



vivendi

**Management Board's Operating and
Financial Review and Prospects
and Unaudited Condensed Financial
Statements for the Nine Months
Ended September 30, 2006**

VIVENDI

Société anonyme with a Management Board and Supervisory Board with a capital of €6,355,968,393.50

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Disclaimer: this English language translation of the first nine months of 2006 Operating and Financial Review and Prospects and of the Unaudited Condensed Financial Statements for the nine months ended September 30, 2006 prepared under IFRS is provided solely for the convenience of English-speaking readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. Vivendi, its representatives and employees decline all responsibility in this regard.

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I – Operating and Financial Review and Prospects for the Nine Months Ended September 30, 2006

Preliminary comments:

At the Annual Shareholders' Meeting held on April 20, 2006, the shareholders of Vivendi Universal approved the Company's name change to "Vivendi".

The Management Board's Operating and Financial Review and Prospects and the unaudited Condensed Financial Statements for the nine months ended September 30, 2006 were approved by Vivendi's Management Board on November 14, 2006.

The Management Board's Operating and Financial Review and Prospects section for the first nine months ended September 30, 2006 should be read in conjunction with the Management Board's Operating and Financial Review and Prospects section for the year ended December 31, 2005 as published in the 2005 *Document de Référence* (annual report) that was filed under number D.06-178 with the *Autorité des marchés financiers* (AMF) on March 28, 2006 ("the 2005 *Document de Référence*")

Vivendi considers that the non-GAAP measures mentioned below are relevant indicators of the Group's operating and financial performance. In addition, as of June 30, 2006, considering the practices of major European companies with respect to the application of IFRS and the accounting impact of acquisitions, Vivendi has made the following changes to the presentation of its consolidated statement of earnings and its consolidated statement of cash flows as well as the operating performances of its business segments and of the Group. Please refer to Note 1.2 "Change in presentation" of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006.

- a) Presentation of the consolidated statement of earnings and the consolidated statement of cash flows
 - Simplification of the consolidated statement of earnings' presentation by eliminating certain subtotals which are not currently used by Vivendi Management and henceforth presenting a subtotal known as "EBIT". EBIT is defined as the difference between charges and income that do not result from financial activities, equity affiliates, discontinued operations and income tax.
 - As a result, the presentation of the consolidated statement of cash flows has been modified in accordance with IAS 7. In particular, net cash provided by operating activities is henceforth calculated using the indirect method based on EBIT instead of earnings.
- b) Presentation of operating performance by business segment and of the Group
 - Replacement of earnings from operations (EFO) with adjusted earnings before interest and income taxes (EBITA), as the key operating performance measure of the business units reported in the segment data. Vivendi Management evaluates the performance of the business units and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Until June 30, 2006, segment earnings corresponded to the earnings from operations of each business. It now corresponds to EBITA.
 - The method for calculating EBITA aims at eliminating the impact of the amortization of intangible assets acquired through business combinations and enables the operating performance of the business segments to be measured on a comparable basis, regardless of whether their activity results from the company's internal growth or acquisitions and on a basis closer to the cash that they generate by eliminating accounting amortization with no cash impact.
 - The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations and the impairment losses of goodwill and other intangibles acquired through business combinations that are included in EBIT.
 - The difference between EBITA and EFO, as previously published, consists of the amortization of intangible assets acquired through business combinations that is excluded from EBITA.
 - As a result, the definition of adjusted net income has been modified to exclude the amortization of intangible assets acquired through business combinations, as is presently the case for impairment losses of goodwill, or other intangibles acquired through business combinations, that have always been excluded.

Moreover, certain new options have been adopted in respect of the application of IFRS as at December 31, 2005 and several reclassifications were made, resulting in the modification of the financial statements for the nine months ended September 30, 2005 in order to align presentation with the Condensed Financial Statements for the nine months ended September 30, 2006.

Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented. Please refer to appendix 3 of the Operating and Financial Review and Prospects.

c) Non-GAAP measures

- Revenues on a comparable basis;
- EBITA as published and on a comparable basis, as described above;
- Adjusted net income, attributable to equity holders of the parent, calculated according to its new definition, presented above;
- Financial Net Debt;
- Cash flow from operations.

Each of the indicators is defined in the appropriate section or in the notes to the Condensed Financial Statements for the nine months ended September 30, 2006. They should be considered in addition to, not as a substitute for, other GAAP measures of operating and financial performances as presented in the Condensed Financial Statements and the related notes, or described in the Operating and Financial Review and Prospects section. Moreover it should be emphasized that these indicators as determined by Vivendi may be defined and calculated differently by other companies, thereby affecting comparability.

Selected financial data

	IFRS				French GAAP			
	Nine Months Ended September 30,		Year Ended December 31,		Year Ended December 31,			
(in millions of euros)	2006	2005	2005	2004	2004	2003	2002	(in millions of euros)
Revenues	14,499	14,005	19,484	17,883	21,428	25,482	58,150	Revenues
EBITA (as from September 30, 2006)	3,648	3,196	3,985	3,504	na*	na*	na*	
<i>EBITA / Revenues (%)</i>	25.2%	22.8%	20.5%	19.6%	na*	na*	na*	
Earnings from operations	na*	3,022	3,746	3,233	3,476	3,309	3,788	Operating income
Earnings	4,352	2,823	4,266	4,823	1,784	69	(22,457)	Earnings
<i>Attributable to:</i>								<i>Attributable to:</i>
Equity holders of the parent	3,423	1,903	3,154	3,767	754	(1,143)	(23,301)	Equity holders of the parent
Adjusted net income, attributable to equity holders of the parent (new definition as from June 30, 2006, considering EBITA presentation)	2,109	1,813	2,218	1,498	na*	na*	na*	
Adjusted net income, attributable to equity holders of the parent	na*	1,710	2,078	1,338	1,380	349	(514)	Adjusted net income
Equity	21,492	20,422	21,608	18,092	17,580	17,852	20,517	Equity and quasi-equity
<i>Attributable to:</i>								
Equity holders of the parent	19,582	17,597	18,769	15,449	13,621	11,923	14,020	Shareholders' equity
Financial Net Debt	4,054	4,525	3,768	4,724	3,135	11,565	12,337	Financial Net Debt
Cash flow from operations excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, and related change in working capital (CFFO before capex, net)	4,379	4,282	5,449	5,358	6,048	5,446	7,349	Cash flow from operations excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets (CFFO before capex)
Capital expenditure and proceeds from sales of property, plant, equipment and intangible assets (capex, net of related change in working capital)	(1,298)	(836)	(1,292)	(1,004)	(1,301)	(1,075)	(3,976)	Capital expenditure and proceeds from sales of property, plant, equipment and intangible assets (Capex)
Cash flow from operations (CFFO)	3,081	3,446	4,157	4,354	4,747	4,371	3,373	Cash flow from operations (CFFO)
Dividends paid as for previous fiscal year	1,152	689	689	0	0	0	1,048 (a)	Dividends paid as for previous fiscal year
Per share amounts (in euros, except number of shares)								Per share amounts (in euros, except number of shares)
Weighted average number of shares outstanding over the period (in millions) (b)	1,152.9	1,148.6	1,149.6	1,144.4	1,072.1	1,071.7	1,087.4	Weighted average number of shares outstanding over the period (in millions) (b)
Adjusted net income, attributable to equity holders of the parent per share (new definition as from June 30, 2006)	1.83	1.58	1.93	1.31	na*	na*	na*	
Adjusted net income, attributable to equity holders of the parent, per share	na*	1.49	1.81	1.17	1.29	0.33	(0.47)	Adjusted net income per share
Number of shares outstanding at the end of the period (in millions) (b)	1,154.2	1,149.6	1,151.0	1,144.9	1,072.6	1,071.5	1,068.5	Number of shares outstanding at the end of the period (in millions) (b)
Equity per share	18.62	17.76	18.77	15.80	16.39	16.66	19.20	Equity and quasi-equity per share
<i>Attributable to:</i>								
Equity holders of the parent	16.97	15.31	16.31	13.49	12.70	11.13	13.12	Shareholders' equity per share
Dividends per share paid as for previous fiscal year	1.00	0.60	0.60	0.00	0.00	0.00	1.00	Dividends per share paid as for previous fiscal year

na*: not applicable

- (a) Before €263 million of *précompte* (equalization tax due to the French tax authorities if dividends are distributed out of profits that have not been taxed at the ordinary corporate income tax or that have been earned and taxed more than five years before distribution).
- (b) Includes ORA (November 2005) under IFRS and excludes treasury shares.

1 2006 Main Developments

1.1 Main Developments of the First Nine Months of 2006

1.1.1 ACQUISITIONS/DIVESTITURES OF CONSOLIDATED COMPANIES

- **Canal+ and TPS combination agreement and Lagardère agreement.** On January 6, 2006, Vivendi, TF1 and M6 signed a combination agreement with Canal+ and TPS to create a new group named Canal+ France, controlled by Vivendi. As part of this agreement, Vivendi paid an advance of €150 million, recorded in financial assets. On February 17, 2006, Lagardère, Vivendi and Canal+ Group announced a draft agreement according to which Lagardère would become a shareholder of Canal+ France. Lagardère would acquire a 20% stake by transferring its 34% shareholding in CanalSat and by paying €525 million in cash. On August 31, 2006, France's Minister of the Economy, Finance and Industry authorized this combination that should occur at the beginning of the first quarter of 2007. Please refer to Note 17 of the Condensed Financial Statements for the half-year ended September 30, 2006.
- **Divestiture of the residual 20% stake in Ypso** in January 2006, for a consideration of €36 million (€44 million net of guarantee and transaction and divestiture fees). This transaction generated a capital gain of €56 million as a result of the previously recognized impairment losses.
- **Purchase of the 7.7% stake held by Matsushita Electric Industrial Co, Ltd (MEI) in Universal Studios Holding I Corp.** in February 2006, for a purchase consideration of \$1,154 million (€964 million).
- **Increase in SFR's stake in Neuf Cegetel:**

In the second and third quarters of 2006, SFR invested €410 million in strengthening its stake in Neuf Cegetel, which launched an IPO on October 24, 2006:

- In May 2006, SFR exercised its pre-emptive rights, increasing its stake in Neuf Cegetel from 28.2% to 34.9%, for a consideration of €223 million plus a contingent earn-out clause based on the Neuf Cegetel IPO share price.
- In September 2006, SFR further increased its stake in Neuf Cegetel from 34.9% to 40.6% for a consideration of €187 million plus a contingent earn-out clause based on the Neuf Cegetel IPO share price. At this time, the Louis Dreyfus Group, with a 35.1% stake in Neuf Cegetel, decided not to exercise its proportional pre-emptive rights and, as such, SFR became the main shareholder in Neuf Cegetel.
- Neuf Cegetel shares have been listed on the Euronext Paris SA Eurolist market since October 24, 2006. The earn-outs payable by SFR based on the Neuf Cegetel IPO share price is €103 million.

Before the Neuf Cegetel IPO, SFR purchased approximately 5 million Neuf Cegetel shares from the Louis Dreyfus Group in an over-the-counter transaction at the IPO share price, representing a total consideration of €113 million. This enabled SFR to maintain its ownership interest in Neuf Cegetel, after completion of the share capital increases that accompanied the Neuf Cegetel IPO. In addition, a new shareholders' agreement between SFR and the Louis Dreyfus Group came into effect at the date of the IPO. This agreement does not affect the governance of Neuf Cegetel. Please refer to Note 17 to the condensed financial statements for the nine months ended September 30, 2006.

After the completion of these transactions, SFR will have invested in 2006 a total amount of €626 million (of which €410 million paid as at September 30, 2006) to strengthen its stake in Neuf Cegetel.

In addition, in March 2006, Neuf Cegetel redeemed to SFR the remaining bonds payable to SFR in 2005 (€180 million).

- **Canal+ Group sold the Paris Saint-Germain soccer club** in June 2006, for a total consideration of €26 million. Vivendi received one-fourth of the consideration in cash (€7 million). The balance will be paid each year in quarterly installments at the transaction's anniversary date. This divestiture generated a €10 million decrease in Financial Net Debt and a capital loss of €15 million (including some impacts related to vendor warranties).
- **Acquisition of Optimum**, a UK film distribution company by StudioCanal in July 2006.

A detailed description of the transactions that had a significant impact on the consolidation scope of the Group in the first nine months of 2006 is presented in Note 2 of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006.

1.1.2 ACQUISITIONS/DIVESTITURES OF INVESTMENTS

- **Vivendi and UMG increased their stake in the share capital of Amp'd to 19.9%** following Amp'd's share capital increase. The Group's total investment in this company, recognized as a financial asset, amounted to €44 million as at September 30, 2006.
- **Disposal of the Residual 5.3% Stake in Veolia Environnement's Share Capital.** In July 2006, Vivendi sold its residual stake in Veolia Environnement's share capital (5.3% of Veolia Environnement representing 21,523,527 shares) under an Accelerated Book Building ("ABB") procedure for a total amount of €861 million. This divestiture generated a capital gain of €834 million in the third quarter of 2006. From a tax stand point, the capital gain arising from the sale of the shares has been shielded by current capital losses including capital losses carried forward from prior years resulting in a zero net capital gain.

1.1.3 ELEKTRIM TELEKOMUNIKACJA SITUATION

Due to the legal disputes opposing Elektrim Telekomunikacja (Telco), Vivendi, Deutsche Telekom and Elektrim SA, the legal uncertainty surrounding the ownership of Telco's stake in PTC prevents Telco from exercising joint control over PTC, as provided in the bylaws of PTC. As a result of this situation, Vivendi has not consolidated its stake in PTC.

In addition, the courts have rendered several unfavorable decisions against Telco (notably the decision of the Warsaw Court of Appeal on March 29, 2006, followed by the decision of the Court of Appeal on June 21, 2006 which cancelled the registration of Telco as a PTC shareholder on the Trade and Companies Registry, and the decision on July 13, 2006 of the Trade and Companies Registry to re-instate Elektrim as a PTC shareholder). As a result, Vivendi has recognized a loss of €496 million on the PTC shares as of June 30, 2006. Please refer to Notes 4 "Financial charges and income", 12 "Financial Assets" and 18 "Litigations" of the notes to the Condensed Financial Statements for the first nine months of September 30, 2006.

Notwithstanding these unfavorable decisions, Vivendi and Telco have continued to assert their legal rights by filing an appeal against the March 29, 2006 decision before the Polish Supreme Court and through other legal recourse, particularly compensatory, the outcome of which remains uncertain. On August 16, 2006, Telco obtained a decision which suspends the effects of the decision of March 29, 2006 until the appeal is examined by the Supreme Court. Please refer to Note 18 "Litigations" of the notes the Condensed Financial Statements for the nine months ended September 30, 2006.

1.1.4 ACQUISITION OF BMG MUSIC PUBLISHING BY UMG

On September 6, 2006, Universal Music Group (UMG) entered into a definitive agreement with Bertelsmann AG to purchase 100% of BMG Music Publishing Group (BMGP). The gross purchase price is €1.63 billion, to be paid in cash on December 29, 2006 at the latest. The gross cash outlay will be adjusted for cash generated by BMGP during the period from July 1, 2006 to the date of closing and for interest capitalized over this period. The transaction is subject to the regulatory approvals of the competition authorities in the relevant countries.

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

When the transaction is closed, BMGP will be integrated into UMG's own publishing business, which will then become the largest in the world.

Until the closing date, when BMGP will be consolidated by UMG, the cash outlay to be made on December 29, 2006 at the latest will be recorded as a current financial asset.

1.1.5 VIVENDI RESOLVES TAX DISPUTE OVER DUPONT SHARES AND DIVESTS DUPONT SHARES

At the beginning of June 2006, Vivendi announced that it had reached an agreement with the US tax administration, the Internal Revenue Service (IRS), bringing to a close their dispute concerning the amount of tax due on the redemption of DuPont shares by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi in the total amount of \$ 671 million (€521 million), including tax of \$284 million and interest payment of \$387 million, to settle this dispute. As a result of this settlement, the reversal of the entire deferred tax liability previously established in connection with this matter, i.e. \$1,847 million, recorded on the Group's Statement of financial position and the inclusion of the tax credit with respect to the interest paid (\$135 million), generated a net gain of \$1,311 million (€1,019 million).

Subsequently, at the end of June 2006, and after agreement with the IRS, Vivendi sold all of its 16.4 million freely transferable DuPont shares that it has held since its merger with Seagram. This transaction was performed using a unit price of \$40.82 per share, for a total amount of \$671 million (€534 million) and resulted in a capital loss of \$123 million (€98 million).

As at September 30, 2006, these transactions had no net impact on the cash position and resulted in a net gain of \$1,188 million (€921 million).

Please refer to Note 5 of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006.

1.1.6 RISK MANAGEMENT OF RETIREMENT PENSION OBLIGATIONS

Vivendi inherited from Seagram significant obligations related to pension plans and healthcare, mainly in the US and the UK and concerning employees and retired employees of Seagram's Spirits and Wine business which was sold to Diageo and Pernod Ricard at the end of 2001, and those of UMG and, to a lesser extent, those of Vivendi Universal Entertainment (business sold in the middle of 2004).

As of December 31, 2005, according to the valuation performed by independent actuaries, these obligations amounted to €1,576 million, covered by financial assets of €806 million, i.e., a deficit of €770 million, against which non current provisions of €689 million are recorded on the statement of financial position. For further information, please refer to Note 21 "Employee benefits" of the notes to the audited Consolidated Financial Statements for the year ended December 31, 2005, as published in the 2005 "Document de Référence".

The majority of the plans' deficits result from unfavorable financial market trends as of the middle of 2000 and the investment policy followed by fund managers, which can be trustees or independent employees of Vivendi. Although starting from a generally balanced position at the end of 2000, Vivendi's pension funds have been widely exposed to the following factors:

- Drop in interest rates that increased the present value of liabilities more than the present value of assets due to the lower maturity of the latter.
- Steep decline in the equities markets in which the plan assets had been heavily invested.
- Higher forecasted inflation which increased the liability as a result of the partial indexation of plans in certain countries.

For over a year, Vivendi has set up a risk management strategy to meet its retirement pension obligations based on the following three approaches:

- Capping of financial risks related to the obligations by closing defined benefit plans and transferring active employees to defined contribution plans.
- Reduction of financial risks related to the plans by setting up financial derivatives (interest rate, inflation, equity) to hedge actuarial liabilities and the related plan assets.
- Cancellation of financial risks by the definitive transfer of the pension plans to insurance companies whenever market conditions are favorable. The aim is to transform actuarial, risky and volatile liabilities, the management of which is ensured by independent managers, into financial, controlled and hedged liabilities, with no exposure to interest rate increases or changes in the equity markets. In this respect, Vivendi has performed or is preparing to set up the following transactions:
 - In May 2006, Vivendi purchased an insurance policy for \$95 million (€78 million) to cover the cost of pension and life insurance benefits for former Seagram senior executives in the US. As a result of this purchase, Vivendi no longer has any on-going funding obligations with respect to these plans.

- Vivendi intends to carry out the same procedures for its principal US defined benefit plan (10,000 Seagram vested members and retirees). During the third quarter of 2006, 80% of the plan's deficit, *i.e.*, \$130 million (approximately €100 million) was eliminated by additional fund contributions and its investment policy was amended in order to definitively prevent any change in the funded status, resulting particularly from interest rate changes. Between now and the end of the first quarter of 2007, Vivendi plans to transfer this plan to an insurance company, which will be entirely responsible for its complete management.
- Moreover, Vivendi is currently reviewing terms and conditions in order to set up a similar policy in other countries.

As at September 30, 2006, the actions undertaken mainly in the US and the UK had the following impacts on the Consolidated Financial Statements:

- Positive impact of €59 million on EBITA.
- Payment of €78 million with respect to insurance policies secured in the US.
- Reduction in the pension provision in an amount of €138 million.
- In addition, the financing of the deficit in the US defined benefit plan during July 2006 resulted in an additional payment of \$130 million (approximately €100 million) with a reduction in the pension provision of \$80 million (approximately €60 million).

As a result, the actions undertaken during fiscal year 2006 as part of the risk management of retirement pension obligations will lead to a total payment in the order of €220 million (including approximately €180 million already paid) and a reduction in the pension and healthcare liabilities of approximately €320 million. At current market conditions (interest rate, inflation, equities, foreign currency exchange rates), the pension plan and medical coverage deficit would be reduced to approximately €450 million, compared to €770 million the end of 2005.

1.1.7 SIMPLIFIED HOLDING STRUCTURE FOR THE GROUP'S US BUSINESSES

Streamlining operations performed with respect to the Group's US business holding organization, which were made possible as a result of the purchase of Matsushita's minority interest in Universal Studios Holding I Corp., notably enables the elimination of US and Canadian intermediary holding companies which no longer serve any purpose, and has enabled the reduction by approximately \$2.5 billion of the current account advance granted by Vivendi to Vivendi Holding I Corp. (the holding company for the Group's US businesses).

Hedging swaps protecting Vivendi against foreign exchange risk related to this current account advance, which are now unnecessary, were fully settled during July 2006 via the purchase of US dollars on the market. The financial surcharge of the hedging of this \$2.5 billion current account advance, related to the unfavorable US dollar/euro interest rate difference, has been cancelled and should result in an interest savings at current market conditions for Vivendi.

