# Financial Report and Unaudited Condensed Financial Statements for the Half Year Ended June 30, 2007

**VIVENDI**

*Société anonyme* with a Management Board and Supervisory Board with a share capital of €6,400,310,779.50

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**IMPORTANT NOTICE: READERS ARE STRONGLY ADVISED TO READ THE IMPORTANT DISCLAIMERS AT THE END OF THIS FINANCIAL REPORT.**

**SELECTED KEY FINANCIAL DATA** .......... **6**

**I – FINANCIAL REPORT FOR THE FIRST HALF OF 2007** .......... **7**

**1 2007 MAIN DEVELOPMENTS** .......... **7**

**1.1** MAIN DEVELOPMENTS FOR THE FIRST HALF OF 2007 .......... 7
*1.1.1 Acquisition of Consolidated Companies* .......... *7*
*1.1.2 Acquisition/Divestiture of Investments* .......... *8*
*1.1.3 Other* .......... *8*
**1.2** MAIN DEVELOPMENTS SINCE JUNE 30, 2007 .......... 8

**2 EARNINGS** .......... **9**

**2.1** CONSOLIDATED STATEMENT OF EARNINGS AND ADJUSTED STATEMENT OF EARNINGS .......... 9
*2007 Second Quarter* .......... *9*
*2007 Half-Year* .......... *10*
**2.2** EARNINGS REVIEW .......... 10
**2.3** VIVENDI'S OUTLOOK FOR 2007 .......... 12

**3 REVENUES AND EBITA BY BUSINESS SEGMENT** .......... **13**

*2007 Second Quarter* .......... *13*
*2007 Half-Year* .......... *13*
*Comments on Revenues and EBITA for Controlled Business Segments* .......... *14*

**4 LIQUIDITY MANAGEMENT AND CAPITAL RESOURCES** .......... **18**

**4.1** CHANGES IN FINANCIAL NET DEBT .......... 18
**4.2** ANALYSIS OF OPERATING ACTIVITIES .......... 19
**4.3** ANALYSIS OF INVESTING ACTIVITIES .......... 21
**4.4** ANALYSIS OF FINANCING ACTIVITIES .......... 21
**4.5** MAIN FINANCING CHARACTERISTICS AND CREDIT RATINGS .......... 22

**5 FORWARD LOOKING STATEMENTS - MAJOR RISKS AND UNCERTAINTIES** .......... **23**

**6 DISCLAIMER** .......... **23**

**II CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2007 (UNAUDITED) ..... 24**

**CONDENSED STATEMENT OF EARNINGS ..... 24**

**CONDENSED STATEMENT OF FINANCIAL POSITION ..... 25**

**CONDENSED STATEMENT OF CASH FLOWS ..... 26**

**CONDENSED STATEMENT OF CHANGES IN EQUITY ..... 27**

**STATEMENT OF RECOGNIZED CHARGES AND INCOME ..... 30**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS ..... 31**

**NOTE 1. ACCOUNTING POLICIES AND VALUATION METHODS ..... 31**

1.1. Interim Financial Statements ..... 31
1.2. New IFRS applicable as of January 1, 2007 ..... 31
1.3. Changes in the Presentation ..... 31

**NOTE 2. CHANGES IN THE SCOPE OF CONSOLIDATION FOR THE FIRST HALF OF 2007 ..... 32**

2.1. Combination of the Canal+ Group and TPS pay-TV Activities in France ..... 32
2.2. Acquisition of a 51% Stake in Onatel in Burkina Faso by Maroc Telecom ..... 35
2.3. Acquisition of a 51% Stake in Gabon Telecom by Maroc Telecom ..... 35
2.4. Acquisition of BMG Music Publishing by UMG ..... 35

**NOTE 3. SEGMENT DATA ..... 36**

**NOTE 4. FINANCIAL CHARGES AND INCOME ..... 37**

4.1. Interest ..... 37
4.2. Income from Investments ..... 37
4.3. Other financial Charges and Income ..... 38

**NOTE 5. INCOME TAXES ..... 38**

**NOTE 6. RECONCILIATION OF EARNINGS, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND ADJUSTED NET INCOME ..... 39**

**NOTE 7. EARNINGS PER SHARE ..... 39**

**NOTE 8. GOODWILL ..... 39**

**NOTE 9. CONTENT ASSETS AND COMMITMENTS ..... 40**

9.1. Content Assets ..... 40
9.2. Contractual Content Commitments ..... 41

**NOTE 10. INVESTMENTS IN EQUITY AFFILIATES ..... 42**

**NOTE 11. FINANCIAL ASSETS ..... 42**

**NOTE 12. CHANGES IN NET WORKING CAPITAL ..... 43**

**NOTE 13. PROVISIONS ..... 43**

**NOTE 14. EMPLOYEE BENEFITS ..... 44**

**NOTE 15. SHARE-BASED COMPENSATION PLANS ..... 44**

15.1. Cost related to Share-based Compensation Plans ..... 44
15.2. Plans Granted in the First Half of 2007 ..... 44
15.3. Characteristics of the Plans granted in the First Half of 2007 ..... 45
15.4. Information on Outstanding Plans since January 1, 2007 ..... 46
15.5. UMG Long-term Incentive Plan ..... 46
15.6. Long-term Incentive Plan at Blizzard, a Subsidiary of Vivendi Games ..... 47
15.7. Employee Stock purchase Plan ..... 47

**NOTE 16. LONG-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES ..... 48**

**NOTE 17. SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES ..... 48**

**NOTE 18. ADJUSTMENTS OF THE CONDENSED STATEMENTS OF CASH FLOWS ..... 49**

**NOTE 19. CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS ..... 49**

19.1. Contractual Obligations ..... 49
19.2. Other Commitments given or received during the First Half of 2007 relating to Operations ..... 50
19.3. Commitments related to Divestitures or Acquisitions of Assets for the First Half of 2007 ..... 50
19.4. Shareholders' Agreements entered into during the First Half of 2007 ..... 50

**NOTE 20. TRANSACTIONS WITH RELATED PARTIES ..... 51**

**NOTE 21. LITIGATIONS** ....................................................................................... 51

**NOTE 22. SUBSEQUENT EVENTS** ....................................................................................... 53

**III STATEMENT ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS** ....................................................................................... 54

**IV STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEAR FINANCIAL INFORMATION FOR 2007** ....................................................................................... 55

# Selected Key Financial Data

| Consolidated data | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 | Year Ended December 31, 2005 | Year Ended December 31, 2004 |
|---|---|---|---|---|---|
| Revenues | 10,223 | 9,610 | 20,044 | 19,484 | 17,883 |
| EBITA (a) | 2,596 | 2,348 | 4,370 | 3,985 | 3,504 |
| Earnings attributable to equity holders of the parent | 1,526 | 1,862 | 4,033 | 3,154 | 3,767 |
| Adjusted net income (a) | 1,526 | 1,378 | 2,614 | 2,218 | 1,498 |
| Financial Net Debt (a) | 6,309 | 6,784 | 4,344 | 3,768 | 4,724 |
| Equity | 21,905 | 20,683 | 21,864 | 21,608 | 18,092 |
| Of which attributable to equity holders of the Parent | 20,024 | 18,923 | 19,912 | 18,769 | 15,449 |
| Cash flow from operations before capital expenditures, net (CFFO before capex, net) | 3,060 | 2,787 | 6,111 | 5,448 | 5,358 |
| Cash flow from operations (CFFO) (a) | 2,134 | 1,893 | 4,466 | 4,157 | 4,354 |
| Capital expenditures, net (capex, net) (b) | 926 | 894 | 1,645 | 1,291 | 1,004 |
| Financial investments | 84 | 1,533 | 3,881 | 1,481 | 394 |
| Financial divestments | (692) | (711) | (1,801) | (155) | (5,264) |
| Dividends paid in respect to previous fiscal year | 1,387 | 1,152 | 1,152 | 689 | - |
| Per share amounts | | | | | |
| Weighted average number of shares outstanding | 1,156.4 | 1,151.3 | 1,153.4 | 1,149.6 | 1,144.4 (c) |
| **Adjusted net income per share** | **1.32** | **1.20** | **2.27** | **1.93** | **1.31** |
| Number of shares outstanding at the end of the period (excluding treasury shares) | 1,162.3 | 1,151.8 | 1,155.7 | 1,151.0 | 1,144.9 (c) |
| Equity per share, attributable to equity holders of the parent | 17.23 | 16.43 | 17.23 | 16.31 | 13.49 |
| **Dividends per share in respect to previous fiscal year** | **1.20** | **1.00** | **1.00** | **0.60** | **0.00** |

In millions of euros, number of shares in millions, data per share in euros.

(a) Vivendi considers that the non-GAAP measures EBITA, Adjusted net income, Financial Net Debt, and Cash flow from operations (CFFO) are relevant indicators of the group's operating and financial performance. Each of the indicators is defined in the appropriate section of the financial report or in the notes to the Condensed Financial Statements for the half-year ended June 30, 2007. These indicators 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 Financial Report. Moreover it should be emphasized that other companies may define and calculate these indicators differently than Vivendi, thereby affecting comparability.

(b) Capex, net consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets.

(c) Includes notes mandatory redeemable for new Vivendi shares which matured on November 2005.

# I – Financial Report for the First Half of 2007

**Preliminary comments:**

The Financial Report and the Unaudited Condensed Financial Statements for the half-year ended June 30, 2007 were approved by Vivendi's Management Board on August 28, 2007. Following a review by the Audit Committee on August 28, 2007, they were reviewed by Vivendi's Supervisory Board on August 30, 2007.

The Condensed Financial Statements for the half-year ended June 30, 2007 were subjected to a limited review by the Statutory Auditors. The Statutory Auditors' Review Report on the first half-year financial information for 2007 is available as a preamble to the Financial Statements.

The Financial Report for the half-year ended June 30, 2007 should be read in conjunction with the Financial Report section for the year ended December 31, 2006 as published in the 2006 *Document de Référence* that was filed under number D.07-0240 with the *Autorité des marchés financiers* (AMF) on March 28, 2007. Please also refer to our 2006 Annual Report ("the Annual Report") in English which is a translation[1] of the French "Document de Référence" for information purposes (pages 118 to 175).

# 1 2007 Main Developments

## 1.1 Main Developments for the First Half of 2007

### 1.1.1 ACQUISITION OF CONSOLIDATED COMPANIES

- **Combination of the Canal+ Group and TPS Pay-TV Activities in France**

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007.

A detailed description of the transaction is presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006 (from pages 198 to 201 of the 2006 Annual Report). Please refer to Note 2.1 for a detailed presentation of its impact on the Condensed Financial Statements as of June 30, 2007. In particular, Vivendi accrued a dilution profit of €239 million resulting from the sale of a 10.18% equity interest in Canal+ France to Lagardère. Furthermore, considering the repayment of the advance paid to TF1 and M6 in January 2006 upon the signing of the draft combination agreement (€150 million) and the recognition of the net cash of TPS, consolidated since January 4, 2007 (€64 million), the transaction resulted in a decrease of €214 million in the Financial Net Debt.

- **Acquisition of a 51% stake in Onatel in Burkina Faso by Maroc Telecom**

In December 2006, following the completion of a bidding process, Maroc Telecom acquired a 51% stake in Onatel, the national telecommunications operator in Burkina Faso for a purchase price of €222 million (including acquisition fees) paid in 2006. Onatel has been fully consolidated since January 1, 2007. The recognition of Onatel's net debt resulted in a €58 million increase in Financial Net Debt. The preliminary goodwill amounted to €181 million. Please refer to Note 2.2 to the Condensed Financial Statements for the half-year ended June 30, 2007.

- **Acquisition of a 51% stake in Gabon Telecom by Maroc Telecom**

On February 9, 2007, Maroc Telecom acquired a 51% stake in the national telecommunications operator of Gabon. Gabon Telecom has been fully consolidated since March 1, 2007. Considering the €26 million cash paid and the recognition of Gabon Telecom's net debt, this acquisition resulted in a increase of €103 million in Financial Net Debt. The preliminary goodwill amounted to €1 million. Please refer to Note 2.3 to the Condensed Financial Statements for the half-year ended June 30, 2007.

[1] *This translation is qualified in its entirety by reference to the "Document de Référence".*

- **Acquisition of BMG Music Publishing by UMG**

On September 6, 2006, Universal Music Group (UMG) entered into an agreement with Bertelsmann AG to purchase 100% of BMG Music Publishing (BMGP). UMG paid Bertelsmann AG €1,639 million in cash on December 15, 2006. On May 25, 2007, following receipt of European Commission clearance, the acquisition was completed. BMGP has been fully consolidated since that date. Including capitalized transaction costs and the benefit of cash generated by trading as from July 1, 2006 to May 25, 2007, the acquisition price paid by UMG was €1,641million. The preliminary goodwill amounted to €1,564 million.
As part of its ruling approving the acquisition, the European Commission has required that UMG dispose of certain rights it acquired from Bertelsmann AG in this transaction, as well as some rights UMG previously owned.
Please refer to Note 2.4 to the Condensed Financial Statements for the half-year ended June 30, 2007.

### 1.1.2 ACQUISITION/DIVESTITURE OF INVESTMENTS

**Minority stake in Amp'd.** On June 1, 2007, Amp'd Mobile filed for Chapter 11 bankruptcy protection. As a result, Vivendi has written-off its 19.7% minority stake in this company ($75 million) as well as a related loan ($10 million). As of June 30, 2007, the impairment loss amounted to €65 million. On July 23, 2007 Amp'd Mobile filed for Chapter 7 bankruptcy protection.

### 1.1.3 OTHER

**Dividend paid with respect to fiscal year 2006.** At the Annual Shareholders' Meeting held on April 19, 2007, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2006. As a result, the dividend was set at €1.20 per share, representing a total distribution of €1,387 million and was paid on April 26, 2007.

**Voluntary redundancy plan at the Canal+ Group level,** described in Note 32 to the Consolidated Financial Statements of Vivendi for the year ended December 31, 2006 (page 273 of the 2006 Annual Report). Pursuant to the method agreement, the Works Councils issued their opinion on April 6, 2007 and the new organization is therefore being implemented. The plan could result in approximately 250 employees leaving the company. Accordingly, €25 million in related costs were accounted for in the statement of earnings for the half-year ended June 30, 2007.

## 1.2 Main Developments since June 30, 2007

**Acquisition of the fixed telephony and broadband activities of Télé2 France**. On October 2, 2006, SFR signed an agreement with the Tele2 AB Group to acquire the fixed telephony and broadband activities of Télé2 France. The acquisition was completed on July 20, 2007, for an enterprise value of €345 million including the impact of price adjustments. Télé2 France, which had 350,000 broadband customers and 2.3 million fixed-line customers as of the acquisition date, reported revenues of approximately €225 million for the first half of 2007.

**Transfer of 3 customer service centers of SFR Service Client, a subsidiary of SFR**. On August 1, 2007, the transfer to Teleperfomance and Division Arvato Services was implemented after the closing of the Work Central Council information/consultation procedure on July 20, 2007.

**Acquisition plan of Debitel France and its distribution subsidiary, Videlec**. On July 19, 2007, CID, a subsidiary of SFR, signed a Share Purchase Agreement with Debitel AG to acquire Debitel France (140,000 customers), and its distribution subsidiary, Videlec (70 retail-shops). This transaction is subject to the regulatory approvals of the antitrust authorities.

**Acquisition of Sanctuary Group Plc**. On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group plc ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded product, merchandising and artist services. As at the closing date of the offer on August 2, 2007, UMG had received valid acceptances of the offer from shareholders representing 60% of the issued share capital of Sanctuary and had acquired a further 30% of the issued share capital, for a cash consideration of £13 million (€19 million). Pursuant to the provisions of the English Companies Act 2006, UMG will acquire the remaining Sanctuary shares before the de-listing of the company from the London Stock Exchange. Following these transactions, UMG would have acquired Sanctuary for an estimated price consideration of £104 million (€155 million), including a total cash consideration of £44 million (€65 million) and Sanctuary's net debt of approximately £60 million (€90 million).

**The international arbitration tribunal-ICSID rules in favour of Vivendi in Tucuman (Argentina) dispute.** On August, 20, 2007, the International Centre for Settlement of Investment Disputes (ICSID) ruled in favor of Vivendi and its Argentinian subsidiary, Compañía de Aguas del Aconquija (CAA), in a dispute risen in 1996 and related to a water concession of the Argentine Province of Tucuman. The concession started in 1995 and was completed in 1997. The tribunal awarded Vivendi and CAA an aggregate amount of $105 million for damages plus interest and costs.

# 2 Earnings

## 2.1 Consolidated Statement of Earnings and Adjusted Statement of Earnings

### 2007 SECOND QUARTER

| CONSOLIDATED STATEMENT OF EARNINGS | | | ADJUSTED STATEMENT OF EARNINGS | | |
|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Three Months Ended June 30, | | |
| (In millions of euros, except per share amounts) | 2007 | 2006 | 2007 | 2006 | |
| **Revenues** | € **5,203** | € **4,844** | € **5,203** | € **4,844** | **Revenues** |
| Cost of revenues | (2,233) | (2,132) | (2,233) | (2,132) | Cost of revenues |
| **Margin from operations** | **2,970** | **2,712** | **2,970** | **2,712** | **Margin from operations** |
| Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations | (1,662) | (1,398) | (1,662) | (1,398) | Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations |
| Restructuring charges and other operating charges and income | 14 | (13) | 14 | (13) | Restructuring charges and other operating charges and income |
| Amortization of intangible assets acquired through business combinations | (60) | (56) | | | |
| Impairment losses of intangible assets acquired through business combinations | (31) | - | | | |
| **EBIT** | **1,231** | **1,245** | **1,322** | **1,301** | **EBITA** |
| Income from equity affiliates | 90 | 87 | 90 | 87 | Income from equity affiliates |
| Interest | (40) | (66) | (40) | (66) | Interest |
| Income from investments | 2 | 33 | 2 | 33 | Income from investments |
| Other financial charges and income | (120) | (615) | | | |
| **Earnings from continuing operations before provision for income taxes** | **1,163** | **684** | **1,374** | **1,355** | **Adjusted earnings from continuing operations before provision for income taxes** |
| Provision for income taxes | (252) | 792 | (286) | (284) | Provision for income taxes |
| **Earnings from continuing operations** | **911** | **1,476** | | | |
| Earnings from discontinued operations | - | - | | | |
| **Earnings** | € **911** | € **1,476** | € **1,088** | € **1,071** | **Adjusted net income before minority interests** |
| *Attributable to :* | | | | | |
| **Equity holders of the parent** | € **594** | € **1,155** | € **755** | € **750** | **Adjusted net income** |
| Minority interests | 317 | 321 | 333 | 321 | Minority interests |
| **Earnings, attributable to equity holders of the parent per share - basic (in euros)** | € **0.51** | € **1.00** | € **0.65** | € **0.65** | **Adjusted net income per share - basic (in euros)** |
| **Earnings, attributable to equity holders of the parent per share - diluted (in euros)** | € **0.51** | € **0.99** | € **0.65** | € **0.65** | **Adjusted net income per share - diluted (in euros)** |

## 2007 HALF-YEAR

| CONSOLIDATED STATEMENT OF EARNINGS | | | ADJUSTED STATEMENT OF EARNINGS | | |
|---|---|---|---|---|---|
| | Six Months Ended June 30, | | Six Months Ended June 30, | | |
| (In millions of euros, except per share amounts) | 2007 | 2006 | 2007 | 2006 | |
| **Revenues** | **€ 10,223** | **€ 9,610** | **€ 10,223** | **€ 9,610** | **Revenues** |
| Cost of revenues | (4,506) | (4,464) | (4,506) | (4,464) | Cost of revenues |
| **Margin from operations** | **5,717** | **5,146** | **5,717** | **5,146** | **Margin from operations** |
| Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations | (3,213) | (2,787) | (3,213) | (2,787) | Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations |
| Restructuring charges and other operating charges and income | 92 | (11) | 92 | (11) | Restructuring charges and other operating charges and income |
| Amortization of intangible assets acquired through business combinations | (120) | (113) | | | |
| Impairment losses of intangible assets acquired through business combinations | (31) | - | | | |
| **EBIT** | **2,445** | **2,235** | **2,596** | **2,348** | **EBITA** |
| Income from equity affiliates | 172 | 155 | 172 | 155 | Income from equity affiliates |
| Interest | (64) | (115) | (64) | (115) | Interest |
| Income from investments | 4 | 46 | 4 | 46 | Income from investments |
| Other financial charges and income | 77 | (519) | | | |
| **Earnings from continuing operations before provision for income taxes** | **2,634** | **1,802** | **2,708** | **2,434** | **Adjusted earnings from continuing operations before provision for income taxes** |
| Provision for income taxes | (476) | 651 | (532) | (463) | Provision for income taxes |
| **Earnings from continuing operations** | **2,158** | **2,453** | | | |
| Earnings from discontinued operations | - | - | | | |
| **Earnings** | **2,158** | **2,453** | **2,176** | **1,971** | **Adjusted net income before minority interests** |
| *Attributable to :* | | | | | |
| **Equity holders of the parent** | **€ 1,526** | **€ 1,862** | **€ 1,526** | **€ 1,378** | **Adjusted net income** |
| Minority interests | 632 | 591 | 650 | 593 | Minority interests |
| **Earnings, attributable to equity holders of the parent per share - basic (in euros)** | **€ 1.32** | **€ 1.62** | **€ 1.32** | **€ 1.20** | **Adjusted net income per share - basic (in euros)** |
| **Earnings, attributable to equity holders of the parent per share - diluted (in euros)** | **€ 1.31** | **€ 1.60** | **€ 1.31** | **€ 1.19** | **Adjusted net income per share - diluted (in euros)** |

Note: Beginning January 1, 2007, subscriber management and acquisition costs, as well as television distribution costs incurred by Canal+ Group, are included in selling, general and administrative expenses instead of cost of revenues. In order to provide consistent information, 2006 three and six months amounts were adjusted as follows: the margins from operations are now €2,712 million instead of €2,601 million as published in 2006 and €5,146 million instead of €4,927 million as published in 2006, respectively. Please refer to Note 1.3 to the Condensed Financial Statements for the half-year ended June 30, 2007.

