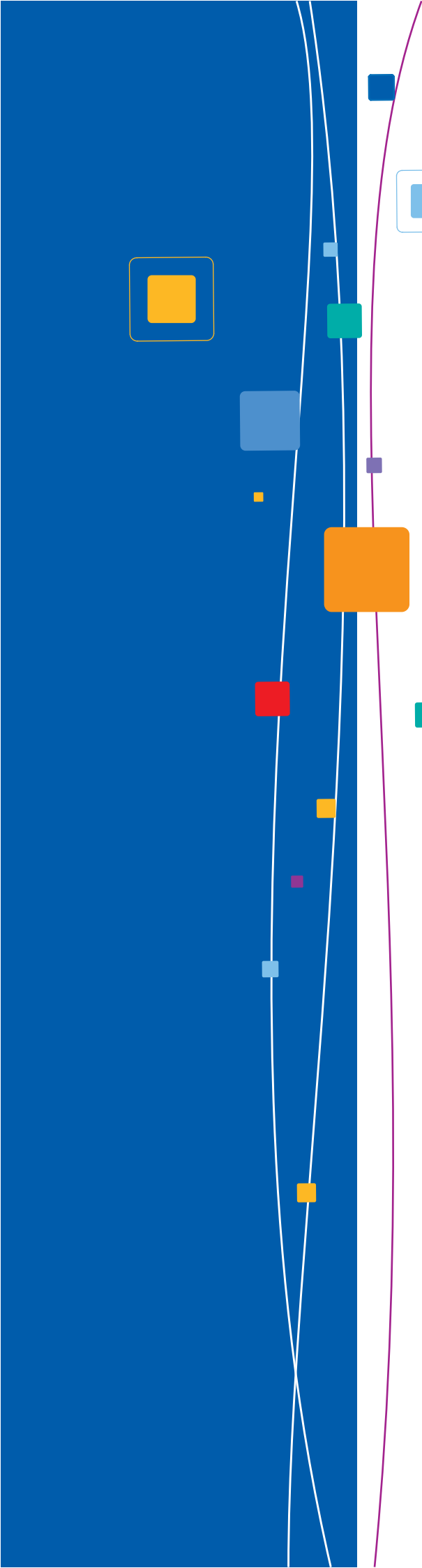




vivendi

**Financial Report and  
Audited Consolidated Financial  
Statements for the Year Ended  
December 31, 2010**

## **VIVENDI**

*Société anonyme* with a Management Board and a Supervisory Board with a share capital of €6,805,354,094.00

Head Office: 42 avenue de Friedland – 75380 PARIS CEDEX 08 – FRANCE

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

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## Selected key consolidated financial data

|                                                                                      | Year ended December 31, |             |             |             |             |
|--------------------------------------------------------------------------------------|-------------------------|-------------|-------------|-------------|-------------|
|                                                                                      | 2010                    | 2009        | 2008        | 2007        | 2006        |
| <b>Consolidated data</b>                                                             |                         |             |             |             |             |
| Revenues (a)                                                                         | 28,878                  | 27,132      | 25,392      | 21,657      | 20,044      |
| EBITA (a) (b)                                                                        | 5,726                   | 5,390       | 4,953       | 4,721       | 4,370       |
| Earnings attributable to Vivendi shareowners                                         | 2,198                   | 830         | 2,603       | 2,625       | 4,033       |
| Adjusted net income (b)                                                              | 2,698                   | 2,585       | 2,735       | 2,832       | 2,614       |
| Financial Net Debt (b) (c)                                                           | 8,073                   | 9,566       | 8,349       | 5,186       | 4,344       |
| Total equity (d)                                                                     | 28,173                  | 25,988      | 26,626      | 22,242      | 21,864      |
| of which Vivendi shareowners' equity (d)                                             | 24,058                  | 22,017      | 22,515      | 20,342      | 19,912      |
| Cash flow from operations, before capital expenditures, net (CFFO before capex, net) | 8,569                   | 7,799       | 7,056       | 6,507       | 6,111       |
| Capital expenditures, net (capex, net) (e)                                           | (3,357)                 | (2,562)     | (2,001)     | (1,626)     | (1,645)     |
| Cash flow from operations (CFFO) (b)                                                 | 5,212                   | 5,237       | 5,055       | 4,881       | 4,466       |
| Financial investments                                                                | (1,397)                 | (3,050)     | (3,947)     | (846)       | (3,881)     |
| Financial divestments                                                                | 1,982                   | 97          | 352         | 456         | 1,801       |
| Dividends paid with respect to previous fiscal year                                  | 1,721                   | 1,639 (f)   | 1,515       | 1,387       | 1,152       |
| <b>Per share amounts</b>                                                             |                         |             |             |             |             |
| Weighted average number of shares outstanding                                        | 1,232.3                 | 1,203.2     | 1,167.1     | 1,160.2     | 1,153.4     |
| <b>Adjusted net income per share</b>                                                 | <b>2.19</b>             | <b>2.15</b> | <b>2.34</b> | <b>2.44</b> | <b>2.27</b> |
| Number of shares outstanding at the end of the period (excluding treasury shares)    | 1,237.3                 | 1,228.8     | 1,170.1     | 1,164.7     | 1,155.7     |
| Equity per share, attributable to Vivendi shareowners                                | 19.44                   | 17.92       | 19.24       | 17.47       | 17.23       |
| <b>Dividends per share paid with respect to previous fiscal year</b>                 | <b>1.40</b>             | <b>1.40</b> | <b>1.30</b> | <b>1.20</b> | <b>1.00</b> |

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

- a. An analysis of revenues and EBITA by operating segment is presented in Section 4.1 of this Financial Report and in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2010.
- b. 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 these indicators is defined in the appropriate section of the Financial Report or in the notes to the Consolidated Financial Statements for the year ended December 31, 2010. These indicators should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance as disclosed in the Consolidated Financial Statements and the related notes, or as described in the Financial Report. It should be noted that other companies may define and calculate these indicators differently to Vivendi thereby affecting comparability.
- c. As of December 31, 2009, Vivendi revised its definition of Financial Net Debt to include certain cash management financial assets whose characteristics do not strictly comply with the definition of cash equivalents as defined by the Recommendations of the AMF and by IAS 7 (in particular, these financial assets may have a maturity of up to 12 months). Considering that no investment in such assets was made prior to 2009, the retroactive application of this change of presentation would have no impact on Financial Net Debt for the relevant periods and the information presented in respect of the previous fiscal years from 2006 to 2008, is therefore consistent. Please refer to Section 5 of the Financial Report for the year ended December 31, 2010.
- d. Vivendi voluntarily opted for the early application, with effect from January 1, 2009, of the revised IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). In particular, revised IAS 27 requires that the consolidated financial statements of a group are presented as those of a single economic entity with two categories of owners: the shareowners of Vivendi SA and the owners of non-controlling interests. As a result, certain reclassifications have been made to the 2008 consolidated statement of changes in equity to conform to the presentation of the 2009 financial statements, as prescribed by revised IAS 27. In addition, revised IFRS 3 introduced changes to the acquisition method as defined by IFRS 3, in particular it is now permitted to value the non-controlling interests in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Please refer to Note 1 to the Consolidated Financial Statements for the year ended December 31, 2010.
- e. Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.
- f. The dividend distribution with respect to fiscal year 2008 totalled €1,639 million, of which €904 million was paid in Vivendi shares (which had no impact on cash) and €735 million was paid in cash.

**Nota:**

In accordance with European Commission Regulation (EC) 809/2004 (Article 28) which sets out disclosure obligations for issuers of securities listed on a regulated market within the European Union (the "Prospectus Directive"), the followings items are incorporated by reference:

- 2009 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2009, prepared under IFRS and the related Statutory Auditors' Report presented in pages 136 to 292 of the Document de Référence No. D.10-0118, filed on March 17, 2010 with the French Autorité des Marchés Financiers (AMF), and in pages 136 to 288 of the English translation of this "Document de Référence"; and
- 2008 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2008, prepared under IFRS and the related Statutory Auditors' Report presented in pages 137 to 294 of the Document de Référence No. D.09-139, filed on March 19, 2009 with the AMF, and in pages 137 to 290 of the English translation of this "Document de Référence".

# I – 2010 Financial Report

## Preliminary comments:

On February 22, 2011, during a meeting held at the headquarters of the company, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2010. Having considered the Audit Committee's recommendation given at its meeting held on February 24, 2011, the Supervisory Board, at its meeting held on February 28, 2011, reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2010, as approved by the Management Board on February 22, 2011.

The Consolidated Financial Statements for the year ended December 31, 2010 have been audited and certified by the Statutory Auditors with no qualified opinion. The Statutory Auditors' Report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

## Summary of the 2010, 2009 and 2008 main developments

Following the sale of Vivendi's stake in NBC Universal and the favorable settlement of the litigation in Poland, Vivendi now controls alone all of its assets. More than ever, customers of digital content and services lie at the heart of Vivendi's focus. Vivendi will combine its investments in networks, platforms and content with sustained efforts to develop projects, to share expertise between its divisions and stimulate innovation to enhance Vivendi's organic growth. As a result, Vivendi is pursuing its profitable growth strategy, while maintaining an investment grade debt rating. The key elements of Vivendi's strategy remain unchanged: the buy-out of minority interests in France at a reasonable price, financial discipline and a high cash dividend with a distribution rate of at least 50% of Adjusted Net Income. For more information, please refer to Section 1.1 of Chapter 2 of the 2010 Annual Report.

### 2010

- In January, SFR paid a €1 billion dividend (of which €440 million was paid to Vodafone) with respect to fiscal year 2009.
- On February 18, SFR and Réseau Ferré de France entered into a GSM-R public-private partnership agreement.
- On February 22, Vivendi/Canal+ Group acquired from M6 a 5.1% interest in the share capital of Canal+ France.
- On April 2, Activision Blizzard paid a \$189 million dividend (of which \$108 million was paid to Vivendi) with respect to fiscal year 2009.
- On April 15, Lagardère decided to exercise its liquidity rights regarding its 20% interest in the share capital of Canal+ France.
- On April 27, Vivendi held a 99.17% controlling interest in GVT.
- In May, Vivendi paid a cash dividend of €1.40 per share with respect to fiscal year 2009, representing a total distribution of €1,721 million.
- On June 11, Vivendi obtained a 100% controlling interest in GVT following the cancellation of GVT outstanding common shares.
- In June, SFR acquired additional 3G mobile telephony spectrum for €300 million.
- On August 26, La Poste Group and SFR entered into exclusive negotiations to form a partnership to develop a mobile telephony offering under the "La Poste" brand.
- On September 26, Vivendi sold a 7.66% interest in NBC Universal to General Electric for \$2 billion.
- On December 14, Vivendi, Deutsche Telekom, the main shareholder of Elektrim and the creditors of Elektrim entered into certain agreements (subject to conditions precedent) to end the telecommunications dispute in Poland.
- On December 23, Maroc Telecom completed the acquisition process of a 51% interest in Gabon Telecom Group.
- On December 30, Vivendi acquired a 65% interest in Digitick.

### 2009

- On March 13, the authorization to use the Consolidated Global Profit Tax System was renewed for the taxable years from 2009 to 2011.
- On June 15, Canal+ Group launched a pay-TV platform in Vietnam.
- In June, Vivendi paid a dividend of €1.40 per share for fiscal year 2008, representing a total distribution of €735 million in cash and €904 million in shares.
- On July 31, Maroc Telecom acquired a 51% interest in Sotelma.
- On November 13, Vivendi took over Global Village Telecom (GVT), the leading alternative telecommunications operator in Brazil.
- On December 3, Vivendi announced an agreement to sell its 20% interest in NBC Universal.
- On December 8, Universal Music Group launched the new music site VEVO in the United States and Canada.
- On December 28, Vivendi/Canal+ Group acquired from TF1 a 10% interest in the share capital of Canal+ France.

**2008**

- On February 6, after completion of a bidding process, Canal+ Group was awarded nine out of the ten television lots offered for League 1 broadcasting rights by the French Professional Football League (2008-2009 to 2011-2012).
- On February 25, UMG completed the sale of certain music publishing catalogs.
- In February, Vivendi obtained a €3.5 billion syndicated loan.
- On April 2, StudioCanal acquired the entire share capital of Kinowelt.
- On April 15, SFR took over Neuf Cegetel.
- In April, Vivendi completed the early redemption of all of its outstanding bonds exchangeable for Sogecable shares.
- In April, Vivendi raised \$1.4 billion from an issue of US dollar bonds.
- On May 5, UMG acquired Univision Music Group.
- In May, Vivendi paid a cash dividend of €1.30 per share for fiscal year 2007, representing a total distribution of €1,515 million.
- On June 24, Neuf Cegetel was delisted from Euronext Paris as a result of the successful completion of SFR's simplified tender offer made from May 19 to June 13.
- On July 9, Activision Blizzard was created.

# 1 Major developments

## 1.1 Major developments in 2010

### 1.1.1 Acquisitions/divestitures of financial investments

#### Completion of the acquisition of GVT (Holding) S.A. in Brazil

As a reminder, on November 13, 2009, Vivendi took over GVT (Holding) S.A. (GVT), which, since that date, has been fully consolidated by Vivendi. As of December 31, 2009, Vivendi held an 82.45% controlling interest in GVT representing a total investment of €2,507 million.

In 2010, Vivendi obtained a 100% controlling interest in GVT following the acquisition of the 17.55% equity interest it did not hold, representing an additional cash payment of €590 million, as follows:

- During the first quarter, Vivendi acquired 6.3 million GVT shares directly on the market for a total price of €144 million;
- On March 26, 2010, the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, "CVM") approved the registration of the public tender offer for the acquisition of 17.8 million GVT shares (the "Tender Offer"), not already held by Vivendi on that date at BRL56 per share (the "Offer Price"), adjusted by reference to fluctuations in the SELIC Rate (*Taxa Referencial do Sistema Especial de Liquidação e Custódia*) over the period between November 13, 2009 and April 30, 2010, the Tender Offer settlement date. On April 27, 2010, at the close of the regulatory auction, Vivendi acquired an additional 16.6 million GVT common shares for a purchase price of €416 million resulting in a 99.17% controlling interest in GVT. As a result, on May 7, 2010, in accordance with Brazilian securities regulations and following the CVM's authorization, GVT was deregistered as a public company; and
- Finally, on June 11, 2010, GVT cancelled its outstanding common shares pursuant to a squeeze-out transaction that was approved by the shareholders' meeting on June 10, 2010, and made a €30 million deposit with a Brazilian bank in order to guarantee and enable the repayment of the shareholders whose shares were cancelled.

After taking into account all of its component items, the purchase price for 100% of GVT by Vivendi amounts to €3,038 million. As a reminder, transactions that occurred in 2010 did not have any significant impact on Vivendi's Financial Net Debt. In accordance with applicable accounting standards, the commitment to purchase shares not held by Vivendi as of December 31, 2009 was recorded as a financial liability and included in Vivendi's Financial Net Debt on that date.

For a detailed description of this transaction and its impacts on Vivendi's financial statements, please refer to Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2010.

#### Sale of NBC Universal

At the conclusion of the NBC Universal transaction completed in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. Pursuant to various agreements entered into between Vivendi and GE, Vivendi and GE shared governance rights and each had a right to receive any dividends paid by NBC Universal pro rata to its then-current interest. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE (as amended, the "2009 Agreement"). The 2009 Agreement was entered into in connection with GE's concurrent agreement with Comcast Corporation ("Comcast") to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the "Comcast Transaction"). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for \$ 5,800 million, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction. On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for \$2,000 million. The remainder of Vivendi's interest, or 12.34% of NBC Universal, was sold to GE on January 25, 2011 for \$3,800 million (which includes an additional \$222 million received in relation to the previously sold 7.66% interest), in advance of the closing of the Comcast Transaction. In addition, Vivendi received its pro rata share of dividends for the period from January 1, 2010 to January 25, 2011 (the date of sale), totaling approximately \$390 million, of which approximately \$300 million was received in 2010.

The accounting treatment applied by Vivendi with respect to the sale of its interest in NBC Universal was as follows:

- In accordance with the 2009 Agreement, while Vivendi's interest in NBC Universal was reduced to 12.34% following the sale of a 7.66% interest in NBC Universal, Vivendi's governance rights in NBC Universal did not change (including in terms of proportionate membership on the board of directors) until Vivendi sold its entire interest in NBC Universal on January 25, 2011. As a result, until the latter date, Vivendi continued to exercise significant influence over NBC Universal and therefore accounted for its 12.34% interest in NBC Universal under the equity method.

- On September 26, 2010, the sale to GE of a 7.66% interest in NBC Universal resulted in a capital loss of €232 million, mostly comprised of foreign currency translation adjustments reclassified to earnings for €281 million, representing the foreign exchange loss attributable to the decline of the US dollar since January 1, 2004. As of December 31, 2010, the residual balance of the foreign currency translation adjustments related to Vivendi's remaining 12.34% interest in NBC Universal represented a potential foreign exchange loss of €404 million.
- On January 25, 2011, the sale of the remaining 12.34% interest in NBC Universal to GE resulted in a capital loss estimated at €357 million, which is expected to be accounted for in the 2011 first quarter earnings and mostly comprised of the aforementioned foreign currency translation adjustments.
- Starting December 2009, after Vivendi had agreed that it would sell its 20% interest in NBC Universal to GE for a total amount of \$5,800 million, Vivendi gradually hedged its investment in NBC Universal using currency forward sales contracts denominated in US dollars, at an average exchange rate of 1.33 dollar/Euro. From an accounting perspective, these forward contracts were qualified as net investment hedges in NBC Universal. On September 26, 2010, forward sales contracts for a nominal value of \$2,000 million were unwound for €1,425 million. On January 25, 2011, forward sales contracts for a nominal value of \$3,800 million were unwound for €2,921 million.

## 1.1.2 Transactions with shareholders

### Dividend paid by Vivendi SA to its shareholders with respect to fiscal year 2009

On April 29, 2010, Vivendi's Annual Shareholders' Meeting approved the recommendations of Vivendi's Management Board relating to the allocation of distributable earnings for fiscal year 2009. As a result, the dividend payment was set at €1.40 per share, representing a total distribution of €1,721 million, which was paid in cash on May 11, 2010.

### Activision Blizzard

#### Repurchase by Activision Blizzard of its common stock

On February 10, 2010, Activision Blizzard announced that its Board of Directors had authorized a new stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1 billion. In 2010, Activision Blizzard repurchased approximately 86 million shares of its common stock in connection with this program, for a total amount of \$966 million, of which approximately 84 million shares were paid in 2010 (\$944 million) and 1.8 million shares were paid in January 2011 (\$22 million). In addition, in January 2010, Activision Blizzard settled a \$15 million purchase of 1.3 million shares of its common stock that it had agreed to repurchase in December 2009 pursuant to the previous \$1.25 billion stock repurchase program, completing that program. In total, Activision Blizzard repurchased approximately 85 million shares of its common stock in 2010, for an amount of \$959 million, or €726 million (compared to \$1.1 billion or €792 million in 2009). As of December 31, 2010, Vivendi held an approximate 61% interest (non-diluted) in Activision Blizzard (compared to an approximate 57% interest as of December 31, 2009).

In addition, on February 9, 2011, Activision Blizzard announced that its Board of Directors had authorized a new stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1.5 billion. This program will end at the earlier of March 31, 2012 or on the date of the Board of Directors' decision to discontinue it (please refer to Note 18 to the Consolidated Financial Statements for the year ended December 31, 2010).

#### Dividend proposed

On February 9, 2011, Activision Blizzard also announced that its Board of Directors had declared a cash dividend of \$0.165 per common share to shareholders. This dividend will be paid in cash on May 11, 2011.

### Dividends paid by SFR

At SFR's Shareholders' Meeting, held on March 30, 2010, the shareholders approved the payment of a €1 billion dividend (of which €440 million was paid to Vodafone) with respect to fiscal year 2009, which was paid in January 2010 as an interim dividend.

At its meeting held on December 6, 2010, SFR's Board of Directors decided to pay a €1 billion interim dividend with respect to fiscal year 2010 on January 28, 2011.

## Canal+ France

### Acquisition of Canal+ France's non-controlling interests

As part of the combination of the Canal+ Group and TPS pay-TV activities in France finalized in January 2007, TF1 and M6 were granted a put option by Vivendi over their respective 9.9% and 5.1% interests in the share capital of Canal+ France. These options were exercisable in February 2010 at the market price determined by an expert subject to a minimum price of €1,130 million for a 15% interest in the share capital of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of the share capital of Canal+ France).

- On December 28, 2009, Vivendi/Canal+ Group acquired TF1's 9.9% interest in the share capital of Canal+ France for €744 million, corresponding to the minimum price of the option on that date.
- On February 22, 2010, M6 exercised its put option for €384 million, corresponding to the minimum price of the option on that date, and thus ceased to hold an interest in the share capital of Canal+ France as of that date.

In accordance with accounting standards applicable at the date of the combination, to the extent that the put options initially granted to TF1 and M6 were recorded as financial liabilities in Vivendi's Financial Net Debt, these transactions have no impact on Vivendi's Financial Net Debt. As a result of these transactions, Canal+ Group (a wholly owned subsidiary of Vivendi) holds an 80% controlling interest in Canal+ France.

### IPO process of Lagardère's non-controlling interest in Canal+ France

On April 15, 2010, Lagardère decided to exercise its liquidity right regarding its 20% interest in Canal+ France. As Lagardère and Vivendi had not reached an agreement regarding the sale of its interest, Lagardère decided on July 2, 2010, in accordance with the shareholders agreement signed on January 4, 2007, to launch the Initial Public Offering (IPO) process for its 20% interest in Canal+ France. This IPO process is in progress: on February 16, 2011, Canal+ France filed the Initial Public Offering (IPO) Prospectus with the French Autorité des Marchés Financiers (AMF). For a detailed description of the shareholders agreement, please refer to Note 26.5 to the Consolidated Financial Statements for the year ended December 31, 2010.

## 1.1.3 New borrowings and credit lines put into place by Vivendi SA and SFR

Please refer to Section 5.4 of this Financial Report.

## 1.1.4 Other

### Securities Class Action in the United States

As a reminder, on January 29, 2010, the jury rendered its verdict in the Securities Class Action lawsuit in Federal Court in the State of New York. Following an assessment of this verdict and all aspects of these proceedings, and using ad-hoc experts and in accordance with appropriate accounting principles, Vivendi recognized a €550 million reserve as of December 31, 2009, with respect to the estimated damages, if any, that might be paid to the plaintiffs.

At a hearing that took place in New York on July 26, 2010, Vivendi petitioned the Court to apply the decision in the *Morrison v. National Australia Bank* case (the "Morrison" decision) rendered by the US Supreme Court on June 24, 2010, and therefore to exclude from the class shareholders who did not purchase or sell their shares on a US exchange.

Vivendi re-examined the amount of the reserve related to this litigation, given the decision rendered by the US District Court for the Southern District of New-York on February 17, 2011 in our case, which followed the US Supreme Court's decision on June 24, 2010 in the *Morrison* case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.

Please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2010.

### Activision Blizzard

On July 27, 2010, Activision Blizzard launched *Starcraft® II: Wings of Liberty™* and sold more than 3 million copies worldwide in the first month of its release.

On November 9, 2010, Activision Blizzard launched *Call of Duty®: Black Ops*, which was one of the top entertainment properties of the holiday season. The game established an all-new five-day worldwide sell-through record of more than \$650 million.

On December 7, 2010, Activision Blizzard launched *World of Warcraft®: Cataclysm™*, the third expansion for the massively multiplayer online role-playing game (MMORPG) *World of Warcraft* and sold through more than 3.3 million copies worldwide during its first 24 hours of release, making it the fastest-selling PC game of all time.

## SFR

### **GSM-R public-private partnership agreement**

On February 18, 2010, a group consisting of SFR, Vinci and AXA (30% each) and TDF (10%) entered into the GSM-R (Global System for Mobile communications - Railway) public-private partnership agreement with Réseau Ferré de France (RFF). The 15-year agreement, valued at approximately €1 billion, covers the financing, building, operation and maintenance of the digital telecommunication network that enables conference mode communications (voice and data) between train drivers and rail control teams. It will be rolled out gradually until 2015 over 14,000 km of conventional and high-speed railway lines in France.

### **Additional 3G mobile telephony spectrum**

In June 2010, following a call for tenders for 3G mobile telephony residual spectrum, "the Arcep" (the French Telecommunications Regulatory Body) granted SFR a 5 MHz spectrum band for a total amount of €300 million.

### **Exclusive negotiations with La Poste**

On November 4, 2010, La Poste Group's Board of Directors announced that it selected SFR to form a partnership to develop a mobile telephony offering under the "La Poste Mobile" brand. The implementation of this partnership should be effective in the first quarter 2011 after approval of the French Competition Authority.

### **Agreement to end litigation over telecommunications assets in Poland**

As a reminder, due to the litigations which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim SA (Elektrim), the legal uncertainty surrounding the ownership of Telco's stake in Polska Telefonia Cyfrowa (PTC), a mobile telecommunication operator, prevented Telco from exercising joint control over PTC, in accordance with PTC's by-laws. As a result, Vivendi did not consolidate its stake in PTC, whose carrying value was decreased to zero since the year ended December 31, 2006.

On December 14, 2010, Vivendi signed certain agreements with Deutsche Telekom, Mr. Solorz-Zak (the main shareholder of Elektrim) and the creditors of Elektrim, including the Polish State and Elektrim's bondholders in order to put an end to the litigation surrounding the PTC share capital ownership. On January 14, 2011, once all conditions precedent to completion under the agreements were satisfied, Vivendi received €1,254 million and waived any rights to the shares of PTC, ending consequently all litigation surrounding the PTC share capital ownership. In its Financial Statements for the first quarter ended March 31, 2011, the proceeds received from Deutsche Telekom and Elektrim will be recognized as a net gain of €1,254 million, which will be classified as other financial income. Please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2010.

### **Completion of the acquisition of a 51% interest in Groupe Gabon Telecom by Maroc Telecom**

On December 23 2010, the state of Gabon and Maroc Telecom entered into an amendment to the February 9, 2007 agreement regarding the sale of shares, thus ending the acquisition process for a 51% interest in Groupe Gabon Telecom by Maroc Telecom. In accordance with this agreement, Maroc Telecom notably paid to the state of Gabon the €35 million balance of the acquisition price, in addition to the 2007 initial payment of €26 million.

### **Acquisition of Digitick**

On December 30 2010, Vivendi acquired a 65% interest in Digitick, the French leader in web ticketing (e-ticket), for a purchase price of €29 million and an enterprise value of €45 million. In addition, since SFR already held a 27% interest in Digitick, Vivendi controls an approximate 92% interest in Digitick.

## 1.2 Major developments since December 31, 2010

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The main developments that occurred between December 31, 2010 and February 22, 2011, the date of the Management Board meeting that approved the financial statements for the fiscal year 2010 are as follows:

- End to the litigation in Poland: on January 14, 2011, completion of the agreements entered into in December 2010 and receipt of net cash proceeds of €1,254 million by Vivendi (please refer to Section 1.1.4);
- On January 19, 2011, Canal+ Group and Orange announced their intention to create a joint-venture in order to merge Orange Cinema Series and TPS Star;
- Completion of the sale of Vivendi's interest in NBC Universal for \$3,800 million received on January 25, 2011; Vivendi received a total amount of \$5,800 million (please refer to Section 1.1.1);
- New stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1.5 billion (please refer to Section 1.1.2); and
- Securities Class Action in the United States (please refer to Section 1.1.4).

## Earnings analysis

### 2.1 Consolidated earnings and adjusted net income

| CONSOLIDATED STATEMENT OF EARNINGS                                                                                              |               |               |  | ADJUSTED STATEMENT OF EARNINGS |               |                                                                                                                                 |  |
|---------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|--|--------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------|--|
|                                                                                                                                 | Year ended    | December 31,  |  | Year ended                     | December 31,  |                                                                                                                                 |  |
|                                                                                                                                 | 2010          | 2009          |  | 2010                           | 2009          |                                                                                                                                 |  |
| <b>Revenues</b>                                                                                                                 | <b>28,878</b> | <b>27,132</b> |  | <b>28,878</b>                  | <b>27,132</b> | <b>Revenues</b>                                                                                                                 |  |
| Cost of revenues                                                                                                                | (14,561)      | (13,627)      |  | (14,561)                       | (13,627)      | Cost of revenues                                                                                                                |  |
| <b>Margin from operations</b>                                                                                                   | <b>14,317</b> | <b>13,505</b> |  | <b>14,317</b>                  | <b>13,505</b> | <b>Margin from operations</b>                                                                                                   |  |
| Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations | (8,456)       | (8,069)       |  | (8,456)                        | (8,069)       | Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations |  |
| Restructuring charges and other operating charges and income                                                                    | (135)         | (46)          |  | (135)                          | (46)          | Restructuring charges and other operating charges and income                                                                    |  |
| Amortization of intangible assets acquired through business combinations                                                        | (603)         | (634)         |  |                                |               |                                                                                                                                 |  |
| Impairment losses of intangible assets acquired through business combinations                                                   | (252)         | (920)         |  |                                |               |                                                                                                                                 |  |
| <b>EBIT</b>                                                                                                                     | <b>4,871</b>  | <b>3,836</b>  |  | <b>5,726</b>                   | <b>5,390</b>  | <b>EBITA</b>                                                                                                                    |  |
| Income from equity affiliates                                                                                                   | 195           | 171           |  | 195                            | 171           | Income from equity affiliates                                                                                                   |  |
| Interest                                                                                                                        | (492)         | (458)         |  | (492)                          | (458)         | Interest                                                                                                                        |  |
| Income from investments                                                                                                         | 7             | 7             |  | 7                              | 7             | Income from investments                                                                                                         |  |
| Other financial charges and income                                                                                              | (17)          | (795)         |  |                                |               |                                                                                                                                 |  |
| <b>Earnings from continuing operations before provision for income taxes</b>                                                    | <b>4,564</b>  | <b>2,761</b>  |  | <b>5,436</b>                   | <b>5,110</b>  | <b>Adjusted earnings from continuing operations before provision for income taxes</b>                                           |  |
| Provision for income taxes                                                                                                      | (1,042)       | (675)         |  | (1,257)                        | (747)         | Provision for income taxes                                                                                                      |  |
| <b>Earnings from continuing operations</b>                                                                                      | <b>3,522</b>  | <b>2,086</b>  |  |                                |               |                                                                                                                                 |  |
| Earnings from discontinued operations                                                                                           | -             | -             |  |                                |               |                                                                                                                                 |  |
| <b>Earnings</b>                                                                                                                 | <b>3,522</b>  | <b>2,086</b>  |  | <b>4,179</b>                   | <b>4,363</b>  | <b>Adjusted net income before non-controlling interests</b>                                                                     |  |
| <i>Of which</i>                                                                                                                 |               |               |  |                                |               | <i>Of which</i>                                                                                                                 |  |
| <b>Earnings attributable to Vivendi shareowners</b>                                                                             | <b>2,198</b>  | <b>830</b>    |  | <b>2,698</b>                   | <b>2,585</b>  | <b>Adjusted net income</b>                                                                                                      |  |
| Non-controlling interests                                                                                                       | 1,324         | 1,256         |  | 1,481                          | 1,778         | Non-controlling interests                                                                                                       |  |
| <b>Earnings attributable to Vivendi shareowners per share - basic (in euros)</b>                                                | <b>1.78</b>   | <b>0.69</b>   |  | <b>2.19</b>                    | <b>2.15</b>   | <b>Adjusted net income per share - basic (in euros)</b>                                                                         |  |
| <b>Earnings attributable to Vivendi shareowners per share - diluted (in euros)</b>                                              | <b>1.78</b>   | <b>0.69</b>   |  | <b>2.18</b>                    | <b>2.14</b>   | <b>Adjusted net income per share - diluted (in euros)</b>                                                                       |  |

In millions of euros, except per share amounts.

## 2.2 Earnings review

**Adjusted net income** was €2,698 million (or €2.19 per share<sup>1</sup>) in 2010, compared to €2,585 million (or €2.15 per share) in 2009. The €113 million increase (+4.4%) in adjusted net income resulted primarily from:

- a €336 million increase in **EBITA** to a total of €5,726 million. This increase mainly reflected the performance of Activision Blizzard (+€208 million), Maroc Telecom Group (+€40 million) and Canal+ Group (+€38 million) respectively, as well as the consolidation of GVT (+€257 million), which Vivendi took control of on November 13, 2009, partially offset by a decline in the performance of Universal Music Group (-€109 million) and SFR (-€58 million);
- a €24 million increase in income from equity affiliates, attributable to NBC Universal;
- a €34 million increase in interest expense;
- a €510 million increase in **income tax expense**, primarily due to the decrease of the share attributable to SFR's non-controlling interest in the current tax savings realized as a result of the utilization by SFR of Neuf Cegetel's tax losses carried forward from prior years (-€297 million) and to the increase in taxable income of business segments, particularly Activision Blizzard, as well as to the impact of the consolidation of GVT; and
- a €297 million decrease in adjusted net income due to non-controlling interests, primarily attributable to the decrease in the share attributable to SFR's non-controlling interest in the current tax savings realized as a result of SFR's utilization of Neuf Cegetel's tax losses carried forward from prior years.

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

**Revenues** were €28,878 million, compared to €27,132 million in 2009, an increase of €1,746 million (+6.4%, or +4.2% at constant currency). For a breakdown of revenues by business segment, please refer to Section 4 of this Financial Report.

**Costs of revenues** amounted to €14,561 million, compared to €13,627 million in 2009, representing an additional charge of €934 million (+6.9%).

**Margin from operations** increased by €812 million to €14,317 million, compared to €13,505 million in 2009 (+6.0%).

**Selling, general and administrative expenses**, excluding amortization of intangible assets acquired through business combinations, amounted to €8,456 million, compared to €8,069 million in 2009, representing an additional charge of €387 million (+4.8%).

**Depreciation and amortization of tangible and intangible assets** are included either in the cost of revenues or as selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, were €2,483 million, compared to €2,246 million in 2009, representing an additional charge of €237 million (+10.6%). This increase primarily resulted from the consolidation of GVT (+€134 million), which Vivendi took control of on November 13, 2009, as well as an increase in the amortization of telecommunication network assets at SFR and Maroc Telecom Group.

**Restructuring charges and other operating charges and income** amounted to a net charge of €135 million, compared to €46 million in 2009, an increase of €89 million. In 2010, they primarily included restructuring charges of €90 million (compared to €91 million in 2009), of which €60 million was incurred by UMG (compared to €59 million in 2009). In 2009, other operating charges and income included a €40 million earn-out income at Holding & Corporate related to the disposal of real estate assets in Germany in 2007.

**EBITA** was €5,726 million, compared to €5,390 million in 2009, an increase of €336 million (+6.2%, or +4.5% at constant currency). For a breakdown of EBITA by business segment, please refer to Section 4 of this Financial Report.

**Amortization of intangible assets acquired through business combinations** was €603 million, compared to €634 million in 2009, a decrease of €31 million (-4.9%). A €96 million decrease in amortization of Activision Blizzard's intangible assets, as a result of impairment losses recorded at the end of 2009, was notably offset by the amortization of GVT's customer base acquired in November 2009 (€50 million).

**Impairment losses on intangible assets acquired through business combinations** were €252 million, compared to €920 million in 2009. In 2010, they comprised the impairment of internally developed franchises and certain licenses (€217 million) acquired from Activision in July 2008, as well as certain UMG catalogs (€27 million). In 2009, they primarily comprised of the impairment of goodwill related to UMG (€616 million) as well as internally developed franchises (€252 million) and certain licenses (€39 million) acquired from Activision in July 2008.

