

# vivendi

## Investors Presentation

June 2006

- > Create and market to our subscribers new digital content services for broadband and mobile applications

To

- > Strengthen our leadership positions in our complementary content and distribution businesses

And

- > Double our Adjusted Net Income over the 2006-2011 period, excluding the impact of the Consolidated Global Profit Tax System

# Leading Positions in Media and Telecom

*Figures as of end-2005*



## Leading global music company

- > €4.9bn Revenues, €480m Earnings from operations
- > 25.6% estimated worldwide market share of physical sales of recorded music



## Leading global online games company

- > €641m Revenues, €41m Earnings from operations
- > 6.6 million paying customers to World of Warcraft as of today



## Leading French pay-TV operator

- > €3.4bn Revenues, €176m Earnings from operations
- > 8.3m subscriptions in France



56%

## 2<sup>nd</sup> French mobile operator and leading 3G operator

- > €8.7bn Revenues, €2.4bn Earnings from operations
- > 17.2m customers
- > 35% stake in neuf cegetel, leading alternative fixed / ADSL operator in France



51%

## Leading Moroccan telecommunications operator

- > €1.9bn Revenues, €762m Earnings from operations
- > 8.2m mobile clients, 1.34m fixed lines and 242,000 ADSL access lines



20%

## Leading American entertainment company

- > \$14.7bn Revenues, \$3.1bn Segment profit

# Vivendi's Scale and Resources Benefit Our Businesses

## > Improved time-to-market in roll-out of new technologies

- > SFR: 1<sup>st</sup> operator to launch UMTS and HSDPA offerings (4 to 5 months ahead of Orange)
- > Canal+ available on all platforms: DTH, Cable, DTT, DSL, Mobile, DVB-H
- > Vivendi Games: world leader in online subscription-based multiplayer games

## > Ability to launch multiple and ambitious organic investments

- > Pay-TV: exclusive coverage rights of French football League 1 matches for €1.8bn over 3 years
- > Video games: over €80m invested in *World of Warcraft*
- > Music: TV music channel (IMF), MVNO (Amp'd)
- > TV: partnerships with NBCU

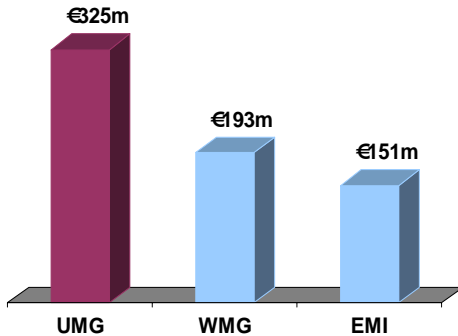
## > Shared know-how of digital technologies, emerging usage patterns and subscription-based models ensured by a worldwide presence and strong internal focus

## > Ability to diversify risk across the group

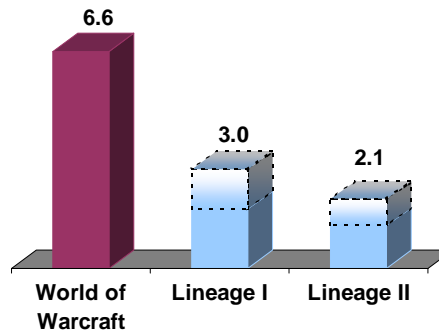
# Driving Customer Penetration and Technological Lead

## Revenues Generated Through Digital Sales

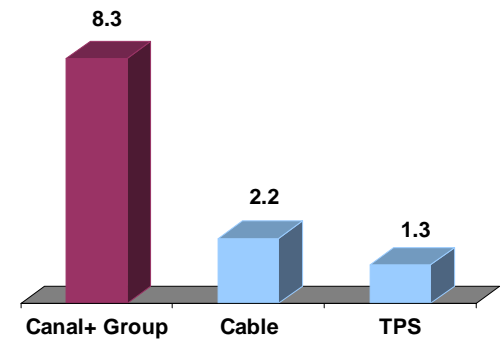
(Last 12 months as of 31/03/2006)