## 2.2 Earnings Review

For the first half of 2007, **adjusted net income** totaled €1,526 million (representing adjusted net income per share of €1.32), compared to adjusted net income of €1,378 million for the first half of 2006 (representing adjusted net income per share of €1.20), an increase of €148 million (+10.7%).

For the first half of 2007, **earnings attributable to equity holders of the parent** totaled €1,526 million (representing earnings per share of €1.32), compared to earnings of €1,862 million for the first half of 2006 (representing earnings per share of €1.62), a decrease of €336 million (-18.0%). The reconciliation of earnings attributable to equity holders of the parent with adjusted net income is presented in Note 6 to the Condensed Financial Statements for the half-year ended June 30, 2007. For the first half of 2007, the difference mainly included the dilution profit realized on the sale of a 10.18% equity interest in Canal+ France to Lagardère[2] (+€239 million), the amortization and impairment losses of intangible assets acquired through business combinations (-€151 million before tax and minority interests) and the

[2] *Please refer to Note 2.1 to the Condensed Financial Statements for the half-year ended June 30, 2007 "Combination of the Canal+ Group and TPS pay-TV activities in France".*

write-off of the minority stake in Amp'd (-€65 million). For the first half of 2006, it mainly included the gain resulting from the settlement of the tax dispute concerning the DuPont shares (+€921 million) and the capital loss incurred on the PTC shares (-€496 million).

The €148 million improvement in **adjusted net income** was primarily due to the following positive impacts:

- a €248 million increase from the growth in EBITA, attributable to Maroc Telecom (+€128 million), Canal+ Group (+€112million), Holding & Corporate (+€71 million) as well as Vivendi Games (+€57 million), despite the downturn reported by UMG (-€75 million) and SFR (-€25 million). In the first half of 2007, this performance also included the positive impact of the settlement of a tax litigation (+€73 million) and the agreement to sell real estate assets in Germany (+€48 million) at Holding & Corporate, and the favorable effect of the exceptional success of the *World of Warcraft: The Burning Crusade* expansion pack, launched in the first quarter of 2007, at Vivendi Games. In addition, the first positive effects of the Canal+ and TPS combination appearing while transition costs were limited to €38 million for this half-year. Furthermore, in the first half of 2006, EBITA included a non-recurring gain resulting from the actions implemented as part of the management of retirement pension obligations (€59 million) at Holding & Corporate as well as the recovery of a cash deposit with respect to the TVT litigation (€50 million) which was initially recognized as an expense at UMG.

- a €17 million increase in income from equity affiliates; and

- a €51 million reduction in interest.

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

- a €42 million decrease in income from investments;

- a €69 million increase in tax expense; and

- a €57 million increase in the share of earnings attributable to minority interests.

### Breakdown of the main items of the consolidated statement of earnings

**Revenues** amounted to €10,223 million compared to €9,610, million for the first half of 2006, representing an increase of €613 million (+6.4%, representing +8.0% at constant currency).

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

**Restructuring charges and other operating charges and income** represented a net income of €92 million compared to a charge of -€11 million for the first half of 2006, representing an increase of €103 million, mainly due to the favorable effect of the settlement in Vivendi S.A.'s favor of a litigation instigated by it regarding its right to deduct VAT (+€73 million) and the agreement to sell real estate assets in Germany (+€48 million), partially offset by restructuring expenses resulting from Canal+ Group's voluntary redundancy plan (-€25 million).

**EBITA** totaled €2,596 million compared to €2,348 million for the first half of 2006, representing an increase of €248 million (+10.6%, representing +11.9% at constant currency).

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** represented -€31 million for the first half of 2007 mainly corresponding to the depreciation of the TPS trade name following the marketing termination of the TPS branded program bouquet.

**EBIT** amounted to €2,445 million compared to €2,235 million for the first half of 2006, representing an increase of €210 million (+9.4%).

**Income from equity affiliates** totaled €172 million compared to €155 million for the first half of 2006, representing an increase of €17 million. The decrease in our share of income from NBC Universal, which was solely due to the decline of the US dollar (€143 million for the first half of 2007 compared to €157 million for the first half of 2006) was more than offset by the increase in our share of income from Neuf Cegetel (€31 million for the first half of 2007 compared to -€2 million for the first half of 2006).

**Interest** amounted to -€64 million compared to -€115 million for the first half of 2006, representing an improvement of €51 million. This improvement reflected the increase in interest income generated by cash and cash equivalents (+€35 million), offset by the increase of interest expense incurred on borrowings (-€9 million) as well as the capitalization of interest relating to the acquisition of BMGP (+€25

million). Interest expense on borrowings rose due to the increase in average outstanding borrowings (€7.8 billion in the first half of 2007 compared to €6.6 billion in the first half of 2006, calculated on a daily basis), despite the decrease in the average financing rate over the period (4.00% in the first half of 2007 compared to 4.42% in the first half of 2006). This reduction in the average financing rate was mainly due to the settlement in July 2006 of outstanding swaps ($2.5 billion), which generated a financial surcharge due to the unfavorable US dollar/euro interest rate difference.

For more information, please refer to Note 4 to the Condensed Financial Statements for the half-year ended June 30, 2007.

**Income from investments** totaled €4 million compared to €46 million for the first half of 2006, a decrease of €42 million mainly due to the fact that we received no dividends from investments in non-consolidated companies (-€34 million) following the divestment of certain assets, notably the sale of the DuPont shares in June 2006 and Veolia Environnement shares in July 2006. Vivendi received dividends from these investments during the first half of 2006 of €10 million and €18 million, respectively.

**Other financial income** amounted to €77 million compared to net charges of -€519 million for the first half of 2006, an increase of €596 million. For the first half of 2007, this line item mainly included the dilution gain resulting from the entry of Lagardère into the share capital of Canal+ France (+€239 million, in addition to the dilution gain of €128 million recorded in the fourth quarter of 2006[3]), partially offset by the write-off of the minority stake in Amp'd (-€65 million), as well as the unfavorable change in the value of financial derivative instruments (-€15 million). For the first half of 2006, this line item notably included the capital losses incurred on the PTC shares (-€496 million) and on the sale of the DuPont shares (-€98 million), partially offset by the capital gains realized on the sale of the Sogecable shares (+€66 million) and the residual 20% stake in Ypso (+€56 million), as well as the favorable change in the value of financial derivative instruments (+€29 million, thanks to the embedded derivative in bonds exchangeable for Sogecable shares).

For more information, please refer to Note 4 to the Condensed Financial Statements for the half-year ended June 30, 2007.

**Provision for income taxes** was a net charge of -€476 million, compared to a net income of €651 million for the first half of 2006. The net income tax profit recorded in 2006 included non-recurring items adjusting previous years' income tax (+€1,066 million), in particular the gain related to the settlement of the DuPont litigation (€1,019 million). Excluding the impact of these non-recurring items, the increase in income tax expense amounted to €61 million and reflected the improved earnings of the group.

**Earnings attributable to minority interests**, mainly SFR and Maroc Telecom, as well as Canal+ France following the entry into its share capital of Lagardère, TF1 and M6 in January 2007[2], amounted to €632 million compared to €591 million for the same period last year. This increase was mainly due to higher earnings at Maroc Telecom.

## 2.3 Vivendi's Outlook for 2007

Vivendi confirmed its 2007 outlook for an adjusted net income expected to be above €2.7 billion.

[3] *Please refer to Note 2.1 to the Condensed Financial Statements for the half-year ended June 30, 2007 "Combination of the Canal+ Group and TPS pay-TV activities in France".*

# 3 Revenues and EBITA by Business Segment

## 2007 SECOND QUARTER

| (In millions of euros) | Three Months Ended June 30, 2007 | | | 2006 | | % Change | % Change at constant rate |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Universal Music Group | € | 1,068 | (a) | € | 1,077 | -0.8% | 3.8% |
| Canal+ Group | | 1,087 | (b) | | 934 | 16.4% | 16.3% |
| SFR | | 2,240 | | | 2,166 | 3.4% | 3.4% |
| Maroc Telecom | | 615 | | | 510 | 20.6% | 23.0% |
| Vivendi Games | | 209 | | | 162 | 29.0% | 37.8% |
| Non core operations and elimination of inter segment transactions | | (16) | | | (5) | -220.0% | -220.0% |
| **Total Vivendi** | **€** | **5,203** | | **€** | **4,844** | **7.4%** | **9.0%** |
| **EBITA** | | | | | | | |
| Universal Music Group | € | 163 | (a) | € | 154 | 5.8% | 7.6% |
| Canal+ Group | | 138 | (b) | | 157 | -12.1% | -12.0% |
| SFR | | 721 | | | 723 | -0.3% | -0.3% |
| Maroc Telecom | | 282 | | | 197 | 43.1% | 46.1% |
| Vivendi Games | | 12 | | | 39 | -69.2% | -59.1% |
| Holding & Corporate | | 5 | | | 16 | -68.8% | -73.9% |
| Non core operations | | 1 | | | 15 | -93.3% | -93.3% |
| **Total Vivendi** | **€** | **1,322** | | **€** | **1,301** | **1.6%** | **2.6%** |

## 2007 HALF-YEAR

| (In millions of euros) | Six Months Ended June 30, 2007 | | | 2006 | | % Change | % Change at constant rate |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Universal Music Group | € | 2,095 | (a) | € | 2,202 | -4.9% | -0.3% |
| Canal+ Group | | 2,154 | (b) | | 1,833 | 17.5% | 17.5% |
| SFR | | 4,336 | | | 4,301 | 0.8% | 0.8% |
| Maroc Telecom | | 1,165 | | | 993 | 17.3% | 19.6% |
| Vivendi Games | | 500 | | | 296 | 68.9% | 80.4% |
| Non core operations and elimination of inter segment transactions | | (27) | | | (15) | -80.0% | -80.0% |
| **Total Vivendi** | **€** | **10,223** | | **€** | **9,610** | **6.4%** | **8.0%** |
| **EBITA** | | | | | | | |
| Universal Music Group | € | 220 | (a) | € | 295 | -25.4% | -22.6% |
| Canal+ Group | | 302 | (b)(c) | | 190 | 58.9% | 58.4% |
| SFR | | 1,364 | | | 1,389 | -1.8% | -1.8% |
| Maroc Telecom | | 538 | | | 410 | 31.2% | 33.9% |
| Vivendi Games | | 119 | | | 62 | 91.9% | 111.5% |
| Holding & Corporate | | 51 | | | (20) | na* | na* |
| Non core operations | | 2 | | | 22 | -90.9% | -90.9% |
| **Total Vivendi** | **€** | **2,596** | | **€** | **2,348** | **10.6%** | **11.9%** |

(a) Includes BMGP, fully consolidated by UMG as of May 25, 2007.

(b) Includes TPS, fully consolidated by Canal+ France as of January 4, 2007.

(C) Includes the transition costs related to the combination with TPS for €38 million.

# COMMENTS ON REVENUES AND EBITA FOR CONTROLLED BUSINESS SEGMENTS

## Universal Music Group (UMG) (100% Vivendi economic interest):

### Revenues

**First Half:**

Universal Music Group's (UMG's) revenues of €2,095 million declined 4.9% compared to the same period last year reflecting adverse currency movements and difficult recorded music market conditions.
At constant currency, sales were broadly in line with last year (-0.3%) due to better than market performance notably in Europe and particularly the UK, in addition to higher music publishing revenues including, since May 25, 2007, BMG Music Publishing (BMGP)[4]. Excluding BMGP, revenues fell 2.5% at constant currency. Digital sales of €315 million grew 51% compared to the same period last year at constant currency, representing 15% of total revenues up from 10.1% last year.
Bestsellers included albums from Nelly Furtado and Amy Winehouse and new releases from Maroon 5, Mika and Fall Out Boy.

**Second Quarter:**

UMG's revenues of €1,068 million declined slightly compared to the same period last year with adverse currency movements broadly offset by revenues from BMGP, which was acquired in late May 2007[4].
Excluding BMGP, and at constant currency, sales were broadly stable (-0.8%) in a difficult recorded music market. This reflected better than market performance, particularly in Japan, higher music publishing revenues and strong growth in the digital sector. Digital revenues of €155 million increased 49% compared to last year at constant currency with both online and mobile sectors reporting significant growth.

Bestsellers in the quarter included new albums from Maroon 5 (the first release from the recently acquired Octone label), Bon Jovi, Ne-Yo and Rihanna. Other bestselling titles were from Nelly Furtado, with an album released in June of last year, Mika and Amy Winehouse.

### EBITA

**First Half:**

UMG's EBITA of €220 million was down €75 million compared to the first half of 2006. The first half of 2006 included the recovery of a previously expensed cash deposit of €50 million connected with the TVT dispute.

In the first half of 2007, digital sales increased approximately 50% (at constant currency). Within a difficult recorded-music market and despite unfavorable currency movements, UMG significantly outperformed its competitors on an operating basis.

## The Canal+ Group (100% Vivendi economic interest; Vivendi economic interest in Canal+ France: 65%):

### Revenues

**First Half:**

Canal+ Group revenues were €2,154 million compared to €1,833 million for the first half of 2006, up €321 million or +17.5%.
Most of this growth came from pay-TV operations in France, which grew €358 million (or +24%) mainly driven by the TPS merger[5] subscription portfolio growth and higher advertising revenues.
Canal+ is still beating records in terms of gross individual subscriber additions with June 2007 being the best month of June in 21 years. At the end of the period, Canal+ Group's total subscription portfolio reached 10.3 million, which represents a net increase of more than 400,000 subscriptions compared to the combined subscriptions of Canal+ Group and TPS at the end of June 2006. Canal+ had 5.2 million subscriptions and CanalSat/TPS 5.1 million. Proportionally, Canal+ digital subscribers amounted to 67% of total subscriptions compared to 56% at the end of June 2006.
Revenues from other operations (excluding PSG, sold in June 2006) were on a par with 2006. Lower revenues from StudioCanal due to the decrease of film distribution in France were offset by higher subscription revenues in Poland and increased advertising revenues from i>TELE.

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*[4] UMG's first half and second quarter of 2007 revenues included BMGP's revenues consolidated since May 25, 2007, for a total of €49 million.*

*[5] Canal+ Group's 2007 revenues include TPS' revenues, consolidated since January 4, 2007, when Vivendi and Canal+ Group obtained control of TPS. For information, TPS' revenues amounted to €294 million for the first half of 2006 and €148 million for the second quarter of 2006.*

**Second Quarter:**

Canal+ Group revenues were €1,087 million compared to €934 million for the second quarter of 2006, up €153 million or +16.4%. Revenues from pay-TV operations in France grew 24% mainly driven by the TPS merger[5] and subscription portfolio growth.

**EBITA**

**First Half:**

Canal+ Group reported EBITA, excluding transition costs linked to the TPS merger, of €340 million compared to €190 million in the first half of 2006, an increase of €150 million. Including transition costs (€38 million), EBITA totalled €302 million.
This growth was mainly driven by the strong performance of pay-TV operations in France. In addition to higher revenues, EBITA benefited from synergies from the TPS merger, both in distribution costs (subscriber acquisition costs and management costs) and programming costs (content and channel fees).

EBITA from other operations (excluding PSG, sold in June 2006) remained stable, as lower earnings from StudioCanal (fewer movies released in the first half of 2007) were offset by higher performances from Canal+ Poland and i>télé.

**SFR (56% Vivendi economic interest):**

**Revenues**

**First Half:**

SFR's revenues increased by 0.8% to €4,336 million compared to the same period in 2006. Service revenues[6] were broadly stable (+0.2%) at €4,119 million.
The favorable effects of an increase in the customer base along with growth in "voice" and "data" usage were largely offset by strong cuts by the French regulator of 21% on mobile voice termination rates as of January 1, 2007, and of 30% on SMS termination rates as of mid-September 2006. SFR's ARPU[7] decreased by 5.2% to €446 at the end of June 2007 (versus €471 at the end of June 2006). Excluding the impacts of regulated tariff cuts, SFR service revenues would have been up by 3.8%.
For the first six months of the year, SFR added 97,000 net new customers, taking its registered customer base to 17.980 million[8], a 3.2% increase on a year-on-year basis. The contract customer base grew by 6.0% year-on-year to 11.832 million, leading to an improved customer mix of 1.7 percentage points in one year. 3G customers reached 3.45 million at the end of June 2007, compared to 2.69 million at the end of December 2006.
In 2007, SFR continues to extend its "mobile centric" strategy with, as a key driver, the convergence between mobile and Internet, allowing for shared personal services on both PC and mobile telephone screens. Four key elements of this strategy are: the successful launch of the Happy Zone option in March 2007, which offers unlimited usage of the mobile to fixed when at home/office; the launch, in April 2007, of an ADSL option for SFR customers; partnerships with Internet players (eBay, Google, Microsoft, myspace.com, You Tube, Dailymotion); and the launch of a 3G/3G+ broadband USB modem in June 2007.
Despite the impact of the regulator's cut on SMS termination rates, net data revenues improved by 3% mainly due to interpersonal services (SMS and MMS), content (music, TV-Videos, games) and corporate segment operations. Net data revenues represented 13.4% of service revenues at the end of June 2007, compared to 13.0% at the end of June 2006. Number of text messages (SMS) sent by SFR customers grew by 11.4% on a year-on-year basis to 3.4 billion. Data services excluding SMS and MMS increased and represent now 36% of total data revenues compared to 32% in 2006.

**Second Quarter:**

SFR's revenues increased by 3.4% to €2.240 million versus the same period in 2006. Service revenues increased by 0.9% to €2,099 million.
The strong cuts of regulated tariffs as of January 1, 2007 and mid-September 2006 offset favorable effects of the increase in customer base and the growth in "voice" and "data" usage.
Excluding the impacts of the regulated tariff cut, SFR service revenues would have been up by 4.6% compared to the second quarter of 2006.

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[6] *Service revenues correspond to mobile revenues excluding net equipment revenues.*

[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 excluding revenues from phone directory activities (Annuaire Express).*

[8] *SFR excluding wholesale customer total base. Wholesale customer base reached 831,000 at the end of June (excluding pre-activations). As a reminder, as from January 1, 2007, VNO base is calculated excluding pre-activations.*

**EBITA**

**First Half:**

Compared to the same period in 2006, SFR's EBITA decreased by €25 million (-1.8%) to € 1,364 million, the numerous regulated tariffs cuts do not allow SFR to benefit from the growth of traffic and use.

SFR's EBITA before depreciation was stable at € 1,796 million. This reflected the increase by 1.6 percentage points in customer acquisition and retention costs to 10.9% of mobile service revenues (due to higher volumes of post-paid recruitments and retention initiatives and to the penetration of 3G devices among SFR's customer base) , which was offset by a 0.2% increase in mobile service revenues and the strong control of other costs. Depreciation and amortization and other costs increased by €26 million in the first half of 2007, following years of investments in 2G and 3G/3G+ networks.

