds majority of the shareholder votes cast is required. A unanimous shareholder vote is required to increase liabilities of shareholders.

Abstention from voting by those present in person or present by any means, including by remote data transmission in accordance with applicable laws and regulations or represented by proxy or voting by mail, is counted as a vote against the resolution submitted to a shareholder vote.

Under French company law, treasury shares and/or shares of a company held by entities controlled directly or indirectly by that company are not entitled to voting rights, are not counted for quorum or majority purposes, and do not receive dividends.

Limitations on Right to Own Securities

Neither French law nor our *statuts* contain any provision that limits the right to own Vivendi s securities or limits the rights of shareholders, including non-resident or foreign shareholders, to hold or exercise voting rights associated with those securities.

There is no limitation, under French law or in our *statuts,* on the right of non-French residents or non- French security holders to own, or where applicable, to vote our securities.

In accordance with French law concerning dematerialization (*dématérialisation*) of securities, shareholders ownership rights are not represented by physical certificates but by book entries in equity securities accounts.

The Company maintains an account with Euroclear France SA, the French clearing house system, with respect to each class of equity securities in registered form, which is administered by BNP Paribas Securities Services acting on our behalf as our agent. Equity securities held in registered form are registered in a separate account for each holder, either directly, or, at the holder s request, through such holder s accredited intermediary.

In the case of shares held in bearer form, the shares are held on the shareholder s behalf by an accredited intermediary and are registered in an account maintained by the accredited intermediary with Euroclear France SA. Shares held in this manner are referred to as being in bearer form. Each accredited intermediary maintains a record of shares held through it and will issue certificates of registration in respect thereof. Transfers of shares held in bearer form may only be effected through accredited intermediaries and Euroclear France SA.

According to the French Commercial Code, shares owned by any non-French resident may be held on the shareholder s behalf in a collective account or in several individual accounts by an intermediary. The intermediary must declare that it is acting as an intermediary and may be requested by the Company to provide the identity of the shareholders on whose behalf it is acting. Failure to declare that it is acting as an intermediary or the provision of inaccurate or incomplete information about the beneficial owner can result in the deprivation of the right to vote and the right to receive dividends.

Our by-laws permit, in accordance with the applicable legislation, the use of the procedure known as *titres au porteur identifiables* or TPI, according to which Euroclear France SA will, upon the Company s request, disclose a shareholder s name, date of birth (or, in the case of a legal person, name and date of organization), nationality, address and the amount of securities (including ADSs) held by the shareholder which have, or may in the future acquire, voting rights, and, as the case may be, the restrictions that might apply to these securities.

Pursuant to applicable law, the accredited intermediary which holds shares in bearer form on behalf of a shareholder must transmit the above requested information to Euroclear France within a specific timeframe as provided in the relevant regulation. Within 5 business days after such transmission, the information is provided by Euroclear France to us.

If the accredited intermediary does not transmit the requested information in due time or transmits incomplete or inaccurate information pertaining to its status or to the holders of the securities, the voting rights of the securities giving immediate or future access to the share capital of Vivendi for which the accredited intermediary is registered cannot be exercised until such date as the identity of the relevant security holder has been disclosed or rectified, and the payment of the corresponding dividend is postponed until such date.

In addition, if the accredited intermediary knowingly fails to comply with the obligation to disclose the identity of the relevant security holder, a court may, at our request or one or several shareholders representing at least 5% of our share capital, deprive the shares held by the security holder whose identity was not disclosed from any voting rights and dividends, for a period not to exceed 5 years.

Change in Control

There are no provisions in our *statuts* that would have the effect of delaying, deferring or preventing a change in our control and that would operate only with respect to a merger, acquisition or corporate restructuring involving us, or any of our subsidiaries.

Requirements for Holdings Exceeding Certain Percentages

The French Commercial Code provides that any individual or entity, acting alone or in concert with others, that becomes the owner of, directly or indirectly, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-fourth, one-third, one-half, two-thirds, eighteen twentieths or nineteen-twentieths of the outstanding shares or the voting rights attached to the share of any French listed company, or that increases or decreases its shareholding or voting rights to any of the above percentages must notify the number of shares and voting rights that it holds to such company and the AMF within five trading days of crossing that threshold. In addition, every shareholder who, directly or indirectly, acting alone or in concert with others, acquires ownership or control of shares representing 10% or 20% of Vivendi s share capital must notify Vivendi and the AMF of its intentions for the 12 months following such acquisition. The AMF makes this notice public. The acquirer may amend its stated intentions by filing a new report.

Our *statuts* provide that any person acting alone or in concert with others or group who becomes the owner of at least 0.5%, or any multiple thereof, of our outstanding share capital or voting rights must notify us by registered mail, return receipt requested, within 15 calendar days of the date such threshold has been crossed of the number of shares or voting rights it holds. The same notification requirement applies if any person acting alone or in concert with others falls below such 0.5% threshold, or passes or falls below any multiple thereof.

In order to permit holders to give the required notice, we must publish in the BALO, not later than 15 calendar days after the annual ordinary general meeting of shareholders, information with respect to the total number of voting rights outstanding as of the date of such meeting. In addition, if the number of outstanding voting rights changes by 5% or more between two annual ordinary general meetings, we must publish in the BALO, within 15 calendar days of such change, the number of voting rights outstanding and transmit such information to the AMF.

In the event of failure to comply with the legal notification requirements, the shares or voting rights in excess of the relevant threshold will be deprived of voting rights for all shareholders meetings until the end of a two-year period following the date on which the owner thereof complies with the notification requirements. In addition, any shareholder who fails to comply with these requirements may have all or part of its voting rights suspended by the Paris Commercial Court at the request of the Chairman of our management board, any shareholder or the AMF for a maximum period of 5 years and may be subject to a 18,000 fine. In the event of failure to comply with the notification requirements provided by our by-laws, one or more shareholders holding 0.5% or more of our share capital or voting rights may require a meeting of the shareholders to deprive the shares in excess of the relevant threshold of voting rights for all shareholders meetings for two years following the date on which the owner complies with such notification requirements.

Under French Law, and subject to limited exemptions, any person or persons acting in concert that become the holder of more than $33^{1}/3$ % of the share capital or voting rights of a French listed company must initiate a public tender offer for the balance of the share capital of such company.

Ordinary Shares

Dividends

We may distribute dividends to our shareholders from net income in each fiscal year (after deductions for depreciation and provisions), as increased or reduced by any profit or loss carried forward from prior years and as reduced by the legal reserve fund allocation described below.

Under French law, we are required to contribute a minimum of 5% of our annual net income in each fiscal year, after reduction for losses carried forward from previous years, if any, to a legal reserve fund. This minimum contribution is no longer required if and so long as we maintain a legal reserve equal to 10% of the aggregate nominal value of our issued share capital. The legal reserve is distributable only upon our liquidation. The remaining net income, increased by any profits carried forward, constitutes the distributable profits.

We must distribute dividends to our shareholders pro rata according to their shareholdings. We must pay any dividends within nine months of the end of the fiscal year unless otherwise authorized by court order. Under French law, dividends not claimed within five years of the date of payment revert to the French government.