## Number of MMOG Subscribers (m)

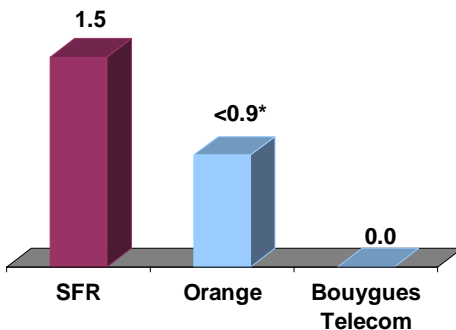


## Number of Pay-TV Subscriptions in France (m)

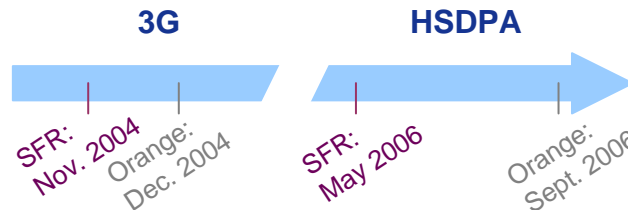


## Number of 3G Subscribers in France (m)

(as of May-2006)

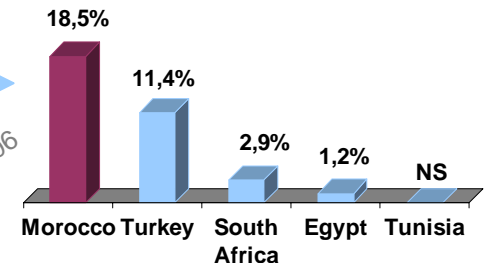


## Launch Date of New Mobile Technologies



## DSL/Fixed Lines Penetration Rates\*\*


















(as of 31/12/2005)



\*Source: Orange press release

\*\*Source: companies, Pyramid Research & Maroc Telecom

# A Growing Stream of Cross-Marketing Initiatives

| Divisions   | Key Initiatives   | Divisions Involved  |
|---|---|---|
|     | <ul style="list-style-type: none"> <li>&gt; SFR was the 1<sup>st</sup> mobile operator to offer almost all of UMG's music catalog</li> <li>&gt; A selection of the IMF music channel programming is available over SFR</li> <li>&gt; Several games tapping into UMG's music catalog and roster of artists</li> </ul>  | <br>  |
|    | <ul style="list-style-type: none"> <li>&gt; Creation of the Vivendi Games Mobile unit in Paris</li> <li>&gt; Creation of "50 cent: Bulletproof" with UMG (over 1 million games sold)</li> <li>&gt; Creation of numerous games (Hulk, Scarface, Miami Vice) with NBCU</li> </ul>   | <br><br>     |
|     | <ul style="list-style-type: none"> <li>&gt; Mobile TV over DVB-H being trialed with SFR, Nokia and TowerCast</li> <li>&gt; CanalSat subscription offering (31 out of 56 available channels) and VoD (Canal+ Mobile) available to SFR 3G subscribers</li> <li>&gt; 1<sup>st</sup> mobile news channel (i&gt;Télé Flash) available on SFR</li> <li>&gt; Co-funding of movies with NBCU through Working Title</li> </ul> | <br>  |
|   | <ul style="list-style-type: none"> <li>&gt; 1<sup>st</sup> interactive music radio service (DJ Radio)</li> <li>&gt; Unlimited subscription-based music download offering (Pass Musique)</li> <li>&gt; CanalSat subscription offering and VoD available to SFR 3G subscribers</li> <li>&gt; Games on mobile</li> </ul>   | <br><br> |
|  | <ul style="list-style-type: none"> <li>&gt; Launch of a TV over DSL offering in cooperation with Canal+</li> <li>&gt; Projected launch of 3G in 2007</li> <li>&gt; Projected launch of an MVNO with SFR in 2006</li> </ul>  | <br>  |

# Ahead of Our Competitors

> Our competitors in telecommunications are investing in the media sector:

> Content platforms, acquisition of exclusive content rights, etc.