**EBIT** was €4,871 million, compared to €3,836 million in 2009, an increase of €1,035 million (+27.0%).

<sup>1</sup> For the detail of adjusted net income, please refer to Appendix 1 of this Financial Report.

**Income from equity affiliates** was €195 million, compared to €171 million in 2009. In 2010, Vivendi's share of income earned by NBC Universal was €201 million, compared to €178 million in 2009.

**Interest** was an expense of €492 million, compared to €458 million in 2009, an increase of €34 million (+7.4%).

Interest expense on borrowings amounted to €521 million in 2010, compared to €486 million in 2009, a €35 million increase (+7.2%). This increase was attributable to the increase in average outstanding borrowings to €12.7 billion in 2010 (compared to €10.2 billion in 2009), primarily resulting from the financing of the GVT acquisition (€3.0 billion), offset by the decrease in the average interest rate on borrowings to 4.09% in 2010 (compared to 4.75% in 2009).

Interest income earned on cash and cash equivalents remained stable to €29 million in 2010, compared to €28 million in 2009; the decrease in the average interest income rate to 0.88% in 2010 (compared to 0.92% in 2009) was offset by the increase in average cash and cash equivalents to €3.3 billion in 2010 (compared to €3.0 billion in 2009).

For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2010.

**Vivendi re-examined the amount of the reserve related to the Securities Class Action litigation in the United States**, given the decision rendered by the US District Court for the Southern District of New-York on February 17, 2011 in our case, which followed the US Supreme Court's decision on June 24, 2010 in the Morrison case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve **and set it at €100 million as of December 31, 2010**, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009 (please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2010).

**Other financial charges and income** were a net charge of €17 million, compared to a net charge of €795 million in 2009. This change primarily reflected the adjustment to the reserve related to the Securities Class Action litigation in the United States.

Other financial charges and income related to financial investing activities were a net charge of €305 million, compared to a net charge of €106 million in 2009, and primarily included the impact of the agreement entered into in December 2009 between Vivendi and GE setting the terms and conditions for Vivendi's full exit from the share capital of NBC Universal (please refer to Section 1.1). In 2010, Vivendi recognized a capital loss incurred on the sale of a 7.66% interest in NBC Universal (-€232 million, of which -€281 million related to a foreign currency translation adjustment reclassified to earnings, which represented a foreign exchange loss attributable to the decline in value of the US dollar since January 1, 2004) completed at the end of September 2010 as the first step in the sale of Vivendi's 20% interest in NBC Universal. In 2009, based on the economic terms of the agreement with GE that valued Vivendi's 20% interest in NBC Universal at \$5.8 billion, Vivendi recognized a €82 million impairment loss on this interest. In addition, in 2010, other financial charges and income included the €67 million cost incurred as part of the settlement reached with the Brazilian Comissao de Valores Mobiliarios (CVM). As stated under Brazilian law, this settlement does not imply the acknowledgement of any wrongdoing by Vivendi in the context of GVT's acquisition, nor a determination by the CVM of any violation of the Brazilian Stock Exchange regulations by Vivendi.

Other financial charges and income related to financing activities were a net income of €288 million, compared to a net charge of €689 million in 2009. This change primarily reflected the impact of the Securities Class Action litigation in the United States.

For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2010.

**Provision for income taxes** was a net charge of €1,042 million, compared to €675 million in 2009. This increase was mainly attributable to the increase in the taxable income of business segments in 2010, particularly Activision Blizzard.

For more information, please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2010.

In addition, income taxes reported to adjusted net income was a net charge of €1,257 million, compared to a net charge of €747 million in 2009. This increase was notably driven by the increase in taxable income of business segments, particularly Activision Blizzard, and the impact of the consolidation of GVT since November 13, 2009, as well as the decrease of the share attributable to SFR's non-controlling interest in the current tax savings realized as a result of the utilization by SFR of Neuf Cegetel's tax losses carried forward from prior years (-€297 million). Excluding this last impact, the effective tax rate reported to adjusted net income was 24.6%, compared to 21.8% in 2009, an increase of 2.8 percentage points. The change in rate was primarily attributable to the decrease in tax attributes recognized in 2010, compared to 2009.

**Earnings attributable to non-controlling interests** amounted to €1,324 million, compared to €1,256 million in 2009. The €68 million increase was mainly attributable to the increase in earnings of non-controlling interests in Activision Blizzard (€97 million), partially offset by earnings attributable to non-controlling interests in Canal+ France following the acquisition of the non-controlling interests held by TF1 and M6 (approximately €43 million).

Adjusted net income attributable to non-controlling interests amounted to €1,481 million, compared to €1,778 million in 2009, a decrease of €297 million. This change primarily reflected the decrease in the share attributable to SFR's non-controlling interest in the current tax savings realized as a result of the utilization by SFR of Neuf Cegetel's ordinary tax losses carried forward from prior years (€33 million, compared to €330 million in 2009). In addition, the decrease in adjusted net income attributable to Canal+ France's non-controlling interests (approximately -€47 million) following the acquisition of the non-controlling interests held by TF1 and M6 was offset by the increase in adjusted net income attributable to Activision Blizzard's non-controlling interests (+€43 million).

**Earnings attributable to Vivendi shareowners** amounted to €2,198 million (or €1.78 per share), compared to €830 million (or €0.69 per share) in 2009, an increase of €1,368 million (+164.8%).

**The reconciliation of earnings attributable to Vivendi shareowners with adjusted net income** is further described in Appendix 1 of this Financial Report. In 2010, this reconciliation primarily included the reversal of the reserve recorded with respect to the Securities Class Action litigation in the United States (+€450 million), the amortization of intangible assets acquired through business combinations (-451 million, after taxes and non-controlling interests), the capital loss incurred on the sale of a 7.66% interest in NBC Universal (-€232 million, of which -€281 million related to a foreign currency translation adjustment reclassified to earnings, which represented a foreign exchange loss attributable to the decline in value of the US dollar since January 1, 2004) completed at the end of September 2010 as the first step in the sale of the 20% interest in NBC Universal, as agreed with General Electric in December 2009, and the impact of reversing the deferred tax asset (€-76 million) related to the utilization by SFR of Neuf Cegetel's ordinary tax losses carried forward from prior years.

In 2009, this reconciliation notably included the impact of reversing the deferred tax asset (-€750 million) relating to the utilization by SFR of Neuf Cegetel's ordinary tax losses carried forward from prior years, the amortization and impairment losses on intangible assets acquired through business combinations (-€1,056 million, after taxes and non-controlling interests), the reserve accrued with respect to the Securities Class Action litigation in the United States (-€550 million) and an additional impairment loss relating to the 20% interest in NBC Universal (-€82 million), partially offset by the increase in savings expected in 2010 from the Consolidated Global Profit Tax System (+€292 million).

## 2.3 2011 Outlook

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Despite difficult economic conditions, and regulatory and tax measures weighing heavily on our investment, 2011 should see slight increase in Vivendi's adjusted net income excluding NBC Universal and the maintaining of a high cash dividend.

### 3 Cash flow from operations analysis

**Preliminary comment:** Vivendi considers that the non-GAAP measures cash flow from operations (CFFO), cash flow from operations before capital expenditures (CFFO before capex, net) and cash flow from operations after interest and taxes (CFAIT) are relevant indicators of the group's operating and financial performance. These indicators should be considered in addition to, and not as substitutes for, other GAAP measures as reported in Vivendi's cash flow statement, contained in the group's Consolidated Financial Statements.

In 2010, **cash flow from operations before capital expenditures (CFFO before capex, net)** generated by business segments amounted to €8,569 million (compared to €7,799 million in 2009), a €770 million increase (+9.9%). This change was primarily driven by the increase in EBITDA after changes in net working capital of business segments (+€745 million), primarily attributable to the respective performances of Activision Blizzard and UMG, as well as the integration of GVT (+€348 million), consolidated since November 2009. This change also reflected lower restructuring charges (+€97 million), offset by the decrease in dividends received from equity affiliates (-€71 million). In 2010, dividends received from NBC Universal amounted to €233 million, compared to €306 million in 2009.

In 2010, **capital expenditures, net** amounted to €3,357 million (compared to €2,562 million in 2009), a €795 million increase (+31.0%). This change primarily reflected the acquisition by SFR (€300 million) in June 2010 of an additional band of 3G mobile telephony spectrum (please refer to Section 1.1.4 of this Financial Report) and the integration of GVT (€411 million) which reflected in 2010 a strong growth in capital expenditures related to the geographical expansion of its telecommunication network.

Consequently, in 2010, **cash flow from operations (CFFO) after capital expenditures, net** generated by business segments amounted to €5,212 million (compared to €5,237 million in 2009), a €25 million decrease (-0.5%). Excluding the impact of spectrum acquisition by SFR, **cash flow from operations (CFFO)** generated by business segments increased by 5.3%.

In 2010, **income taxes paid, net** amounted to €1,365 million (compared to €137 million in 2009), a €1,228 million increase. This increase was primarily driven by the impact from the utilization by SFR in 2009 of Neuf Cegetel's tax losses carried forward from prior years, both on income taxes paid, net by SFR (€593 million, net paid in 2010, compared to a net reimbursement of €76 million in 2009, related to the refund of tax payments for fiscal year 2008) and on the tax payment received by Vivendi as part of the Consolidated Global Profit Tax System (€182 million received in 2010 with respect to fiscal year 2009, compared to €435 million in 2009 with respect to fiscal year 2008). In addition, the increase in income taxes paid, net in 2010 reflected the favorable impact in 2009 from the refund of tax payments, net by UMG and Canal+ with respect to fiscal year 2008, and the impact of GVT's consolidation since November 13, 2009.

In 2010, **financial activities cash payments** amounted to €739 million (compared to €425 million in 2009), a €314 million increase. The premium paid in 2010 as part of the early redeemed borrowings and the accelerated settlement of rate swaps for hedging amounted to €129 million, compared to €53 million in 2009, a €76 million increase. In addition, foreign currency hedging transactions generated a net cash payment of €87 million in 2010, compared to a net cash inflow of €95 million in 2009. Finally, interest paid, net amounted to €492 million in 2010 (compared to €458 million in 2009), a €34 million increase. This change was attributable to the increase in average outstanding borrowings to €12.7 billion in 2010 (compared to €10.2 billion in 2009), primarily resulting from the financing of the acquisition of GVT (€3.0 billion), offset by the decrease in the average interest rate on borrowings to 4.09% in 2010 (compared to 4.75% in 2009).

As a result, **cash flow from operations after interest and income taxes paid (CFAIT)** amounted to €3,108 million (compared to €4,675 million in 2009), a €1,567 million decrease.

| (in millions of euros)                                                                               | Year ended December 31, |              |               |               |
|------------------------------------------------------------------------------------------------------|-------------------------|--------------|---------------|---------------|
|                                                                                                      | 2010                    | 2009         | V€            | V%            |
| Revenues                                                                                             | 28,878                  | 27,132       | +1,746        | +6.4%         |
| Operating expenses excluding depreciation and amortization                                           | (20,569)                | (19,449)     | -1,120        | -5.8%         |
| <b>EBITDA</b>                                                                                        | <b>8,309</b>            | <b>7,683</b> | <b>+626</b>   | <b>+8.1%</b>  |
| Restructuring charges paid                                                                           | (93)                    | (190)        | +97           | +51.1%        |
| Content investments, net                                                                             | (137)                   | (274)        | +137          | +50.0%        |
| of which internally developed franchises and other games content assets at Activision Blizzard       | (83)                    | (126)        | +43           | +34.1%        |
| of which payments to artists and repertoire owners, net at UMG                                       |                         |              |               |               |
| Payments to artists and repertoire owners                                                            | (578)                   | (624)        | +46           | +7.4%         |
| Recoupment of advances and other movements                                                           | 624                     | 584          | +40           | +6.8%         |
|                                                                                                      | 46                      | (40)         | +86           | na*           |
| of which film and television rights, net at Canal+ Group                                             |                         |              |               |               |
| Acquisition of film and television rights                                                            | (700)                   | (667)        | -33           | -4.9%         |
| Consumption of film and television rights                                                            | 671                     | 645          | +26           | +4.0%         |
|                                                                                                      | (29)                    | (22)         | -7            | -31.8%        |
| of which sports rights, net at Canal+ Group                                                          |                         |              |               |               |
| Acquisition of sports rights                                                                         | (646)                   | (712)        | +66           | +9.3%         |
| Consumption of sports rights                                                                         | 676                     | 636          | +40           | +6.3%         |
|                                                                                                      | 30                      | (76)         | +106          | na*           |
| Neutralization of change in provisions included in EBITDA                                            | (125)                   | (72)         | -53           | -73.6%        |
| Other cash operating items excluded from EBITDA                                                      | (10)                    | 27           | -37           | na*           |
| Other changes in net working capital                                                                 | 387                     | 315          | +72           | +22.9%        |
| <b>Net cash provided by operating activities before income tax paid</b>                              | <b>8,331</b>            | <b>7,489</b> | <b>+842</b>   | <b>+11.2%</b> |
| Dividends received from equity affiliates                                                            | 235                     | 306          | -71           | -23.2%        |
| of which NBC Universal                                                                               | 233                     | 306          | -73           | -23.9%        |
| Dividends received from unconsolidated companies                                                     | 3                       | 4            | -1            | -25.0%        |
| <b>Cash flow from operations, before capital expenditures, net (CFFO before capex, net)</b>          | <b>8,569</b>            | <b>7,799</b> | <b>+770</b>   | <b>+9.9%</b>  |
| Capital expenditures, net (capex, net)                                                               | (3,357)                 | (2,562)      | -795          | -31.0%        |
| of which SFR                                                                                         | (1,974)                 | (1,703)      | -271          | -15.9%        |
| Maroc Telecom Group                                                                                  | (556)                   | (486)        | -70           | -14.4%        |
| GVT                                                                                                  | (482)                   | (71)         | -411          | na*           |
| <b>Cash flow from operations (CFFO)</b>                                                              | <b>5,212</b>            | <b>5,237</b> | <b>-25</b>    | <b>-0.5%</b>  |
| Interest paid, net                                                                                   | (492)                   | (458)        | -34           | -7.4%         |
| Other cash items related to financial activities                                                     | (247)                   | 33           | -280          | na*           |
| of which fees and premium on borrowing issued/redeemed                                               | (129)                   | (53)         | -76           | x 2.4         |
| gains/(losses) on currency transactions                                                              | (87)                    | 95           | -182          | na*           |
| <b>Financial activities cash payments</b>                                                            | <b>(739)</b>            | <b>(425)</b> | <b>-314</b>   | <b>-73.9%</b> |
| Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System | 182                     | 435          | -253          | -58.2%        |
| Other taxes paid                                                                                     | (1,547)                 | (572)        | -975          | x 2.7         |
| <b>Income tax (paid)/received, net</b>                                                               | <b>(1,365)</b>          | <b>(137)</b> | <b>-1,228</b> | <b>x 10</b>   |
| <b>Cash flow from operations after interest and income tax paid (CFAIT)</b>                          | <b>3,108</b>            | <b>4,675</b> | <b>-1,567</b> | <b>-33.5%</b> |

na\*: not applicable.

- EBITDA, a non-GAAP measure, is described in Section 4.2 of this Financial Report.
- As presented in operating activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).
- As presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).
- Consists of capital expenditures, net of proceeds from property, plant and equipment and intangible assets as presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).
- As presented in financing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).
- Notably included the acquisition of 3G spectrum for €300 million in June 2010.

## 4 Business segment performance analysis

### 4.1 Revenues, EBITA and cash flow from operations by business segment<sup>2</sup>

| (in millions of euros)                                                       | Year ended December 31, |               |              | % Change at constant rate |
|------------------------------------------------------------------------------|-------------------------|---------------|--------------|---------------------------|
|                                                                              | 2010                    | 2009          | % Change     |                           |
| <b>Revenues</b>                                                              |                         |               |              |                           |
| Activision Blizzard                                                          | 3,330                   | 3,038         | +9.6%        | +4.4%                     |
| Universal Music Group                                                        | 4,449                   | 4,363         | +2.0%        | -3.6%                     |
| SFR                                                                          | 12,577                  | 12,425        | +1.2%        | +1.2%                     |
| Maroc Telecom Group                                                          | 2,835                   | 2,694         | +5.2%        | +4.5%                     |
| GVT                                                                          | 1,029                   | 104           | na*          | na*                       |
| Canal+ Group                                                                 | 4,712                   | 4,553         | +3.5%        | +2.9%                     |
| Non-core operations and others, and elimination of intersegment transactions | (54)                    | (45)          | na*          | na*                       |
| <b>Total Vivendi</b>                                                         | <b>28,878</b>           | <b>27,132</b> | <b>+6.4%</b> | <b>+4.2%</b>              |
| <b>EBITA</b>                                                                 |                         |               |              |                           |
| Activision Blizzard                                                          | 692                     | 484           | +43.0%       | +40.7%                    |
| Universal Music Group                                                        | 471                     | 580           | -18.8%       | -23.6%                    |
| SFR                                                                          | 2,472                   | 2,530         | -2.3%        | -2.3%                     |
| Maroc Telecom Group                                                          | 1,284                   | 1,244         | +3.2%        | +2.4%                     |
| GVT                                                                          | 277                     | 20            | na*          | na*                       |
| Canal+ Group                                                                 | 690                     | 652           | +5.8%        | +5.4%                     |
| Holding & Corporate                                                          | (127)                   | (91)          | -39.6%       | -39.5%                    |
| Non-core operations and others                                               | (33)                    | (29)          | na*          | na*                       |
| <b>Total Vivendi</b>                                                         | <b>5,726</b>            | <b>5,390</b>  | <b>+6.2%</b> | <b>+4.5%</b>              |

| (in millions of euros)                                                                      | Year ended December 31, |              |              |
|---------------------------------------------------------------------------------------------|-------------------------|--------------|--------------|
|                                                                                             | 2010                    | 2009         | % Change     |
| <b>Cash flow from operations, before capital expenditures, net (CFFO before capex, net)</b> |                         |              |              |
| Activision Blizzard                                                                         | 1,248                   | 1,043        | +19.7%       |
| Universal Music Group                                                                       | 508                     | 329          | +54.4%       |
| SFR                                                                                         | 3,952                   | 3,966        | -0.4%        |
| Maroc Telecom Group                                                                         | 1,706                   | 1,659        | +2.8%        |
| GVT                                                                                         | 413                     | 65           | na*          |
| Canal+ Group                                                                                | 639                     | 559          | +14.3%       |
| NBC Universal dividends                                                                     | 233                     | 306          | -23.9%       |
| Holding & Corporate                                                                         | (99)                    | (100)        | +1.0%        |
| Non-core operations and others                                                              | (31)                    | (28)         | na*          |
| <b>Total Vivendi</b>                                                                        | <b>8,569</b>            | <b>7,799</b> | <b>+9.9%</b> |
| <b>Cash flow from operations (CFFO)</b>                                                     |                         |              |              |
| Activision Blizzard                                                                         | 1,173                   | 995          | +17.9%       |
| Universal Music Group                                                                       | 470                     | 309          | +52.1%       |
| SFR                                                                                         | 1,978                   | 2,263        | -12.6%       |
| Maroc Telecom Group                                                                         | 1,150                   | 1,173        | -2.0%        |
| GVT                                                                                         | (69)                    | (6)          | na*          |
| Canal+ Group                                                                                | 410                     | 328          | +25.0%       |
| NBC Universal dividends                                                                     | 233                     | 306          | -23.9%       |
| Holding & Corporate                                                                         | (100)                   | (101)        | +1.0%        |
| Non-core operations and others                                                              | (33)                    | (30)         | na*          |
| <b>Total Vivendi</b>                                                                        | <b>5,212</b>            | <b>5,237</b> | <b>-0.5%</b> |

na\*: not applicable.

<sup>2</sup> The audited information presented above takes into account the consolidation of the following entities from the reported dates:

- Maroc Telecom Group, Sotelma (August 1, 2009); and
- GVT (November 13, 2009)

## 4.2 Comments on operating performance of business segments

### **Preliminary comments:**

- Vivendi Management evaluates the performance of Vivendi's business segments and allocates the necessary resources to them based on certain operating performance indicators, notably non-GAAP measures EBITA (Adjusted earnings before interest and income taxes) and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):
  - The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations and the impairment of goodwill and other intangibles acquired through business combinations that are included in EBIT. Please refer to Note 1.2.3 to the Consolidated Financial Statements for the year ended December 31, 2010.
  - As defined by Vivendi, EBITDA is calculated as EBITA as presented in the Adjusted Statement of Earnings, before depreciation and amortization of tangible and intangible assets, restructuring charges, gains/(losses) on the sale of tangible and intangible assets and other non-recurring items (as presented in the Consolidated Statement of Earnings by each operating segment - Please refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2010).

Moreover, it should be emphasized that other companies may define and calculate EBITA and EBITDA differently than Vivendi, thereby affecting comparability.

- As a reminder, the Vivendi group operates through six businesses at the heart of the worlds of content, platforms and interactive networks; as of December 31, 2010, Vivendi's ownership interest in each of these businesses is as follows:
  - Activision Blizzard: 61%;
  - Universal Music Group (UMG): 100%;
  - SFR: 56%;
  - Maroc Telecom Group: 53%;
  - GVT: 100% (please refer to Section 1.1.1); and
  - Canal+ Group: 100% (as from February 22, 2010, Canal+ Group holds an 80% interest in Canal+ France; please refer to Section 1.1.2).

## 4.2.1 Activision Blizzard

### IFRS measures, as published by Vivendi<sup>3</sup>

(in millions of euros, except for margins)

|                                         | Year ended December 31, |              |               | % Change at constant rate |
|-----------------------------------------|-------------------------|--------------|---------------|---------------------------|
|                                         | 2010                    | 2009         | % Change      |                           |
| Activision                              | 2,002                   | 1,819        | +10.1%        | +5.5%                     |
| Blizzard                                | 1,046                   | 922          | +13.4%        | +7.1%                     |
| Distribution                            | 282                     | 297          | -5.1%         | -10.8%                    |
| Non-core operations                     | -                       | -            | na            | na                        |
| <b>Total Revenues</b>                   | <b>3,330</b>            | <b>3,038</b> | <b>+9.6%</b>  | <b>+4.4%</b>              |
| <b>Total EBITDA</b>                     | <b>901</b>              | <b>676</b>   | <b>+33.3%</b> | <b>+30.1%</b>             |
| Activision                              | 187                     | 56           | x 3.3         | x 3.7                     |
| Blizzard                                | 498                     | 420          | +18.6%        | +11.9%                    |
| Distribution                            | 7                       | 9            | -22.2%        | -30.9%                    |
| Non-core operations                     | -                       | (1)          | na            | na                        |
| <b>Total EBITA</b>                      | <b>692</b>              | <b>484</b>   | <b>+43.0%</b> | <b>+40.7%</b>             |
| EBITA margin rate (%)                   | 20.8%                   | 15.9%        | +4.9 pts      |                           |
| <b>Cash flow from operations (CFFO)</b> | <b>1,173</b>            | <b>995</b>   | <b>+17.9%</b> |                           |

### Non-GAAP measures, unaudited, as published by Activision Blizzard

(in millions of US dollars)

|                                                         | Year ended December 31, |              |               |
|---------------------------------------------------------|-------------------------|--------------|---------------|
|                                                         | 2010                    | 2009         | % Change      |
| Activision                                              | 2,769                   | 3,156        | -12.3%        |
| Blizzard                                                | 1,656                   | 1,196        | +38.5%        |
| Distribution                                            | 378                     | 423          | -10.6%        |
| <b>Non-GAAP net revenues</b>                            | <b>4,803</b>            | <b>4,775</b> | <b>+0.6%</b>  |
| Eliminate non-GAAP adjustments:                         | (356)                   | (496)        | +28.2%        |
| <b>US GAAP net revenues</b>                             | <b>4,447</b>            | <b>4,279</b> | <b>+3.9%</b>  |
| Activision                                              | 511                     | 663          | -22.9%        |
| Blizzard                                                | 850                     | 555          | +53.2%        |
| Distribution                                            | 10                      | 16           | -37.5%        |
| <b>Non-GAAP operating income</b>                        | <b>1,371</b>            | <b>1,234</b> | <b>+11.1%</b> |
| Eliminate non-GAAP adjustments:                         | (902)                   | (1,260)      | +28.4%        |
| <b>US GAAP operating income</b>                         | <b>469</b>              | <b>(26)</b>  | <b>na</b>     |
| <b>Net revenues by distribution channel</b>             |                         |              |               |
| Retail channel                                          | 2,872                   | 3,079        | -6.7%         |
| Digital online channel                                  | 1,553                   | 1,273        | +22.0%        |
| <b>Sub-total Activision and Blizzard</b>                | <b>4,425</b>            | <b>4,352</b> | <b>+1.7%</b>  |
| Distribution                                            | 378                     | 423          | -10.6%        |
| <b>Total Non-GAAP net revenues</b>                      | <b>4,803</b>            | <b>4,775</b> | <b>+0.6%</b>  |
| <b>Net revenues by platform mix</b>                     |                         |              |               |
| MMORPG (massively multiplayer online role-playing game) | 1,421                   | 1,155        | +23.0%        |
| PC and other                                            | 406                     | 213          | +90.6%        |
| Console                                                 | 2,406                   | 2,740        | -12.2%        |
| Hand-held                                               | 192                     | 244          | -21.3%        |
| <b>Sub-total Activision and Blizzard</b>                | <b>4,425</b>            | <b>4,352</b> | <b>+1.7%</b>  |
| Distribution                                            | 378                     | 423          | -10.6%        |
| <b>Total Non-GAAP net revenues</b>                      | <b>4,803</b>            | <b>4,775</b> | <b>+0.6%</b>  |
| <b>Net revenues by geographic region</b>                |                         |              |               |
| North America                                           | 2,575                   | 2,458        | +4.8%         |
| Europe                                                  | 1,902                   | 2,022        | -5.9%         |
| Asia Pacific                                            | 326                     | 295          | +10.5%        |
| <b>Total Non-GAAP net revenues</b>                      | <b>4,803</b>            | <b>4,775</b> | <b>+0.6%</b>  |

<sup>3</sup> The reconciliation of US GAAP and non-GAAP data published by Activision Blizzard (net revenues and EBITA) to data relating to Activision Blizzard prepared by Vivendi in accordance with IFRS standards is described in an appendix to this Financial Report ("II – Appendix to Financial Report: Unaudited supplementary financial data").

## Revenues and EBITA

Activision Blizzard's revenues reached €3,330 million, a 9.6% increase compared to the same period in 2009, and EBITA reached €692 million, a 43% increase. These results were determined using the accounting principles requiring revenues and related cost of sales associated with online component games to be deferred over the estimated customer service period. The balance of deferred operating margin was €1,024 million as of December 31, 2010, compared to €733 million as of December 31, 2009.

Activision Blizzard's new releases *Call of Duty®: Black Ops*, *Starcraft II®: Wings of Liberty* and *World of Warcraft®: Cataclysm™* were the main driving force of this strong performance. Revenues from digital channels accounted for over 30% of the Activision Blizzard's overall revenues.

*World of Warcraft®: Cataclysm™*, which was launched on December 7, 2010, sold through more than 3.3 million copies worldwide during its first 24 hours of release, making it the fastest-selling PC game of all time. As of December 31, 2010, more than 12 million gamers worldwide had subscribed to play *World of Warcraft®*<sup>4</sup>. In November 2010, *Call of Duty®: Black Ops* became the first video game ever to surpass \$650 million in retail sales in its first five days of release<sup>5</sup>. To date, the game has achieved more than \$1 billion in retail sales worldwide<sup>6</sup>.

Activision Blizzard continues to invest in opportunities afforded by online gaming worldwide and will reduce its exposure to low-margin and low-potential businesses. In 2011 and beyond, Activision Blizzard will allocate its resources toward high-margin growth and long term opportunities. New developments include Blizzard Entertainment's games, investments in forthcoming *Call of Duty®* titles, the development of a digital community surrounding the *Call of Duty®* franchise, a new property from Bungie and an innovative new universe *Skylanders Spyro® 's Adventure®* that will bring the world of toys, video games and the Internet together in an unprecedented way.

Activision Blizzard announced a new stock repurchase program under which the company can repurchase up to \$1.5 billion of the company's outstanding common stock. As of December 31, 2010, Activision Blizzard had purchased an aggregate of 86 million shares of its common stock for approximately \$966 million under the \$1 billion 2010 program. As of December 31, 2010, Vivendi held an approximate 61% interest (non-diluted) in Activision Blizzard.

Activision Blizzard also announced a cash dividend of \$0.165 per common share with respect to fiscal year 2010, a 10% increase.

## Cash flow from operations (CFFO)

Activision Blizzard's cash flow from operations amounted to €1,173 million, a €178 million increase compared to 2009. This increase reflected the exceptional commercial results in 2010 as well as favorable movements in working capital.

<sup>4</sup> According to Blizzard Entertainment internal data.

<sup>5</sup> According to Activision Blizzard internal estimates.

<sup>6</sup> According to The NPD Group, Charttrack and GfK.

## 4.2.2 Universal Music Group (UMG)

(in millions of euros, except for margins)

| Year ended December 31,                 |              |              |                |                           |
|-----------------------------------------|--------------|--------------|----------------|---------------------------|
|                                         | 2010         | 2009         | % Change       | % Change at constant rate |
| <i>Physical sales</i>                   | 2,128        | 2,234        | -4.7%          | -10.3%                    |
| <i>Digital music sales</i>              | 1,033        | 908          | +13.8%         | +7.5%                     |
| <i>License and others</i>               | 415          | 396          | +4.8%          | -0.3%                     |
| Recorded music                          | 3,576        | 3,538        | +1.1%          | -4.6%                     |
| Music publishing                        | 662          | 659          | +0.5%          | -4.7%                     |
| Artist services & merchandising         | 252          | 218          | +15.6%         | +10.1%                    |
| Intercompany elimination                | (41)         | (52)         | +21.2%         | na                        |
| <b>Total revenues</b>                   | <b>4,449</b> | <b>4,363</b> | <b>+2.0%</b>   | <b>-3.6%</b>              |
| <b>EBITDA</b>                           | <b>571</b>   | <b>680</b>   | <b>-16.0%</b>  | <b>-20.5%</b>             |
| Recorded music                          | 266          | 374          | -28.9%         | -34.0%                    |
| Music publishing                        | 199          | 208          | -4.3%          | -8.0%                     |
| Artist services & merchandising         | 6            | (2)          | na             | na                        |
| <b>Total EBITA</b>                      | <b>471</b>   | <b>580</b>   | <b>-18.8%</b>  | <b>-23.6%</b>             |
| <i>EBITA margin rate (%)</i>            | <i>10.6%</i> | <i>13.3%</i> | <i>-2.7pts</i> |                           |
| Restructuring charges                   | (60)         | (59)         | -1.7%          |                           |
| EBITA excluding restructuring charges   | 531          | 639          | -16.9%         |                           |
| <b>Cash flow from operations (CFFO)</b> | <b>470</b>   | <b>309</b>   | <b>+52.1%</b>  |                           |

### Breakdown of recorded music revenues by geographical area

|                   |             |             |
|-------------------|-------------|-------------|
| Europe            | 41%         | 42%         |
| North America     | 40%         | 40%         |
| Asia              | 13%         | 13%         |
| Rest of the world | 6%          | 5%          |
|                   | <b>100%</b> | <b>100%</b> |

### Recorded music: Best-selling artists (physical and digital album units sold, in millions)

| Artist - Title                                       | 2010        | Artist - Title                      | 2009        |
|------------------------------------------------------|-------------|-------------------------------------|-------------|
| Eminem - Recovery                                    | 6.0         | Black Eyed Peas - The End           | 5.4         |
| Lady Gaga - The Fame Monster                         | 4.8         | Taylor Swift - Fearless             | 4.7         |
| Taylor Swift - Speak Now                             | 4.3         | Lady Gaga - The Fame                | 4.6         |
| Rihanna - Loud                                       | 3.0         | U2 - No Line On The Horizon         | 4.3         |
| Justin Bieber - My Worlds                            | 3.0         | Andrea Bocelli - My Christmas       | 3.7         |
| Justin Bieber - My World 2.0                         | 2.9         | Eminem - Relapse                    | 3.1         |
| Take That - Progress                                 | 2.8         | Lady Gaga - The Fame Monster        | 3.0         |
| Black Eyed Peas - The E.N.D. (The Energy Never Dies) | 2.6         | Hannah Montana The Movie Soundtrack | 2.4         |
| Bon Jovi - Greatest Hits - The Ultimate Collection   | 2.4         | Rihanna - Rated R                   | 2.2         |
| Black Eyed Peas - The Beginning                      | 2.1         | Miley Cyrus - The Time Of Our Lives | 2.1         |
| <b>Total</b>                                         | <b>33.9</b> | <b>Total</b>                        | <b>35.5</b> |

## Revenues and EBITA

Universal Music Group's (UMG) revenues were €4,449 million, a 2.0% increase compared to 2009 (a 3.6% decrease at constant currency) with the favorable currency movements and growth in digital sales and merchandising more than offsetting declining physical product sales and slightly lower music publishing activity. Digital sales increased 13.8% year-on-year.

UMG's EBITA was €471 million, a 18.8% decline compared to 2009. Changes in sales mix, restructuring costs and write-downs from underperforming investments offset operating cost savings.

Under the leadership of new CEO Lucian Grainge, UMG has launched a significant reorganization plan leading to cost optimization, redeployment of resources towards key initiatives such as further expanding the company's creative investments, including maintaining high investment in local artists and talents, support and development of new digital platforms and services, and a more global approach. By the end of 2011, cost savings are expected to reach €100 million globally on a full year basis.

Major 2010 sellers included titles from Eminem, Taylor Swift, and Japan's Masaharu Fukuyama, in addition to prior year releases from Lady Gaga and Black Eyed Peas. Vevo's success is confirmed: 1# online music destination in the United States, it had nearly 60 million unique viewers in December 2010.

UMG continues to lead the music industry in supporting new digital services, recently partnering with Indian telecom Reliance Communications (RCOM) to launch the first-ever comprehensive music service for that developing market. UMG also continues to expand its global television presence, completing deals with such ratings leaders as 'American Idol' (Fox) in the United States and "The Voice Of..." in Holland and in the United States (NBC).

## Cash flow from operations (CFFO)

UMG's cash flow from operations amounted to €470 million, a €161 million increase compared to 2009. This increase of 52.1% was driven by favourable movements in working capital and the decrease in content investments, net, which more than offset the decrease in EBITDA.