Voting Rights

Subject to the limitations on voting rights described above under Shareholders Meetings and Requirements for Holdings Exceeding Certain Percentages , each holder of shares is entitled to one vote per share at any general meeting of our shareholders.

Liquidation Rights

If Vivendi is liquidated, any assets remaining after payment of its debts, liquidation expenses and all of its remaining obligations will be distributed first to repay in full the nominal value of its shares. Any surplus will be distributed pro rata among shareholders in proportion to the nominal value of their shareholdings.

Future Capital Calls

All of our outstanding ordinary shares are fully paid. Accordingly, no further contribution of capital may be required from the holders of such shares by Vivendi.

Changes in Share Capital

Under the French Commercial Code, we may increase our share capital only with the approval our shareholders at an extraordinary general meeting (or with a delegation of authority from our shareholders).

Decisions to increase our share capital through the capitalization of reserves, profits and/or share premiums require the approval of an extraordinary general meeting of shareholders, acting under the quorum and majority requirements applicable to ordinary general shareholders meetings. Increases effected by an increase in the nominal value of shares require unanimous approval of the shareholders, unless effected by capitalization of reserves, profits or share premiums. All other capital increases require the approval of an extraordinary general meeting of shareholders.

Generally, if we issue additional shares, or any equity securities or other specific kinds of additional securities carrying a right, directly or indirectly, to purchase equity securities issued by us for cash, current shareholders will have pre-emptive rights on these securities on a pro rata basis. These pre-emptive rights entitle the individual or entity that holds them to subscribe to an issue of any securities that may increase our share capital by means of a cash payment or a set-off of cash debts.

A two-thirds majority of our ordinary shares entitled to vote at an extraordinary general meeting may vote to waive pre-emptive rights with respect to any particular offering. French law requires a company s management board and independent auditors to present reports that specifically address any proposal to waive pre-emptive rights. The shareholders may also decide at an extraordinary general meeting of shareholders to give the existing shareholders a non-transferable priority right (*délai de priorité*) to subscribe to the new securities, during a limited period of time. Shareholders may also notify the Company that they wish to waive their own preemptive subscription rights with respect to any particular offering if they so choose.

Under the French Commercial Code, we may decrease our share capital only with the approval of our shareholders at an extraordinary general meeting (or with a delegation of authority from our shareholders). There are two methods to reduce share capital: (i) by reducing the number of shares outstanding and (ii) by decreasing the nominal value of existing shares. The conditions under which the share capital may be reduced will vary depending upon whether the reduction is attributable to losses. We may reduce the number of outstanding shares either by an exchange of shares or by the repurchase and cancellation of our shares. Any decrease must meet the requirements of the French Commercial Code, which provides that in the case of a capital reduction, other than a reduction to absorb losses or a reduction as part of a program to purchase the Company s shares, all shareholders must be offered the possibility to participate in such a reduction and all holders of shares in each class of shares must be treated equally, unless the affected shareholders otherwise agree.

Each time the shareholders decide a capital increase or decide to delegate to or to authorize the management board the right to carry out a capital increase (except when it results from an earlier issue of securities giving right to shares), they must also consider whether an additional capital increase should be reserved for our employees and our subsidiaries and whether or not to delegate to or to authorize the management board the right to carry out such reserved capital increase.

Under the French Commercial Code, we may decrease our share capital only with the approval of our shareholders at an extraordinary general meeting (or with a delegation of authority from our shareholders). There are two methods to reduce share capital: (i) by reducing the number of shares outstanding and (ii) by decreasing the nominal value of existing shares. The conditions under which the share capital may be reduced will vary depending upon whether the reduction is attributable to losses. We may reduce the number of outstanding shares either by an exchange of shares or by the repurchase and cancellation of our shares. Any decrease must meet the requirements of the French Commercial Code, which provides that all holders of shares in each class of shares must be treated equally, unless the affected shareholders otherwise agree.

Amendments to Rights of Holders

The rights of holders of our ordinary shares can be amended only by action of an extraordinary general meeting. A unanimous shareholder vote is required to increase liabilities of shareholders.

Material Contracts

Except for the settlement agreement entered into with the IRS on June 2006 ending our dispute concerning the amount of tax due on the redemption of our DuPont shares in April, 2005, we do not have any agreements to which we or any of our subsidiaries have entered into during the preceding two years that could be considered material. For a description of the IRS settlement, see Item 8. Financial Information Litigation .

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Exchange Controls

French exchange control regulations currently do not limit the amount of payments that we may remit to nonresidents of France. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a nonresident be handled by an accredited intermediary. In France, all registered banks and most credit establishments are accredited intermediaries.

Taxation

French Taxation and US Federal Income Taxation

The following summary discusses the material French tax consequences and US federal income tax consequences to US Holders, as defined below, of the purchase, ownership, and disposition of our ordinary shares or ADSs.

The following summary is for general information only. It is not intended, and should not be construed, as legal or professional tax advice. It is based upon current provisions of the laws, conventions, and treaties, including the US Internal Revenue Code of 1986, as amended (the Code) and current and proposed US Treasury regulations and administrative and judicial decisions thereunder, that are currently in effect, all of which are subject to change, possibly on a retroactive basis. Neither French nor US federal tax authorities are bound by the views expressed in the discussion below, and there can be no assurance that such authorities will accept its conclusions.

This discussion is not exhaustive of all possible tax considerations. It does not purport to be a comprehensive description of all aspects of French taxation and US federal income taxation that may be relevant to each investor s decisions regarding the purchase, ownership, and disposition of our ordinary shares or ADSs in light of that investor s particular circumstances.

For example, this discussion considers only US Holders that will own our ordinary shares or ADSs as capital assets. Further, this summary does not discuss the French tax consequences or US federal income tax consequences to US Holders that are subject to special treatment under French tax laws or US federal income tax laws, such as the following:

- dealers or traders in securities or foreign currency, including traders in securities that use a mark-to-market method of accounting for their holdings;
- tax-exempt organizations or retirement plans, except to a limited extent under French Taxation of US Holders of Our Ordinary Shares or ADSs Taxation of Dividends ;
- banks, thrifts, insurance companies, regulated investment companies, or other financial institutions or financial services entities ;
- real estate investment trusts;
- persons that acquire our ordinary shares or ADSs as compensation;
- persons that hold our ordinary shares or ADSs together with other investments as part of a straddle , hedge , conversion transaction , constructive sale , or other integrated transaction;
- US persons that have a functional currency other than the US dollar;
- certain expatriates and former long-term residents of the United States;
- certain foreign corporations treated as domestic corporations pursuant to section 269B or section 7874 of the Code;
- partnerships and other pass-through entities, or investors that hold our ordinary shares or ADSs through partnerships or other pass-through entities;

persons that own, whether directly, indirectly, or through attribution, at least 10% of the value or voting power of our shares;

persons that are not entitled to the benefits of the Convention between the US and France for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, entered into on August 31, 1994 (the Treaty); and

persons whose ownership of our ordinary shares or ADSs is connected with the conduct of business through a permanent establishment or fixed base in France.

In addition, the discussion below does not address any aspects of tax laws other than French tax laws or US federal income tax laws, the possible application of US federal gift or estate taxation, or the potential application of the alternative minimum tax.