Targeting at least €400m in direct paid content revenues by 2008



Acquisition of football rights coverage

> Our competitors in content creation want to control (at least partially) their distribution:

> Purchase of network infrastructure and subscriber portfolios



> Broadband Internet and mobile services are accelerating demand for access and new services



# A Shared Expertise: the Subscription-Based Model

## > Our subscribers\*:

- SFR: 17 million
- CANAL+ Group: 8 million
- Maroc Telecom: 10 million (fixed line – mobile – Internet)
- *World of Warcraft*: 6 million

## > Benefits of the subscription-based model:

- Visibility of revenues and ability to generate recurring cash flows
- Mostly fixed cost base
- Sale of add-on services facilitated by digital technology and direct marketing relationship with subscribers
- Easier adoption of new technologies by subscribers

\* Including pre-paid customers; for Canal+ Group: number of subscriptions in France



# Corporate Governance in Line with Best-in-Class International Standards

- > Two-tiered corporate governance structure:
  - > Supervisory Board composed of 9 independent members out of 11
  - > Management Board of 7 individuals, associating all business units to decisions of the Group
  - > Committees mostly including independent Supervisory Board members:
    - > Strategy Committee
    - > Audit Committee
    - > Human Resources Committee
    - > Corporate Governance Committee
- > Precise delegations in terms of budget approvals, investments and acquisitions
- > Rigorous internal controls focused on transparency, and the objective to comply with Sarbanes-Oxley 404 by the end of 2006

# Experienced Management Team

- > Unified team with a common managerial culture that shares the same goals:
  - > Adjusted Net Income
  - > Cash flow generation
- > Decentralized management organization characterized by:
  - > Profitability of each business unit on a stand-alone basis
  - > Rigorous financial control mechanisms
  - > Track record of pragmatic approach to portfolio optimization
- > Incentivisation of management ensured through remuneration structure with a high variable component, in alignment with shareholders' interests