## 4.2.3 SFR

(in millions of euros, except for margins)

|                                                   |                                                                       | Year ended December 31, |               |               |
|---------------------------------------------------|-----------------------------------------------------------------------|-------------------------|---------------|---------------|
|                                                   |                                                                       | 2010                    | 2009          | % Change      |
|                                                   | <i>Mobile service revenues</i>                                        | 8,420                   | 8,510         | -1.1%         |
|                                                   | <i>Equipment sales, net</i>                                           | 510                     | 473           | +7.8%         |
|                                                   | Mobile                                                                | 8,930                   | 8,983         | -0.6%         |
|                                                   | Broadband Internet and Fixed                                          | 3,944                   | 3,775         | +4.5%         |
|                                                   | Intercompany elimination                                              | (297)                   | (333)         | +10.8%        |
| <b>Total Revenues</b>                             |                                                                       | <b>12,577</b>           | <b>12,425</b> | <b>+1.2%</b>  |
|                                                   | Mobile                                                                | 3,197                   | 3,306         | -3.3%         |
|                                                   | Broadband Internet and Fixed                                          | 776                     | 661           | +17.4%        |
| <b>Total EBITDA</b>                               |                                                                       | <b>3,973</b>            | <b>3,967</b>  | <b>+0.2%</b>  |
| <b>EBITA</b>                                      |                                                                       | <b>2,472</b>            | <b>2,530</b>  | <b>-2.3%</b>  |
|                                                   | <i>EBITA margin rate (%)</i>                                          | 19.7%                   | 20.4%         | -0.7 pt       |
| <b>Capital expenditures, net (capex, net) (a)</b> |                                                                       | <b>1,974</b>            | <b>1,703</b>  | <b>+15.9%</b> |
|                                                   | <i>Of which acquisition of 3G spectrum</i>                            | 300                     | na            | na            |
|                                                   | <i>capital expenditures, net excluding acquisition of 3G spectrum</i> | 1,674                   | 1,703         | -1.7%         |
| <b>Cash flow from operations (CFFO)</b>           |                                                                       | <b>1,978</b>            | <b>2,263</b>  | <b>-12.6%</b> |
|                                                   | <i>Of which acquisition of 3G spectrum</i>                            | (300)                   | na            | na            |
|                                                   | <i>cash flow from operations excluding acquisition of 3G spectrum</i> | <b>2,278</b>            | <b>2,263</b>  | <b>+0.7%</b>  |
| <b>Mobile</b>                                     |                                                                       |                         |               |               |
| <b>Customers</b> (in thousands)                   |                                                                       |                         |               |               |
|                                                   | <i>Postpaid (b)</i>                                                   | 16,095                  | 14,807        | +8.7%         |
|                                                   | <i>Prepaid</i>                                                        | 5,208                   | 5,588         | -6.8%         |
|                                                   | Total SFR Group                                                       | 21,303                  | 20,395        | +4.5%         |
|                                                   | Wholesale customer base (estimated)                                   | 1,256                   | 1,039         | +20.9%        |
| <b>Total SFR Group network</b>                    |                                                                       | <b>22,559</b>           | <b>21,434</b> | <b>+5.2%</b>  |
|                                                   | Mobile customer base market share (c)                                 | 33.1%                   | 33.1%         | -             |
|                                                   | Network market share (c)                                              | 35.0%                   | 34.8%         | +0.2 pt       |
| <b>12-month rolling ARPU</b> (in euros/year) (d)  |                                                                       |                         |               |               |
|                                                   | Postpaid                                                              | 506                     | 532           | -4.9%         |
|                                                   | Prepaid                                                               | 155                     | 164           | -5.5%         |
| <b>Blended ARPU</b>                               |                                                                       | <b>410</b>              | <b>418</b>    | <b>-1.9%</b>  |
|                                                   | Data revenues compared to total mobile service revenues (in %)        | 27.7%                   | 23.7%         | +4.0 pts      |
|                                                   | Cost of acquisition compared to total mobile service revenues (in %)  | 7.0%                    | 7.4%          | -0.4 pt       |
|                                                   | Cost of retention compared to total mobile service revenues (in %)    | 8.7%                    | 7.6%          | +1.1 pts      |
| <b>Residential broadband Internet and Fixed</b>   |                                                                       |                         |               |               |
|                                                   | Broadband Internet customer base (in thousands)                       | 4,887                   | 4,444         | +10.0%        |
|                                                   | Broadband Internet customer base market share (SFR's estimates)       | 24.3%                   | 23.6%         | 0.7 pt        |

- Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.
- Includes M2M (Machine to Machine) customers.
- Source: Arcep.
- ARPU (Average Revenue Per User) is defined as revenues net of promotions and net of third-party content provider revenues excluding roaming in revenues and equipment sales divided by the average ARCEP total customer base for the last twelve months. ARPU excludes M2M (Machine to Machine) data.

## Revenues and EBITA

SFR's revenues were €12,577 million, a 1.2% increase compared to 2009, despite a more competitive market and substantial tariff cuts resulting from regulatory decisions. Excluding the regulated price cut impacts, revenues increased by 5.8%.

Mobile revenues<sup>7</sup> reached €8,930 million, a 0.6% decrease compared to 2009. Mobile service revenues<sup>8</sup> decreased by 1.1% to €8,420 million. Excluding the impact of the 31% and 33% mobile voice termination regulated price cuts on July 1, 2009 and July 1, 2010 respectively, the 33% SMS voice termination regulated price cut on February 1, 2010 and the roaming tariff cuts resulting from regulatory decisions, mobile service revenues increased by 4.8%.

In 2010, SFR achieved good commercial results, adding almost 1,288,000 new postpaid net adds, in particular due to the success of *smartphones* and offers including an Internet remote access. 28% of SFR customers were equipped with a *smartphone* at the end of December 2010 (compared to 15% at end of 2009) allowing a data revenue growth of 16% in 2010. At the end of 2010, SFR's postpaid mobile customer base reached 16.095 million, improving the customer mix by 3.0 percentage points year-on-year to attain 75.6%. SFR's total mobile customer base reached 21.303 million.

SFR and La Poste entered into an agreement for the launch of a Mobile Virtual Network Operator (MVNO) in the second quarter of 2011 that is expected to become one of the market leaders.

Broadband Internet and fixed revenues<sup>6</sup> were €3,944 million, a 4.5% increase compared to 2009, reflecting an excellent commercial performance from the broadband Internet mass market segment (for which revenues increased by 11.9%) as well as a dynamic Enterprise segment.

SFR added 443,000 net new active broadband internet residential customers, representing a market share of more than 30%<sup>9</sup>. At the end of 2010, the broadband Internet residential customers base totaled 4.887 million, a 10.0% increase year-on-year. Additionally, SFR has benefitted from the success of the new *neufbox* Evolution which was launched on November 16, 2010 and has attracted more than 200,000 customers at the end of February.

SFR reached an important step regarding the fiber-optic deployment with the signature of an agreement with Bouygues Telecom to share their investments and their fiber horizontal networks in some cities within very concentrated areas.

SFR's EBITDA was €3,973 million, a 0.2% increase compared to 2009. This growth included €58 million of non-recurring ("non-cash") items related to the termination of some of SFR's fixed network indefeasible right of use (IRU) by third parties.

SFR's mobile EBITDA was €3,197 million, a 3.3% decrease compared to 2009. Growth in the customer bases, the expansion of mobile Internet and the strict control of costs did not totally offset the very negative impacts of the regulation and strong competition on the French market.

SFR's broadband Internet and fixed EBITDA was €776 million, a 17.4% increase compared to 2009. This increase was driven by the effects of broadband Internet growth and positive non-recurring items. Excluding the impact of those non-recurring items, EBITDA growth was 8.6%.

SFR's EBITA was €2,472 million, a decrease of 2.3% compared to 2009.

## Cash flow from operations (CFFO)

SFR's cash flow from operations amounted to €1,978 million, a 12.6% decrease compared to 2009. The decrease in CFFO was mainly due to the increase in broadband Internet and fixed net capital expenditures (reflecting both good commercial performances in ADSL and fiber deployment), and to the acquisition of mobile 3G spectrum for €300 million in 2010, given that EBITDA was stable (+0.2%). Excluding acquisition of 3G spectrum, SFR's cash flow from operations amounted to €2,278 million, stable compared to 2009 (+0.7%).

<sup>7</sup> Mobile revenues and broadband Internet and fixed revenues are determined as revenues before elimination of intersegments operations within SFR.

<sup>8</sup> Mobile service revenues are determined as mobile revenues excluding revenues from equipment sales, net.

<sup>9</sup> According to SFR.

## 4.2.4 Maroc Telecom Group

(in millions of euros, except for margins)

|                                                  | Year ended December 31, |               |                |                           |
|--------------------------------------------------|-------------------------|---------------|----------------|---------------------------|
|                                                  | 2010                    | 2009 (a)      | % Change       | % Change at constant rate |
| Maroc Telecom SA                                 | 2,345                   | 2,288         | +2.5%          | +1.7%                     |
| Subsidiaries                                     | 505                     | 417           | +21.1%         | +20.4%                    |
| Intercompany elimination                         | (15)                    | (11)          | na             | na                        |
| <b>Total revenues</b>                            | <b>2,835</b>            | <b>2,694</b>  | <b>+5.2%</b>   | <b>+4.5%</b>              |
| <b>EBITDA</b>                                    | <b>1,667</b>            | <b>1,612</b>  | <b>+3.4%</b>   | <b>+2.7%</b>              |
| Maroc Telecom SA                                 | 1,183                   | 1,162         | +1.8%          | +1.0%                     |
| Subsidiaries                                     | 101                     | 82            | +23.2%         | +22.3%                    |
| <b>Total EBITA</b>                               | <b>1,284</b>            | <b>1,244</b>  | <b>+3.2%</b>   | <b>+2.4%</b>              |
| <i>EBITA margin rate (%)</i>                     | <i>45.3%</i>            | <i>46.2%</i>  | <i>-0.9 pt</i> |                           |
| <b>Capital expenditures, net (capex, net)</b>    | <b>556</b>              | <b>486</b>    | <b>+14.4%</b>  |                           |
| <b>Cash flow from operations (CFFO)</b>          | <b>1,150</b>            | <b>1,173</b>  | <b>-2.0%</b>   |                           |
| <b>Maroc Telecom SA</b>                          |                         |               |                |                           |
| <b>Number of mobile customers</b> (in thousands) | <b>16,890</b>           | <b>15,272</b> | <b>+10.6%</b>  |                           |
| <i>% of prepaid customers</i>                    | <i>95.2%</i>            | <i>95.5%</i>  | <i>-0.3 pt</i> |                           |
| of which prepaid customers                       | 16,073                  | 14,590        | +10.2%         |                           |
| <b>ARPU</b> (in euros/month)                     |                         |               |                |                           |
| Postpaid                                         | 49.7                    | 53.7          | -7.4%          |                           |
| Prepaid                                          | 6.6                     | 6.7           | -1.5%          |                           |
| <b>Total</b>                                     | <b>8.3</b>              | <b>8.7</b>    | <b>-4.6%</b>   |                           |
| <b>Churn rate</b> (in %/year)                    |                         |               |                |                           |
| Postpaid                                         | 13%                     | 13%           | -              |                           |
| Prepaid                                          | 30%                     | 34%           | -4 pts         |                           |
| <b>Total</b>                                     | <b>29%</b>              | <b>34%</b>    | <b>-5 pts</b>  |                           |
| <b>Number of fixed lines</b>                     | <b>1,231</b>            | <b>1,234</b>  | <b>-0.2%</b>   |                           |
| <b>Number of Internet customers</b>              | <b>497</b>              | <b>471</b>    | <b>+5.5%</b>   |                           |
| <b>African subsidiaries</b> (in thousands)       |                         |               |                |                           |
| Number of mobile customers                       | 6,834                   | 4,235         | +61.4%         |                           |
| Number of fixed lines                            | 291                     | 294           | -1.0%          |                           |
| Number of Internet customers                     | 77                      | 56            | +37.0%         |                           |

a. Notably includes Sotelma, consolidated since August 1, 2009

## Revenues and EBITA

Maroc Telecom Group's revenues were €2,835 million, up 5.2% year on year (+2.4% at constant currency and perimeter<sup>10</sup>) due to the solid performances of its domestic market and of its subsidiaries in Africa.

Maroc Telecom Group's customer base was 25.8 million, up 19% compared to the end 2009. This evolution reflected a continuing sustained growth of the mobile customer base in Morocco (+10.6%) and especially in the African subsidiaries, where it reached over 6.8 million mobile customers, up 58% year-on-year.

Maroc Telecom Group's EBITDA was €1,667 million, up 3.4% year-on-year (+2.0% at constant currency and perimeter). Its high EBITDA margin rate was maintained at 58.8% due to the pursuit of growth in revenues and of the very proactive cost optimization policy both in Morocco and in the subsidiaries.

Maroc Telecom Group's EBITA was €1,284 million, up 3.2% year-on-year (+2.7% at constant currency and perimeter). The EBITA margin rate remained at a high level, 45.3%. Maroc Telecom Group pursues a major investment program, both in Morocco and in the subsidiaries.

## Cash flow from operations (CFFO)

Maroc Telecom Group's cash flow from operations amounted to €1,150 million, a decrease of 2.0% compared to 2009. The €23 million decrease mainly reflected the 14.4% increase in net capital expenditures, notably in African subsidiaries, which was partially offset by the 3.4% increase in EBITDA.

<sup>10</sup> Constant perimeter includes the consolidation of Sotelma, as if this transaction had occurred on January 1, 2009.

## 4.2.5 GVT

### IFRS measurement, as published by Vivendi

(in millions of euros, except for margins)

|                                        | Year ended   |              | December 31,          |                  |
|----------------------------------------|--------------|--------------|-----------------------|------------------|
|                                        | Published    |              | Pro forma (unaudited) |                  |
|                                        | 2010         | 2009 (a)     | 2009 (b)              | % Change         |
| Retail and SME                         | 798          | 79           | 453                   | 76.2%            |
| Corporate                              | 201          | 21           | 123                   | 63.4%            |
| Internet                               | 30           | 4            | 25                    | 20.0%            |
| <b>Total Revenues</b>                  | <b>1,029</b> | <b>104</b>   | <b>601</b>            | <b>71.2%</b>     |
| EBITDA                                 | 431          | 40           | 240                   | 79.6%            |
| EBITA                                  | 277          | 20           | 114                   | 143.0%           |
| <i>EBITA margin rate (%)</i>           | <i>26.9%</i> | <i>19.2%</i> | <i>19.0%</i>          | <i>+ 7.9 pts</i> |
| Capital expenditures, net (capex, net) | 482          | 71           |                       |                  |
| Cash flow from operations (CFFO)       | (69)         | (6)          |                       |                  |

- GVT has been consolidated since November 13, 2009: IFRS measurement published for 2009 therefore corresponds to the period between November 13, 2009 and December 31, 2009.
- The pro forma 2009 (unaudited) presents IFRS measurement in millions of euros, as though GVT had been consolidated since January 1, 2009.

### As measured pursuant to local Brazilian accounting standards

(in millions of BRL, except for margins)

|                                                  | Year ended December 31, |              |                 |
|--------------------------------------------------|-------------------------|--------------|-----------------|
|                                                  | 2010                    | 2009         | % Change        |
| Voice                                            | 1,553                   | 1,159        | +34.0%          |
| Next Generation Services                         | 876                     | 540          | +62.2%          |
| <i>Corporate</i>                                 | <i>207</i>              | <i>156</i>   | <i>+32.7%</i>   |
| <i>Broadband</i>                                 | <i>622</i>              | <i>345</i>   | <i>+80.3%</i>   |
| <i>VoIP</i>                                      | <i>47</i>               | <i>39</i>    | <i>+20.5%</i>   |
| <b>Net Revenues</b>                              | <b>2,429</b>            | <b>1,699</b> | <b>+43.0%</b>   |
| Region II                                        | 71%                     | 81%          | -10 pts         |
| Region I & III                                   | 29%                     | 19%          | +10 pts         |
| <b>Adjusted EBITDA (a)</b>                       | <b>1,003</b>            | <b>656</b>   | <b>+52.9%</b>   |
| <i>Adjusted EBITDA margin rate (%)</i>           | <i>41.3%</i>            | <i>38.6%</i> | <i>+2.7 pts</i> |
| <b>Number of lines in service</b> (in thousands) |                         |              |                 |
| Retail and SME                                   | 3,035                   | 2,085        | +45.6%          |
| <i>Voice</i>                                     | <i>1,940</i>            | <i>1,396</i> | <i>+39.0%</i>   |
| <i>Broadband</i>                                 | <i>1,095</i>            | <i>689</i>   | <i>+58.9%</i>   |
| Corporate                                        | 1,197                   | 731          | +63.7%          |
| <b>Total</b>                                     | <b>4,232</b>            | <b>2,816</b> | <b>+50.3%</b>   |
| <b>Net New Additions</b> (in thousands of lines) |                         |              |                 |
| Retail and SME                                   | 950                     | 617          | +54.0%          |
| <i>Voice</i>                                     | <i>544</i>              | <i>390</i>   | <i>+39.5%</i>   |
| <i>Broadband</i>                                 | <i>406</i>              | <i>227</i>   | <i>+78.9%</i>   |
| Corporate                                        | 466                     | 299          | +55.9%          |
| <b>Total</b>                                     | <b>1,416</b>            | <b>916</b>   | <b>+54.6%</b>   |
| <b>Revenue by line - Retail</b> (BRL/month)      |                         |              |                 |
| Voice                                            | 67.0                    | 69.6         | -3.7%           |
| Broadband                                        | 57.6                    | 49.9         | +15.4%          |

- The adjusted EBITDA, a performance measurement used by GVT's management, is calculated as net income for the period excluding income and social contribution taxes, financial income and expenses, depreciation, amortization, results of sale and transfer of fixed assets / extraordinary items and stock option expense.

## Revenues and EBITA

In IFRS, GVT's revenues, EBITDA and EBITA, for the full year 2010, were €1,029 million, €431 million and €277 million, respectively. Pro forma, the increase year-on-year was respectively 71.2%, 79.6% and 143.0%. Vivendi took control of and has consolidated GVT since November 13, 2009 and has fully owned its share capital since April 27, 2010.

In real, the increase in revenues was 43% driven by an 80.5% increase in broadband service revenues and a 34.0% increase in voice service revenues. Due to GVT's competitive value proposition, the net additions of lines in service (LIS) totaled 1.416 million, an increase of 54.6% compared to 2009. As of December 31, 2010, the total number of the lines reached 4.232 million.

Adjusted EBITDA margin was 41.3%, compared to 38.6% in 2009, which represents a 52.9% increase in adjusted EBITDA in local currency. These changes were due to a better product mix, including the widespread deployment of 10 Mbps' and 15 Mbps' broadband and continued cost optimization.

In 2010, GVT expanded its coverage with 13 additional cities in particular in the States of São Paulo and Rio de Janeiro.

On October 19, 2010, GVT launched *Power Music Club powered by UMG*, a free access to audio and video services for all GVT Power broadband subscribers. Additionally, in November 2010, GVT upgraded to 5 Mbps' its initial speed offer and established the 15 Mbps' speed as its main offer. For the second consecutive year, GVT's broadband was elected as the best broadband in Brazil by the readers of the leading Brazilian tech magazine "Info".

Since its acquisition by Vivendi, GVT has been accelerating its geographical expansion. For the full year 2010, GVT capital expenditures amounted to €535 million, compared to €238 million in 2009. And in 2011, GVT's capital expenditures will reach about €750 million.

## Cash flow from operations (CFFO)

GVT's cash flow from operations amounted to -€69 million. In 2010, net capital expenditures amounted to €482 million, primarily related to investments in network to cover in regions I and III, notably Rio de Janeiro and Sao Paulo. GVT's good operating performance generated cash flow from operations before capital expenditures (CFFO before capex, net) of €413 million in 2010.

## 4.2.6 Canal+ Group

| (in millions of euros, except for margins)                         | Year ended December 31, |               |                 |                           |
|--------------------------------------------------------------------|-------------------------|---------------|-----------------|---------------------------|
|                                                                    | 2010                    | 2009          | % Change        | % Change at constant rate |
| Canal+ France (a)                                                  | 3,956                   | 3,837         | +3.1%           | +3.1%                     |
| Other activities and elimination of intersegment transactions (b)  | 756                     | 716           | +5.6%           | +1.7%                     |
| <b>Total revenues</b>                                              | <b>4,712</b>            | <b>4,553</b>  | <b>+3.5%</b>    | <b>+2.9%</b>              |
| <b>EBITDA</b>                                                      | <b>920</b>              | <b>870</b>    | <b>+5.7%</b>    | <b>+5.2%</b>              |
| Canal+ France                                                      | 616                     | 555           | +11.0%          | +11.0%                    |
| Other activities                                                   | 74                      | 97            | -23.7%          | -27.2%                    |
| <b>EBITA</b>                                                       | <b>690</b>              | <b>652</b>    | <b>+5.8%</b>    | <b>+5.4%</b>              |
| <i>EBITA margin rate (%)</i>                                       | <i>14.6%</i>            | <i>14.3%</i>  | <i>+ 0.3 pt</i> |                           |
| <b>Cash flow from operations (CFFO)</b>                            | <b>410</b>              | <b>328</b>    | <b>+25.0%</b>   |                           |
| <b>Subscriptions</b> (in thousands)                                |                         |               |                 |                           |
| <i>Pay TV France</i>                                               | <i>9,720</i>            | <i>9,569</i>  | <i>+1.6%</i>    |                           |
| <i>Canal+ Overseas (c)</i>                                         | <i>1,338</i>            | <i>1,154</i>  | <i>+15.9%</i>   |                           |
| Canal+ France                                                      | 11,058                  | 10,723        | +3.1%           |                           |
| International (b)                                                  | 1,651                   | 1,642         | +0.5%           |                           |
| <b>Total Canal+ Group</b>                                          | <b>12,709</b>           | <b>12,365</b> | <b>+2.8%</b>    |                           |
| <b>Churn</b> , per digital subscriber (Mainland France)            | 11.0%                   | 12.3%         | -1.3 pt         |                           |
| <b>ARPU</b> , in euros per individual subscriber (Mainland France) | 46.3                    | 44.7          | +3.6%           |                           |

- Canal+ France's revenues are presented before elimination of intersegment transactions within Canal+ Group. Canal+ France notably holds and consolidates Canal+ SA, Multithematiques, Canal+ Distribution, Kiosque and Canal+ Overseas.
- Includes Poland and Vietnam.
- Includes overseas territories and Africa. Since 2010, Canal+ Overseas's subscriber base includes the non-binding subscriptions offered in Africa on a 12 month equivalent basis. The information presented is consistent with respect to fiscal year 2009.

## Revenues and EBITA

Canal+ Group reported full year revenues of €4,712 million, which represents a 3.5% increase year-on-year or 2.9% at constant currency. Canal+ Group's total subscription base reached 12.7 million as of December 31, 2010, which represents a net increase of 344,000 year-on-year.

Canal+ France revenues were up 3.1% to reach €3,956 million, notably driven by subscription growth, increased revenue per subscriber and higher advertising revenues.

At the end of the year, Canal+ France had 11.1 million subscriptions, which represents a net growth of +335,000 year-on-year. Mainland France saw a net growth of 151,000 subscriptions year-on-year, reaching 9.7 million mainly due to a reduced digital subscriber churn rate, which stood at 11%, compared to 12.3% at the end of 2009. Average revenue per individual subscriber was up €1.6 year-on-year, reaching €46.3, due to the full effect of price increases implemented in 2009, improved cross-sell between Canal+ and CanalSat offerings, and a higher penetration of content and service options. Since the analog land signal switch-off in November 2010, Canal+ subscriber base is now almost 100% digitized. The subscriber base in regions operated by Canal+ Overseas (French overseas territories and Africa) grew by 184,000 to reach 1.3 million due to strong market dynamics, particularly in Africa.

Revenues from other Canal+ Group operations also increased, partly driven by Canal+ in Poland, where subscription revenues grew significantly. StudioCanal's revenue decreased slightly. i>Télé channel continued to grow due to a steady increase in advertising revenues.

Canal+ Group's EBITA was €690 million, which represents a 5.8% increase year-on-year. Canal+ France's EBITA was €616 million, or a 11% increase year-on-year. All pay-TV operations in mainland France and abroad contributed to this growth due to a general increase in the subscription bases combined with overall cost control. Canal+ Group continued to invest in Vietnam. StudioCanal was impacted by costs related to the release late December 2010 of the film *The Tourist*, for which most revenues was accounted in 2011.

## Cash flow from operations (CFFO)

Canal+ Group's cash flow from operations amounted to €410 million, a €82 million increase compared to 2009. The good operating performance of Canal+ France reflected the increase in cash flow generated through EBITDA (+€50 million). In addition, CFFO also benefited from the favorable movements in changes of net working capital.

## 4.2.7 Holding & Corporate

| (in millions of euros)           | Year ended December 31, |       |
|----------------------------------|-------------------------|-------|
|                                  | 2010                    | 2009  |
| EBITA                            | (127)                   | (91)  |
| Cash flow from operations (CFFO) | (100)                   | (101) |

### EBITA

Holding & Corporate EBITA was -€127 million, a €36 million decrease compared to 2009. In 2009, it included a €40 million earn-out income related to the disposal of real estate assets in Germany in 2007.

### Cash flow from operations (CFFO)

Cash flow from operations was stable compared to 2009; it amounted to -€100 million in 2010, compared to -€101 million in 2009. In 2010, CFFO notably included an increase in net working capital. In 2009, CFFO mainly included the earn-out payment (€40 million) received in connection with the disposal of real estate assets in Germany in 2007.

## 4.2.8 Non-core operations and others

| (in millions of euros)                   | Year ended December 31, |             |
|------------------------------------------|-------------------------|-------------|
|                                          | 2010                    | 2009        |
| Non-core operations and others           | 19                      | 9           |
| Elimination of intersegment transactions | (73)                    | (54)        |
| <b>Total Revenues</b>                    | <b>(54)</b>             | <b>(45)</b> |
| EBITA                                    | (33)                    | (29)        |
| Cash flow from operations (CFFO)         | (33)                    | (30)        |

## 5 Treasury and capital resources

The analysis of Vivendi's financial position is based on the analysis of changes in the group's Financial Net Debt, as defined below (please refer to the preliminary comments below), and the Consolidated Statement of Cash Flows. Cash flow information is useful for a reader's understanding of Vivendi's financial statements as it provides a basis for assessing Vivendi's ability to generate sufficient cash for its operations as well as its ability to use such cash. The Statement of Cash Flows, when read together with the other financial statements, provides information that enables readers to assess changes in the group's net assets and its financial structure (including its liquidity and solvency). The Statement of Cash Flows reports cash flows resulting from operating, investing and financing activities.

The analysis of Vivendi's financial position is also based on an analysis of the main characteristics of the group's financing activities. The following elements are considered in this analysis:

- Summary of Vivendi's exposure to credit and liquidity risks (Section 5.1);
- Financial Net Debt changes (Section 5.2);
- Analysis of Financial Net Debt changes (Section 5.3);
- Borrowings put into place/redeemed in 2010 (Section 5.4); and
- Available credit facilities as of February 22, 2011 (Section 5.5).

In addition, a detailed analysis of borrowings (nominal and effective interest rates, maturity), a breakdown of their nominal values by currency, maturity and interest rate features, as well as main financial covenants and credit ratings are disclosed in Note 22 to the Consolidated Financial Statements. The fair value of borrowings and the aspects of risk management and financial derivative instruments associated with borrowings are included in Note 23 to the Consolidated Financial Statements.

### **Preliminary comments:**

- *Vivendi considers Financial Net Debt, a non-GAAP measure, to be a relevant indicator in measuring Vivendi's indebtedness. As of December 31, 2009, Vivendi revised its definition of Financial Net Debt to include certain cash management financial assets whose characteristics do not strictly comply with the definition of cash equivalents as defined by the Recommendations of the AMF and by IAS 7 (in particular, these financial assets may have a maturity of up to 12 months). Considering that no investment in such assets was made prior to 2009, the retroactive application of this change of presentation would have no impact on Financial Net Debt for the relevant periods. 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, cash deposits backing borrowings, and certain cash management financial assets (included in the Consolidated Statement of Financial Position under "financial assets"). Financial Net Debt should be considered in addition to, and not as a substitute for, other GAAP measures 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 debt covenants of Vivendi.*
- *In addition, cash and cash equivalents are not fully available for debt repayments since they are used for several purposes, including but not limited to, acquisitions of businesses, capital expenditures, dividends, contractual obligations and working capital.*
- *Furthermore, Vivendi SA centralizes daily cash surpluses (cash pooling) of all controlled entities (a) that do not have significant non-controlling interests and (b) that are not subject to local regulations restricting the transfer of financial assets or (c) that are not subject to other contractual agreements. Alternatively, cash surpluses are not pooled by Vivendi SA but rather, as the case may be, distributed either as dividends or used to finance investments of the relevant subsidiaries, common stock repurchase or to reimburse borrowings used to finance their investments. This situation notably applies to SFR, Maroc Telecom, and Activision Blizzard. Regarding Activision Blizzard, until July 9, 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's Financial Net Debt, after giving effect to such dividend, exceeds \$400 million.*

## 5.1 Summary of Vivendi's exposure to credit and liquidity risks

The main factors considered in assessing Vivendi's financial position are as follows:

- As of December 31, 2010, the group's Financial Net Debt amounted to €8.1 billion.
  - This amount included SFR's Financial Net Debt of €5.8 billion, of which €2.5 billion was financed by Vivendi SA by way of a grant to SFR of revolving facilities granted under market terms. The group's Financial Net Debt also included the net cash position of Activision Blizzard for €2.6 billion as of December 31, 2010 (including US government agency securities). Please refer to Section 5.2 below;
  - Vivendi's credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's) and the average "economic" term<sup>11</sup> of the group's debt was 4.0 years, compared to 3.9 years at year-end 2009. SFR's credit rating is BBB+ (Fitch) and the average "economic" term<sup>12</sup> of SFR's debt was 2.6 years, compared to 2.3 years at year-end 2009. Please refer to Notes 22.8 and 22.9 to the Consolidated Financial Statements for the year ended December 31, 2010; and
  - The aggregate amount of bonds issued by Vivendi SA and SFR was almost stable compared to December 31, 2009 and amounted to €7.2 billion, representing approximately 61% of gross borrowings, compared to 62% as of December 31, 2009. The average "economic" term of the bonds issued by the group was 3.8 years, compared to 4.1 years as of December 31, 2009.
- In 2010, Vivendi SA and SFR each refinanced a credit facility for €1 billion and €1.2 billion, respectively, with initial scheduled maturity dates in 2011; the two new credit facilities will expire in 2015. Moreover, in March, Vivendi SA placed a €750 million bond issue with a 7-year maturity and in December, Vivendi SA redeemed a portion of the bond maturing in January 2014 for €226 million (please refer to Section 5.4 below).
- As of February 22, 2011, the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2010, the available undrawn facilities of Vivendi SA, net of commercial paper issued at this date, amounted to €5.7 billion, and available credit lines of SFR, net of commercial paper issued at this date, amounted to approximately €1.5 billion (please refer to Note 22.4 to the Consolidated Financial Statements for the year ended December 31, 2010). Under the terms and conditions of their bank facilities, Vivendi SA and SFR are required to comply with certain financial covenants computed on June 30, and December 31, of each year. These covenants are described in Note 22.6 to the Consolidated Financial Statements for the year ended December 31, 2010. In the event of non-compliance with such financial covenants, the lenders could require the cancellation or early repayment of the bank facilities. As of December 31, 2010, Vivendi SA and SFR were in compliance with their financial covenants.
- In addition, the group's Financial Net Debt as of December 31, 2010, including cash proceeds of \$3.8 billion received from the sale on January 25, 2011 of the 12.34% remaining interest in NBC Universal and the €1.254 billion proceeds received on January 14, 2011 to end the litigation over telecommunication assets in Poland amounted to €3.9 billion. Net cash proceeds resulting from these transactions are fully invested in short-term cash investments (such as *SICAV*, investment funds, certificates of deposit), that satisfy the criteria of cash equivalents, as defined by AMF and IAS7 recommendations.

<sup>11</sup> Considers that all undrawn amounts on available medium-term credit lines may be used to repay group borrowings with the shortest term.

<sup>12</sup> Excludes intercompany loans with Vivendi.

## 5.2 Financial Net Debt changes

As of December 31, 2010, Vivendi's Financial Net Debt amounted to €8,073 million, compared to €9,566 million as of December 31, 2009, a €1,493 million decrease. This change was notably driven by the \$2 billion cash inflow from the sale of 7.66% interest in NBC Universal completed at the end of September 2010 as the initial step of the sale of 20% interest in NBC Universal for \$5.8 billion, as agreed with General Electric in December 2009 (please refer to Section 1.1.1). Furthermore, 72% of the Financial Net Debt was attributable to SFR, compared to 62% as of December 31, 2009. Finally, Vivendi's Financial Net Debt also included Activision Blizzard's net cash position for €2,632 million (compared to €2,196 million as of December 31, 2009), of which US treasuries and government agency securities with a maturity exceeding three months for €508 million (compared to €271 million as of December 31, 2009), included in the current short-term Financial Assets items of the Consolidated Statement of Financial Position.

| (in millions of euros)                                   | Refer to Notes to the Consolidated Financial Statements | December 31, 2010 |              | December 31, 2009 |              |
|----------------------------------------------------------|---------------------------------------------------------|-------------------|--------------|-------------------|--------------|
|                                                          |                                                         | Vivendi           | of which SFR | Vivendi           | of which SFR |
| Borrowings and other financial liabilities               |                                                         | 12,003            | 5,953        | 13,262            | 6,482        |
| of which long-term (a)                                   | 22                                                      | 8,573             | 2,134        | 8,355             | 2,211        |
| short-term (a)                                           | 22                                                      | 3,430             | 1,369        | 4,907             | 1,621        |
| revolving facilities granted to SFR by Vivendi SA        | 22                                                      | -                 | 2,450        | -                 | 2,650        |
| Derivative financial instruments in assets (b)           | 15                                                      | (91)              | (2)          | (30)              | (2)          |
| Cash deposits backing borrowings (b)                     | 15                                                      | (21)              | -            | (49)              | -            |
| Cash management financial assets (b) (c)                 | 15                                                      | (508)             | -            | (271)             | -            |
|                                                          |                                                         | <b>11,383</b>     | <b>5,951</b> | <b>12,912</b>     | <b>6,480</b> |
| Cash and cash equivalents (a)                            | 17                                                      | (3,310)           | (118)        | (3,346)           | (545)        |
| of which Activision Blizzard's cash and cash equivalents |                                                         | (2,124)           | na*          | (1,925)           | na*          |
| <b>Financial Net Debt</b>                                |                                                         | <b>8,073</b>      | <b>5,833</b> | <b>9,566</b>      | <b>5,935</b> |

na\*: not applicable.

- a. As presented in the Consolidated Statement of Financial Position.
- b. Included in the Financial Assets items of the Consolidated Statement of Financial Position.
- c. Relates to US treasuries and government agency securities, with a maturity exceeding three months, at Activision Blizzard.

In 2010, Financial Net Debt decreased by €1,493 million. This decrease mainly reflected:

- the strong cash generated by business segments in 2010 (cash flow from operations before capital expenditures, net for €8,569 million) and the cash inflow from the sale of 7.66% interest in NBC Universal at the end of September 2010 (€1,425 million);
- partially offset by capital expenditures, net (€3,357 million), dividends paid to shareowners (€2,674 million, of which €953 million was paid to subsidiaries' non-controlling interests), by cash outflows related to income tax paid, net (€1,365 million) and by financial activities (€739 million) as well as the stock repurchase program of Activision Blizzard of its common stock (€726 million).

Net cash used for investing activities amounted to €2,534 million, and primarily included capital expenditures, net (€3,357 million, of which €300 million related to the acquisition by SFR of 3G spectrum), as well as the completion of the acquisition price for 100% of GVT (€576 million, please refer to Section 1.1.1). These cash payments were notably offset by the \$2 billion cash inflow at the end of September 2010 from the sale of a 7.66% interest in NBC Universal (€1,425 million, please refer to Section 1.1.1) as the first step of the sale of 20% interest in NBC Universal for \$5.8 billion, as agreed with General Electric in December 2009, and by dividends received from NBC Universal (€233 million).