1.1.8 OTHER

- **Dividend paid with respect to fiscal year 2005:** At the Annual Shareholders' Meeting held on April 20, 2006, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2005. As a result, the dividend was set at €1 per share, representing a total distribution of €1,147 million, paid in May 2006.
- **Rejection of Shareholder's Dismantling Approach.** In May 2006, Vivendi's Supervisory Board and Management Board studied the cooperation request presented by a shareholder, Sebastian Holdings, aimed at dismantling the Group. The Supervisory Board and the Management Board unanimously rejected this alternative which is based on unrealistic economic and legal assumptions. The Supervisory Board and Management Board have decided to pursue the Group's current strategy which is the best positioned to create value for Vivendi's shareholders.
- **Early Settlement of Rental Guarantees Related to the Berlin Building Quartier 207.** This transaction that took place in June 2006 was neutral on earnings and resulted in a payment of €52 million with respect to the liquidation of a residual guarantee and a €240 million reduction in the contractual commitments not recorded in the Statement of financial position via the extinguishment of rental guarantees granted by Vivendi to the buyer of this building in 1996. Please refer to Note 19 "Commitments" of the Condensed Financial Statements for the half-year ended June 30, 2006.
- **Disposal of the Last Philip Morris Building at La Défense.** The disposal of the Colisée building (26,000 square meters) located at La Défense in the third quarter of 2006 resulted in proceeds of approximately €39 million, a €102 million reduction in financial net debt and a capital gain of €32 million.

- **Maroc Telecom Awarded 3G License.** In July 2006, Maroc Telecom was awarded a 3G mobile license by the ANRT (the Moroccan National Telecommunications Regulatory Agency) for a fixed fee of MAD 300 million (approximately €27 million, excluding tax, paid in the fourth quarter of 2006). In addition, Maroc Telecom has to pay a MAD 72 million fee (excluding tax and payable in several installments) with respect to the reorganization of frequency spectrum.
- **Vivendi Voluntarily Delists from the NYSE and Terminates ADR Program.** On August 3, 2006, Vivendi terminated its deposit agreement with The Bank of New York relating to its American Depositary Receipts (ADRs) as anticipated in press releases issued on January 17 and April 20, 2006. As also previously announced, Vivendi will seek to terminate its reporting obligations under the U.S. Securities Exchange Act of 1934 (Exchange Act). It will maintain the listing of its ordinary shares on the Eurolist of Euronext Paris. Vivendi will continue to comply with its obligations under the Exchange Act until such time as its registration is terminated. Thereafter, Vivendi will continue to maintain a high standard of corporate governance, and will continue to provide information and disclosure for all investors, including those in the U.S. On October 30, 2006, Vivendi filed a notice of termination of registration with the SEC (Form 15).

1.2 Main Developments since September 30, 2006

1.2.1 ACQUISITIONS/DIVESTITURES OF CONSOLIDATED COMPANIES

- SFR buys out the fixed telephony and broadband activities of Télé2 France on October 2, 2006. SFR has signed an agreement with the Télé2 AB Group to acquire the fixed telephony and broadband activities of Télé2 France for a corporate value of around €350 million (at the end of September 2006). This transaction is subject to the approval of antitrust authorities.
- Acquisition of Vale by UMG announced in June 2006 and achieved in October 2006. The acquisition of this company, Spain's number 1 independent music publishing company, subject to approval by the Spanish competition authorities, was finalized in October 2006.

1.2.2 OTHER

- On November 4, 2006, Vivendi confirmed having received and reviewed a friendly expression of interest from the investment firm Kohlberg Kravis Roberts & Co (KKR). This review, which included maintaining the current Vivendi assets within the group in order to create value, did not result in any proposal and has now ended.
- On November 1, 2006, Vivendi Exchangeco, a Canadian subsidiary, obtained its shareholders' approval to exchange its shares into Vivendi shares by anticipation as from November 27, 2006.

2 Statements of Earnings for the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005

2.1 Consolidated Statement of Earnings

2.1.1 EARNINGS FOR THE THIRD QUARTERS OF 2006 AND 2005

CONSOLIDATED STATEMENT OF EARNINGS				ADJUSTED STATEMENT OF EARNINGS					
	Three Months Ended September 30,		Three Months Ended September 30,			Three Months Ended September 30,			
	2006	2005	2006	2005					
(In millions of euros, except per share amounts)									
Revenues	€	4,889	€	4,874	Revenues	€	4,889	€	4,874
Cost of revenues		(2,301)		(2,550)	Cost of revenues		(2,301)		(2,550)
Margin from operations		2,588		2,324	Margin from operations		2,588		2,324
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations		(1,319)		(1,237)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations		(1,319)		(1,237)
Restructuring charges and other operating charges and income		31		(12)	Restructuring charges and other operating charges and income		31		(12)
Amortization of intangible assets acquired through business combinations		(54)		(62)					
Impairment losses of intangible assets acquired through business combinations		-		-					
EBIT		1,246		1,013	EBITA		1,300		1,075
Income from equity affiliates		90		53	Income from equity affiliates		90		53
Interest		(46)		(66)	Interest		(46)		(66)
Income from investments		5		14	Income from investments		5		14
Other financial charges and income		737		31					
Earnings from continuing operations before provision for income taxes		2,032		1,045	Adjusted earnings from continuing operations before provision for income taxes		1,349		1,076
Provision for income taxes		(133)		(152)	Provision for income taxes		(280)		(190)
Earnings from continuing operations		1,899		893					
Earnings from discontinued operations		-		141					
Earnings	€	1,899	€	1,034	Adjusted net income	€	1,069	€	886
<i>Attributable to :</i>									
Equity holders of the parent	€	1,561	€	646	Equity holders of the parent	€	731	€	570
Minority interests		338		388	Minority interests		338		316
Earnings, attributable to the equity holders of the parent per share - basic (in euros)	€	1.35	€	0.56	Adjusted net income, attributable to the equity holders of the parent per share - basic (in euros)	€	0.63	€	0.50
Earnings, attributable to the equity holders of the parent per share - diluted (in euros)	€	1.34	€	0.56	Adjusted net income, attributable to the equity holders of the parent per share - diluted (in euros)	€	0.63	€	0.49

2.1.2 EARNINGS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND SEPTEMBER 30, 2005

CONSOLIDATED STATEMENT OF EARNINGS				ADJUSTED STATEMENT OF EARNINGS			
	Nine Months Ended September 30,		Nine Months Ended September 30,			Nine Months Ended September 30,	
	2006	2005	2006	2005			
(In millions of euros, except per share amounts)							
Revenues	€ 14,499	€ 14,005	€ 14,499	€ 14,005	Revenues		
Cost of revenues	(6,984)	(6,988)	(6,984)	(6,988)	Cost of revenues		
Margin from operations	7,515	7,017	7,515	7,017	Margin from operations		
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(3,887)	(3,848)	(3,887)	(3,848)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations		
Restructuring charges and other operating charges and income	20	27	20	27	Restructuring charges and other operating charges and income		
Amortization of intangible assets acquired through business combinations	(167)	(174)					
Impairment losses of intangible assets acquired through business combinations	-	(154)					
EBIT	3,481	2,868	3,648	3,196	EBITA		
Income from equity affiliates	245	225	245	225	Income from equity affiliates		
Interest	(161)	(167)	(161)	(167)	Interest		
Income from investments	51	56	51	56	Income from investments		
Other financial charges and income	218	271					
Earnings from continuing operations before provision for income taxes	3,834	3,253	3,783	3,310	Adjusted earnings from continuing operations before provision for income taxes		
Provision for income taxes	518	(537)	(743)	(623)	Provision for income taxes		
Earnings from continuing operations	4,352	2,716					
Earnings from discontinued operations	-	107					
Earnings	€ 4,352	€ 2,823	€ 3,040	€ 2,687	Adjusted net income		
<i>Attributable to :</i>							
Equity holders of the parent	€ 3,423	€ 1,903	€ 2,109	€ 1,813	Equity holders of the parent		
Minority interests	929	920	931	874	Minority interests		
Earnings, attributable to the equity holders of the parent per share - basic (in euros)	€ 2.97	€ 1.66	€ 1.83	€ 1.58	Adjusted net income, attributable to the equity holders of the parent per share - basic (in euros)		
Earnings, attributable to the equity holders of the parent per share - diluted (in euros)	€ 2.94	€ 1.64	€ 1.81	€ 1.57	Adjusted net income, attributable to the equity holders of the parent per share - diluted (in euros)		

For the first nine months of 2006, **earnings attributable to equity holders of the parent** amounted to €3,423 million (basic earnings per share of €2.97 and €2.94 on a diluted basis), compared to €1,903 million for the first nine months of 2005 (basic earnings per share of €1.66 and €1.64 on a diluted basis), representing an increase of 79.9%.

For the first nine months of 2006, **adjusted net income attributable to equity holders of the parent** amounted to €2,109 million (basic adjusted earnings per share of €1.83 and €1.81 on a diluted basis), compared to €1,813 million for the first nine months of 2005 (basic adjusted earnings per share of €1.58 and €1.57 on a diluted basis), representing an increase of 16.3%.

Reconciliation of earnings attributable to equity holders of the parent with adjusted net income attributable to equity holders of the parent is presented in Note 7 of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006. For the first nine months of 2006, the difference was €1,314 million, and mainly included the gain related to the settlement of the tax dispute on the DuPont shares (€921 million) and the capital gain generated on the sale of the Veolia Environnement shares (€834 million), offset by the capital loss incurred on the PTC shares (€496 million).

The €296 million improvement in **adjusted net income attributable to equity holders of the parent** was achieved as a result of the following positive impacts:

- €452 million (+14.1%) from the growth in EBITA, notably due to an increase in revenues (mainly at Maroc Telecom, Canal+ Group and Vivendi Games, due to the growth in their respective customer portfolios, as well as UMG), combined with efficient cost control within the Group (particularly at SFR), and an increase in Vivendi Games' margins, despite the additional cost (around €127 million) incurred by Canal+ Group with respect to the new broadcasting contracts for the French Professional Soccer League 1 matches, starting in July 2005. Moreover, EBITA for the first nine months of 2006 included a €59 million non-recurring gain from actions implemented as part of the risk management of retirement pension obligations, as well as a gain of around €50 million with respect to the favorable outcome of the TVT litigation at UMG;
- €20 million related to the increase in income from equity affiliates;
- €6 million related to the decrease in interest expense.

These positive impacts were partially offset by the following negative items:

- €5 million related to the decrease in income from investments;
- €120 million charge related to additional income taxes, as a result of higher earnings, growth in taxable income from all businesses, partially offset by the improvement in tax savings generated by the Consolidated Global Profit Tax System (+€51 million);
- €57 million charge related to the increase in the share of earnings attributable to minority interests; the improvement arising from the acquisition of minority interests in UMG and NBC Universal in February 2006 was offset by the increase in the share of earnings attributable to minority shareholders of SFR and Maroc Telecom, as a result of growth in earnings.

Breakdown of the main items of the consolidated statement of earnings

Revenues increased to €14,499 million compared to €14,005 million for the first nine months of 2005, representing an increase of €494 million (+ 3.5%).

On a comparable basis, revenues amounted to €14,462 million compared to €13,896 million, an increase of 4.1% (+3.6% at constant currency). All of the Group's businesses contributed to this improvement.

For a breakdown of revenues by business segment, please refer to section 3 "Revenues and EBITA by business segment".

EBITA totaled €3,648 million compared to €3,196 million for the first nine months of 2005. On a comparable basis, EBITA was up €459 million, representing an increase of 14.4% (+14.1% at constant currency), to reach €3,648 million (compared to €3,189 million for the first nine months of 2005). For the first nine months of 2006, each business unit generated positive and growing EBITA. Operating margin (EBITA on revenues) rate was at 25.2% for the first nine months of 2006 versus 22.8% for the first nine months of 2005.

For a breakdown of EBITA by business segment, please refer to section 3 "Revenues and EBITA by business segment".

Impairment losses of intangible assets acquired through business combinations were nil for the first nine months of 2006. For the same period in 2005, impairment losses amounted to €154 million and mainly included the impact of non-cash balance sheet adjustments related to the NBC-Universal transaction (€124 million), as well as exceptional goodwill amortization (€33 million) at UMG accrued to offset the capitalization of deferred tax asset, which had not been recognized at the end of 2000 as part of the purchase price allocation of UMG.

EBIT amounted to €3,481 million compared to €2,868 million for the first nine months of 2005, representing an increase of 21.4%.

Income from equity affiliates¹ totaled €245 million compared to €225 million for the first nine months of 2005, representing an increase of €20 million. Income from NBC Universal's earnings amounted to €216 million for the first nine months of 2006 compared to €255 million for the same period in 2005.

Interest amounted to €161 million compared to €167 million for the first nine months of 2005, representing an improvement of €6 million.

For more information, please refer to Note 4 to the Condensed Financial Statements for the nine months ended September 30, 2006.

Income from investments (previously presented in "Other income from ordinary activities") totaled €51 million compared to €56 million for the first nine months of 2005, representing a decrease of €5 million.

For more information, please refer to Note 4 to the Condensed Financial Statements for the nine months ended September 30, 2006.

Other financial charges and income were an income of €218 million compared to €271 million for the first nine months of 2005, representing a €53 million decrease. For the first nine months of 2006, they mainly included the capital gain on the sale of Veolia Environnement shares (€834 million; please refer to section 1.1.2), offset by the capital losses incurred on the PTC shares (€496 million; please refer to section 1.1.3) and on the sale of the DuPont shares (€98 million; please refer to section 1.1.5). For the same period in 2005, they mainly included the positive impact of the unwinding of InterActiveCorp's interest in VUE (€194 million).

¹In accordance with current regulations, Neuf Cegetel (22.7% Vivendi economic interest as of September 30, 2006) publishes consolidated financial statements twice annually, at the year end and at the half-year end and revenue figures four times a year, for each quarter. Vivendi publishes consolidated financial statements at each quarter-end, in which Neuf Cegetel is equity accounted by SFR. However, given the financial reporting schedule of Neuf Cegetel, Vivendi is not required to report on Neuf Cegetel for the first and third quarter-ends. Furthermore, as a result of the accounting rules applicable to business combinations, major differences exist, for historical reasons, between the share in net income recognized by SFR in respect of Neuf Cegetel and the net income published by Neuf Cegetel. Please refer to Note 11 to the Condensed Financial Statements for the nine months ended September 30, 2006.

- **Impact of amortized cost on borrowings (including premiums incurred for early redemption)** – For the first nine months of 2006, the impact of amortized cost on borrowings was a charge of €16 million (compared to a charge of €117 million for the same period in 2005). This improvement mainly reflects the positive impact in 2006 (€10 million) of the partial redemption of the Sogecable bonds in the second half of 2005 and the reduction in fees paid on credit lines (€20 million), accentuated by the unfavorable impact in 2005 of premiums paid for the early redemption of certain notes (€71 million including a charge of €50 million paid for the redemption of the remaining High Yield Notes in late January 2005 and a charge of €27 million for the early redemption of the bonds exchangeable into Vinci shares during the course of March 2005).
- **Change in the fair value of derivative instruments** – For the first nine months of 2006, the increase in the fair value of derivative instruments generated a gain of €10 million (compared to €172 million in the same period in 2005). This decrease was due to the smaller profit related to the change in fair value of the embedded option on the bonds exchangeable into Sogecable shares (€12 million for the first nine months of 2006 compared to €50 million for the same period in 2005) and the upside adjustment in 2005 in the fair value of the Veolia Environnement collar (€137 million), which was unwound in October 2005.
- **Gain/(Loss) on the divestiture of business or financial investments** – For the first nine months of 2006, gains or losses on the divestiture of businesses or other financial investments resulted in a gain of €275 million and mainly include the capital gains generated on the sale of Veolia Environnement shares (€834 million), Sogecable shares (€66 million, contributed to Prisa in March 2006 as part of a partial tender offer) and Ypso (€56 million), partially offset by the capital losses incurred on the PTC shares (€496 million), and on the sale of DuPont shares (€98 million), as well as the additional provision recognized in connection with the vendor warranties given as part of the sale of Xfera in 2003 (€49 million). For the first nine months of 2005, capital gains amounted to €246 million and mainly included the positive impact related to the unwinding of InterActiveCorp's interest in VUE (€194 million) and the gain on the divestiture of the stake in Lagardère Thématiques (€26 million).
- **Change in financial component of costs related to employee benefit plans** – For the first nine months of 2006, the financial component of costs related to employee benefit plans remained stable at €25 million (compared to €27 million for the same period in 2005), including a charge of €54 million related to the undiscounting of actuarial losses and income of €29 million related to the expected return on plan assets (compared to a charge of €57 million and income of €30 million for the same period in 2005).

For more information, please refer to Note 4 to the Condensed Financial Statements for the nine months ended September 30, 2006.

Provision for income taxes was an income of €518 million, compared to a charge of €537 million for the first nine months of 2005. Items included in this amount are the gain related to the settlement of the DuPont litigation (€1,019 million) and the tax savings generated by the Consolidated Global Profit Tax System (€447 million compared to €391 million for the same period in 2005), as well as the reversal of tax liabilities relating to fiscal years no longer subject to a tax audit (€207 million). Excluding these impacts, provisions for income taxes for the first nine months of 2006 would have been a charge of €1,155 million compared to a charge of €928 million for the same period in 2005, representing an increase of 24.5% mainly due to higher taxable earnings from all Group businesses in the first nine months of 2006.

Earnings from discontinued operations were nil as of September 30, 2006. For the first nine months of 2005, earnings from discontinued operations resulted in a gain of €107 million equal to 72% of the charges and income generated by Cegetel over the period (-€29 million, the residual 28% being classified in income from equity affiliates) and the capital gain recognized on the disposal of this company, which took place on August 22, 2005 (€136 million).

Earnings attributable to minority interests, mainly of SFR and Maroc Telecom, amounted to an outflow of €929 million for the first nine months of 2006 compared to an outflow of €920 million for the same period in 2005, representing a €9 million increase. The increase in earnings attributable to the minority interests of SFR and Maroc Telecom, as a result of higher earnings at these two businesses, was partially offset by the decrease resulting from the acquisition of minority interests in UMG and NBC Universal in February 2006.

2.2 Vivendi's Outlook for 2006

Vivendi confirms the guidance for its 2006 adjusted net income, attributable to equity holders of the parent, of at least a 16% increase, with a dividend distribution rate of a minimum of 50% of adjusted net income, attributable to equity holders of the parent. Adjusted net income, attributable to equity holders of the parent should reach €2.6 billion.

3 Revenues and EBITA by Business Segment for the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005

3.1 Revenues and EBITA as Published by Business Segment for the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005

AS PUBLISHED						
Three Months Ended September 30,			(In millions of euros)	Nine Months Ended September 30,		
2006	2005	% Change		2006	2005	% Change
Revenues						
1,096	1,119	-2.1%	Universal Music Group	€ 3,298	€ 3,211	2.7%
182	158	15.2%	Vivendi Games	478	396	20.7%
879	863	1.9%	Canal+ Group	2,712	2,560	5.9%
2,196	2,236	-1.8%	SFR	6,497	6,475	0.3%
561	503	11.5%	Maroc Telecom	1,554	1,380	12.6%
			Non core operations and elimination of inter segment transactions	(40)	(17)	-135.3%
(25)	(5)	x5	Total Vivendi	€ 14,499	€ 14,005	3.5%
€ 4,889	€ 4,874	0.3%				
EBITA						
138	124	11.3%	Universal Music Group	€ 433	€ 365	18.6%
24	11	118.2%	Vivendi Games	86	30	186.7%
148	97	52.6%	Canal+ Group	338	295	14.6%
706	692	2.0%	SFR	2,095	2,032	3.1%
281	231	21.6%	Maroc Telecom	691	583	18.5%
(32)	(77)	58.4%	Holding & Corporate	(52)	(133)	60.9%
35	(3)	na*	Non core operations	57	24	137.5%
€ 1,300	€ 1,075	20.9%	Total Vivendi	€ 3,648	€ 3,196	14.1%
26.6%	22.1%		EBITA / Revenues (%)	25.2%	22.8%	

na*: not applicable

3.2 Revenues and EBITA on a Comparable Basis by Business Segment for the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005

Comparable basis essentially illustrates the effect of the divestitures or abandonment of operations that occurred in 2005 and 2006 (mainly NC Numéricâble in 2005 and the Paris Saint-Germain soccer club (PSG) in 2006 at Canal+ Group, and Annuaire Express SFR's phone directory activities in 2005) and includes the full consolidation of stakes in distribution subsidiaries at SFR as if these transactions had occurred as at January 1, 2005. Comparable basis results are not necessarily indicative of the results that would have occurred had the events actually occurred at the beginning of 2005.