# Experienced Management Team Sharing the Same Goals



**Bertrand  
Meheut**

*C.E.O*

*Groupe  
CANAL+*

**René  
Pénisson**

*Chairman*

*Vivendi Games;  
Group HR*

**Doug  
Morris**

*Chairman  
& C.E.O  
UMG*

**Jean-Bernard  
Lévy**

*C.E.O*

**Frank  
Esser**

*Chairman &  
C.E.O  
SFR*

**Jacques  
Espinasse**

*Chief Financial  
Officer*

**Abdeslam  
Ahizoune**

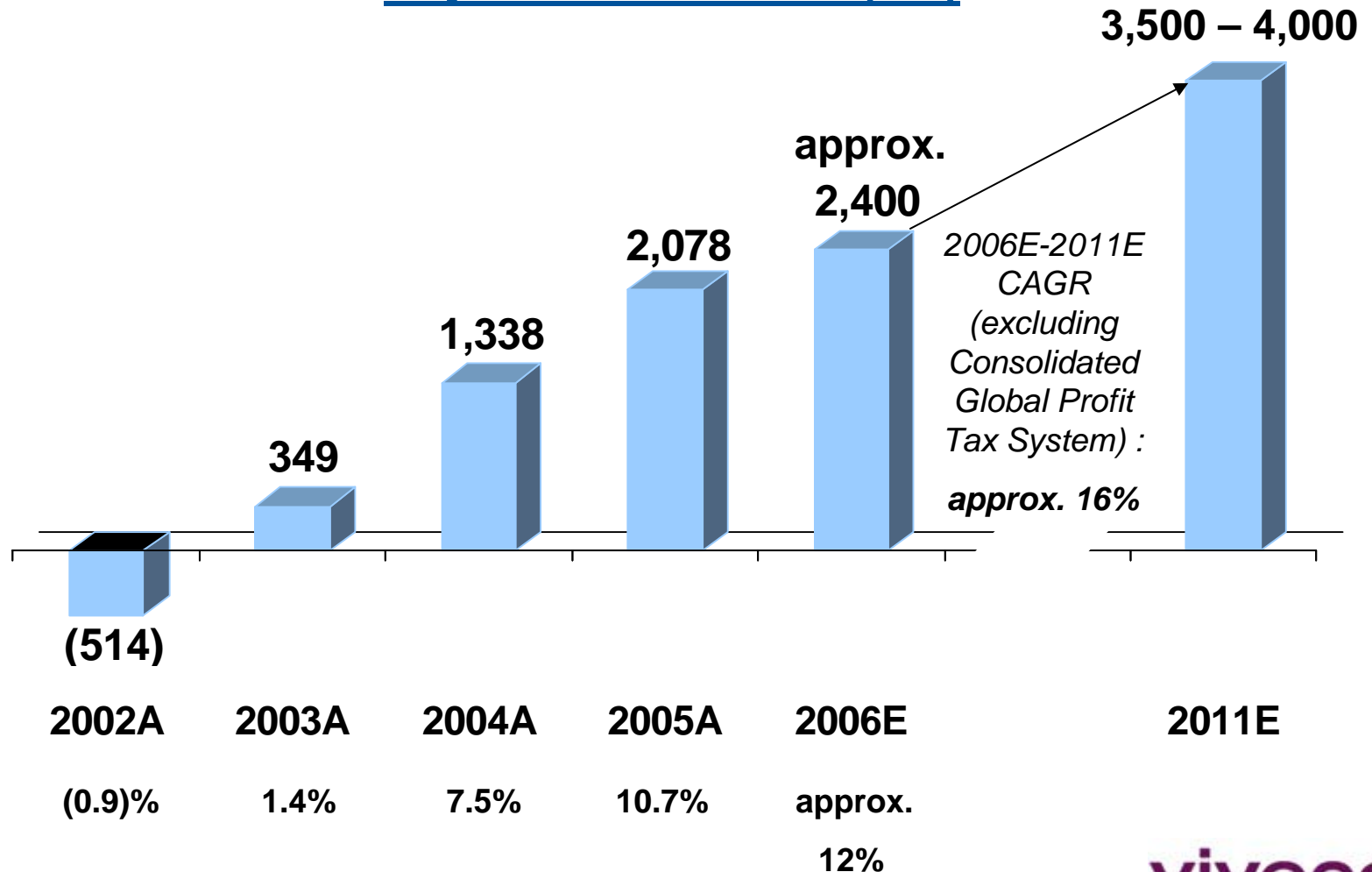
*C.E.O*

*Maroc Telecom*  
**vivendi**

- > Earnings from operations:
  - > Annual average growth between 8% and 10% over 2006-2011
- > Adjusted Net Income:
  - > 2006 target: approximately €2.4bn
  - > Between €3.5bn and €4.0bn by 2011, i.e. CAGR of approximately 16% excluding the impact of the Consolidated Global Profit Tax System
- > Dividend payout maintained at least at 50% of Adjusted Net Income
- > Potentially higher growth of Adjusted Net Income depending on the reinvestment of excess cash flow post dividend distribution