Accordingly, holders and prospective holders of our ordinary shares or ADSs are strongly urged not to rely exclusively on this summary but to consult their own tax advisers as to the specific consequences to them under French tax law, US federal income tax law, and other tax laws of the purchase, ownership, and disposition of our ordinary shares or ADSs, including, in particular, the effect of any state or local taxes or taxes other than French taxes and US federal income taxes.

Ownership for Tax Purposes of Our Ordinary Shares or ADSs

Assuming that the obligations set forth in the Deposit Agreement, dated as of April 19, 1995, as amended and restated as of September 11, 2000, and as further amended and restated as of December 8, 2000, among Vivendi SA, The Bank of New York, as Depositary, and all the Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder and any related agreements will be fulfilled in accordance with their terms, holders of our ADSs will be treated as the owners of the ordinary shares represented by such ADSs for both French tax purposes and US federal income tax purposes. Accordingly, among other consequences, exchanges of our ordinary shares for ADSs or of ADSs for our ordinary shares under the Deposit Agreement will not be subject to French tax or US federal income tax.

US Holders

The following discussion describes the material French tax consequences and US federal income tax consequences of the purchase, ownership, and disposition of our ordinary shares or ADSs by a US Holder, defined for purposes of this discussion as a beneficial owner of our ordinary shares or ADSs that is one of the following:

a citizen or resident of the US;

a corporation created or organized in the US or under the laws of the US or any state thereof or the District of Columbia;

an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source; or

a trust, if (i) a court within the US is able to exercise primary supervision of the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

Taxation of Dividends

France generally imposes a withholding tax on dividends equal to 25% of the gross amount of dividends paid. However, French tax will be withheld from dividends paid to a US holder of our ordinary shares or ADSs at the 15% rate specified in the Treaty if, pursuant to regulations dated February 25, 2005, issued by the French tax authorities, such holder has provided to the financial institution which manages the holder s security account, prior to the date of payment of the dividends, a certificate stating that such holder is a US resident within the meaning of the Treaty. This certificate must comply with the example provided by the French authorities and attached as Schedule 1 to the above regulations. The certificate must be accompanied by (i) a certificate of residence signed by the US tax authorities or (ii) a certificate provided by the financial institution that manages the securities account of such holder attesting that the holder is a US resident. Further, the certificate must be accompanied by the following information:

Name and address of the US financial institution managing the securities account of the US Holder;

Name and address of the US Holder;

French tax identification number of the US Holder, if necessary;

Nature of the rights held;

Dividend payment date;

Par value of the stock in respect of which dividends were paid; and

Total amount distributed to the US Holder.

If a US Holder has not provided the above certificate prior to the dividend payment date, we will deduct French withholding tax at the full non-Treaty rate of 25%. In that case, the US Holder may claim a refund of the excess withholding tax by completing and providing to the French tax authorities French Treasury Form RF 1 A EU-No. 5052 prior to December 31 of the calendar year following the year in which the dividend is paid. The US Holder should ignore the references that remain in French Treasury Form RF1 A EU-No. 5052 to the now-abolished *avoir fiscal*.

If the holder is a tax exempt entity such as a pension fund, state-owned entity, not-for-profit-organization, or individual entitled to dividends by virtue of a beneficial interest in an individual retirement account, such holder may be required to supply additional documentation of its entitlement to Treaty benefits.

Taxation of Capital Gains

A US Holder that is a resident of the United States for purposes of the Treaty generally will not be subject to French tax on gain from the sale or other taxable disposition of our ordinary shares or ADSs.

Special rules may apply to holders that are residents of both France and the US for purposes of the Treaty or to holders who own our ordinary shares or ADSs through a permanent establishment or fixed base.

Estate and Gift Taxes

Under the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritances and Gifts, entered into on November 24, 1978, generally a transfer of our ordinary shares or ADSs by a US Holder as a gift or by reason of such holder s death will not be subject to French gift or inheritance tax unless the US Holder was domiciled in France at the time of the gift or of such holder s death.

Wealth Tax

French wealth tax should not apply to a US Holder that is a US tax resident for purposes of the Treaty.

US Federal Income Taxation of US Holders of Our Ordinary Shares or ADSs

Taxation of Dividends

Subject to the discussion below under the caption Tax Consequences if We Are a Passive Foreign Investment Company , a US Holder will be required to include in gross income on the date of receipt, as ordinary income, the amount of any dividend paid on our ordinary shares or ADSs (such dividend defined as any distribution by us to our shareholders in respect of their ownership of our ordinary shares or ADSs, to the extent that the distribution is paid out of our current or accumulated earnings and profits as determined for US federal income tax purposes). If a holder holds ADSs, the date of receipt will be the date on which the payment is received by the Depositary. The amount of the dividend for US federal income tax purposes will include the amount of any French income taxes withheld from the total amount paid. Distributions in excess

of our earnings and profits for US federal income tax purposes will be applied against and will reduce a US Holder s basis in such holder s ordinary shares or ADSs and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ordinary shares or ADSs.

A preferential tax rate of 15% may apply to dividends received by US Holders that are individuals (as well as certain trusts and estates) from a qualified foreign corporation, or QFC. A non-US corporation will qualify as a QFC if its shares are readily tradable on an established securities market in the United States or if it is eligible for the benefits of a qualifying income tax treaty with the US. We believe that we qualify as a QFC under both of the foregoing tests and, accordingly, that dividends on our ordinary shares or ADSs generally will be eligible for the 15% rate of tax. However, dividends to a US Holder will not be eligible for the preferential 15% rate if (i) the US Holder has not held such holder s ordinary shares or ADSs for at least 61 days during the 121-day period that begins 60 days prior to the ex-dividend date of such ordinary shares or ADSs or (ii) to the extent that the US Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during the 121-day period in which a US Holder has a substantially diminished risk of loss on such holder s ordinary shares or ADSs are not counted toward meeting the holding period required by the statute.

Because we are not a US corporation, no dividends received deduction is available to corporate US Holders of our ordinary shares or ADSs.

The amount of any dividend that we pay in euros (which amount will include the amount of any French income taxes withheld) will be equal, for US federal income tax purposes, to the US dollar value of those euros on the date the dividend is included in income (which is the date of receipt), regardless of whether a US Holder in fact converts the payment into US dollars on that date. If the euros are in fact converted into US dollars on the date of receipt, a US Holder generally should not recognize any foreign currency gain or loss upon the conversion. If the euros are not converted into US dollars on the date of receipt, a US Holder generally will have a basis in those euros equal to the US dollar value of the euros on the date of receipt. In such case, a US Holder, upon a sale or other taxable disposition of the euros, may be required to recognize foreign currency gain or loss, which generally will constitute US source ordinary income or loss.

As described above under French Taxation of US Holders of Our Ordinary Shares or ADSs Taxation of Dividends , a US Holder may under some circumstances obtain a refund of amounts of French income tax withheld from a payment of dividends in excess of the 15% rate provided in the Treaty. In such case, a US Holder may be required to recognize foreign currency gain or loss. This foreign currency gain or loss generally will constitute US source ordinary income or loss.

A US Holder generally may, at the holder s election, claim the amount of any French income taxes withheld on a dividend payment as either a deduction from gross income or a dollar-for-dollar credit against the holder s US federal income tax liability. An individual who does not claim itemized deductions but instead utilizes the standard deduction may not claim a deduction for the amount of French income taxes withheld but may claim such amount as a credit against the individual s US federal income tax liability.