**Maroc Telecom (51% Vivendi economic interest):**

**Revenues**

**First Half:**

Maroc Telecom's revenues[9] increased by 17.3% to €1,165 million compared to the same period last year (+10.1% at constant currency and at constant perimeter[10]).
Mobile revenues[11] grew by 23.4% to €796 million compared to the same period last year (+19% at constant currency and at constant perimeter).
Despite increased competition with the arrival of a third operator in Morocco, the customer base[12] [13] still experienced strong growth and reached 11.713 million customers, up 31.3% compared to June 2006 and a net increase of one million customers over the first half of the year, driving the sharp evolution of mobile revenue. The blended ARPU[12] [14] reached €9.6, down 8.5% compared to the same period last year at constant currency, mainly due to strong increase in the customer base.
Fixed and Internet revenues[11] grew by 7% to € 496 million compared to the same period last year (-2.9% at constant currency and at constant perimeter).
In Morocco, the fixed customer base[12] reached 1.280 million lines, experiencing a net increase of close to 14,000 lines over the first half of 2007 due to the success of unlimited offers launched at the end of 2006. However, compared with June 2006, it still reflects a decrease of 2.3%, explaining the decrease in revenues at constant currency and at constant perimeter.
The ADSL customer base[12] still continues to experience a strong growth, in particular due to the promotions of the beginning of the year, and reached 438,000 lines, increasing by 34.8% compared to the end of June 2006.

**Second Quarter:**

Maroc Telecom's revenues[9] increased by 20.6% to €615 million compared to the same period last year (+9.7% at constant currency and at constant perimeter).
Mobile revenues grew by 24.4% to €422 million compared to the same period last year (+17.7% at constant currency and at constant perimeter).
Fixed and Internet revenues grew by 13.9% to €260 million compared to the same period last year (-1.8% at constant currency and at constant perimeter).

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*[9] Maroc Telecom's first half and second quarter of 2007 financial data included Onatel, consolidated from January 1, 2007, and Gabon Télécom, consolidated from March 1, 2007. Moreover, Maroc Telecom's second quarter of 2007 financial data included 4 months of Gabon Télécom operations: Gabon Télécom was actually not consolidated in the first quarter of 2007 since no financial information was available at that date.*

*[10] Constant perimeter illustrates the full consolidation of Onatel and Gabon Télécom as if these transactions had occurred at the beginning of 2006 for Onatel and on March 1, 2006 for Gabon Télécom.*

*[11] Revenues linked to incoming international traffic towards Maroc Telecom mobile and to outgoing international traffic from Maroc Telecom mobile has been directly accounted for in mobile operations since January 1, 2007 whereas it was previously accounted for as transit revenue for fixed and Internet operations. Revenue evolution rates are consistent with this new presentation. This has no impact on Maroc Telecom global net revenues.*

*[12] Only concerns Morocco.*

*[13] The customer base includes prepaid customers giving or receiving a voice call during the last 3 months and not resiliated postpaid customers.*

*[14] ARPU (Average Revenue Per User) is defined as revenues from incoming and outcoming calls and data services, net of promotions and excluding roaming in and equipment sales, divided by average prepaid and postpaid customer base over the period.*

**EBITA**

**First Half:**

Maroc Telecom's EBITA[9] increased by 31.2% to €538 million compared to the first half of 2006 (+34.5% at constant currency and at constant perimeter).
This performance is linked to the combined effect of revenue growth (+10.1% at constant currency and at constant perimeter), the control of acquisition costs given the steady growth in the mobile and ADSL customer base and the control of operational expenses.

Excluding exceptional provisions charged in 2006 and the reversal of provisions in 2007, Maroc Telecom's EBITA increased by 23.9% at constant currency and at constant perimeter.

**Vivendi Games (100% Vivendi economic interest):**

**Revenues**

**First Half:**

Vivendi Games' revenues of €500 million were 68.9% higher than the same period last year (up 80.4% at constant currency).
This strong increase was driven by the continued momentum of *World of Warcraft* in all markets, following the very successful first quarter of 2007 release of *World of Warcraft: The Burning Crusade*, Blizzard Entertainment's first expansion pack for its subscription-based, massively multiplayer online role-playing game *World of Warcraft*. As of June 30, 2007, World of Warcraft's subscriber base reached 9 million worldwide. Within one month following its mid-January release, Blizzard Entertainment®'s Burning Crusade™ expansion sold approximately 3.5 million copies in regions connecting to North American and European realms - a new one-month PC-game sales record. The expansion launched in Korea and the regions of Taiwan, Hong Kong, and Macau in subsequent months, and preparations are now underway for release in China.

**Second Quarter:**

Vivendi Games' revenues of €209 million were 29% above the same period last year (up 37.8% at constant currency).

**EBITA**

**First Half:**

Vivendi Games EBITA of €119 million was 91.9% above the prior year (up 111.5% at constant currency). This strong increase is primarily driven by the continued momentum of Blizzard's *World of Warcraft*, including the very successful first quarter 2007 release of *World of Warcraft*: *The Burning Crusade*. Following the launch of this expansion pack in the first quarter of 2007 increased *World of Warcraft*'s subscriber base increased to more than 9 million worldwide. EBITA was also impacted by a non-recurring increase related to Blizzard's profit sharing and talent retention plan, and the seasonal effects of Sierra Entertainment's product releases.

**Holding & Corporate:**

**EBITA**

**First Half:**

Holding & Corporate EBITA amounted to an income of €51 million, up €71 million compared to the first half of 2006. This increase was primarily due to the favorable impact of the settlement in Vivendi S.A. in February 2007 of a litigation instigated by it regarding its right to deduct VAT. This resulted in the recognition of income of €73 million, comprising the repayment of amounts paid following a tax audit of €50 million and reversals of provisions recorded in respect of fiscal years open to audit of €23 million. In addition, in the first half of 2007, EBITA included the positive impact of the agreement to sell real estate assets in Germany (+€48 million). In the first half of 2006, EBITA included a non-recurring gain resulting from actions implemented as part of the management of retirement pension obligations (€59 million).

# 4 Liquidity Management and Capital Resources

**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.

## 4.1 Changes in Financial Net Debt

As of June 30, 2007, Financial Net Debt amounted to €6,309 million, compared to €4,344 million as of December 31, 2006.

| (In millions of euros) | Refer to note in Condensed Financial Statements | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Borrowings and other financial liabilities | 16 & 17 | € 9,078 | € 7,315 |
| Derivative financial instruments in assets | 11 | (85) | (52) |
| Collateralized cash received from Lagardère | 11 | - | (469) |
| Cash deposits backing borrowings | 11 | (55) | (50) |
| | | **8,938** | **6,744** |
| Cash and cash equivalents | | (2,629) | (2,400) |
| **Financial Net Debt** | | **€ 6,309** | **€ 4,344** |

For the first half of 2007, Financial Net Debt increased by €1,965 million, mainly due to the adverse impact of non-cash activities (€2,194 million), offset by the net cash generated during the period (€229 million).

- Net cash generated during the period amounted to €229 million, reflecting net cash provided by operating activities in the amount of €1,990 million, offset by net cash used for investing activities (€147 million) and net cash used for financing activities (€1,612 million, including the dividend paid by Vivendi S.A. to its shareholders in the amount of €1,387 million, and the dividends paid by the consolidated subsidiaries to their minority shareholders, mainly SFR and Maroc Telecom, for €809 million, net of the cash provided by the new borrowings for €579 million).

- Non-cash activities impacting Financial Net Debt amounted to €2,194 million. These comprised investing activities in the amount of €622 million, mainly including the elimination of the cash received from Lagardère (€469 million; see above table) that was deducted from Financial Net Debt as of December 31, 2006, and the inclusion of the financial debt of recently acquired companies (€146 million). Financing activities totaled €1,573 million and mainly included the recognition of the put options granted to TF1 and M6 on their 15% interest in Canal+ France[15] (€1,007 million) as well as the new borrowings (€579 million).

[15] *See Note 2.1 to the Condensed Financial Statements for the half-year ended June 30, 2007 "Combination of the Canal+ Group and TPS pay-TV activities in France."*

| (In millions of euros) | Refer to section | Cash and cash equivalents | | Borrowings and other (a) | | Impact on financial net debt | |
|---|---|---|---|---|---|---|---|
| **Financial Net Debt as of December 31, 2006** | | **€** | **(2,400)** | **€** | **6,744** | **€** | **4,344** |
| Net cash (provided by) / used for: | | | | | | | |
| Operating activities | 4.2 | | (1,990) | | - | | (1,990) |
| Investing activities | 4.3 | | 147 | | 622 | | 769 |
| Financing activities | 4.4 | | 1,612 | | 1,573 | | 3,185 |
| Foreign currency translation adjustments | | | 2 | | (1) | | 1 |
| Change in financial net debt over the period | | | (229) | | 2,194 | | 1,965 |
| **Financial Net Debt as of June 30, 2007** | | **€** | **(2,629)** | **€** | **8,938** | **€** | **6,309** |

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

## 4.2 Analysis of Operating Activities

For the half-year ended June 30, 2007, net cash provided by operating activities amounted to €1,990 million (compared to €1,340 million for the half-year ended June 30, 2006), up €650 million (49%). After taking into account the dividends received from NBC Universal (€171 million) and the cash used for net capital expenditures (€926 million), as well as interest paid and other financial activities (€97 million), cash flow from operations after interest and income tax paid (CFAIT) totaled €1,138 million (compared to €586 million for the half-year ended June 30, 2006), up €552 million (94%). This improvement mainly stems from the increase in cash flow generated by businesses and the fact that, in the first half of 2006, the settlement of the DuPont litigation resulted in the payment of income taxes in the amount of €521 million.

- Cash flow from operations (CFFO) generated by the businesses totaled €2,134 million (compared to €1,893 million for the half-year ended June 30, 2006), up €241 million (13%), reflecting the increase in cash flows from operations before capital expenditures (up 10% to €3,060 million), partially offset by the slight increase in capital expenditures (up 4% to €926 million).
  - Cash flows from operations before capital expenditures (CFFO, before capex) totaled €3,060 million (compared to €2,787 million for the half-year ended June 30, 2006), an increase of €273 million (10%) mainly attributable to Vivendi Games (€147 million), Holding & Corporate (€140 million), SFR (€88 million) and Maroc Telecom (€69 million) and achieved despite the decline at UMG (-€148 million) and Canal+ Group (-€14 million). This improvement reflected the increase in EBITDA (after changes in net working capital) of all the businesses except UMG, partially offset by the increase in content investments at UMG and Canal+ Group. In addition, CFFO for the half-year ended June 30, 2007 included the repayment of amounts paid following the settlement of the litigation instigated by Vivendi S.A. concerning its right to deduct VAT (€50 million). Furthermore, CFFO for the half-year ended June 30, 2006 was impacted by the payment made for the transfer of certain US pension plans by Holding & Corporate (-€78 million), partially offset by the recovery of a cash deposit by UMG with respect to the TVT litigation (€50 million).
  - Capital expenditures, net (purchase of property, plant and equipment as well as intangible assets, net of disposals) amounted to €926 million (compared to €894 million for the half-year ended June 30, 2006). Included in this amount are capital expenditures by SFR for €642 million and Maroc Telecom for €167 million.
- Cash flow used for interest and other financial activities (interest paid, premiums paid on early redemption of borrowings or cash flows relating to foreign exchange transactions related to financing activities) amounted to €97 million (compared to €49 million for the half-year ended June 30, 2006). It included interest of €89 million paid on borrowings, net of interest received on cash and cash equivalents (compared to €115 million in 2006), representing an improvement of €26 million which reflected the increase in income generated by cash and cash equivalents, partially offset by the rise in interest paid on borrowings. Other financial activities generated cash outflows of €8 million during the half-year ended June 30, 2007, compared to cash inflows of €66 million during the same period in 2006. The change is primarily due to a foreign exchange gain (€80 million).
- Cash expenses related to income tax paid amounted to €899 million (compared to €1,258 million for the half-year ended June 30, 2006, i.e. a saving of €359 million). For the half-year ended June 30, 2006, they mainly included the income tax paid on the settlement of the DuPont litigation (-€521 million). Excluding this impact, income tax paid increased by 22%, reflecting the higher taxable earnings of group companies as a whole.

| (In millions of euros) | Six Months Ended June 30, 2007 | 2006 | % Change |
|---|---|---|---|
| Revenues | € 10,223 | € 9,610 | 6% |
| Operating expenses excluding depreciation and amortization | (7,014) | (6,579) | -7% |
| *Sub-total (EBITDA)* | *3,209* | *3,031* | *6%* |
| Restructuring charges paid | (25) | (31) | 19% |
| Content investments, net | (171) | (92) | -86% |
| Change in provisions included in EBITDA | 1 | (13) | na* |
| Other cash operating items excluded from EBITDA | 51 | (5) | na* |
| Other changes in net working capital | (176) | (292) | 40% |
| ***Net cash provided by operating activities before income tax paid*** | ***2,889*** | ***2,598*** | ***11%*** |
| Income tax (paid) / collected | (899) | (1,258) | 29% |
| **Net cash provided by operating activities** | **€ 1,990** | **€ 1,340** | **49%** |
| **Contribution to the reduction of Financial Net Debt** | **€ (1,990)** | **€ (1,340)** | **-49%** |

*na*: not applicable*

| (In millions of euros) | Six Months Ended June 30, 2007 | 2006 | % Change |
|---|---|---|---|
| **Net cash provided by operating activities before income tax paid** | **€ 2,889** | **€ 2,598** | ***11%*** |
| Dividends received from equity affiliates | 171 | 159 | 8% |
| Dividends received from unconsolidated companies | - | 30 | -100% |
| ***Cash flow from operations excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets (CFFO before capex, net)*** | ***€ 3,060*** | ***€ 2,787*** | ***10%*** |
| Capital expenditures, net (capex, net) | (926) | (894) | -4% |
| **Cash flow from operations (CFFO)** | **2,134** | **1,893** | **13%** |
| Interest paid | (89) | (115) | 23% |
| Other cash items related to financial activities | (8) | 66 | na* |
| ***Financial activities cash payments*** | ***(97)*** | ***(49)*** | ***-98%*** |
| ***Income tax cash payments*** | ***(899)*** | ***(1,258)*** | ***29%*** |
| **Cash flow from operations after interest and income tax paid (CFAIT)** | **€ 1,138** | **€ 586** | **94%** |

*na*: not applicable*

Cash flow from operations (CFFO) by business segment was the following:

| (in millions of euros) | Six Months Ended June 30, 2007 | 2006 | % Change |
|---|---|---|---|
| Universal Music Group | € 172 | € 320 | -46.3% |
| Canal+ Group | 53 | 74 | -28.4% |
| SFR | 1,146 | 1,067 | 7.4% |
| Maroc Telecom | 475 | 421 | 12.8% |
| Vivendi Games | 207 | 59 | x3,5 |
| Holding & Corporate | 85 (a) | (56) (a) | na* |
| Non core operations | (4) | 8 | na* |
| **Total Vivendi** | **€ 2,134** | **€ 1,893** | **12.7%** |

*na*: not applicable*

a. Comprises dividends received from NBC Universal (€171 million for the first half of 2007 compared to €154 million for the first half of 2006).

# 4.3 Analysis of Investing Activities

For the half-year ended June 30, 2007, cash flow used for investing activities totaled €147 million (compared to €1,527 million for the half-year ended June 30, 2006). Included in this amount are capital expenditures (€926 million; see Section 4.2 "Analysis of operating activities", above), which are virtually offset by the net cash provided by financial investments (€608 million) and the dividends received from NBC Universal during the period (€171 million). In addition, non-cash investments contributed €622 million to the increase in Financial Net Debt.

Net cash provided by financial investments mainly included the cash inflows arising from the creation of Canal+ France[16] (€619 million), namely the impact of the unwinding of the cash collateral pledged in connection with the bank guarantee set up in favor of Lagardère as of December 31, 2006 (€469 million), and the repayment of the advance paid to TF1 and M6 in January 2006 upon the signing of the draft combination agreement (€150 million). However, as the cash collateral was deducted from Financial Net Debt as of December 31, 2006, its unwinding in January had no impact on Financial Net Debt as of June 30, 2007.

Taking into consideration the adverse impact of non-cash transactions (€622 million), investing activities contributed €769 million to the increase in Financial Net Debt for the period.

| (In millions of euros) | Impact on cash and cash equivalents | Impact on borrowings and other | Impact on Financial Net Debt |
|---|---|---|---|
| **Financial investments** | | | |
| Purchases of consolidated companies, after acquired cash | € (31) | € 146 | € 115 |
| Purchases of investments in equity affiliates | 25 | - | 25 |
| Increase in financial assets | 90 | (1) | 89 |
| ***Total financial investments*** | ***84*** | ***145*** | ***229*** |
| **Financial divestments** | | | |
| Proceeds from sales of consolidated companies, after divested cash | (475) | 469 | (6) |
| Sales of investments in equity affiliates | - | 8 | 8 |
| Decrease in financial assets | (217) | - | (217) |
| ***Total financial divestments*** | ***(692)*** | ***477*** | ***(215)*** |
| **Financial investment activities** | **€ (608)** | **€ 622** | **€ 14** |
| Dividends received from equity affiliates | *(171)* | - | *(171)* |
| Dividends received from unconsolidated companies | - | - | - |
| **Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets** | **€ (779)** | **€ 622** | **€ (157)** |
| Capital expenditures | 930 | - | 930 |
| Proceeds from sales of property, plant, equipment and intangible assets | (4) | - | (4) |
| ***Capital expenditures, net*** | ***926*** | ***-*** | ***926*** |
| **Investing activities in the first half of 2007** | **€ 147** | **€ 622** | **€ 769** |

# 4.4 Analysis of Financing Activities

For the half-year ended June 30, 2007, cash flow used for financing activities totaled €1,612 million (compared to €1,954 million for the half-year ended June 30, 2006). Included in this amount are cash used for transactions with shareholders in the amount of €2,094 million (compared to €1,931 million for the half-year ended June 30, 2006) and net cash provided by refinancing activities in the amount of €482 million (compared to cash used in the amount of €23 million for the half-year ended June 30, 2006). Taking into account non-cash transactions, in particular the put options granted to TF1 and M6 on their interest in Canal+ France[16] (€1,007 million), financing activities contributed €3,185 million to the increase in Financial Net Debt.

For the half-year ended June 30, 2007, cash flow used for financing activities mainly related to transactions with shareholders, including the dividend paid by Vivendi S.A. (€1,387 million), together with the dividends paid by consolidated subsidiaries to their minority shareholders

[16] *See Note 2.1 to the Condensed Financial Statements for the half-year ended June 30, 2007 "Combination of the Canal+ Group and TPS pay-TV activities in France."*

(€809 million, particularly dividends paid by SFR to Vodafone for €473 million and Maroc Telecom for €302 million). Furthermore, the cash flow provided by the exercise of stock options by executive management and employees totaled €100 million.

| (In millions of euros) | Refer to section | Impact on cash and cash equivalents | Impact on borrowings and other | Impact on Financial Net Debt |
|---|---|---|---|---|
| **Transactions with shareholders** | | | | |
| Net proceeds from issuance of common shares | | € (100) | € - | € (100) |
| (Sales) purchases of treasury shares | | (2) | - | (2) |
| Dividends paid by Vivendi SA, €1.20 per share (April) | 1.1.3 | 1,387 | - | 1,387 |
| Dividends paid by consolidated companies to their minority shareholders | | 809 | - | 809 |
| ***Total dividends and other transactions with shareholders*** | | ***2,094*** | ***-*** | ***2,094*** |
| **Transactions on borrowings and other financial liabilities** | | | | |
| Setting up of long-term borrowings and increase in other long-term financial liabilities | | (370) | 370 | - |
| Principal payments on long-term borrowings and decrease in other financial liabilities | | 299 | (299) | - |
| Principal payments on short-term borrowings | | 55 | (55) | - |
| Other changes in short-term borrowings and other short-term financial liabilities | | (563) | 563 | - |
| Non cash transactions | | - | 994 | 994 |
| Interest paid | | 89 | - | 89 |
| Other cash items related to financial activities | | 8 | - | 8 |
| ***Total transactions on borrowings and other financial liabilities*** | | ***(482)*** | ***1,573*** | ***1,091*** |
| **Financing activities in the first half of 2007** | | **€ 1,612** | **€ 1,573** | **€ 3,185** |

### Available undrawn facilities in 2007

As of August 28, 2007, the date of the Management Board's meeting which approved the financial statements for the half-year ended June 30, 2007, Vivendi S.A. and SFR's undrawn credit facilities, net of the treasury bonds, amounted to €3,703 million and €1,145 million, respectively. SFR's undrawn facilities include the remaining amount (€500 million) out of the €700 million revolving credit facility granted by Vivendi S.A. to SFR for 3 years.

