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**Chairman and CEO, Vivendi Universal**

Ladies and Gentlemen,

What is the state of your Company today?

I will try to answer this question with as much clarity as possible—and in any case in all transparency.

- What was I confronted with when I arrived at Vivendi Universal on July 4, 2002?
- What have we achieved since then?
- What is our direction today?
  - What are our objectives?
  - What are our priorities?
  - What will be the profile of the Group at the end of 2004 when we will have - assuming all goes to plan -sold the 20% stake we still have in Vivendi Environnement, soon to be re-named Veolia Environnement.

I would like to put everything we have done in context.

2002 was a difficult year for the Group - particularly for you as shareholders - but also for all of us, including our employees. I would like to take this opportunity to thank our employees for their loyalty to the Company and their hard work in overcoming the problems we have to contend with.

2003 will be a year of transition and, with some uncertainties, concerning the successful implementation of our plans and priorities which are now, thankfully, clear.

2004 will see the emergence of a new Group, with an improved financial situation, and with businesses that are well managed, profitable and have good prospects.

It is therefore only in the fall of 2004 that the markets will be able to truly appreciate the value of the Group, which will have been turned around and redefined - unless the markets anticipate this beforehand.

It is to that end that I am working as hard as I can with the Board and with the people around me to ensure that your shares gain value and recuperate some of the loss they have incurred. We know that €30 billion of value has been destroyed and that our Group will never recuperate the maximum values that existed before the crisis.

What did I find at the beginning of July 2002?

What were the problems that we were confronted with?

I was appointed on July 3, 2002 to carry out what I thought to be a calm diagnosis of the situation that had raised considerable concern, and to propose a strategy for the Group, which had become too diversified and too complex.

In reality, as soon as I arrived on Thursday July 4, I was confronted with a very serious problem concerning the announcement by Moody's that it had once again downgraded Vivendi Universal – this time by two levels – after an initial downgrading that occurred three days previously. This downgrade suddenly put the Company in an untenable situation, not far from insolvency. This downgrade was based on Moody's conviction, from as early as July 2002, that Vivendi Universal would not be able to meet its payment obligations.

Slide 1: Moody's and Standard and Poor's ratings for Vivendi Universal
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To avoid this further downgrade and this risk we had to negotiate day and night, in extraordinarily difficult circumstances, fresh cash of €1 billion with no guarantees. We achieved this on July 9 at 5.00 am. The new facility was absolutely essential to meeting our obligations in September, October and November.

We then initiated further negotiations for an extra €2 billion as it quickly became clear that €1 billion was not going to be enough.

Our first half-year results were absolutely disastrous and led to a further downgrading by Moody's and Standard and Poor's - this time effective.

We were, once again facing a disastrous situation:

- suspensions of bank negotiations
- a fall in share price
- renewed risk of insolvency

The situation could only be saved because the Board committed to carry out an immediate disposal of assets (which included Houghton Mifflin) for an amount of €5 billion over the ensuing nine months.

Today, despite:

- asset disposals of €9 billion carried out in 2002
- the €1 billion convertible bonds issue in November 2002
- asset disposals of €2 billion already carried out in 2003
- the successful issue of €1.2 billion of high yield bonds in April 2003
- the new bank loan of €2.5 billion with a maturity of three years

we are still not investment grade and we still have junk bond status, and the stigma that it brings: loss of confidence in our company from all stakeholders – from investors to clients.

This also automatically excludes our shares from certain pension funds and generates additional financing costs:

- access to commercial paper, the main source of short and medium term financing, becomes impossible
- rates on the bond market become prohibitive, the cost of bank loans increases and the company is obliged to reimburse in advance certain credit lines.

It's like in an accident, it happens as a result of imprudence and then it's extremely difficult and long to overcome.

Today, our main priority remains the return to a sound financial situation, which is acknowledged by rating agencies.

Slide 2: Vivendi Universal's share price evolution since January, 2002

The evolution of our share price since January 2002 demonstrates our extreme sensibility to downgrades and the announcements of our financial results.

Let us compare our performance with the CAC 40 index:

Slide 3: Vivendi Universal vs. CAC 40 index from January 2002 through to rating downgrade on August 14, 2002

Slide 3a: Vivendi Universal vs. CAC 40 index since August 16, 2002

It is a small consolation that since August 2002, we have performed better than the CAC 40 index.