The amount of foreign income taxes paid or withheld that may be claimed as a credit in any year is subject to complex limitations and restrictions whose application must be determined on an individual basis by each shareholder. The limitations set forth in the Code include, among others, rules that limit the amount of foreign tax credits allowable with respect to specific classes of income to the amounts of US federal income tax otherwise payable with respect to such classes of income. For US foreign tax credit purposes, dividends paid by us generally will be foreign source passive income.

Generally, the total amount of allowable foreign tax credits in any year may not exceed a taxpayer s regular US federal income tax liability for the year attributable to foreign source taxable income. Further, a US Holder will be denied a foreign tax credit with respect to French income taxes withheld on payments of dividends on our ordinary shares or ADSs (i) if the US Holder has not held such ordinary shares or ADSs for at least 16 days of the 31-day period that begins 15 days prior to the ex-dividend date of such ordinary shares or ADSs or (ii) to the extent that the US Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during the 31-day period in which a

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US Holder has a substantially diminished risk of loss on such ordinary shares or ADSs are not counted toward meeting the 16-day holding period required by the statute.

Taxation of Capital Gains

Upon a sale or other taxable disposition of our ordinary shares or ADSs, a US Holder will recognize capital gain or loss in an amount equal to the difference between such holder s basis in the ordinary shares or ADSs, which is usually the amount in US dollars for which the US Holder purchased the ordinary shares or ADSs, and the amount in US dollars realized upon the disposition. In the case of a cash basis US Holder, the amount in US dollars generally will be calculated as of the settlement date. For an accrual basis US Holder, the amount in US dollars generally will be calculated as of the trade date; but the accrual basis US Holder may elect to have the calculation made as of the settlement date if such election is applied consistently from year to year. Such election may not be changed without the consent of the IRS.

Capital gain from the sale or other taxable disposition of our ordinary shares or ADSs held for more than one year is long-term capital gain and, in the case of individuals and other non-corporate taxpayers, generally is subject to taxation at a maximum rate of 15%. For US foreign tax credit purposes, gains and losses recognized by a US Holder upon the sale or other taxable disposition of our ordinary shares or ADSs normally will be treated as US source income or loss. The deductibility of capital losses is subject to limitations.

In certain instances, for example, in the case of a dual resident, a US Holder that may be subject to tax in France upon the sale or other taxable disposition of our ordinary shares or ADSs and that is entitled to the benefits of the Treaty may treat gains upon such sale or other taxable disposition as French source income and, accordingly, may, subject to other US foreign tax credit limitations, credit the French income tax on such sale against the holder s income from the sale for US federal income tax purposes.

Tax Consequences if We Are a Passive Foreign Investment Company

A company is a passive foreign investment company (PFIC), if, in a taxable year, (i) passive income constitutes 75% or more of its gross income or (ii) assets producing or held for the production of passive income constitute at least 50% of its assets. If we were a PFIC, and a US Holder did not make an election to (x) treat us as a qualified electing fund, or QEF, or (y) mark our ordinary shares or ADSs to market annually, excess distributions by us to the US Holder would be taxed as ordinary income.

Part of such distributions could be allocated to prior taxable years, and the tax on such amounts would be subject to interest charges at the rate applicable to deficiencies in payments of income tax. In addition, the entire amount of gain realized by a US Holder upon a sale or other taxable disposition of our ordinary shares or ADSs would be treated as an excess distribution and would be subject to tax as described above. Further, a US Holder s tax basis in our ordinary shares or ADSs that were acquired from a decedent would not receive a step-up to fair market value as of the date of the decedent s death but would instead be equal to the lesser of (i) the fair market value of the ordinary shares or ADSs on that date and (ii) the decedent s basis in the ordinary shares or ADSs.

The PFIC rules described above will not apply to a US Holder of our ordinary shares or ADSs, even if we are a PFIC, if the US Holder, in the first taxable year in which such holder owns our ordinary shares or ADSs, has made an election to treat us as a QEF (and if we comply with certain reporting requirements). A shareholder that has made a QEF election is required for each taxable year (i) to include in income, as ordinary income, a pro rata share of the ordinary earnings of the QEF and (ii) to include in income as long-term capital gain a pro rata share of the net capital gain of the QEF, subject to a separate election to defer payment of the tax (which deferral is subject to an interest charge). The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the Internal Revenue Service, or IRS. Similarly, even if we are a PFIC, the general PFIC rules described above will not apply to a US Holder that elects to mark our ordinary shares or ADSs to market annually.

We do not believe that we are a PFIC. However, the tests for determining PFIC status are fundamentally factual in nature and cannot be applied until the close of the taxable year in question. Accordingly, there can be no assurance that we will not become a PFIC. US Holders that hold our ordinary shares or ADSs during a period in which we are a PFIC will be subject to the foregoing general rules even if we later cease to be a PFIC, subject to certain exceptions for US Holders that have made a QEF election.

US Holders are urged to consult their own tax advisers concerning the PFIC rules, including the consequences to them of making a QEF or mark-to-market election with respect to our ordinary shares or ADSs in the event that we are treated as a PFIC.

Information Reporting and Backup Withholding

The amounts of any dividends paid to a US Holder in respect of our ordinary shares or ADSs and the amounts of any proceeds paid to a US Holder upon the sale or other taxable disposition of our ordinary shares or ADSs must be reported annually to such US Holder and to the IRS. A US Holder may also be subject to backup withholding (currently at a rate of 28%) on dividends paid on our ordinary shares or ADSs or on proceeds of a sale or other taxable disposition of our shares or ADSs unless the US Holder timely provides a properly completed IRS Form W-9 (or any successor form that the IRS may designate) or otherwise establishes an exemption from such backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a credit against a US Holder s US federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Holders that are not US persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-US status in connection with payments received within the United States or through a US-related financial intermediary.

The preceding discussion of the material US federal income tax consequences of the purchase, ownership, and disposition of our ordinary shares or ADSs is general information only and is not tax advice. Accordingly, each investor or prospective investor should consult that investor s own tax adviser as to the particular tax consequences to it of purchasing, holding, and disposing of our ordinary shares or ADSs, including the applicability and effect of state or local tax laws or tax laws other than French tax laws or US federal income tax laws and of any changes or proposed changes in applicable law.

Documents on Display

Documents referred to in this document can be inspected at our offices at 42 avenue de Friedland, Paris Cedex 75380, France.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than six months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The public may also view documents we have filed with the SEC on the internet at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions in Section 16 of the Exchange Act.

Statement on Corporate Governance as Required by Section 303A.11 of the New York Stock Exchange s Listed Company Manual

Overview

Vivendi is incorporated under the laws of France and its principal trading market is Compartment A of Eurolist by Euronext Paris SA. Vivendi s ADSs are listed on the New York Stock Exchange (NYSE) and trade in the form of ADRs, each of which represent one Vivendi ordinary share. Set forth below is a brief summary of the principal ways in which our corporate governance practices differ from the NYSE s corporate governance rules applicable to US domestic companies listed on the NYSE.