Net cash used for financing activities amounted to €4,761 million, mainly including net payments to Vivendi SA's and its subsidiaries' shareowners (€3,644 million) as well as the repayments of bank facilities and borrowings (€2,790 million, including the €630 million bond redeemed by Vivendi SA with a maturity date of April 2010), partially offset by the €750 million bond issue placed by Vivendi SA and the draw-downs on the available credit lines by Vivendi SA (€750 million) and SFR (€470 million). Payments to the group's shareowners primarily included the dividend paid by Vivendi SA to its shareowners (€1,721 million), the dividend paid by consolidated subsidiaries to their non-controlling interests (€953 million, mainly including SFR for €440 million and Maroc Telecom SA for €386 million), the stock repurchase program of Activision Blizzard (€726 million) and the acquisition of M6's non-controlling interest in Canal+ France (€384 million).

Net cash provided by operating activities amounted to €6,966 million. For further information about net cash provided by operating activities, please refer to Section 3 "Cash flow from operations analysis" above.

| (in millions of euros)                            | Cash and cash equivalents | Borrowings and other financial items (a) | Impact on Financial Net Debt |
|---------------------------------------------------|---------------------------|------------------------------------------|------------------------------|
| <b>Financial Net Debt as of December 31, 2009</b> | <b>(3,346)</b>            | <b>12,912</b>                            | <b>9,566</b>                 |
| Outflows/(inflows) generated by:                  |                           |                                          |                              |
| Operating activities                              | (6,966)                   | -                                        | (6,966)                      |
| Investing activities                              | 2,534                     | (768)                                    | 1,766                        |
| Financing activities                              | 4,761                     | (854)                                    | 3,907                        |
| Foreign currency translation adjustments (b)      | (293)                     | 93                                       | (200)                        |
| Change in Financial Net Debt over the period      | 36                        | (1,529)                                  | (1,493)                      |
| <b>Financial Net Debt as of December 31, 2010</b> | <b>(3,310)</b>            | <b>11,383</b>                            | <b>8,073</b>                 |

- "Other financial items" include commitments to purchase non-controlling interests, derivative financial instruments (assets and liabilities), cash deposits backing borrowings as well as cash management financial assets.
- Primarily relates to the impact of Euro/Dollar exchange rate fluctuations on Activision Blizzard's cash and cash equivalents.

## 5.3 Analysis of Financial Net Debt changes

(in millions of euros)

|                                                                                                                                             | Refer to section | Year ended December 31, 2010        |                                                |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|------------------------------------------------|------------------------------|
|                                                                                                                                             |                  | Impact on cash and cash equivalents | Impact on borrowings and other financial items | Impact on Financial Net Debt |
| <b>EBIT</b>                                                                                                                                 | 2                | <b>(4,871)</b>                      | -                                              | <b>(4,871)</b>               |
| Adjustments                                                                                                                                 |                  | (3,210)                             | -                                              | (3,210)                      |
| Content investments, net                                                                                                                    |                  | 137                                 | -                                              | 137                          |
| <b>Gross cash provided by operating activities before income tax paid</b>                                                                   |                  | <b>(7,944)</b>                      | -                                              | <b>(7,944)</b>               |
| Other changes in net working capital                                                                                                        |                  | (387)                               | -                                              | (387)                        |
| <b>Net cash provided by operating activities before income tax paid</b>                                                                     | 3                | <b>(8,331)</b>                      | -                                              | <b>(8,331)</b>               |
| Income tax paid, net                                                                                                                        | 3                | 1,365                               | -                                              | 1,365                        |
| <b>Operating activities</b>                                                                                                                 | <b>A</b>         | <b>(6,966)</b>                      | -                                              | <b>(6,966)</b>               |
| <b>Financial investments</b>                                                                                                                |                  |                                     |                                                |                              |
| Purchases of consolidated companies, after acquired cash                                                                                    |                  | 742                                 | (585)                                          | 157                          |
| of which completion of the acquisition of GVT                                                                                               | 1.1              | 576                                 | (555)                                          | 21                           |
| - Payments made to acquire shares that Vivendi did not own as of December 31, 2009                                                          |                  | 590                                 | (590)                                          | -                            |
| - Foreign exchange hedging gain                                                                                                             |                  | (50)                                | 50                                             | -                            |
| - Adjustment in estimate of the purchase price                                                                                              |                  | -                                   | (15)                                           | (15)                         |
| - Other                                                                                                                                     |                  | 36                                  | -                                              | 36                           |
| Investments in equity affiliates                                                                                                            |                  | 15                                  | -                                              | 15                           |
| Increase in financial assets                                                                                                                |                  | 640                                 | (604)                                          | 36                           |
| <b>Total financial investments</b>                                                                                                          |                  | <b>1,397</b>                        | <b>(1,189)</b>                                 | <b>208</b>                   |
| <b>Financial divestments</b>                                                                                                                |                  |                                     |                                                |                              |
| Proceeds from sales of consolidated companies, after divested cash                                                                          |                  | 43                                  | -                                              | 43                           |
| Disposal of equity affiliates                                                                                                               |                  | (1,458)                             | -                                              | (1,458)                      |
| of which sale of 7.66% interest in NBC Universal for \$2 billion                                                                            | 1.1              | (1,425)                             | -                                              | (1,425)                      |
| foreign exchange hedging gain related to the sale of 12.34% interest in NBC Universal                                                       |                  | (38)                                | -                                              | (38)                         |
| Decrease in financial assets                                                                                                                |                  | (567)                               | 421                                            | (146)                        |
| <b>Total financial divestments</b>                                                                                                          |                  | <b>(1,982)</b>                      | <b>421</b>                                     | <b>(1,561)</b>               |
| <b>Financial investment activities</b>                                                                                                      |                  | <b>(585)</b>                        | <b>(768)</b>                                   | <b>(1,353)</b>               |
| Dividends received from equity affiliates                                                                                                   | 3                | (235)                               | -                                              | (235)                        |
| Dividends received from unconsolidated companies                                                                                            |                  | (3)                                 | -                                              | (3)                          |
| <b>Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, net</b> |                  | <b>(823)</b>                        | <b>(768)</b>                                   | <b>(1,591)</b>               |
| Capital expenditures (a)                                                                                                                    |                  | 3,437                               | -                                              | 3,437                        |
| Proceeds from sales of property, plant, equipment and intangible assets                                                                     |                  | (80)                                | -                                              | (80)                         |
| <b>Capital expenditures, net</b>                                                                                                            | 3                | <b>3,357</b>                        | -                                              | <b>3,357</b>                 |
| <b>Investing activities</b>                                                                                                                 | <b>B</b>         | <b>2,534</b>                        | <b>(768)</b>                                   | <b>1,766</b>                 |

a. Notably includes the acquisition of 3G spectrum by SFR in June 2010 for €300 million (please refer to Section 1.1.4).

Please refer to the next page for the end of this table.

Continued from previous page.

|                                                                                                            |                  | Year ended December 31, 2010        |                                                |                              |
|------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|------------------------------------------------|------------------------------|
|                                                                                                            | Refer to section | Impact on cash and cash equivalents | Impact on borrowings and other financial items | Impact on Financial Net Debt |
| (in millions of euros)                                                                                     |                  |                                     |                                                |                              |
| <b>Transactions with shareowners</b>                                                                       |                  |                                     |                                                |                              |
| Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans |                  | (112)                               | -                                              | (112)                        |
| <i>of which capital increase subscribed by employees in connection with the stock purchase plan</i>        |                  | (98)                                | -                                              | (98)                         |
| Other transactions with shareowners                                                                        |                  | 356                                 | (384)                                          | (28)                         |
| <i>of which exercise by M6 of its put option on its Canal+ France shares</i>                               | 1.1              | 384                                 | (384)                                          | -                            |
| (Sales)/purchases of treasury shares                                                                       |                  | 726                                 | -                                              | 726                          |
| <i>of which stock repurchase program of Activision Blizzard</i>                                            | 1.1              | 726                                 | -                                              | 726                          |
| Dividends paid by Vivendi SA (€1.40 per share)                                                             | 1.1              | 1,721                               | -                                              | 1,721                        |
| Dividends paid by consolidated companies to their non-controlling interests                                |                  | 953                                 | -                                              | 953                          |
| <i>of which SFR</i>                                                                                        | 1.1              | 440                                 | -                                              | 440                          |
| <i>Maroc Telecom SA</i>                                                                                    |                  | 386                                 | -                                              | 386                          |
| <b>Total transactions with shareowners</b>                                                                 |                  | <b>3,644</b>                        | <b>(384)</b>                                   | <b>3,260</b>                 |
| <b>Transactions on borrowings and other financial liabilities</b>                                          |                  |                                     |                                                |                              |
| Setting up of long-term borrowings and increase in other long-term financial liabilities                   |                  | (2,102)                             | 2,102                                          | -                            |
| <i>of which Vivendi SA</i>                                                                                 |                  | (1,500)                             | 1,500                                          | -                            |
| <i>SFR</i>                                                                                                 |                  | (470)                               | 470                                            | -                            |
| Principal payments on long-term borrowings and decrease in other long-term financial liabilities           |                  | 879                                 | (879)                                          | -                            |
| <i>of which Vivendi SA</i>                                                                                 |                  | 676                                 | (676)                                          | -                            |
| <i>SFR</i>                                                                                                 |                  | 185                                 | (185)                                          | -                            |
| Principal payments on short-term borrowings                                                                |                  | 1,911                               | (1,911)                                        | -                            |
| <i>of which Vivendi SA</i>                                                                                 |                  | 863                                 | (863)                                          | -                            |
| <i>SFR</i>                                                                                                 |                  | 627                                 | (627)                                          | -                            |
| <i>GVT</i>                                                                                                 | 5.4              | 250                                 | (250)                                          | -                            |
| Other changes in short-term borrowings and other financial liabilities                                     |                  | (310)                               | 310                                            | -                            |
| <i>of which Vivendi SA's commercial paper</i>                                                              |                  | (208)                               | 208                                            | -                            |
| Non-cash transactions                                                                                      |                  | -                                   | (92)                                           | (92)                         |
| Interest paid, net                                                                                         | 3                | 492                                 | -                                              | 492                          |
| Other cash items related to financial activities                                                           | 3                | 247                                 | -                                              | 247                          |
| <b>Total transactions on borrowings and other financial liabilities</b>                                    |                  | <b>1,117</b>                        | <b>(470)</b>                                   | <b>647</b>                   |
| <b>Financing activities</b>                                                                                | <b>C</b>         | <b>4,761</b>                        | <b>(854)</b>                                   | <b>3,907</b>                 |
| Foreign currency translation adjustments                                                                   | D                | (293)                               | 93                                             | (200)                        |
| <b>Change in Financial Net Debt</b>                                                                        | <b>A+B+C+D</b>   | <b>36</b>                           | <b>(1,529)</b>                                 | <b>(1,493)</b>               |

## 5.4 Borrowings put into place/redeemed in 2010

### Vivendi SA

- In March, Vivendi SA placed a €750 million bond issue with a 7-year maturity and a 4% coupon. This bond was issued at 99.378%, representing a 4.10% yield and was primarily aimed at refinancing a €630 million bond issue that matured on April 6, 2010.
- In September, Vivendi SA early refinanced a €1 billion credit facility with an initial scheduled maturity of February 2011. The new credit facility for the same amount, with a five-year maturity period, was undrawn as of December 31, 2010.
- In December, in order to improve its financial debt position and decrease its financing cost, Vivendi made a partial tender-offer related to the €1.1 billion bond issued in January 2009 with a 7.75% coupon. Following this offer, Vivendi SA acquired €226 million of bonds, representing a total amount of €259 million, including premium.

### SFR

- In January, SFR put into place a new securitization program of €280 million (maturing in January 2015), that was increased to €310 million in July 2010.
- In April, SFR early redeemed the syndicated facility ("Club Deal") tranche A for €248 million, which had been due to expire in July 2010.
- In June, SFR refinanced the €1.2 billion current credit facility with an initial scheduled maturity of April 2011. The new credit facility for the same amount, maturing in June 2015, was undrawn as of December 31, 2010.

### GVT

- In January and February, the \$200 million (€137 million) of bonds issued by GVT in June 2006 at a 12% nominal interest rate with an initial scheduled maturity of September 2011 were early redeemed in full.
- In July, GVT made an early and partial reimbursement of BRL250 million (approximately €113 million) of the loan granted by BNDES.

## 5.5 Available credit facilities as of February 22, 2011

As of February 22, 2011, the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2010, Vivendi SA had committed bank facilities in the amount of €6 billion, fully available. Considering the amount of commercial paper issued at this date, and backed on credit facilities for €0.3 billion, these lines were available in an aggregate amount of €5.7 billion. SFR had available committed bank facilities in the amount of €3.4 billion, drawn for €1 billion. Considering the amount of commercial paper issued at this date and backed on credit facilities for €0.9 billion, these lines were available for an aggregate amount of €1.5 billion.

For a detailed analysis of these credit lines as of December 31, 2010 and December 31, 2009, please refer to Note 22.4 to the Consolidated Financial Statements for the year ended December 31, 2010.

## 6 Forward looking statements

This Financial Report contains forward-looking statements with respect to Vivendi's financial condition, results of operations, business, strategy, plans including those related to acquisitions and divestures, expectations regarding the payment of dividends as well as the anticipated impact of certain litigations. Although Vivendi believes that such forward-looking statements are based upon reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from these forward-looking statements as a result of a number of risks and uncertainties, many of which are beyond Vivendi's control, including, but not limited to, the risks described in the documents of the group filed with the Autorité des Marchés Financiers (AMF) (the French securities regulator) and which are also available in English on Vivendi's website ([www.vivendi.com](http://www.vivendi.com)). These forward-looking statements are made as of the date of this Financial Report. 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.

### Un-sponsored ADRs.

Vivendi does not sponsor an American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "un-sponsored" and has no ties whatsoever to Vivendi. Vivendi disclaims any liability in respect of such facility.

## 7 Disclaimer

This Financial Report is an English translation of the French version of such report and is provided for informational purposes only. This translation is qualified in its entirety by the French version, which is available on the company's website ([www.vivendi.com](http://www.vivendi.com)). In the event of any inconsistencies between the French version of this Financial Report and the English translation, the French version will prevail.

## II - Appendix to Financial Report: Unaudited supplementary financial data

### 1. Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the underlying performance of continuing operations by excluding most non-recurring and non-operating items. Adjusted net income is defined in Note 1.2.3 to the Consolidated Financial Statements for the year ended December 31, 2010.

#### Reconciliation of earnings attributable to Vivendi shareowners to adjusted net income

(in millions of euros)

|                                                                                   | Year ended December 31, |              |
|-----------------------------------------------------------------------------------|-------------------------|--------------|
|                                                                                   | 2010                    | 2009         |
| <b>Earnings attributable to Vivendi shareowners (a)</b>                           | <b>2,198</b>            | <b>830</b>   |
| <i>Adjustments</i>                                                                |                         |              |
| Amortization of intangible assets acquired through business combinations          | 603                     | 634          |
| Impairment losses of intangible assets acquired through business combinations (a) | 252                     | 920          |
| Other financial charges and income (a)                                            | 17                      | 795          |
| Change in deferred tax asset related to the Consolidated Global Profit Tax System | 3                       | (292)        |
| Non-recurring items related to provision for income taxes (b)                     | 102                     | 572          |
| Provision for income taxes on adjustments                                         | (320)                   | (352)        |
| Non-controlling interests on adjustments                                          | (157)                   | (522)        |
| <b>Adjusted net income</b>                                                        | <b>2,698</b>            | <b>2,585</b> |

- As presented in the consolidated statement of earnings.
- Mainly relates to the cancellation of a credit for the consumption of the deferred tax asset related to the utilization by SFR of Neuf Cegetel's ordinary tax losses carried forward from prior years: €43 million for the share attributable to the group and €33 million for the share attributable to the non-controlling interest in SFR in 2010 (compared to €420 million for the share attributable to the group and €330 million for the share attributable to the non-controlling interest in SFR in 2009).

#### Adjusted net income per share

|                                                                | Year ended December 31, |                |                |                |
|----------------------------------------------------------------|-------------------------|----------------|----------------|----------------|
|                                                                | 2010                    |                | 2009           |                |
|                                                                | Basic                   | Diluted        | Basic          | Diluted        |
| <b>Adjusted net income (in millions of euros)</b>              | 2,698                   | 2,695 (a)      | 2,585          | 2,581 (a)      |
| <b>Number of shares (in millions)</b>                          |                         |                |                |                |
| Weighted average number of shares outstanding restated (b)     | 1,232.3                 | 1,232.3        | 1,203.2        | 1,203.2        |
| Potential dilutive effects related to share-based compensation | -                       | 2.2            | -              | 1.8            |
| <b>Adjusted weighted average number of shares</b>              | <b>1,232.3</b>          | <b>1,234.5</b> | <b>1,203.2</b> | <b>1,205.0</b> |
| <b>Adjusted net income per share (in euros)</b>                | 2.19                    | 2.18           | 2.15           | 2.14           |

- Solely includes the potential dilutive effect related to employee stock option and restricted stock plans of Activision Blizzard for a non significant amount.
- Net of treasury shares.

## 2. Reconciliation of Activision Blizzard's U.S. GAAP revenues and EBITA to IFRS

As reported below, the reconciliation of Activision Blizzard's U.S. GAAP revenue and EBITA to IFRS as of December 31, 2010 and December 31, 2009 is based on:

- Activision Blizzard's data prepared in compliance with U.S. GAAP standards, in US dollars, contained in its annual report on Form 10-K for the year ended December 31, 2010, available on Activision Blizzard's website ([www.activisionblizzard.com](http://www.activisionblizzard.com)), and non-GAAP measures, published by Activision Blizzard in its earnings released on February 9, 2011; and
- Data relating to Activision Blizzard established in accordance with IFRS standards, in euros, as published by Vivendi in its Audited Consolidated Financial Statements for the year ended December 31, 2010.

### Non-GAAP measures of Activision Blizzard

Activision Blizzard provides net revenues, net income, earnings per share, operating margin data and guidance both including (in accordance with US GAAP) and excluding (non-GAAP) the impact of:

- i. the change in deferred income and related costs of sales, resulting from the deferral of net revenues associated with the company's significant online-enabled games (Please refer to Note 1.3.4.1 to the Consolidated Financial Statements for the year ended December 31, 2010);
- ii. expenses related to equity-based compensation costs;
- iii. one-time costs related to the business combination of Activision, Inc. and Vivendi Games, Inc. completed in July 2008;
- iv. restructuring charges;
- v. impairment of intangibles through business combinations;
- vi. the amortization of intangibles and the associated changes in cost of sales resulting from purchase price accounting adjustments from the business combination of Activision and Vivendi Games; and
- vii. the associated tax benefits.

### Note:

*For a definition of EBITA, please refer to Section 4.2 of this Financial Report.*

## Reconciliation of Activision Blizzard's U.S. GAAP revenues and EBITA to IFRS

### Reconciliation of U.S. GAAP revenues to IFRS:

|                                                                                                | Year ended December 31,<br>(unaudited) |              |
|------------------------------------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                                                | 2010                                   | 2009         |
| <b>Non-GAAP Measurement (U.S. GAAP basis):</b>                                                 |                                        |              |
| <b>Non-GAAP Net Revenues (in millions of dollars)</b>                                          | <b>4,803</b>                           | <b>4,775</b> |
| <i>Eliminate non-GAAP adjustments:</i>                                                         |                                        |              |
| Changes in deferred net revenues (a)                                                           | (356)                                  | (497)        |
| Other (b)                                                                                      | -                                      | 1            |
| <b>U.S. GAAP Measurement:</b>                                                                  |                                        |              |
| <b>Net Revenues in U.S. GAAP (in millions of dollars), as published by Activision Blizzard</b> | <b>4,447</b>                           | <b>4,279</b> |
| <i>Eliminate U.S. GAAP vs. IFRS differences:</i>                                               | <i>na*</i>                             | <i>na*</i>   |
| <b>IFRS Measurement:</b>                                                                       |                                        |              |
| <b>Net Revenues in IFRS (in millions of dollars)</b>                                           | <b>4,447</b>                           | <b>4,279</b> |
| <i>Translate from dollars to euros:</i>                                                        |                                        |              |
| <b>Net Revenues in IFRS (in millions of euros), as published by Vivendi</b>                    | <b>3,330</b>                           | <b>3,038</b> |
| of which                                                                                       |                                        |              |
| Activision                                                                                     | 2,002                                  | 1,819        |
| Blizzard                                                                                       | 1,046                                  | 922          |
| Distribution                                                                                   | 282                                    | 297          |
| Non-core operations                                                                            | -                                      | -            |

### Reconciliation of U.S. GAAP EBITA to IFRS:

|                                                                                                                      | Year ended December 31,<br>(unaudited) |              |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                                                                      | 2010                                   | 2009         |
| <b>Non-GAAP Measurement (U.S. GAAP basis):</b>                                                                       |                                        |              |
| <b>Non-GAAP Operating Income/(Loss) (in millions of dollars)</b>                                                     | <b>1,371</b>                           | <b>1,234</b> |
| <i>Eliminate non-GAAP adjustments:</i>                                                                               |                                        |              |
| Changes in deferred net revenues and related cost of sales (a)                                                       | (319)                                  | (383)        |
| Equity-based compensation expense                                                                                    | (131)                                  | (154)        |
| One time costs related to the Vivendi transaction and integration                                                    | -                                      | (24)         |
| Restructuring charges (c)                                                                                            | (3)                                    | (23)         |
| Impairment of intangibles acquired through business combinations                                                     | (326)                                  | (409)        |
| Amortization of intangibles acquired through business combinations and purchase price accounting related adjustments | (123)                                  | (259)        |
| Other (b)                                                                                                            | -                                      | (8)          |
| <b>U.S. GAAP Measurement:</b>                                                                                        |                                        |              |
| <b>Operating Income/(Loss) in U.S. GAAP (in millions of dollars), as published by Activision Blizzard</b>            | <b>469</b>                             | <b>(26)</b>  |
| <i>Eliminate U.S. GAAP vs. IFRS differences:</i>                                                                     |                                        |              |
| Equity-based compensation expense (d)                                                                                | 7                                      | (6)          |
| Impairment of intangibles acquired through business combinations                                                     | 31                                     | (37)         |
| Amortization of intangibles acquired through business combinations                                                   | 6                                      | -            |
| Restructuring charges (c)                                                                                            | -                                      | 13           |
| Other                                                                                                                | (6)                                    | 8            |
| <b>IFRS Measurement:</b>                                                                                             |                                        |              |
| <b>Operating Income/(Loss) in IFRS (in millions of dollars)</b>                                                      | <b>507</b>                             | <b>(48)</b>  |
| <i>Eliminate items excluded from EBITA:</i>                                                                          |                                        |              |
| Impairment of intangible assets acquired through business combinations                                               | 295                                    | 446          |
| Amortization of intangible assets acquired through business combinations (e)                                         | 123                                    | 269          |
| <b>EBITA in IFRS (in millions of dollars)</b>                                                                        | <b>925</b>                             | <b>667</b>   |
| <i>Translate from dollars to euros:</i>                                                                              |                                        |              |
| <b>EBITA in IFRS (in millions of euros), as published by Vivendi</b>                                                 | <b>692</b>                             | <b>484</b>   |
| of which                                                                                                             |                                        |              |
| Activision                                                                                                           | 187                                    | 56           |
| Blizzard                                                                                                             | 498                                    | 420          |
| Distribution                                                                                                         | 7                                      | 9            |
| Non-core operations                                                                                                  | -                                      | (1)          |

na\*: not applicable.

- a. Relates to the impact of the change in deferred net revenues, and related costs of sales associated with the company's significant online-enabled games (Please refer to Note 1.3.4.1 to the Consolidated Financial Statements for the year ended December 31, 2010):
  - As of December 31, 2010, in both U.S. GAAP and IFRS, the net deferral of revenues amounted to \$356 million (€260 million) and, after taking into account related costs of sales, the net deferral of margin from operations amounted to \$319 million (€233 million).
  - As of December 31, 2010, in both U.S. GAAP and IFRS, the deferred net revenues balance in the Statement of Financial Position amounted to \$1,726 million (€1,303 million), compared to \$1,426 million (€991 million) as of December 31, 2009. After taking into account related costs of sales, the deferred margin balance in the Statement of Financial Position amounted to \$1,356 million (€1,024 million) as of December 31, 2010, compared to \$1,054 million (€733 million) as of December 31, 2009.
- b. Relates to the products and operations reported from historical Vivendi Games businesses that were wound-down, exited or divested by Activision Blizzard as part of its restructuring and integration plans following the merger completed in July 2008 (non-core operations). Prior to July 1, 2009, non-core operations were managed as a stand-alone operating segment, however, in light of the decreasing significance of non-core operations, as of that date Activision Blizzard ceased its management as a separate operating segment and consequently Activision Blizzard is no longer providing separate operating segment disclosure.
- c. Restructuring charges include severance costs, facility exit costs, and balance-sheet write down and exit costs from the cancellation of projects. In IFRS, accrual for restructuring activities is recorded at the time the company is committed to the restructuring plan. In U.S. GAAP, the corresponding expense is recorded on the basis of the actual timing of the restructuring activities.
- d. In US GAAP, unlike in IFRS, existing Activision stock options were re-measured at fair value and allocated to the cost of the business combination at the closing date; hence the incremental fair value recorded in U.S. GAAP is reversed in IFRS, net of costs capitalized.
- e. Reflects amortization of intangible assets and the increase in the fair value of inventories and associated cost of sales, all of which relate to purchase price accounting adjustments. Increases in the fair value of inventories and associated cost of sales are not excluded from EBITA.

### 3. Revenues and EBITA by business segment – 2010 and 2009 quarter data<sup>1</sup>

| (in millions of euros)                                                          | 2010                          |                              |                               |                              |
|---------------------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|                                                                                 | 1st Quarter ended<br>March 31 | 2nd Quarter ended<br>June 30 | 3rd Quarter ended<br>Sept. 30 | 4th Quarter ended<br>Dec. 31 |
| <b>Revenues</b>                                                                 |                               |                              |                               |                              |
| Activision Blizzard                                                             | 945                           | 758                          | 577                           | 1,050                        |
| Universal Music Group                                                           | 889                           | 1,011                        | 1,027                         | 1,522                        |
| SFR                                                                             | 3,085                         | 3,163                        | 3,131                         | 3,198                        |
| Maroc Telecom Group                                                             | 660                           | 722                          | 744                           | 709                          |
| GVT                                                                             | 214                           | 230                          | 288                           | 297                          |
| Canal+ Group                                                                    | 1,145                         | 1,182                        | 1,137                         | 1,248                        |
| Non-core operations and others, and elimination<br>of intersegment transactions | (14)                          | (8)                          | (17)                          | (15)                         |
| <b>Total Vivendi</b>                                                            | <b>6,924</b>                  | <b>7,058</b>                 | <b>6,887</b>                  | <b>8,009</b>                 |
| <b>EBITA</b>                                                                    |                               |                              |                               |                              |
| Activision Blizzard                                                             | 377                           | 243                          | 66                            | 6                            |
| Universal Music Group                                                           | 68                            | 91                           | 85                            | 227                          |
| SFR                                                                             | 634                           | 734                          | 614                           | 490                          |
| Maroc Telecom Group                                                             | 284                           | 312                          | 346                           | 342                          |
| GVT                                                                             | 43                            | 55                           | 71                            | 108                          |
| Canal+ Group                                                                    | 230                           | 256                          | 274                           | (70)                         |
| Holding & Corporate                                                             | (38)                          | (27)                         | (22)                          | (40)                         |
| Non-core operations and others                                                  | (8)                           | (11)                         | (7)                           | (7)                          |
| <b>Total Vivendi</b>                                                            | <b>1,590</b>                  | <b>1,653</b>                 | <b>1,427</b>                  | <b>1,056</b>                 |
| (in millions of euros)                                                          | 2009                          |                              |                               |                              |
|                                                                                 | 1st Quarter ended<br>March 31 | 2nd Quarter ended<br>June 30 | 3rd Quarter ended<br>Sept. 30 | 4th Quarter ended<br>Dec. 31 |
| <b>Revenues</b>                                                                 |                               |                              |                               |                              |
| Activision Blizzard                                                             | 731                           | 762                          | 493                           | 1,052                        |
| Universal Music Group                                                           | 1,026                         | 983                          | 969                           | 1,385                        |
| SFR                                                                             | 3,028                         | 3,112                        | 3,090                         | 3,195                        |
| Maroc Telecom Group                                                             | 640                           | 665                          | 694                           | 695                          |
| GVT                                                                             | na*                           | na*                          | na*                           | 104                          |
| Canal+ Group                                                                    | 1,119                         | 1,139                        | 1,110                         | 1,185                        |
| Non-core operations and others, and elimination<br>of intersegment transactions | (14)                          | (13)                         | (9)                           | (9)                          |
| <b>Total Vivendi</b>                                                            | <b>6,530</b>                  | <b>6,648</b>                 | <b>6,347</b>                  | <b>7,607</b>                 |
| <b>EBITA</b>                                                                    |                               |                              |                               |                              |
| Activision Blizzard                                                             | 178                           | 195                          | 33                            | 78                           |
| Universal Music Group                                                           | 110                           | 101                          | 58                            | 311                          |
| SFR                                                                             | 610                           | 686                          | 690                           | 544                          |
| Maroc Telecom Group                                                             | 286                           | 300                          | 319                           | 339                          |
| GVT                                                                             | na*                           | na*                          | na*                           | 20                           |
| Canal+ Group                                                                    | 254                           | 218                          | 282                           | (102)                        |
| Holding & Corporate                                                             | (37)                          | 9                            | (28)                          | (35)                         |
| Non-core operations and others                                                  | (8)                           | (3)                          | (8)                           | (10)                         |
| <b>Total Vivendi</b>                                                            | <b>1,393</b>                  | <b>1,506</b>                 | <b>1,346</b>                  | <b>1,145</b>                 |

na\*: not applicable.

<sup>1</sup> The information presented above takes into account the consolidation of the following entities from the reported dates:

- at Maroc Telecom Group: Sotelma (August 1, 2009); and
- GVT (November 13, 2009).

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# ***III - Consolidated Financial Statements for the year ended December 31, 2010***

## ***Statutory Auditors' report on the Consolidated Financial Statements***

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general shareholders' meetings, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying consolidated financial statements of Vivendi S.A., hereinafter referred to as "the Company";
- the justification of our assessments; and
- the specific verifications required by law.

The consolidated financial statements are the responsibility of the management board of your Company. Our role is to express an opinion on the financial statements, based on our audit.

### **1. Opinion on the consolidated financial statements**

We conducted our audit in accordance with the auditing standards generally applicable in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit involves examining, on a test basis or by other sampling means, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of all the consolidated entities, in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 27 to the consolidated financial statements, which explains the change in estimate of the provision for the Securities Class Action recognized as at December 31, 2010.

### **2. Justification of our assessments**

Pursuant to the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

In connection with our assessment of the accounting principles implemented by your Company:

- At each financial year end, your Company performs impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of other tangible and intangible assets, according to the methods described in Note 1.3.5.7 to the consolidated financial statements. We examined the methods used to test for impairment and ensured that Notes 1.3.5.7 and 9 to the consolidated financial statements provided appropriate disclosures thereon;
- Notes 1.3.8 and 27 to the consolidated financial statements describe the methods used to assess and recognize provisions for litigation. We examined the methods used by your group to list, calculate and account for such provisions. We also examined the assumptions and data underlying the estimates made by the Company, and obtained, where appropriate, the estimates of independent experts commissioned by the Company. We also ensured that any uncertainties regarding estimates of provisions for litigation were disclosed in Notes 1.3.8 and 27 to the consolidated financial statements. In compliance with paragraph 92 of IAS 37 such disclosures were limited, as they concerned information that might be detrimental to the Company. As stated in Note 1.3.1 to the consolidated financial statements, facts and circumstances may lead to changes in estimates and assumptions which could have an impact upon the reported amount of the provisions.

Our assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

### 3. Specific verifications

We also verified the information provided in the group management report, as required by law.