# Strategic Plan in Line with the Results Momentum Initiated in 2002

## Adjusted Net Income (€m)

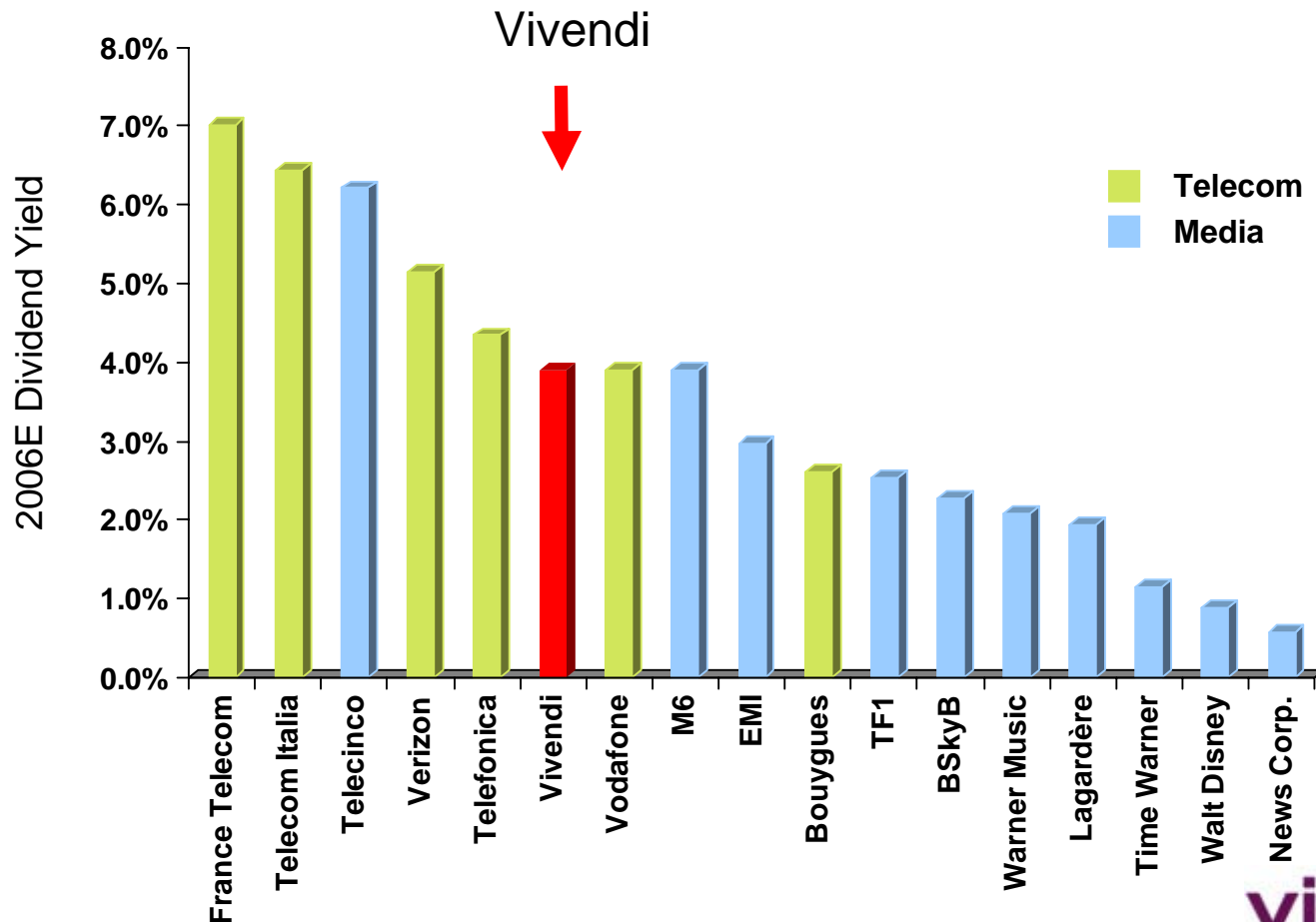


# Key Assumptions of the Strategic Plan

- > **Background:** 5-year plan announced at AGM and approved by the Supervisory Board on May, 15 2006
- > **Scope of analysis:** group perimeter conservatively assumed to be stable
  - > Merger between Canal+/TPS from 2007
  - > 35% stake in neuf cegetel in 2006
  - > Status quo in Poland
  - > Maintain NBCU stake over the period
- > **Consolidated Global Profit Tax System:** tax loss carry forwards conservatively assumed to be fully used up by 2010
- > **Debt management:** based on these assumptions, and after the distribution of at least 50% of Adjusted Net Income, the Group would theoretically end up with a significant net cash position by 2011

# An Attractive Dividend Policy

- > Vivendi has committed to distribute at least 50% of its Adjusted Net Income
- > 2006E dividend yield in upper-half of peer group