## 4.5 Main Financing Characteristics and Credit Ratings

### Credit ratings

As of August 28, 2007, date of the Management Board meeting which approved the Unaudited Condensed Financial Statements for the half-year ended June 30, 2007, the credit ratings were as follows:

| Rating agency | Rating date | Type of debt | New ratings | Outlook |
|---|---|---|---|---|
| **Standard & Poor's** | July 27, 2005 | Long-term *corporate* | BBB | Stable |
| | | Short-term *corporate* | A-2 | |
| | | Senior unsecured debt | BBB | |
| **Moody's** | September 13, 2005 | Long-term senior unsecured debt | Baa2 | Stable |
| **Fitch Ratings** | December 10, 2004 | Long-term senior unsecured debt | BBB | Stable |

### Description of Vivendi's covenants

Vivendi and its subsidiary SFR are subject to certain financial covenants which require them to maintain various financial ratios computed at the end of each half-year. The main covenants are described in Section 5.5.3 of the 2006 Financial Report contained in the 2006 Annual Report (page 173). As of June 30, 2007, Vivendi and SFR were in compliance with applicable financial ratios.

### Financial Net Debt of SFR and MarocTelecom

As of June 30, 2007, the Financial Net Debt of SFR amounted to €2,711 million (compared to €2,256 million as of December 31, 2006) and included borrowings of €2,801 million (compared to €2,356 million as of December 31, 2006) and a revolving credit facility of €700 million granted by Vivendi S.A. to SFR for 3 years, of which €250 million has been used as of June 30, 2007.

As of June 30, 2007, Maroc Telecom showed a financial net debt of €247 million (compared to a net cash position of €241 million as of December 31, 2006).

# 5 FORWARD LOOKING STATEMENTS - MAJOR RISKS AND UNCERTAINTIES

### 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 Vivendi's control, including, but not limited to the risk that Vivendi will not be able to obtain the necessary regulatory approvals in connection with certain transactions as well as the risks described in the 2006 Document de Référence of the Group filed with the *Autorité des marchés financiers* (French securities regulator) and which are also available in English on Vivendi's web site (www.vivendi.com). 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.

### Major risks and uncertainties for the remaining six months of the fiscal year

During the first half of 2007, Vivendi demonstrated significant growth in revenues, EBITA, adjusted net income and cash flow generation. For the 2007 fiscal year, Vivendi confirms its outlook for an adjusted net income above €2.7 billion. For further details, please refer to Section 2 "Earnings", and Paragraph 2.3 "Vivendi's Outlook for 2007". Taking into account the above-mentioned reminder relating to forward-looking statements, Vivendi is not aware of any other risks or uncertainties for the remaining six months of the fiscal year.

# 6 DISCLAIMER

This report is an English translation of the French version of such report and is provided for informational purposes. This translation is qualified in its entirety by the French version which is available on the company's web site (www.vivendi.com). In the event of any inconsistencies between the French version of this report and the English translation, the French version will control.

# II CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2007 (Unaudited)

## Condensed Statement of Earnings

| | Note | Three Months Ended June 30 (unaudited) 2007 | Three Months Ended June 30 (unaudited) 2006 | Six Months Ended June 30 (unaudited) 2007 | Six Months Ended June 30 (unaudited) 2006 | Year Ended December 31, 2006 |
|---|---|---|---|---|---|---|
| **Revenues** | | **€ 5,203** | **€ 4,844** | **€ 10,223** | **€ 9,610** | **€ 20,044** |
| Cost of revenues | | (2,233) | (2,132) | (4,506) | (4,464) | (9,636) |
| Selling, general and administrative expenses | | (1,722) | (1,454) | (3,333) | (2,900) | (6,266) |
| Restructuring charges and other operating charges and income | | 14 | (13) | 92 | (11) | 5 |
| Impairment losses of intangible assets acquired through business combinations | | (31) | - | (31) | - | - |
| **Earnings before interest and income taxes (EBIT)** | | **1,231** | **1,245** | **2,445** | **2,235** | **4,147** |
| Income from equity affiliates | | 90 | 87 | 172 | 155 | 337 |
| Interest | 4 | (40) | (66) | (64) | (115) | (203) |
| Income from investments | 4 | 2 | 33 | 4 | 46 | 54 |
| Other financial charges and income | 4 | (120) | (615) | 77 | (519) | 311 |
| **Earnings from continuing operations before provision for income taxes** | | **1,163** | **684** | **2,634** | **1,802** | **4,646** |
| Provision for income taxes | 5 | (252) | 792 | (476) | 651 | 547 |
| **Earnings from continuing operations** | | **911** | **1,476** | **2,158** | **2,453** | **5,193** |
| Earnings from discontinued operations | | - | - | - | - | - |
| **Earnings** | | **911** | **1,476** | **2,158** | **2,453** | **5,193** |
| *Attributable to :* | | | | | | |
| **Equity holders of the parent** | | **594** | **1,155** | **1,526** | **1,862** | **4,033** |
| Minority interests | | 317 | 321 | 632 | 591 | 1,160 |
| Earnings from continuing operations, attributable to the equity holders of the parent per share - basic | 7 | € 0.51 | € 1.00 | € 1.32 | € 1.62 | € 3.50 |
| Earnings from continuing operations, attributable to the equity holders of the parent per share - diluted | 7 | € 0.51 | € 0.99 | € 1.31 | € 1.60 | € 3.47 |
| **Earnings, attributable to the equity holders of the parent per share - basic** | 7 | **€ 0.51** | **€ 1.00** | **€ 1.32** | **€ 1.62** | **€ 3.50** |
| Earnings, attributable to the equity holders of the parent per share - diluted | 7 | € 0.51 | € 0.99 | € 1.31 | € 1.60 | € 3.47 |
| **Adjusted net income** | 6 | **€ 755** | **€ 750** | **€ 1,526** | **€ 1,378** | **€ 2,614** |
| **Adjusted net income per share - basic** | 7 | **€ 0.65** | **€ 0.65** | **€ 1.32** | **€ 1.20** | **€ 2.27** |
| Adjusted net income per share - diluted | 7 | € 0.65 | € 0.65 | € 1.31 | € 1.19 | € 2.25 |

In millions of euros, except per share amounts, in euros.

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

# *Condensed Statement of Financial Position*

| (In millions of euros) | Note | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | 8 | € 16,107 | € 13,068 |
| Non-current content assets | 9 | 2,197 | 2,120 |
| Other intangible assets | | 2,486 | 2,262 |
| Property, plant and equipment | | 4,622 | 4,379 |
| Investments in equity affiliates | 10 | 6,920 | 7,032 |
| Non-current financial assets | 11 | 1,281 | 3,164 |
| Deferred tax assets | | 2,018 | 1,484 |
| **Non-current assets** | | **35,631** | **33,509** |
| Inventories | 12 | 370 | 358 |
| Current tax receivables | | 622 | 617 |
| Current content assets | 9 | 636 | 842 |
| Trade accounts receivable and other | 12 | 4,371 | 4,489 |
| Short-term financial assets | 11 | 202 | 833 |
| Cash and cash equivalents | | 2,629 | 2,400 |
| **Current assets** | | **8,830** | **9,539** |
| **TOTAL ASSETS** | | **€ 44,461** | **€ 43,048** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | € 6,394 | € 6,364 |
| Additional paid-in capital | | 7,296 | 7,257 |
| Treasury shares | | (2) | (33) |
| Retained earnings and other | | 6,336 | 6,324 |
| **Equity, attributable to Vivendi S.A.'s shareholders** | | **20,024** | **19,912** |
| Minority interests | | 1,881 | 1,952 |
| **Total equity** | | **21,905** | **21,864** |
| Non-current provisions | 13 | 1,919 | 1,388 |
| Long-term borrowings and other financial liabilities | 16 | 5,938 | 4,714 |
| Deferred tax liabilities | | 1,052 | 1,070 |
| Other non-current liabilities | 12 | 1,218 | 1,269 |
| **Non-current liabilities** | | **10,127** | **8,441** |
| Current provisions | 13 | 455 | 398 |
| Short-term borrowings and other financial liabilities | 17 | 3,140 | 2,601 |
| Trade accounts payable and other | 12 | 8,471 | 9,297 |
| Current tax payables | | 363 | 447 |
| **Current liabilities** | | **12,429** | **12,743** |
| **Total liabilities** | | **22,556** | **21,184** |
| Contractual obligations and other commitments | 19 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **€ 44,461** | **€ 43,048** |

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

# Condensed Statement of Cash Flows

| (In millions of euros) | Note | Six Months Ended June 30, (unaudited) 2007 | 2006 | Year Ended December 31, 2006 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| EBIT | | € 2,445 | € 2,235 | € 4,147 |
| Adjustments | 18 | 791 | 747 | 1,703 |
| Content investments, net | 9 | (171) | (92) | (111) |
| ***Gross cash provided by operating activities before income tax paid*** | | ***3,065*** | ***2,890*** | ***5,739*** |
| Other changes in net working capital | 12 | (176) | (292) | 67 |
| ***Net cash provided by operating activities before income tax paid*** | | ***2,889*** | ***2,598*** | ***5,806*** |
| Income tax paid | | (899) | (1,258) | (1,381) |
| **Net cash provided by operating activities** | | **1,990** | **1,340** | **4,425** |
| **Investing activities** | | | | |
| Capital expenditures | | (930) | (899) | (1,690) |
| Purchases of consolidated companies, after acquired cash | 2 | 31 | (993) | (1,022) |
| Investments in equity affiliates | 10 | (25) | (322) | (724) |
| Increase in financial assets | 11 | (90) | (218) | (2,135) |
| ***Investments*** | | ***(1,014)*** | ***(2,432)*** | ***(5,571)*** |
| Proceeds from sales of property, plant, equipment and intangible assets | | 4 | 5 | 45 |
| Proceeds from sales of consolidated companies, after divested cash | 2 | 475 | (46) | 7 |
| Disposals of equity affiliates | 10 | - | 24 | 42 |
| Decrease in financial assets | 11 | 217 | 733 | 1,752 |
| ***Divestitures*** | | ***696*** | ***716*** | ***1,846*** |
| Dividends received from equity affiliates | 10 | 171 | 159 | 271 |
| Dividends received from unconsolidated companies | | - | 30 | 34 |
| **Net cash provided by (used for) investing activities** | | **(147)** | **(1,527)** | **(3,420)** |
| **Financing activities** | | | | |
| Net proceeds from issuance of common shares | | 100 | 10 | 60 |
| Sales (purchases) of treasury shares | | 2 | 16 | 16 |
| Dividends paid by Vivendi S.A. to its shareholders | | (1,387) | (1,152) | (1,152) |
| Dividends and reimbursements of contribution of capital paid by consolidated companies to their minority shareholders | | (809) | (805) | (1,034) |
| ***Dividends and other transactions with shareholders*** | | ***(2,094)*** | ***(1,931)*** | ***(2,110)*** |
| Setting up of long-term borrowings and increase in other long-term financial liabilities | 16 | 370 | 300 | 1,919 |
| Principal payment on long-term borrowings and decrease in other long-term financial liabilities | 16 | (299) | (266) | (576) |
| Principal payment on short-term borrowings | 17 | (55) | (696) | (723) |
| Other changes in short-term borrowings and other financial liabilities | 17 | 563 | 688 | 178 |
| Interest paid | 4 | (89) | (115) | (203) |
| Other cash items related to financial activities | | (8) | 66 | 36 |
| ***Transactions on borrowings and other financial liabilities*** | | ***482*** | ***(23)*** | ***631*** |
| **Net cash provided by (used for) financing activities** | | **(1,612)** | **(1,954)** | **(1,479)** |
| Foreign currency translation adjustments | | (2) | (28) | (28) |
| **Change in cash and cash equivalents** | | **229** | **(2,169)** | **(502)** |
| **Cash and cash equivalents** | | | | |
| At beginning of the period | | **2,400** | **2,902** | **2,902** |
| At end of the period | | **€ 2,629** | **€ 733** | **€ 2,400** |

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

# *Condensed Statement of Changes in Equity*

## ***Six Months Ended June 30, 2007 (unaudited)***

| (In millions of euros, except number of shares) | Attributable to Vivendi S.A. shareholders | | | | | | | | | Minority interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common shares | | Additional paid-in capital | Treasury shares | 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 adjustments | Total | | | |
| **BALANCE AS OF DECEMBER 31, 2006** | **1,157,034** | **€ 6,364** | **€ 7,257** | **€ (33)** | **€ 7,907** | **€ 96** | **€ (1,679)** | **€ 6,324** | **€ 19,912** | **€ 1,952** | **€ 21,864** |
| Dividends paid by Vivendi S.A. (€1.2 per share) | - | - | - | - | (1,387) | - | - | (1,387) | **(1,387)** | - | **(1,387)** |
| Exercise of stock options | 6,683 | 37 | 63 | - | - | - | - | - | **100** | - | **100** |
| Treasury shares cancellation | (1,300) (a) | (7) | (24) | 31 | - | - | - | - | **-** | - | **-** |
| Other transactions with shareholders | - | - | - | - | 22 | - | - | 22 | **22** | - | **22** |
| **Dividends and other transactions with Vivendi S.A. shareholders** | **5,383** | **30** | **39** | **31** | **(1,365)** | **-** | **-** | **(1,365)** | **(1,265)** | **-** | **(1,265)** |
| Dividends | - | - | - | - | - | - | - | - | **-** | (613) | **(613)** |
| Other transactions with minority interests | - | - | - | - | - | - | - | - | **-** | (91) | **(91)** |
| **Transactions with minority interests** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(704)** | **(704)** |
| Earnings | - | - | - | - | 1,526 | - | - | 1,526 | **1,526** | 632 | **2,158** |
| Charges and income directly recognized in equity | - | - | - | - | (4) | 76 | (221) | (149) | **(149)** | 1 | **(148)** |
| **Total recognized charges and income for the period** | **-** | **-** | **-** | **-** | **1,522** | **76** | **(221)** | **1,377** | **1,377** | **633** | **2,010** |
| **Total changes over the period** | **5,383** | **30** | **39** | **31** | **157** | **76** | **(221)** | **12** | **112** | **(71)** | **41** |
| **BALANCE AS OF JUNE 30, 2007** | **1,162,417** | **€ 6,394** | **€ 7,296** | **€ (2)** | **€ 8,064** | **€ 172** | **€ (1,900)** | **€ 6,336** | **€ 20,024** | **€ 1,881** (b) | **€ 21,905** |

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

(a) This cancellation results from the conversion of the former ADS option plans into SAR plans in May 2006.
(b) Includes cumulative foreign currency translation adjustments of -€40 million.

## *Six Months Ended June 30, 2006 (unaudited)*

| (In millions of euros, except number of shares) | Attributable to Vivendi S.A. shareholders | | | | | | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common shares | | Additional paid-in capital | Treasury shares | 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 adjustments | Total | | | |
| **BALANCE AS OF DECEMBER 31, 2005** | **1,153,477** | **€ 6,344** | **€ 6,939** | **€ (60)** | **€ 5,349** | **€ 899** | **€ (702)** | **€ 5,546** | **€ 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 | 682 | 4 | 20 | (4) | (64) (b) | - | - | (64) | **(44)** | - | **(44)** |
| **Dividends and other transactions with Vivendi S.A. shareholders** | **682** | **4** | **20** | **(4)** | **(1,216)** | **-** | **-** | **(1,216)** | **(1,196)** | **-** | **(1,196)** |
| Acquisition of an additional 7.7% stake in USHI | - | - | - | - | - | - | - | - | **-** | (832) | **(832)** |
| Dividends | - | - | - | - | - | - | - | - | **-** | (805) | **(805)** |
| Other transactions with minority interests | - | - | - | - | - | - | - | - | **-** | (38) | **(38)** |
| **Transactions with minority interests** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,675)** | **(1,675)** |
| Earnings | - | - | - | - | 1,862 | - | - | 1,862 | **1,862** | 591 | **2,453** |
| Charges and income directly recognized in equity | - | - | - | - | (29) | (37) | (446) | (512) | **(512)** | 5 | **(507)** |
| **Total recognized charges and income for the period** | **-** | **-** | **-** | **-** | **1,833** | **(37)** | **(446)** | **1,350** | **1,350** | **596** | **1,946** |
| **Total changes over the period** | **682** | **4** | **20** | **(4)** | **617** | **(37)** | **(446)** | **134** | **154** | **(1,079)** | **(925)** |
| **BALANCE AS OF JUNE 30, 2006** | **1,154,159** | **€ 6,348** | **€ 6,959** | **€ (64)** | **€ 5,966** | **€ 862** | **€ (1,148)** | **€ 5,680** | **€ 18,923** | **€ 1,760** (c) | **€ 20,683** |

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

(a) Includes €5 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).

(b) Includes the counterpart of the share-based compensation cost related to equity-settled instruments for the period (€17 million) and the reclassification of the estimated value of the vested rights as of May 15, 2006 of the ADS option plans, converted into SAR plans in liabilities, as non-current provisions (-€67 million).

(c) Includes cumulative foreign currency translation adjustments of -€25 million.

## *Year Ended December 31, 2006*

| (In millions of euros, except number of shares) | Attributable to Vivendi S.A. shareholders: Common shares – Number of shares (In thousands) | Common shares – Amount | Additional paid-in capital | Treasury shares | Retained earnings and other: Retained earnings | Net unrealized gains (losses) | Foreign currency translation adjustments | Total | **Equity, attributable to equity holders of the parent** | Minority interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AS OF DECEMBER 31, 2005** | **1,153,477** | **€ 6,344** | **€ 6,939** | **€ (60)** | **€ 5,349** | **€ 899** | **€ (702)** | **€ 5,546** | **€ 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)** |
| Repayment of Vivendi ExchangeCo shares | - | - | 278 | - | (278) | - | - | (278) | **-** | - | **-** |
| Other transactions with shareholders | 3,557 | 20 | 40 | 27 | (14) (b) | - | - | (14) | **73** | - | **73** |
| **Dividends and other transactions with Vivendi S.A. shareholders** | **3,557** | **20** | **318** | **27** | **(1,444)** | **-** | **-** | **(1,444)** | **(1,079)** | **-** | **(1,079)** |
| Acquisition of an additional 7.7% stake in USHI | - | - | - | - | - | - | - | - | **-** | (832) | **(832)** |
| Dividends and reimbursements of contribution of capital paid by subsidiaries to minority interests | - | - | - | - | - | - | - | - | **-** | (1,232) | **(1,232)** |
| Other transactions with minority interests | - | - | - | - | - | - | - | - | **-** | 22 | **22** |
| **Transactions with minority interests** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(2,042)** | **(2,042)** |
| Earnings | - | - | - | - | 4,033 | - | - | 4,033 | **4,033** | 1,160 | **5,193** |
| Charges and income directly recognized in equity | - | - | - | - | (31) | (803) | (977) | (1,811) | **(1,811)** | (5) | **(1,816)** |
| **Total recognized charges and income for the period** | **-** | **-** | **-** | **-** | **4,002** | **(803)** | **(977)** | **2,222** | **2,222** | **1,155** | **3,377** |
| **Total changes over the period** | **3,557** | **20** | **318** | **27** | **2,558** | **(803)** | **(977)** | **778** | **1,143** | **(887)** | **256** |
| **BALANCE AS OF DECEMBER 31, 2006** | **1,157,034** | **€ 6,364** | **€ 7,257** | **€ (33)** | **€ 7,907** | **€ 96** | **€ (1,679)** | **€ 6,324** | **€ 19,912** | **€ 1,952** (c) | **€ 21,864** |

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

(a) Includes €5 million paid to shareholders of Vivendi Exchangeco (former Seagram shareholders).

(b) Includes the counterpart of the share-based compensation cost related to equity-settled instruments for the period (€53 million) and the reclassification of the estimated value of the vested rights as of May 15, 2006 of the ADS option plans, converted into SAR plans in liabilities, as non-current provisions (-€67 million). Please refer to Note 21 "Share-based compensation plans" to the Consolidated Financial Statements for the year ended December 31, 2006 (from pages 240 to 246 of the 2006 Annual Report).

(c) Includes cumulative foreign currency translation adjustments of -€36 million.