We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris-La Defense and Neuilly-sur-Seine, February 28, 2011

The Statutory Auditors

Salustro Reydel  
*Member of KPMG International*

Ernst & Young et Autres

Frédéric Quélin  
*Partner*

Jean-Yves Jégourel  
*Partner*

## Consolidated Statement of Earnings

|                                                                                   | Note | Year ended December 31, |               |
|-----------------------------------------------------------------------------------|------|-------------------------|---------------|
|                                                                                   |      | 2010                    | 2009          |
| <b>Revenues</b>                                                                   | 4    | <b>28,878</b>           | <b>27,132</b> |
| Cost of revenues                                                                  | 4    | (14,561)                | (13,627)      |
| Selling, general and administrative expenses                                      |      | (9,059)                 | (8,703)       |
| Restructuring charges and other operating charges and income                      |      | (135)                   | (46)          |
| Impairment losses of intangible assets acquired through business combinations     | 4    | (252)                   | (920)         |
| <b>Earnings before interest and income taxes (EBIT)</b>                           | 3    | <b>4,871</b>            | <b>3,836</b>  |
| Income from equity affiliates                                                     | 14   | 195                     | 171           |
| Interest                                                                          | 5    | (492)                   | (458)         |
| Income from investments                                                           |      | 7                       | 7             |
| Other financial charges and income                                                | 5    | (17)                    | (795)         |
| <b>Earnings from continuing operations before provision for income taxes</b>      |      | <b>4,564</b>            | <b>2,761</b>  |
| Provision for income taxes                                                        | 6.2  | (1,042)                 | (675)         |
| <b>Earnings from continuing operations</b>                                        |      | <b>3,522</b>            | <b>2,086</b>  |
| Earnings from discontinued operations                                             |      | -                       | -             |
| <b>Earnings</b>                                                                   |      | <b>3,522</b>            | <b>2,086</b>  |
| <i>Of which</i>                                                                   |      |                         |               |
| <b>Earnings attributable to Vivendi shareowners</b>                               |      | <b>2,198</b>            | <b>830</b>    |
| Non-controlling interests                                                         |      | 1,324                   | 1,256         |
|                                                                                   |      |                         |               |
| Earnings from continuing operations attributable to Vivendi shareowners per share |      |                         |               |
| - basic                                                                           | 7    | 1.78                    | 0.69          |
| Earnings from continuing operations attributable to Vivendi shareowners per share |      |                         |               |
| - diluted                                                                         | 7    | 1.78                    | 0.69          |
|                                                                                   |      |                         |               |
| <b>Earnings attributable to Vivendi shareowners per share - basic</b>             | 7    | <b>1.78</b>             | <b>0.69</b>   |
| Earnings attributable to Vivendi shareowners per share - diluted                  | 7    | 1.78                    | 0.69          |

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

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

# Consolidated Statement of Comprehensive Income

| (in millions of euros)                                                | Note | Year ended December 31, |              |
|-----------------------------------------------------------------------|------|-------------------------|--------------|
|                                                                       |      | 2010                    | 2009         |
| <b>Net income</b>                                                     |      | <b>3,522</b>            | <b>2,086</b> |
| <b>Foreign currency translation adjustments</b>                       |      | <b>1,794</b>            | <b>(325)</b> |
| Assets available for sale                                             |      | 2                       | 8            |
| Cash flow hedge instruments                                           |      | 41                      | (44)         |
| Net investment hedge instruments                                      |      | (20)                    | (19)         |
| Tax                                                                   |      | (9)                     | 9            |
| <b>Unrealized gains/(losses)</b>                                      |      | <b>14</b>               | <b>(46)</b>  |
| <b>Other impacts, net</b>                                             |      | <b>(6)</b>              | <b>(33)</b>  |
| <b>Charges and income directly recognized in equity</b>               | 8    | <b>1,802</b>            | <b>(404)</b> |
| <b>Total comprehensive income</b>                                     |      | <b>5,324</b>            | <b>1,682</b> |
| of which                                                              |      |                         |              |
| <b>Total comprehensive income attributable to Vivendi shareowners</b> |      | <b>3,880</b>            | <b>407</b>   |
| Total comprehensive income attributable to non-controlling interests  |      | 1,444                   | 1,275        |

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

# Consolidated Statement of Financial Position

| (in millions of euros)                                | Note | December 31, 2010 | December 31, 2009 |
|-------------------------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                                         |      |                   |                   |
| Goodwill                                              | 9    | 25,345            | 24,516            |
| Non-current content assets                            | 10   | 2,784             | 3,196             |
| Other intangible assets                               | 11   | 4,408             | 4,342             |
| Property, plant and equipment                         | 12   | 8,217             | 7,264             |
| Investments in equity affiliates                      | 14   | 2,906             | 4,146             |
| Non-current financial assets                          | 15   | 496               | 476               |
| Deferred tax assets                                   | 6    | 1,836             | 1,843             |
| <b>Non-current assets</b>                             |      | <b>45,992</b>     | <b>45,783</b>     |
| Inventories                                           |      | 750               | 777               |
| Current tax receivables                               | 6    | 576               | 284               |
| Current content assets                                | 10   | 1,032             | 1,004             |
| Trade accounts receivable and other                   | 16   | 6,711             | 6,467             |
| Current financial assets                              | 15   | 622               | 464               |
| Cash and cash equivalents                             | 17   | 3,310             | 3,346             |
|                                                       |      | <b>13,001</b>     | <b>12,342</b>     |
| Assets held for sale                                  |      | -                 | -                 |
| <b>Current assets</b>                                 |      | <b>13,001</b>     | <b>12,342</b>     |
| <b>TOTAL ASSETS</b>                                   |      | <b>58,993</b>     | <b>58,125</b>     |
| <b>EQUITY AND LIABILITIES</b>                         |      |                   |                   |
| Share capital                                         |      | 6,805             | 6,759             |
| Additional paid-in capital                            |      | 8,128             | 8,059             |
| Treasury shares                                       |      | (2)               | (2)               |
| Retained earnings and other                           |      | 9,127             | 7,201             |
| <b>Vivendi shareowners' equity</b>                    |      | <b>24,058</b>     | <b>22,017</b>     |
| Non-controlling interests                             |      | 4,115             | 3,971             |
| <b>Total equity</b>                                   | 18   | <b>28,173</b>     | <b>25,988</b>     |
| Non-current provisions                                | 19   | 1,477             | 2,090             |
| Long-term borrowings and other financial liabilities  | 22   | 8,573             | 8,355             |
| Deferred tax liabilities                              | 6    | 956               | 1,104             |
| Other non-current liabilities                         | 16   | 1,074             | 1,311             |
| <b>Non-current liabilities</b>                        |      | <b>12,080</b>     | <b>12,860</b>     |
| Current provisions                                    | 19   | 552               | 563               |
| Short-term borrowings and other financial liabilities | 22   | 3,430             | 4,907             |
| Trade accounts payable and other                      | 16   | 14,451            | 13,567            |
| Current tax payables                                  | 6    | 307               | 239               |
|                                                       |      | <b>18,740</b>     | <b>19,276</b>     |
| Liabilities associated with assets held for sale      |      | -                 | 1                 |
| <b>Current liabilities</b>                            |      | <b>18,740</b>     | <b>19,277</b>     |
| <b>Total liabilities</b>                              |      | <b>30,820</b>     | <b>32,137</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |      | <b>58,993</b>     | <b>58,125</b>     |

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

# Consolidated Statement of Cash Flows

(in millions of euros)

## Operating activities

| Note                                                                      | Year ended December, 31 |              |
|---------------------------------------------------------------------------|-------------------------|--------------|
|                                                                           | 2010                    | 2009         |
| EBIT                                                                      | 4,871                   | 3,836        |
| Adjustments                                                               | 3,210                   | 3,612        |
| Content investments, net                                                  | (137)                   | (274)        |
| <b>Gross cash provided by operating activities before income tax paid</b> | <b>7,944</b>            | <b>7,174</b> |
| Other changes in net working capital                                      | 387                     | 315          |
| <b>Net cash provided by operating activities before income tax paid</b>   | <b>8,331</b>            | <b>7,489</b> |
| Income tax paid, net                                                      | (1,365)                 | (137)        |
| <b>Net cash provided by operating activities</b>                          | <b>6,966</b>            | <b>7,352</b> |

## Investing activities

|                                                                         |                |                |
|-------------------------------------------------------------------------|----------------|----------------|
| Capital expenditures                                                    | (3,437)        | (2,648)        |
| Purchases of consolidated companies, after acquired cash                | (742)          | (2,682)        |
| Investments in equity affiliates                                        | (15)           | (9)            |
| Increase in financial assets                                            | (640)          | (359)          |
| <b>Investments</b>                                                      | <b>(4,834)</b> | <b>(5,698)</b> |
| Proceeds from sales of property, plant, equipment and intangible assets | 80             | 86             |
| Proceeds from sales of consolidated companies, after divested cash      | (43)           | 15             |
| Disposal of equity affiliates                                           | 1,458          | -              |
| Decrease in financial assets                                            | 567            | 82             |
| <b>Divestitures</b>                                                     | <b>2,062</b>   | <b>183</b>     |
| Dividends received from equity affiliates                               | 235            | 306            |
| Dividends received from unconsolidated companies                        | 3              | 4              |
| <b>Net cash provided by/(used for) investing activities</b>             | <b>(2,534)</b> | <b>(5,205)</b> |

## Financing activities

|                                                                                                                           |                |                |
|---------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans                | 112            | 73             |
| Other transactions with shareowners                                                                                       | (356)          | (723)          |
| Sales/(purchases) of treasury shares                                                                                      | (726)          | (792)          |
| Dividends paid in cash by Vivendi SA to its shareowners                                                                   | (1,721)        | (735)          |
| Dividends and reimbursements of contribution of capital paid by consolidated companies to their non-controlling interests | (953)          | (786)          |
| <b>Transactions with shareowners</b>                                                                                      | <b>(3,644)</b> | <b>(2,963)</b> |
| Setting up of long-term borrowings and increase in other long-term financial liabilities                                  | 2,102          | 3,240          |
| Principal payment on long-term borrowings and decrease in other long-term financial liabilities                           | (879)          | (2,817)        |
| Principal payment on short-term borrowings                                                                                | (1,911)        | (449)          |
| Other changes in short-term borrowings and other financial liabilities                                                    | 310            | 1,452          |
| Interest paid, net                                                                                                        | (492)          | (458)          |
| Other cash items related to financial activities                                                                          | (247)          | 33             |
| <b>Transactions on borrowings and other financial liabilities</b>                                                         | <b>(1,117)</b> | <b>1,001</b>   |
| <b>Net cash provided by/(used for) financing activities</b>                                                               | <b>(4,761)</b> | <b>(1,962)</b> |

Foreign currency translation adjustments

|                                            |             |            |
|--------------------------------------------|-------------|------------|
|                                            | 293         | 9          |
| <b>Change in cash and cash equivalents</b> | <b>(36)</b> | <b>194</b> |

## Cash and cash equivalents

|                            |              |              |
|----------------------------|--------------|--------------|
| At beginning of the period | <b>3,346</b> | <b>3,152</b> |
| At end of the period       | <b>3,310</b> | <b>3,346</b> |

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

# Consolidated Statements of Changes in Equity

Year ended December 31, 2010

| (in millions of euros, except number of shares)                                                             |  | Note | Capital                         |                  |                            |                 | Retained earnings and other |                   |                               |                                          | Total equity   |                |               |
|-------------------------------------------------------------------------------------------------------------|--|------|---------------------------------|------------------|----------------------------|-----------------|-----------------------------|-------------------|-------------------------------|------------------------------------------|----------------|----------------|---------------|
|                                                                                                             |  |      | Common shares                   |                  | Additional paid-in capital | Treasury Shares | Sub-total                   | Retained earnings | Net unrealized gains/(losses) | Foreign currency translation adjustments |                | Sub-total      |               |
|                                                                                                             |  |      | Number of shares (in thousands) | Amount           |                            |                 |                             |                   |                               |                                          |                |                |               |
| <b>BALANCE AS OF DECEMBER 31, 2009</b>                                                                      |  |      | <b>1,228,859</b>                | <b>6,759</b>     | <b>8,059</b>               | <b>(2)</b>      | <b>14,816</b>               | <b>13,333</b>     | <b>(81)</b>                   | <b>(2,080)</b>                           | <b>11,172</b>  | <b>25,988</b>  |               |
| <i>Attributable to Vivendi SA shareowners</i>                                                               |  |      | <b>1,228,859</b>                | <b>6,759</b>     | <b>8,059</b>               | <b>(2)</b>      | <b>14,816</b>               | <b>9,379</b>      | <b>(55)</b>                   | <b>(2,123)</b>                           | <b>7,201</b>   | <b>22,017</b>  |               |
| <i>Attributable to non-controlling interests</i>                                                            |  |      | -                               | -                | -                          | -               | -                           | <b>3,954</b>      | <b>(26)</b>                   | <b>43</b>                                | <b>3,971</b>   | <b>3,971</b>   |               |
| <b>Contributions by/distributions to Vivendi SA shareowners</b>                                             |  |      | <b>8,478</b>                    | <b>46</b>        | <b>69</b>                  | -               | <b>115</b>                  | <b>(1,682)</b>    | -                             | -                                        | <b>(1,682)</b> | <b>(1,567)</b> |               |
| Dividends paid by Vivendi SA (€1.4 per share)                                                               |  |      | 18                              | -                | -                          | -               | -                           | (1,721)           | -                             | -                                        | (1,721)        | (1,721)        |               |
| Capital increase related to Vivendi SA share-based compensation plans                                       |  |      | 21                              | 8,478            | 46                         | 69              | 115                         | 39                | -                             | -                                        | 39             | 154            |               |
| <i>of which Vivendi Employee Stock Purchase Plans (July 29, 2010)</i>                                       |  |      |                                 | 7,141            | 39                         | 59              | 98                          | -                 | -                             | -                                        | -              | 98             |               |
| <b>Changes in Vivendi SA ownership interest in its subsidiaries that do not result in a loss of control</b> |  |      |                                 | -                | -                          | -               | -                           | <b>(272)</b>      | -                             | -                                        | <b>(272)</b>   | <b>(272)</b>   |               |
| of which Activision Blizzard's stock repurchase program                                                     |  |      | 18                              | -                | -                          | -               | -                           | (318)             | -                             | -                                        | (318)          | (318)          |               |
| <b>CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)</b>                                         |  |      |                                 | <b>8,478</b>     | <b>46</b>                  | <b>69</b>       | -                           | <b>115</b>        | <b>(1,954)</b>                | -                                        | <b>(1,954)</b> | <b>(1,839)</b> |               |
| <b>Contributions by/distributions to non-controlling interests</b>                                          |  |      |                                 | -                | -                          | -               | -                           | <b>(952)</b>      | -                             | -                                        | <b>(952)</b>   | <b>(952)</b>   |               |
| of which dividends paid by subsidiaries to non-controlling interests                                        |  |      | 18                              | -                | -                          | -               | -                           | (952)             | -                             | -                                        | (952)          | (952)          |               |
| <b>Changes in non-controlling interests that result in a gain/(loss) of control</b>                         |  |      |                                 | -                | -                          | -               | -                           | <b>3</b>          | -                             | -                                        | <b>3</b>       | <b>3</b>       |               |
| <b>Changes in non-controlling interests that do not result in a gain/(loss) of control</b>                  |  |      |                                 | -                | -                          | -               | -                           | <b>(351)</b>      | -                             | -                                        | <b>(351)</b>   | <b>(351)</b>   |               |
| of which Activision Blizzard's stock repurchase program                                                     |  |      | 18                              | -                | -                          | -               | -                           | (409)             | -                             | -                                        | (409)          | (409)          |               |
| <b>CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)</b>                                      |  |      |                                 | -                | -                          | -               | -                           | <b>(1,300)</b>    | -                             | -                                        | <b>(1,300)</b> | <b>(1,300)</b> |               |
| <b>Earnings</b>                                                                                             |  |      |                                 | -                | -                          | -               | -                           | <b>3,522</b>      | -                             | -                                        | <b>3,522</b>   | <b>3,522</b>   |               |
| <b>Charges and income directly recognized in equity</b>                                                     |  |      | 8                               | -                | -                          | -               | -                           | <b>(6)</b>        | <b>14</b>                     | <b>1,794</b>                             | <b>1,802</b>   | <b>1,802</b>   |               |
| <b>TOTAL COMPREHENSIVE INCOME (C)</b>                                                                       |  |      |                                 | -                | -                          | -               | -                           | <b>3,516</b>      | <b>14</b>                     | <b>1,794</b>                             | <b>5,324</b>   | <b>5,324</b>   |               |
| <b>TOTAL CHANGES OVER THE PERIOD (A+B+C)</b>                                                                |  |      |                                 | <b>8,478</b>     | <b>46</b>                  | <b>69</b>       | -                           | <b>115</b>        | <b>262</b>                    | <b>14</b>                                | <b>1,794</b>   | <b>2,185</b>   |               |
| <i>Attributable to Vivendi SA shareowners</i>                                                               |  |      |                                 | 8,478            | 46                         | 69              | -                           | 115               | 241                           | 8                                        | 1,677          | 2,041          |               |
| <i>Attributable to non-controlling interests</i>                                                            |  |      |                                 | -                | -                          | -               | -                           | 21                | 6                             | 117                                      | 144            | 144            |               |
| <b>BALANCE AS OF DECEMBER 31, 2010</b>                                                                      |  |      |                                 | <b>1,237,337</b> | <b>6,805</b>               | <b>8,128</b>    | <b>(2)</b>                  | <b>14,931</b>     | <b>13,595</b> (a)             | <b>(67)</b>                              | <b>(286)</b>   | <b>13,242</b>  | <b>28,173</b> |
| <i>Attributable to Vivendi SA shareowners</i>                                                               |  |      |                                 | <b>1,237,337</b> | <b>6,805</b>               | <b>8,128</b>    | <b>(2)</b>                  | <b>14,931</b>     | <b>9,620</b>                  | <b>(47)</b>                              | <b>(446)</b>   | <b>9,127</b>   | <b>24,058</b> |
| <i>Attributable to non-controlling interests</i>                                                            |  |      |                                 | -                | -                          | -               | -                           | -                 | <b>3,975</b>                  | <b>(20)</b>                              | <b>160</b>     | <b>4,115</b>   | <b>4,115</b>  |

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

- a. Mainly includes previous years' earnings which were not distributed and 2010 comprehensive income.

## Year ended December 31, 2009

| (in millions of euros, except number of shares)                                                      | Note | Capital                            |        |                            |                 | Retained earnings and other |                   |                               |                                          | Total equity |           |
|------------------------------------------------------------------------------------------------------|------|------------------------------------|--------|----------------------------|-----------------|-----------------------------|-------------------|-------------------------------|------------------------------------------|--------------|-----------|
|                                                                                                      |      | Common shares                      |        | Additional paid-in capital | Treasury Shares | Sub-total                   | Retained earnings | Net unrealized gains/(losses) | Foreign currency translation adjustments |              | Sub-total |
|                                                                                                      |      | Number of shares<br>(in thousands) | Amount |                            |                 |                             |                   |                               |                                          |              |           |
|                                                                                                      |      |                                    |        |                            |                 |                             |                   |                               |                                          |              |           |
| BALANCE AS OF DECEMBER 31, 2008                                                                      |      | 1,170,197                          | 6,436  | 7,406                      | (2)             | 13,840                      | 14,576            | (35)                          | (1,755)                                  | 12,786       | 26,626    |
| Attributable to Vivendi SA shareowners                                                               |      | 1,170,197                          | 6,436  | 7,406                      | (2)             | 13,840                      | 10,460            | (17)                          | (1,768)                                  | 8,675        | 22,515    |
| Attributable to non-controlling interests                                                            |      | -                                  | -      | -                          | -               | -                           | 4,116             | (18)                          | 13                                       | 4,111        | 4,111     |
| Contributions by/distributions to Vivendi SA shareowners                                             |      | 58,662                             | 323    | 653                        | -               | 976                         | (1,604)           | -                             | -                                        | (1,604)      | (628)     |
| Dividends paid by Vivendi SA (€1.4 per share)                                                        |      | 53,185                             | 293    | 611                        | -               | 904                         | (1,639)           | -                             | -                                        | (1,639)      | (735)     |
| of which capital increase related to dividends paid in shares                                        |      | 53,185                             | 293    | 611                        | -               | 904                         | (904)             | -                             | -                                        | (904)        | -         |
| paid in cash                                                                                         |      | -                                  | -      | -                          | -               | -                           | (735)             | -                             | -                                        | (735)        | (735)     |
| Capital increase related to Vivendi SA share-based compensation plans                                |      | 5,477                              | 30     | 42                         | -               | 72                          | 35                | -                             | -                                        | 35           | 107       |
| of which Vivendi Employee Stock Purchase Plans (July 30, 2009)                                       |      | 4,862                              | 27     | 44                         | -               | 71                          | -                 | -                             | -                                        | -            | 71        |
| Changes in Vivendi SA ownership interest in its subsidiaries that do not result in a loss of control |      | -                                  | -      | -                          | -               | -                           | (277)             | -                             | -                                        | (277)        | (277)     |
| of which Activision Blizzard's stock repurchase program                                              |      | -                                  | -      | -                          | -               | -                           | (310)             | -                             | -                                        | (310)        | (310)     |
| CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)                                         |      | 58,662                             | 323    | 653                        | -               | 976                         | (1,881)           | -                             | -                                        | (1,881)      | (905)     |
| Contributions by/distributions to non-controlling interests                                          |      | -                                  | -      | -                          | -               | -                           | (1,210)           | -                             | -                                        | (1,210)      | (1,210)   |
| of which dividends paid by subsidiaries to non-controlling interests                                 |      | -                                  | -      | -                          | -               | -                           | (1,225)           | -                             | -                                        | (1,225)      | (1,225)   |
| Changes in non-controlling interests that result in a gain/(loss) of control                         |      | -                                  | -      | -                          | -               | -                           | 190               | -                             | -                                        | 190          | 190       |
| of which goodwill of Sotelma non-controlling interests                                               |      | -                                  | -      | -                          | -               | -                           | 206               | -                             | -                                        | 206          | 206       |
| Changes in non-controlling interests that do not result in a gain/(loss) of control                  |      | -                                  | -      | -                          | -               | -                           | (395)             | -                             | -                                        | (395)        | (395)     |
| of which Activision Blizzard's stock repurchase program                                              |      | -                                  | -      | -                          | -               | -                           | (482)             | -                             | -                                        | (482)        | (482)     |
| CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)                                      |      | -                                  | -      | -                          | -               | -                           | (1,415)           | -                             | -                                        | (1,415)      | (1,415)   |
| Earnings                                                                                             |      | -                                  | -      | -                          | -               | -                           | 2,086             | -                             | -                                        | 2,086        | 2,086     |
| Charges and income directly recognized in equity                                                     |      | -                                  | -      | -                          | -               | -                           | (33)              | (46)                          | (325)                                    | (404)        | (404)     |
| TOTAL COMPREHENSIVE INCOME (C)                                                                       |      | -                                  | -      | -                          | -               | -                           | 2,053             | (46)                          | (325)                                    | 1,682        | 1,682     |
| TOTAL CHANGES OVER THE PERIOD (A+B+C)                                                                |      | 58,662                             | 323    | 653                        | -               | 976                         | (1,243)           | (46)                          | (325)                                    | (1,614)      | (638)     |
| Attributable to Vivendi SA shareowners                                                               |      | 58,662                             | 323    | 653                        | -               | 976                         | (1,081)           | (38)                          | (355)                                    | (1,474)      | (498)     |
| Attributable to non-controlling interests                                                            |      | -                                  | -      | -                          | -               | -                           | (162)             | (8)                           | 30                                       | (140)        | (140)     |
| BALANCE AS OF DECEMBER 31, 2009                                                                      |      | 1,228,859                          | 6,759  | 8,059                      | (2)             | 14,816                      | 13,333            | (81)                          | (2,080)                                  | 11,172       | 25,988    |
| Attributable to Vivendi SA shareowners                                                               |      | 1,228,859                          | 6,759  | 8,059                      | (2)             | 14,816                      | 9,379             | (55)                          | (2,123)                                  | 7,201        | 22,017    |
| Attributable to non-controlling interests                                                            |      | -                                  | -      | -                          | -               | -                           | 3,954             | (26)                          | 43                                       | 3,971        | 3,971     |

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

# Notes to the Consolidated Financial Statements

Vivendi is a limited liability company (société anonyme) incorporated under French law, subject to French commercial company law and, in particular, the French Commercial Code (*Code de commerce*). Vivendi was incorporated on December 18, 1987, for a term of 99 years expiring on December 17, 2086, except in the event of an early dissolution or unless the term is extended. Its registered office is located at 42 avenue de Friedland - 75008 Paris (France). Vivendi is listed on Euronext Paris (Compartment A).

Vivendi is at the heart of the worlds of content, platforms and interactive networks and combines the world's leader in video games (Activision Blizzard), the world's leader in music (Universal Music Group), the French leader in alternative telecoms (SFR), the Moroccan leader in telecoms (Maroc Telecom Group), the leading alternative telecoms provider in Brazil (GVT) and the French leader in pay-TV (Canal+ Group).

The Consolidated Financial Statements reflect the financial and accounting situation of Vivendi and its subsidiaries (the "group"), together with interests in equity affiliates. Amounts are reported in euros and all values are rounded to the nearest million.

On February 22, 2011, during a meeting held at the headquarters of the company, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2010. Having considered the Audit Committee's recommendation given at its meeting held on February 24, 2011, the Supervisory Board, at its meeting held on February 28, 2011, reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2010, as approved by the Management Board on February 22, 2011.

On April 21, 2011, the Consolidated Financial Statements for the year ended December 31, 2010 will be submitted for approval at Vivendi's Annual General Shareholders' meeting.

## Note 1 Accounting policies and valuation methods

### 1.1 Compliance with accounting standards

The Consolidated Financial Statements of Vivendi SA have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU) with mandatory application as of December 31, 2010. These standards and interpretations, as applied to Vivendi's financial statements, do not differ from the applicable standards published by the International Accounting Standards Board (IASB).

As a reminder, Vivendi opted for the early application of the revised standards IFRS 3 - Business Combinations, and IAS 27 - Consolidated and Separate Financial Statements, to its Consolidated Financial Statements for the year ended December 31, 2009.

### 1.2 Presentation of the Consolidated Financial Statements

#### 1.2.1 Presentation of the Consolidated Statement of Earnings

The main line items presented in the Consolidated Statement of Earnings of Vivendi are revenues, income from equity affiliates, interest, provision for income taxes, earnings from discontinued operations and earnings. The Consolidated Statement of Earnings presents a subtotal for Earnings Before Interest and Tax (EBIT) which corresponds to the difference between charges and income that do not result from financing activities, equity affiliates, discontinued operations and income taxes.

The charges and income related to financing activities consist of interest, income from investments, as well as other financial charges and income, as presented in Note 5:

- interest includes interest expense on borrowings and interest income from cash and cash equivalents;
- income from investments includes dividends and interest received from unconsolidated companies; and
- other financial charges and income include losses and gains related to financing activities (excluding interest) and to financial investing activities (excluding income from investments). In respect of financing activities, they include losses and gains recognized due to changes in equity attributable to Vivendi SA shareowners or to non-controlling interests, as well as losses and gains related to the change in value of financial assets and to the extinction or the change in value of financial liabilities. In respect of financial investing activities, they include losses and gains recognized through business combinations, losses and gains related to divestitures or to the change in value of financial investments, as well as losses and gains related to a gain or loss of control in a business.

## 1.2.2 Presentation of the Consolidated Statement of Cash Flows

### Net cash provided by operating activities

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

### Net cash used for investing activities

Net cash used for investing activities includes changes in net working capital related to property, plant and equipment, and intangible assets as well as cash received from investments (particularly dividends received from equity affiliates). It also includes any cash flows from obtaining or losing control of subsidiaries.

### Net cash used for financing activities

Net cash used for financing activities includes net interest paid on borrowings, cash and cash equivalents, bank overdrafts, as well as the cash impact of other items related to financing activities such as premiums from the early redemption of borrowings and the settlement of derivative instruments. It also includes cash flows from changes in the level of ownership interest in a subsidiary that do not result in a loss of control (including increases in ownership interests).

## 1.2.3 Presentation of the Operating Performance of each Operating Segment and of the Group

Vivendi Management evaluates the performance of the operating segments and allocates to them the necessary resources based on certain operating indicators (segment earnings and cash flow from operations).

### EBITA

Vivendi considers EBITA, a non-GAAP measure, to be the measure of its operating segments performance as reported in the segment data. The method used in calculating EBITA excludes the accounting impact of the amortization of intangible assets acquired through business combinations. This enables Vivendi to measure and compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or acquisitions.

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

### Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the underlying performance of continuing operations by excluding most non-recurring and non-operating items.

Adjusted net income includes the following items: EBITA (\*\*), income from equity affiliates (\*) (\*\*), interest (\*) (\*\*), income from investments (\*) (\*\*), and taxes and non-controlling interests related to these items.

It does not include the following items: impairment losses of goodwill and other intangibles acquired through business combinations (\*) (\*\*); the amortization of intangibles acquired through business combinations (\*\*); other financial charges and income (\*) (\*\*); earnings from discontinued operations (\*\*); provisions for income taxes and adjustments attributable to non-controlling interests and non-recurring tax items (notably the changes in deferred tax assets pursuant to the Consolidated Global Profit Tax System and the reversal of tax liabilities relating to risks extinguished over the period).

*(\*) Items as presented in the Consolidated Statement of Earnings; (\*\*) Items as reported by each operating segment.*

### Cash Flow From Operations (CFFO)

Vivendi considers Cash Flow From Operations, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance.

The CFFO includes net cash provided by operating activities, before income tax paid, as presented in the Statement of Cash Flows, as well as dividends received from equity affiliates and unconsolidated companies. It also includes capital expenditures, net that relate to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

The difference between CFFO and net cash provided by operating activities, before income tax consists of dividends received from equity affiliates and unconsolidated companies and capital expenditures, net, which are included in net cash used for investing activities and of income tax paid, net which are excluded from CFFO.

## 1.2.4 Presentation of the Consolidated Statement of Financial Position

Assets and liabilities that are expected to be realized within, or intended for sale or consumption, within the entity's normal operating cycle (generally 12 months), are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities. Certain reclassifications have been made to the 2009 and 2008 consolidated financial statements to conform to the 2010 and 2009 presentation.

## 1.3 Principles Governing the Preparation of the Consolidated Financial Statements

Pursuant to IFRS principles, the Consolidated Financial Statements have been prepared on a historical cost basis, with the exception of certain assets and liabilities detailed below.

The Consolidated Financial Statements include the financial statements of Vivendi and its subsidiaries after eliminating intragroup items and transactions. Vivendi has a December 31 year-end. Subsidiaries that do not have a December 31 year-end prepare interim financial statements at that date, except when their year-end falls within the three months prior to December 31.

Acquired subsidiaries are included in the Consolidated Financial Statements of the group from the date of acquisition.

### 1.3.1 Use of Estimates

The preparation of Consolidated Financial Statements in compliance with IFRS requires group management to make certain estimates and assumptions that they consider reasonable and realistic. Even though these estimates and assumptions are regularly reviewed by Vivendi Management based, in particular, on past or anticipated achievements, facts and circumstances may lead to changes in these estimates and assumptions which could have an impact upon the reported amount of group assets, liabilities, equity or earnings.

The main estimates and assumptions relate to the measurement of:

- revenue recognition: estimates of provisions for returns and price guarantees, and rewards as part of loyalty programs deducted from certain revenue items (please refer to Note 1.3.4);
- Activision/Blizzard revenue: estimates of the service period over which revenue from the sale of boxes for video-games with significant online functionality is recognized (please refer to Note 1.3.4.1);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a reassessment of the risk at any time (please refer to Notes 1.3.8 and 19);
- employee benefits: assumptions are updated annually, such as the probability of employees remaining with the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.8 and 20);
- share-based compensation: assumptions are updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.10 and 21);
- certain financial instruments: fair value estimates (please refer to Notes 1.3.5.8, 1.3.7 and 23);
- deferred taxes: estimates concerning the recognition of deferred tax assets, are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1.3.9 and 6);
- goodwill and other intangible assets: valuation methods adopted for the identification of intangible assets acquired through business combinations (please refer to Notes 1.3.5.2 and 2);
- goodwill, indefinite useful life of intangible assets and assets in progress: assumptions are updated annually relating to impairment tests performed on each of the group's cash-generating units (CGUs) determined by future cash flows and discount rates (please refer to Notes 1.3.5.7, 9, 11 and 12);
- Activision Blizzard content assets: estimates of the future performance of franchises and other content assets related to games recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10); and
- UMG content assets: estimates of the future performance of beneficiaries who were granted advances recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10).

### 1.3.2 Principles of Consolidation

A list of Vivendi's major subsidiaries, joint ventures and associated entities is presented in Note 28.

#### Consolidation

All companies in which Vivendi has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are fully consolidated.

A controlling position is deemed to exist when Vivendi holds, directly or indirectly, a voting interest exceeding 50% of total voting rights in an entity and no other shareholder or group of shareholders may exercise substantive participation rights that would enable it to veto or block ordinary decisions taken by Vivendi.

A controlling position also exists when Vivendi, holding an interest of 50% or less in an entity, has (i) control over more than 50% of the voting rights of such entity by virtue of an agreement entered into with other investors; (ii) the power to govern the financial and operational policies of the entity by virtue of statute or contract, (iii) the right to appoint or remove from office a majority of the members of the board of directors or other equivalent governing body or (iv) the power to assemble the majority of voting rights at meetings of the board of directors or other governing body. Revised IAS 27 presents the consolidated financial statements of a group as those of a single economic entity with two categories of owners: Vivendi SA shareowners and the owners of non-controlling interests. A non-controlling interest is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. As a result of this new approach, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control only impact equity, as control does not change within the economic entity. Hence, in the event of the acquisition of an additional interest in a consolidated entity after January 1, 2009, Vivendi recognizes the difference between the acquisition cost and the carrying value of non-controlling interests acquired as a change in equity attributable to Vivendi SA shareowners. Conversely, any acquisition of control achieved in stages or a loss of control give rise to profit or loss in the statement of earnings.

Vivendi consolidates special purpose entities that it controls in substance where it either (i) has the right to obtain a majority of benefits; or (ii) retains the majority of residual risks inherent in the special purpose entity or its assets.

#### Equity accounting

Entities over which Vivendi exercises significant influence as well as entities over which Vivendi exercises joint control are accounted for under the equity method.

Significant influence is presumed to exist when Vivendi holds, directly or indirectly, at least 20% of voting rights in an entity unless it can be clearly demonstrated that Vivendi does not exercise significant influence. Significant influence can be demonstrated on the basis of other criteria, such as representation on the board of directors or the entity's equivalent governing body, participation in policy-making processes, material transactions with the entity or interchange of managerial personnel.

Companies that are jointly controlled by Vivendi, directly or indirectly, and a limited number of other shareholders under the terms of a contractual arrangement are also accounted for under the equity method.

### 1.3.3 Foreign Currency Translation

The Consolidated Financial Statements are presented in millions of euros. The functional currency of Vivendi SA and the presentation currency of the group is the euro.

#### Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the entity at the exchange rate prevailing at the date of the transaction. At the closing date, foreign currency monetary assets and liabilities are translated into the entities functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed, with the exception of differences arising from borrowings in foreign currencies which constitute a hedge of the net investment in a foreign entity. These differences are allocated directly to other comprehensive income until the divestiture of the net investment.

#### Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro, are translated into euros as follows: the Consolidated Statement of Financial Position is translated at the exchange rate at the end of the period; and the Consolidated Statement of Earnings and the Consolidated Statement of Cash Flow are translated using average monthly exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in other comprehensive income. In accordance with IFRS 1, Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences

resulted from the translation into euro of the financial statements of subsidiaries having foreign currencies as their functional currencies. Consequently, these adjustments are not applied to earnings on the subsequent divestiture of the subsidiaries, joint ventures or other associated entities, whose functional currency is not the euro.

### 1.3.4 Revenues from Operations and Associated Costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the group and when they can be reliably measured. Revenues are reported net of discounts.

#### 1.3.4.1 Activision Blizzard

##### Video games

Revenues from the sale of boxes for video-games are recorded, net of a provision for estimated returns and price guarantees (please refer to Note 1.3.4.5 below) and rebates, if any. Regarding boxes for video-games with significant online functionality, revenues are recorded ratably over the estimated relationship period with the customer, usually beginning in the month following the shipment of boxes for video-games developed by Activision Blizzard and upon activation of the subscription for Massively Multiplayer Online Role Playing Games (MMORPG) of Blizzard (World of Warcraft and its expansion packs). The estimated relationship period with the customer over which revenues are recognized currently ranges from a minimum of five months to a maximum of less than a year.

##### *Deferral of Activision Blizzard revenues*

The growing development of online functionality for console games has led Activision Blizzard to believe that online functionality, along with its obligation to ensure durability, constitutes, for certain games, a service forming an integral part of the game itself. In this case, Activision Blizzard does not account separately for the revenues linked to the sale of the boxed software and those linked to the online services because it is not possible to determine their respective values, the online services not being charged for separately. As a result, the company recognizes all of the revenues from the sale of these games ratably over the estimated service period, usually beginning the month following shipment.

Regarding games that can be played with hardware, Activision Blizzard determines that certain hardware components have stand alone values with established fair values, as the hardware is either currently being sold separately or will be sold separately in the future. Where this is the case, Activision Blizzard recognizes revenues for the hardware upon sale and defers the software revenues, if applicable, over the estimated service period based on the relative fair value of the components.

##### *Deferral of Blizzard's MMORPG revenues*

Based upon the view that the service proposed by the expansion pack is closely linked to the initial *World of Warcraft* boxed software and to the subscription to online service, thus valuing a global approach of the game, revenues related to the sale of *World of Warcraft* boxed software, including the sale of expansion packs and other ancillary revenues, are deferred and recognized ratably over the estimated service relationship period with the customer beginning upon activation of the software by the customer through subscription.

##### Other revenues

Revenues generated by subscriptions and prepaid cards for online games are recorded on a straight-line basis over the duration of the service.

##### Costs of revenues

Costs of revenues include manufacturing, warehousing, shipping and handling costs, royalty, research and development expenses and the amortization of capitalized software development costs.

#### 1.3.4.2 Universal Music Group (UMG)

##### Recorded music

Revenues from the physical sale of recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.5) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

Revenues from the digital sale of recorded music, for which UMG has sufficient, accurate and reliable data from certain distributors, are recognized based on their estimate by the end of the month in which those sales were made to the final customer. In the absence of such data, revenues are recognized upon notification by the distribution platform (on-line or mobile music distributor) to UMG of a sale to the final customer.