First and foremost, our debt is substantial and badly structured

Slide 4: Substantial debt and negative available cash flow

► **Substantial debt:**

- €35 billion at June 30, 2002

► **Very short-term commitments:**

- €5.6 billion of repayments between July 2002 and March 2003

► **Badly-structured debt:**

- cash generating companies carry no debt
- loss-making companies and the holding company carry the majority of the debt

► **Negative available cash flow at VU level:**

- 2001: €(1.2) billion
- 2002: €(0.8) billion

In Addition to its high debt, Vivendi Universal registers bad results and negative available cash flow.

Slide 5: Poor results

What businesses and assets did I find?

The strategic analysis launched when I arrived highlighted the following picture: an extremely fragmented, disorganized conglomerate with limited internal synergies. However, the total value of the assets was considerably higher than our debt assuming that we could avoid insolvency and buy a minimum amount of time to negotiate and stabilize the situation.

Slide 6: Vivendi Universal Group in July 2002: 6000 consolidated companies and shareholdings

This slide best illustrates the situation

Do you think this situation is manageable?

The immediate problem was not so much to find assets to sell in order to finance our debt, but to determine which assets to retain and develop. There was no real logic in the existing portfolio of assets.

In order to understand the strategic choices we are currently considering, let us take a quick look at the Group.

I would also like to take this opportunity to tell you where we stand today regarding each of our assets.

Slide 6.1: Vivendi Environnement

*Below and to the right of the slide: the four activities of Vivendi Environnement.*

- a wonderful company;
- a leader in its field;
- however, in July 2002, we only owned 40% of this Company. Furthermore, Vivendi Environnement's management team had already been quite independent for some time
- was there any point in trying to regain a majority share in this Company? This did not seem to make any sense in financial terms or in management terms. In addition, Vivendi Environnement carried significant debt, since the creation of Vivendi Universal, and its free cash flow was weak due to its considerable development investments
- in theory this was an easy decision. We had no choice but to sell Vivendi Environnement. However, we agreed not to sell any shares on the market for the

coming two years. This asset is therefore frozen – the political implications of such a disposal could not be underestimated.

- the situation is difficult and we have little room for maneuver.

#### Slide 6.2: Telecoms

*Top right of slide:* Vivendi Universal's telecom activities include the Group's best performer, from a financial standpoint: SFR, with €2.1 billion in operating cash flow in 2002.

Unfortunately, due to the multi-tiered structure of the company and to shareholding agreements, we only held 35% of SFR—and have no access to its cash flow until we return to investment grade status.

The situation is clear: if possible, we should keep this excellent activity and become the majority shareholder.

Maroc Telecom is another excellent activity, even though the purchase price in the first quarter of 2001 was too high. We manage this Company, which had operating cash flow of over €600 million in 2002. However, once again, we only have 35% of its share capital.

If possible, and if we achieve a sufficient amount of asset disposals, we should also try to become the majority shareholder of Maroc Telecom.

We also have a number of other telecom activities. All of these are in difficulty and we must sell our interest in them.

#### Slide 6.3: Canal+ Group

*Top center of the slide:* This is by far the most difficult segment of the Group, with over €5 billion in debt.

There is only one solution: redress this situation.

This will be difficult and will take time. It is, however, possible and we have already started to progress in this area.

We have to re-focus this business on France and on television, and progressively dispose of the other activities.

Slide 6.4: Internet

*Center right of slide:* practically all of the Internet activities are losing money. After Canal+, this is the second greatest loss generator within the Group.

It also represented the end of a dream.

Apart from Vizzavi, which we miraculously managed to sell for €148 million, no one is interested in taking over these activities, not even with subsidies.

In most of these cases, we have had to close these businesses and incur all the financial difficulties and issues regarding employees.

These difficulties had an impact on the 2002 results and will continue to have an impact in 2003.

Slide 6.5: Other activities

*Lower center of slide:* Other activities linked directly to Vivendi Universal include interests in energy, through Sithe, art works, real estate, an airline company, the Chateau de Méry etc.

This list is by no means complete. These activities were eating up much cash and many of them are in the process of being disposed of or have already been sold.

Slide 6.6: Publishing and Consumer Press

*Below right:* The Consumer press division has now been entirely sold. Vivendi Universal Publishing (VUP), an excellent business with a significant level of recurring cash-flow, unfortunately had to be sold last summer in order to obtain the cash we needed.

Why did we sell VUP first?

It was the only asset we could sell quickly and at a good price, and that was not encumbered by any legal issues, which is the situation for the majority of the Group's activities.

Slide 6.7: US Assets –VUE, VU Games & UMG

*Top left:* Of the American assets, Vivendi Universal Entertainment (VUE) is our most significant asset, followed by Universal Music Group (UMG) and VU Games.

As my time was completely taken up by the Group's difficult situation and the increase of our stake in Cegetel Group, I entrusted all of these operations to Barry Diller.