Three Months Ended September 30,				COMPARABLE BASIS				Nine Months Ended September 30,			
2006	2005	% Change	% Change at constant currency	(In millions of euros)	2006	2005	% Change	% Change at constant currency			
€ 1,096	€ 1,119	-2.1%	0.8%		Revenues	€ 3,298	€ 3,211	2.7%	1.4%		
182	158	15.2%	18.0%	Universal Music Group	478	396	20.7%	18.4%			
879	840	4.6%	4.7%	Vivendi Games	2,675	2,462	8.7%	8.4%			
2,196	2,235	-1.7%	-1.7%	Canal+ Group	6,497	6,464	0.5%	0.5%			
561	503	11.5%	12.3%	SFR	1,554	1,380	12.6%	11.8%			
				Maroc Telecom							
(25)	(5)	x5	x5	Non core operations and elimination of inter segment transactions	(40)	(17)	-135.3%	-135.3%			
€ 4,889	€ 4,850	0.8%	1.6%	Total Vivendi	€ 14,462	€ 13,896	4.1%	3.6%			
				EBITA							
€ 138	€ 124	11.3%	13.8%	Universal Music Group	€ 433	€ 365	18.6%	17.9%			
24	11	118.2%	118.0%	Vivendi Games	86	30	186.7%	179.2%			
148	97	52.6%	52.5%	Canal+ Group	338	288	17.4%	17.1%			
706	692	2.0%	2.0%	SFR	2,095	2,032	3.1%	3.1%			
281	231	21.6%	22.6%	Maroc Telecom	691	583	18.5%	17.7%			
(32)	(77)	58.4%	58.5%	Holding & corporate	(52)	(133)	60.9%	60.3%			
35	(3)	na*	na*	Non core operations	57	24	137.5%	139.6%			
€ 1,300	€ 1,075	20.9%	21.7%	Total Vivendi	€ 3,648	€ 3,189	14.4%	14.1%			
26.6%	22.2%			EBITA / Revenues (%)	25.2%	22.9%					

na*: not applicable

Reconciliation of revenues and EBITA, as published, to revenues and EBITA on a comparable basis for the third quarter and the first nine months of 2005 are presented in appendices 1 and 2 of the Management Board's Operating and Financial Review and Prospects. In 2006, only PSG's contribution to revenues and EBITA, as published, is not included in revenues and EBITA on a comparable basis.

3.3 Comments on Revenues and EBITA for Controlled Business Segments

Universal Music Group (UMG) (100% Vivendi economic interest²):

Revenues

First Nine Months:

Universal Music Group's (UMG's) revenues of €3,298 million increased 2.7% from last year driven by strong digital sales growth, higher license income in the U.S., higher music publishing sales and favorable currency movements. At constant currency, sales grew 1.4%.

Digital sales were €348 million with strong growth in all markets and sectors. Digital revenues were more than double last year and represented 10.5% of total revenues.

² In February 2006, as a result of the acquisition of the 7.659% minority interest of MEI, Vivendi increased its economic interest from 92% to 100%.

Best sellers year to date included new releases from Andrea Bocelli, Rihanna and Nelly Furtado, and strong carryover sales from The Pussycat Dolls.

Third Quarter:

UMG's revenues of €1,096 million declined 2.1% versus last year primarily as a result of adverse currency movements and despite very strong growth in the digital sector and higher license income in the U.S. At constant currency, sales grew 0.8%.

Digital sales of €126 million were up 88% versus last year, representing 11.5% of total revenues, with strong growth across both the online and mobile sectors.

Revenues include a net amount of €36 million received in connection with the settlement of the Napster litigation.

Best sellers included new releases from The Killers, Fergie, Scissor Sisters and Ludacris.

EBITA

First Nine Months:

Universal Music Group's (UMG's) EBITA of €433 million was 18.6% higher than the same period last year as the result of the improved margins from higher sales and a favorable sales mix, as well as the settlement of the Napster litigation and the recovery of a cash deposit in the TVT lawsuit offsetting increased marketing and artist and repertoire (A&R) costs.

Third Quarter:

UMG's EBITA of €138 million was 11.3% above the same period last year as the result of higher margins and the settlement of the Napster litigation partly offset by an increase in bad debt reserves, primarily in the U.S.

Vivendi Games (100% Vivendi economic interest³):

Revenues

First Nine Months:

Vivendi Games' revenues of €478 million were 20.7% above the prior year (up 18.4% on a constant currency basis). This increase was primarily driven by the continued worldwide success of *World of Warcraft*, the critically acclaimed subscription-based, massively multiplayer online role-playing game (MMORPG) from Blizzard Entertainment.

Other solid performers included initial launch revenues in North America from the new release *Scarface*, developed internally by Sierra's Radical Entertainment, as well as continuing sales from *Ice Age 2* and *50 Cent: Bulletproof*.

Third Quarter:

Vivendi Games' revenues of €182 million were 15.2% above the prior year (up 18% at constant currency basis). This increase was primarily driven by the continued worldwide success of *World of Warcraft*. Other solid performers included initial launch revenues in North America from the new release *Scarface*, the game based on the classic Universal Studios film.

EBITA

First Nine Months:

Vivendi Games' EBITA of €86 million was 186.7% above the same period of the prior year (up 179.2% on a constant currency basis). This significant improvement was driven by growth in revenues, with an increased proportion relating to the higher margin of the *World of Warcraft* business. EBITA was also impacted by start up investments for the Sierra Online and Vivendi Games Mobile divisions.

³ In February 2006, as a result of the acquisition of the 7.659% minority interest of MEI, Vivendi increased its economic interest from 99% to 100%.

Third Quarter:

Vivendi Games' EBITA of €24 million was 118.2% above the same period of the prior year (up 118.0% on a constant currency basis). This significant improvement was driven by growth in revenues, with an increased proportion relating to the higher margin of the *World of Warcraft* business. EBITA was also impacted by start up investments for the Sierra Online and Vivendi Games Mobile divisions.

Canal+ Group (100% Vivendi economic interest⁴):

Revenues

First Nine Months:

Canal+ Group reported revenues of €2,712 million compared to €2,560 million for the first nine months of 2005. On a comparable basis⁵, revenues were up €213 million (+8.7% compared to the first nine months of 2005).

This increase reflects the growth of pay-TV operations in France (up 10% on a comparable basis) which benefited from portfolio and revenues per subscriber growth, as well as a higher proportion of digital subscriptions (as of the end of September, Canal+ Le Bouquet represented 57% of total portfolio versus 50% as of the end of September 2005). At the end of September 2006, Canal+ Group's total portfolio was over 8.29 million subscriptions, Canal+ portfolio being just over 5 million subscriptions. As of the end of September 2006, Canal+ Group's total subscription portfolio grew by nearly 270 thousand subscriptions when compared to September 2005.

During the same period, other businesses grew by 3% on a comparable basis, in particular i>TELE, which benefited from advertising revenues growth due to its switch to free-to-air broadcasting over Digital Terrestrial Television (DTT) in October 2005. Polish operations were also up thanks to a strong increase in subscription portfolio.

Revenues for Canal+ Group's movie business decreased slightly.

Third Quarter:

Canal+ Group reported quarterly revenues of €879 million compared to €863 million for same period last year. On a comparable basis, revenues increased by €39 million, up 4.6% compared to the third quarter of 2005.

Revenues of pay-TV operations in France grew by 8%, primarily driven by portfolio growth, the increase of revenues per subscriber as well as the higher proportion of digital subscriptions.

Other revenues have been impacted by the decrease in the movie business revenues mainly due to lower revenues from the Working Title deal.

EBITA

First Nine Months:

Canal+ Group's EBITA was €338 million, up €43 million compared to the same period last year. On a comparable basis, EBITA was up €50 million, or 17.4% compared to the same period last year.

This increase reflects the strong growth of pay-TV operations in France which were up €47 million. Growth of portfolio (subscriptions up nearly 270 thousand compared to end of September 2005) and revenue per subscriber has more than offset extra costs linked to the new, exclusive soccer contract.

⁴After the combination of Canal+ Group and TPS in the new "Canal+ France" and the acquisition by Lagardère of a stake of 20% in this entity, Canal+ Group will own 65% of "Canal+ France". Please refer to section 1.1.1 and to Note 19 of the notes to the Condensed Financial Statement for the first nine months ended September 30, 2006. As at September 30, 2006, Canal+ Group held a 66% ownership interest in CanalSat.

⁵ Comparable basis mainly illustrates the effect of divestitures at Canal+ Group (mainly NC Numéricâble in 2005 and PSG in 2006), as if these transactions had occurred as of January 1, 2005.

EBITA from other operations was up €3 million on a comparable basis, mainly due to strong performance of Canal+ in Poland.

Third Quarter:

Canal+ Group's EBITA was €148 million, up €51 million compared to the same period last year. This performance (up 52.6% on a comparable basis compared to the same period last year) is due to growth in pay-TV operations in France, which mainly benefited from strong portfolio additions and increased revenue per subscriber. EBITA was also favourably impacted by calendar timing of French League 1 soccer.

EBITA from other operations have been impacted negatively by StudioCanal, mainly due to lower revenues from the Working Title deal.

SFR (56% Vivendi economic interest):

Revenues

First Nine Months:

SFR revenues grew by 0.3% to €6,497 million compared to the same period in 2005 (up 0.5% on a comparable basis⁶).

Favorable effects of the increase in customer base along with the growth in "voice" and "data" usage were very largely offset by the strong cut of regulated tariffs at the beginning of 2006 (a 24% cut of mobile voice termination rates and a 19% cut of SMS termination) as well as by the cut in the price charged to customers for the new offers launched in April 2005. SFR ARPU⁷ decreased by 5.2% to €463 at the end of September 2006 (versus €488 at the end of September 2005). Excluding the impacts of the regulated tariff cut, SFR revenues would have been up by 4.9%.

For the first nine months of 2006, SFR added 307,000 net new customers, taking its registered customer base to 17.505 million⁸, a 6.4% increase versus last year. The contract customer base grew by 9.2% year-on-year to 11.334 million, leading to an improved customer mix of 1.6 percentage point in one year.

Average voice usage of SFR customers (AUPU⁹) continued its strong growth of 13.7% to 323 minutes per month. 3G customers reached 1.925 million as of the end of September 2006 compared to 1.003 million at the end of December 2005.

Net data revenues improved significantly to represent 12.9% of network revenues for the first nine months of 2006, compared to 11.5% in 2005, due to a 18.3% increase in text messaging (SMS) sent by SFR customers (4.6 billion), to the 1.9 time multiplication of MMS sent (123 million) and to the strong increase of other services, in particular in the corporate segment. The latter now represent 32% of total data revenues compared to 29% in 2005.

At the end of September 2006, the data ARPU reached €61, a 6% growth compared to 2005.

This performance highlights the success of SFR "mobile centric" strategy which aims to offer each individual customer greater continuity and personalization of SFR mobile services: two key elements of this strategy being the launch of the Happy Zone offer, which will consist in unlimited usage of the mobile when at home and the launch, in April 2007, of an ADSL option for SFR customers.

With a view to accelerate the execution of this strategy, SFR signed an agreement¹⁰ to acquire the fixed and ADSL operations of Télé2 France (approximately 300,000 ADSL customers and 3 million fixed line customers to be migrated to ADSL offers) and raised to 40.6% its share in Neuf Cegetel, right before Neuf Cegetel's successful IPO (please refer to section 1.1.1.).

⁶ Comparable basis mainly illustrates the full consolidation of minority stakes in distribution subsidiaries and excludes revenues from phone directory activities (Annuaire Express) as of January 1, 2005.

⁷ ARPU (Average Revenue Per User) is calculated on a twelve-month rolling period by dividing revenues net of promotions and net of third-party content provider revenues excluding roaming in and equipment sales by average Arcep total customer base for the last twelve months. ARPU is calculated on a comparable basis, excluding revenues from phone directory activities (Annuaire Express).

⁸ SFR excluding wholesale customers total base (wholesale customer base reached 367,000 at the end of September 2006).

⁹ AUPU (Average Usage Per User) is defined as the incoming and outgoing "voice" volumes divided by average Arcep total customer base for the last twelve months.

¹⁰ Transaction subject to Competition Authority approval.

Third Quarter:

SFR revenues declined by 1.8% compared to the third quarter of 2005 to €2,196 million. Network revenues were stable at €2,105 million.

The strong cut of regulated tariffs as of January 1, 2006 offset favourable effects of the increase in customer base and the growth in "voice" and "data" usage. Excluding the impacts of the regulated tariff cut, SFR revenues would have been up by 2.7% compared to the third quarter of 2005.

EBITA

First Nine Months:

SFR's EBITA rose by 3.1% to € 2,095 million. EBITA growth mainly reflected a 0.8% growth in network revenues, a 0.7 percentage point reduction in customer acquisition and retention costs to 9.4% of network revenues, as well as a strict control of other costs and despite the increase of the GSM license cost (renewed in April 2006 with a new tax of 1% of revenues).

Third Quarter:

SFR's EBITA rose by 2.0% to €706 million due to strong cost controls and despite the increase of the GSM license cost.

Maroc Telecom (51% Vivendi economic interest):

Revenues

First Nine Months:

Maroc Telecom revenues of €1,554 million increased by 12.6% compared to the same period last year (+11.8% at constant currency).

Mobile revenues grew by 17.5% to €1,011 million compared to the same period last year (+16.7% at constant currency).

Revenues increase is the result of commercial success with the sustained growth of the customer base^{11 12} reaching 10.496 million customers (+30.5% compared to the same period last year and a net increase of 2.5 million customers in a year).

The blended ARPU^{11 13}, for the first nine months of 2006, stands at €10.6 (-8% compared to the same period last year at constant currency) due to the strong increase of the customer base and the decrease of the average price of communication.

Always innovative in its market, Maroc Telecom introduced new services on September 1, 2006 with Mobimail (mobile Internet e-mail service) and Mobitalkie (push-to-talk service).

Fixed and internet revenues grew by 7% to €856 million compared to the same period last year (+6.3% at constant currency).

This good performance was achieved thanks to the dynamism of the public telephony segment (+12%), to the growth of the incoming international traffic (+11.8%), to the continuing success of broadband activity and to a strong growth of data services to enterprises and operators (+22%). The average monthly voice invoice remained stable.

The fixed customer base decreased to 1.267 million of lines (-5.8% compared to the same period last year) while the ADSL customer base¹¹ experienced a strong growth and almost reached 342,000 lines (+163,000 lines in a year, +91% compared to the same period last year).

¹¹ Without Mauritel.

¹² The mobile customer base, compliant with the ANRT definition and used by Maroc Telecom in 2006, includes prepaid customers giving or receiving a voice call during the last 3 months and not resiliated postpaid customers.

¹³ ARPU (Average Revenue Per User) is defined as revenues (from incoming and outgoing calls and data services), net of promotions, excluding roaming in and equipment sales, divided by average customer base over the period.

To keep its existing customers and attract new ones, Maroc Telecom launched in September 2006 new unlimited offers on the fixed telephony segment, named Phony, which allow customers to call all the local and national Maroc Telecom fixed numbers with no limit of time.

Third Quarter:

Maroc Telecom revenues of €561 million increased by 11.5% compared to the same period last year (+12.3% at constant currency).

Mobile revenues grew by 16.7% to €377 million compared to the same period last year (+17.5% at constant currency) due to the strong increase of the customer base (+ 1.6 million customers in the quarter).

Fixed and internet revenues grew by 5.8% to €296 million compared to the same period last year (+6.6% at constant currency).

EBITA

First Nine Months:

Maroc Telecom's EBITA amounted to €691 million, increasing by 18.5% compared to the same period in 2005 (+ 17.7% at constant currency).

This performance was derived from the growth in revenue (11.8% at constant currency) and cost control, in particular acquisition costs in a context of steady growth of the mobile and ADSL customer base^{11 12}.

This result also includes a €30 million provision, recorded in June 2006, for a new voluntary leave plan (comparable to the provision accounted for at the end of September 2005).

Third Quarter:

Maroc Telecom's EBITA amounted to €281 million increasing by 21.6% compared to the same period in 2005 (+22.6% at constant currency).

Holding & Corporate:

EBITA

First Nine Months:

Holding & Corporate's EBITA amounted to -€52 million, representing an increase of €81 million compared to the first half of 2005. This improvement was mainly driven by the positive impact (€59 million) of the actions implemented as part of the risk management of retirement pension obligations (please refer to section 1.1.6) and the decrease in non recurring items (€9 million), offset by the sale of assets recognized in 2005 (€11 million).

4 Capital Resources for the Nine Months Ended September 30, 2006 and September 30, 2005

Preliminary comment:

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

Financial Net Debt should be considered in addition to, not as a substitute for, Vivendi's borrowings and other financial liabilities and cash and cash equivalents reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP. Vivendi Management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain of Vivendi's debt covenants.

As at September 30, 2006, Financial Net Debt amounted to €4,054 million compared to €3,768 million as at December 31, 2005.

Changes in Financial Net Debt during the first nine months of 2006

Financial Net Debt increased by €286 million during the first nine months of 2006. This increase is mainly due to the following reasons:

Cash flows used for investing activities amounted to €55 million and mainly included:

- The acquisition of the 7.659% minority stake held by Matsushita Electric Industrial (MEI) in Universal Studios Holding I Corp. (€964 million), SFR's increased stake in the share capital of Neuf Telecom (€410 million), the advance paid to TF1 and M6 (€150 million) and the subscription to the NBC Universal capital increase (€98 million) to finance the acquisition of iVillage;
- Partially offset by the sale on the market of Veolia Environnement shares (€861 million) and DuPont shares (€534 million) and the redemption of the balance of the bonds issued by Neuf Telecom (€180 million).

Cash flows used for financing activities with respect to equity-related transactions amounted to €2,128 million, including:

- €1,152 million with respect to the dividend paid by Vivendi S.A. to its shareholders (€1,147 million to Vivendi S.A. shareholders and €5 million to shareholders of Vivendi Exchangeco),
- €1,034 million with respect to dividends and, if applicable, reimbursements of contribution of capital paid by consolidated subsidiaries to minority shareholders: SFR (€473 million), Maroc Telecom (€425 million, including €154 million in the form of a capital reduction) and subsidiaries of Canal+ Group (€132 million).
- Cash received from the capital increase subscribed by employees (€41 million) under the stock purchase plans and stock option plans.

In addition, the following items had an impact on Financial Net Debt, but had no cash impact as at September 30, 2006:

- The increase in financial liabilities relating to commitments to purchase minority interests (€71 million), with no cash impact. The option granted to Lagardère to buy its 34% stake in CanalSat, as part of the combination of Canal+ and TPS, became null and void following the authorization granted by the France's Minister of the Economy, Finance and Industry on August 31, 2006. As such, the related financial liability (€937 million recognized in the Consolidated Statement of Financial Position as at June 30, 2006) was derecognized at this date;
- The favorable impact of the increase in the value of other financial instruments (assets, liabilities and derivatives, €41 million), with no cash impact. In accordance with IAS 32 and 39, derivative financial instruments are recognized on the Consolidated Statement of Financial Position at their fair value.

These items were offset by cash flow from operations after interest and income tax paid (CFAIT), in the amount of €1,891 million, which includes in particular the tax paid on the settlement of the DuPont litigation (€521 million) and is broken down as follows:

Cash flow from operations before purchases or sales of property, plant and equipment and intangible assets (CFFO before capex, net) increased by 2.3% to reach €4,379 million (compared to €4,282 million during the same period in 2005). After including purchases or sales of property, plant and equipment and intangible assets, net of the change in related working capital (capex, net), which

amounted to €1,298 million (compared to €836 million during the same period in 2005), representing a €462 million increase, i.e. +55.3%, cash flow from operations (CFFO) of the business segments totaled €3,081 million (compared to €3,446 million during the same period in 2005), representing a 10.6% decrease. The main reasons for this decline are increased capital expenditure by the business segments (SFR network, set-top boxes and sports rights at Canal+ Group, servers and advances paid to developers at Vivendi Games), the definitive cash expense related to certain US pension plans (€143 million) and the decrease of NBCU dividend (€84 million).

- **Cash flows used for interest and other financial charges** amounted to €115 million (compared to €575 million during the same period in 2005), representing an improvement of €460 million. Included in this amount are net interest paid of €161 million (compared to €167 million during the same period in 2005, representing an improvement of 3.6%) and other financing transactions that generated positive cash flow of €46 million (compared to a cash expense of €408 million during the same period in 2005, representing an improvement of €454 million). As at September 30, 2006, cash inflows from other financial charges mainly comprise a foreign currency exchange gain (€70 million), whereas in 2005, cash outflows corresponded to premiums paid (€281 million) on the unwinding of interest rate swaps with no underlying borrowings, the early redemption of bonds exchangeable into Vinci shares and the remaining High Yield Notes, as well as foreign currency exchange losses (€130 million).

Cash expenses related to income tax paid amounted to €1,075 million (compared to €1,105 million during the same period in 2005), representing an improvement of 2.7%:

- For the first nine months of 2006, this amount includes, in particular, tax paid on the settlement of the DuPont litigation (€521 million), partially offset by a tax repayment of €505 million received from the French Treasury in 2006 in respect of fiscal year 2005, under the Consolidated Global Profit Tax System. In 2005 it included catch-up adjustments on the tax paid by SFR with respect to fiscal year 2004 (€628 million compared to €39 million paid in 2006 with respect to fiscal year 2005), resulting from the streamlining of the SFR Cegetel Group legal structure at the end of 2003, partially offset by a tax repayment of €465 million received from the French Treasury in 2005 in respect of fiscal year 2004, under the Consolidated Global Profit Tax System.
- Excluding these impacts, income tax paid rose by 8.3%, in line with the increase in taxable income.