## Music publishing

Revenues from the third party use of copyrights on musical compositions owned or administered by UMG are recognized when royalty statements are received and collectability is assured.

## Costs of revenues

Costs of revenues include manufacturing and distribution costs, royalty and copyright expenses, artists' costs, recording costs and direct overheads. Selling, general and administrative expenses primarily include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.

### 1.3.4.3 SFR, Maroc Telecom Group and GVT

#### Separable elements of a bundled offer

Revenues from telephone packages are recognized as multiple-element sales in accordance with IAS 18. Revenues from the sale of telecommunication equipment (mobile phones and other equipment), net of discounts granted to the customers through the distribution channel, are recognized upon activation of the line. Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period. Revenues from incoming and outgoing traffic are recognized when the service is rendered.

Customer acquisition and loyalty costs for mobile phones, principally consisting of rebates on the sale of equipment to customers through distributors, are recognized as a deduction from revenues. Customer acquisition and loyalty costs consisting of premiums not related to the sale of equipment as part of telephone packages and commissions paid to distributors are recognized as selling and general expenses.

#### Equipment rentals

IFRIC 4 - Determining Whether an Arrangement Contains a Lease applies to equipment for which a right of use is granted. Equipment lease revenues are generally recognized on a straight-line basis over the life of the lease agreement.

#### Content sales

Sales of services provided to customers managed by SFR and Maroc Telecom Group on behalf of content providers (mainly premium rate numbers) are accounted for gross, or net of the content providers' fees when the provider is responsible for the content and for setting the price payable by subscribers.

#### Custom contracts

Service access and installation costs invoiced primarily to the operator's clients on the installation of services such as a broadband connection, bandwidth service or IP connection are recognized over the expected duration of the contractual relationship and the supply of the primary service.

Access to telecommunication infrastructures is provided to clients pursuant to various types of contracts: lease arrangements, hosting contracts or Indefeasible Right of Use (IRU) agreements. IRU agreements, which are particular to the telecommunication sector, confer an exclusive and irrevocable right to use an asset (cables, fiber optic or bandwidth) during a (generally lengthy) defined period without a transfer of ownership of the asset. Revenue generated by leases, hosting contracts in the Netcenters and IRU agreements is recognized over the duration of the corresponding contracts.

In the case of IRU agreements and certain lease or service contracts, services are paid in advance the first year. These non-refundable advance payments are recognized in deferred income and amortized over the contract term. The amortization period is between 10 and 25 years for IRU agreements and between 1 and 25 years for leases or service contracts.

## Costs of revenues

Costs of revenues comprise purchasing costs (including purchases of mobile phones) interconnection and access costs, network and equipment costs. Selling, general and administrative expenses notably include commercial costs relating to marketing and customer care expenses.

### 1.3.4.4 Canal+ Group

#### Pay television

Revenues from television subscription services for terrestrial, satellite or cable pay television platforms are recognized over the service period. Revenues from advertising are recognized over the period during which advertising commercials are broadcast. Revenues from ancillary services (such as interactive or video-on-demand services) are recognized when the service is rendered. Subscriber management and acquisition costs, as well as television distribution costs, are included in selling, general and administrative expenses.

#### Equipment rentals

IFRIC 4 - Determining Whether an Arrangement Contains a Lease, applies to equipment for which a right of use is granted. Equipment lease revenues are generally recognized on a straight-line basis over the life of the lease agreement.

#### Film and television programming

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and television or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.5) and rebates, are recognized upon shipment and availability of the product for retail sale. Amortization of film and television capitalized and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in costs of revenues.

### 1.3.4.5 Other

**Provisions for estimated returns and price guarantees** are deducted from sales of products to customers through distributors. They are estimated based on past sales statistics and they take into account the economic environment and product sales forecast to final customers.

**The recognition of awards associated with loyalty programs** in the form of free or discounted goods or services are recorded according to IFRIC 13. SFR, Maroc Telecom and Canal+ Group loyalty programs grant to existing customers awards in the form of free services, according to the length of the relationship with the customer and/or loyalty points for subsequent conversion into either handset renewal subsidies, or free services. IFRIC 13 – Interpretation is based upon the principle of measuring loyalty awards by reference to their fair value. Fair value is defined as the excess price over the sales incentive that would be granted to any new customer, and, should any such excess price exist, would result in deferring the recognition of the revenue associated with the subscription in the amount of such excess price.

**Selling, general and administrative expenses** primarily include salaries and employee benefits, rents, consulting and service fees, insurance costs, travel and entertainment expenses, administrative department costs, provisions for receivables and other operating expenses.

**Advertising costs** are expensed as incurred.

**Slotting fees and cooperative advertising expenses** are recorded as a reduction in revenues. However, cooperative advertising at UMG and Activision Blizzard is treated as a marketing expense and expensed when its expected benefit is individualized and can be estimated.

### 1.3.5 Assets

#### 1.3.5.1 Capitalized Financial Interest

Until December 31, 2008, Vivendi did not capitalize financial interest incurred during the construction and acquisition period of intangible assets and, property, plant and equipment. Since January 1, 2009, according to amended IAS 23 - Borrowing costs, this interest is included in the cost of qualifying assets. Vivendi may apply this amendment to qualifying assets for which the commencement date for capitalization of costs is January 1, 2009 onwards.

#### 1.3.5.2 Goodwill and Business Combinations

##### Business combinations from January 1, 2009

Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

- the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date; and
- non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This option is available on a transaction-by-transaction basis.

On the acquisition date, goodwill is initially measured as the difference between:

- (i) the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; and
- (ii) the net fair value of the identifiable assets and liabilities assumed on the acquisition date.

The measurement of non-controlling interests at fair value results in increasing goodwill up to the extent attributable to these interests, thus leading to the recognition of a “full goodwill”. The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 1.3.5.7 below).

In addition, the following principles are applied to business combinations:

- on the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;
- contingent consideration in a business combination is recorded at fair value on the acquisition date and any subsequent adjustment, occurring after the purchase price allocation period is recognized in the Statements of Earnings;
- acquisition-related costs are recognized as expenses when incurred;
- in the event of the acquisition of an additional interest in a subsidiary, Vivendi recognizes the difference between the acquisition cost and the carrying value of non-controlling interests acquired as a change in equity attributable to Vivendi SA shareowners; and
- goodwill is not amortized.

### **Business combinations prior to January 1, 2009**

Pursuant to IFRS 1, Vivendi elected not to restate business combinations that occurred prior to January 1, 2004. IFRS 3, as published by the IASB in March 2004, already retained the acquisition method. However, its provisions differed from those of the revised standard on the main following items:

- minority interests were measured at their proportionate share of the acquiree’s net identifiable assets as there was no option of measurement at fair value;
- contingent consideration was recognized in the cost of acquisition only if the payment was likely to occur and the amounts could be reliably measured;
- transaction costs that were directly attributable to the acquisition formed part of acquisition costs; and
- in the event of the acquisition of an additional interest in a subsidiary, the difference between the acquisition cost and the carrying value of minority interests acquired was recognized as goodwill.

### **1.3.5.3 Content Assets**

#### **Activision Blizzard**

Licensing activities and internally developed franchises are recognized as content assets at their acquisition cost or development cost (please refer to Note 1.3.5.4 below) and are amortized over their estimated useful life on the basis of the rate at which the related economic benefits are consumed. Where appropriate, impairment loss is fully recognized against earnings of the period during which the loss is identified. This generally leads to an amortization period of 3 to 10 years for licenses, and 11 to 12 years for franchises.

#### **UMG**

Music publishing rights and catalogs include music catalogs, artists’ contracts and publishing rights acquired in December 2000, as part of the acquisition of The Seagram Company Ltd. or more recently. They are amortized over 15 years in selling, general and administrative expenses.

Royalty advances to artists, songwriters and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis to conclude that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Royalties earned by artists, songwriters and co-publishers are recognized as an expense in the period during which the sale of the product occurs, less a provision for estimated returns.

## Canal+ Group

### *Film, television or sports broadcasting rights*

When entering into contracts for the acquisition of film, television or sports broadcasting rights, the rights acquired are classified as contractual commitments. They are recorded in the Statement of Financial Position and classified as content assets as follows:

- film and television broadcasting rights are recognized at their acquisition cost, when the program is available for screening and are expensed over their broadcasting period;
- sports broadcasting rights are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season or upon the first payment and are expensed as they are broadcast; and
- expensing of film, television or sports broadcasting rights is included in cost of revenues.

### *Theatrical film and television rights produced or acquired to be sold*

Theatrical film and television rights produced or acquired before their initial exhibition, to be sold, are recorded as a content asset at capitalized cost (mainly direct production and overhead costs) or at their acquisition cost. Theatrical film and television rights are amortized, and other related costs are expensed, pursuant to the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis). Vivendi considers that amortization pursuant to the estimated revenue method reflects the rate at which the entity plans to consume the future economic benefits related to the asset. Accumulated amortization under this rate is, for this activity, generally not lower than the charge that would be obtained under the straight-line amortization method. If, however, the accumulated amortization would be lower than this charge, a minimum straight-line amortization would be calculated over a maximum 12-year period, which corresponds to the typical screening period of each film.

Where appropriate, estimated losses in value are provided in full against earnings of the period, in which the losses are estimated, on an individual product basis.

### *Film and television rights catalogs*

Catalogs are comprised of film rights acquired for a second television exhibition, or produced or acquired film and television rights that are sold after their first television screening (i.e., after their first broadcast on a free terrestrial channel). They are recognized as an asset at their acquisition or transfer cost, and amortized as groups of films, or individually, based respectively on the estimated revenue method.

## 1.3.5.4 Research and Development Costs

Research costs are expensed when incurred. Development expenses are capitalized when the feasibility and, in particular, profitability of the project can reasonably be considered certain.

### *Cost of software for rental, sale or commercialization*

Capitalized software development costs comprise amounts paid to entitled beneficiaries for the use of their intellectual property content for developing new games (e.g., software development, graphics and editorial content), direct costs incurred during the internal development of products and the acquisition costs of developed software. Software development costs are capitalized when, notably, the technical feasibility of the software is established and they are deemed recoverable. These costs are mainly generated by Activision Blizzard as part of the games development process and are amortized using the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues) for a given product, which generally leads to the amortization of costs over a maximum period of 6 months commencing on a product's release. Technical feasibility is determined on a product-by-product basis. Non-capitalized software development costs are immediately recorded as research and development costs. The future recoverability of capitalized software development costs and intellectual property license costs is assessed every quarter. When their recoverable value is less than their carrying value, an impairment loss is recognized against earnings of the period.

### *Cost of internal use software*

Direct internal and external costs incurred for the development of computer software for internal use, including website development costs, are capitalized during the application development stage. Application development stage costs generally include software configuration, coding, installation and testing. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized. These capitalized costs, mainly recognized at SFR, are amortized over 4 years. Maintenance and minor upgrade and enhancement costs are expensed as incurred.

### 1.3.5.5 Other Intangible Assets

Intangible assets acquired separately are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at the acquisition date. The historical cost model is applied to intangible assets after they have been recognized. Assets with an indefinite useful life are not amortized but are all subject to an annual impairment test. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Other intangible assets include trade names, customer bases and licenses. Music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

### SFR, Maroc Telecom Group and GVT

Licenses to operate telecom networks are recorded at historical cost based upon the discounted value of deferred payments and amortized on a straight-line basis from their effective service start date over their estimated useful life until maturity. Licenses to operate in France are recognized in the amount of the fixed, upfront fee paid upon the granting of the license. The variable fee, which cannot be reliably determined (equal to 1% of the revenues generated by the activity in the case of the UMTS and GSM licenses in France) is recorded as an expense when incurred.

### 1.3.5.6 Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost, the costs directly attributable to transporting an asset to its physical location and preparing it for use in operations, the estimated costs for the demolition and the collection of property, plant and equipment, and the rehabilitation of the physical location, resulting from the incurred obligation.

When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

Property, plant and equipment mainly consist of the network equipment of telecommunications activities, each part of which is amortized generally over 1 to 25 years. The useful lives of the main parts are as follow:

- buildings: over 8 to 25 years;
- pylons: over 15 to 20 years;
- radio and transmission equipment: over 3 to 10 years;
- switch centers: 8 years; and
- servers and hardware: over 1 to 8 years.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and of the market value and the related debt is recorded as "Borrowings and other financial liabilities". In general, these assets are amortized on a straight-line basis over their estimated useful life, corresponding to the duration applicable to property, plant and equipment from the same category. Amortization expenses on assets acquired under such leases are included in amortization expenses.

After initial recognition, the cost model is applied to property, plant and equipment.

Vivendi has elected not to apply the option available under IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2004.

On January 1, 2004, in accordance with IFRS 1, Vivendi decided to apply IFRIC Interpretation 4 - Determining whether an arrangement contains a lease that currently mainly applies to commercial supply agreements for the Canal+ Group satellite capacity and for SFR, Maroc Telecom Group and GVT telecommunications services:

- Indefeasible Right of Use (IRU) agreements confer an exclusive and irrevocable right to use an asset during a defined period. IRU agreements are leases which convey a specific right of use for a defined portion of the underlying asset in the form of dedicated fibers or wavelengths. IRU agreements are capitalized if the agreement period covers the major part of the useful life of the underlying asset. IRU contract costs are capitalized and amortized over the contract term.
- Some IRU contracts are commercial service agreements since they do not convey a right to use a specific asset; IRU contract costs are consequently expensed as operational costs for the period.

### 1.3.5.7 Asset Impairment

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment, and assets in progress, Vivendi re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an annual impairment test during the fourth quarter of each fiscal year. This test is performed in order to compare the recoverable amount of each Cash Generating Unit (CGU) or, if necessary, groups of CGU to the carrying value of the corresponding assets (including goodwill). A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Vivendi group operates through different communication businesses. Each business offers different products and services that are marketed through different channels. CGUs are independently defined at each business level, corresponding to the group operating segments. Vivendi CGUs and groups of CGUs are presented in Note 9.

The recoverable amount is determined as the higher of either: (i) the value in use; or (ii) the fair value (less costs to sell) as described hereafter, for each individual asset. If the asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, an impairment test of goodwill is performed by Vivendi for each CGU or group of CGUs, depending on the level at which Vivendi management measures return on operations.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the 2011 budget and the most recent forecasts prepared by the operating segments. The applied discount rates reflect the current assessment by the market of the time value of money and risks specific to each asset or group of assets. In particular, the perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets for each CGU or group of CGUs, and beyond the period covered, are consistent with growth rates estimated by the company by extrapolating growth rates used in the budgets, without exceeding the long-term average growth rate for the markets in which the group operates.

The fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined on the basis of market data (stock market prices or comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions) or on discontinued future cash flows in the absence of reliable data.

If the recoverable amount is lower than the carrying value of an asset or group of assets, an impairment loss is recognized in EBIT for the difference in the amounts. In the case of a group of assets, this impairment loss is recorded first against goodwill.

The impairment losses recognized in respect of property, plant and equipment, and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed at a later date.

### 1.3.5.8 Financial Assets

Financial assets consist of financial assets measured at fair value and financial assets recognized at amortized cost. Financial assets are initially recognized at the fair value corresponding, in general, to the consideration paid, for which the best evidence is the acquisition cost (including associated acquisition costs, if any).

#### Financial assets at fair value

Financial assets at fair value include available-for-sale securities, derivative financial instruments with a positive value (please refer to Note 1.3.7) and other financial assets measured at fair value through profit or loss. Most of these financial assets are actively traded in organized public markets, their fair value being determined by reference to the published market price at period end. For financial assets for which there exists no published market price in an active market, fair value is then estimated. As a last resort, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

Available-for-sale securities consist of unconsolidated interests and other securities not qualifying for classification in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities are recognized in other comprehensive income until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, or until there is objective evidence that the investment is impaired, at which time the accumulated gain or loss previously reported in other comprehensive income is expensed in other financial charges and income.

Other financial assets measured at fair value through profit or loss mainly consist of assets held for trading which Vivendi intends to sell in the near future (primarily marketable securities). Unrealized gains and losses on these assets are recognized in other financial charges and income.

## Financial assets at amortized cost

Financial assets at amortized cost consist of loans and receivables (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables, and other loans and receivables, and debtors) and held-to-maturity investments (financial assets with fixed or determinable payments and fixed maturity). At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate), is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

### 1.3.5.9 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. They are usually computed at the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and selling costs.

### 1.3.5.10 Trade Accounts Receivable

Trade accounts receivable are initially recognized at fair value, which generally equals the nominal value. Provisions for impairment of receivables are specifically evaluated in each business unit, generally using a default percentage based on the unpaid amounts during one reference period related to revenues for this same period. Accounts receivables from former customers, customers subject to insolvency proceedings or from customers with whom Vivendi is involved in litigation or a dispute are generally impaired in full.

### 1.3.5.11 Cash and Cash Equivalents

The "cash and cash equivalents" category consists of cash in banks, euro-denominated and international monetary UCITS, which satisfy Recommendation No. 2005-02 of the AMF, and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities of more than three months without the possibility of early termination and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls) are not classified as cash equivalents but as financial assets.

## 1.3.6 Assets held for Sale and Discontinued Operations

A non-current asset or a group of assets and liabilities is held for sale when its carrying value may be recovered principally through its divestiture and not by its continued utilization. To meet this definition, the asset must be available for immediate sale and the divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lower of the difference between the fair value (net of divestiture fees) and the carrying value, or cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for sale have been met or when Vivendi has sold the asset. Discontinued operations are reported on a single line of the Statement of Earnings for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities of the discontinued operations. In addition, cash flows generated by discontinued operations are reported on a separate line of the Statement of Consolidated Cash Flows for the relevant periods.

## 1.3.7 Financial Liabilities

Long and short-term borrowings and other financial liabilities include:

- bonds and facilities, as well as miscellaneous other borrowings (including commercial paper and debt related to finance leases) and related accrued interest;
- obligations arising in respect of commitments to purchase minority interests;
- bank overdrafts; and
- the negative value of other derivative financial instruments. Derivatives with positive fair values are recorded as financial assets in the Statement of Financial Position.

## Borrowings

All borrowings are initially accounted for at fair value net of transaction costs directly attributable to the borrowing. Borrowings bearing interest are subsequently valued at amortized cost, applying the effective interest method. The effective interest rate is the internal yield rate that exactly discounts future cash flows over the term of the borrowing. In addition, where the borrowing comprises an embedded derivative (e.g., an exchangeable bond) or an equity instrument (e.g., a convertible bond), the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument. In the event of a change in expected future cash flows (e.g., redemption earlier than initially expected), the amortized cost is adjusted against earnings in order to reflect the value of the new expected cash flows, discounted at the initial effective interest rate.

## Commitments to purchase non-controlling interests

Vivendi has granted commitments to purchase non-controlling interests to certain shareholders of its fully consolidated subsidiaries. These purchase commitments may be optional (e.g., put options) or firm (e.g., forward purchase contracts).

The following accounting treatment has been adopted for commitments granted prior to January 1, 2009:

- upon initial recognition, the commitment to purchase minority interests is recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through minority interests and the balance through goodwill;
- subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to goodwill;
- where applicable, at the time of initial recognition or the recognition of subsequent changes, any expected loss on purchase is recognized in other financial charges and income; and
- on maturity of the commitment, if the minority interests are not purchased, the entries previously recognized are reversed; if the minority interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the minority interests.

According to the provisions of revised IAS 27, commitments granted on or after January 1, 2009 are initially recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through non-controlling interests and the balance through equity attributable to Vivendi SA shareowners. Subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to equity attributable to Vivendi SA shareowners.

## Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and stock prices. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps and forward exchange contracts. They also include stock options used to hedge debt where principal repayment terms are based on the value of Vivendi or other stock, as well as Vivendi stock purchase option plans granted to executives and employees. All derivative financial instruments are used for hedging purposes.

When these contracts qualify as hedges for accounting purposes, gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item. When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the Statement of Financial Position or of a firm commitment which is not recognized in the Statement of Financial Position, it is a fair value hedge. The instrument is remeasured at fair value in earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the Statement of Earnings, or, as part of a forecasted transaction relating to a non-financial asset or liability, at the initial cost of the asset or liability. When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through other comprehensive income, whereas its ineffective portion is recognized in earnings, or, as part of a forecasted transaction on a non-financial asset or liability, they are recognized at the initial cost of the asset or liability. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the Statement of Earnings and recorded on the same line as the hedged item. When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as a hedge for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

Furthermore, income and expenses relating to foreign currency instruments used to hedge highly probable budget exposures and firm commitments, contracted pursuant to the acquisition of editorial content rights (including sports, audiovisual and film rights) are recognized in EBIT. In all other cases, gains and losses arising on the fair value remeasurement of instruments are recognized in other financial charges and income.

### 1.3.8 Other Liabilities

#### Provisions

Provisions are recognized when, at the end of the reporting period, Vivendi has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements.

#### Employee benefit plans

In accordance with the laws and practices of each country in which it operates, Vivendi participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and post-employment benefits to eligible employees, former employees, retirees and such of their beneficiaries who fulfill the required conditions. Retirement pensions are provided for substantially all employees through defined contribution plans, which are integrated with local social security and multi-employer plans, or defined benefit plans which are generally managed via group pension plans. The plan funding policy implemented by the group is consistent with applicable government funding requirements and regulations.

##### *Defined contribution plans*

Contributions to defined contribution and multi-employer plans are expensed during the year.

##### *Defined benefit plans*

Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding Vivendi shares or debt instruments.

Pension expenses are determined by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2009 and 2010, and the means of determining these assumptions, are presented in Note 20. As such, the group recognizes pension-related assets and liabilities and the related net expense.

A provision is recorded in the Statement of Financial Position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, net of past service cost and unrecognized actuarial gains and losses which remain unrecognized in the Statement of Financial Position in accordance with the "corridor method". Where the value of the hedged assets exceeds recognized obligations, a financial asset is recognized up to the maximum cumulative amount of net actuarial losses, unrecognized past service cost and the present value of future redemptions and the expected decrease in future contributions.

Actuarial gains and losses are recognized through profit and loss for the year using the "corridor method": actuarial gains and losses in excess of 10% of the greater of the obligation and the fair value of plan assets at the beginning of the fiscal year, are divided by the expected average working life of beneficiaries. On January 1, 2004, in accordance with IFRS 1, Vivendi decided to record unrecognized actuarial gains and losses against consolidated equity.

The cost of plans is included in selling, general and administrative expenses, except for the financial component which is recorded in other financial charges and income. The financial component of this cost consists of the undiscounting of the actuarial liability and the expected return on plan assets.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the United States) are subject to provisions which are assessed through an actuarial computation comparable to the method used for pension provisions.

### 1.3.9 Deferred Taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor tax income or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Statement of Financial Position and Statement of Earnings of the group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill, or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor tax income or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not earnings, if the tax relates to items that are credited or charged directly to equity.

### 1.3.10 Share-based Compensation

With the aim of aligning the interest of its executive management and employees with its shareholders' interest by providing them with an additional incentive to improve the company's performance and increase its share price on a long-term basis, Vivendi maintains several share-based compensation plans (share purchase plans and grant of performance shares) or other equity instruments based on the value of the Vivendi share price (stock option plans), which are settled either in equity instruments or in cash. Grants under these plans are approved by the Management Board, and subsequently by the Supervisory Board. The acquisition of rights related to these plans is contingent upon the achievement of specific performance objectives.

In addition, Activision Blizzard maintains several share-based compensation plans (share purchase plans and restricted shares) or other equity instruments based on the value of the Activision Blizzard share price (stock purchase plans or stock option plans), which are settled either in equity instruments or in cash. Grants under these plans are approved by the Board of Directors of Activision Blizzard. The acquisition of rights related to certain plans is contingent upon the achievement of specific performance objectives.

Lastly, Universal Music Group maintains Equity Long-Term Incentive Plans. Under these plans, certain key executives are awarded equity units. These equity units are phantom stock units whose value is intended to reflect the value of UMG and are settled in cash.

Please refer to Note 21 for a detail of these plans' characteristics.

Share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is amortized over the vesting period with respect to Vivendi's plans, conditional upon the achievement of specific performance objectives and active employment within the group at the vesting date, generally 3 years for stock option plans and 2 years for performance shares, other than in specific cases.

Vivendi and Activision Blizzard use a binomial model to assess the value of such instruments. This method relies on assumptions updated at the valuation date such as the computed volatility of the relevant shares, the risk-free discount rate, the expected dividend yield and the probability of relevant managers and employees remaining employed within the group until the exercise of their rights.

However, depending on whether the equity instruments granted are equity-settled through the issuance of shares or cash-settled, the valuation and recognition of the expense differs:

*Instruments settled through the issuance of shares:*

- the expected term of the option granted is deemed to be the mid-point between the vesting date and the end of the contractual term;
- the value of the instruments granted is estimated and fixed at grant date; and
- the expense is recognized with a corresponding increase in equity.

*Instruments settled in cash:*

- the expected term of the instruments granted is deemed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the average of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights;
- the value of instruments granted is initially estimated at grant date and is then re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date;
- the expense is recognized as a provision; and
- moreover, as plans settled in cash are primarily denominated in US dollars, the value changes in line with fluctuations in the euro/dollar exchange rate.

A share-based compensation cost is allocated to each operating segment, pro rata the number of equity instruments or equivalent instruments granted to their managers and employees.

The dilutive effect of stock options and performance shares settled in equity through the issuance of Vivendi or Activision Blizzard shares which are in the process of vesting is reflected in the calculation of diluted earnings per share.

In accordance with IFRS 1, Vivendi elected to retrospectively apply IFRS 2 as of January 1, 2004. Consequently, all share-based compensation plans for which rights remained to be vested as of January 1, 2004 were accounted for in accordance with IFRS 2.

## 1.4 Contractual Obligations and Contingent Assets and Liabilities

Once a year, Vivendi and its subsidiaries prepare detailed reports on all material contractual obligations, commercial and financial commitments and contingent obligations, for which they are jointly and severally liable. These detailed reports are updated by the relevant departments and reviewed by senior management on a regular basis. In order to ensure completeness, accuracy and consistency of these reports, some dedicated internal control procedures are performed, including (but not limited to) the review of:

- minutes from meetings of the shareholders, Management Board, Supervisory Board and committees of the Supervisory Board in respect of matters such as contracts, litigation, and authorization of asset acquisitions or divestitures;
- pledges and guarantees with banks and financial institutions;
- pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies with internal and/or external legal counsels;
- tax examiner's reports and, if applicable, notices of assessments and tax expense analyses for prior years;
- insurance coverage for unrecorded contingencies with the risk management department and insurance agents and brokers with whom the group contracted;
- related-party transactions for guarantees and other given or received commitments; and more generally
- major contracts and agreements.

## 1.5 New IFRS Standards and IFRIC Interpretations that have been published but are not yet effective

Among the IFRS accounting standards and IFRIC interpretations issued by the IASB/IFRIC at the date of approval of these Consolidated Financial Statements but that are not yet effective, for which Vivendi has not elected an earlier application, and which may have an impact on Vivendi are mainly amendments to different IFRS included in the annual "Improvements to IFRSs" as published by the IASB on May 6, 2010, which are effective from different dates depending on the relevant provision, but the earliest applicable date being on or after January 1, 2011.

Vivendi is currently assessing the potential impact of the application of these amendments on the Statement of Earnings, the Statement of Financial Position, the Statement of Cash Flows and the content of the notes to the Financial Statements.

## Note 2 Changes in the scope of consolidation in 2010 and 2009

*Preliminary notes:* As a reminder, Vivendi opted for early application, from January 1, 2009, of revised standards IFRS 3 – Business Combinations – and IAS 27 – Consolidated and Separate Financial Statements.

### 2.1 Acquisition of 100% of GVT (Holding) S.A. in Brazil

On November 13, 2009, Vivendi took over GVT (Holding) S.A. (GVT), the leading alternative telecommunications operator in Brazil, which was fully consolidated by Vivendi at that date. Pursuant to the acquisition of GVT, Vivendi held 37.9% of GVT's outstanding voting shares and had a right to purchase an additional 19.6% of GVT's outstanding voting shares pursuant to call option agreements.

As of December 31, 2009, Vivendi held an 82.45% controlling interest in GVT. Vivendi's investment in GVT was completed according to the following schedule:

- On November 13, 2009, Vivendi acquired an aggregate of 29.9% of GVT's outstanding voting shares, at BRL56 per share, from Swarth Investments LLC, Swarth Investments Holdings LLC and Global Village Telecom (Holland) BV, the founding and controlling shareholders of GVT. In addition, Vivendi acquired from third parties an additional 8% interest in GVT's outstanding voting shares at various prices per share comprised between BRL 49 and BRL 56 and held unconditional call options giving Vivendi the right to acquire an additional 19.6% interest in GVT's outstanding voting shares, at an exercise price of BRL55 per share, plus a premium of BRL1 per share. Consequently, at that date, Vivendi held 37.9% of GVT's outstanding voting shares and had a right to purchase an additional 19.6% interest in GVT's outstanding voting shares which gave Vivendi control over 57.5% of GVT's outstanding voting shares (53.7% on a fully diluted basis). As a result, as of November 13, 2009, Vivendi acquired exclusive control of GVT, defined as the power to govern GVT's financial and operational policies so as to obtain benefits from its operations. In accordance with Brazilian rules and regulations, Vivendi filed a mandatory cash tender offer (the "Tender Offer") to purchase the remaining shares of GVT with the Brazilian securities regulator, at a price per share of BRL56, with an offer price adjustment based on fluctuations of the SELIC Rate (*Taxa Referencial do Sistema Especial de Liquidação e Custódia*) from November 13, 2009 until the settlement date of the Tender Offer.
- As of December 31, 2009, following additional acquisitions of GVT shares on the market by Vivendi and the full exercise of the call options mentioned above, which represented an approximate 25% of GVT's outstanding voting shares, Vivendi held an 82.45% controlling interest in GVT, for a total investment of €2,507 million (including Financial Net Debt assumed for €47 million as of November 13, 2009).
- Considering that pursuant to the obligation to launch its Tender Offer, Vivendi committed to purchase all tendered shares, i.e., a maximum of 17.55% of GVT's outstanding voting shares as of December 31, 2009, Vivendi recorded an amount estimated at €571 million share purchase commitment in financial debt as of such date.

In 2010, Vivendi increased its interest in GVT to 100% after having acquired the 17.55% interest that it did not hold, as follows:

- During the first quarter 2010, Vivendi acquired 6.3 million GVT shares on the market for a total price of €144 million.
- On March 26, 2010, the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, "CVM") authorized the Tender Offer for the acquisition of 17.8 million GVT shares, not held yet by Vivendi on that date at BRL56 per share (the "Offer Price"), with price adjustments in accordance with the variation of the SELIC Rate over the period between November 13, 2009 and April 30, 2010, the Tender Offer settlement date. On April 27, 2010, at the close of the regulatory auction, Vivendi acquired an additional 16.6 million GVT common shares for a purchase price of €416 million and held a 99.17% controlling interest in GVT. As a result, on May 7, 2010, in accordance with Brazilian securities regulations and following the CVM's authorization, GVT was deregistered as a public company.
- Finally, as part of the squeeze-out approved by the shareholders' meeting on June 10, 2010, GVT cancelled on June 11, 2010 its outstanding common shares and made a €30 million deposit with a Brazilian bank in order to guarantee and repay those shareholders whose shares were cancelled.

After taking into account all of these components and the effects of EUR-BRL foreign currency hedging, aimed at partially offsetting the acquisition of shares in BRL, the purchase price of 100% of GVT by Vivendi amounts to €3,038 million, determined according to the fair value of the consideration transferred. As a reminder, transactions that occurred in 2010 did not have any significant impact on Vivendi's Financial Net Debt. In accordance with applicable accounting standards, the commitment to purchase GVT shares not held by Vivendi as of December 31, 2009 was recorded as a financial liability and included in Vivendi's Financial Net Debt on that date.

## Determination of goodwill at 100%

In accordance with the revised IFRS 3 – Business Combinations, Vivendi elected to account for the acquisition of GVT under the full goodwill method and performed an allocation of the purchase price for the 100% interest acquired in GVT. The Statement of Financial Position of Vivendi recognized 100% of the fair value of identifiable assets acquired and liabilities assumed based on analyses and estimates prepared with the assistance of a third-party appraiser. The purchase price and its allocation were finalized within the 12-month period following the acquisition date prescribed by accounting standards with no significant impact compared to the preliminary allocation presented as of December 31, 2009.

| (in millions of euros)                                | As of November 13, 2009                                   |                                                                     |
|-------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------|
|                                                       | Carrying value of net assets before acquisition (in IFRS) | Fair value of net assets acquired at the acquisition date (in IFRS) |
| <b>ASSETS</b>                                         |                                                           |                                                                     |
| Goodwill                                              | 6                                                         | -                                                                   |
| Other intangible assets                               | 34                                                        | 396 (a,b)                                                           |
| Property, plant and equipment                         | 776                                                       | 776 (b)                                                             |
| Deferred tax assets                                   | 69                                                        | 69                                                                  |
| Other non-current assets                              | 43                                                        | 43                                                                  |
| <b>Non-current assets</b>                             | <b>928</b>                                                | <b>1,284</b>                                                        |
| Inventories                                           | 1                                                         | 1                                                                   |
| Current tax receivables                               | 1                                                         | 1                                                                   |
| Trade accounts receivable and other                   | 208                                                       | 208                                                                 |
| Cash and cash equivalents                             | 279                                                       | 279                                                                 |
| <b>Current assets</b>                                 | <b>489</b>                                                | <b>489</b>                                                          |
| <b>TOTAL ASSETS (A)</b>                               | <b>1,417</b>                                              | <b>1,773</b>                                                        |
| Non-current provisions                                | 6                                                         | 6                                                                   |
| Long-term borrowings and other financial liabilities  | -                                                         | -                                                                   |
| Deferred tax liabilities                              | -                                                         | 222                                                                 |
| Other non-current liabilities                         | 119                                                       | 119                                                                 |
| <b>Non-current liabilities</b>                        | <b>125</b>                                                | <b>347</b>                                                          |
| Current provisions                                    | 1                                                         | 1                                                                   |
| Short-term borrowings and other financial liabilities | 325                                                       | 325                                                                 |
| Trade accounts payable and other                      | 156                                                       | 158                                                                 |
| Current tax payables                                  | 3                                                         | 3                                                                   |
| <b>Current liabilities</b>                            | <b>485</b>                                                | <b>487</b>                                                          |
| <b>TOTAL LIABILITIES (B)</b>                          | <b>610</b>                                                | <b>834</b>                                                          |
| <b>NET ASSETS (A-B)</b>                               | <b>807</b>                                                | <b>939</b>                                                          |
| Preliminary Goodwill                                  |                                                           | 2,099 (c)                                                           |
| <b>Purchase price for 100% of GVT</b>                 |                                                           | <b>3,038 (c)</b>                                                    |

- a. Fair value of intangible assets, and property, plant and equipment are composed of:

| (in millions of euros)         | Life       | As of November 13, 2009 |
|--------------------------------|------------|-------------------------|
| Customer bases                 | 4-5 years  | 240                     |
| GVT and other trade names      | Indefinite | 122                     |
| Other                          |            | 34                      |
| <b>Total intangible assets</b> |            | <b>396</b>              |

- b. In 2010, the company performed, with the assistance of a third-party appraiser, an analysis of property, plant and equipment, and intangible assets that constitute its network equipment. This analysis notably included a physical inventory and a review of useful lives of the assets, which did not have any significant impact on the consolidated statement of financial position as of November 13, 2009. In addition, it induced an increase in useful lives of certain assets, which represented a retroactive impact from January 1, 2010 of +€38 million, recognized in the fourth quarter of 2010.
- c. As of November 13, 2009, goodwill attributable to 100% of the share capital of GVT amounted to €2,116 million based on the estimated purchase price according to the purchase commitment relating to non-controlling interests as of this date (17.55%). In 2010, the purchase price was adjusted to -€17 million in order to include the decrease in purchase price of non-controlling interests over the period.