Vivendi s corporate governance principles and practices reflect applicable laws and regulations in France as well as those in the US, including applicable provisions of the Sarbanes-Oxley Act (see Item 6. Corporate Governance for information regarding our current corporate governance structure, including the composition and responsibilities of our committees). In addition to complying with all applicable laws and regulations concerning corporate governance, Vivendi s financial communications also take into account various best practices that have developed in recent years in the French, European and US markets.

Many of the corporate governance rules in the NYSE Listed Company Manual (the Listed Company Manual) do not apply to Vivendi as a foreign private issuer . However, Rule 303A.11 of the Listed Company Manual requires foreign private issuers to describe significant differences between their corporate governance standards and the corporate governance standards applicable to US companies listed on the NYSE. While our management believes that our corporate governance practices are similar in many respects to those of US NYSE-listed companies and provide investors with protections that are comparable in many respects to those established by the Listed Company Manual, there are certain key differences which are described below.

Composition of Board of Directors; Independence

The Listed Company Manual provides that the board of directors of a US listed company must consist of a majority of independent directors. A director qualifies as independent only if the board affirmatively determines that the director has no material relationship with the company, either directly or indirectly. In addition, the Listed Company Manual enumerates a number of relationships that preclude independence.

As described in Item 6 of this annual report, Vivendi has a supervisory board and a management board rather than a single board of directors. Two members of Vivendi s supervisory board are not independent as defined under Section 303A.02 of the Listed Company Manual. The Chairman of the supervisory board served as Vivendi s Chief Executive Officer until April 28, 2005 and both the Chairman and Mr. Bébéar, a member of our supervisory board, serve as members of the supervisory board of AXA (see Item 6. Directors, Senior Management and Employees The Supervisory Board for further information).

Board Committees

The Listed Company Manual requires that a US listed company have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have published charter that addresses certain matters specified in the Listed Company Manual. Vivendi s supervisory board has created four committees: Audit Committee, Human Resources Committee, Strategy Committee and Corporate Governance Committee. The Audit and Human Resources committees are comprised solely of independent members. Vivendi s Corporate Governance Committee does not meet the independence standard of the Listed Company Manual, as the chairman of that committee is not independent as defined under the applicable Listed Company Manual standard. The charters of Vivendi s supervisory board committees are not available on its corporate website, although such charters can be obtained directly from Vivendi upon request.

Under French law, the committees of the supervisory board are advisory in nature and have no independent or delegated decision-making authority. This is different from a US company listed on the NYSE where, for example, the Listed Company Manual requires that certain Board committees be vested with decision-making powers on certain matters (e.g., nominating or audit committees). Under French law, ultimate decision-making authority rests with the supervisory board, and board committees are charged with examining matters within the scope of their charter and making recommendations on these matters to the supervisory board. French law does not require the members of board committees to be independent.

Audit Committee

With regard to the Listed Company Manual s rules relating to audit committees, Vivendi s Audit Committee does not prepare a report included in Vivendi s annual report, as required under Section 303A.07(c) of the Listed Company Manual. However, Vivendi s Audit Committee effects frequent periodic reporting to Vivendi s supervisory board, as well as through communications by Vivendi with the public. While the Listed Company Manual sets forth a detailed standard for oversight by the Audit Committee of a NYSE-listed company of its external auditor s independence, we believe that Vivendi s standard surpasses that of the NYSE in that French law requires that Vivendi shareholders appoint our external auditors at the annual shareholders meeting, upon recommendation of the supervisory board. The external auditors are appointed for six financial years and cannot be dismissed without cause by the shareholders or the supervisory or management boards before the end of their mandate.

Corporate Governance Guidelines

The Listed Company Manual requires US listed companies to adopt, and post on their websites, a set of corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. In addition, the chief executive officer of a US listed company must certify to the NYSE annually that he or she is not aware of any violations by the company of the NYSE s corporate governance listing standards. The certification must be disclosed in the company s annual report to shareholders.

French law requires neither the adoption of such guidelines nor the publication of such certifications. French corporate governance guidelines recommend, however, the boards of directors/supervisory boards of French companies perform an annual self-evaluation and that a formal evaluation be undertaken every three years. Vivendi performed a formal evaluation of its board in February 2006.

Other Differences

Vivendi, as a foreign private issuer, is exempt from rules imposing certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Vivendi s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provision of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Vivendi ordinary shares and ADSs. In addition, Vivendi is not required to file periodic reports and financial statements with the SEC as frequently or promptly as US companies with securities registered under the Exchange Act, nor is it required to comply with Regulation FD, which restricts the selective disclosure of material information. As a result, there may be less publicly-available information for Vivendi than for US listed companies. Finally, as a foreign private issuer, Vivendi s Chief Executive Officer and Chief Financial Officer issue the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act on an annual basis (with the filing of this annual report) rather than on a quarterly basis as would be the case of a US domestic company filing quarterly reports on a Form 10-Q. For more information regarding our corporate governance, you may refer to our *statuts,* filed as an exhibit to this annual report.

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

We centrally manage our financial liquidity, interest rate, foreign currency and equity risks. Our Financing and Treasury Department is responsible for managing these risks and directly reports to the Chief Financial Officer of Vivendi, a member of our management board. The department has the expertise, resources (notably technical resources) and information systems necessary to effectively manage these risks.

We use various derivative financial instruments to manage and reduce our exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All financial instruments are either listed on organized markets or traded over-the-counter with highly rated counterparties. All derivative financial instruments are used for hedging purposes.

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Interest Rate Risk Management

We use interest rate risk management instruments to reduce our net exposure to interest rate fluctuations, to adjust the respective portion of fixed and floating interest rates in our total debt and to lower our net financing costs. The recourse to these instruments has decreased as a result of the substantial reduction in our Group s gross borrowings. In 2005, our average gross borrowings amounted to 6.7 billion, of which 3.0 billion were issued at fixed rates and 3.7 billion at floating rates. In 2005, our average cost of borrowings stood at 3.83% per year.

Based on the relative weighting of the Group s fixed and floating rate positions, a 1% rise in short-term interest rates would lead to an increase of approximately 33 million in borrowing costs and a 1% decrease in short-term interest rates would lead to a decrease of approximately 33 million in our borrowings costs.

We manage our interest rate risk through pay-floating and pay-fixed interest rate swaps. Pay-floating swaps convert a fixed rate debt into a LIBOR or an EURIBOR rate debt and pay-fixed swaps convert a floating rate debt into fixed rate debt. These instruments enable the Group to manage and hedge the variability of future cash flows required for interest payments on floating rate debt.

Foreign Currency Risk Management

Our policy with respect to fluctuations in exchange rates is to hedge our probable budget exposure (primarily resulting from monetary flows generated by commercial activity performed in currencies other than the euro) and firm commitments (essentially relating to the acquisition of editorial contents, including sports, audiovisual and film rights). For this purpose, we enter into currency swaps and forward exchange contracts. In accordance with our own internal rules, we do not enter into derivative instruments for speculative purposes.

The hedging transactions and forward exchange agreements entered into by the Group must satisfy the following criteria:

- Vivendi is the sole counterparty for foreign currency transactions for the Group, subject to regulatory and operational restrictions;
- all foreign currency hedging transactions relate, in amount and by maturity, to an identified underlying economic item; and
- all identified exposures are hedged at a minimum level of 80% for forecasted transaction exposures and 100% for firm commitments.