September 30, 2006						
(In millions of euros)	Borrowings	Commitments to purchase minority interests	Derivative financial instruments and other (a)	Financial Net Debt		
Borrowings and other financial liabilities						
. Long-term	€ 3,675	€ 29	€ 61	€		3,765
. Short-term	€ 2,368	€ 137	€ 9			2,514
Derivative financial instruments in assets			(34)			(34)
Cash deposits backing borrowings			(50)			(50)
	€ 6,043	€ 166	€ (14)			€ 6,195
Cash and cash equivalents						(2,141)
Financial Net Debt						€ 4,054
December 31, 2005						
(In millions of euros)	Borrowings	Commitments to purchase minority interests	Derivative financial instruments and other (a)	Financial Net Debt		
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

(a) "Other" corresponds to cash deposits backing borrowings.

Since December 31, 2005, Vivendi increased the amount of its Financial Net Debt:

(In millions of euros)	refer to section	Cash and cash equivalents	Borrowings and other (a)	Impact on Financial Net Debt
Financial Net Debt as at December 31, 2005		€ (2,902)	€ 6,670	€ 3,768
Net cash related to :				
Operating activities	4.1	(3,007)	-	(3,007)
Investing activities	4.2	1,152	(96)	1,056
Financing activities	4.3	2,590	(319)	2,271
Foreign currency translation adjustments		26	(60)	(34)
Change in Financial Net Debt over the nine months ended September 30, 2006		761	(475)	286
Financial Net Debt as at September 30, 2006		€ (2,141)	€ 6,195	€ 4,054

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

4.1 Cash Flows Provided by Operating Activities

For the first nine months of 2006, cash flow from operations before capex, net amounted to €4,379 million representing an increase of 2% compared to the first nine months of 2005. However, after capex, net, they amounted to €3,081 million for the first nine months of 2006 compared to €3,446 million for the first nine months of 2005.

(In millions of euros)	Nine Months Ended September 30,		
	2006	2005	% Change
Revenues	€ 14,499	€ 14,005	4%
Operating expenses excluding depreciation and amortization	(9,868)	(9,859)	0%
<i>Sub-total (modified EBITDA)</i>	<u>4,631</u>	<u>4,146</u>	12%
Modified EBITDA / Revenues (%)	32%	30%	+ 2 points
Restructuring charges paid	(41)	(85)	-52%
Content investments, net (a)			
Advances to artists and repertoire owners, net at UMG			
Payment of advances	(400)	(389)	3%
Recoupment of advances	402	403	0%
	<u>2</u>	<u>14</u>	-86%
Film and television rights, net at Canal+ group			
Acquisition of film and television rights	(414)	(447)	-7%
Consumption of film and television rights	388	409	-5%
	<u>(26)</u>	<u>(38)</u>	-32%
Sport rights, net at Canal+ Group			
Acquisition of sport rights	(550)	(403)	36%
Consumption of sport rights	507	375	35%
	<u>(43)</u>	<u>(28)</u>	54%
Other	(102)	(4)	na*
	<u>(169)</u>	<u>(56)</u>	x3
Change in provisions included in modified EBITDA	(18)	20	na*
Other cash operating items excluded from modified EBITDA	(1)	17	na*
Other changes in net working capital	(320)	(145)	121%
Net cash provided by operating activities before income tax paid	€ 4,082	€ 3,897	5%
Dividends received from equity affiliates			
NBC Universal	262	346	-24%
Other	5	8	-38%
	<u>267</u>	<u>354</u>	-25%
Dividends received from unconsolidated companies	30	31	-3%
Cash flow from operations excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, and related change in net working capital (CFFO before capex, net)	€ 4,379	€ 4,282	2%
Capital expenditure and proceeds from sales of property, plant, equipment and intangible assets (capex, net)			
Capital expenditures			
At SFR	(995)	(622)	60%
At Maroc Telecom	(203)	(180)	13%
Other	(199)	(127)	57%
	<u>(1,397)</u>	<u>(929)</u>	50%
Proceeds from sales of property, plant, equipment and intangible assets	23	88	-74%
Change in net working capital related to property, plant, equipment and intangible assets	76	5	na*
	<u>(1,298)</u>	<u>(836)</u>	55%
Cash flow from operations (CFFO)	€ 3,081	€ 3,446	-11%

na*: not applicable

- (a) For more details, please refer to Note 9 of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006.

Cash flow from operations after interest and income tax paid (CFAIT) increased by 7% to €1,891 million:

(In millions of euros)

	Nine Months Ended September 30,		
	2006	2005	% Change
Cash flow from operations (CFFO)	€ 3,081	€ 3,446	-11%
Interest paid	(161)	(167)	-4%
Premium paid as part of the early redemption of borrowings and the unwinding of derivative instruments			
Unwinding of interest rate swaps without cash consideration	-	(131)	na*
Early redemption of bonds exchangeable into Vinci shares	-	(108)	na*
Early redemption of the High Yield Notes	-	(41)	na*
Other	(3)	(1)	x3
	(3)	(281)	na*
Cash impact of currency hedging	70	(130)	na*
Other financial items (excluding investments and divestments)	(21)	3	na*
	46	(408)	na*
Income tax (paid) / collected			
Down-payment for the current year at SFR	(613)	(581)	6%
Ex-post payments for the previous year at SFR	(39)	(628)	-94%
Income tax paid at Maroc Telecom	(223)	(221)	1%
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System	505	465	9%
Income tax paid with respect to DuPont settlement with IRS (June)	(521)	-	na*
Other	(184)	(140)	31%
	(1,075)	(1,105)	-3%
Cash flow from operations after interest and income tax paid (CFAIT)	€ 1,891	€ 1,766	7%

na*: not applicable

As a result, cash flow provided by operating activities amounted to €3,007 million for the first nine months of 2006, versus €2,792 million for the first nine months of 2005, i.e. a €215 million increase.

(In millions of euros)

	Nine Months Ended September 30,		
	2006	2005	% Change
Net cash provided by operating activities before income tax paid	€ 4,082	€ 3,897	5%
Income tax paid	(1,075)	(1,105)	-3%
Net cash provided by operating activities	€ 3,007	€ 2,792	8%
Contribution to the reduction of Financial Net Debt	(3,007)	(2,792)	8%

4.2 Cash Flows Used for Investing Activities

In the first nine months of 2006, investing activities contributed €1,056 million to the increase in Financial Net Debt.

(In millions of euros)	refer to section	Impact on cash and cash equivalents	Impact on borrowings and other (a)	Impact on Financial Net Debt
Financial investments				
Purchases of consolidated companies, after acquired cash				
Purchase of the 7.7% stake held by MEI in USH (February)	1.1.1	964	-	964
Other (b)		50	(15)	35
		<u>1,014</u>	<u>(15)</u>	<u>999</u>
Purchases of investments in equity affiliates				
Acquisition by SFR of an additional stake from 28,2% to 40.6% in Neuf Cegetel (May/September)	1.1.1	410	-	410
Subscription to NBCU's increase in capital to fund iVillage acquisition		98	-	98
Other (b)		1	-	1
		<u>509</u>	<u>-</u>	<u>509</u>
Increase in financial assets				
Advance paid related to the TPS/Canal+ draft combination agreement (January)	1.1.1	150	-	150
Acquisition of an additional stake to hold 19.9% of the voting capital of Amp'd	1.1.2	25	-	25
Other (b)		71	-	71
		<u>246</u>	<u>-</u>	<u>246</u>
Total financial investments		1,769	(15)	1,754
Financial divestments				
Proceeds from sales of consolidated companies, after divested cash				
Early withdrawal of rental guarantees related to "Quartier 207" (June)	1.1.8	52	-	52
Divestiture of Colisée (July)	1.1.8	(39)	(63)	(102)
Divestiture of PSG (June)	1.1.1	(3)	(7)	(10)
Other (b)		(28)	(11)	(39)
		<u>(18)</u>	<u>(81)</u>	<u>(99)</u>
Sales of investments in equity affiliates				
Remaining 20% stake in Ypso (January)	1.1.1	(36)	-	(36)
Other (b)		12	-	12
		<u>(24)</u>	<u>-</u>	<u>(24)</u>
Decrease in financial assets				
Merger Cegetel - Neuf Telecom: reimbursement of all bonds issued by Neuf Telecom (including €3 million interest, March)	1.1.1	(183)	-	(183)
Sogecable shares brought to Prisa as part of partial take-over bid (March), net of acquisitions on the market		(10)	-	(10)
Divestiture of DuPont shares on the market (June)	1.1.5	(534)	-	(534)
Divestiture of Veolia Environnement shares on the market (July)	1.1.2	(861)	-	(861)
Other (b)		12	-	12
		<u>(1,576)</u>	<u>-</u>	<u>(1,576)</u>
Total financial divestments		(1,618)	(81)	(1,699)
Dividends received from equity affiliates		(267)	-	(267)
Dividends received from unconsolidated companies		(30)	-	(30)
Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets		€ (146)	€ (96)	(242)
Capital expenditures		1,397	-	1,397
Proceeds from sales of property, plant, equipment and intangible assets		(23)	-	(23)
Change in net working capital related to property, plant, equipment and intangible assets		(76)	-	(76)
Investing activities in the first nine months of 2006		€ 1,152	€ (96)	1,056

- (a) "Other" comprises commitments to purchase minority interests, derivative financial instruments and cash deposits backing borrowings.
- (b) Including acquisition and divestiture fees.

4.3 Cash Flows Used for Financing Activities

In the first nine months of 2006, financing activities contributed €2,271 million to the increase in Financial Net Debt. Please refer to Notes 14 and 15 of the notes to the Condensed Financial Statements for the nine months ended September 30, 2006.

(In millions of euros)	Impact on cash and cash equivalents	Impact on borrowings and other (a)	Impact on Financial Net Debt
Dividends and other transactions with shareholders			
Net proceeds from issuance of common shares	(41)	-	(41)
(Sales) purchases of treasury shares	(17)	-	(17)
Dividends paid by Vivendi SA, €1 per share (May) (b)	1,152	-	1,152
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders			
SFR (March/May/September) (c)	473	-	473
Maroc Telecom (May/June) (d)(e)	425	-	425
Canal+ Group	132	-	132
Other subsidiaries	4	-	4
	<u>1,034</u>	<u>-</u>	<u>1,034</u>
Dividends and other transactions with shareholders	€ 2,128	€ -	€ 2,128
Transactions on borrowings and other financial liabilities			
Setting up of long-term borrowings and increase in other long-term financial liabilities			
Setting up			
SFR - €300 million notes (April) (f)	(300)	300	-
	<u>(300)</u>	<u>300</u>	<u>-</u>
Principal payment on long-term borrowings and decrease in other long-term financial liabilities			
Payments			
SFR - €1.2 billion revolving credit facility	200	(200)	-
Other	21	(21)	-
	<u>221</u>	<u>(221)</u>	<u>-</u>
Principal payments on short-term borrowings			
Vivendi - Bonds reimbursement	305	(305)	-
Maroc Telecom - MAD 6 billions notes - Tranche A: 2 billions (May)	182	(182)	-
Other	165	(165)	-
	<u>652</u>	<u>(652)</u>	<u>-</u>
Other changes in short-term borrowings and other short-term financial liabilities			
Vivendi - Issuance of treasury bills	(75)	75	-
Other	(148)	148	-
	<u>(223)</u>	<u>223</u>	<u>-</u>
Other activities with no cash impact	-	(2)	(2)
Derivative instruments and commitments to repurchase minority interests			
Other	-	30	30
	<u>-</u>	<u>30</u>	<u>30</u>
Interest paid	161	-	161
Other cash items related to financing activities	(49)	3	(46)
	<u>462</u>	<u>(319)</u>	<u>143</u>
Transactions on borrowings and other financial liabilities	€ 2,590	€ (319)	€ 2,271
Financing activities in the first nine months of 2006			

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

(b) Includes the dividend paid by Vivendi SA to its shareholders in an amount of €1,147 million (please refer to Section 1.1.8) and the compensation paid to the shareholders of Vivendi Exchangeco. (former Seagram shareholders) for €5 million.

(c) In the first nine months of 2006, SFR paid €1,075 million as an interim dividend with respect to fiscal year 2006, including €473

million paid to its minority shareholder.

- (d) In the first nine months of 2006, Maroc Telecom paid dividends of €552 million, including €271 million paid to its minority shareholders.
- (e) The Combined Shareholders' Meeting of Maroc Telecom held on March 30, 2006 decided to decrease the share capital by MAD 3.5 billion, or €315 million. Payments to shareholders, including €154 million to minority shareholders, took place in June.
- (f) On April 25, 2006, SFR issued €300 million notes at Euribor 3 months +0.08%, maturing in October 2007.

Other borrowings in 2006

On August 3, 2006, Vivendi set up a €2 billion syndicated loan for a 5-year term, which can be extended by two years subject to the lenders' approval. As at November 14, 2006, date of Vivendi's Management Board meeting which approved the financial statements for the first nine months of 2006, this facility was undrawn. The loan contains customary provisions related to default, negative pledge and restrictions in terms of merger and divestiture transactions. This loan is also subject to the same financial ratios as the €2 billion credit line set up in April 2005. Concurrently with this implementation, the €900 million syndicated loan set up in April 2006 was cancelled.

On October 3rd, 2006, Vivendi issued €1.2 billion notes. These notes are denominated in euros and comprise two tranches (1) €700 million with a 5-year maturity at a variable rate of Euribor 3 months + 50 basis points and (2) €500 million at a fixed rate: the latter, which have a 7-year maturity and a 4.5% coupon, have been issued at a price of 99.366%. The notes, listed on the Luxembourg Stock Exchange, are subject to customary *pari passu*, negative pledge and event of default provisions. The bonds contain a change of control clause subject to a downgrade of their rating below the investment grade status (Baa3/BBB-) resulting from such an event.

On October 31, 2006, SFR issued notes for €400 million with a 2-year maturity.

Other undrawn facilities in 2006

On April 29, 2005, in order to benefit from favorable bank credit market conditions, Vivendi set up a €2 billion syndicated loan, to refinance its €2.5 billion syndicated loan. With an initial term of 5 years, the loan was extended by one year until April 2011. In February 2007, this syndicated loan can be extended by one more year until April 2012. As at November 14, 2006, date of Vivendi's Management Board meeting which approved the financial statements for the nine months ended September 30, 2006, *this facility was undrawn*.

Furthermore, SFR set up a €1.2 billion credit facility in July 2004 for an initial 5-year term (April 2010 maturity), renewed in 2005 until April 2011 as well as a 5-year credit facility of €450 million in November 2005 (November 2010 maturity that can be extended by two years). As at November 14, 2006, date of Vivendi's Management Board meeting which approved the financial statements for the nine months ended September 30, 2006, these two facilities were undrawn.

Covenants

Vivendi and its subsidiary SFR are subject to certain financial covenants, described in Section 4.3 of Management Board's Operating and Financial Review and Prospects, which require them to maintain various financial ratios computed at the end of each half-year. As at June 30, 2006, both Vivendi and SFR were in compliance with the applicable financial ratios.

5 FORWARD LOOKING STATEMENTS

This report contains forward-looking statements with respect to the financial condition, results of operations, business, strategy and plans of Vivendi. Although Vivendi believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside our control, including, but not limited to, the risks described in the documents Vivendi filed with the Autorité des Marchés Financiers (French securities regulator) and which are also available in English on our web site (www.vivendi.com). Investors and security holders may obtain a free copy of documents filed by Vivendi with the Autorité des Marchés Financiers at www.amf-france.org, or directly from Vivendi. The present forward-looking statements are made as of the date of the present report and Vivendi disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

II - Appendix to Operating and Financial Review and Prospects

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 for 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 EBITA 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.

1 Reconciliation of Revenues and EBITA as Published to Revenues and EBITA on a Comparable Basis for the Three Months ended September 30, 2005

	Three Months Ended September 30, 2005					Comparable basis
	As published	Divestiture of Canal+ assets (a)	SFR distribution subsidiaries	SFR phone directory activities	Other	
(In millions of euros)						
Revenues						
Universal Music Group	1,119	-	-	-	-	1,119
Vivendi Games	158	-	-	-	-	158
Canal+ Group	863	(23)	-	-	-	840
SFR	2,236	-	4	(8)	3	2,235
Maroc Telecom	503	-	-	-	-	503
Non core operations and elimination of inter segment transactions	(5)	-	-	-	-	(5)
Total Vivendi	€ 4,874	€ (23)	€ 4	€ (8)	€ 3	€ 4,850
EBITA						
Universal Music Group	124	-	-	-	-	124
Vivendi Games	11	-	-	-	-	11
Canal+ Group	97	-	-	-	-	97
SFR	692	-	-	-	-	692
Maroc Telecom	231	-	-	-	-	231
Holding & Corporate	(77)	-	-	-	-	(77)
Non core operations	(3)	-	-	-	-	(3)
Total Vivendi	€ 1,075	€ -	€ -	€ -	€ -	€ 1,075
EBITA / Revenues (%)	22.1%					22.2%

(a) Mainly included the Paris Saint-Germain soccer club.

2 Reconciliation of Revenues and EBITA as Published to Revenues and EBITA on a Comparable Basis for the Nine Months ended September 30, 2005

	Nine Months Ended September 30, 2005					Comparable basis
	As published	Divestiture of Canal+ assets (a)	SFR distribution subsidiaries	SFR phone directory activities	Other	
(In millions of euros)						
Revenues						
Universal Music Group	3,211	-	-	-	-	3,211
Vivendi Games	396	-	-	-	-	396
Canal+ Group	2,560	(98)	-	-	-	2,462
SFR	6,475	-	13	(24)	-	6,464
Maroc Telecom	1,380	-	-	-	-	1,380
Non core operations and elimination of inter segment transactions	(17)	-	-	-	-	(17)
Total Vivendi	€ 14,005	€ (98)	€ 13	€ (24)	€ -	€ 13,896
EBITA						
Universal Music Group	365	-	-	-	-	365
Vivendi Games	30	-	-	-	-	30
Canal+ Group	295	(7)	-	-	-	288
SFR	2,032	-	-	-	-	2,032
Maroc Telecom	583	-	-	-	-	583
Holding & Corporate	(133)	-	-	-	-	(133)
Non core operations	24	-	-	-	-	24
Total Vivendi	€ 3,196	€ (7)	€ -	€ -	€ -	€ 3,189
EBITA / Revenues (%)	22.8%					22.9%

(a) Mainly included the Paris Saint-Germain soccer club and NC Numéricâble.

3 Changes in Presentation and New Options in the Adoption of IFRS

Other than changes in presentation with respect to the Group's performance indicators as at June 30, 2006 presented in the preliminary notes of the Management Board's Operating and Financial Review and Prospects, the Group has elected to apply certain new options in the adoption of the IFRS standards and several reclassifications were made in the fourth quarter of 2005, leading to a change in the Consolidated financial statements for the nine months ended September 30, 2005 in order to harmonize the presentation with the Consolidated Financial Statements for the nine months ended September 30, 2006.

For a description of accounting options related to the first adoption of IFRS and the changes since the publication of IFRS preliminary information published in the first nine months of 2005, please refer to Section 2 "First-time adoption of IFRS" of the Management Board's Operating and Financial Review and Prospects for the years ended December 31, 2005 and 2004 – Chapter 4 of the *Document de Référence* filed with the AMF on March 28, 2006 under number D 06-178 (pages 130 *et seq.*).

Summary tables of impacts of these adjustments on IFRS EBITA for the first nine months of 2005 and 2005:

Nine Months Ended September 30, 2005						
	IFRS Earnings from operations as published as at November 17, 2005	Retrospective application of IFRS 2 (IFRS 1, §25B, 25C)	Reclassification of the financial component of employee benefit plans (IAS 19, §119)	IFRS Earnings from operations after changes (a)	Reversal of amortization of intangible assets acquired through business combinations	IFRS EBITA (a)
(in millions of euros)						
Universal Music Group	213	(2)	8	219	146	365
Vivendi Games	20	-	-	20	10	30
Canal+ Group	295	-	-	295	-	295
SFR	2,032	-	-	2,032	-	2,032
Maroc Telecom	565	-	-	565	18	583
Holding & Corporate	(150)	(2)	19	(133)	-	(133)
Non core operations	24	-	-	24	-	24
Total Vivendi	€ 2,999	€ (4)	€ 27	€ 3,022	€ 174	€ 3,196

Full Year Ended December 31, 2005					
	IFRS Earnings from operations as published	Reversal of amortization of intangible assets acquired through business combinations		IFRS EBITA (a)	
(in millions of euros)					
Universal Music Group	480	201		681	
Vivendi Games	41	14		55	
Canal+ Group	203	-		203	
SFR	2,422	-		2,422	
Maroc Telecom	762	24		786	
Holding & Corporate	(195)	-		(195)	
Non core operations	33	-		33	
Total Vivendi	€ 3,746	€ 239		€ 3,985	

(a) For a detailed definition of EBITA, please refer to preliminary comments of the Management Board's Operating and Financial Review and Prospects.