# Statement of Recognized Charges and Income

| (In millions of euros) | Six Months Ended June 30, 2007 (unaudited) | | | Six Months Ended June 30, 2006 (unaudited) | | | Year Ended December 31, 2006 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Charges and income recorded over the period | Attributable to Vivendi S.A.'s shareholders | Attributable to Minority interests | Charges and income recorded over the period | Attributable to Vivendi S.A.'s shareholders | Attributable to Minority interests | Charges and income recorded over the period | Attributable to Vivendi S.A.'s shareholders | Attributable to Minority interests |
| **Net Income** | **€ 2,158** | **€ 1,526** | **€ 632** | **€ 2,453** | **€ 1,862** | **€ 591** | **€ 5,193** | **€ 4,033** | **€ 1,160** |
| **Foreign currency translation adjustments** | **(225)** | **(221)** (a) | **(4)** | **(479)** | **(446)** (a) | **(33)** | **(1,021)** | **(977)** (a) | **(44)** |
| Assets available for sale | **40** | 40 | - | (23) | (23) | - | (847) | (847) | - |
| *Valuation gains/(losses) taken to equity* | ***40*** | *40* | - | *(44)* | *(44)* | - | *(7)* | *(7)* | - |
| *Transferred to profit or loss on divestiture* | **-** | - | - | *21* | *21* | - | *(840)* | *(840)* | - |
| Cash flow hedges | **47** | 39 | 8 | 11 | 6 | 5 | 25 | 20 | 5 |
| Tax | **(6)** | (3) | (3) | (22) | (20) | (2) | 23 | 24 | (1) |
| **Unrealized gains (losses)** | **81** | **76** | **5** | **(34)** | **(37)** | **3** | **(799)** | **(803)** | **4** |
| Charges and income directly recorded in equity related to equity affiliates | **3** | 3 | - | 10 | 10 | - | **5** | 5 | - |
| Other | **(7)** | (7) | - | (4) | (39) | 35 | **(1)** | (36) | 35 |
| **Other impacts on retained earnings** | **(4)** | **(4)** | **-** | **6** | **(29)** | **35** | **4** | **(31)** | **35** |
| **Charges and income directly recognized in equity** | **(148)** | **(149)** | **1** | **(507)** | **(512)** | **5** | **(1,816)** | **(1,811)** | **(5)** |
| **TOTAL RECOGNIZED CHARGES AND INCOME OVER THE PERIOD** | **€ 2,010** | **€ 1,377** | **€ 633** | **€ 1,946** | **€ 1,350** | **€ 596** | **€ 3,377** | **€ 2,222** | **€ 1,155** |

(a) Includes changes in foreign currency translation adjustments relating to the investment in NBC Universal of -€100 million for the first half of 2007, -€363 million for the first half of 2006 and -€662 million in 2006.

# *NOTES TO THE CONDENSED FINANCIAL STATEMENTS*

On August 28, 2007, the Management Board approved the Financial Report and the Condensed Financial Statements for the half-year ended June 30, 2007. Following a review by the Audit Committee on August 28, 2007, these financial statements were reviewed by the Supervisory Board on August 30, 2007.

The unaudited Condensed Financial Statements for the half-year ended June 30, 2007 should be read in conjunction with the audited Consolidated Financial Statements of Vivendi for the year ended December 31, 2006, as published in the 2006 "*Document de Référence*" that was filed under number D.07-0240 with the "*Autorité des marchés financiers*" (AMF) on March 28, 2007 ("the 2006 *Document de Référence*"). Please also refer to our 2006 Annual Report ("the Annual Report") in English which is a translation[1] of the French "Document de Référence" for information purposes (from pages 176 to 273).

## Note 1. Accounting Policies and Valuation Methods

### 1.1. Interim Financial Statements

The Condensed Financial Statements of Vivendi for the first half of 2007 are presented and have been prepared based on the provisions of IAS 34 "Interim financial reporting" as approved by the European Union (EU). As a result, Vivendi applied the same accounting methods used for the Consolidated Financial Statements for the year ended December 31, 2006 (please refer to Note 1 "Accounting policies and valuation methods" presented in those financial statements (from pages 186 to 198 of the 2006 Annual Report)) 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.

### 1.2. New IFRS applicable as of January 1, 2007

Vivendi applies IFRIC 10 "Interim Financial Reporting and Impairment" which was adopted by the EU on June 1, 2007 and published in the Official Journal of the EU on June 2, 2007. IFRIC 10 clarifies that impairment losses on goodwill and certain financial assets ("available for sale" equity investments and unquoted equity instruments measured at cost) that are recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements.

The other new IFRS applicable as of January 1, 2007, as described in Note 1.5 to the Consolidated Financial Statements of Vivendi for the year ended December 31, 2006 (pages 197 and 198 of the 2006 Annual Report), were not applicable to the period.

### 1.3. Changes in the Presentation

#### Changes in the presentation of costs for the Canal+ Group beginning January 1, 2007

Beginning January 1, 2007, in order to be consistent with the accounting practices of other business segments, subscriber management and acquisition costs, as well as television distribution costs incurred by Canal+ Group, are included in selling, general and administrative expenses instead of cost of revenues. Pursuant to IAS 1, Vivendi has applied these presentation changes to all the periods presented in these financial statements. The reclassified costs amounted to €219 million, €111 million and €510 million, respectively, for the first half of 2006, the second quarter of 2006 and the year ended December 31, 2006, respectively.

[1] This translation is qualified in its entirety by reference to the "Document de Référence".

# Note 2. Changes in the Scope of Consolidation for the First Half of 2007

## 2.1. Combination of the Canal+ Group and TPS pay-TV Activities in France

The combination of the Canal+ Group and TPS pay-TV activities in France was completed on January 4, 2007. At that date, TF1 and M6 contributed TPS in exchange for 15% of Canal+ France (9.9% and 5.1%, respectively). On the same date, Lagardère transferred to Canal+ France its 34% stake in CanalSatellite in exchange for 10.18% of Canal+ France. As a result of the completion of this contribution and the €469 million cash consideration paid by Lagardère in December 2006, Lagardère holds a 20% interest in Canal+ France. Details of these transactions and the preliminary transactions that occurred during the fourth quarter of 2006 are presented in Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006 as published in the 2006 Annual Report (from pages 198 to 201).

These transactions can be summarized as follows:

- TF1 and M6 contributed 100% of TPS in exchange for 15% of Canal+ France. From an accounting standpoint, this contribution is treated as the acquisition by Vivendi and Canal+ Group of 85% of TPS and the sale of 15% of Canal+ France to TF1 and M6 (including the additional investment in CanalSatellite, purchased at the same time from Lagardère, see below).

- Lagardère contributed its 34% equity interest in CanalSatellite and a cash consideration of €469 million, in exchange for 20% of Canal+ France. From an accounting standpoint, this transaction is considered as the acquisition of minority interests in CanalSatellite, over which Canal+ France exercises full control, and the sale of 20% of Canal+ France to Lagardère (including TPS, purchased at the same time from TF1 and M6, see above).

- In addition, Vivendi, Canal+ Group, Lagardère, TF1 and M6 entered into other agreements, such as put options granted by Vivendi and Canal+ Group to TF1 and M6 on their 15% stake in Canal+ France, a call option granted by Vivendi and Canal+ Group to Lagardère for a 14% stake in Canal+ France as well as some other contractual commitments which are not recorded in the statement of financial position, as indicated below.

As a result of the completion of these transactions, Vivendi and Canal+ Group hold an aggregate 65% of Canal+ France, Lagardère holds 20%, TF1 holds 9.9% and M6 holds 5.1%. Canal+ France encompasses all the pay-TV activities of Canal+ Group and TPS in France.

The effect of the combination on the condensed financial statements for the half-year ended June 30, 2007 can be summarized as follows:

- Acquisition of 85% of TPS from TF1 and M6

Canal+ France fully consolidates TPS since January 4, 2007, on which date TF1 and M6 contributed to Canal+ France 100% of TPS Gestion, a company which wholly owns TPS. From this date, Vivendi and Canal+ Group can exercise their shareholders' rights and therefore have the power to govern the financial and operational policies of TPS to obtain benefits from its operations. Accordingly, Vivendi and Canal+ Group exercise full control over TPS from January 4, 2007.

TF1 and M6 contributed to Canal+ France 100% of the share capital of TPS Gestion, a company which wholly owns TPS SNC. Such contribution was valued at €900 million for 100% of TPS.

The purchase price of 85% of TPS (€787 million) was determined on the basis of the fair value of the TPS shares contributed by TF1 and M6, plus the costs directly attributable to the acquisition. In accordance with the accounting standards applicable to business combinations, Canal+ France has performed a preliminary allocation of the purchase price, in order to determine the fair value of identifiable assets acquired and liabilities incurred or assumed, based on analyses and appraisals performed by Canal+ France. The final allocation of the purchase price will be completed within the 12-month period prescribed by accounting standards and may significantly differ from the preliminary allocation, which can be summarized as follows:

| (in millions of euros) | January 4, 2007 |
|---|---|
| **Net carrying value of TPS before business combination:** | |
| Long-lived assets and content assets (a) | € 112 |
| Cash and cash equivalents | 81 |
| Net working capital | (210) |
| Provisions | (88) |
| Other liabilities | (13) |
| **Carrying value of TPS' assets and liabilities (A)** | **(118)** |
| **Fair value adjustments of TPS' assets and liabilities incurred and assumed as at combination date (preliminary):** | |
| Customer list (b) | 150 |
| TPS trade name (c) | 25 |
| Assumed liabilities related to broadcasting rights and fair value adjustments to other long-term contracts (d) | (484) |
| Deferred tax assets, net | 123 |
| **Total fair value adjustments of TPS' assets and liabilities incurred and assumed (preliminary) (B)** | **(186)** |
| **Fair value of TPS' assets and liabilities incurred and assumed (C = A + B)** | **€ (304)** |
| **Fair value of TPS' net assets acquired by Vivendi from TF1 and M6 (85% x C)** | **(258)** |
| Preliminary goodwill arising on the acquisition of 85% of TPS from TF1 and M6 (e) | 1,045 |
| **Purchase price of 85% of TPS** | **€ 787** |

a. Primarily includes property, plant and equipment for a net carrying amount of €58 million, including decoders for €42 million, and content assets for €43 million.
b. The fair value of the customer list has been assessed using the "Income Approach", on the basis of the discounted value of expected revenues attributable to existing customers at the acquisition date. The present value of the estimated future cash flows has been determined using a discount rate of return that considers the relative risk of achieving these cash flows and the time value of money. This discount rate is consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. This asset classified in "other intangible assets" is amortized over 5 years, based on the churn rate used for valuation purposes.
c. The TPS trade name has been valued based on the "royalty relief" method, which involves assessing the royalties that would have been paid to third parties for the use of the trade name had Vivendi not owned it. The present value of the estimated future cash flows has been determined using a discount rate of return consistent with the rate used by Vivendi for the purpose of evaluating similar businesses of Canal+ Group. Given the fact that the TPS branded program bouquet will no longer be marketed under the TPS trade name, the latter was fully written down as of June 30, 2007.
d. Corresponds to liabilities incurred in connection with the business combination and mainly relating to "broadcasting rights" as well as the fair value adjustment of other long-term contractual commitments.
e. The residual goodwill reflects the expected synergies of costs and revenues.

- Sale of 15% interest in Canal+ France to TF1 and M6

In consideration for the contribution of 85% of TPS to Vivendi, TF1 and M6 received a 15% interest (9.9% and 5.1%, respectively) in Canal+ France (Canal+ Group's pay-TV activity in France, including the additional interest in CanalSatellite purchased at the same time from Lagardère) and were granted put options on this interest by Vivendi (see below).
In accounting terms, the sale by Vivendi of this 15% interest in Canal+ France generated a dilution gain of €156 million, which breaks down as the positive difference between the amount allocated to this interest, considering the exchange parity, and its carrying amount. However, this capital gain was directly offset against the goodwill recorded for the put options granted to TF1 and M6. Vivendi generated this gain on an interest for which it continues to bear the risks relating to its amount, since it has undertaken to buy it back from the assignees at a floor price corresponding to its amount adopted as a reference with respect to the combination with TPS.

- Acquisition by Canal+ France from Lagardère of its 34% in CanalSatellite

Lagardère Active contributed to Canal+ France its 24% interest in CanalSatellite and 100% of its interest in Lagardère Television Holdings S.A., which owns 10% of CanalSatellite's share capital. This contribution of assets was valued at €891 million and paid for in Canal+ France shares (10.18%), that added to the shares acquired on December 19, 2006, give to Lagardère, 20% of the share capital of Canal+ France, after taking into accounts all the contributions (including TPS). In accounting terms, the acquisition of the 34% stake in CanalSatellite, a company controlled by Canal+ France, is a purchase of minority interests which resulted in the recognition of goodwill in the amount of €564 million.

- Sale of 20% of Canal+ France to Lagardère

Lagardère's purchase of 20% of Canal+ France took place in two stages: (1) on December 19, 2006, the sale to Lagardère Active of 9.82% of Canal+ France (without TPS and with 66% of CanalSatellite, but based on the exchange parity of the combination completed on January 4, 2007) for €469 million in cash and (2) on January 4, 2007, the contribution to Lagardère Active of 10.18% of Canal+ France (including TPS) in consideration for 34% of CanalSatellite.

From an accounting standpoint, the sale of 9.82% of Canal+ France generated a capital gain of €128 million in the 2006 consolidated net income. The 10.18% dilution of Canal+ Group in Canal+ France resulted in a dilution gain of €239 million in consolidated net income for the first half of 2007. The impact of this transaction on the value of TPS in Vivendi's consolidated financial statements breaks down as follows:

| (in millions of euros) | | Acquisition from TF1 and M6 (85%) | | Divestiture to Lagardère (20%) | | Upon completion of the transactions, as at January 4, 2007 (65%) |
|---|---|---|---|---|---|---|
| Fair value of TPS' net asset acquired | € | (258) | € | 61 | € | (197) |
| Preliminary goodwill arising on the acquisition of TPS | | 1,045 | | (241) | | 804 |
| **Purchase price of TPS** | **€** | **787** | **€** | **(180)** | **€** | **607** |

- TF1's and M6's put options

Both TF1 and M6 were granted a put option by Vivendi on their shares in Canal+ France. These options are exercisable in February 2010 at fair market value, to be determined by a third-party expert, with a floor of €1,130 million for 15% of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of Canal+ France). This commitment of Vivendi to purchase minority interests was accounted for in long-term financial liabilities on January 4, 2007 for its present value, i.e. €1,001 million, mainly against negative minority interests for €87 million and goodwill for €1,088 million. After deduction of the €156 million dilution gain recorded by Vivendi in connection with the sale of the 15% interest in Canal+ France to TF1 and M6 (see above), goodwill as of January 4, 2007 amounted to €932 million. The subsequent change in this commitment was recorded in financial liabilities by adjusting the amount of goodwill. As of June 30, 2007, the present value of this commitment amounted to €1,007 million.

- Other items

The payback of the €150 million advance paid by Vivendi in January 2006 to TF1 and M6, as well as the unwinding of the €469 million cash collateral established in December 2006, were completed on January 4, 2007.

In addition, this combination has generated the following contractual commitments, which are not recorded in the statement of financial position:

- Lagardère's call option

Lagardère was granted a call option by Canal+ Group pursuant to which Lagardère may increase to 34% the level of its equity interest in Canal+ France. The option is exercisable in October 2009 at fair market value, to be determined by an expert (the exercise price will be the same as the exercise price of the put options held by TF1 and M6 if one and/or the other is exercised) with a floor of €1,055 million for 14% of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of Canal+ France). If Lagardère decides to exercise such call option, the transaction would take place following the exercise (or failing that, the lapse) of the put options held by TF1 and M6. As of June 30, 2007, the present value of this commitment amounted to €940 million.

- Shareholders' Agreement between Vivendi, TF1 and M6, strategic agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active, dated as of January 4, 2007: refer to Note 19.4 "Shareholders' Agreements".

- Commitments undertaken by Vivendi and Canal+ Group in connection with the authorization of the combination, pursuant to the merger control regulations, by a decision of the French Minister of the Economy, Finance and Industry: see Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2006 (from pages 198 to 201 in the 2006 Annual Report).

- Vendor warranties received from TF1 and M6

Canal+ Group and Vivendi received vendor warranties from TF1 and M6 capped at €113 million.

- TPS commitments

As of June 30, 2007, contractual content commitments and other long term obligations of TPS amounted to approximately €750 million. They are mainly composed of film and television rights and satellite capacity contracts. Some of these film and television rights were recorded as liabilities in the statement of financial position as part of the preliminary purchase price allocation of TPS by Canal+ France (see above). As a reminder, Vivendi granted a counter guarantee in favor of TF1 and M6 in order to assume commitments and guarantees made by TF1 and M6 in connection with some of these commitments and other obligations recognized in the statement of financial position of TPS.

## 2.2. Acquisition of a 51% Stake in Onatel in Burkina Faso by Maroc Telecom

In December 2006, following the completion of a bidding process, Maroc Telecom acquired a 51% stake in Onatel, the national telecommunications operator in Burkina Faso, for a purchase price of €222 million (including acquisition fees). Onatel has been fully consolidated since January 1, 2007. The preliminary goodwill is estimated at €181 million. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below:

| (in millions of euros) | January 1, 2007 | |
|---|---|---|
| Net assets acquired | € | 41 |
| Preliminary goodwill | | 181 |
| **Purchase price** | **€** | **222** |

## 2.3. Acquisition of a 51% Stake in Gabon Telecom by Maroc Telecom

On February 9, 2007, Maroc Telecom acquired a 51% stake in Gabon Telecom S.A., the national telecommunications operator of Gabon. Gabon Telecom has been fully consolidated since March 1, 2007. The allocation of the purchase price will be finalized within the 12-month period prescribed by accounting standards and the final goodwill may significantly differ from the preliminary goodwill as presented below:

| (in millions of euros) | March 1, 2007 | |
|---|---|---|
| Net assets acquired | € | 25 |
| Preliminary goodwill | | 1 |
| **Purchase price** | **€** | **26** |

## 2.4. Acquisition of BMG Music Publishing by UMG

On September 6, 2006, Universal Music Group (UMG) entered into an agreement with Bertelsmann AG to purchase 100% of BMG Music Publishing (BMGP). UMG paid Bertelsmann AG €1,639 million in cash on December 15, 2006. On May 25, 2007, following receipt of European Commission clearance, the acquisition was completed. BMGP has been fully consolidated since that date. Including capitalized transaction costs and the benefit of cash generated by trading as from July 1, 2006 to May 25, 2007, the acquisition price paid by UMG was €1,641million.

In accordance with the accounting standards applicable to business combinations, UMG has begun to determine the fair value of identifiable assets acquired and liabilities incurred or assumed. The major asset acquired was the catalogue of music publishing rights and writers' contracts and UMG has initiated an evaluation with external appraisers to determine the fair value of these rights and contracts. In the meantime, the difference between the purchase price and the fair values of those net assets acquired which have been evaluated has been accounted for as goodwill, which amounted to €1,564 million. The allocation of the purchase price will be performed within the 12-month period prescribed by accounting standards.

As part of its ruling approving the acquisition, the European Commission has required that UMG dispose of certain rights it acquired from Bertelsmann AG in this transaction, as well as some rights UMG previously owned.

# Note 3. Segment Data

The group operates through five different entertainment businesses: Universal Music Group, the Canal+ Group, SFR, Maroc Telecom, and Vivendi Games.