In addition, we hedge against foreign currency exposure resulting from our denominated financial assets and liabilities by entering into currency swaps and forward contracts that enable us to refinance or invest our cash positions denominated in euros or in foreign currencies.

As of December 31, 2005, approximately 98% of our estimated foreign currency exposures was hedged, based on our estimated future cash flows for 2006 and borrowings related exposure. The principal currencies hedged were the US dollar, the Japanese yen, the British pound sterling and the Canadian dollar. In 2005, firm commitments were entirely hedged and approximately 80% of our forecasted transactions were hedged.

With respect to our foreign currency non-hedged exposure, which represented approximately 40 million as of December 31, 2005, a 10% decrease in the value of the euro against our principal currencies would have resulted in a foreign exchange loss of approximately 4 million.

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The following table provides details of the sensitivity of operating indicators and indebtedness to the US dollar and the Moroccan dirham:

An increase represents the appreciation of the euro relative to the relevant currency.

	USD				MAD			
Average exchange rate used over the year 2005	1.2570				11.05			
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Revenues	-0.6%	0.6%	-1.3%	1.3%	-0.4%	0.5%	-0.8%	1.0%
Earnings from operations	-0.1%	0.1%	-0.1%	0.1%	-0.9%	1.0%	-1.8%	2.2%
Net cash provided by operating activities	-1.4%	1.4%	-2.7%	2.9%	-1.0%	1.1%	-1.9%	2.3%

	USD				MAD			
Exchange rate used as of December 31, 2005	1.1849				10.89			
Change assumptions	+5%	-5%	+10%	-10%	+5%	-5%	+10%	-10%
Redemption value of borrowings	-0.1%	0.1%	-0.1%	0.2%	-0.4%	0.5%	-0.8%	1.0%
Cash and cash equivalents	-0.1%	0.1%	-0.2%	0.2%	-1.1%	1.2%	-2.1%	2.6%

Equity Market Risk Management

Our exposure to equity market risk primarily relates to available-for-sale securities. As of December 31, 2005, before equity market risk management, a decrease in 10% of the stock price of these securities would have a negative net impact of approximately 140 million on our equity.

Credit and Investment Concentration Risk and Counterparty Risk

We seek to minimize the concentration of our credit and investment risks and our counterparty risk by obtaining credit from a diverse group of highly rated commercial banks and financial institutions (rated at least A-by Standard & Poor s or the equivalent by other rating agencies) and by conducting investment transactions with them.

Our credit risk is limited to the replacement cost of the financial instrument at its then estimated fair value. We believe that our exposure to credit risk is extremely limited and that losses related to such risk, if any, would not be material.

Our market risk on foreign exchange hedging instruments should be offset by changes in the value of the underlying hedged items.

Our receivables and investments do not represent a significant concentration of credit risk due to our large customer base, the variety of markets in which we sell our products, the geographic diversity of our reporting units and our diversified portfolio in terms of securities and issuers.

Liquidity Risk

We believe that the financial flexibility of our Group is fully restored due in particular to the current level of our indebtedness, the decrease in interest expense following the upgrading of our debt rating to Investment Grade by Standard & Poor s, Moody s and Fitch in 2004 and the redemption of our High Yield Notes mainly in 2004.

Item 12: ***Description of Securities Other than Equity Securities***

Not applicable.

PART II

Item 13: ***Default, Dividend Arrearages and Delinquencies***

None.

Item 14: ***Material Modifications to the Rights of Security Holders***

At our annual meeting of shareholders held on April 20, 2005, our shareholders approved the elimination of the provision of our *statuts* adjusting the voting rights of shareholders owning in excess of 2% of the Company s total voting power.

Item 15: ***Controls and Procedures***

As of December 31, 2005, Vivendi management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. These are designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, summarized and reported within specific time periods. Based on this evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2005 to a reasonable assurance level (within the meaning of the US federal securities laws).

No significant changes were made in our internal controls over financial reporting during the period covered by this annual report on Form 20-F that materially affected, or are reasonably likely to affect materially, our internal control over financial reporting.

Item 16A: ***Audit Committee Financial Expert***

Vivendi s supervisory board has determined that Mr. Henri Lachmann is the audit committee financial expert. Mr. Lachmann satisfies the requirements of the definition of financial expert as set forth in the instructions to Item 16A of Form 20-F.

Item 16B: ***Code of Ethics***

At its March 16, 2004 meeting, Vivendi s board of directors adopted a code of financial ethics, acting upon a proposal by the Audit Committee and in accordance with the Sarbanes-Oxley Act of 2002. This code applies to Vivendi s Chief Executive Officer, Chief Financial Officer and other senior financial officers. This code does not replace Vivendi s compliance program, or any of the codes of ethics applicable to any of its subsidiaries. A copy of Vivendi s code of financial ethics can be obtained free of charge directly from Vivendi.

Item 16C: ***Principal Accountant Fees and Services***

Barbier Frinault & Autres, a member firm of Ernst & Young International (Barbier), and Salustro Reydel, a member firm of KPMG International (SR) have served as Vivendi s principal independent public accountants for the fiscal years in the two-year period ended December 31, 2005 with respect to our Consolidated Financial Statements.

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The following table presents the aggregate fees for services paid to Barbier and SR for the fiscal years ended December 31, 2005 and 2004:

	SR Amount		Barbier Amount	
	2005	2004	2005	2004
	(In millions of euros)			
Audit fees	6.4	5.7	8.6	10.9
Audit-related fees	1.3	2.0	0.7	2.6
Tax fees				
All Other fees			0.05	
Total	7.7	7.7	9.35	13.5

Audit fees consist of fees billed by any of SR and Barbier (collectively, the Auditors) for the audit of the Consolidated Financial Statements of Vivendi and its subsidiaries, audits of subsidiary financial statements (including statutory audits required by local law), review of interim financial statements and other procedures required to be performed by the Auditors in connection with these reviews and/or the issuance of its audit process. Audit fees also include fees for services performed by the Auditors that are closely related to the audit and in many cases could only be provided by our Auditors. Such services include comfort letters and consents provided in connection with capital raising activities, certain reports, attestations, or similar documents relating to regulatory filings by Vivendi and its subsidiaries.

Audit-related fees consist of fees billed by our Auditors for services that are related to the performance of the audit or review of the Consolidated Financial Statements of Vivendi and its subsidiaries. Audit-related services include due diligence services in connection with potential business acquisitions or divestitures, audits of employee benefit plans, specific agreed-upon procedures required from time to time in order to respond to requests or questions from regulatory authorities or to comply with financial reporting or other regulatory requirements and other audit services.

Vivendi s auditors did not provide, for the year ended December 31, 2004, any services that would be classified under the caption Tax fees or All other fees. Barbier provided for the year ended December 31, 2005 services that would be classified under the caption All other fees.

Audit Committee Pre-approval of Policies and Procedures

The Audit Committee is responsible, to the extent permitted by French law, for establishing and following the procedures relating to the appointment, compensation, retention and oversight of Vivendi s independent auditors. The Audit Committee provides a recommendation to Vivendi s supervisory board regarding the appointment and terms of compensation of the Auditors. The Audit Committee also examines auditor independence principles and rules relating to services provided by the Auditors and the scope of the audit.