Summary table of impacts of these adjustments on IFRS Adjusted Net Income for the first nine months of 2005 and 2005:

	Nine Months Ended September 30, 2005	Full Year Ended December 31, 2005
(in millions of euros)		
IFRS Adjusted net income as previously published	1,687	2,078
Reversal of amortization of intangible assets acquired through business combinations (a)	103	140
Retrospective application of IFRS 2 (IFRS 1, §25B, 25C) (a)	(4)	-
Reclassification of the financial component of employee benefit plans (IAS 19, §119) (a)	27	-
IFRS Adjusted net income, attributable to the equity holders of the parent (new definition)	€ 1,813	€ 2,218

(a) Net of taxes and minority interests, if any.

In addition, only the retrospective application of IFRS 2 to all stock option plans had a -€4 million impact on earnings, attributable to equity holders of the parent for the nine months ended September 30, 2005 (which decreased from €1,907 million to €1,903 million). Earnings, attributable to equity holders of the parent for the year ended December 31, 2005 remained unchanged at €3,154 million.

Disclaimer: this English language translation of the first nine months of 2006 Operating and Financial Review and Prospects and of the Unaudited Condensed Financial Statements for the nine months ended September 30, 2006 prepared under IFRS is provided solely for the convenience of English-speaking readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. Vivendi, its representatives and employees decline all responsibility in this regard.

III – Unaudited Condensed Financial Statements for the Nine Months Ended September 30, 2006

Consolidated Statement of Earnings for the Three Months and the Nine Months Ended September 30, 2006 and September 30, 2005 (Unaudited) and the Year Ended December 31, 2005

	Note	Three months ended September 30		Nine months ended September 30		Year Ended
		2006	2005	2006	2005	December 31, 2005
(In millions of euros, except per share amounts)						
Revenues	3	€ 4,889	€ 4,874	€ 14,499	€ 14,005	€ 19,484
Cost of revenues		(2,301)	(2,550)	(6,984)	(6,988)	(9,898)
Selling, general and administrative expenses		(1,373)	(1,299)	(4,054)	(4,022)	(5,807)
Restructuring charges and other operating charges and income		31	(12)	20	27	(33)
Impairment losses of intangible assets acquired through business combinations		-	-	-	(154)	(170)
Earnings before interest and income taxes (EBIT)		1,246	1,013	3,481	2,868	3,576
Income from equity affiliates		90	53	245	225	326
Interest	4	(46)	(66)	(161)	(167)	(218)
Income from investments	4	5	14	51	56	75
Other financial charges and income	4	737	31	218	271	619
Earnings from continuing operations before provision for income taxes		2,032	1,045	3,834	3,253	4,378
Provision for income taxes	5	(133)	(152)	518	(537)	(204)
Earnings from continuing operations		1,899	893	4,352	2,716	4,174
Earnings from discontinued operations	6	-	141	-	107	92
Earnings		1,899	1,034	4,352	2,823	4,266
<i>Attributable to :</i>						
Equity holders of the parent		1,561	646	3,423	1,903	3,154
Minority interests		338	388	929	920	1,112
Earnings from continuing operations, attributable to the equity holders of the parent per share - basic (in euros)	7	€ 1.35	€ 0.50	€ 2.97	€ 1.61	€ 2.70
Earnings from continuing operations, attributable to the equity holders of the parent per share - diluted (in euros)	7	€ 1.34	€ 0.50	€ 2.94	€ 1.60	€ 2.68
Earnings from discontinued operations per share - basic (in euros)	7	€ -	€ 0.12	€ -	€ 0.09	€ 0.08
Earnings from discontinued operations per share - diluted (in euros)	7	€ -	€ 0.12	€ -	€ 0.09	€ 0.08
Earnings, attributable to the equity holders of the parent per share - basic (in euros)	7	€ 1.35	€ 0.56	€ 2.97	€ 1.66	€ 2.74
Earnings, attributable to the equity holders of the parent per share - diluted (in euros)	7	€ 1.34	€ 0.56	€ 2.94	€ 1.64	€ 2.72
Adjusted net income, attributable to equity holders of the parent	7	€ 731	€ 570	€ 2,109	€ 1,813	€ 2,218
Adjusted net income, attributable to equity holders of the parent per share - basic (in euros)	7	€ 0.63	€ 0.50	€ 1.83	€ 1.58	€ 1.93
Adjusted net income, attributable to equity holders of the parent per share - diluted (in euros)	7	€ 0.63	€ 0.49	€ 1.81	€ 1.57	€ 1.91

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

Consolidated Statement of Financial Position as at September 30, 2006 (Unaudited) and December 31, 2005

(In millions of euros)	Note	September 30, 2006	December 31, 2005
ASSETS			
Goodwill	8	€ 13,600	€ 13,796
Non current content assets	9	2,219	2,462
Other intangible assets		2,204	1,937
Property, plant and equipment		4,257	4,331
Investments in equity affiliates	11	6,985	6,856
Non current financial assets	12	1,548	3,783
Deferred tax assets		2,022	1,784
Non current assets		32,835	34,949
Inventories	13	391	375
Current tax receivables		12	822
Current content assets	9	1,036	790
Trade accounts receivable and other	13	4,171	4,531
Short-term financial assets	12	318	114
Cash and cash equivalents		2,141	2,902
Current assets		8,069	9,534
TOTAL ASSETS		€ 40,904	€ 44,483
EQUITY AND LIABILITIES			
Share capital		€ 6,356	€ 6,344
Additional paid-in capital		6,981	6,939
Retained earnings and other		6,245	5,486
Equity, attributable to Vivendi's shareholders		19,582	18,769
Minority interests		1,910	2,839
Total equity		21,492	21,608
Non current provisions		1,198	1,220
Long-term borrowings and other financial liabilities	14	3,765	4,545
Deferred tax liabilities		1,246	3,476
Other non current liabilities	13	1,329	1,342
Non current liabilities		7,538	10,583
Trade accounts payable and other	13	8,320	8,737
Current tax payables		614	762
Current provisions		426	578
Short-term borrowings and other financial liabilities	15	2,514	2,215
Current liabilities		11,874	12,292
Total liabilities		19,412	22,875
Contractual obligations and contingent assets and liabilities	17	-	-
TOTAL EQUITY AND LIABILITIES		€ 40,904	€ 44,483

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

Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2006 and September 30, 2005 (Unaudited) and the Year Ended December 31, 2005

(In millions of euros)	Note	Nine months ended September 30,		Year ended
		2006	2005	December 31, 2005
Operating activities:				
EBIT		€ 3,481	€ 2,868	€ 3,576
Adjustments	16	1,090	1,230	1,528
Content investments, net	9	(169)	(56)	(15)
Gross cash provided by operating activities before income tax paid		4,402	4,042	5,089
Other changes in net working capital	13	(320)	(145)	(33)
Net cash provided by operating activities before income tax paid		€ 4,082	€ 3,897	€ 5,056
Income tax paid		(1,075)	(1,105)	(1,386)
Net cash provided by operating activities		€ 3,007	€ 2,792	€ 3,670
Investing activities:				
Capital expenditures		(1,397)	(929)	(1,580)
Purchases of consolidated companies, after acquired cash		(1,014)	(1,215)	(1,406)
Purchases of investments in equity affiliates		(509)	-	-
Increase in financial assets		(246)	(310)	-
Investments		€ (3,166)	€ (2,454)	€ (2,986)
Proceeds from sales of property, plant, equipment and intangible assets		23	88	89
Proceeds from sales of consolidated companies, after divested cash		18	(392)	(200)
Sales of investments in equity affiliates		24	-	54
Decrease in financial assets		1,576	71	226
Divestments		€ 1,641	€ (233)	€ 169
Assets held for sale	6	-	-	-
Changes in net working capital related to property, plant, equipment and intangible assets	13	76	5	199
Dividends received from equity affiliates		267	354	355
Dividends received from unconsolidated companies		30	31	37
Net cash provided by (used for) investing activities		€ (1,152)	€ (2,297)	€ (2,226)
Financing activities:				
Net proceeds from issuance of common shares		41	28	39
Sales (purchases) of treasury shares		17	(96)	(108)
Dividends paid by Vivendi S.A. to its shareholders		(1,152)	(689)	(689)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders		(1,034)	(767)	(965)
Dividends and other transactions with shareholders		€ (2,128)	€ (1,524)	€ (1,723)
Setting up of long-term borrowings and increase in other long-term financial liabilities		300	2,348	2,380
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		(221)	(1,739)	(1,649)
Principal payment on short-term borrowings		(652)	(383)	(963)
Other changes in short-term borrowings and other short-term financial liabilities		223	414	920
Interest paid		(161)	(167)	(218)
Cash items related to financing activities		49	(408)	(485)
Transactions on borrowings and other financial liabilities		€ (462)	€ 65	€ (15)
Net cash provided by (used for) financing activities		(2,590)	(1,459)	(1,738)
Foreign currency translation adjustments		(26)	21	37
Net cash related to discontinued operations	6	-	-	-
Change in cash and cash equivalents		€ (761)	€ (943)	€ (257)
Cash and cash equivalents:				
At beginning of the period		€ 2,902	€ 3,159	€ 3,159
At end of the period		€ 2,141	€ 2,216	€ 2,902

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

Consolidated Statement of Changes in Equity for the Nine Months Ended September 30, 2006 and September 30, 2005 (Unaudited) and the Year Ended December, 31 2005

Nine Months Ended September 30, 2006

(In millions of euros, except number of shares)	Note	Attributable to Vivendi S.A. shareholders								Equity, attributable to equity holders of the parent	Minority interests	Total equity
		Common shares		Additional paid- in capital	Retained Earnings and Other				Total			
		Number of shares (In thousands)	Amount		Retained earnings	Net unrealized gains (losses)	Foreign currency translation	Treasury shares				
BALANCE AS AT DECEMBER 31, 2005		1,153,477	€ 6,344	€ 6,939	€ 5,342	€ 899	€ (702)	€ (53)	€ 5,486	€ 18,769	€ 2,839	€ 21,608
Dividends paid by Vivendi S.A. (€1.0 per share)		-	-	-	(1,152) (a)	-	-	-	(1,152)	(1,152)	-	(1,152)
Other transactions with shareholders		2,154 (b)	12	42	(46) (c)	-	-	25	(21)	33	-	33
Dividends and other transactions with Vivendi SA shareholders		2,154	12	42	(1,198)	-	-	25	(1,173)	(1,119)	-	(1,119)
Acquisition of an additional 7.7% stake in USH I	2.1	-	-	-	-	-	-	-	-	-	(832)	(832)
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests		-	-	-	-	-	-	-	-	-	(1,034)	(1,034)
Other transactions with minority interests		-	-	-	-	-	-	-	-	-	4	4
Transactions with minority interests		-	-	-	-	-	-	-	-	-	(1,862)	(1,862)
Earnings		-	-	-	3,423	-	-	-	3,423	3,423	929	4,352
Charges and income directly recognized in equity		-	-	-	7	(829)	(669) (d)	-	(1,491)	(1,491)	4	(1,487)
Total recognized charges and income for the period		-	-	-	3,430	(829)	(669)	-	1,932	1,932	933	2,865
Total changes over the period		2,154	12	42	2,232	(829)	(669)	25	759	813	(929)	(116)
BALANCE AS AT SEPTEMBER 30, 2006		1,155,631	€ 6,356	€ 6,981	€ 7,574	€ 70	€ (1,371)	€ (28)	€ 6,245	€ 19,582	€ 1,910 (e)	€ 21,492

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

- (a) Including €5 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).
- (b) Corresponding to capital increases subscribed by employees in connection with the stock purchase plan (€30 million for approximately 1.5 million shares) or stock option plans (€10 million for approximately 0.7 million shares)
- (c) Including the counterpart of the share-based compensation cost related to equity-settled instruments for the period (€34 million) and the reclassification of the estimated value of the vested rights as at May 15, 2006 of the ADS option plans, converted into SAR plans in liabilities, as non current provisions (-€67 million).
- (d) Including changes in foreign currency translation adjustments relating to the investment in NBC Universal of -€-473 million.
- (e) Including cumulative foreign currency translation adjustments of -€25million.

Nine Months Ended September 30, 2005

(In millions of euros, except number of shares)	Attributable to Vivendi S.A. shareholders									Minority interests	Total equity
	Common shares		Additional paid-in capital	Retained Earnings and Other				Equity attributable to equity holders of the parent			
	Number of shares (In thousands)	Amount		Retained earnings	Net unrealized gains (losses)	Foreign currency translation	Treasury shares		Total		
BALANCE AS AT DECEMBER 31, 2004	1,072,624	€ 5,899	€ 7,313	€ 2,929	€ 910	€ (1,593)	€ (9)	€ 2,237	€ 15,449	€ 2,643	€ 18,092
Dividends paid by Vivendi S.A. (€0.6 per share)	-	-	-	(689) (a)	-	-	-	(689)	(689)	-	(689)
Other transactions with shareholders	1,494	8	42	24	-	-	(44)	(20)	30	-	30
Dividends and other transactions with Vivendi SA shareholders	1,494	8	42	(665)	-	-	(44)	(709)	(659)	-	(659)
Acquisition of an additional 16% stake in Maroc Telecom	-	-	-	-	-	-	-	-	-	(38)	(38)
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	-	(768)	(768)
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	(13)	(13)
Transactions with minority interests	-	-	-	-	-	-	-	-	-	(819)	(819)
Earnings	-	-	-	1,903	-	-	-	1,903	1,903	920	2,823
Charges and income directly recognized in equity	-	-	-	(18)	98	824 (b)	-	904	904	81	985
Total recognized charges and income for the period	-	-	-	1,885	98	824	-	2,807	2,807	1,001	3,808
Total changes over the period	1,494	8	42	1,220	98	824	(44)	2,098	2,148	182	2,330
BALANCE AS AT SEPTEMBER 30, 2005	1,074,118	€ 5,907	€ 7,355	€ 4,149	€ 1,008	€ (769)	€ (53)	€ 4,335	€ 17,597	€ 2,825 (c)	€ 20,422

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

- (a) Including €47 million paid to the bondholders of ORA (November 2005) and €3 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).
- (b) Including changes in foreign currency translation adjustments relating to the investment in NBC Universal of €650 million.
- (c) Including cumulative foreign currency translation adjustments of -€18 million.

Year ended December 31, 2005

	Attributable to Vivendi S.A. shareholders										Minority interests	Total equity
	Common shares		Retained Earnings and Other						Equity, attributable to equity holders of the parent			
	Number of shares (In thousands)	Amount	Additional paid-in capital	Retained earnings	Net unrealized gains (losses)	Foreign currency translation adjustments	Treasury shares	Total				
(In millions of euros, except number of shares)												
BALANCE AS AT 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)	78,672	433	(433)	-	-	-	-	-	-	-	-	
Dividends paid by Vivendi S.A. (€0.6 per share)	-	-	-	(689) (a)	-	-	-	(689)	(689)	-	(689)	
Other transactions with shareholders	2,181	12	59	12	-	-	(44)	(32)	39	-	39	
Dividends and other transactions with Vivendi SA shareholders	80,853	445	(374)	(677)	-	-	(44)	(721)	(650)	-	(650)	
Acquisition of an additional 16% stake in Maroc Telecom	-	-	-	-	-	-	-	-	-	(38)	(38)	
Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	-	(965)	(965)	
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	(18)	(18)	
Transactions with minority interests	-	-	-	-	-	-	-	-	-	(1,021)	(1,021)	
Earnings	-	-	-	3,154	-	-	-	3,154	3,154	1,112	4,266	
Charges and income directly recognized in equity	-	-	-	(64)	(11)	891 (b)	-	816	816	105	921	
Total recognized charges and income for the period	-	-	-	3,090	(11)	891	-	3,970	3,970	1,217	5,187	
Total changes over the period	80,853	445	(374)	2,413	(11)	891	(44)	3,249	3,320	196	3,516	
BALANCE AS AT DECEMBER 31, 2005	1,153,477	€ 6,344	€ 6,939	€ 5,342	€ 899	€ (702)	€ (53)	€ 5,486	€ 18,769	€ 2,839 (c)	€ 21,608	

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

- (a) Including €47 million paid to the bondholders of ORA (November 2005) and €3 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).
- (b) Including changes in foreign currency translation adjustments relating to the investment in NBC Universal of €761 million.
- (c) Including cumulative foreign currency translation adjustments of €2 million.

Statement of Recognized Charges and Income for the Nine Months Ended September 30, 2006 and September 30, 2005 and Year Ended December 31, 2005 (Unaudited)

	Note	Nine months ended September 30, 2006			Nine months ended September 30, 2005			Year Ended December 31, 2005		
		Charges and income recorded over the period	Attributable to :		Charges and income recorded over the period	Attributable to :		Charges and income recorded over the period	Attributable to :	
			Vivendi SA 's shareholders	Minority interests		Vivendi SA 's shareholders	Minority interests		Vivendi SA 's shareholders	Minority interests
(In millions of euros)										
Earnings		4,352	3,423	929	2,823	1,903	920	4,266	3,154	1,112
- Foreign currency translation adjustments		(703)	(669)	(34)	915	824	91	1,002	891	111
. Assets available for sale	12	(847)	(847)	-	56	56	-	(87)	(86)	(1)
- Valuation gains/(losses) taken to equity		(7)	(7)	-	56	56	-	170	171	(1)
- Transferred to profit or loss on divestiture		(840)	(840)	-	-	-	-	(257)	(257)	-
. Cash flow hedges		2	(1)	3	(1)	(1)	-	(1)	(1)	-
. Tax		18	19	(1)	43	43	-	76	76	-
- Unrealized gains (losses)		(827)	(829)	2	98	98	-	(12)	(11)	(1)
. Charges and income directly recorded in equity related to equity affiliates	11	13	13	-	4	2	2	(11)	(10)	(1)
. Other		30	(6)	36	(32)	(20)	(12)	(58)	(54)	(4)
- Other impacts on retained earnings		43	7	36	(28)	(18)	(10)	(69)	(64)	(5)
Charges and income directly recognized in equity		(1,487)	(1,491)	4	985	904	81	921	816	105
Total recognized charges and income for the period		2,865	1,932	933	3,808	2,807	1,001	5,187	3,970	1,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On November 14, 2006, Vivendi's Management Board approved the Condensed Financial Statements for the nine months ended September 30, 2006.

Note 1. Accounting policies and valuation methods

The unaudited condensed financial statements for the nine months ended September 30, 2006 should be read in conjunction with the audited consolidated financial statements of Vivendi for the year ended December 31, 2005, as published in the 2005 "Document de Référence" (annual report) that was filed under number D.06-178 with the "Autorité des marchés financiers" (AMF) on March 28, 2006 ("the 2005 Document de Référence") and the unaudited condensed financial statements of the first half of 2006.

1.1. Interim financial statements

The consolidated financial statements of Vivendi for the first nine months of 2006 are presented and have been prepared based on the provisions of IAS 34 "Interim financial reporting" as approved by the European Union. As a result, Vivendi applied the same accounting methods used for the consolidated financial statements for the year ended December 31, 2005 (please refer to note 1 "Accounting policies and valuation methods" presented in those financial statements) and the following provisions were applied:

- Provisions for income taxes have been calculated on the basis of the estimated effective annual tax rate applied to the pre-tax earnings adjusted for any items subjected to a lower tax rate. However, where a lower tax rate is applicable, the current rate has been used for the calculation. The assessment of the annual effective tax rate takes into consideration notably the recognition of anticipated deferred tax assets for the full year which were not previously recognized.
- Compensation costs recorded for stock options, employee benefits and profit-sharing have been included on a pro rata basis of the estimated cost for the year, adjusted for non-recurring events which occurred over the period, if necessary.

The accompanying condensed financial statements for the nine months ended September 30, 2006 are unaudited but, in the opinion of management, contain all items (consisting of normal recurring accruals) considered necessary to present a fair statement of the Group's financial position, the results of operations and cash flows for the period.

1.2. Changes in Presentation

As of June 30, 2006, considering the practices of major European companies with respect to the application of IFRS and the accounting impact of acquisitions, Vivendi has made the following changes to the presentation of its consolidated statement of earnings and its consolidated statement of cash flows as well as the operating performances of its business segments and of the Group. Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented.

1.2.1 Change in presentation of the consolidated statement of earnings

Vivendi Management has decided to simplify the consolidated statement of earnings presentation by eliminating certain subtotals which are not currently used. Pursuant to IAS 1, the main account headings presented in the consolidated statement of earnings of Vivendi are revenues, income from equity affiliates, interest, provision for income taxes, earnings from discontinued operations and earnings.

In addition, the presentation of the consolidated statement of earnings now includes a subtotal known as "EBIT". EBIT is defined as the difference between charges and income that do not result from financial activities, equity affiliates, discontinued operations and tax. As a result, EBIT includes the following items:

- revenues,*
- cost of revenues,*
- selling, general and administrative expenses,* which include costs related to employee benefit plans (excluding the financial component) and share-based payments,
- restructuring costs,
- changes in the fair value of foreign currency hedging instruments relating to operating activities,
- proceeds from disposals of property, plant and equipment and intangible assets,

- amortization of intangibles acquired through business combinations,*
- impairment losses of goodwill and other intangibles acquired through business combinations*.