## Condensed Statement of Earnings

| **Six Months Ended June 30, 2007**<br>(In millions of euros) | Universal Music Group | Canal+ Group | SFR | Maroc Telecom | Vivendi Games | Holding & Corporate | Non core operations | Eliminations | **Total Vivendi** |
|---|---|---|---|---|---|---|---|---|---|
| External revenues | € 2,088 | € 2,139 | € 4,333 | € 1,154 | € 500 | € - | € 9 | € - | € 10,223 |
| Inter-segments revenues | 7 | 15 | 3 | 11 | - | - | - | (36) | - |
| **Revenues** | **€ 2,095** | **€ 2,154** | **€ 4,336** | **€ 1,165** | **€ 500** | **€ -** | **€ 9** | **€ (36)** | **€ 10,223** |
| Operating expenses excluding amortization and depreciation | (1,854) | (1,736) | (2,540) | (489) | (353) | (63) | (15) | 36 | (7,014) |
| **Sub-total (EBITDA)** | **€ 241** | **€ 418** | **€ 1,796** | **€ 676** | **€ 147** | **€ (63)** | **€ (6)** | **€ -** | **€ 3,209** |
| Restructuring charges | (1) | (25) | - | 9 | - | (1) | - | - | (18) |
| Gains (losses) on tangible and intangible assets | 1 | (1) | (14) | - | (1) | - | - | - | (15) |
| Other non recurring items | 1 | 1 | - | 1 | - | 118 | 14 | - | 135 |
| Depreciation of tangible assets | (22) | (59) | (251) | (119) | (21) | (3) | (6) | - | (481) |
| Amortization of intangible assets excluding those acquired through business combinations | - | (32) | (167) | (29) | (6) | - | - | - | (234) |
| **Adjusted earnings before interest and income taxes (EBITA)** | **€ 220** | **€ 302** | **€ 1,364** | **€ 538** | **€ 119** | **€ 51** | **€ 2** | **€ -** | **€ 2,596** |
| Amortization of intangible assets acquired through business combinations | (93) | (15) | - | (12) | - | - | - | - | (120) |
| Impairment losses of intangible assets acquired through business combinations | - | (25) | (6) | - | - | - | - | - | (31) |
| **Earnings before interest and income taxes (EBIT)** | **€ 127** | **€ 262** | **€ 1,358** | **€ 526** | **€ 119** | **€ 51** | **€ 2** | **€ -** | **€ 2,445** |
| Income from equity affiliates | | | | | | | | | 172 |
| Interest | | | | | | | | | (64) |
| Income from investments | | | | | | | | | 4 |
| Other financial charges and income | | | | | | | | | 77 |
| Provision for income taxes | | | | | | | | | (476) |
| Earnings from discontinued operations | | | | | | | | | - |
| **Earnings** | | | | | | | | | **€ 2,158** |
| *Attributable to :* | | | | | | | | | |
| **Equity holders of the parent** | | | | | | | | | **1,526** |
| Minority interests | | | | | | | | | 632 |

Income from equity affiliates is mainly comprised of the group's share in earnings of NBC Universal (€143 million), an investment allocated to the Holding & Corporate business segment, and the group's share in earnings of Neuf Cegetel (€31 million), an investment allocated to the SFR business segment. Please refer to Note 10 "Equity affiliates".

| **Six Months Ended June 30, 2006**<br>(In millions of euros) | Universal Music Group | Canal+ Group | SFR | Maroc Telecom | Vivendi Games | Holding & Corporate | Non core operations | Eliminations | **Total Vivendi** |
|---|---|---|---|---|---|---|---|---|---|
| External revenues | € 2,195 | € 1,809 | € 4,300 | € 991 | € 296 | € - | € 19 | € - | € 9,610 |
| Inter-segments revenues | 7 | 24 | 1 | 2 | - | - | - | (34) | - |
| **Revenues** | **€ 2,202** | **€ 1,833** | **€ 4,301** | **€ 993** | **€ 296** | **€ -** | **€ 19** | **€ (34)** | **€ 9,610** |
| Operating expenses excluding amortization and depreciation | (1,873) | (1,552) | (2,506) | (427) | (219) | (17) | (19) | 34 | (6,579) |
| **Sub-total (EBITDA)** | **€ 329** | **€ 281** | **€ 1,795** | **€ 566** | **€ 77** | **€ (17)** | **€ -** | **€ -** | **€ 3,031** |
| Restructuring charges | (8) | - | - | (30) | (1) | - | - | - | (39) |
| Gain (losses) on tangible and intangible assets | - | - | (4) | 1 | 1 | - | (2) | - | (4) |
| Other non recurring items | - | - | - | - | - | 1 | 29 | - | 30 |
| Depreciation of tangible assets | (26) | (52) | (254) | (101) | (12) | (3) | (5) | - | (453) |
| Amortization of intangible assets excluding those acquired through business combinations | - | (39) | (148) | (26) | (3) | (1) | - | - | (217) |
| **Adjusted earnings before interest and income taxes (EBITA)** | **€ 295** | **€ 190** | **€ 1,389** | **€ 410** | **€ 62** | **€ (20)** | **€ 22** | **€ -** | **€ 2,348** |
| Amortization of intangible assets acquired through business combinations | (101) | - | - | (12) | - | - | - | - | (113) |
| Impairment losses of intangible assets acquired through business combinations | - | - | - | - | - | - | - | - | - |
| **Earnings before interest and income taxes (EBIT)** | **€ 194** | **€ 190** | **€ 1,389** | **€ 398** | **€ 62** | **€ (20)** | **€ 22** | **€ -** | **€ 2,235** |
| Income from equity affiliates | | | | | | | | | 155 |
| Interest | | | | | | | | | (115) |
| Income from investments | | | | | | | | | 46 |
| Other financial charges and income | | | | | | | | | (519) |
| Provision for income taxes | | | | | | | | | 651 |
| Earnings from discontinued operations | | | | | | | | | - |
| **Earnings** | | | | | | | | | **€ 2,453** |
| *Attributable to :* | | | | | | | | | |
| **Equity holders of the parent** | | | | | | | | | **1,862** |
| Minority interests | | | | | | | | | 591 |

**Consolidated statement of financial position as of June 30, 2007 and capital expenditure (net) for the first half of 2007:**

| (In millions of euros) | Universal Music Group | Canal+ Group | SFR | Maroc Telecom | Vivendi Games | Holding & Corporate | Non core operations | **Total Vivendi** |
|---|---|---|---|---|---|---|---|---|
| **June 30, 2007** | | | | | | | | |
| Segment assets (a) | € 8,545 | € 6,892 | € 12,127 | € 4,631 | € 352 | € 6,417 | € 228 | **€ 39,192** |
| *incl. investments in equity affiliates (b)* | *44* | - | *1,045* | *2* | - | *5,829* | - | *6,920* |
| Unallocated assets (c) | | | | | | | | 5,269 |
| **Total assets** | | | | | | | | **€ 44,461** |
| Segment liabilities (d) | 2,760 | 2,811 | 4,149 | 1,274 | 342 | 627 | 100 | 12,063 |
| Unallocated liabilities (e) | | | | | | | | 10,493 |
| **Total liabilities** | | | | | | | | **€ 22,556** |
| Increase in tangible and intangible assets | 16 | 59 | 305 | 192 | 31 | - | 2 | **605** |
| Net industrial investments (capex, net) (f) | 15 | 69 | 642 | 167 | 31 | - | 2 | **926** |

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

(a) Includes 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 includes the 20% stake in NBC Universal. SFR includes the 39.6% stake in Neuf Cegetel.

(c) Includes deferred tax assets, current tax receivables, cash and cash equivalents and assets held for sale.

(d) Includes provisions, other non-current liabilities and trade accounts payable and other.

(e) Includes borrowings and other financial liabilities, deferred tax liabilities, current tax payables and liabilities associated with assets held for sale.

(f) Corresponding to cash used for capital expenditures and proceeds from sales of property, plant, equipment and intangible assets.

# Note 4. Financial Charges and Income

## 4.1. Interest

| (In millions of euros) | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 |
|---|---|---|---|
| Interest expense on borrowings | € (156) | € (147) | € (286) |
| Capitalized interest relating to the acquisition of BMG Publishing | 25 | - | 3 |
| Interest income from cash and cash equivalents | 67 | 32 | 80 |
| **Interest at nominal rate** | **€ (64)** | **€ (115)** | **€ (203)** |
| *Impacts of amortized cost on borrowings (a)* | *(14)* | *(12)* | *(26)* |
| ***Interest at effective rate*** | ***€ (78)*** | ***€ (127)*** | ***€ (229)*** |

(a) Impact of amortized cost on borrowings is recorded under "other financial charges" (please refer to Note 4.3 hereafter). This impact represents the difference between the interest at nominal rate and the interest at effective rate.

## 4.2. Income from Investments

| (In millions of euros) | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 |
|---|---|---|---|
| Dividends received from non consolidated companies | € - | € 34 | € 36 |
| Interest income from loans to equity affiliates and other financial receivables | 4 | 12 | 18 |
| **Income from investments** | **€ 4** | **€ 46** | **€ 54** |

### 4.3. Other financial Charges and Income

| (In millions of euros) | Six Months Ended June 30, 2007 | | Six Months Ended June 30, 2006 | | Year Ended December 31, 2006 | |
|---|---|---|---|---|---|---|
| Other capital gain on the divestiture of businesses | € 243 | (a) | € 59 | | € 189 | |
| Downside adjustment on the divestiture of businesses | (12) | | (26) | | (104) | |
| Other capital gain on financial investments | 1 | | 76 | | 932 | |
| Downside adjustment on financial investments | (70) | (b) | (599) | (c) | (631) | (c) |
| Financial components of employee benefits | (15) | | (18) | | (32) | |
| Impacts of amortized cost on borrowings | (14) | | (12) | | (26) | |
| Change in derivative instruments | (15) | | 29 | | 24 | |
| Effect of undiscounting other assets and liabilities | (36) | (d) | (7) | | (15) | |
| Other | (5) | | (21) | | (26) | |
| **Other financial charges and income** | **€ 77** | | **€ (519)** | | **€ 311** | |

(a) Includes the dilution profit (€239 million) linked to the sale of a 10.18% equity interest in Canal+ France to Lagardère (please refer to Note 2.1).

(b) Includes write-off of the 19.7% minority stake in Amp'd ($75 million) as well as a related loan ($10 million) for a total amount of €65 million. Amp'd filed for Chapter 11 bankruptcy protection on June 1, 2007. On July 23, 2007, Amp'd Mobile filed for Chapter 7 bankruptcy protection.

(c) Includes the capital loss incurred on the PTC shares (-€496 million). Please refer to Note 2.4 "Stake in PTC" and 15.1 "Changes in Available-for-sale Securities" to the Consolidated Financial Statements for the year ended December 31, 2006 (from pages 202 and 203, and 229, respectively of the 2006 Annual Report).

(d) Corresponds mainly to the effect of undiscounting of liabilities related to the combination of the Canal+ Group and pay-TV activities in France. Indeed, as prescribed by accounting principles, when the effect of the time value of money is material, the amount for which financial assets or liabilities (mainly trade accounts receivable and payable, as well as provisions) are recorded on the balance sheet shall be the present value of the expected income or expenses, respectively. At each subsequent period-end, the present value of such financial assets or liabilities is adjusted to take into consideration the passage of time. The effect of undiscounting is recognized in other financial charges and income.

## Note 5. Income Taxes

| (In millions of euros) | Six Months Ended June 30, 2007 | | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 |
|---|---|---|---|---|
| Provision for income taxes: | | | | |
| Impact of the Consolidated Global Profit Tax System | € 265 | (a) | € 298 | € 561 |
| DuPont shares litigation settlement | - | | 1,019 | 1,082 |
| Other components of the provision for income taxes | (741) | | (666) | (1,096) |
| **Provision for income taxes** | **€ (476)** | | **€ 651** | **€ 547** |

(a) Corresponding to 50% of the expected tax savings relating to the 2008 fiscal year.

# Note 6. Reconciliation of Earnings, attributable to Equity Holders of the Parent and adjusted Net Income

| (In millions of euros) | Note | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 |
|---|---|---|---|---|---|---|
| **Earnings, attributable to equity holders of the parent (a)** | | **€ 594** | **€ 1,155** | **€ 1,526** | **€ 1,862** | **€ 4,033** |
| *Adjustments* | | | | | | |
| Amortization of intangible assets acquired through business combinations | | 60 | 56 | 120 | 113 | 223 |
| Impairment losses of intangible assets acquired through business combinations (a) | | 31 | - | 31 | - | - |
| Other financial charges and income (a) | 4.3 | 120 | 615 | (77) | 519 | (311) |
| Earnings from discontinued operations (a) | | - | - | - | - | - |
| Deferred tax asset related to the Consolidated Global Profit Tax System | | 2 | (4) | 4 | (7) | 43 |
| Non recurring items related to provision for income taxes | | - | (1,053) (b) | - | (1,066) (b) | (1,284) (b) |
| Provision for income taxes on adjustments | | (36) | (19) | (60) | (41) | (83) |
| Minority interests in adjustments | | (16) | - | (18) | (2) | (7) |
| **Adjusted net income** | | **€ 755** | **€ 750** | **€ 1,526** | **€ 1,378** | **€ 2,614** |

(a) As presented in the condensed statement of earnings.

(b) Corresponds mainly to the reversal of tax liabilities relating to risks extinguished over the period.

# Note 7. Earnings per Share

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | | Year Ended December 31, | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | | 2006 | |
| | Basic | Diluted | Basic | Diluted | Basic | Diluted | Basic | Diluted | Basic | Diluted |
| **Earnings (in millions of euros)** | | | | | | | | | | |
| Earnings, attributable to the equity holders of the parent | € 594 | € 594 | € 1,155 | € 1,155 | € 1,526 | € 1,526 | € 1,862 | € 1,862 | € 4,033 | € 4,033 |
| Adjusted net income | € 755 | € 755 | € 750 | € 750 | € 1,526 | € 1,526 | € 1,378 | € 1,378 | € 2,614 | € 2,614 |
| **Number of shares (in millions)** | | | | | | | | | | |
| Weighted average number of shares outstanding restated (a) | 1,156.0 | 1,156.0 | 1,151.4 | 1,151.4 | 1,156.4 | 1,156.4 | 1,151.3 | 1,151.3 | 1,153.4 | 1,153.4 |
| Potential dilutive effect related to share-based compensation | - | 8.0 | - | 10.2 | - | 7.8 | - | 9.7 | - | 9.0 |
| Adjusted weighted average number of shares | 1,156.0 | 1,164.0 | 1,151.4 | 1,161.6 | 1,156.4 | 1,164.3 | 1,151.3 | 1,161.0 | 1,153.4 | 1,162.4 |
| **Earnings per share (in euros)** | | | | | | | | | | |
| Earnings, attributable to the equity holders of the parent per share | € 0.51 | € 0.51 | € 1.00 | € 0.99 | € 1.32 | € 1.31 | € 1.62 | € 1.60 | € 3.50 | € 3.47 |
| Adjusted net income per share | € 0.65 | € 0.65 | € 0.65 | € 0.65 | € 1.32 | € 1.31 | € 1.20 | € 1.19 | € 2.27 | € 2.25 |

Earnings from discontinued operations are not applicable over presented periods. Therefore, earnings from continuing operations, attributable to the equity holders of the parent correspond to earnings, attributable to the equity holders of the parent.

(a) Net of treasury shares (89,564 shares as of June 30, 2007).

# Note 8. Goodwill

| (In millions of euros) | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Goodwill, gross | € 27,616 | € 25,240 |
| Impairment losses | (11,509) | (12,172) |
| **Goodwill** | **€ 16,107** | **€ 13,068** |

### Changes in goodwill

| (In millions of euros) | Goodwill as of December 31, 2006 | Impairment losses | Changes in value of commitments to purchase minority interests | Business combinations | Divestitures and changes in foreign currency translation adjustments and other | Goodwill as of June 30, 2007 |
|---|---|---|---|---|---|---|
| Universal Music Group | € 3,923 | € - | € - | € 1,564 (a) | € (112) | € 5,375 |
| Canal+ Group | 3,412 | - | (12) | 1,427 (b) | - | 4,827 |
| SFR | 4,024 | (6) | - | 1 | - | 4,019 |
| Maroc Telecom | 1,600 | - | 1 | 182 (c) | (4) | 1,779 |
| Vivendi Games | 109 | - | - | - | (2) | 107 |
| Non core operations | - | - | - | - | - | - |
| **Total** | **€ 13,068** | **€ (6)** | **€ (11)** | **€ 3,174** | **€ (118)** | **€ 16,107** |

(a) Corresponds to preliminary goodwill attributable to the acquisition of BMG Music Publishing by UMG (please refer to Note 2.4).

(b) Corresponds to goodwill attributable to the acquisition of 65% of TPS (€804 million), the acquisition of 34% of CanalSatellite (€564 million) and the put option granted to TF1 and M6 on their stake in Canal+ France (€932 million), offset by goodwill (€873 million) attributable to the sale of 10.18% and 15% of Canal+ France to Lagardère, and TF1 and M6, respectively (please refer to Note 2.1).

(c) Corresponds to preliminary goodwill attributable to the acquisition by Maroc Telecom of Onatel and Gabon telecom for €181 million and €1 million respectively (please refer to Notes 2.2 and 2.3).

# Note 9. Content Assets and Commitments

## 9.1. Content Assets

| June 30, 2007 | Content assets, gross | Accumulated amortization and impairment losses | Content assets |
|---|---|---|---|
| | | (in millions of euros) | |
| Music catalogs and publishing rights | € 4,853 | € (3,243) | € 1,610 |
| Advances to artists and repertoire owners | 474 | - | 474 |
| Sport rights | 35 | - | 35 |
| Film and television costs | 4,336 | (3,676) | 660 |
| Game advances | 217 | (163) | 54 |
| **Content assets** | **€ 9,915** | **€ (7,082)** | **€ 2,833** |
| Deduction of current content assets | (839) | 203 | (636) |
| **Non-current content assets** | **€ 9,076** | **€ (6,879)** | **€ 2,197** |

### Changes in the main content assets during the first half of 2007 are as follows:

| (In millions of euros) | Six Months Ended June 30, 2007 |
|---|---|
| **Opening balance of music catalogs and publishing rights** | € 1,633 |
| Amortization, net (a) | (93) |
| Purchases of catalogs | 11 |
| Changes in foreign currency translation adjustments and other | 59 |
| **Closing balance of music catalogs and publishing rights** | **€ 1,610** |

| (In millions of euros) | Six Months Ended June 30, 2007 |
|---|---|
| **Opening balance of payments to artists and repertoire owners** | € 362 |
| Payment to artists and repertoire owners | 316 |
| Recoupment and other movements | (262) |
| Changes in foreign currency translation adjustments and other | 58 |
| **Closing balance of payments to artists and repertoire owners** | **€ 474** |

| (In millions of euros) | Six Months Ended June 30, 2007 |
|---|---|
| **Opening balance of sport rights** | € 366 |
| Rights acquisition (b) | 416 |
| Rights accrual, net (b) | (395) |
| Consumption of broadcasting rights (c) | (360) |
| Other | 8 |
| **Closing balance of sport rights** | **€ 35** |

| (In millions of euros) | Six Months Ended June 30, 2007 |
|---|---|
| **Opening balance of film and television costs** | € 572 |
| Acquisition of coproductions and catalogs | 24 |
| Consumption of coproductions and catalogs | (36) |
| Acquisition of film and television rights | 317 |
| Consumption of film and television rights | (331) |
| Business combinations | 90 |
| Other | 24 |
| **Closing balance of film and television costs** | **€ 660** |

(a) This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the condensed statement of earnings.

(b) The rights are accrued upon the opening of the broadcasting period. They are reclassified as 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.

(c) As of June 30, 2007, the rights to broadcast the French Professional Soccer League for the 2006-2007 season were fully amortized. Please refer to Note 9.2 (see below).

## 9.2. Contractual Content Commitments

### Commitments given recorded in the Statement of Financial Position: content liabilities

| (in millions of euros) | Total as of June 30, 2007 | | Total as of December 31, 2006 |
|---|---|---|---|
| Music royalties to artists and repertoire owners | € 1,388 | | € 1,334 |
| Film and television rights | 145 | | 116 |
| Sport rights | 45 | (a) | 500 |
| Creative talent and employment agreements (b) | 216 | | 201 |
| **Total** | **€ 1,794** | | **€ 2,151** |

### Off balance sheet commitments given/received

| (in millions of euros) | Total as of June 30, 2007 | | Total as of December 31, 2006 |
|---|---|---|---|
| Film and television rights (c) | € 3,410 | | € 2,672 |
| Sport rights | 870 | (a) | 748 |
| Creative talent and employment agreements (b) | 1,012 | | 979 |
| **Total given** | **5,292** | | **4,399** |
| Film and television rights | (101) | | (118) |
| Sport rights | (19) | | (29) |
| Creative talent and employment agreements (b) | not available | | |
| Other | (16) | | (19) |
| **Total received** | **(136)** | | **(166)** |
| **Total net** | **€ 5,156** | | **€ 4,233** |

(a) The decrease in sport rights recorded in the Statement of Financial Position compared to December 31, 2006 mainly corresponds to the consumption of residual rights to broadcast the French professional Soccer League for the 2006-2007 season. The residual rights for

the 2007-2008 season, which correspond at the last of the three seasons won by Canal+ Group in December 2004, will be recognized in the statement of financial position upon the opening of this season, on July 1, 2007, for an amount of €600 million.

(b) Concerns mainly UMG and Vivendi Games. UMG routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other product ("Creative talent and employment agreements"). Until the artist or other party has delivered to UMG his or her content, UMG discloses its given obligation as an off balance sheet commitment. While the artist or other party is obligated to deliver his or her content or other product to UMG (these arrangements are generally exclusive), UMG does not report these obligations as an offset to its off balance sheet commitments because they can not be reliably determined.

(c) The increase in film and television rights is mainly due to TPS' full consolidation as from January 4, 2007. Furthermore, provisions accrued relating to film and television rights amounted to €664 million as of June 30, 2007 (compared to €214 million as of December 31, 2006). Please refer to Note 2.1.

# Note 10. Investments in Equity Affiliates

| (In millions of euros) | Voting Interest | | Value of Equity Affiliates | |
|---|---|---|---|---|
| | June 30, 2007 | December 31, 2006 | June 30, 2007 | December 31, 2006 |
| NBC Universal | 20.0% | 20.0% | € 5,829 | € 5,953 |
| Neuf Cegetel (a) | 39.6% | 40.5% | 1,009 | 1,020 |
| Other | na* | na* | 82 | 59 |
| | | | **€ 6,920** | **€ 7,032** |

na*: not applicable

(a) Based on the trading value of Neuf Cegetel shares (€29.04 per share as of June 29, 2007), the stock market value of SFR's stake amounted to approximately €2.4 billion.