The Audit Committee pre-approves all permitted audit and non-audit services performed by the Auditors, in order to assure that these services do not impair the Auditors independence or judgment. The policy provides for general annual pre-approval of certain specified permitted services up to 500,000 for each engagement and requires specific pre-approval for engagements exceeding that amount and for all other permitted services. Each year, the Audit Committee, which has been given the authority by Vivendi s supervisory board to decide upon such matters, will be called upon to render a favorable opinion on all permitted audit and non-audit services with an estimated cost of up to 500,000 for each engagement to be entered into for the next 12 months.

During 2005, no Audit-Related Fees, Tax Fees or Other non-audit Fees provided to the Group by the statutory auditors were approved by the Audit Committee pursuant to the *de minimis* exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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Item 16D: ***Exemptions from the Listing Standards for Audit Committees***

Not applicable.

Item 16E: ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share ( )**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs**
January 2005				6,350,000
February 2005	715,000(1)	24.68	715,000(1)	5,635,000
March 2005	910,020(1)	23.48	910,000(1)	4,724,980
April 2005	520,000(1)	23.78	520,000(1)	4,204,980
May 2005				4,204,980
June 2005				4,204,980
July 2005				4,204,980
August 2005				4,204,980
September 2005				4,204,980
October 2005				4,204,980
November 2005				4,204,980
December 2005	1,200,000(2)	26.38	1,200,000(2)	400,000
January 2006				400,000
February 2006				400,000
March 2006				400,000
April 2006				400,000
May 2006				400,000

(1) The general shareholders meeting of May 6, 2004 authorized the board of directors for a period of 18 months to repurchase and dispose of up to 5% of the Company s shares at a maximum purchase price per share of 30 and a minimum sale price per share of 20. This authorization was implemented on January 24, 2005 pursuant to delegations of the board of directors dated June 29th and December 7, 2004. The maximum number of shares that could be purchased by virtue of this authorization and the maximum purchase price per share were reduced to 0.60% of the Company s shares and 30, respectively. This share repurchase program is described in the share repurchase program prospectus (*note d information*) which received approval or *visa* no. 05-032 of the AMF on January 21, 2005. Under this authorization, 2,145,020 shares have been repurchased from January 2005 until December 2005, other than in connection with the liquidity agreement.

(2) The general shareholders meeting of April 28, 2005 authorized the management board for a period of 18 months to repurchase and dispose of up to 10% of the Company s shares at a maximum purchase price per share of 40. This authorization was implemented on December 20, 2005 pursuant to a delegation of the management board dated October 5, 2005. The maximum number of shares that could be purchased by virtue of this authorization and the maximum purchase price per share were reduced to 0.14% of the Company s shares and 32, respectively. A

summary of this share repurchase program is available at our website http://www.vivendi.com and at the AMF website http://amf-france.org. Under this authorization, 1,200,000 shares have been repurchased from December 21, 2005 to May 31, 2006, other than in connection with the liquidity agreement.

Liquidity Agreement

In connection with the implementation of our share repurchase program, we have entered into a liquidity agreement with Rothschild & Cie Banque, which provides for the market making in the secondary market or the liquidity of our ordinary shares. This liquidity agreement was established in conformity with the professional code of ethics of the French AFEI (*Association française des entreprises d investissement*) and authorizes Rothschild & Cie Banque to purchase our ordinary shares for an amount up to 76 million on the Eurolist from January 24, 2005 for a period of one year with automatic renewal.

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PART III

Item 17: ***Financial Statements***

Not applicable.

Item 18: ***Financial Statements***

See our Consolidated Financial Statements beginning at page F-1.

Item 19: ***Exhibits***

Exhibit Number	Description
1.1	Amended and Restated By-Laws and Articles of Association (*statuts*) of Vivendi as amended on April 20, 2006 (English translation).
2.1*	Deposit Agreement, dated as of April 19, 1995, as amended and restated as of September 11, 2000, and as further amended and restated as of December 8, 2000, by and among Vivendi SA, The Bank of New York, as Depositary, and all the Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder (incorporated by reference to Vivendi s Registration Statement on Form 8-A, filed on December 29, 2000, File No. 001-16301).
2.1.1	Amendment to the Deposit Agreement, dated as of May 22, 2006.
4.1*	Merger Agreement, dated as of June 19, 2000, by and among Vivendi SA, Canal Plus SA, Sofiée S.A., 3744531 Canada Inc. and The Seagram Company Ltd. (incorporated by reference to Vivendi s Registration Statement on Form F-4, filed on October 30, 2000, File No. 333-48966).
4.2*	Shareholder Governance Agreement, dated as of June 19, 2000, by and among Vivendi SA, Sofiée SA and certain shareholders of the Seagram Company Ltd. (incorporated by reference to Vivendi s Registration Statement on Form F-4, filed on October 30, 2000, File No. 333-48966).
4.3*	Business Combination Agreement, dated as of October 8, 2003, by and among General Electric Company, National Broadcasting Company Holding, Inc., National Broadcasting Company, Inc., Universal Studios Holding III Corp. and Vivendi SA (incorporated by reference to Vivendi s Report of Foreign Private Issuer on Form 6-K, filed on November 4, 2003, File No. 001-16301).
4.4*	IACI Matters Agreement, dated as of October 8, 2003, by and among General Electric Company, National Broadcasting Company Holding, Inc., National Broadcasting Company, Inc., Universal Studios Holding III Corp. and Vivendi, S.A. (incorporated by reference to Vivendi s Report of Foreign Private Issuer on Form 6-K, filed on November 4, 2003, File No. 001-16301).
8.1	List of subsidiaries of Vivendi SA.
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934.
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934.
13.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
14.1	Consent of Salustro Reydel and Barbier Frinault & Autres.
15.1*	IFRS 2004 Transition (incorporated by reference to Vivendi s filed annual report on Form 20-F for the year ended December 31, 2004, on June 29, 2005, File No. 001-16301).

* Incorporated herein by reference as indicated.

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The note IFRS 2004 transition was published on April 14, 2005 and filed with the SEC as exhibit 15.1 to the 2004 Form 20-F on June 29, 2005. This 2004 financial information provided on IFRS transition presented as preliminary information the expected quantifiable impact of IFRS adoption on the consolidated statement of financial position as of the transition date, i.e. as of January 1, 2004, the financial position as of December 31, 2004 and the statement of earnings for the year 2004.

Since this publication, in addition to the consequences of applying IFRS 5 to operations divested since January 1, 2005, the Group has elected to apply several new options in the adoption of the standards and several reclassifications were made, leading to a change in the first time adoption opening statement of financial position as of January 1, 2004, the comparative statement of financial position as of December 31, 2004, as well as the year 2004 comparative statement of earnings in order to standardize presentation with the Consolidated Financial Statements for the year ended December 31, 2005. The definitive reconciliation of the financial statements prepared under French GAAP and the comparative IFRS information (opening statement of financial position as of January 1, 2004, statement of financial position as of December 31, 2004 and statement of earnings for the year 2004) is described in Note 33.