Since the beginning of 2003, our US assets have become a priority. And since the beginning of March, our views regarding these activities have been established and adopted by the Board.

It is unrealistic to think that we can manage VUE's activities.

VUE is comprised of good quality television networks but the activity is medium-sized and must grow to be competitive and last the distance.

Do you think that alone, we can become one of the leaders of American TV? Again this is unrealistic.

The theme parks require significant investment for their development – this is not for us.

Our studios are of good quality and make money.

However, as a French group, are we in a position to give momentum to a strategy of American film creation based in Los Angeles?

We are therefore in the process of negotiating with a number of different partners in order to dispose of VUE in whole or in part, either for cash or for cash and participation in a larger and more competitive entity – even if the second possibility ultimately leads to a 100% sale of the business.

VUE is an extremely valuable asset.

We are very keen to dispose of it under optimal conditions for the relevant teams and ourselves. This is one of our major projects for 2003.

We will definitely sell our Games businesses but have not yet decided when.

Is it best to wait until the market improves?

Should we look at listing games on the stock exchange or look for industrial partners?

This leaves us with Music:

A wonderful business and the uncontested world leader which benefits from a well-balanced presence throughout the world: 40% of sales are generated in the US, 40% in Europe, and 20% in the rest of the world.

However, the music market is in decline because of piracy and counterfeiting. The market was down by 3% in 2000, 5% in 2001 and 9% in 2002 – and continuing.

Universal Music Group (UMG) is the only music company not making a loss—we are gaining market share, we remain profitable and generate cash but our results are down.

Selling UMG today would be tantamount to relinquishing a wonderful business at too low a price. However, retaining this business is also a risk. We believe that UMG can be retained for some time and will resist the current market challenge—the resistance to piracy, the impact of the development of new technologies, the potential of new business models (such as the one recently announced by Steve Jobs for Apple Computers) are, however, still to be assessed.

For the time being, no final decision has been taken regarding UMG.

As you can see, it's not easy to construct a coherent entity from the basis of this conglomerate which, despite all that was proclaimed, presents no significant synergies.

Nevertheless, I will conclude this presentation with an idea of where the Group will stand by the end of 2004.

Before I do this however, I would like to quickly remind you of what has been achieved since July 2002 as well as our objectives and priorities for 2003.

Slide 7: What we have achieved in 2002

► Serious liquidity situation solved:

- bank facilities of €1 billion obtained in July
- €7 billion of asset disposals in the second half of the year
- cash drains reduced (Canal+, Internet and corporate)
- management efforts focused on cash position.
- issue of notes mandatorily redeemable for VU shares for €1 billion was carried out in November.

► New Board of Directors, new corporate governance rules.

► New management team and reorganized central functions:

Slide 8: What we have achieved in 2002 (*continued*)

► Strategic review of all our companies, operations and business units

► We defined and launched a new strategy and established a new management team, in particular, for Canal+

► We strengthened our shareholding in Cegetel-SFR, and disposed of 20.4% of our stake in Vivendi Environnement.

► We implemented budgets which focus on net income and cash flow.

Slide 9: 2003 – A year of transition: our objectives and priorities

▶ Debt restructuring - already underway:

- issue of a €1.2 billion high-yield bond - March, 2003
- maturity of €2.5 billion debt extended to three-years, to gain flexibility (in progress)

▶ Continuing our asset disposal plan:

- at least €7 billion in disposals in 2003 - €2 billion worth of disposals has already been achieved (end of March)
- our priority: to exit VUE, either totally or partially.

▶ Manage businesses efficiently by focusing on net income and cash generation:

- introduction of individual bonuses linked to precise targets and the implementation of a monthly review of results.

Slide 10: 2003: A year of transition (continued)

▶ Define a strategy for each business

▶ Define and prepare for the Group's future

▶ Our objective: generate net income (excluding non-recurring items and goodwill amortization) for the first time in three years and post strong growth in cash flow

There is still much uncertainty but I would like to provide you with an idea of where the Group might stand before the end of 2004.

Slide 11: Our vision for 2004

- A Group practically debt free
- Focus on the telecoms sector.

In 2004: 100% of Cegetel-SFR and Maroc Telecom would represent

- operating cash flow close to €3 billion
- and operating income of over € 2.5 billion

- A refocused Canal+ Group back on track
- Probably including Universal Music Group, in total or in partnership – which will be profitable despite overall market decline
- With available cash or a cash/shareholding mix resulting from the sale of Vivendi Environnement and Vivendi Universal Entertainment

The Company could be one of the leaders of the CAC 40

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