It does not include the following items:

- income from equity affiliates,*
- interest,*
- income from investments, including dividends received from unconsolidated interests as well as interest collected on current account advances to equity affiliates and loans to unconsolidated interests,*
- other financial charges and income,*
- earnings from discontinued operations,*
- provision for income taxes,*

* items as presented in the consolidated statement of earnings and segment data by business unit.

1.2.2 Change in presentation of the consolidated statement of cash flows

As a result of the change in presentation of the consolidated statement of earnings, Vivendi Management decided to change the presentation of the consolidated statement of cash flows in accordance with IAS 7.

- Net cash provided by operating activities

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

- Net cash used for investing activities

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

- Net cash used for financing activities

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

1.2.3 Change in presentation of the operating performance by business segment and of the Group

- EBITA

Vivendi Management evaluates the performance of the business segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Until June 30, 2006, segment earnings corresponded to earnings from operations of each business.

As of June 30, 2006, earnings from operations (EFO) was replaced by earnings before interest and income taxes (EBITA), a non-GAAP measure, as the key operating performance measure of the business units reported in the segment data. The difference between EBITA and previously published EFO consists in the amortization of intangible assets acquired through business combinations that is excluded from EBITA. The method for calculating EBITA therefore eliminates the accounting impact of the amortization of intangible assets acquired through business combinations and enables the operating performance of the business segments to be measured:

- on a comparable basis, regardless of whether their activity results from the company's internal growth or acquisitions ;
- on a basis closer to the cash that they generate, by eliminating accounting amortization with no cash impact.

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

- Adjusted net income attributable to equity holders of the parent

Vivendi considers adjusted net income, attributable to equity holders of the parent, a non-GAAP measure, as a relevant indicator of the Group's operating and financial performance. Vivendi Management uses adjusted net income, attributable to equity holders of the parent, because it provides a better illustration of the performance of continuing operations excluding most non-recurring and non-operating items.

Following the adoption of EBITA as the key operating performance measure of the business segments reported in the segment data, Vivendi Management decided to change the method for calculating adjusted net income by excluding amortization of intangible assets acquired through business combinations.

Adjusted net income, attributable to equity holders of the parent, includes the following items:

- EBITA,*
- income from equity affiliates,*
- interest,*
- income from investments, including dividends received from unconsolidated interests as well as interest collected on advances to equity affiliates and loans to unconsolidated interests,*
- as well as taxes and minority interests related to these items.

It does not include the following items:

- impairment losses of goodwill and other intangibles acquired through business combinations,*
- henceforth, the amortization of intangibles acquired through business combinations,*
- other financial charges and income,*
- earnings from discontinued operations,*
- provision for income taxes and minority interests relating to these adjustments,
- as well as non-recurring tax items (notably the changes in deferred tax assets relating to the Consolidated Global Profit Tax System, and the reversal of tax liabilities relating to tax years no longer open to audit or having been settled with the tax authorities).

** items as presented in the consolidated statement of earnings and segment data by business unit.*

1.3. New IFRS Applicable as of January 1, 2006

The new IFRS applicable as of January 1, 2006, as described in the note 1.6 to the notes to the audited consolidated financial statements of Vivendi for the year ended December 31, 2005, were not applicable the period.

Note 2. Changes in the Scope of Consolidation for the Nine Months Ended September 30, 2006

2.1. Purchase of the 7.7% stake held by Matsushita Electric Industrial Co, Ltd (MEI) in Universal Studios Holding I Corp.

On February 7, 2006, Vivendi finalized the acquisition of the 7.659% minority interest which Matsushita Electric Industrial Co, Ltd (MEI) held in Vivendi's subsidiary, Universal Studios Holding I Corp. (USHI) for a purchase consideration of \$1,154 million. USHI is a holding company located in the US, owned 92.341% by Vivendi. Its assets consist of Vivendi's main stakes in the US (excluding Vivendi Games): 100% of Universal Music Group (UMG), and 20% of NBC Universal (NBCU). Due to this transaction, Vivendi increased its control and interest in UMG from 92.3% to 100% and from 18.5% to 20% in NBCU.

The excess of the acquisition cost (€964 million) over the carrying amount of minority interests acquired (€832 million) was recognized as goodwill for €67 million allocated to UMG and as investment in equity affiliate NBC Universal for €65 million.

2.2. Increase in SFR's stake in Neuf Cegetel :

In the second and third quarters of 2006, SFR invested €410 million in strengthening its stake in Neuf Cegetel, which launched an IPO on October 24, 2006:

- SFR exercised its pre-emptive rights in May 2006, increasing its stake in Neuf Cegetel from 28.2% to 34.9% through the acquisition of part of the stake held by Telecom Italia and the stake held by a financial investor. The purchase consideration totaled €223 million plus a contingent earn-out clause based on the Neuf Cegetel IPO share price.
- In September 2006, SFR further increased its stake in Neuf Cegetel from 34.9% to 40.6% by purchasing the stake held by Belgacom. The purchase consideration totaled €187 million plus a contingent earn-out clause based on the Neuf Cegetel IPO share price.

Before the Neuf Cegetel IPO, SFR purchased approximately 5 million Neuf Cegetel shares from the Louis Dreyfus Group in an over-the-counter transaction at the IPO share price, representing a total consideration of €113 million. This enabled SFR to maintain its ownership interest in Neuf Cegetel, after completion of the share capital increases that accompanied the Neuf Cegetel IPO. In addition, as of September 13, 2006, a new shareholders' agreement between SFR and the Louis Dreyfus Group came into effect as of the date of the IPO. This agreement does not affect the governance of Neuf Cegetel. Please refer to Note 17 to the condensed financial statements for the nine months ended September 30, 2006. SFR continues to account for Neuf Cegetel using the equity method. Please refer to Note 11 "Investments in Equity Affiliates".

2.3. Divestiture of the Paris Saint-Germain soccer club

In June 2006, Canal+ Group sold the Paris Saint-Germain soccer club to Colony Capital for a total consideration of €26 million. This divestiture generated a capital loss of €15 million (including some impacts related to vendor warranties).

2.4. Stake in PTC

Due to the legal disputes opposing Elektrim Telekomunikacija (Telco), Vivendi, Deutsche Telekom and Elektrim SA, the legal uncertainty surrounding the ownership of Telco's stake in PTC prevents Telco from exercising joint control over PTC, as provided in the bylaws of PTC. As a result of this situation, Vivendi has not consolidated its stake in PTC.

In addition, the courts have rendered several unfavorable decisions against Telco (notably the decision of the Warsaw Court of Appeal on March 29, 2006, followed by the decision of the Court of Appeal on June 21, 2006 which cancelled the registration of Telco as a PTC shareholder on the Trade and Companies Registry and the decision on July 13, 2006 of the Trade and Companies Registry to re-instate Elektrim as a PTC shareholder). As a result, Vivendi has recognized a loss of €496 million on the PTC shares as at June 30, 2006. Please refer to Notes 4 "Financial charges and income", 12 "Financial Assets" and 18 "Litigations".

Notwithstanding these unfavorable decisions, Vivendi and Telco have continued to assert their legal rights by filing an appeal against the March 29, 2006 decision before the Polish Supreme Court and through other legal recourse, particularly compensatory, the outcome of which remains uncertain. On August 16, 2006, Telco obtained a decision which suspends the effects of the decision of March 29, 2006 until the appeal is examined by the Supreme Court. Please refer to Note 18 "Litigations".

2.5. Other

- Acquisition of Optimum, a UK film distribution company by StudioCanal in July 2006.

Note 3. Segment data

3.1. Business segment data

The Group's activities operate through different Media and Telecommunications businesses. Each business offers different products and services that are marketed through different channels. Given the unique customer base, technology, marketing and distribution requirements of these businesses, they are managed separately and represent the primary segment reporting level. As at September 30, 2006, Vivendi had five business segments: Universal Music Group, Vivendi Games, Canal+ Group, SFR, and Maroc Telecom.

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

- The segment "Holding & Corporate" includes the cost of Vivendi S.A.'s headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the businesses.
- Cegetel S.A.S. (divested on August 22, 2005) qualified as discontinued operations in 2005, pursuant to IFRS 5, paragraph 34.
- The segment "Non core operations" includes miscellaneous businesses outside Vivendi's core businesses (mainly Vivendi Valorisation), whose assets are being divested or liquidated and which are not sufficiently material to be disclosed as discontinued operations as required by IFRS 5.
- Inter-segment commercial relations are conducted on an arm's length basis on terms and conditions close to those which would be proposed by third parties.
- The business segments presented hereunder are identical to those appearing in the information given to Vivendi's Management and Supervisory Boards.

Vivendi presents segment data for five geographic areas, among which are four main geographic markets (France, Rest of Europe, US and Morocco), as well as the rest of the world.

3.1.1 Consolidated Statement of Earnings for the Nine Months Ended September 30, 2006 and September 30, 2005 and the Year Ended December 31, 2005

Nine months ended September 30, 2006

(In millions of euros)

	Universal Music Group	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding & Corporate	Non core operations	Eliminations	Total Vivendi
External revenues	€ 3,287	€ 478	€ 2,668	€ 6,495	€ 1,547	€ -	€ 24	€ -	€ 14,499
Inter-segments revenues	11	-	44	2	7	-	-	(64)	-
Revenues	€ 3,298	€ 478	€ 2,712	€ 6,497	€ 1,554	€ -	€ 24	€ (64)	€ 14,499
Operating expenses excluding amortization and depreciation	(2,818)	(367)	(2,255)	(3,781)	(645)	(43)	(23)	64	(9,868)
Sub-total (modified EBITDA)	€ 480	€ 111	€ 457	€ 2,716	€ 909	€ (43)	€ 1	€ -	€ 4,631
Restructuring charges	(10)	(2)	1	-	(30)	(1)	-	-	(42)
Gains (losses) on tangible and intangible assets	-	1	9	(12)	-	1	-	-	(1)
Other non recurring items	1	(1)	(1)	1	-	(3)	67	-	64
Sub-total	€ 471	€ 109	€ 466	€ 2,705	€ 879	€ (46)	€ 68	€ -	€ 4,652
Depreciation of tangible assets	(38)	(18)	(78)	(376)	(149)	(5)	(11)	-	(675)
Amortization of intangible assets excluding those acquired through business combinations	-	(5)	(50)	(234)	(39)	(1)	-	-	(329)
Adjusted earnings before interest and income taxes (EBITA)	€ 433	€ 86	€ 338	€ 2,095	€ 691	€ (52)	€ 57	€ -	€ 3,648
Amortization of intangible assets acquired through business combinations	(149)	-	-	-	(18)	-	-	-	(167)
Impairment losses of intangible assets acquired through business combinations	-	-	-	-	-	-	-	-	-
Earnings before interest and income taxes (EBIT)	€ 284	€ 86	€ 338	€ 2,095	€ 673	€ (52)	€ 57	€ -	€ 3,481
Income from equity affiliates									245
Interest									(161)
Income from investments									51
Other financial charges and income									218
Provision for income taxes									518
Earnings from discontinued operations									-
Earnings									€ 4,352
Attributable to:									
Equity holders of the parent									3,423
Minority interests									929

Income from equity affiliates mainly comprised the Group's share in earnings of NBC Universal (€216 million), an investment allocated to the Holding & Corporate business segment.

Nine months ended September 30, 2005

(In millions of euros)

	Universal Music Group	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding & Corporate	Non core operations	Eliminations	Total Vivendi
External revenues	€ 3,201	€ 396	€ 2,519	€ 6,474	€ 1,372	€ 1	€ 42	€ -	€ 14,005
Inter-segments revenues	10	-	41	1	8	(1)	4	(63)	-
Revenues	€ 3,211	€ 396	€ 2,560	€ 6,475	€ 1,380	€ -	€ 46	€ (63)	€ 14,005
Operating expenses excluding amortization and depreciation	(2,798)	(343)	(2,134)	(3,875)	(599)	(116)	(57)	63	(9,859)
Sub-total (modified EBITDA)	€ 413	€ 53	€ 426	€ 2,600	€ 781	€ (116)	€ (11)	€ -	€ 4,146
Restructuring charges	(6)	(1)	1	-	(28)	2	2	-	(30)
Gain (losses) on tangible and intangible assets	5	-	3	(8)	-	11	(1)	-	10
Other non recurring items	-	-	-	-	-	(24)	46	-	22
Sub-total	€ 412	€ 52	€ 430	€ 2,592	€ 753	€ (127)	€ 36	€ -	€ 4,148
Depreciation of tangible assets	(47)	(13)	(88)	(351)	(108)	(6)	(11)	-	(624)
Amortization of intangible assets excluding those acquired through business combinations	-	(9)	(47)	(209)	(62)	-	(1)	-	(328)
Adjusted earnings before interest and income taxes (EBITA)	€ 365	€ 30	€ 295	€ 2,032	€ 583	€ (133)	€ 24	€ -	€ 3,196
Amortization of intangible assets acquired through business combinations	(146)	(10)	-	-	(18)	-	-	-	(174)
Earnings from operations	€ 219	€ 20	€ 295	€ 2,032	€ 565	€ (133)	€ 24	€ -	€ 3,022
Impairment losses of intangible assets acquired through business combinations	(33)	-	3	-	-	(124)	-	-	(154)
Earnings before interest and income taxes (EBIT)	€ 186	€ 20	€ 298	€ 2,032	€ 565	€ (257)	€ 24	€ -	€ 2,868
Income from equity affiliates									225
Interest									(167)
Income from investments									56
Other financial charges and income									271
Provision for income taxes									(537)
Earnings from discontinued operations									107
Earnings									€ 2,823
<i>Attributable to :</i>									
Equity holders of the parent									1,903
Minority interests									920

Income from equity affiliates mainly comprised the Group's share in earnings of NBC Universal (€255 million), an investment allocated to the Holding & Corporate business segment.

Earnings from discontinued operations comprised the Group's share in earnings of Cegetel S.A.S. (71.8%, i.e. -€29 million), recorded under SFR (please refer to Note 6 "Discontinued operations").

Year ended December 31, 2005

(In millions of euros)

	Universal Music Group	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding & Corporate	Non core operations	Eliminations	Total Vivendi
External revenues	€ 4,877	€ 641	€ 3,379	€ 8,683	€ 1,848	€ -	€ 56	€ -	€ 19,484
Inter-segments revenues	16	-	73	4	12	-	5	(110)	-
Revenues	€ 4,893	€ 641	€ 3,452	€ 8,687	€ 1,860	€ -	€ 61	€ (110)	€ 19,484
Operating expenses excluding amortization and depreciation	(4,133)	(555)	(3,083)	(5,478)	(804)	(149)	(61)	110	(14,153)
Sub-total (modified EBITDA)	€ 760	€ 86	€ 369	€ 3,209	€ 1,056	€ (149)	€ -	€ -	€ 5,331
Restructuring charges	(26)	(1)	1	-	(28)	2	1	-	(51)
Gains (losses) on tangible and intangible assets	8	-	(4)	(20)	-	11	-	-	(5)
Other non recurring items	-	(1)	2	-	-	(52)	47	-	(4)
Sub-total	€ 742	€ 84	€ 368	€ 3,189	€ 1,028	€ (188)	€ 48	€ -	€ 5,271
Depreciation of tangible assets	(61)	(18)	(96)	(478)	(195)	(7)	(15)	-	(870)
Amortization of intangible assets excluding those acquired through business combinations	-	(11)	(69)	(289)	(47)	-	-	-	(416)
Adjusted earnings before interest and income taxes (EBITA)	€ 681	€ 55	€ 203	€ 2,422	€ 786	€ (195)	€ 33	€ -	€ 3,985
Amortization of intangible assets acquired through business combinations	(201)	(14)	-	-	(24)	-	-	-	(239)
Earnings from operations	€ 480	€ 41	€ 203	€ 2,422	€ 762	€ (195)	€ 33	€ -	€ 3,746
Impairment losses of intangible assets acquired through business combinations	(50)	-	4	-	-	(124)	-	-	(170)
Earnings before interest and income taxes (EBIT)	€ 430	€ 41	€ 207	€ 2,422	€ 762	€ (319)	€ 33	€ -	€ 3,576
Income from equity affiliates									326
Interest									(218)
Income from investments									75
Other financial charges and income									619
Provision for income taxes									(204)
Earnings from discontinued operations									92
Earnings									€ 4,266
<i>Attributable to :</i>									
Equity holders of the parent									3,154
Minority interests									1,112

3.1.2

Consolidated statement of financial position as at September 30, 2006

(In millions of euros)	Universal Music Group	Vivendi Games	Canal+ Group	SFR	Maroc Telecom	Holding & Corporate	Non core operations	Total Vivendi
SEPTEMBER 30, 2006								
Segment assets (a)	€ 7,243	€ 383	€ 6,018	€ 12,111	€ 3,828	€ 6,943	€ 203	€ 36,729
<i>incl. investments in equity affiliates (b)</i>	26	-	2	892	-	6,065	-	6,985
Unallocated assets (c)								4,175
Total assets								40,904
Segment liabilities (d)	2,570	239	2,281	4,486	893	608	196	11,273
Unallocated liabilities (e)								8,139
Total liabilities								19,412
Capital expenditures	€ 29	€ 60	€ 109	€ 995	€ 203	€ 1	€ -	€ 1,397

In addition, segment data is presented in Note 8 "Goodwill" and Note 9 "Content assets and liabilities".

- (a) Including goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade accounts receivable and other.
- (b) Holding & Corporate included the 20% stake in NBC Universal.
- (c) Including deferred tax assets, current tax receivables, cash and cash equivalents and assets held for sale.
- (d) Including provisions, other non-current liabilities and trade accounts payable and other.
- (e) Included borrowings and other financial liabilities, deferred tax liabilities, current tax payables and liabilities associated with assets held for sale.

3.2. Geographic data

Information by geographic area is the second level of segment data. Revenues are presented based on the customers' location.

(In millions of euros)	Nine months ended September 30,			
	2006		2005	
Revenues				
France	€ 9,228	64%	€ 9,054	65%
Rest of Europe	1,239	9%	1,251	9%
US	1,740	12%	1,610	11%
Morocco	1,547	11%	1,318	9%
Rest of World	745	5%	772	6%
	€ 14,499	100%	€ 14,005	100%

Note 4. Financial Charges and Income for the Nine Months Ended September 30, 2006 and September 30, 2005 and the Year Ended December 31, 2005

4.1. Interest

(In millions of euros)

	Nine months ended September 30,		Year Ended December
	2006	2005	31, 2005
Interest expenses on borrowings	€ (213)	€ (194)	€ (262)
Interest income from cash and cash equivalents	49	26	45
Interest income (expenses) from interest rate swaps	3	1	(1)
Interest at nominal rate	€ (161)	€ (167)	€ (218)
<i>Premiums incurred for early redemption of notes and other financial liabilities (a)</i>	-	(71)	(71)
<i>Other impacts of amortized cost on borrowings (a)</i>	(16)	(46)	(44)
Interest at effective rate	(177)	(284)	(333)

- (a) Premiums incurred for early redemption of notes and other financial liabilities and other impacts of amortized costs on borrowings are recorded in other financial charges. Please refer note 4.3, hereafter.

4.2. Income from investments

(In millions of euros)

	Nine months ended September 30,		Year Ended December
	2006	2005	31, 2005
Dividends received from non consolidated companies	€ 36	€ 32	€ 38
Interest income from loans to equity affiliates and other financial receivables	15	24	37
Income from investments	€ 51	€ 56	€ 75

4.3. Other financial charges and income

(In millions of euros)

	Note	Nine months ended September 30,		Year Ended
		2006	2005	December 31, 2005
Premiums incurred for early redemption of notes and other financial liabilities		-	(71)	(71)
Other impacts of amortized cost on borrowings		(16)	(46)	(44)
Downside adjustment of the value of derivative instruments		(5)	(17)	(21)
Losses related to PTC shares	2.4	(496)	-	-
Capital loss on the divestiture of businesses or financial investments		(188)	(18)	(26)
Interest cost related to employee benefit plans		(54)	(57)	(75)
Effect of undiscounting other assets and liabilities		(10)	(9)	(13)
Other		(39)	(18)	(37)
Other financial charges		(808)	(236)	(287)
Upside adjustment of the value of derivative instruments		15	189	19
Capital gain on the divestiture of Veolia Environnement's shares	12	834	-	-
Other capital gain on the divestiture of businesses or financial investments		125	264	694
Expected return on assets of employee benefit plans		29	30	40
Other		23	24	153
Other financial income		1,026	507	906
Other financial charges and income		218	271	619

Note 5. Income Taxes for the Nine Months Ended September 30, 2006 and September 30, 2005 and the Year Ended December 31, 2005

5.1. Provision for income taxes

(In millions of euros)	Note	Nine months ended September 30,		Year Ended
		2006	2005	December 31, 2005
Provision for income taxes:				
DuPont shares tax litigation settlement	5.2	1,019	-	-
Impact of the Consolidated Global Profit Tax System		447 (a)	391	595
Other components of the provision for income taxes		(948)	(928)	(799)
Provision for income taxes		€ 518	€ (537)	€ (204)

- (a) Corresponding to 75% of the expected tax savings relating to the 2007 fiscal year. Nonetheless, the period during which losses will be relieved cannot currently be determined with sufficient precision given the uncertainty associated with any economic activity, in terms of both future results and scope of activities. Vivendi therefore values its tax losses carried forward under the Consolidated Global Profit Tax System based on one year's forecast results, based on the budget for the following year.