Report of Independent Registered Public Accounting Firms

To the Board of Directors and Shareholders of Vivendi S.A. (previously known as Vivendi Universal):

We have audited the consolidated balance sheets of Vivendi S.A. and subsidiaries (together « the Company ») as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders equity and cash flows for each of the two years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2005, in conformity with International Financial Reporting Standards as adopted by the European Commission for use in the European Union.

International Financial Reporting Standards as adopted by the European Commission for use in the European Union vary in certain significant respects from accounting principles generally accepted in the United States. Information relating to the nature and effect of such differences is presented in Note 34 to the consolidated financial statements.

Salustro Reydel Member of KPMG International	Barbier Frinault & Autres Ernst & Young
Benoit Lebrun	Dominique Thouvenin

Paris La Défense and Neuilly-sur-Seine, France
March 23, 2006
(Except with respect to matters discussed in Note 34 as to which the date is June 28, 2006)

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CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Note	Year Ended December 31, 2005	2004
		(In millions of euros, except per share amounts)	
Revenues	4	19,484	17,883
Cost of revenues	4	(9,898)	(9,100)
Margin from operations		9,586	8,783
Selling, general and administrative expenses		(5,807)	(5,464)
Other operating expenses		(33)	(86)
Earnings from operations		3,746	3,233
Other income from ordinary activities	4	75	89
Other charges from ordinary activities	4	(170)	(25)
Income from equity affiliates	14	326	221
Earnings before interest and other financial charges and income and provision for income taxes		3,977	3,518
Interest	5	(218)	(406)
Other financial charges and income	5	619	1,226
Interest and other financial charges and income	5	401	820
Earnings from continuing operations before provision for income taxes		4,378	4,338
Provision for income taxes	6	(204)	(292)
Earnings from continuing operations		4,174	4,046
Earnings from discontinued operations	7	92	777
Earnings		4,266	4,823
Attributable to:			
Equity holders of the parent		3,154	3,767
Minority interests		1,112	1,056
Earnings from continuing operations, attributable to the equity holders of the parent per share basic (in euros)	8	2.70	2.61
Earnings from continuing operations, attributable to the equity holders of the parent per share diluted (in euros)	8	2.68	2.59
Earnings from discontinued operations per share basic (in euros)	8	0.08	0.68
Earnings from discontinued operations per share diluted (in euros)	8	0.08	0.68
Earnings, attributable to the equity holders of the parent per share basic (in euros)	8	2.74	3.29

Earnings, attributable to the equity holders of the parent per share diluted (in euros)	8	2.72	3.27

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2005 AND DECEMBER 31, 2004

	Note	December 31, 2005	December 31, 2004
		(In millions of euros)	
ASSETS			
Goodwill	9	13,796	13,154
Non current content assets	10	2,462	2,431
Other intangible assets	11	1,937	2,177
Property, plant and equipment	12	4,331	4,740
Investments in equity affiliates	14	6,856	5,773
Non current financial assets	15	3,783	3,787
Deferred tax assets	6	1,784	1,282
Non current assets		34,949	33,344
Inventories	16	375	315
Current tax receivables	6	822	772
Current content assets	10	790	579
Trade accounts receivable and other	16	4,531	4,528
Short-term financial assets	15	114	162
Cash and cash equivalents	17	2,902	3,159
		9,534	9,515
Assets held for sale	7		180
Current assets		9,534	9,695
TOTAL ASSETS		44,483	43,039
EQUITY AND LIABILITIES			
Share capital	18	6,344	5,899
Additional paid-in capital	18	6,939	7,313
Retained earnings and other		5,486	2,237
Equity associated with assets held for sale	7		
Equity, attributable to equity holders of the parent		18,769	15,449
Minority interests		2,839	2,643
Total equity		21,608	18,092
Non current provisions	20	1,220	1,561
Long-term borrowings and other financial liabilities	23	4,545	5,357
Deferred tax liabilities	6	3,476	3,282
Other non current liabilities	16	1,342	1,955
Non current liabilities		10,583	12,155

Trade accounts payable and other	16	8,737	8,187
Current tax payables	6	762	1,298
Current provisions	20	578	357
Short-term borrowings and other financial liabilities	24	2,215	2,842
		12,292	12,684
Liabilities associated with assets held for sale	7		108
Current liabilities		12,292	12,792
Total liabilities		22,875	24,947
Contractual obligations and contingent assets and liabilities	29		
TOTAL EQUITY AND LIABILITIES		44,483	43,039

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Note	Year Ended December 31, 2005	Year Ended December 31, 2004
		(In millions of euros)	
Operating activities:			
Earnings, attributable to equity holders of the parent		3,154	3,767
Minority interests		1,112	1,056
Adjustments	27	876	(80)
Dividends received from equity affiliates	27	355	404
Content investments, net	10	(15)	219
Other changes in net working capital	16	166	114
Interest paid	5	(218)	(406)
Other financial items (excluding sales of financial assets)		(486)	(214)
Income tax paid	6	(1,386)	(622)
Net cash provided by operating activities		3,558	4,238
Investing activities:			
Capital expenditures		(1,580)	(1,322)
Purchases of consolidated companies, after acquired cash		(1,406)	(364)
Purchases of investments in equity affiliates			(30)
Increase in financial assets			
Investments		(2,986)	(1,716)
Proceeds from sales of property, plant, equipment and intangible assets		89	196
Proceeds from sales of consolidated companies, after divested cash		(200)	4,967
Sales of investments in equity affiliates		54	274
Decrease in financial assets		226	23
Divestments		169	5,460
Net cash provided by (used for) investing activities		(2,817)	3,744
Financing activities:			
Net proceeds from issuance of common shares		39	18
Sales (purchases) of treasury shares		(108)	(27)
Dividends paid by Vivendi S.A.		(689)	
Dividends paid by consolidated companies to their minority shareholders	27	(965)	(1,832)
Transactions on equity		(1,723)	(1,841)
Setting up of long-term borrowings and increase in other long-term financial liabilities		2,380	1,148
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		(1,649)	(3,448)
Principal payment on short-term borrowings		(963)	(4,547)

Other changes in short-term borrowings and other short-term financial liabilities		920	1,143
Transactions on borrowings and other financial liabilities		688	(5,704)
Net cash provided by (used for) financing activities		(1,035)	(7,545)
Foreign currency translation adjustments		37	(15)
Net cash related to discontinued operations	7		11
Change in cash and cash equivalents		(257)	433
Cash and cash equivalents:			
At beginning of the year		3,159	2,726
At end of the year		2,902	3,159

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Full year 2005

		Attributable to Vivendi SA shareholders											
					Retained Earnings and Other								
		Common shares											
	Note	Number of shares (In thousands)	Amount	Additional Paid-in Capital	Retained Earnings	Net unrealized gains (losses)	Foreign currency translation adjustments	Treasury shares	Equity associated with assets held for sale	Total	Equity attributable to equity holders of the parent	Minority interests	Total equity
			(In millions of euros, except number of shares)										
BALANCE AS OF DECEMBER 31, 2004		1,072,624	5,899	7,313	2,929	910	(1,593)	(9)		2,237	15,449	2,643	18,092
Redemption of ORA (November 2005)	18.2	78,672	433	(433)									
Dividends paid by Vivendi S.A. (0.6 per share)					(689)								