## 2.2 Sale of NBC Universal

At the conclusion of the NBC Universal transaction completed in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. Pursuant to various agreements entered into between Vivendi and GE, Vivendi and GE shared governance rights and each had a right to receive any dividends paid by NBC Universal pro rata to its then-current interest. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE (as amended, the "2009 Agreement"). The 2009 Agreement was entered into in connection with GE's concurrent agreement with Comcast Corporation ("Comcast") to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the "Comcast Transaction"). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for \$ 5,800 million, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction. On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for \$2,000 million. The remainder of Vivendi's interest, or 12.34% of NBC Universal, was sold to GE on January 25, 2011 for \$3,800 million (which includes an additional \$222 million received in relation to the previously sold 7.66% interest), in advance of the closing of the Comcast Transaction. In addition, Vivendi received its pro rata share of dividends for the period from January 1, 2010 to January 25, 2011 (the date of sale), totaling approximately \$390 million, of which approximately \$300 million was received in 2010.

The accounting treatment applied by Vivendi with respect to the sale of its interest in NBC Universal was as follows:

- In accordance with the 2009 Agreement, while Vivendi's interest in NBC Universal was reduced to 12.34% following the sale of a 7.66% interest in NBC Universal, Vivendi's governance rights in NBC Universal did not change (including in terms of proportionate membership on the board of directors) until Vivendi sold its entire interest in NBC Universal on January 25, 2011. As a result, until the latter date, Vivendi continued to exercise significant influence over NBC Universal and therefore accounted for its 12.34% interest in NBC Universal under the equity method.
- On September 26, 2010, the sale to GE of a 7.66% interest in NBC Universal resulted in a capital loss of €232 million, mostly comprised of foreign currency translation adjustments reclassified to earnings for €281 million, representing the foreign exchange loss attributable to the decline of the US dollar since January 1, 2004. As of December 31, 2010, the residual balance of the foreign currency translation adjustments related to Vivendi's remaining 12.34% interest in NBC Universal represented a potential foreign exchange loss of €404 million.
- On January 25, 2011, the sale of the remaining 12.34% interest in NBC Universal to GE resulted in a capital loss estimated at €357 million, which is expected to be accounted for in the 2011 first quarter earnings and mostly comprised of the aforementioned foreign currency translation adjustments.
- Starting December 2009, after Vivendi had agreed that it would sell its 20% interest in NBC Universal to GE for a total amount of \$5,800 million, Vivendi gradually hedged its investment in NBC Universal using currency forward sales contracts denominated in US dollars, at an average exchange rate of 1.33 dollar/Euro. From an accounting perspective, these forward contracts were qualified as net investment hedges in NBC Universal. On September 26, 2010, forward sales contracts for a nominal value of \$2,000 million were unwound for €1,425 million. On January 25, 2011, forward sales contracts for a nominal value of \$3,800 million were unwound for €2,921 million.

## 2.3 Acquisition of a 51 % interest in Sotelma by Maroc Telecom in July 2009

On July 31, 2009, following an international call for tenders, Maroc Telecom acquired a 51% controlling interest in Sotelma, the incumbent Malian telecoms operator, for a total enterprise value of €312 million (representing a purchase price of €278 million plus the assumption of €43 million in net debt, net of cash acquired for €9 million). The company has been fully consolidated since August 1, 2009.

### Purchase price allocation

(in millions of euros)

|                                                                                                   | August 1, 2009 |
|---------------------------------------------------------------------------------------------------|----------------|
| <b>Carrying value of Sotelma's net assets and liabilities before acquisition</b>                  | <b>35</b>      |
| <b>Fair value adjustments of Sotelma's possible assets and liabilities as at acquisition date</b> |                |
| License, depreciated over 8 years                                                                 | 24             |
| Customer bases, depreciated over 8 years                                                          | 2              |
| Deferred tax, net                                                                                 | (3)            |
| Total fair value adjustments of Sotelma's assets and liabilities                                  | 23             |
| <b>Adjusted net asset value as at acquisition date</b>                                            | <b>58</b>      |
| Purchase price of 51% of Sotelma                                                                  | 278            |
| Fair value of Sotelma's non-controlling interests                                                 | 206            |
| <b>Goodwill (100%)</b>                                                                            | <b>426</b>     |
| Of which goodwill of Sotelma's non-controlling interests                                          | 177            |

## 2.4 Agreement to end litigation over telecommunications assets in Poland

As a reminder, due to the legal proceedings which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim SA (Elektrim), the legal uncertainty regarding the ownership of Telco's stake in Polska Telefonia Cyfrowa (PTC), a mobile telecommunication operator prevented Telco from exercising joint control over PTC, as accordance with PTC's by-laws. As a result, Vivendi did not consolidate its stake in PTC, whose carrying value was decreased to zero since the year ended December 31, 2006.

On December 14, 2010, Vivendi signed certain agreements with Deutsche Telekom, Mr. Solorz-Zak (the main shareholder of Elektrim) and the creditors of Elektrim, including the Republic of Poland and Law Debenture Trust Company (LDT), and Elektrim's bondholders (the "Bondholders") in order to put an end to the litigation regarding the ownership of PTC share capital (please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2010).

The completion of the agreements was notably conditional upon Elektrim's full exit from bankruptcy and upon the ratification of the relevant documentation ending the litigation by Elektrim after its exit from bankruptcy. In order to guarantee both the ratification of these relevant agreements by Elektrim and the provision of certain documents necessary for the final completion of the agreements, Mr. Solorz-Zak granted, to Vivendi, the Republic of Poland, and the Bondholders, a personal guarantee of €675 million counter-guaranteed by pledges on the participation of Polaris Finance BV (a company controlled by Mr. Solorz-Zak) in Polsat Cyfrowy for around 57% of its capital. On January 14, 2011, the date of final completion of the agreements, the guarantee expired and the pledges were raised. Moreover, as part of the agreement concluded with LDT, Vivendi and Deutsche Telekom each committed to compensate LDT up to a maximum of €50 million if the latter were to exercise its pledge on the Polsat Cyfrowy options and were to recover an amount of less than €100 million. The agreements notably provided the opportunity for Vivendi and Deutsche Telekom to exercise stock purchase options on Elektrim instead of paying the guaranteed amount, if LDT ever called the guarantee. As these agreements have been fulfilled, the proceedings among the parties were annulled at the final completion date of the agreements.

On January 14, 2011, the conditions precedents were satisfied and the agreements became effective. Under these agreements:

- Vivendi and Telco relinquished all of their rights over PTC shares and put an end to all PTC related legal proceedings between the parties;
- Vivendi, Telco and VTI received a net proceed of €1,254 million, of which €600 million was from Deutsche Telekom and €670 million from Elektrim and Telco paid Elektrim approximately €16 million. In its Financial Statements for the first quarter ended March 31, 2011, the proceeds received from Deutsche Telekom and Elektrim will be recognized as a net gain of €1,254 million, which will be classified as other financial income; and
- Finally, Vivendi received approximately €7 million with respect to the Elektrim bonds that it owns.

With respect to these agreements, Vivendi notably took the following commitments:

- Vivendi granted a guarantee over Carcom for a capped amount of €600 million maturing in August 2013;
- Vivendi committed to compensate Elektrim for the tax consequences of the transaction, within the limit of €20 million maturing in July 2011;
- Vivendi committed to compensate LDT against any recourse for damages that could be brought against LDT in connection with the completed transaction, for an amount up to 18.4% for the first €125 million, 46% between €125 and €288 million and 50% thereafter; and
- Vivendi committed to compensate Elektrim's administrator for the consequences of any action for damages that may be taken against it, in connection with the decisions that were agreed in order to end certain procedures.

## Note 3 Segment data

### 3.1 Operating segment data

The Vivendi group comprises six businesses operating at the heart of the worlds of content, platforms and interactive networks. Each business offers different products and services that are marketed through different channels. Given the unique customer base, technology, marketing and distribution requirements of each of these businesses, they are managed separately and represent the base of the internal reporting of the group. As of December 31, 2010, the Vivendi group had six businesses engaging in the operations described below:

- **Activision Blizzard:** development, publishing and distribution of interactive entertainment software, online or on other media (such as console and PC);
- **Universal Music Group:** sale of recorded music (physical and digital media), exploitation of music publishing rights as well as artist services and merchandising;
- **SFR:** a telecommunication operator (mobile, broadband Internet and fixed telecommunications) in France;
- **Maroc Telecom Group:** a telecommunication operator (mobile, fixed telecommunications and Internet) in Africa, predominantly in Morocco as well as in Mauritania, Burkina Faso, Gabon and since August 1, 2009, in Mali;
- **GVT:** a Brazilian fixed and broadband operator. GVT has been fully consolidated since November 13, 2009; and
- **Canal+ Group:** publishing and distribution of premium and thematic pay-TV in metropolitan France, Poland, Africa, French overseas territories and Vietnam as well as cinema film production and distribution in Europe, and the organization of sporting events.

Vivendi Management evaluates the performance of the operating segments and allocates necessary resources to them based on certain operating indicators (segment earnings and cash flow from operations). Segment earnings correspond to the EBITA of each business segment.

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

- the operating segment **"Holding & Corporate"** includes the cost of Vivendi SA's headquarters in Paris and of its New York City offices, after the allocation of a portion of these costs to each of the businesses;
- the operating segment **"Non-core operations and others"** includes miscellaneous businesses outside Vivendi's core businesses, whose assets are being divested or liquidated and which are not disclosed as discontinued operations as they do not comply with criteria prescribed by IFRS 5, as well as Vivendi Mobile Entertainment (which operates a service selling digital content on the Internet and on mobile phones under the "zaOza" brand) and Wengo (a French leader in expert advisory services by phone);
- intersegment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties; and
- information on the operating segments presented hereunder is identical to the information given to Vivendi's Management Board.

Vivendi also presents data categorized according to six geographic areas, consisting of its five main geographic markets (France, Rest of Europe, United States, Morocco and Brazil), as well as the rest of the world.

## Consolidated Statements of Earnings

Year ended December 31, 2010

(in millions of euros)

|                                                                                                                         | Activision<br>Blizzard | Universal<br>Music Group | SFR           | Maroc Telecom<br>Group | GVT          | Canal+ Group | Holding &<br>Corporate | Non-core<br>operations and<br>others | Eliminations | Total Vivendi |
|-------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|---------------|------------------------|--------------|--------------|------------------------|--------------------------------------|--------------|---------------|
| External revenues                                                                                                       | 3,330                  | 4,437                    | 12,571        | 2,796                  | 1,029        | 4,699        | -                      | 16                                   | -            | 28,878        |
| Intersegment revenues                                                                                                   | -                      | 12                       | 6             | 39                     | -            | 13           | -                      | 3                                    | (73)         | -             |
| <b>Revenues</b>                                                                                                         | <b>3,330</b>           | <b>4,449</b>             | <b>12,577</b> | <b>2,835</b>           | <b>1,029</b> | <b>4,712</b> | <b>-</b>               | <b>19</b>                            | <b>(73)</b>  | <b>28,878</b> |
| Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans | (2,336)                | (3,867)                  | (8,587)       | (1,166)                | (597)        | (3,784)      | (117)                  | (49)                                 | 73           | (20,430)      |
| Charges related to stock options and other share-based compensation plans                                               | (93)                   | (11)                     | (17)          | (2)                    | (1)          | (8)          | (6)                    | (1)                                  | -            | (139)         |
| <b>EBITDA</b>                                                                                                           | <b>901</b>             | <b>571</b>               | <b>3,973</b>  | <b>1,667</b>           | <b>431</b>   | <b>920</b>   | <b>(123)</b>           | <b>(31)</b>                          | <b>-</b>     | <b>8,309</b>  |
| Restructuring charges                                                                                                   | (2)                    | (60)                     | (26)          | -                      | -            | -            | (2)                    | -                                    | -            | (90)          |
| Gains/(losses) on sales of tangible and intangible assets                                                               | (1)                    | -                        | (15)          | 8                      | -            | (1)          | -                      | -                                    | -            | (9)           |
| Other non-recurring items                                                                                               | -                      | -                        | -             | (1)                    | -            | -            | (1)                    | 1                                    | -            | (1)           |
| Depreciation of tangible assets                                                                                         | (51)                   | (40)                     | (856)         | (294)                  | (134)        | (150)        | (1)                    | (1)                                  | -            | (1,527)       |
| Amortization of intangible assets excluding those acquired through business combinations                                | (155)                  | -                        | (604)         | (96)                   | (20)         | (79)         | -                      | (2)                                  | -            | (956)         |
| <b>Adjusted earnings before interest and income taxes (EBITA)</b>                                                       | <b>692</b>             | <b>471</b>               | <b>2,472</b>  | <b>1,284</b>           | <b>277</b>   | <b>690</b>   | <b>(127)</b>           | <b>(33)</b>                          | <b>-</b>     | <b>5,726</b>  |
| Amortization of intangible assets acquired through business combinations                                                | (92)                   | (296)                    | (98)          | (28)                   | (57)         | (32)         | -                      | -                                    | -            | (603)         |
| Impairment losses of intangible assets acquired through business combinations                                           | (217)                  | (35)                     | -             | -                      | -            | -            | -                      | -                                    | -            | (252)         |
| <b>Earnings before interest and income taxes (EBIT)</b>                                                                 | <b>383</b>             | <b>140</b>               | <b>2,374</b>  | <b>1,256</b>           | <b>220</b>   | <b>658</b>   | <b>(127)</b>           | <b>(33)</b>                          | <b>-</b>     | <b>4,871</b>  |
| Income from equity affiliates                                                                                           |                        |                          |               |                        |              |              |                        |                                      |              | 195           |
| Interest                                                                                                                |                        |                          |               |                        |              |              |                        |                                      |              | (492)         |
| Income from investments                                                                                                 |                        |                          |               |                        |              |              |                        |                                      |              | 7             |
| Other financial charges and income                                                                                      |                        |                          |               |                        |              |              |                        |                                      |              | (17)          |
| Provision for income taxes                                                                                              |                        |                          |               |                        |              |              |                        |                                      |              | (1,042)       |
| Earnings from discontinued operations                                                                                   |                        |                          |               |                        |              |              |                        |                                      |              | -             |
| <b>Earnings</b>                                                                                                         |                        |                          |               |                        |              |              |                        |                                      |              | <b>3,522</b>  |
| <i>Of which</i>                                                                                                         |                        |                          |               |                        |              |              |                        |                                      |              |               |
| <b>Earnings attributable to Vivendi shareowners</b>                                                                     |                        |                          |               |                        |              |              |                        |                                      |              | <b>2,198</b>  |
| Non-controlling interests                                                                                               |                        |                          |               |                        |              |              |                        |                                      |              | 1,324         |

As of December 31, 2010, income from equity affiliates is mainly comprised of the group's share in earnings of NBC Universal for €201 million (compared to €178 million in 2009). This investment is allocated to the Holding & Corporate business segment (please refer to Note 2.2).

**Year ended December 31, 2009**

(in millions of euros)

|                                                                                                                         | Activision<br>Blizzard | Universal<br>Music Group | SFR           | Maroc Telecom<br>Group | GVT        | Canal+ Group | Holding &<br>Corporate | Non-core<br>operations and<br>others | Eliminations | <b>Total Vivendi</b> |
|-------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|---------------|------------------------|------------|--------------|------------------------|--------------------------------------|--------------|----------------------|
| External revenues                                                                                                       | 3,038                  | 4,349                    | 12,427        | 2,662                  | 104        | 4,544        | -                      | 8                                    | -            | 27,132               |
| Intersegment revenues                                                                                                   | -                      | 14                       | (2)           | 32                     | -          | 9            | -                      | 1                                    | (54)         | -                    |
| <b>Revenues</b>                                                                                                         | <b>3,038</b>           | <b>4,363</b>             | <b>12,425</b> | <b>2,694</b>           | <b>104</b> | <b>4,553</b> | <b>-</b>               | <b>9</b>                             | <b>(54)</b>  | <b>27,132</b>        |
| Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans | (2,248)                | (3,682)                  | (8,438)       | (1,080)                | (64)       | (3,675)      | (127)                  | (35)                                 | 54           | (19,295)             |
| Charges related to stock options and other share-based compensation plans                                               | (114)                  | (1)                      | (20)          | (2)                    | -          | (8)          | (9)                    | -                                    | -            | (154)                |
| <b>EBITDA</b>                                                                                                           | <b>676</b>             | <b>680</b>               | <b>3,967</b>  | <b>1,612</b>           | <b>40</b>  | <b>870</b>   | <b>(136)</b>           | <b>(26)</b>                          | <b>-</b>     | <b>7,683</b>         |
| Restructuring charges                                                                                                   | (8)                    | (59)                     | (20)          | (1)                    | -          | (1)          | (2)                    | -                                    | -            | (91)                 |
| Gains/(losses) on sales of tangible and intangible assets                                                               | (1)                    | 8                        | (9)           | 3                      | -          | (3)          | -                      | -                                    | -            | (2)                  |
| Other non-recurring items                                                                                               | -                      | 1                        | -             | (4)                    | -          | -            | 49                     | -                                    | -            | 46                   |
| Depreciation of tangible assets                                                                                         | (55)                   | (50)                     | (849)         | (271)                  | (19)       | (131)        | (1)                    | (1)                                  | -            | (1,377)              |
| Amortization of intangible assets excluding those acquired through business combinations                                | (128)                  | -                        | (559)         | (95)                   | (1)        | (83)         | (1)                    | (2)                                  | -            | (869)                |
| <b>Adjusted earnings before interest and income taxes (EBITA)</b>                                                       | <b>484</b>             | <b>580</b>               | <b>2,530</b>  | <b>1,244</b>           | <b>20</b>  | <b>652</b>   | <b>(91)</b>            | <b>(29)</b>                          | <b>-</b>     | <b>5,390</b>         |
| Amortization of intangible assets acquired through business combinations                                                | (188)                  | (287)                    | (98)          | (23)                   | (7)        | (31)         | -                      | -                                    | -            | (634)                |
| Impairment losses of intangible assets acquired through business combinations                                           | (302)                  | (618)                    | -             | -                      | -          | -            | -                      | -                                    | -            | (920)                |
| <b>Earnings before interest and income taxes (EBIT)</b>                                                                 | <b>(6)</b>             | <b>(325)</b>             | <b>2,432</b>  | <b>1,221</b>           | <b>13</b>  | <b>621</b>   | <b>(91)</b>            | <b>(29)</b>                          | <b>-</b>     | <b>3,836</b>         |
| Income from equity affiliates                                                                                           |                        |                          |               |                        |            |              |                        |                                      |              | 171                  |
| Interest                                                                                                                |                        |                          |               |                        |            |              |                        |                                      |              | (458)                |
| Income from investments                                                                                                 |                        |                          |               |                        |            |              |                        |                                      |              | 7                    |
| Other financial charges and income                                                                                      |                        |                          |               |                        |            |              |                        |                                      |              | (795)                |
| Provision for income taxes                                                                                              |                        |                          |               |                        |            |              |                        |                                      |              | (675)                |
| Earnings from discontinued operations                                                                                   |                        |                          |               |                        |            |              |                        |                                      |              | -                    |
| <b>Earnings</b>                                                                                                         |                        |                          |               |                        |            |              |                        |                                      |              | <b>2,086</b>         |
| <i>Of which</i>                                                                                                         |                        |                          |               |                        |            |              |                        |                                      |              |                      |
| <b>Earnings attributable to Vivendi shareowners</b>                                                                     |                        |                          |               |                        |            |              |                        |                                      |              | <b>830</b>           |
| Non-controlling interests                                                                                               |                        |                          |               |                        |            |              |                        |                                      |              | 1,256                |

## Consolidated Statements of Financial Position

| (in millions of euros)                      | Activision<br>Blizzard | Universal<br>Music Group | SFR    | Maroc Telecom<br>Group | GVT   | Canal+ Group | Holding &<br>Corporate | Non-core<br>operations and<br>others | Total Vivendi |
|---------------------------------------------|------------------------|--------------------------|--------|------------------------|-------|--------------|------------------------|--------------------------------------|---------------|
| <b>December 31, 2010</b>                    |                        |                          |        |                        |       |              |                        |                                      |               |
| Segment assets (a)                          | 4,372                  | 7,679                    | 20,029 | 6,060                  | 4,501 | 7,537        | 2,976                  | 117                                  | 53,271        |
| incl. investments in equity affiliates (b)  | 2                      | 96                       | 18     | -                      | -     | 11           | 2,779                  | -                                    | 2,906         |
| Unallocated assets (c)                      |                        |                          |        |                        |       |              |                        |                                      | 5,722         |
| <b>Total Assets</b>                         |                        |                          |        |                        |       |              |                        |                                      | <b>58,993</b> |
| Segment liabilities (d)                     | 2,206                  | 2,494                    | 7,606  | 1,607                  | 452   | 2,881        | 302                    | 6                                    | 17,554        |
| Unallocated liabilities (e)                 |                        |                          |        |                        |       |              |                        |                                      | 13,266        |
| <b>Total Liabilities</b>                    |                        |                          |        |                        |       |              |                        |                                      | <b>30,820</b> |
| Increase in tangible and intangible assets  | 80                     | 42                       | 1,956  | 585                    | 535   | 219          | 1                      | 2                                    | 3,420         |
| Net industrial investments (capex, net) (f) | 75                     | 38                       | 1,974  | 556                    | 482   | 229          | 1                      | 2                                    | 3,357         |
| <b>December 31, 2009</b>                    |                        |                          |        |                        |       |              |                        |                                      |               |
| Segment assets (a)                          | 4,338                  | 7,423                    | 19,711 | 5,849                  | 3,632 | 7,475        | 4,147                  | 77                                   | 52,652        |
| incl. investments in equity affiliates (b)  | (2)                    | 98                       | 17     | -                      | -     | -            | 4,033                  | -                                    | 4,146         |
| Unallocated assets (c)                      |                        |                          |        |                        |       |              |                        |                                      | 5,473         |
| <b>Total Assets</b>                         |                        |                          |        |                        |       |              |                        |                                      | <b>58,125</b> |
| Segment liabilities (d)                     | 1,806                  | 2,535                    | 7,710  | 1,571                  | 307   | 3,052        | 564                    | (14)                                 | 17,531        |
| Unallocated liabilities (e)                 |                        |                          |        |                        |       |              |                        |                                      | 14,606        |
| <b>Total Liabilities</b>                    |                        |                          |        |                        |       |              |                        |                                      | <b>32,137</b> |
| Increase in tangible and intangible assets  | 48                     | 41                       | 1,645  | 519                    | 71    | 223          | 1                      | 2                                    | 2,550         |
| Net industrial investments (capex, net) (f) | 48                     | 20                       | 1,703  | 486                    | 71    | 231          | 1                      | 2                                    | 2,562         |

Additional operating segment data is presented in Note 9 "Goodwill", Note 10 "Content assets and commitments", Note 11 "Other intangible assets" and Note 13 "Intangible and tangible assets of telecom operations".

- a. Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade accounts receivable and other.
- b. The Holding & Corporate operating segment includes the interest in NBC Universal (please refer to Note 2.2).
- c. Unallocated assets include deferred tax assets, current tax receivables, cash and cash equivalents as well as assets held for sale.
- d. Segment liabilities include provisions, other non-current liabilities and trade accounts payable.
- e. Unallocated liabilities include borrowings and other financial liabilities, deferred tax liabilities, current tax payables as well as liabilities associated with assets held for sale.
- f. Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

## 3.2 Geographical information

Revenues are broken down by the customers' location.

| (in millions of euros) | Year ended December 31, |             |               |             |
|------------------------|-------------------------|-------------|---------------|-------------|
|                        | 2010                    |             | 2009          |             |
| <b>Revenues</b>        |                         |             |               |             |
| France                 | 17,097                  | 59%         | 16,898        | 62%         |
| Rest of Europe         | 3,061                   | 10%         | 3,046         | 11%         |
| United States          | 3,375                   | 12%         | 3,153         | 12%         |
| Morocco                | 2,296                   | 8%          | 2,248         | 8%          |
| Brazil (a)             | 1,084                   | 4%          | 147           | 1%          |
| Rest of the World      | 1,965                   | 7%          | 1,640         | 6%          |
|                        | <b>28,878</b>           | <b>100%</b> | <b>27,132</b> | <b>100%</b> |

| (in millions of euros) | December 31, 2010 |             | December 31, 2009 |             |
|------------------------|-------------------|-------------|-------------------|-------------|
|                        |                   |             |                   |             |
| <b>Segment assets</b>  |                   |             |                   |             |
| France                 | 27,543            | 52%         | 27,073            | 51%         |
| Rest of Europe         | 1,747             | 3%          | 1,876             | 4%          |
| United States          | 12,936            | 24%         | 13,800            | 26%         |
| Morocco                | 4,610             | 9%          | 4,485             | 9%          |
| Brazil                 | 4,533             | 9%          | 3,632 (b)         | 7%          |
| Rest of the World      | 1,902             | 3%          | 1,786             | 3%          |
|                        | <b>53,271</b>     | <b>100%</b> | <b>52,652</b>     | <b>100%</b> |

a. Mainly relates to revenues of GVT which has been consolidated since November 13, 2009 (please refer to Note 2.1).

b. Only relates to segment assets of GVT.

In 2010 and 2009, capital expenditures were mainly realized in France by SFR and Canal+ Group, in Morocco by Maroc Telecom SA and in Brazil by GVT.

## Note 4 EBIT

### Breakdown of revenues and cost of revenues

| (in millions of euros)     | Year ended December 31, |                 |
|----------------------------|-------------------------|-----------------|
|                            | 2010                    | 2009            |
| Product sales, net         | 7,683                   | 7,378           |
| Services revenues          | 21,169                  | 19,734          |
| Other                      | 26                      | 20              |
| <b>Revenues</b>            | <b>28,878</b>           | <b>27,132</b>   |
| Cost of products sold, net | (5,342)                 | (4,972)         |
| Cost of service revenues   | (9,220)                 | (8,632)         |
| Other                      | 1                       | (23)            |
| <b>Cost of revenues</b>    | <b>(14,561)</b>         | <b>(13,627)</b> |

### Personnel costs and average employee numbers

| (in millions of euros except number of employees)              | Note | Year ended December 31, |               |
|----------------------------------------------------------------|------|-------------------------|---------------|
|                                                                |      | 2010                    | 2009          |
| <b>Annual average number of full-time equivalent employees</b> |      | <b>54,561</b>           | <b>48,210</b> |
| Salaries                                                       |      | 2,349                   | 2,203         |
| Social security and other employment charges                   |      | 633                     | 552           |
| Capitalized personnel costs                                    |      | (218)                   | (163)         |
| <b>Wages and expenses</b>                                      |      | <b>2,764</b>            | <b>2,592</b>  |
| Share-based compensation plans                                 | 21.1 | 139                     | 154           |
| Employee benefit plans                                         | 20.1 | 71                      | 20            |
| Other                                                          |      | 295                     | 190           |
| <b>Personnel costs</b>                                         |      | <b>3,269</b>            | <b>2,956</b>  |

The increase in the average number of full time equivalent employees primarily reflected the consolidation of GVT since November 13, 2009, as well as the acquisition of 5 sur 5 by SFR in August 2009.

### Additional information on operating expenses

Research and development expenditures amounted to -€835 million in 2010 (compared to -€786 million in 2009) and comprised all internal or external net costs brought to earnings for the periods reported.

Advertising costs amounted to -€874 million in 2010 (compared to -€800 million in 2009).

### Amortization and depreciation of tangible and other intangible assets

| (in millions of euros)                                                            | Note | Year ended December 31, |              |
|-----------------------------------------------------------------------------------|------|-------------------------|--------------|
|                                                                                   |      | 2010                    | 2009         |
| Amortization (excluding intangible assets acquired through business combinations) |      | 2,483                   | 2,246        |
| <i>of which property, plant and equipment</i>                                     | 12   | 1,527                   | 1,377        |
| <i>content assets</i>                                                             | 10   | 187                     | 168          |
| <i>other intangible assets</i>                                                    | 11   | 769                     | 701          |
| Amortization of intangible assets acquired through business combinations          |      | 603                     | 634          |
| <i>of which content assets</i>                                                    | 10   | 379                     | 466          |
| <i>other intangible assets</i>                                                    | 11   | 224                     | 168          |
| Impairment losses of intangible assets acquired through business combinations (a) | 9-10 | 252                     | 920          |
| <b>Amortization and depreciation of tangible and intangible assets</b>            |      | <b>3,338</b>            | <b>3,800</b> |

- a. In 2010, impairment losses of intangible assets acquired through business combinations primarily related to the impairment of certain UMG content assets (€35 million) and Activision Blizzard (€217 million). In 2009, they primarily related to the impairment loss of UMG's goodwill (€616 million) and the impairment loss of certain content assets of Activision Blizzard (€302 million).

## Note 5 Financial charges and income

### Interest

(in millions of euros)

Interest expense on borrowings

Interest income from cash and cash equivalents

### Interest

*Premium related to early redemption of borrowings and fees related to issuance or cancellation of lines of credit*

| Year ended December 31, |            |
|-------------------------|------------|
| 2010                    | 2009       |
| 521                     | 486        |
| (29)                    | (28)       |
| <b>492</b>              | <b>458</b> |
| 43                      | 14         |
| <b>535</b>              | <b>472</b> |

### Other financial charges and income

(in millions of euros)

Other capital gain on the divestiture of businesses

Downside adjustment on the divestiture of businesses

Other capital gain on financial investments

*of which the consolidation gain on the dilution of UMG's interest in Vevo by 49.9%*

Downside adjustment on financial investments

*of which the capital loss on the sale of 7.66% interest in NBC Universal (a)*

*the depreciation of the minority stake in NBC Universal*

Other

*of which the settlement with the Brazilian CVM*

### Other charges and income related to financial investing activities

Reserve accrued regarding the Securities Class Action in the United States

Effect of undiscounting assets and liabilities (b)

Financial components of employee benefits

Premium related to early redemption of borrowings and fees related to issuance or cancellation of lines of credit

Change in value of derivative instruments

Other

### Other charges and income related to financing activities

### Other financial charges and income

| Note | Year ended December 31, |              |
|------|-------------------------|--------------|
|      | 2010                    | 2009         |
|      | 3                       | 23           |
|      | (9)                     | (26)         |
|      | 45                      | 72           |
|      | -                       | 56           |
|      | (242)                   | (95)         |
| 2.2  | (232)                   | -            |
| 2.2  | -                       | (82)         |
|      | (102)                   | (80)         |
| 27   | (67)                    | -            |
|      | <b>(305)</b>            | <b>(106)</b> |
| 27   | 450                     | (550)        |
|      | (47)                    | (56)         |
| 20.2 | (27)                    | (25)         |
|      | (43)                    | (14)         |
|      | (13)                    | (13)         |
|      | (32)                    | (31)         |
|      | <b>288</b>              | <b>(689)</b> |
|      | <b>(17)</b>             | <b>(795)</b> |

- a. Relates to the capital loss incurred on the sale of a 7.66% interest in NBC Universal that was completed at the end of September 2010 as the first step in the sale process of a 20% interest in NBC Universal, as agreed with General Electric in December 2009. This capital loss notably included -€281 million related to foreign currency translation adjustment reclassified to earnings, which represented a foreign exchange loss attributable to the decline in the value of the US dollar since January 1, 2004.
- b. In accordance with accounting principles, when the effect of the time value of money is material, financial assets or liabilities (mainly trade accounts receivable and payable, as well as provisions) are recorded on the balance sheet in an amount corresponding to the present value of the expected income or expenses, as applicable. At each subsequent period-end, the present value of such financial assets or liabilities is adjusted to account for the passage of time.

## Note 6 Income taxes

### 6.1 Consolidated global profit tax system

On May 19, 2008, Vivendi applied to the French Ministry of Finance for the renewal of its authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code. Authorization was granted by an order dated March 13, 2009, for a three-year period beginning with the taxable year 2009 and ending with the taxable year 2011.

Under the Consolidated Global Profit Tax System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that are at least 50% directly or indirectly owned by it, and that are located in France or abroad. Subsidiaries in which Vivendi directly or indirectly owns at least 50% of the outstanding shares, either French or abroad, as well as Canal+ SA, fall within the scope of the Consolidated Global Profit Tax System (Activision Blizzard, Universal Music Group, SFR, Maroc Telecom, GVT and Canal+ Group). Under Vivendi's authorization to use the Consolidated Global Profit Tax System, Vivendi is entitled to use ordinary losses carried forward.

The benefit provided by the Consolidated Global Profit Tax System related to the assessment of losses carried forward is as follows:

- as of December 31, 2009, Vivendi carried forward losses of €6,168 million as the head company consolidating for tax purposes the results of its French and foreign subsidiaries (based on tax results converted in accordance with French tax rules for the latter) in which it held at least a 50% equity interest, as well as of Canal+ SA;
- on February 22, 2011, the date when the Management Board approves the Financial Statements for the year ended December 31, 2010, the 2010 tax results converted in accordance with French tax rules of the tax group companies, as of December 31, 2010 and, as a consequence, the amount of ordinary tax losses available for carry forward at such date, cannot be determined with sufficient certainty;
- therefore, before the impact of (i) 2010 tax results and (ii) the potential consequences of the ongoing tax audit for fiscal years 2006, 2007, 2008 and 2009 (please refer to Note 6.6 below), and after taking into account (iii) the consequences of the tax audit for fiscal years 2004 and 2005, on the amount of ordinary tax losses carried forward, Vivendi SA is expected to achieve tax savings of €2,056 million (undiscounted value based on the current income tax rate of 33.33%); and
- the period during which losses will be utilized cannot be determined with sufficient precision given the uncertainty associated with economic activity. As a result, Vivendi SA values its tax losses carried forward under the Consolidated Global Profit Tax System based on one year's forecast results, taken from the following year's budget.

The impact of the Consolidated Global Profit Tax System on the Consolidated Financial Statements for the years ended December 31, 2010 and 2009 is as follows:

| (in millions of euros) | December 31,<br>2008 | Income/(charges)<br>in statement of<br>earnings | Collections  | December 31,<br>2009 | Income/(charges)<br>in statement of<br>earnings | Collections  | December 31,<br>2010 |
|------------------------|----------------------|-------------------------------------------------|--------------|----------------------|-------------------------------------------------|--------------|----------------------|
| Current tax assets     | 438                  | 181                                             | (435)        | 184                  | 577 (b)                                         | (182)        | 579                  |
| Deferred tax assets    | 212                  | 292                                             | -            | 504                  | (3)                                             | -            | 501                  |
|                        | <b>650</b>           | <b>473</b>                                      | <b>(435)</b> | <b>688</b> (a)       | <b>574</b>                                      | <b>(182)</b> | <b>1,080</b>         |

- As of December 31, 2009, current tax assets related to the 2009 expected tax savings which decreased due to SFR's utilization in 2009 of Neuf Cegetel's ordinary losses carried forward. Deferred tax assets related to the 2010 expected tax savings which increased due to the almost full utilization of Neuf Cegetel's losses carried forward by SFR in 2009.
- Relates to the expected tax savings as of December 31, 2010, for 2010 (€579 million) and the -€2 million difference between the 2009 forecasted tax savings as of December 31, 2009 and the effective 2009 tax savings received in 2010.