5.2. Settlement of tax litigation on DuPont shares

At the beginning of June 2006, Vivendi announced that it had reached an agreement with the US tax administration, the Internal Revenue Service (IRS), bringing to a close their dispute concerning the amount of tax due on the redemption of DuPont shares by Seagram in April 1995. The agreement reached with the IRS provided for a payment by Vivendi in the total amount of \$671 million (€521 million), including tax of \$284 million and interest payment of \$387 million, to settle this dispute.

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

- Reversal of the deferred tax liability of \$1,547 million, recorded by Seagram in April 1995, net of tax of \$284 million paid in connection with the agreement with the IRS, generating a capital gain of \$1,263 million. This deferred tax liability corresponds to the additional tax which would have been owed to the IRS if the redemption of DuPont shares in 1995 had been fully taxable.
- Reversal of the provision for interest in an amount of \$300 million (\$462 million before accounting for deductible interest or a savings of \$162 million), net of interest of \$252 million (\$387 million before accounting for deductible interest, or a savings of \$135 million) paid in connection with the agreement with the IRS, generating a capital gain of \$48 million. This interest was provided for by Vivendi in December 2000 as part of the allocation of the purchase cost of Seagram.

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

Note 6. Discontinued Operations for the Nine Months Ended September 30, 2005 and the Year Ended December 31, 2005

Combination of Cegetel S.A.S. and Neuf Telecom

Following the Cegetel and Neuf Telecom combination announced on May 11, 2005 and closed on August 22, 2005, Cegetel qualified as a discontinued operation pursuant to IFRS 5. Accordingly, the net earnings and expenses of the fixed-line telephony activity were deconsolidated as of January 1, 2004 and were presented netted, 71.8% in earnings from discontinued operations and 28.2% in income from equity affiliates. On August 22, 2005, the capital gain on the divestiture of 71.8% of Cegetel S.A.S. amounted to €136 million (no tax impact) presented in earnings from discontinued operations in the statement of earnings.

Cegetel S.A.S.'s condensed statement of earnings for the periods presented was as follows:

(In millions of euros)	Period from January 1 to August 22, 2005	
	234 days	
Revenues	€	685
Earnings before interest and income taxes (EBIT)		(94)
Interest		(2)
Earnings from continuing operations before provision for income taxes		(100)
Provision for income taxes		-
Earnings before adjustments related to the classification of 71.8% of Cegetel S.A.S. as discontinued operations	€	(100)
Income from equity affiliates (28.2% of earnings)	€	(28)
Earnings from discontinued operations (71.8% of earnings and adjustments)	€	(29) (a)

(a) Including the cessation of depreciation and amortization of property, plant and equipment and intangible assets (€42 million after tax as at August 22, 2005). Pursuant to IFRS5, assets held for sale are not amortized.

Cash flows related to Cegetel S.A.S. for the periods presented were as follows:

(In millions of euros)	Period from January 1 to August 22, 2005	
Net cash provided by operating activities	€	(6)
Net cash provided by (used for) investing activities		(18)
Net cash provided by (used for) financing activities		21
Net cash outflows related to the divestiture of the period		3
Change in cash and cash equivalents	€	-

Note 7. Earnings per Share for the Three Months and Nine Months Ended September 30, 2006 and September 30, 2005 and the Year Ended December 31, 2005

	Three Months ended September 30,			
	2006		2005	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
	€	1,561	€	1,561
			€	579
			€	579
Earnings from continuing operations, attributable to the equity holders of the parent				
Earnings from discontinued operations		-		141
Earnings, attributable to the equity holders of the parent		1,561		646
Adjusted net income, attributable to equity holders of the parent		731		570
Weighted average number of shares (in millions)		1,154.0		1,163.4
				1,149.4
				1,159.4
Earnings per share (in euros)				
Earnings from continuing operations, attributable to the equity holders of the parent per share	€	1.35	€	1.34
Earnings from discontinued operations per share		-		0.12
Earnings, attributable to the equity holders of the parent per share	€	1.35	€	1.34
Adjusted net income, attributable to equity holders of the parent per share	€	0.63	€	0.50
			€	0.56
			€	0.56
			€	0.49

	Nine months ended September 30,				Year Ended December 31,	
	2006		2005		2005	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)	€ 3,423	€ 3,423	€ 1,850	€ 1,850	€ 3,109	€ 3,109
Earnings from continuing operations, attributable to the equity holders of the parent						
Earnings from discontinued operations	-	-	107	107	92	92
Earnings, attributable to the equity holders of the parent	3,423	3,423	1,903	1,903	3,154	3,154
Adjusted net income, attributable to equity holders of the parent	2,109	2,109	1,813	1,813	2,218	2,218
Weighted average number of shares (in millions)	1,152.9	1,162.4	1,148.6	1,157.5	1,149.6	1,158.5
Earnings per share (in euros)						
Earnings from continuing operations, attributable to the equity holders of the parent per share	€ 2.97	€ 2.94	€ 1.61	€ 1.60	€ 2.70	€ 2.68
Earnings from discontinued operations per share	€ -	€ -	€ 0.09	€ 0.09	€ 0.08	€ 0.08
Earnings, attributable to the equity holders of the parent per share	€ 2.97	€ 2.94	€ 1.66	€ 1.64	€ 2.74	€ 2.72
Adjusted net income, attributable to equity holders of the parent per share	€ 1.83	€ 1.81	€ 1.58	€ 1.57	€ 1.93	€ 1.91

Reconciliation of earnings, attributable to equity holders of the parent and adjusted net income, attributable to equity holders of the parent is as follows:

Three months ended September 30,		(In millions of euros)	Nine months ended September 30,		Year ended December 31, 2005
2006	2005		2006	2005	
€ 1,561	€ 646	Earnings, attributable to the equity holders of the parent (a)	€ 3,423	€ 1,903	3154
		<i>Adjustments</i>			
54	62	Amortization of intangible assets acquired through business combinations	167	174	239
-	-	Impairment losses of intangible assets acquired through business combinations (a)	-	154	170
(737)	(31)	Other financial charges and income (a)	(218)	(271)	(619)
-	(141)	Earnings from discontinued operations (a)	-	(107)	(92)
(3)	(1)	Change in deferred tax asset related to the Consolidated Global Profit Tax System	(10)	(5)	(88)
(120)	(28)	Non recurring items related to provision for income taxes (b)	(1,186)	(61)	(482)
(24)	(9)	Provision for income taxes on adjustments	(65)	(20)	(102)
-	72	Minority interests on adjustments	(2)	46	38
€ 731	€ 570	Adjusted net income, attributable to equity holders of the parent	€ 2,109	€ 1,813	€ 2,218

- (a) As presented in the consolidated statement of earnings.
- (b) Corresponds to the reversal of tax liabilities relating to tax years no longer open to audit or that have been settled with the tax authorities. For the nine months ended September 30, 2006, this item included mainly the profit related to the settlement of the DuPont litigation (€1,019 million).

The number of shares used in the calculation of earnings per share was as follows:

Three months ended September 30,		(In number of shares)	Nine months ended September 30,		Year ended December 31, 2005
2006	2005		2006	2005	
1,155,382,868	1,073,921,648	Weighted average number of shares outstanding over the period	1,154,269,121	1,073,101,982	1,152,131,605
-	77,675,856	Notes mandatorily redeemable for new shares of Vivendi (ORA) (maturity: November 2005)	-	77,675,856	-
(1,385,953)	(2,213,582)	Treasury shares at the end of the period	(1,385,953)	(2,213,582)	(2,498,948)
1,153,996,915	1,149,383,922	Weighted average number of shares outstanding restated over the period	1,152,883,168	1,148,564,256	1,149,632,657
9,361,626	10,051,376	Potential dilutive effect:			
		- Vivendi stock option plans (a)	9,550,743	8,898,307	8,893,705
9,361,626	10,051,376	Potential dilutive effect of financial instruments outstanding	9,550,743	8,898,307	8,893,705
1,163,358,541	1,159,435,298	Weighted average number of shares after potential dilutive effect	1,162,433,911	1,157,462,563	1,158,526,362

- (a) The dilutive effect of Vivendi's subscription plans was determined using the share repurchase method.

Note 8. Goodwill as at September 30, 2006 and December 31, 2005

8.1. Goodwill as at September 30, 2006 and December 31, 2005

(In millions of euros)	September 30, 2006	December 31, 2005
Goodwill, gross	€ 26,196	€ 27,063
Impairment losses	(12,596)	(13,267)
Goodwill	€ 13,600	€ 13,796

8.2. Changes in goodwill for the first nine months of 2006

(In millions of euros)	Goodwill as at December 31, 2005	Changes in value of commitments to purchase minority interests	Changes in scope of consolidation	Changes in foreign currency translation adjustments and other	Goodwill as at September 30, 2006
Universal Music Group	€ 4,275	€ -	€ 67 (a)	€ (299)	€ 4,043
Vivendi Games	77	-	7	(6)	78
Canal+ Group	3,784	62	24	(23)	3,847
SFR	4,024	-	-	-	4,024
Maroc Telecom	1,636	-	-	(28)	1,608
Non core operations	-	-	-	-	-
Total	€ 13,796	€ 62	€ 98	€ (356)	€ 13,600

(a) Corresponding to the allocation of the excess of the acquisition cost over the carrying amount of the 7.7% stake held by MEI in Universal Studios Holding I Corp. (please refer to note 2.1 "Purchase of the 7.7% stake held by Matsushita Electric Industrial (MEI) in Universal Studios Holding").

Note 9. Content Assets and Liabilities as at September 30, 2006 and December 31, 2005

9.1. Content assets as at September 30, 2006 and December 31, 2005

September 30, 2006	Content assets, gross	Accumulated amortization and impairment losses	Content assets
	(In millions of euros)		
Music catalogs and publishing rights	€ 4,976	€ (3,273)	€ 1,703
Advances to artists and repertoire owners	352	-	352
Sport rights	559	-	559
Film and television costs	4,006	(3,427)	579
Games advances	203	(141)	62
Content assets	€ 10,096	€ (6,841)	€ 3,255
Deduction of current content assets	(1,224)	188	(1,036)
Non current content assets	€ 8,872	€ (6,653)	€ 2,219
December 31, 2005	Content assets, gross	Accumulated amortization and impairment losses	Content assets
	(In millions of euros)		
Music catalogs and publishing rights	€ 5,350	€ (3,361)	€ 1,989
Advances to artists and repertoire owners	366	-	366
Sport rights	355	-	355
Film and television costs	3,697	(3,188)	509
Games advances	185	(152)	33
Content assets	€ 9,953	€ (6,701)	€ 3,252
Deduction of current content assets	(983)	193	(790)
Non current content assets	€ 8,970	€ (6,508)	€ 2,462

Change in the main content assets during the first nine months ended September 30, 2006 was as follows:

(In millions of euros)	Nine months ended September 30, 2006
Opening balance of music catalogs and publishing rights	€ 1,989
Amortization, net (a)	(148)
Purchases of catalogs	8
Divestitures of catalogs	-
Changes in foreign currency translation adjustments and other	(146)
Closing balance of music catalogs and publishing rights	€ 1,703

- (a) These amortization are recorded in "Amortization of intangible assets acquired through business combinations" in the consolidated statement of earnings.

(In millions of euros)	Nine months ended September 30, 2006
Opening balance of advances to artists and repertoire owners	€ 366
Payment of advances	(400)
Recoument of advances, net	402
Changes in foreign currency translation adjustments and other	(16)
Closing balance of advances to artists and repertoire owners	€ 352

(In millions of euros)	Nine months ended September 30, 2006
Opening balance of sport rights	€ 355
Acquisition of rights (a)	550
Accrual of rights, net (a)	162
Consumption of broadcasting rights	(507)
Other	(1)
Closing balance of sport rights (b)	€ 559

- (a) The rights are accrued upon the opening of the broadcasting period. They are reclassified to acquired rights upon billing by the third party unless they have already been expensed. The rights accrual, net, corresponds to accrued rights less rights transferred to acquired rights and rights consumed before their billing.

- (b) The rights for the 2006-2007 season were recognized in the statement of financial position upon the opening of this season on July 1, 2006 for an amount of €600 million.

(In millions of euros)	Nine months ended September 30, 2006
Opening balance of film and television costs	€ 509
Acquisition of coproductions and catalogs	11
Coproductions developed internally	-
Consumption of coproductions and catalogs	(30)
Acquisition of film and television rights	414
Consumption of film and television rights	(382)
Other	57
Closing balance of film and television costs	€ 579

9.2. Content liabilities as at September 30, 2006 and December 31, 2005

(In millions of euros)	September 30, 2006	December 31, 2005
Music royalties to artists and repertoire owners	€ 1,236	€ 1,514
Liabilities relating to sport rights	633	445
Liabilities relating to film and television rights	83	63
Creative talent and employment agreements	171	196
Content liabilities	€ 2,123	€ 2,218

Content liabilities are recorded in "other non-current liabilities" and in "accounts payable" in the consolidated statement of financial position depending on whether they are current or non-current.

Note 10. Property, Plant, Equipment and Intangible Assets of Telecom Operations

(in millions of euros)	September 30, 2006	December 31, 2005
Network equipment (a)	€ 2,271	€ 2,160
Software (b)	686	671
Licenses (b)	847 (c)	574
Other	404	440
Property, plant, equipment and intangible assets of telecom operations at SFR	€ 4,208	€ 3,845

(in millions of euros)	September 30, 2006	December 31, 2005
Network equipment (a)	€ 848	€ 844
Software (b)	98	82
Licenses (b)	232	256
Other	315	343
Property, plant, equipment and intangible assets of telecom operations at Maroc Telecom	€ 1,493	€ 1,525

- (a) Principally antennas, radio and transmission equipment, switch centers and servers and hardware, recorded as "Property, plant and equipment".
- (b) Recorded as "Other intangible assets".
- (c) Including €278 million, gross amount, corresponding to the present value of the fixed part of the GSM license fee. This license, used by SFR, was renewed in March 2006 for a period of 15 years.

Note 11. Investments in Equity Affiliates as at September 30, 2006 and December 31, 2005

(In millions of euros)	Voting Interest		Value of Equity Affiliates	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
NBC Universal (a)	20.0%	20.0%	€ 6,065	€ 6,419
Other (b)	na*	na*	920	437
			€ 6,985	€ 6,856

na*: not applicable.

- (a) The change in value of NBC Universal shares since December 31, 2005 mainly includes (i) the share in earnings generated on the first nine months of 2006 (€216 million), (ii) the dividends received (-€262 million), (iii) the subscription to the NBC Universal capital increase (€98 million) to finance the acquisition of iVillage, (iv) the allocation (€65 million) of the excess of the acquisition cost over the carrying

amount of the 7.7% stake held by MEI in Universal Studios Holding I Corp. (please refer to note 2.1 "Purchase of the 7.7% stake held by Matsushita Electric Industrial (MEI) in Universal Studios Holding"), and (v) the foreign exchange loss over the period (€484 million)

- (b) Including the value of Neuf Cegetel shares. In accordance with current regulations, Neuf Cegetel (in which Vivendi has a 22.7% ownership interest as of September 30, 2006) publishes consolidated financial statements twice annually, at the year end and at the half-year end, and revenue figures four times a year, for each quarter. Vivendi publishes consolidated financial statements at each quarter-end in which Neuf Cegetel is equity accounted by SFR. However, given the financial reporting schedule of Neuf Cegetel, Vivendi is not required to report on Neuf Cegetel for the first and third quarter-ends. Furthermore, as a result of the accounting rules applicable to business combinations, major differences exist, for historical reasons, between the share in net income recognized by SFR in respect of Neuf Cegetel and the net income published by Neuf Cegetel. Please refer to note 2.2 "Increase of SFR's stake in Neuf Cegetel".

Note 12. Financial Assets as at September 30, 2006 and December 31, 2005

(In millions of euros)	September 30, 2006	December 31, 2005
Available-for-sale securities	€ 227	€ 1,706
Derivative financial instruments	34	29
Other	132	91
Financial assets at fair value	393	1,826
Advances to equity affiliates	14	10
Cash deposits backing borrowings	50	61
Other financial receivables	383 (a)	193
Other	1,026	1,807
Financial assets at cost or at amortized cost	1,473	2,071
Financial assets	€ 1,866	€ 3,897
Deduction of short-term financial assets	(318)	(114)
Non current financial assets	€ 1,548	€ 3,783

- (a) Including a €150 million advance paid to TF1 and M6 as part of the Canal+ / TPS combination (please refer to note 17 "Commitments").

Changes in available-for-sale securities during the first nine months ended September 30, 2006

(In millions of euros)	Note	December 31, 2005	Changes in value	Acquisition / divestiture	Changes in foreign currency translation adjustments and other	September 30, 2006
Veolia Environnement shares (a)		€ 823	€ 38	€ (861)	€ -	€ -
DuPont shares	5.2	590	(6)	(550)	(34)	-
Sogecable shares hedging the exchangeable bonds	14	282	(40)	(28)	-	214
Other		11	1	3	(2)	13
Available-for-sale securities		€ 1,706	€ (7)	€ (1,436)	€ (36)	€ 227

- (a) This residual stake of 5.3% in Veolia Environnement's share capital was sold in July 2006 under an Accelerated Book Building ("ABB") procedure, for a total amount of €861 million. The capital gain amounted to €834 million. Vivendi also held 218,255,690 Veolia Environnement warrants allowing the acquisition of Veolia Environnement shares for €55 per share. These warrants matured in March 2006 and were not exercised.

Other financial assets at cost or at amortized cost as at September 30, 2006 and December 31, 2005 were as follows:

(in millions of euros)	Note	September 30, 2006	December 31, 2005
Deposits related to Qualified Technological Equipment lease/sublease operations		714	807
Bonds issued by Neuf Telecom (a)		-	180
PTC shares held by Telco and Carcom	2.4	-	531
Amp'd shares (b)		44	17
Other unconsolidated interests		146	134
Other		122	138
Financial assets at cost or at amortized cost		1,026	1,807

(a) These bonds were reimbursed in March 2006.

(b) Vivendi and UMG increased their stake in the share capital of Amp'd to 19.9% following Amp'd's share capital increase.

Note 13. Changes in Net Working Capital During the Nine Months of 2006

(In millions of euros)	December 31, 2005	Net cash provided by operating activities	Net cash provided by investing activities	Changes in Scope of Consolidation	Changes in foreign currency translation adjustments and other	September 30, 2006
Inventories	375	12	-	-	4	391
Trade accounts receivable and other	4,531	(262)	-	(43)	(55)	4,171
Working capital assets	€ 4,906	€ (250)	€ -	€ (43)	€ (51)	€ 4,562
Trade accounts payable and other	8,737	(625)	76	(28)	160 (a)	8,320
Other non current liabilities	1,342	55	-	46	(113)	1,330
Working capital liabilities	€ 10,079	€ (570)	€ 76	€ 18	€ 47	€ 9,650
Net working capital	€ (5,173)	€ 320	€ (76)	€ (61)	€ (98) (b)	€ (5,088)

(a) Including the impact of the change in sports rights accrued by Canal+ Group for €169 million (i.e. €141 million excluding taxes).

(b) Including €83 million in respect of changes in foreign currency translation adjustments.

Note 14. Analysis of Long-term Borrowings and other Financial Liabilities as at September 30, 2006 and December 31, 2005

(In millions of euros)	Nominal interest rate (%)	Effective interest rate (%)	Maturity	September 30, 2006	December 31, 2005
Finance leases	-	-	2006 - 2016	255 (a)	362
Asset-backed borrowings (b)				€ 255	€ 362
Notes					
€700 million notes (July 2004)	Euribor 3 months +0.55%	2.28%	July 2007	-	700 (c)
€630 million notes (April 2005)	3.63%	3.63%	April 2010	630	630
€600 million notes (February 2005)	3.88%	3.94%	February 2012	600	600
€600 million notes (July 2005) - SFR	3.38%	3.43%	July 2012	600	600
€300 millions notes (April 2006) - SFR	Euribor 3 months +0.08%	3.50%	October 2007	300	-
Bonds exchangeable for Sogecable shares	1.75%	6.48%	October 2008	221	242
Other notes	-	-	-	275	275
Facilities					
€1.2 billion revolving credit facility - SFR	Euribor 1 month +0.18%	3.45%	April 2011	350	550
MAD 6 billion notes - tranche B: 4 billion	TMP BDT 5 yrs. +1.15%	5.10%	December 2011	361	367
Other	-	-	-	126	169
Unsecured borrowings				€ 3,463	€ 4,133
Nominal value of borrowings				€ 3,718	€ 4,495
Cumulative effect of amortized cost and split accounting of embedded derivatives	na*	na*	na*	(43)	(53)
Borrowings				€ 3,675	€ 4,442
Put options granted to various third parties by Canal+ Group	na*	na*	-	29	39
Commitments to purchase minority interests				€ 29	€ 39
Embedded derivative in bonds exchangeable for Sogecable shares	na*	na*	October 2008	33	50
Other financial derivative instruments	na*	-	-	28	14
Other derivative instruments				€ 61	€ 64
Long-term borrowings and other financial liabilities				€ 3,765	€ 4,545

*na: no interest accrued on other financial liabilities.