# Illustration of Potential Value Creation for Shareholders

- > For illustrative purposes, based on current P/E levels, implied impact on Vivendi's share price of Adjusted Net Income growth assuming market conditions unchanged:

|                            |   |                |                |
|----------------------------|---|----------------|----------------|
| <b>A</b>                   | <b>2011 Adjusted Net Income<sup>(1)</sup></b> | <b>€3.5 bn</b> | <b>€4.0 bn</b> |
| <b>B</b>                   | <b>2011 P/E<sup>(2)</sup></b>                 | <b>16.0 x</b>  | <b>16.0 x</b>  |
| <b>C = A*B</b>             | <b>2011 Market Capitalization (in €bn)</b>    | <b>56.0</b>    | <b>64.0</b>    |
| <b>D = C/Nbr of Shares</b> | <b>Share Price (in €)</b>                     | <b>47.2</b>    | <b>53.9</b>    |
|                            | <b>IRR Including Dividend<sup>(3)</sup></b>   | <b>15%</b>     | <b>18%</b>     |

(1) Excluding impact of Consolidated Global Profit Tax System

(2) In line with 2006 P/E (excluding impact of Consolidated Global Profit Tax System)

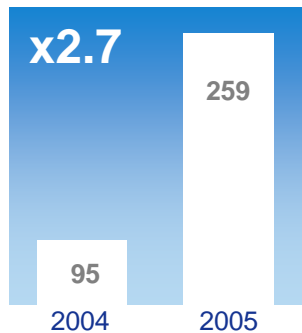
(3) On the basis of a share price of €28.0

# Appendices

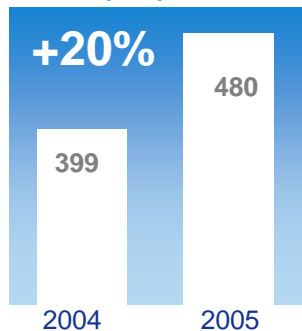
## Revenues (€m)



## Digital sales (€m)



## EFO (€m)



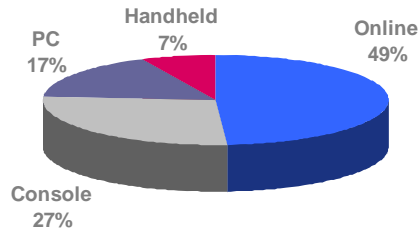
\* UMG estimates

- > No.1 worldwide in physical sales of recorded music with an estimated global market share of 25.6%
- > No. 3 worldwide in music publishing
- > Operating in 75 countries
- > Largest artist catalog in the world, well balanced between global and local
- > Best positioned to benefit from digital music on mobile phones, PCs and digital devices
- > Highest worldwide market share in digital music\*

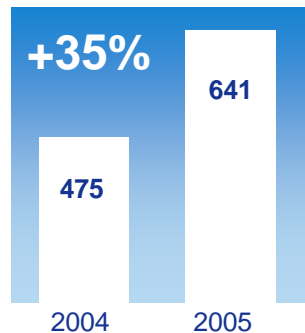
## 2006-2011 outlook

- > Rapid growth of digital, online and mobile sales which could represent more than 25% of revenues in 2011 vs. 5% in 2005...
- > ...Allowing to maintain worldwide market share at a high level
- > Speed up the evolution towards a music entertainment company taking advantage of artists and brands in an innovative and creative way
- > Create new sources of revenues and growth through innovation in the musical entertainment field
- > Grow music publishing revenues
- > Improve margins based on migration from physical to digital sales

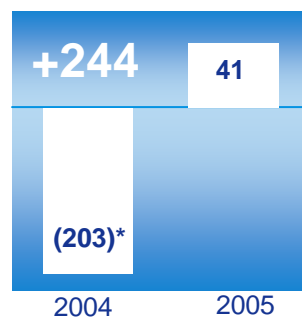
2005 Sales



Revenues (€m)



EFO (€m)



\* Including €(95)m non-recurring items

- > Global developer, publisher and distributor of interactive games
- > Intellectual property library of over 700 titles
- > World leader in online games with over 6.6m paying clients worldwide to one single game, *World of Warcraft* (end of March 2006)
- > Six global development studios
- > Leading market positions in PC and console games (currently strengthening thanks to recent acquisitions of studios: Radical Entertainment, Swordfish Studios, Swingin' Ape and High Moon Studios)
- > Well positioned to benefit from the booming mobile games sector
- > Profitable since 2005