### Changes in Equity Affiliates

| (In millions of euros) | Value of Equity Affiliates as of December 31, 2006 | Changes in Scope of Consolidation | Income from Equity Affiliates | Dividends | Changes in foreign currency translation adjustments and other | Value of Equity Affiliates as of June 30, 2007 |
|---|---|---|---|---|---|---|
| NBC Universal | € 5,953 | € - | € 143 | € (171) | € (96) | € 5,829 |
| Neuf Cegetel | 1,020 | - | 31 | (33) | (9) | 1,009 |
| Other | 59 | 28 | (2) | (2) | (1) | 82 |
| | **€ 7,032** | **€ 28** | **€ 172** | **€ (206)** | **€ (106)** | **€ 6,920** |

# Note 11. Financial Assets

| (In millions of euros) | Note | June 30, 2007 | | December 31, 2006 |
|---|---|---|---|---|
| Available-for-sale securities | | € 326 | (a) | € 325 |
| Derivative financial instruments | | 85 | | 52 |
| Financial assets at fair value through earnings | | 117 | | 119 |
| Down payment made to Bertelsmann for the acquisition of BMG Music Publishing | 2.4 | - | | 1,663 |
| Onatel shares | 2.2 | - | | 222 |
| **Financial assets at fair value** | | **528** | | **2,381** |
| Collateralized cash received from Lagardère | 2.1 | - | | 469 |
| Cash deposits backing borrowings | | 55 | | 50 |
| Other loans and receivables | | 899 | (b) | 1,097 |
| Held-to-maturity investments | | 1 | | - |
| **Financial assets at amortized cost** | | 955 | | 1,616 |
| **Financial assets** | | **€ 1,483** | | **€ 3,997** |
| Deduction of short-term financial assets | | (202) | | (833) |
| **Non-current financial assets** | | **1,281** | | **3,164** |

(a) Includes mainly 7.6 million Sogecable shares for €236 million, including 1 million shares that were subject to a loan.

(b) The decrease in other loans and receivables mainly corresponds to the repayment of the advance paid to TF1 and M6 in January 2006 upon the signing of the draft combination agreement of the Canal+ Group and TPS pay-TV activities in France (€150 million before interest) (please refer to Note 2.1).

## Note 12. Changes in Net Working Capital

| (In millions of euros) | December 31, 2006 | Net cash flows (a) | | Business combinations | Divestiture, changes in foreign currency translation adjustments and other | | June 30, 2007 |
|---|---|---|---|---|---|---|---|
| Inventories | € 358 | € (6) | | € 19 | € (1) | | € 370 |
| Trade accounts receivable and other | 4,489 | (398) | | 596 | (316) | | 4,371 |
| **Working capital assets** | **4,847** | **(404)** | | **615** | **(317)** | | **4,741** |
| Trade accounts payable and other | 9,297 | (1,174) | (b) | 1,038 | (690) | (c) | 8,471 |
| Other non-current liabilities | 1,269 | 11 | | 13 | (75) | | 1,218 |
| **Working capital liabilities** | **10,566** | **(1,163)** | | **1,051** | **(765)** | | **9,689** |
| **Net working capital** | **€ (5,719)** | **€ 759** | | **€ (436)** | **€ 448** | (d) | **€ (4,948)** |

(a) Corresponds to the net changes of the balance sheet items that constitute net working capital, as presented in the Condensed Statement of Cash Flows for the period.

(b) Includes the payment of the interim dividend by SFR to Vodafone with respect to the fiscal year 2006 for -€197 million.

(c) Includes the impact of the change in sports rights accrued by the Canal+ Group for -€471 million (i.e., -€394 million excluding taxes).

(d) Includes €19 million in changes in foreign currency translation adjustments.

## Note 13. Provisions

| (In millions of euros) | Note | December 31, 2006 | | Addition | Utilization | Reversal | Business combinations | | Divestiture, changes in foreign currency translation adjustments and other | June 30, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employee benefit plans | 14 | € 485 | | € 29 | € (31) | € - | € 2 | | € 10 | € 495 |
| Share-based compensation plans | 15 | 147 | | 61 | (11) | - | - | | 4 | 201 |
| Other employee provisions | | 93 | | 8 | (7) | - | 8 | | (9) | 93 |
| *Employee benefits* | | *725* | | *98* | *(49)* | - | *10* | | *5* | *789* |
| Restructuring costs | | 67 | | 15 | (22) | - | - | | - | 60 |
| Litigations | 21 | 230 | | 61 | (7) | (32) | 37 | | (3) | 286 |
| Losses on onerous contracts (a) | | 260 | (b) | - | (67) | (9) | 527 | (a) | 19 | 730 |
| Contigent liabilities due to disposal | 19 | 155 | | 4 | (2) | (6) | - | | - | 151 |
| Cost of dismantling and restoring site | | 86 | | 2 | - | - | - | | 1 | 89 |
| Other | | 263 | | 34 | (24) | (21) | 8 | | 9 | 269 |
| **Provisions** | | **€ 1,786** | | **€ 214** | **€ (171)** | **€ (68)** | **€ 582** | | **€ 31** | **€ 2,374** |
| Deduction of current provisions | | (398) | | (98) | 49 | 34 | (40) | | (2) | (455) |
| **Non-current provisions** | | **1,388** | | **116** | **(122)** | **(34)** | **542** | | **29** | **1,919** |

(a) Includes losses on onerous contracts and losses related to long-term contractual commitments estimated as part of business combinations. Concerns primarily contracts valid over several years relating to the broadcast of future film and TV productions and broadcasting rights of multi-channel digital TV packages. Includes, in particular, liabilities assumed in connection with the combination of the Canal+ Group and TPS pay-TV activities in France which relates primarily to broadcasting rights, as well as the market value of other long-term contractual commitments. Please refer to Note 2.1.

(b) Includes the costs incurred in 2006 relating to the combination of the Canal+ Group and TPS pay-TV activities in France amounting to €177 million of which €165 million was recorded under provisions and €12 million was recorded in deduction of content assets or in trade accounts payable.

# Note 14. Employee Benefits

The analysis of the charge related to defined benefit plans for the first half of 2007 and 2006 is as follows:

| | Pension Benefits | | Post-retirement Benefits | | Total | |
|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | | Six Months Ended June 30, | | Six Months Ended June 30, | |
| (In millions of euros) | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current service costs | € 6 | € 6 | € - | € - | € 6 | € 6 |
| Amortization of actuarial (gains) losses | 3 | 5 | - | 1 | 3 | 6 |
| Amortization of past service costs | 5 | (19) | - | 4 | 5 | (15) |
| Effect of curtailments/settlements | 3 | 4 | - | - | 3 | 4 |
| Adjustment related to asset ceiling | - | - | - | - | - | - |
| **Impact on selling, administrative and general expenses** | **17** | **(4)** | **-** | **5** | **17** | **1** |
| Interest cost | 29 | 31 | 4 | 5 | 33 | 36 |
| Expected return on plan assets | (18) | (18) | - | - | (18) | (18) |
| **Impact on other financial charges and income** | **11** | **13** | **4** | **5** | **15** | **18** |
| **Net benefit cost** | **€ 28** | **€ 9** | **€ 4** | **€ 10** | **€ 32** | **€ 19** |

# Note 15. Share-based Compensation Plans

## 15.1. Cost related to Share-based Compensation Plans

| | | Six Months Ended June 30, | | Year Ended December 31 |
|---|---|---|---|---|
| (In millions of euros) | Note | 2007 | 2006 | 2006 |
| ***Equity-settled instruments*** | | | | |
| Vivendi stock option plans | | € 12 | € 16 | € 32 |
| Vivendi restricted stock plan | | 4 | 1 | 14 |
| Employee stock purchase plans | 15.7 | 6 | - | 7 |
| | | 22 | 17 | 53 |
| ***Cash-settled instruments*** | | | | |
| Vivendi stock appreciation rights plan | | 23 | 3 | 12 |
| Vivendi “restricted stock units” plan | | 1 | ns | 6 |
| UMG employee equity unit plan | 15.5 | 11 | 14 | 30 |
| Blizzard employee plan | 15.6 | 26 | - | 12 |
| | | **61** | 17 | 60 |
| **Share-based compensation cost** | | **€ 83** | **34** | **€ 113** |

## 15.2. Plans Granted in the First Half of 2007

For the first half of 2007, Vivendi set up restricted stock plans and stock option plans, which are either equity or cash-settled and described below.

For a detailed description of the different plans set up by the group prior to January 1, 2007 and the accounting treatment of these instruments, please refer to Notes 1.3.11 and 21 “Share-based compensation plans” to the Consolidated Financial Statements for the year ended December 31, 2006 as shown in the 2006 Annual Report (*Document de Référence*) (pages 197 and 198 and pages 240 to 246 respectively).

### 15 restricted shares to TPS employees (January)

The characteristics of the plan for TPS employees, who have joined Canal+ France, are identical to those of the plan set up in December 2006 for all the group employees. In particular, shares granted will be issued at the end of a two-year period without any performance and attendance conditions, and will remain unavailable for an additional two-year period. Given the immediate vesting of such grant, the compensation cost was recognized in full on the grant date.

### Restricted Stock Unit (RSUs) plans, either equity or cash-settled, for some group employees (April)

Following the example of the plans set up in 2006, the shares are granted to beneficiaries following a two-year vesting period and are conditional upon the achievement of certain operating objectives in terms of group adjusted net income and cash flow from operations set

forth in the 2007 budget. For the first half of 2007, the plan was measured using a factor of 100% achievement. The compensation cost is recognized on a straight-line basis over the two-year vesting period. Moreover, the fair value of these restricted stock unit plans settled in cash will be remeasured at each reporting date and the expense adjusted pro rata to rights vested at the relevant reporting date.

#### Stock option plans, settled either in equity or cash, for certain employees (April)

The stock options granted to beneficiaries vest 100% following a three-year vesting period. Therefore, the compensation cost relating to these stock options is recognized on a straight-line basis over the vesting period. [Moreover, the fair value of these stock appreciation rights (SAR) plans settled in cash will be remeasured at each reporting date and the expense adjusted pro rata to rights vested at the relevant reporting date.] As a reminder, Vivendi adopted before 2007 several stock option plans under which options may be granted to employees. The options vest annually in one-third tranches from the grant date's anniversary and the related expense is accounted for using the degressive method in accordance with the following spread rates: 61% in year 1 of the plan, 28% in year 2 and 11% in year 3.

## 15.3. Characteristics of the Plans granted in the First Half of 2007

The characteristics of the plans and the assumptions used to measure the benefits granted to employees are as follows:

#### Equity-settled instruments

| | | Subscription plans | | Restricted stock plans | | |
|---|---|---|---|---|---|---|
| Grant date | | April 23 | | April 23 | | January 24 |
| Options strike price (in euros) | € | 30.79 | | na* | | na* |
| Maturity at the origin (in years) | | 10 | | 2 | | 2 |
| Expected term (in years) | | 6.5 | | 2 | | 2 |
| Number of instruments initially granted | | 5,718,220 | | 476,717 | | 8,670 |
| Options strike price at grant date (in euros) | € | 31.75 | € | 31.75 | € | 32.25 |
| Expected volatility | | 20 % | | na* | | na* |
| Risk-free interest rate | | 4.17 % | | na* | | na* |
| Expected dividend yield | | 3.94 % | | 3.94 % | | 3.88 % |
| Fair value of the granted options (in euros) | € | 5.64 | € | 29.30 | € | 29.80 |
| **Fair value of the plan as at the grant date (in millions of euros)** | **€** | **32.3** | **€** | **14.0** | **€** | **0.3** |

na*: not applicable

#### Cash-settled instruments

| | | SARs | | RSUs |
|---|---|---|---|---|
| Grant date | | April 23 | | April 23 |
| Strike price (in US dollars) | $ | 41.34 | | na* |
| Maturity at the origin (in years) | | 10 | | 2 |
| Expected term (in years) | | 6.3 | | 1.8 |
| Number of instruments initially granted | | 1,280,660 | | 106,778 |
| Share market price at grant date (in US dollars) | $ | 42.98 | $ | 42.98 |
| Expected volatility | | 20 % | | na* |
| Risk-free interest rate | | 4.62 % | | na* |
| Expected dividend yield | | 3.86% | | 3.86% |
| Fair value of the granted instruments as of June 30, 2007 (in US dollars) | $ | 7.92 | $ | 41.32 |
| **Fair value of the plan as of June 30, 2007 (in millions of US dollars)** | **$** | **10.1** | **$** | **4.4** |

na*: not applicable.

## 15.4. Information on Outstanding Plans since January 1, 2007

### Equity-settled instruments

| | Stock Options on Vivendi Shares | | | Restricted Stock Plans | |
|---|---|---|---|---|---|
| | Number of Stock Options Outstanding | Weighted Average Strike Price of Stock Options Outstanding | Weighted average remaining contractual life | Number of restricted Stocks Outstanding | Weighted average remaining period before issuing shares |
| | | (in euros) | (in years) | | (in years) |
| **Balance as of December 31, 2006** | **63,459,922** | **€ 44.2** | **4.5** | **805,560** | **1.6** |
| Granted | 5,718,220 | 30.8 | | 485,387 | |
| Exercised (a) | (6,683,295) | 14.2 | | - | |
| Forfeited | (9,075,345) | 68.1 | | - | |
| Cancelled | (203,484) | 31.0 | | (2,486) | |
| **Balance as of June 30, 2007** | **53,216,018** | **42.5** | **5.2** | **1,288,461** | **1.4** |
| **Exercisable as of June 30, 2007** | **39,503,968** | **46.6** | | **-** | |
| **Acquired as of June 30, 2007** | **41,976,751** | **46.1** | | **388,162** | |

(a) The weighted average share price for options exercised during the year 2007 was €31.61.

### Cash-settled instruments

| | Stock Options on ex-ADS converted into SARs (May 2006) | | | | SARs | | | RSUs | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of SARs (ex ADS) Outstanding | Weighted Average Strike Price of SARs (ex ADS) Outstanding | Total intrinsic value | Weighted average remaining contractual life | Number of SARs Outstanding | Weighted Average Strike Price of SARs Outstanding | Weighted average remaining contractual life | Number of Restricted Stocks Units Outstanding | Weighted average remaining period before acquisition |
| | | (in US dollars) | (in millions of US dollars) | (in years) | | (in US dollars) | (in years) | | (in years) |
| **Balance as of December 31, 2006** | **33,204,736** | **52.6** | **62.5** | **2.8** | **1,258,320** | **34.6** | **9.3** | **246,411** | **1.7** |
| Granted | - | - | | | 1,280,660 | 41.3 | | 106,778 | |
| Exercised (a) | (761,379) | 21.4 | | | - | - | | - | |
| Forfeited | (2,190,243) | 47.9 | | | - | - | | - | |
| Cancelled | (64,319) | 52.3 | | | (28,534) | 34.6 | | (2,402) | |
| **Balance as of June 30, 2007** | **30,188,795** | **53.7** | **64.9** | **2.4** | **2,510,446** | **38.0** | **9.3** | **350,787** | **1.4** |
| **Exercisable as of June 30, 2007** | **29,646,283** | **54.1** | **58.2** | | **-** | **-** | | **-** | |
| **Acquired as of June 30, 2007** | **29,646,283** | **54.1** | **58.2** | | **402,060** | **34.6** | | **141,495** | |

(a) The weighted average share price for SARs exercised in 2007 was $41.48.

## 15.5. UMG Long-term Incentive Plan

Since 2003, UMG has maintained an Equity Incentive Plan. Under the Plan, certain key executives of UMG are awarded Equity Units. These Equity Units are phantom stock units whose value is intended to reflect the value of UMG, net of certain other adjustments as defined in the plan. These Equity Units are simply units of account, and they do not represent an actual ownership interest in either UMG or Vivendi. In general, the plan calls for Equity Units to vest at the end of a fixed vesting period that typically coincides with the term of the executive's employment agreement. In general, the Plan calls for cash payments to be made to participants at the end of that vesting period, based on the value of the Equity Units at that time (all amounts under the plan are due in 2008 and 2009). The Plan is denominated in US$. As of June 30, 2007, there are 1,350,000 units granted (unchanged compare to December 31, 2006).

While an executive's Equity Units generally vest at the end of a fixed vesting period, compensation expense is recognized over the vesting period as services are rendered. Specifically, the expense recognized is based on the portion of the vesting period that has elapsed and the last available estimated value of those Equity Units. As of June 30, 2007, the estimated value of the rights vested, i.e. 1,013,000 units, amounted to $108 million (€80 million) compared to $93 million (€71 million) as of December 31, 2006. The expense is recorded as a provision.

Except in case of certain transactions, the cash payments made under the Plan will be based on the appraised value of UMG as determined by a third-party valuation. This appraised value is based on UMG's total enterprise value, taking into account other adjustments as defined in the Plan, as of December 31 of the year preceding the payment. No payments have yet been made (or are due to be made) under the Plan. Accordingly, no third-party valuation has yet been undertaken. In order to value the Equity Units for accounting purposes prior to an actual payment, the value of the Units is estimated based on publicly-available estimates of UMG's enterprise value. As of June 30, 2007 and December 31, 2006, the estimated value was $106.66 and $104.45 per Equity Unit, respectively.

## 15.6. Long-term Incentive Plan at Blizzard, a Subsidiary of Vivendi Games

Since 2006, Blizzard Entertainment Inc. ("Blizzard"), a subsidiary of Vivendi Games, has maintained an Equity Incentive Plan denominated in US$. Under this Plan, certain key executives and developers of Blizzard were awarded Restricted Stocks and Stock Options of Blizzard, in October 2006 and March 2007, respectively.

At each reporting date, the corresponding expense recognized is based on the elapsed portion of each vesting tranche and the estimated value of Blizzard as determined by the external independent appraisal. As of June 30, 2007, the estimated value of the rights granted (Restricted Stocks and Stock Options) amounted to $102 million compared to $26 million as of December 31, 2006. As of June 30, 2007, the estimated value of the rights vested amounted to $50 million (€37 million), compared to $16 million (€12 million) as of December 31, 2006. This expense is recorded as a provision.

Except in case of certain transactions, the cash payments to be made under this Plan will be based on the value of Blizzard as determined by the latest available independent expert appraisal. Such appraisal will be carried out every year, based on the financial situation of Blizzard at December 31st of the preceding year. The last valuation available was determined on the financial situation as at December 31st, 2006, using standard professional valuation methodologies.

## 15.7. Employee Stock purchase Plan

Vivendi maintains employee stock purchase plans that allow substantially all of the group's full-time French employees and retirees to purchase Vivendi shares through capital increases reserved for them. These shares, subject to certain restrictions relating to their sale or transfer, are purchased by employees with a maximum discount of 20% compared to the opening average market price for Vivendi shares during the 20 trading days preceding the date on which the share capital increase was authorized by the Management Board. The difference between the subscription price and the share price as of the grant date represents the benefit granted to employees. Furthermore, Vivendi now takes into account in the valuation a discount for non-transferability in respect of the restrictions on the sale or transfer that is then deducted from the benefit granted to the employees. The benefit granted to employees is recorded as a employee cost immediately against equity on the grant date.

In June 2007, Vivendi set up a new employee stock purchase plan. The characteristics of this plan and the assumptions used to measure the advantage granted to employees are as follows:

| | Employee stock purchase plan | |
|---|---|---|
| Grant date | June 29, 2007 | |
| Subscription price (in euros) | € 24.60 | |
| Share price at grant date (in euros) | € 31.91 | |
| Number of shares subscribed | 1,276,227 | |
| Amount subscribed (in millions of euros) | 31 | (a) |
| Expected dividend yield | 3.94% | |
| Risk-free interest rate | 4.59% | |
| 5 year interest rate | 6.54% | |
| Discount for non-transferability (b) | 9.2% | |

(a) The increase in capital was registered on July 18, 2007.
(b) Computed as a percentage of the share price at the grant date.