(a) The divestiture of the Colisée building in July 2006 generated a €74 million decrease in borrowing with respect to the long-term lease signed with Philip Morris in 1996 and a capital gain of €32 million.

- (b) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower and/or its guarantors' assets.
- (c) These notes have been reclassified in short term borrowings.

Note 15. Analysis of Short-term Borrowings and other Financial Liabilities as at September 30, 2006 and December 31, 2005

(In millions of euros)	Nominal interest rate (%)	September 30, 2006	December 31, 2005
Current portion of finance leases	-	2	1
Asset-backed borrowings (a)		€ 2	€ 1
Treasury Bills			
Vivendi S.A.	Eonia +0,05%	248	173
SFR	Eonia +0,03%	979	957
Current portion of long-term borrowings			
MAD 6 billion notes - tranche A: 2 billion (b)	TMP BDT 52 weeks +1,15%	-	184
€700 million notes (July 2004)	Euribor 3 mois +0,55%	700	-
Other notes	-	-	342
Other borrowings	-	61	68
Other	-	371	391
Unsecured borrowings		€ 2,359	€ 2,115
Nominal value of borrowings		€ 2,361	€ 2,116
Cumulative effect of amortized cost and split accounting of embedded derivatives	na*	7	9
Borrowings		€ 2,368	€ 2,125
Put options granted to various third parties by Canal+ Group	na*	137 (c)	69
Commitments to purchase minority interests		€ 137	€ 69
Other financial derivative instruments		9	21
Short-term borrowings and other financial liabilities		€ 2,514	€ 2,215

na*: no interest accrued on other financial liabilities.

- (a) Borrowings are considered secured whenever the creditor(s) is/are backed by a pledge on the borrower and/or its guarantors' assets.
- (b) This tranche was reimbursed in May 2006.
- (c) Including mainly a put option on TKP shares, that matured in October 2006 and was not exercised.

Note 16. Adjustments of the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2006 and September 30, 2005 and the Year Ended December 31, 2005

(In millions of euros)	Nine months ended September 30,		Year Ended December
	2006	2005	31, 2005
Items related to operating activities with no cash impact			
Amortization and depreciation			
- of content assets	€ 38	€ 27	€ 41
- of other intangible assets	291	301	375
- of property, plant and equipment	675	624	870
<i>Amortization (excluding intangible assets acquired through business combinations)</i>	<i>1,004</i>	<i>952</i>	<i>1,286</i>
Amortization of intangible assets acquired through business combinations	167	174	239
Impairment losses of intangible assets acquired through business combinations	-	154	170
Change in provisions, net	(80)	(55)	(165)
Other non cash items from EBIT	(2)	15	(7)
Items related to investing and financing activities			
Proceeds from sales of property, plant, equipment and intangible assets	1	(10)	5
Adjustments	€ 1,090	€ 1,230	€ 1,528

Note 17. Commitments

The following note should be read in conjunction with Note 29 "Contractual obligations and contingent assets and liabilities" to the audited Consolidated Financial Statements of Vivendi for the year ended December 31, 2005, as published in the 2005 *Document de Référence* (annual report) and its update as at June 30, 2006, disclosed in Note 19 "Commitments" to the unaudited condensed financial statements for the first half ended June 30, 2006.

The main contractual or amended commitments undertaken during the third quarter ended September 30, 2006 and their impact on the Consolidated Financial Statements are described below.

- **Canal+ and TPS combination agreement and Lagardère agreement**

On January 6, 2006, Vivendi, TF1 and M6 signed an agreement for the combination of the pay-TV operations of Canal+ and TPS in a new group temporarily known as "Canal+ France". On February 17, 2006, Lagardère, Vivendi and Canal+ Group announced a draft agreement according to which Lagardère would become a shareholder of Canal+ France. Lagardère would acquire a 20% stake by transferring its 34% shareholding in CanalSat and by paying €525 million in cash. The terms of this combination are detailed in Note 32 "Subsequent events" to the audited Consolidated Financial Statements of Vivendi for the year ended December 31, 2005, as published in the 2005 *Document de Référence* (annual report). On August 31, 2006, the France's Minister of the Economy, Finance and Industry authorized this combination that should occur at the beginning of the first quarter of 2007.

In connection with these agreements, Vivendi has obtained shareholders' rights which enable it to exclusively control Canal+ France (as well as pre-emptive rights, priority rights, etc.). In addition, Vivendi and Canal+ Group entered into several commitments with Lagardère, TF1 and M6, which are described hereunder.

(a) Commitment to purchase Lagardère's stake in CanalSat:

- Under certain circumstances, strictly defined and linked to the approval of the Canal+ and TPS combination by French competition authorities and to Lagardère's specific assets, Lagardère had the right to sell, before December 31, 2006, its entire stake to Vivendi/Canal+ Group for €985 million (including €126 million for its pro rata share of cash), net of all dividends received by Lagardère from CanalSat in excess of €28 million. Given the dividends and premiums paid by CanalSat to its shareholders in the second quarter of 2006, the net undiscounted amount of this commitment totaled €942 million as at June 30, 2006. This commitment to purchase minority interests was recorded at its present value in the statement of financial position under "Borrowings and other financial liabilities". As at June 30, 2006, the financial liability amounted to €937 million. Following the authorization granted by the France's Minister of the Economy, Finance and Industry for the combination on August 31, 2006, this option became null and void. As such, the related financial liability was derecognized at this date.

(b) Call and put options subject to the completion of the Canal+ and TPS combination

- As of the transaction completion date, TF1 and M6 will benefit from a put option granted by Vivendi on their 15% stake in Canal+ France, exercisable after 3 years. The price of this option will 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 capital of Canal+ France, i.e., €7.5 billion, for 100%. As of the transaction completion date, this commitment to purchase minority interests will be recorded at its present value in the statement of financial position under "Borrowings and other financial liabilities".
- As of the transaction completion date, Lagardère will benefit from a call option granted by Vivendi/Canal+ Group on an additional 14% stake in the share capital of Canal+ France, exercisable after 33 months. At that time, the exercise price of this commitment that is not recognized in the consolidated statement of financial position will be equal to market value and a minimum amount of €1,055 million corresponding to a valuation of €7.5 billion for 100% of Canal+ France.

(c) Contingent liabilities related to the non-completion of the TPS/Canal+ combination

- Should Vivendi decide not to complete the combination, Vivendi would compensate TF1 and M6 for an amount of €100 million.
- Under certain circumstances, strictly defined and related to the conditions of the approval of French competition authorities, Vivendi could acquire TF1's and M6's stake in TPS for €900 million plus interest (including the €150 million advance paid in January 2006 and recorded as a current financial asset).

- **Increase in SFR's stake in Neuf Cegetel from 28.2% to 40.6% in 2006 – New shareholders' agreement between SFR and Louis Dreyfus Group**

As part of its stake increase in Neuf Cegetel from 28.2% to 40.6 %, SFR agreed to pay additional consideration to the sellers subject to certain conditions and, in particular, in the event of an IPO by Neuf Cegetel. Given the probability of satisfaction of these conditions as at September 30, 2006, an estimate of the additional consideration to be paid was recorded in the Statement of Financial Position at this date. Given the Neuf Cegetel IPO share price, this additional consideration will amount to €103 million.

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

Please refer to Note 2 "Changes in the scope of consolidation".

- **Guarantee granted pursuant to the sale of the Group's stake in Xfera in 2003**

Following the unfavorable decision handed down by the Spanish constitutional court concerning the payment by Xfera of UMTS frequency spectrum fees in Spain, which decision is open to appeal, Vivendi recognized an additional provision of €49 million in respect of guarantees granted following the sale of its stake in Xfera in 2003. The provision stands at €69 million as at September 30, 2006 (including late payment interest), compared to €20 million as at December 31, 2005.

- **Commitments related to the acquisition of companies or assets underway as at September 30, 2006**

As at September 30, 2006, the Group was involved in the acquisition of various companies or assets, the completion of which is subject to the approval of competition authorities or to consultation with the relevant labor relations and employee representative committees. These companies or assets mainly include the acquisition of

- the acquisition of Vale, Spain's leading independent music publishing company, announced in June 2006, and realized in October 2006; and
- the acquisition of BMG Music Publishing by UMG announced in September 2006. The gross purchase price is €1.63 billion, to be paid in cash on December 29, 2006 at the latest. The gross cash outlay will be adjusted for cash generated by BMGP during the period from July 1, 2006 to the date of closing and for interest capitalized over this period.

Note 18. Litigation

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

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

The situation of proceedings disclosed hereunder is described as at November 14, 2006, day of the Management Board meeting held to approve Vivendi's financial statements for the nine months ended September 30, 2006.

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

- **COB/AMF investigation opened in July 2002**

On September 12, 2003, following the investigation opened by *Autorités des Marchés Financiers* (AMF) (formerly the *Commission des Opérations de Bourse* (COB)) on July 4, 2002, the AMF notified Vivendi of facts which, in its view, could result in an administrative penalty for non-compliance with sections 1, 2, 3 and 4 of Regulation 98-07.

The facts complained of, which took place prior to the changes made in the management of Vivendi in July 2002, related first to the financial information resulting from the methods of consolidation of the companies Cegetel, Maroc Telecom and Elektrim Telekomunikacija, in terms of French accounting standards, and secondly, 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, applied

over the period subject to the COB's investigation, were in accordance with the applicable accounting regulations.

The AMF Sanction Commission notified Vivendi of its decision on December 7, 2004. Vivendi was ordered to pay a financial penalty of €1 million. The equity method of consolidation of Elektrim Telekomunikacija, for the fiscal year 2001 only, was challenged by the AMF which considered that Elektrim Telekomunikacija should have been consolidated by way of proportionate consolidation.

On February 4, 2005, Vivendi appealed against the decision in the Paris Court of Appeal. Vivendi took the view, shared by its auditors, that the method of consolidation of Elektrim Telekomunikacija, applied over the period subject to the COB's investigation, was in accordance with the applicable accounting regulations.

On June 28, 2005, the Paris Court of Appeal partially overturned the decision of the AMF Sanctions Commission and reduced the amount of the penalty imposed by the AMF against Vivendi from €1 million to €300,000. In this decision the Paris Court of Appeal validated Vivendi's accounting treatment.

On August 25, 2005, the AMF appealed against this decision before the French Supreme Court (*Cour de Cassation*). On February 3, 2006, Vivendi submitted its briefs in response. The appeal has been received. The Commercial Division of the French Supreme Court should render its decision before the end of the year 2006.

▪ **AMF investigation of the company's share repurchases opened in May 2002**

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 investigation report was not submitted to the "*Commission des sanctions*" but on June 6, 2005 the AMF submitted this report to the Public prosecutor's office that led to additional prosecution's charges joined to the investigation initiated by the financial department of the *Parquet de Paris* (see below).

▪ **AMF investigation in connection with the issuance of mandatorily redeemable notes (ORA) in November 2002**

On January 18, 2005, Vivendi and two of its senior executives, Jean-René Fourtou and Jean-Bernard Lévy, were served with a notice of complaint issued by the AMF following the inquiry made into observed movements in the Vivendi share price at the time of the issuance of notes mandatorily redeemable for new shares of Vivendi in November 2002.

The AMF complaint against Vivendi is that Deutsche Bank sold institutional investors a product comprising both notes mandatorily redeemable for new shares of Vivendi 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. Vivendi and its two senior executives has challenged these complaints before the AMF *Commission des sanctions*.

On September 2006, the *Commission des sanctions* dismissed all the claims against Jean-René Fourtou and Jean-Bernard Lévy.

▪ **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 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 in the United States**

Since July 18, 2002, sixteen claims have been filed against Vivendi, 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 stage of discovery in which the plaintiffs have to prove a violation that caused a loss to the shareholders. On the plaintiffs' request, the discovery phase, initially ending on November 30, 2006, has been extended to March 15, 2007.

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 2% of the companies Elektrim Telekomunikacja Sp. z o.o (Telco) and Carcom Warszawa (Carcom) held by Ymer, Vivendi is a 51% shareholder in Telco and Carcom, companies organized and existing under the laws of Poland which own, either directly or indirectly, 51% of the capital of Polska Telefonia Cyfrowa Sp. z o.o (PTC), one of the primary mobile telephone operators in Poland. These shareholdings are the subject of several litigation proceedings the most 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 S.A. ("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, notified to the parties on 13 December 2004, it was held 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 the case Elektrim did not recover the shares from Telco within two months from the notification of the award;
- DT's Economic Impairment Claim is dismissed;
- the arbitral tribunal has no jurisdiction over Telco and DT's claims against Telco cannot be entertained in this Arbitration;

On August 3, 2005, the Vienna arbitral tribunal rendered its final award with respect to costs, thereby concluding these proceedings. No costs were awarded against Telco who was in fact granted reimbursement of its costs.

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, excluding the point on the lack of jurisdiction of the arbitral tribunal over Telco. In 2005, Telco appealed this partial *exequatur* decision as 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 hearing. On February 23, 2005, the General Prosecutor of Warsaw also lodged an appeal against this decision. On March 29, 2006 the Warsaw Court of Appeal confirmed the partial *exequatur* obtained on February 2, 2005, ruling that the Vienna Award was enforceable against Telco. On August 5, 2006, Telco filed for cassation of the Court of Appeal's judgment before the Polish Supreme Court (such recourse is not suspensive). Telco moved also to suspend the effects of the decision of March 29, 2006, which was granted by the Warsaw Court of Appeal on August 16, 2006.

Declaratory Proceedings before the Polish Courts

In December 2004, following the Vienna Award, 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 appealed this injunction. On June 21, 2006, following the March 29, 2006 decision mentioned above, the Court of Appeal withdrew this injunction.

Proceedings before the Trade and Companies Registry of Warsaw

On February 25, 2005, despite the injunction issued on December 30, 2004, the Warsaw court responsible for the Trade and Companies Registry (KRS), registered Elektrim on the said Registry as a shareholder of PTC in place of Telco. Telco appealed this registration decision.

On August 26, 2005, the Warsaw Court of Appeal quashed the decision of February 25, 2005. Consequently, on November 15, 2005, the KRS re-registered Telco as a shareholder of PTC and its representatives as members of the Management Board of PTC. DT and Elektrim appealed this decision.

Following the decision of March 29, 2006 of the Warsaw Court of Appeal (see above), the Court of Appeal annulled the decision of November 15, 2005 and the KRS re-registered Elektrim as shareholder of PTC on July 13, 2006. Telco has appealed this latter decision.

Proceedings concerning the "Mega" operation before Polish Courts

In October 2005, following searches of the Trade and Companies Registry, 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 affiliates, the company Mega, at a value which was considerably less than 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 euros granted by PAI Media to ZE PAK, another Elektrim affiliate. Telco has initiated all proceedings necessary in Poland to have these fictive transactions which relate to its shareholding in PTC invalidated. Civil liability proceedings against the directors of Mega, PAI Media and Elektrim have also been initiated. In addition, Telco lodged a complaint with the Warsaw Prosecutor. On July 21, 2006, the Polish Stock Exchange Commission decided that Elektrim had concealed some important information concerning the contribution to Mega and thus has forwarded the case to the Prosecutor for further proceedings.

Proceedings for the annulment of the Vienna Award before the Austrian Courts

On December 20, 2005, at Telco's request, the Vienna Commercial Court annulled 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. In particular the Vienna Commercial Court considered that the arbitral tribunal, 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 appealed this decision.

On October 10, 2006, the Vienna Court of Appeal overturned the December 20, 2005 decision considering that Telco had no legal interest to request the annulment of the Vienna award of November 26, 2004 since such award could not have any binding effect on Telco. This decision confirms the actual meaning of the Award advanced by Vivendi.

Vivendi's case against the Polish State

On February 28, 2005, Vivendi initiated the amicable dispute resolution mechanism set forth in 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, on the basis that the Republic of Poland had failed to comply with its commitments in terms of the protection and fair treatment of investors thereunder.

On August 10, 2006, Vivendi and Vivendi Telecom International S.A. (VTI) served the Republic of Poland with their request for arbitration in relation to the breach of this treaty.

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

On August 22, 2003, Vivendi and 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 arose under the *Third Amended and Restated Investment Agreement* of September 3, 2001 entered into by and among Elektrim, Telco, Carcom, Vivendi and VTI (the "TIA"). The purpose of the TIA, amongst other things, is to govern relations between Vivendi and Elektrim within Telco. The initial subject matter of the dispute related to the entry into force of certain provisions of the TIA, but was extended by Elektrim to cover its validity. Vivendi additionally requested that the LCIA tribunal rule on Elektrim's contractual liability resulting from its breach of the TIA.

On March 24, 2005, the arbitral tribunal ordered interim measures 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 Arbitral Tribunal, in a 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 has started an action before the English courts to contest the validity of this partial award.

On August 2 and October 23, 2006, the LCIA Arbitral Tribunal granted new interim Orders in favour of Vivendi and VTI, confirming and extending the scope of the interim measures described above, inter alia, by enjoining Elektrim from voluntarily selling, transferring, disposing of the PTC shares, ordering Elektrim to exercise all voting and other rights attached to the PTC shares strictly on Telco's instructions and ordering Elektrim to place any dividends, profits or proceedings received in its capacity as PTC Shareholder in an escrow account with the LCIA as trustee (except for the Euro 600 million payable by DT to Elektrim in accordance with the Vienna arbitral award of October 2, 2006 (see below) which can be applied to discharge Elektrim's liability to its bondholders) and to refrain from taking any actions aimed at preventing Telco from being registered as shareholder of PTC in the KRS.

The next hearings are scheduled for March 2007.

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. On August 21, 2006, the Polish competition authority finally terminated the antitrust proceedings against Vivendi finding that Vivendi had not failed to notify the alleged acquisition in 2001 of 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 wrongful termination of negotiations. In September 2004, DT ended, without prior notice and without legitimate justification, tripartite negotiations with Elektrim and Vivendi 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, today estimated at 2.2 billion euros, corresponding to the harm suffered as a result of DT's behaviour.

Arbitral proceedings in Geneva (Switzerland) under the aegis of the International Chamber of Commerce

Intensive discussions took place in February and March 2006 between Vivendi, Elektrim and DT 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, following 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, therefore, initiated on April 13, 2006, arbitration proceedings in Geneva under the aegis of the International Chamber of Commerce against DT and Elektrim to enforce its rights thereunder. The ICC Court issued a decision on August 18, 2006 to proceed with the arbitration (determining there was prima facie jurisdiction).

DT's Call Option

On June 6 and October 2, 2006, an arbitral tribunal in Vienna rendered two partial awards deciding that DT had exercised a call option over the shares that Elektrim owns in PTC. The arbitral tribunal further ruled that the price of the call option would be the current book value of the PTC shares increased by an amount to be later determined by the tribunal and that DT would acquire legal title on the optioned shares after payment of the book value of the PTC shares and provision by DT to Elektrim of an irrevocable undertaking to pay the subsequent adjustment of the price. The tribunal has nonetheless recognized that uncertainty continues to exist as to the number of PTC shares owned by Elektrim.

Neither Vivendi nor Telco are parties to this arbitration proceeding which is between Elektrim and DT.

Proceedings against DT before the federal court in the State of Washington (USA)

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

Tort Claim against Vivendi before the Warsaw District Court

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

▪ **French Competition Council – mobile telephone market**

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, which amounted to €220 million, has been entered in the accounts as an expense and was paid during the 2005 fiscal year. However, SFR considers the fine to be unjustified, and it has therefore appealed the order. On February 9, 2006, SFR filed its appeal memorandum. The hearings before the Court of Appeal were held on September 12, 2006. The Court of Appeal ruling is thus expected for December 12, 2006. SFR is involved in contentious proceedings brought by customers and consumer associations connected with this order, but since it is challenging the order and is not in a position to determine the potential impact of the outcome of these proceedings, has not made any provision in its accounts in this respect.

Furthermore, SFR is involved in other contentious proceedings commenced in relation to competition law, frequently in common with other telephone operators. To the extent SFR is not in a position to determine the potential impact of the outcome of these proceedings, it has not made any provision in its accounts in this respect.

▪ **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.

Note 19. Subsequent events

The main events having occurred since September 30, 2006 were as follows:

- Announcement of the acquisition of BMG Music Publishing by UMG in September 2006. Please refer to Note 17 “Commitments”.
- SFR buys out the fixed telephony and broadband activities of Télé2 France on October 2, 2006. SFR has signed an agreement with the Télé2 AB Group to acquire the fixed telephony and broadband activities of Télé2 France for a corporate value of around €350 million (at the end of September 2006). This transaction is subject to the approval of antitrust authorities.
- Acquisition of Vale by UMG announced in June 2006 and achieved in October 2006. The acquisition of this company, Spain’s number 1 independent music publishing company, subject to approval by the Spanish competition authorities, was finalized in October 2006.
- On November 4 2006, Vivendi confirmed having received and reviewed a friendly expression of interest from the investment firm Kohlberg Kravis Roberts & Co (KKR). This review, which included maintaining the current Vivendi assets within the group in order to create value, did not result in any proposal and has now ended.
- On November 1, 2006, Vivendi Exchangeco, a Canadian subsidiary, obtained its shareholders’ approval to exchange its shares into Vivendi shares by anticipation as from November 27, 2006.