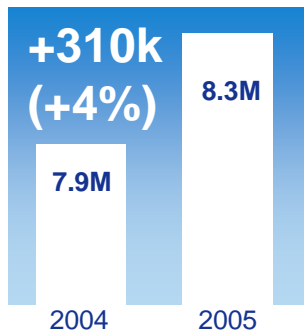
## 2006-2011 outlook

- > Vivendi Games' main growth drivers: development of Broadband Internet, growth in Asia, games on mobile
- > With a leading worldwide position and a steady improvement of its content and geographical development, *World of Warcraft* will remain a major growth and profitability driver during the next few years
- > Sustained online games development
- > 2008-2009: widening of games production for third generation console and PC (recent acquisitions of studios and strengthening of development competencies expected to generate strong growth)
- > Games on mobile should also represent a significant source of profit in 2008/2009

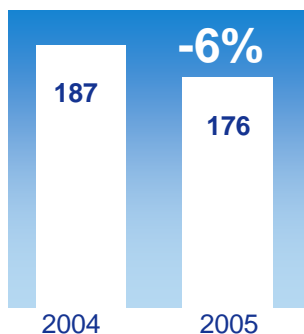
Revenues (€m)



French Pay-TV Portfolio



EFO (€m)

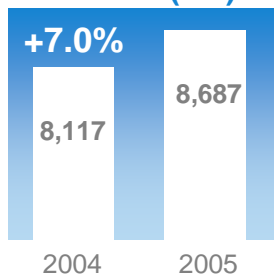


- > French leader in pay-TV production and distribution in France
- > Active presence across all digital distribution platforms
- > 8.3m subscriptions in France:
  - > 5.1m subscriptions to CANAL+ premium channel
  - > 3.2m subscriptions to CANALSAT packages of theme channels
- > Driving force of consolidation in the French pay-TV market: ongoing combination with competitor TPS
- > Leader in innovation and new services in TV consumption
- > StudioCanal manages Europe's largest film library
- > Profitable since 2003

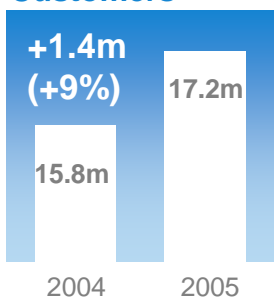
## 2006-2011 outlook

- > Growth of pay-TV market with new distribution platforms (ADSL, DTT, mobile) and increased digitalization (nearly 100% digital subscribers in 2011)
- > Strengthening of Canal+ Le Bouquet premium offering and broadening of multi-channel offerings to underpin acquisition of new subscribers and maintain low churn rate
- > Pursuing growth of content portfolio and increasing the number of subscribers
- > Integration of TPS operations and subscribers
- > Launch of new services to increase ARPU (HD-TV, VoD, personal TV on mobile, multi-equipment, PVR)
- > Profitability in 2011: EFO above €1bn with at least a 20% margin close to current BSkyB margins

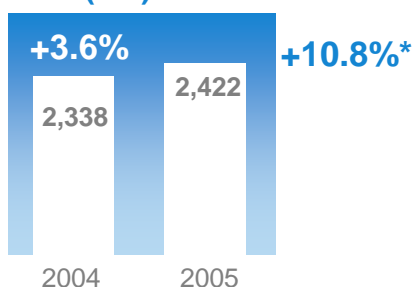
### Revenues (€m)



### Customers\*\*



### EFO (€m)



+10.8%\*

- > 2<sup>nd</sup> largest mobile telecommunications operator in France
  - > 35.8% market share at the end of 2005
  - > 17.3 million customers of which 63.7% are post-paid clients (March 2006)
- > Leading position in terms of subscriber net adds for the third consecutive year
- > Leader in the 3G market with more than 1.3 million customers exclusively registered for 3G and 5.3 million Vodafone *live!* customers at the end of March 2006
- > Leader in mobile data services offering
  - > No. 1 in music downloads with a global 17% market share in December 2005
  - > Launch of innovative services (Pass Musique)
  - > Broadcasting of CanalSat Pay-TV thematic channels on SFR 3G (56 channels available)
- > 35% stake in neuf cegetel, French leading alternative fixed-line / ADSL operator