# Note 16. Long-term Borrowings and other Financial Liabilities

| (In millions of euros) | Note | Nominal interest rate (%) | Effective interest rate (%) | Maturity | June 30, 2007 | December 31, 2006 |
|---|---|---|---|---|---|---|
| Finance leases | | - | - | 2008 - 2016 | 242 | 247 |
| **Asset-backed borrowings (a)** | | | | | **242** | **247** |
| Notes | | | | | | |
| €700 million notes (October 2006) (b) | | Euribor 3 months +0.50% | 4.67% | October 2011 | 700 | 700 |
| €500 million notes (October 2006) (b) | | 4.50% | 4.58% | October 2013 | 500 | 500 |
| €630 million notes (April 2005) (b) | | 3.63% | 3.63% | April 2010 | 630 | 630 |
| €600 million notes (February 2005) (b) | | 3.88% | 3.94% | February 2012 | 600 | 600 |
| €600 million notes (July 2005) - SFR (b) | | 3.38% | 3.43% | July 2012 | 600 | 600 |
| €400 million notes (October 2006) - SFR (b) | | Euribor 3 months +0.125% | 4.13% | October 2008 | 400 | 400 |
| Bonds exchangeable for Sogecable shares | | 1.75% | 6.48% | October 2008 | 221 | 221 |
| Other notes | | - | - | - | 279 | 275 |
| Facilities | | | | | | |
| MAD 6 billion notes - tranche B: 4 billion | | TMP BDT 5 years +1.15% | 4.81% | December 2011 | 358 | 359 |
| €100 million credit facility - SFR | | Euribor 1 month + 0.16% | 4.28% | November 2011 | 100 | - |
| Other | | - | - | - | 239 | 138 |
| **Unsecured borrowings** | | | | | **4,627** | **4,423** |
| **Nominal value of borrowings** | | | | | **4,869** | **4,670** |
| Cumulative effect of amortized cost and split accounting of embedded derivatives | | na* | na* | na* | (31) | (40) |
| **Borrowings** | | | | | **4,838** | **4,630** |
| Put options granted to TF1 and M6 for their participation of 15% in Canal+ France | 2.1 | na* | na* | February 2010 | 1,007 | - |
| Other put options granted to various third parties by Canal+ Group and SFR | | na* | na* | - | 34 | 43 |
| **Commitments to purchase minority interests** | | | | | **€ 1,041** | **€ 43** |
| Embedded derivative in bonds exchangeable for Sogecable shares | | na* | na* | October 2008 | 38 | 26 |
| Other financial derivative instruments | | na* | na* | - | 21 | 15 |
| **Other derivative instruments** | | | | | **€ 59** | **€ 41** |
| **Long-term borrowings and other financial liabilities** | | | | | **€ 5,938** | **€ 4,714** |

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's and/or its guarantors' assets.

(b) The notes, listed on the Luxembourg Stock Exchange, are subject to customary *pari passu*, negative pledge and event of default provisions.

# Note 17. Short-term Borrowings and other Financial Liabilities

| (In millions of euros) | Nominal interest rate (%) | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Current portion of finance leases | - | 35 | 10 |
| **Asset-backed borrowings** (a) | | **€ 35** | **€ 10** |
| Treasury Bills | | | |
| Vivendi S.A. | Eonia +0.05% | 199 | 167 |
| SFR | Eonia +0.03% | 1,047 | 950 |
| Current portion of long-term borrowings | | | |
| €700 million notes (July 2004) - Vivendi SA | Euribor 3 months +0.55% | 700 | 700 |
| €300 million (April 2006) - SFR | Euribor 3 months +0.09% | 300 | 300 |
| Other borrowings | - | 58 | 65 |
| Other | - | 763 | 375 |
| **Unsecured borrowings** | | **€ 3,067** | **€ 2,557** |
| **Nominal value of borrowings** | | **€ 3,102** | **€ 2,567** |
| Cumulative effect of amortized cost and split accounting of embedded derivatives | na* | 17 | 9 |
| **Borrowings** | | **€ 3,119** | **€ 2,576** |
| Put options granted to various third parties by Canal+ Group | na* | 10 | 14 |
| **Commitments to purchase minority interests** | | **€ 10** | **€ 14** |
| Other financial derivative instruments | na* | 11 | 11 |
| **Short-term borrowings and other financial liabilities** | | **€ 3,140** | **€ 2,601** |

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.

# Note 18. Adjustments of the Condensed Statements of Cash Flows

| (In millions of euros) | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Year Ended December 31, 2006 |
|---|---|---|---|
| ***Items related to operating activities with no cash impact*** | | | |
| Amortization and depreciation of tangible and intangible assets | € 866 | € 783 | € 1,580 |
| Change in provision, net | (88) | (61) | 80 |
| Gains (losses) on tangible and intangible assets | (2) | 21 | 11 |
| ***Items related to investing and financing activities*** | | | |
| Proceeds from sales of property, plant, equipment and intangibles assets | 15 | 4 | 32 |
| **Adjustments** | **€ 791** | **€ 747** | **€ 1,703** |

# Note 19. Contractual Obligations and Other Commitments

The following note should be read in conjunction with Note 29 "Contractual obligations and contingent assets and liabilities" to the Consolidated Financial Statements for the year ended December 31, 2006 (from pages 261 to 268 of the 2006 Annual Report).

The following paragraphs consist of:

- an evaluation of the total amount of contractual obligations assumed by Vivendi as of June 30, 2007 (Note 19.1);
- main commitments given or received during the first half of 2007 related to operations (Note 19.2) and to the divestiture or acquisition of assets (Note 19.3);
- shareholders' agreements entered into during the first half of 2007 (Note 19.4).

## 19.1. Contractual Obligations

| (in millions of euros) | Note | Total as of June 30, 2007 | Total as of December 31, 2006 |
|---|---|---|---|
| Long-term borrowings and other financial liabilities | 16 | € 5,938 | € 4,714 |
| *including finance leases* | | *242* | *247* |
| Short-term borrowings and other financial liabilities | 17 | 3,140 | 2,601 |
| *including short term finance leases* | | *35* | *10* |
| Contractual content commitments | 9 | 1,794 | 2,151 |
| **Subtotal - recorded in the Consolidated Statement of Financial Position** | | **10,872** | **9,466** |
| Operating leases (a) | | 1,667 | 1,589 |
| Contractual content commitments | 9 | 5,156 | 4,233 |
| Other purchase obligations | | 1,681 | 1,438 |
| **Subtotal - not recorded in the Consolidated Statement of Financial Position** | | **8,504** | **7,260** |
| **Total contractual obligations** | | **€ 19,376** | **€ 16,726** |

(a) As of June 30, 2007, €23 million of provisions were recorded in the statement of financial position with respect to operating leases (compared to €20 million as of December 31, 2006).

**Details of the other purchase obligations:**

| | Future minimum payments: | |
|---|---|---|
| (in millions of euros) | June 30, 2007 | December 31, 2006 |
| Satellite transponders | € 1,103 (a) | € 774 |
| Investment commitments | 467 | 561 |
| Other | 164 | 141 |
| **Given commitments** | **1,734** | **1,476** |
| Satellite transponders | (53) | (38) |
| Other | - | - |
| **Received commitments** | **(53)** | **(38)** |
| **Net total** | **€ 1,681** | **€ 1,438** |

(a) Includes the new satellite capacity contract at Canal+ Group. The Canal+ Group decided, following a bidding process, to retain Astra as the future sole operator carrying its television by satellite services in France. This contract represented an additional overall commitment of €230 million over 10 years. Please refer to Note 32 to the Consolidated Financial Statements for the year ended December 31, 2006 (page 273 of the 2006 Annual Report).

## 19.2. Other Commitments given or received during the First Half of 2007 relating to Operations

Vivendi has not given or received any other significant commitments during the first half of 2007 relating to operations.

## 19.3. Commitments related to Divestitures or Acquisitions of Assets for the First Half of 2007

- Commitments regarding the combination of the Canal+ Group and TPS pay-TV activities in France: please refer to Note 2.1.
- Vivendi received a bank first demand guarantee on the repayment of amounts paid in July 2007 (€57 million), in the event of a favorable decision of the Spanish Courts concerning Xfera's tax litigation to cancel the 2001 radio spectrum fees.

Furthermore, as of June 30, 2007, Vivendi was involved in divestitures or acquisitions of various companies. Some of these transactions were completed after this date. Please refer to Note 22 "Subsequent events" (see below).

## 19.4. Shareholders' Agreements entered into during the First Half of 2007

- Shareholders' Agreement between Vivendi, TF1 and M6:

Pursuant to Shareholders' Agreement between Vivendi, TF1 and M6, dated as of January 4, 2007, TF1 and M6 were granted a tag-along right in the event of the transfer of the exclusive control of Canal+ France by Vivendi/Canal+ Group, together with a priority right to sell their stakes on the market in the event of a public offering of Canal+ France's shares. TF1 and M6 are not represented on the supervisory board of Canal+ France and do not have rights of any kind in respect of the management of Canal+ France. Vivendi has a pre-emptive right over all the shares owned by TF1 and M6.

- Strategic Agreements between Vivendi, Canal+ Group, Lagardère and Lagardère Active:

The CanalSatellite agreement entered into between Lagardère and Canal+ Group in 2000 terminated on January 4, 2007.

Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to preserve its economic interest in Canal+ France, which rights vary according to the level of its ownership in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France, including in the event that Lagardère were to exercise its call option. The main provisions of these strategic agreements are as follows:

- The Chairman and all members of the management board of Canal+ France will be appointed by Canal+ Group. Lagardère will be represented by two out of the eleven members of the supervisory board. This number will be increased to three in the event of an increase to a level of 34% of Lagardère's ownership in Canal+ France.
- Lagardère has certain veto rights over Canal+ France and, in certain cases, over its major subsidiaries (including in the event of a change in the statutes, a major and lasting change in the business, its transformation into a company in which the partners have unlimited liability, a single investment of over a third of revenues, a public offering of the company's shares, in certain circumstances the entry of a third party as a shareholder, and, so long as Lagardère owns 34% of Canal+ France's capital,

borrowings over the thresholds of 50% and 90% of revenues as a function of the margin of earnings from operations (EFO[2]), and certain other rights (including a tag-along right, an anti-dilution right, certain bidding rights in the event of the sale of Canal+ France) intended to protect its economic interest. Vivendi has a pre-emptive right in the event of a sale of Lagardère's equity interest.

- Between 2008 and 2014, Lagardère will have a liquidity right exercisable between March 15th and April 15th of each calendar year, provided, however, that Lagardère owns at least 10% but no more than 20% of the capital and voting rights of Canal+ France, and provided further that it has waived its right to exercise its call option (if such option has not lapsed) enabling it to own 34% of the capital of Canal+ France. Pursuant to this liquidity right, Lagardère will be able to request the public offering of Canal+ France shares. In this event Vivendi/Canal+ Group has the right to acquire all of Lagardère's equity interest.
- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of guarantees with respect to Canal+ France's obligations. Pursuant to this mechanism, Lagardère has the option to participate in such financing and guarantee arrangements pro rata its level of ownership in the share capital of the company. With effect from 2011, after the reimbursement of the shareholder loans to which Lagardère has not contributed in proportion of its equity interest, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not necessary for the financing of its operations provided that Lagardère owns at least 34% of the share capital of Canal+ France.

# Note 20. Transactions with related parties

The following note should be read in conjunction with Note 28 "Transactions with related parties" to the Consolidated Financial Statements of Vivendi for the year ended December 31, 2006 (from pages 258 to 260 of the Annual Report). The group has not entered into any significant transactions with related parties during the first half of 2007.

As a reminder, group related parties are those companies over which the group exercises control, joint control or significant influence (joint ventures and equity affiliates), shareholders exercising joint control over group joint ventures, minority shareholders exercising significant influence over group subsidiaries, executive officers, group management and directors and companies over which the latter exercise control, joint control, significant influence or in which they hold significant voting rights.

For the first half of 2007, most Vivendi related companies were equity affiliated (e.g., NBC Universal and Neuf Cegetel). Vivendi's related companies also include minority shareholders which exercise significant influence on Group affiliates such as Vodafone, which owns 44% of SFR, the Kingdom of Morocco, which owns 30% of Maroc Telecom and Lagardère, which has held an interest in Canal+ France since January 4, 2007 (please refer to Note 2.1).

# Note 21. Litigations

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

Some litigation in which Vivendi or its subsidiaries are defendants are described in the 2006 "*Document de Référence*" (from pages 268 to 272 of the 2006 Annual Report). The following paragraphs update those disclosures through August 28, 2007, day of the Management Board meeting held to approve Vivendi's financial statements for the period ended on June 30, 2007.

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.

### AMF Investigation in Connection with the Issuance of Mandatorily Redeemable Notes (ORA) in November 2002

On January 18, 2005, Vivendi was 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. On June 7, 2007, the Sanctions Commission of the AMF decided to clear Vivendi.

### Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On

[2] EFO (Earnings From Operations as defined and used by Vivendi until June 30, 2006, please refer to Note 1.2.3 "Change in presentation" page 188 of the 2006 Annual Report) consists of gross margin, selling, general and administrative expenses, costs related to employee benefit plan excluding the change in financial component, costs related to share base payments, restructuring costs, the change in currency hedging instruments related to operating activities and gain and loss on the divestments of property, plant and equipment and intangible assets.

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.

In parallel with these proceedings, the Court, on March 22, 2007, has decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that the persons from the United States, France, England and the Netherlands who purchased or acquired shares or ADS of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class. On April 9, 2007, Vivendi filed an appeal against this decision. On May 8, 2007, the United States Court of Appeals for the Second Circuit denied both Vivendi's and some other plaintiffs' petitions seeking review of the district court's decision with respect to class certification. On August 6, 2007, Vivendi filed a petition with the Supreme Court of the United States for a Writ of Certiori seeking to appeal the Second Circuit's decision on class certification.

**Elektrim Telekomunikacja**

As of today, Vivendi is a 51% shareholder in each of Telco and Carcom, companies organized under and existing under the laws of Poland which own, either directly and 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 recent developments are described below:

***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. On May 22, 2007, Telco's request was dismissed. Telco filed an appeal against this decision.

***Proceedings before the Trade and Companies Registry of Warsaw***

Further to the decision of January 18, 2007 of the Polish Supreme Court, Telco has filed with the KRS a motion to be re-registered as shareholder of PTC. On May 11, 2007, Telco's motion was dismissed on the basis that an uncertainty remains on Telco's rights on the PTC shares. On August 21, 2007, the Warsaw Court of Appeal confirmed the decision rendered on May 11, 2007.

***Arbitration proceedings in Vienna***

On June 12, 2007, Deutsche Telekom (DT) lodged an arbitration claim in Vienna against Vivendi, VTI, Carcom and Elektrim Autoinvest. DT alleged that a fault was committed by the defendants which opposed to the implementation in Poland of the Vienna Award and claimed for a minimum of €1.2 billion damages.

On July 5, 2007, DT lodged an arbitration claim against Carcom, alleging that Carcom breached the PTC Shareholders' agreement by supporting Telco and opposing to the implementation in Poland of the Vienna Award and claimed for a call option on the Carcom shareholding in PTC (1.9%).

***Bankruptcy of Elektrim***

On August 10, 2007, Elektrim requested that the Regional Tribunal of Warsaw place it under bankruptcy protection. On August 21, 2007, such request was granted by the court.

***Demand from T-Mobile***

By letter dated August 28, 2007, T-Mobile Deutschland demanded that Telco pay €3.5 billion compensation for the damages suffered as a result of alleged tortious acts committed by Telco in connection with the litigation regarding PTC shares.

Telco considers that T-Mobile's allegations are without any merit and intends to challenge them.

**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 amounted to €220 million was entered in SFR's accounts as an expense and was paid during the 2005 fiscal year. On February 9, 2006, SFR appealed this order. On December 12, 2006, the Paris Court of Appeal confirmed the French Competition Council's order and dismissed the claim brought by UFC-QUE CHOISIR association to have the case submitted to the Public Prosecutor.

On January 11, 2007, SFR, as well as Bouygues Telecom and Orange, appealed this decision before the French Supreme Court (Cour de Cassation). On June 29, 2007, the Commercial Chamber of the French Supreme Court partially reversed the decision rendered by the Court of appeal which recognized an illegal agreement due to exchange of information between 1997 and 2003 and imposed financial penalties on this basis. The French Supreme Court remanded the case to the Paris Court of Appeal otherwise composed.

SFR is involved in contentious proceedings connected with this order brought by customers and consumer associations before the Commercial Court of Paris. Since SFR is challenging the merits of these proceedings, it is not in a position to determine the potential impact of their outcome.

Furthermore, SFR is involved in other contentious proceedings commenced in connection with competition law, proceedings which are often common with other telephone operators. The management of SFR is not in a position to determine the potential impact of the outcome of these proceedings and, consequently, has made no provision in its accounts in this respect.

**Claim against a former Seagram subsidiary**

A former Seagram subsidiary, divested in December 2001 to Diageo PLC and Pernod Ricard SA, as well as those companies and certain of their subsidiaries, were sued by the Republic of Colombia and certain of its political subdivisions before the United States District Court for the Eastern District of New York, for alleged unlawful practices claimed to have had an anti-competitive effect in Colombia. Vivendi is not a party to this litigation. Diageo and Pernod Ricard have demanded indemnification from Vivendi with respect to its former Seagram subsidiary and Vivendi has reserved its rights with respect to the indemnity demand. The defendants have denied that they have any liability for any of the claims asserted in the complaint.

# Note 22. Subsequent Events

The main events that occurred since June 30, 2007, were as follows:

**Acquisition of the fixed telephony and broadband activities of Télé2 France.** On October 2, 2006, SFR signed an agreement with the Tele2 AB Group to acquire the fixed telephony and broadband activities of Télé2 France. The acquisition was completed on July 20, 2007, for an enterprise value of €345 million including the impact of price adjustments. Télé2 France, which had 350,000 broadband customers and 2.3 million fixed-line customers as of the acquisition date, reported revenues of approximately €225 million for the first half of 2007.

**Transfer of 3 customer service centers of SFR Service Client, a subsidiary of SFR**. On August 1, 2007, the transfer to Teleperformance and Division Arvato Services was implemented after the closing of the Work Central Council information/consultation procedure on July 20, 2007.

**Acquisition plan of Debitel France and its distribution subsidiary, Videlec**. On July 19, 2007, CID, a subsidiary of SFR, signed a Share Purchase Agreement with Debitel AG to acquire Debitel France (140,000 customers), and its distribution subsidiary, Videlec (70 retail-shops). This transaction is subject to the regulatory approvals of the antitrust authorities.

**Acquisition of Sanctuary Group Plc.** On June 15, 2007, UMG made an offer for the share capital of The Sanctuary Group plc ("Sanctuary"), a company listed on the London Stock Exchange. Sanctuary is an international music group encompassing recorded product, merchandising and artist services. As at the closing date of the offer on August 2, 2007, UMG had received valid acceptances of the offer from shareholders representing 60% of the issued share capital of Sanctuary and had acquired a further 30% of the issued share capital, for a cash consideration of £13 million (€19 million). Pursuant to the provisions of the English Companies Act 2006, UMG will acquire the remaining Sanctuary shares before the de-listing of the company from the London Stock Exchange. Following these transactions, UMG would have acquired Sanctuary for an estimated price consideration of £104 million (€155 million), including a total cash consideration of £44 million (€65 million) and Sanctuary's net debt of approximately £60 million (€90 million).

**The international arbitration tribunal-ICSID rules in favour of Vivendi in Tucuman (Argentina) dispute.** On August, 20, 2007, the International Centre for Settlement of Investment Disputes (ICSID) has ruled in favor of Vivendi and its Argentina subsidiary Compañía de Aguas del Aconquija (CAA), in a dispute related to a water concession of the Argentine Province of Tucuman. The concession started in 1995 and was completed in 1997. The tribunal awarded Vivendi and CAA $105 million for damages plus interest and costs.

# III STATEMENT ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

*This is a free translation into English of the Statement on the half-year consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers.*

I state, to the best of my knowledge, that the accounts are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of Vivendi and the companies included in its consolidation scope, and that the half-year management report presents a fair review of the significant events which occurred during the first six months of the fiscal year and their impact on the half-year financial statements, of related parties and of the major risks and uncertainties for the remaining six months of the fiscal year.

Chairman of the Management Board

Jean-Bernard Lévy

# IV STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEAR FINANCIAL INFORMATION FOR 2007

To the Shareholders,

In our capacity of statutory auditors and in accordance with the requirements of article L. 232-7 of the French Commercial Law (the Code de Commerce), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Vivendi, for the period January 1 to June 30, 2007,
- the verification of information contained in the half-year financial report.

These condensed half-year consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other appropriate procedures. Such review does not include all procedure specific to an audit conducted in accordance with professional standards applicable in France. Consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to Interim financial information.

Without qualifying the conclusion expressed above, we draw attention to note 1.3 to the Condensed Financial Statements which exposes the changes in presentation performed of some costs of Canal+ Group.

In accordance with professional standards applicable in France, we have also verified the information given in the interim half-year financial report commenting the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris-La-Défense and Neuilly-sur-Seine, August 30, 2007

The Statutory Auditors

SALUSTRO REYDEL

Member of KPMG International

Benoît Lebrun

Marie Guillemot

ERNST & YOUNG et Autres

Dominique Thouvenin