\* Excluding non-recurring items in 2004 and 2005

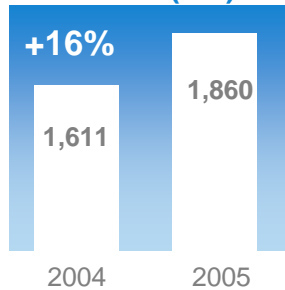
\*\* Excluding MVNOs



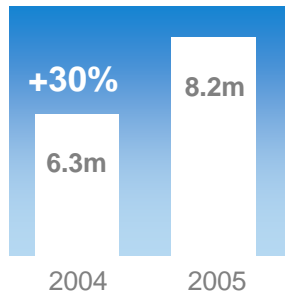
### 2006-2011 outlook

- > Management of subscriber base
  - > Low penetration of French market (80%) compared to the rest of Western Europe (98% in average)
    - > Benefit from increased penetration in France towards 100%, with a target market share very close to current levels
  - > Strong migration towards 3G
- > Revenue growth
  - > Expected growth in voice traffic, accelerated by fixed-mobile substitution
  - > Increase in data ARPU with the development of both new usage and new services
  - > Conclusion of new MVNO agreements
- > Development of mobile offering with new “fixed” services to increase usage
  - > HomeZone, OfficeZone
  - > Plan to launch a combined mobile / DSL package before the end of H1 2007
- > Technological rollout (e.g. HSDPA) to improve speed and ease of use
- > Decrease of cost per minute, notably by using 3G and IP technologies
  - > Profitability improvement offsetting price pressure

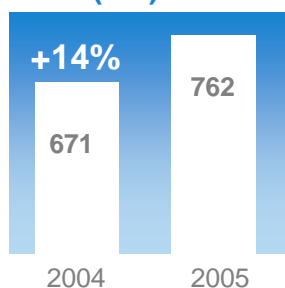
## Revenues (€m)



## Mobile customers



## EFO (€m)



- > Morocco's incumbent telecommunications operator with a leading position based on:
  - > A segmented and competitive offering tailored to customers' needs
  - > An extended distribution network
  - > A modern network infrastructure
  - > A strong set of brand
- > Attractive market opportunities as a result of low penetration rates in fixed telephony (4.5%), mobile (43.2%) and DSL (22.2% of fixed lines) at the end of March 2006
  - > High growth of mobile customers: 8.6m as of March 2006 (+27.8% over the period)
  - > High growth of DSL subscribers: 296,000 lines as of March 2006 (+225% over the period)
  - > Expected launch of 3G licenses award procedure

## 2006-2011 Outlook

- > Boost profitable growth on mobile market and consolidate leadership position
  - > Strengthening of penetration and usage of mobile telecommunication services
  - > Launch of innovative services
  - > Roll-out of UMTS network in 2007
- > Intensify competitiveness of fixed telephony and continue to support momentum in fixed-line and internet sales
  - > Grow subscriber base in all market segments
  - > Capture most of DSL market growth
- > Capitalize on existing brands and become the benchmark for quality of service in the market
- > Benefit from Vivendi's expertise
  - > New mobile services, high-speed Internet services, TV offerings, ...
- > Margin enhancement based on more effective cost controls and improved network efficiency

# Focus on the Consolidated Global Profit Tax System

- > Vivendi was admitted to the French Consolidated Global Profit Tax System on August 22, 2004 for a 5-year period. This period may be extended
- > Admission conditioned to the inclusion of SFR and Canal+ in Vivendi scope of consolidation
- > Tax savings of €507 million in 2005 (€580 million expected for 2006)
- > Maximum potential tax savings of c. €3.7 billion on the basis of ordinary losses carried forward estimated at €11 billion at the end of December 2005

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For any financial or business information,  
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