## 6.2 Provision for income taxes

(in millions of euros)

### Provision for income taxes

#### Current

Use of tax losses:

Tax savings related to the Consolidated Global Profit Tax System

Tax savings related to the US tax group

Adjustments to prior year's tax expense

Other income taxes items

| Note | Year ended December 31, |              |
|------|-------------------------|--------------|
|      | 2010                    | 2009         |
| 6.1  | 577                     | 181          |
|      | -                       | 19           |
|      | 3                       | 26           |
|      | (1,728)                 | (902)        |
|      | <b>(1,148)</b>          | <b>(676)</b> |
| 6.1  | (3)                     | 292          |
|      | -                       | -            |
|      | (76)                    | (750)        |
|      | (41)                    | 43           |
|      | (16)                    | -            |
|      | 5                       | 82           |
|      | 237                     | 334          |
|      | <b>106</b>              | <b>1</b>     |
|      | <b>(1,042)</b>          | <b>(675)</b> |

#### Deferred

Impact of the Consolidated Global Profit Tax System

Impact of the US tax group

Tax savings related to the utilization of Neuf Cegetel's ordinary losses carried forward

Other changes in deferred tax assets

Impact of the change(s) in tax rates

Reversal of tax liabilities relating to risks extinguished over the period

Other deferred tax income/(expenses)

### Provision for income taxes

## 6.3 Provision for income taxes and income tax paid by geographical area

(in millions of euros)

### Provision for income taxes

#### Current

France

United States

Morocco

Brazil

Other jurisdictions

#### Deferred

France

United States

Morocco

Brazil

Other jurisdictions

### Provision for income taxes

#### Income tax (paid)/collected

France

of which SFR

United States

Morocco

Brazil

Other jurisdictions

### Income tax paid

| Year ended December 31, |              |
|-------------------------|--------------|
| 2010                    | 2009         |
| (382)                   | (36)         |
| (244)                   | (204)        |
| (344)                   | (341)        |
| (64)                    | (4)          |
| (114)                   | (91)         |
| <b>(1,148)</b>          | <b>(676)</b> |
| (109)                   | (372)        |
| 99                      | 337          |
| 6                       | 3            |
| 33                      | (1)          |
| 77                      | 34           |
| <b>106</b>              | <b>1</b>     |
| <b>(1,042)</b>          | <b>(675)</b> |
| (792)                   | 435          |
| (593)                   | 76           |
| (167)                   | (168)        |
| (301)                   | (316)        |
| (59)                    | (5)          |
| (46)                    | (83)         |
| <b>(1,365)</b>          | <b>(137)</b> |

## 6.4 Effective tax rate

(in millions of euros, except %)

### Earnings from continuing operations before provision for income taxes

Elimination:

Income from equity affiliates

### Earnings before provision for income taxes

### French statutory tax rate

### Theoretical provision for income taxes based on French statutory tax rate

Reconciliation of the theoretical and effective provision for income taxes

### Permanent differences

of which other differences from tax rates

impacts of the changes in tax rates

### Consolidated Global Profit Tax System

of which current tax savings

changes in related deferred tax assets

### Other tax losses

of which use of current losses of the period

use of unrecognized ordinary losses

unrecognized tax losses

### Restatements in respect of the provision for income taxes of previous years

### Capital gain or loss on the divestiture or on the depreciation of financial investments or businesses

of which the depreciation of the goodwill related to UMG

the depreciation of the minority stake in NBC Universal

### Effective provision for income taxes

### Effective tax rate

| Note | Year ended December 31, |               |
|------|-------------------------|---------------|
|      | 2010                    | 2009          |
|      | <b>4,564</b>            | <b>2,761</b>  |
|      | (195)                   | (171)         |
|      | <b>4,369</b>            | <b>2,590</b>  |
|      | <b>33.33%</b>           | <b>33.33%</b> |
|      | <b>(1,456)</b>          | <b>(863)</b>  |
|      |                         |               |
|      | <b>(14)</b>             | <b>1</b>      |
|      | 14                      | 32            |
|      | (16)                    | -             |
| 6.1  | <b>574</b>              | <b>473</b>    |
|      | 577                     | 181           |
|      | (3)                     | 292           |
|      | <b>(104)</b>            | <b>(74)</b>   |
|      | 3                       | 18            |
|      | 85                      | 105           |
|      | (192)                   | (197)         |
|      | <b>(42)</b>             | <b>22</b>     |
|      |                         |               |
|      | -                       | <b>(234)</b>  |
|      | -                       | (216)         |
|      | -                       | (28)          |
|      | <b>(1,042)</b>          | <b>(675)</b>  |
|      | <b>23.8%</b>            | <b>26.1%</b>  |

## 6.5 Deferred tax assets and liabilities

### Changes in deferred tax assets/(liabilities), net

(in millions of euros)

### Opening balance of deferred tax assets/(liabilities)

Provision for income taxes

Charges and income directly recorded in equity (a)

Business combinations

Changes in foreign currency translation adjustments and other

### Closing balance of deferred tax assets/(liabilities)

| Year ended December 31, |            |
|-------------------------|------------|
| 2010                    | 2009       |
| <b>739</b>              | <b>890</b> |
| 106                     | 1          |
| (5)                     | 48         |
| 5                       | (116)      |
| 35                      | (84)       |
| <b>880</b>              | <b>739</b> |

- a. Includes -€9 million recognized in other items of comprehensive income for the year ended December 31, 2010 (compared to €9 million as of December 31, 2009).

**Components of deferred tax assets and liabilities**

(in millions of euros)

|                                                         | December 31, 2010 | December 31, 2009 |
|---------------------------------------------------------|-------------------|-------------------|
| <b>Deferred tax assets</b>                              |                   |                   |
| <i>Deferred taxes, gross</i>                            |                   |                   |
| Ordinary tax losses and tax credits carried forward (a) | 3,328             | 3,749             |
| <i>of which Vivendi SA (b)</i>                          | 2,332             | 2,679             |
| <i>Vivendi Holding I Corp. (c)</i>                      | 500               | 426               |
| <i>SFR (d)</i>                                          | 55                | 144               |
| Temporary differences (e)                               | 1,605             | 1,793             |
| Netting                                                 | (441)             | (544)             |
| <b>Deferred taxes, gross</b>                            | <b>4,492</b>      | <b>4,998</b>      |
| <i>Deferred taxes, unrecognized</i>                     |                   |                   |
| Ordinary tax losses and tax credits carried forward (a) | (2,535)           | (2,782)           |
| <i>of which Vivendi SA (b)</i>                          | (1,831)           | (2,175)           |
| <i>Vivendi Holding I Corp. (c)</i>                      | (500)             | (426)             |
| <i>SFR (d)</i>                                          | (42)              | (44)              |
| Temporary differences (e)                               | (121)             | (373)             |
| <b>Deferred taxes, unrecognized</b>                     | <b>(2,656)</b>    | <b>(3,155)</b>    |
| <b>Recorded deferred tax assets</b>                     | <b>1,836</b>      | <b>1,843</b>      |
| <b>Deferred tax liabilities</b>                         |                   |                   |
| Purchase accounting reevaluation of assets (f)          | 926               | 1,119             |
| Other                                                   | 471               | 529               |
| Netting                                                 | (441)             | (544)             |
| <b>Recorded deferred tax liabilities</b>                | <b>956</b>        | <b>1,104</b>      |
| <b>Deferred tax assets/(liabilities), net</b>           | <b>880</b>        | <b>739</b>        |

- a. The amounts of ordinary tax losses and tax credits carried forward, as reported in this table, were estimated at the end of the relevant fiscal years. In jurisdictions which are material to Vivendi, mainly the United States and France, the tax returns are respectively filed on September 15 and November 30 of the following year, at the latest. Thus, the amounts of tax losses and tax credits carried forward reported in this table and those reported to the tax authorities may differ significantly, and if necessary, may be adjusted at the end of the following year in the table above.
- b. Includes recognized deferred tax assets in respect of ordinary tax losses and tax credits carried forward by Vivendi SA as head of the tax group under the Consolidated Global Profit Tax System (€2,909 million as of December 31, 2009), before their expected use in 2010 estimated at €577 million (please refer to Note 6.1 above) and before the potential consequences of the ongoing tax audit for fiscal years 2006, 2007, 2008 and 2009 (please refer to Note 6.6 below), but after taking into account the consequences of the tax audit for fiscal years 2004 and 2005.
- c. Includes recognized deferred tax assets in respect of ordinary tax losses and tax credits carried forward by Vivendi Holding I Corp. in the United States as head of the US tax group (\$628 million as of December 31, 2009, before the impact of the loss expected in 2010 estimated at \$29 million, as well as tax credits generated in 2010 for \$5 million (please refer to Note 6.6 below).
- d. Includes €76 million as of December 31, 2009 corresponding to the remaining deferred tax assets related to Neuf Cegetel's ordinary tax losses carried forward from prior years. These tax assets were fully consumed in 2010.
- e. Mainly includes the deferred tax assets related to non-deducted provisions upon recognition, including provisions relating to employee benefit plans and share-based compensation plans.
- f. These tax liabilities, generated by asset revaluations following the purchase price allocation of company acquisition costs, are terminated upon the amortization or divestiture of the underlying asset and generate no current tax charge.

## Maturity of ordinary tax losses carried forward

Due to the timing of tax return filings, the ordinary tax losses carried forward reported for fiscal year 2009 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: losses carried forward amounted to €6,168 million and can be carried forward indefinitely; and
- United States: losses carried forward amounted to \$1,379 million and can be carried forward for a period of up to twenty years. No losses will mature prior to June 30, 2021.

## Maturity of tax credits carried forward

Due to the timing of tax return filings, the tax credit carried forward reported for fiscal year ended December 31, 2009 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: tax credits carried forward amounted to €980 million, carried forward for a five-year period, of which €127 million matured as of December 31, 2010; and
- United States: tax credits carried forward amounted to \$122 million and can be carried forward for a maximum period of ten years, of which \$7 million matured on December 31, 2010.

## 6.6 Tax audits

The fiscal year ended December 31, 2010 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has or had operations. Various tax authorities have proposed or levied assessments for additional tax in respect of prior years. Vivendi's management believes that the settlement of any or all of these assessments will not have a material and unfavorable impact on the results of operations, financial position or liquidity of Vivendi.

In addition, in respect of the Consolidated Global Profit Tax System, the consolidated income reported for fiscal years 2006, 2007 and 2008 is under audit by the French tax authorities. This tax audit started in January 2010. In addition, the tax audit by the French tax authorities regarding the consolidated income reported for the fiscal year 2009 began in January 2011. Finally, the consequences of the tax audit for fiscal years 2004 and 2005 have not materially impacted the amount of losses carried forward as reported above.

Vivendi's US tax group was under tax audit for the fiscal years ended December 31, 2005, 2006 and 2007. This tax audit started in October 2009 and is currently in progress as of the date of this report. In addition, as part of the tax audit for the fiscal years ended December 31, 2002, 2003 and 2004, Vivendi notably made an affirmative claim before the tax authorities, which was favorably received by the tax authorities. Consequently, in 2009, ordinary losses carried forward of the US tax group were increased by \$975 million, all other things being equal.

Moreover, Maroc Telecom is under a tax audit for the fiscal years ended December 31, 2005, 2006, 2007 and 2008. This tax audit is currently in progress.

## Note 7 Earnings per share

|                                                                            | Year ended December 31, |                |                |                |
|----------------------------------------------------------------------------|-------------------------|----------------|----------------|----------------|
|                                                                            | 2010                    |                | 2009           |                |
|                                                                            | Basic                   | Diluted        | Basic          | Diluted        |
| <b>Earnings attributable to Vivendi shareowners (in millions of euros)</b> | 2 198                   | 2 196 (a)      | 830            | 829 (a)        |
| <b>Number of shares (in millions)</b>                                      |                         |                |                |                |
| Weighted average number of shares outstanding restated (b)                 | 1 232,3                 | 1 232,3        | 1 203,2        | 1 203,2        |
| Potential dilutive effects related to share-based compensation             | -                       | 2,2            | -              | 1,8            |
| <b>Adjusted weighted average number of shares</b>                          | <b>1 232,3</b>          | <b>1 234,5</b> | <b>1 203,2</b> | <b>1 205,0</b> |
| <b>Earnings attributable to Vivendi shareowners per share (in euros)</b>   | 1,78                    | 1,78           | 0,69           | 0,69           |

Earnings from discontinued operations are not applicable over the presented periods. Therefore, the caption "earnings from continuing operations attributable to Vivendi shareowners" relates to earnings attributable to Vivendi shareowners.

- Only includes the potential dilutive effect related to employee stock option and restricted stock plans of Activision Blizzard for a non-material amount (please refer to Note 21.3).
- Net of treasury shares (please refer to Note 18).

## Note 8 Charges and income directly recognized in equity

| (in millions of euros)                                                        | Note | Year ended December 31, 2010 |            |              |
|-------------------------------------------------------------------------------|------|------------------------------|------------|--------------|
|                                                                               |      | Gross                        | Tax        | Net          |
| Foreign currency translation adjustments (a)                                  |      | 1,794                        | -          | 1,794        |
| <i>Transferred to profit or loss as part of the NBC Universal transaction</i> | 2.2  | 281                          | -          | 281          |
| Assets available for sale                                                     |      | 2                            | -          | 2            |
| <i>Valuation gains/(losses) taken to equity</i>                               |      | 2                            | -          | 2            |
| <i>Transferred to profit or loss of the period</i>                            |      | -                            | -          | -            |
| Cash flow hedge instruments                                                   | 23   | 41                           | (9)        | 32           |
| <i>Valuation gains/(losses) taken to equity</i>                               |      | 41                           | (9)        | 32           |
| <i>Transferred to profit or loss of the period</i>                            |      | -                            | -          | -            |
| Net investment hedge instruments (b)                                          | 23   | (20)                         | -          | (20)         |
| <i>Valuation gains/(losses) taken to equity</i>                               |      | (20)                         | -          | (20)         |
| <i>Transferred to profit or loss of the period</i>                            |      | -                            | -          | -            |
| Other impacts                                                                 |      | (6)                          | -          | (6)          |
| <b>Charges and income directly recognized in equity</b>                       |      | <b>1,811</b>                 | <b>(9)</b> | <b>1,802</b> |

| (in millions of euros)                                  | Note | Year ended December 31, 2009 |          |              |
|---------------------------------------------------------|------|------------------------------|----------|--------------|
|                                                         |      | Gross                        | Tax      | Net          |
| Foreign currency translation adjustments (a)            |      | (325)                        | -        | (325)        |
| Assets available for sale                               |      | 8                            | -        | 8            |
| <i>Valuation gains/(losses) taken to equity</i>         |      | 8                            | -        | 8            |
| <i>Transferred to profit or loss of the period</i>      |      | -                            | -        | -            |
| Cash flow hedge instruments                             | 23   | (44)                         | 9        | (35)         |
| <i>Valuation gains/(losses) taken to equity</i>         |      | (44)                         | 9        | (35)         |
| <i>Transferred to profit or loss of the period</i>      |      | -                            | -        | -            |
| Net investment hedge instruments                        | 23   | (19)                         | -        | (19)         |
| <i>Valuation gains/(losses) taken to equity</i>         |      | (19)                         | -        | (19)         |
| <i>Transferred to profit or loss of the period</i>      |      | -                            | -        | -            |
| Other impacts                                           |      | (33)                         | -        | (33)         |
| <b>Charges and income directly recognized in equity</b> |      | <b>(413)</b>                 | <b>9</b> | <b>(404)</b> |

- a. The change in foreign currency translation adjustments primarily resulted from fluctuations in the euro/dollar exchange rate (mainly at Activision Blizzard, Universal Music Group and in relation to the investment in NBC Universal) and, in 2010, the Brazilian Real (at GVT). In 2010, the change in foreign currency translation adjustments relating to the investment in NBC Universal was +€318 million (-€101 million in 2009) and the cumulative balance of foreign currency translation adjustments relating to the investment in NBC Universal represented a potential unrealized foreign exchange loss of €404 million as of December 31, 2010. In addition, as of December 31, 2010, the change in foreign currency translation adjustments also included the currency translation adjustment for -€281 million reclassified to profit or loss, realized at the end of September 2010 following the sale of a 7.66% interest in NBC Universal (please refer to Note 2.2).
- b. As part of its interest rate and foreign currency risks management, Vivendi uses certain hedging derivative financial instruments, which are described in Note 23. Notably, Vivendi's investment in NBC Universal has been hedged using forward sales contracts denominated in US dollars for an aggregated nominal value of \$3,800 million as of December 31, 2010. From an accounting perspective, these forward sales contracts are qualified as net investment hedges in NBC Universal: the change in fair value of these instruments was recognized as other items of comprehensive income for -€20 million for the year ended December 31, 2010.

## Note 9 Goodwill

(in millions of euros)

|                   | December 31, 2010 | December 31, 2009 |
|-------------------|-------------------|-------------------|
| Goodwill, gross   | 37,518            | 36,105            |
| Impairment losses | (12,173)          | (11,589)          |
| <b>Goodwill</b>   | <b>25,345</b>     | <b>24,516</b>     |

### Changes in goodwill

| (in millions of euros)                 | December 31, 2009 | Impairment losses | Changes in value of commitments to purchase non-controlling interests | Business combinations | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2010 |
|----------------------------------------|-------------------|-------------------|-----------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------|-------------------|
| Activision Blizzard                    | 2,096             | -                 | -                                                                     | (19)                  | 180                                                                         | 2,257             |
| of which Activision                    | 2,048             | -                 | -                                                                     | (19)                  | 180                                                                         | 2,209             |
| Blizzard                               | 45                | -                 | -                                                                     | -                     | (1)                                                                         | 44                |
| Universal Music Group                  | 3,652             | -                 | -                                                                     | 4                     | 355                                                                         | 4,011             |
| SFR                                    | 9,170             | -                 | -                                                                     | 1                     | (1)                                                                         | 9,170             |
| of which Mobile                        | 6,982             | -                 | -                                                                     | 1                     | (1)                                                                         | 6,982             |
| Broadband Internet and fixed           | 2,188             | -                 | -                                                                     | -                     | -                                                                           | 2,188             |
| Maroc Telecom Group                    | 2,407             | -                 | -                                                                     | (29)                  | 31                                                                          | 2,409             |
| of which Maroc Telecom SA subsidiaries | 1,764             | -                 | -                                                                     | -                     | 28                                                                          | 1,792             |
| GVT                                    | 643               | -                 | -                                                                     | (29)                  | 3                                                                           | 617               |
| Canal+ Group                           | 2,150             | -                 | -                                                                     | (17) (a)              | 290                                                                         | 2,423             |
| of which Canal+ France                 | 5,012             | -                 | (4)                                                                   | (17)                  | 1                                                                           | 4,992             |
| StudioCanal                            | 4,694             | -                 | (4)                                                                   | -                     | (1)                                                                         | 4,689             |
| Non-core operations and others         | 165               | -                 | -                                                                     | (17)                  | 1                                                                           | 149               |
| <b>Total</b>                           | <b>29</b>         | <b>-</b>          | <b>-</b>                                                              | <b>53</b>             | <b>1</b>                                                                    | <b>83</b>         |
| <b>Total</b>                           | <b>24,516</b>     | <b>-</b>          | <b>(4)</b>                                                            | <b>(24)</b>           | <b>857 (b)</b>                                                              | <b>25,345</b>     |

| (in millions of euros)                 | December 31, 2008 | Impairment losses | Changes in value of commitments to purchase non-controlling interests | Business combinations | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2009 |
|----------------------------------------|-------------------|-------------------|-----------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------|-------------------|
| Activision Blizzard                    | 2,161             | -                 | -                                                                     | (4)                   | (61)                                                                        | 2,096             |
| of which Activision                    | 2,113             | -                 | -                                                                     | (4)                   | (61)                                                                        | 2,048             |
| Blizzard                               | 44                | -                 | -                                                                     | -                     | 1                                                                           | 45                |
| Universal Music Group                  | 4,406             | (616)             | -                                                                     | (19)                  | (119)                                                                       | 3,652             |
| SFR                                    | 9,050             | -                 | -                                                                     | 120                   | -                                                                           | 9,170             |
| of which Mobile                        | 6,907             | -                 | -                                                                     | 75                    | -                                                                           | 6,982             |
| Broadband Internet and fixed           | 2,143             | -                 | -                                                                     | 45                    | -                                                                           | 2,188             |
| Maroc Telecom Group                    | 1,968             | -                 | (7)                                                                   | 456                   | (10)                                                                        | 2,407             |
| of which Maroc Telecom SA subsidiaries | 1,773             | -                 | -                                                                     | -                     | (9)                                                                         | 1,764             |
| GVT                                    | 195               | -                 | (7)                                                                   | 456 (c)               | (1)                                                                         | 643               |
| Canal+ Group                           | na*               | -                 | -                                                                     | 2,116 (a)             | 34                                                                          | 2,150             |
| of which Canal+ France                 | 5,027             | -                 | (19)                                                                  | 4                     | -                                                                           | 5,012             |
| StudioCanal                            | 4,709             | -                 | (19)                                                                  | 4                     | -                                                                           | 4,694             |
| Non-core operations and others         | 164               | -                 | -                                                                     | -                     | 1                                                                           | 165               |
| <b>Total</b>                           | <b>-</b>          | <b>-</b>          | <b>-</b>                                                              | <b>29</b>             | <b>-</b>                                                                    | <b>29</b>         |
| <b>Total</b>                           | <b>22,612</b>     | <b>(616)</b>      | <b>(26)</b>                                                           | <b>2,702</b>          | <b>(156)</b>                                                                | <b>24,516</b>     |

na\*: not applicable.

- As of November 13, 2009, goodwill attributable to 100% of the share capital of GVT amounted to €2,116 million based on the estimated purchase price according to the purchase commitment relating to non-controlling interests as of this date (17.55%). In 2010, the purchase price was adjusted to -€17 million in order to include the decrease in purchase price of non-controlling interests over the period. Since June 11, 2010, Vivendi holds a 100% controlling interest in GVT (please refer to Note 2.1).
- Relates to foreign currency translation adjustments, mainly due to fluctuations in the euro/dollar exchange rate or the Brazilian Real.
- Relates to goodwill attributable to the acquisition of Sotelma (please refer to Note 2.3).

## Goodwill impairment test

During the fourth quarter of 2010, Vivendi tested the value of goodwill allocated to its cash-generating units (CGUs) or groups of CGUs applying valuation methods consistent with previous years. Vivendi ensures that the recoverable amount of CGU or groups of CGU exceed their carrying value (including goodwill). The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (discounted cash flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent transactions). For a description of the methods used for the impairment test, please refer to Note 1.3.5.7.

Vivendi performed such test on the basis of an internal valuation of recoverable amounts, except in the case of Activision Blizzard (AB) and Universal Music Group (UMG) for which Vivendi required the assistance of independent experts. As a result, Vivendi's management concluded that the recoverable amount exceeded their carrying value as of December 31, 2010 for each cash generating unit (CGU) or group of CGUs tested.

As of December 31, 2009, Vivendi's management concluded that the carrying value exceeded the recoverable amount of UMG and consequently recorded an impairment loss of €616 million. At year-end 2010, UMG has launched a significant reorganization plan leading to cost optimization, redeployment of resources towards key initiatives such as further expanding the company's creative investments, including maintaining high investment in local artists and talents, support and development of new digital platforms and services, and a more global approach. By the end of 2011, cost savings are expected to reach €100 million globally on a full year basis. Based on this and after taking into account a risk factor associated with implementation, Vivendi's management concluded that the carrying value was at least equal to the recoverable amount of UMG as of December 31, 2010. The recoverable amount was determined using usual valuation methods (DCF and stock market multiples) using financial assumptions consistent with previous years (discount rate of 9.50%, compared to 8.50% as of December 31, 2009 and perpetual growth rate of 1.00%, unchanged compared to 2009 – please refer to the table below).

### CGU or groups of CGUs tested

| Operating Segments    | Cash Generating Units (CGU)       | CGU or groups of CGU tested  |
|-----------------------|-----------------------------------|------------------------------|
| Activision Blizzard   | Activision                        | Activision                   |
|                       | Blizzard                          | Blizzard                     |
|                       | Distribution                      | Distribution                 |
| Universal Music Group | Recorded music                    | Universal Music Group        |
|                       | Artist services and merchandising |                              |
|                       | Music publishing                  |                              |
| SFR                   | Mobile                            | Mobile                       |
|                       | Broadband Internet and fixed      | Broadband Internet and fixed |
| Maroc Telecom Group   | Mobile                            | Maroc Telecom                |
|                       | Fixed and Internet                | Onatel                       |
|                       | Onatel                            | Gabon Telecom                |
|                       | Gabon Telecom                     | Mauritel                     |
|                       | Mauritel                          | Sotelma                      |
|                       | Sotelma                           | GVT                          |
| GVT                   | GVT                               |                              |
| Canal+ Group          | French Pay-TV                     | Canal+ France                |
|                       | Canal+ Overseas                   | StudioCanal                  |
|                       | StudioCanal                       | Other entities               |
|                       | Other entities                    |                              |

### Key assumptions used for the determination of recoverable amounts

The value in use of each CGU or group of CGU is determined as the discounted value of future cash flows by using cash flow projections consistent with the 2011 budget and the most recent forecasts prepared by the operating segments. These forecasts are prepared for each operating segment on the basis of the financial targets as well as the following main key assumptions: discount rate, perpetual growth rate, and EBITA as defined in Note 1.2.3, capital expenditures, competitive environment, regulatory environment, technological development and level of commercial expenses.

The main assumptions used are presented in the following table.

| Operating segments    | CGU or groups of CGU tested  | Valuation Method                            |                                             | Discount Rate (b) |               | Perpetual Growth Rate |               |
|-----------------------|------------------------------|---------------------------------------------|---------------------------------------------|-------------------|---------------|-----------------------|---------------|
|                       |                              | 2010                                        | 2009                                        | 2010              | 2009          | 2010                  | 2009          |
| Activision Blizzard   | Activision                   | DCF, stock market price & comparables model | DCF, stock market price & comparables model | 11.00%            | 11.50%        | 4.00%                 | 4.00%         |
|                       | Blizzard                     | DCF, stock market price & comparables model | DCF, stock market price & comparables model | 11.00%            | 11.50%        | 4.00%                 | 4.00%         |
|                       | Distribution                 | DCF & comparables model                     | DCF & comparables model                     | 13.50%            | 13.00%        | 2.00%                 | 4.00%         |
| Universal Music Group | Universal Music Group        | DCF & comparables model                     | DCF & comparables model                     | 9.50%             | 8.50%         | 1.00%                 | 1.00%         |
| SFR                   | Mobile                       | DCF                                         | DCF                                         | 7.00%             | 7.00%         | 0.50%                 | 0.50%         |
|                       | Broadband Internet and fixed | DCF                                         | DCF                                         | 8.00%             | 8.00%         | 0.50%                 | 0.50%         |
| Maroc Telecom Group   | Maroc Telecom                | Stock market price                          | Stock market price                          | na*               | na*           | na*                   | na*           |
|                       | Onatel                       | DCF                                         | DCF                                         | 14.00%            | 14.00%        | 4.50%                 | 4.50%         |
|                       | Gabon Telecom                | DCF                                         | DCF                                         | 15.50%            | 15.50%        | 2.50%                 | 2.50%         |
|                       | Mauritel                     | DCF                                         | DCF                                         | 14.00%            | 14.00%        | 2.00%                 | 2.50%         |
|                       | Sotelma                      | DCF                                         | DCF                                         | 14.00%            | 14.00%        | 4.50%                 | 4.50%         |
| GVT                   | GVT                          | (a)                                         | (a)                                         | (a)               | (a)           | (a)                   | (a)           |
| Canal+ Group          | Canal+ France                | DCF                                         | DCF & comparables model                     | 8.50%             | 8.50%         | 1.50%                 | 1.50%         |
|                       | StudioCanal                  | DCF                                         | DCF                                         | 8.50% - 9.00%     | 8.50% - 9.00% | 0.00% - 1.00%         | 0.00% - 1.00% |

na\*: not applicable.

DCF: Discounted Cash Flows.

- No goodwill impairment test regarding GVT was undertaken as of December 31, 2009 nor as of December 31, 2010, given the recent purchase price allocation date and the closing date, and considering that no triggering event had occurred between those dates.
- The determination of recoverable amounts using a post-tax discount rate applied to post-tax cash flows provides recoverable amounts consistent with the ones that would have been obtained using a pre-tax discount rate applied to pre-tax cash flows.

## Sensitivity of recoverable amounts

The following tables show the changes in the discount rate and in the perpetual growth rate for each principal CGU or group of CGU used for the tests as of December 31, 2010 and December 31, 2009 that would have been required in order for the recoverable amount to equal the carrying value.

|                              | Discount Rate          |                                                                                                                   | Perpetual Growth Rate  |                                                                                                                           |
|------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------|
|                              | Applied Rate<br>(in %) | Change in the discount rate in order for the recoverable amount to be equal to the carrying amount<br>(in points) | Applied Rate<br>(in %) | Change in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount<br>(in points) |
| December 31, 2010            |                        |                                                                                                                   |                        |                                                                                                                           |
| <b>Activision Blizzard</b>   |                        |                                                                                                                   |                        |                                                                                                                           |
| Activision                   | 11.00%                 | +9.56 points                                                                                                      | 4.00%                  | -22.70 points                                                                                                             |
| Blizzard                     | 11.00%                 | (a)                                                                                                               | 4.00%                  | (a)                                                                                                                       |
| <b>Universal Music Group</b> | 9.50%                  | (b)                                                                                                               | 1.00%                  | (b)                                                                                                                       |
| <b>SFR</b>                   |                        |                                                                                                                   |                        |                                                                                                                           |
| Mobile                       | 7.00%                  | +5.01 points                                                                                                      | 0.50%                  | -13.12 points                                                                                                             |
| Broadband Internet and fixed | 8.00%                  | +1.14 point                                                                                                       | 0.50%                  | -1.80 point                                                                                                               |
| <b>Maroc Telecom Group</b>   | (c)                    | na*                                                                                                               | (c)                    | na*                                                                                                                       |
| <b>GVT</b>                   | (d)                    | na*                                                                                                               | (d)                    | na*                                                                                                                       |
| <b>Canal+ Group</b>          |                        |                                                                                                                   |                        |                                                                                                                           |
| Canal+ France                | 8.50%                  | +0.37 point                                                                                                       | 1.50%                  | -0.46 point                                                                                                               |
| StudioCanal                  | 9.00%                  | +1.63 point                                                                                                       | 0.00%                  | -2.05 points                                                                                                              |
|                              |                        |                                                                                                                   |                        |                                                                                                                           |
|                              | Discount Rate          |                                                                                                                   | Perpetual Growth Rate  |                                                                                                                           |
|                              | Applied Rate<br>(in %) | Change in the discount rate in order for the recoverable amount to be equal to the carrying amount<br>(in points) | Applied Rate<br>(in %) | Change in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount<br>(in points) |
| December 31, 2009            |                        |                                                                                                                   |                        |                                                                                                                           |
| <b>Activision Blizzard</b>   |                        |                                                                                                                   |                        |                                                                                                                           |
| Activision                   | 11.50%                 | +4.15 points                                                                                                      | 4.00%                  | -6.15 points                                                                                                              |
| Blizzard                     | 11.50%                 | (a)                                                                                                               | 4.00%                  | (a)                                                                                                                       |
| <b>Universal Music Group</b> | 8.50%                  | (b)                                                                                                               | 1.00%                  | (b)                                                                                                                       |
| <b>SFR</b>                   |                        |                                                                                                                   |                        |                                                                                                                           |
| Mobile                       | 7.00%                  | +6.00 points                                                                                                      | 0.50%                  | -33.30 points                                                                                                             |
| Broadband Internet and fixed | 8.00%                  | +1.15 point                                                                                                       | 0.50%                  | -2.20 points                                                                                                              |
| <b>Maroc Telecom Group</b>   | (c)                    | na*                                                                                                               | (c)                    | na*                                                                                                                       |
| <b>GVT</b>                   | (d)                    | na*                                                                                                               | (d)                    | na*                                                                                                                       |
| <b>Canal+ Group</b>          |                        |                                                                                                                   |                        |                                                                                                                           |
| Canal+ France                | 8.50%                  | +0.25 point                                                                                                       | 1.50%                  | -0.35 point                                                                                                               |
| StudioCanal                  | 9.00%                  | +1.30 point                                                                                                       | 0.00%                  | -1.95 point                                                                                                               |

na\*: not applicable.

- As of December 31, 2010, as in 2009, Blizzard's recoverable amount significantly exceeded its carrying value, hence the increase in the discount rate or the decrease in the perpetual growth rate, respectively, that would have been required in order for Blizzard's recoverable amount to equal its carrying value, was not relevant.
- As of December 31, 2009, UMG's carrying value equalled to its recoverable amount due to the recognition of an exceptional goodwill impairment loss of €616 million (please refer to the foregoing). As of December 31, 2010, UMG's carrying value was at least equal to the recoverable amount. A significant decrease in the recoverable amount would generate an additional goodwill impairment loss, if any.
- As of December 31, 2010, as in 2009, Maroc Telecom was valued based on its stock market price.
- No goodwill impairment test regarding GVT was undertaken as of December 31, 2009 nor as of December 31, 2010, given the recent purchase price allocation date and the closing date, and considering that no triggering event had occurred between those dates.

## Note 10 Content assets and commitments

### 10.1 Content Assets

| (in millions of euros)                                         | December 31, 2010     |                                                |                |
|----------------------------------------------------------------|-----------------------|------------------------------------------------|----------------|
|                                                                | Content assets, gross | Accumulated amortization and impairment losses | Content assets |
| Internally developed franchises and other games content assets | 772                   | (545)                                          | 227            |
| Games advances                                                 | 101                   | -                                              | 101            |
| Music catalogs and publishing rights                           | 6,277                 | (4,360)                                        | 1,917          |
| Advances to artists and repertoire owners                      | 485                   | -                                              | 485            |
| Merchandising contracts and artists services                   | 52                    | (31)                                           | 21             |
| Film and television costs                                      | 5,138                 | (4,385)                                        | 753            |
| Sports rights                                                  | 312                   | -                                              | 312            |
| <b>Content assets</b>                                          | <b>13,137</b>         | <b>(9,321)</b>                                 | <b>3,816</b>   |
| Deduction of current content assets                            | (1,058)               | 26                                             | (1,032)        |
| <b>Non-current content assets</b>                              | <b>12,079</b>         | <b>(9,295)</b>                                 | <b>2,784</b>   |

| (in millions of euros)                                         | December 31, 2009     |                                                |                |
|----------------------------------------------------------------|-----------------------|------------------------------------------------|----------------|
|                                                                | Content assets, gross | Accumulated amortization and impairment losses | Content assets |
| Internally developed franchises and other games content assets | 1,197                 | (674)                                          | 523            |
| Games advances                                                 | 92                    | -                                              | 92             |
| Music catalogs and publishing rights                           | 5,776                 | (3,739)                                        | 2,037          |
| Advances to artists and repertoire owners                      | 495                   | -                                              | 495            |
| Merchandising contracts and artists services                   | 50                    | (17)                                           | 33             |
| Film and television costs                                      | 4,928                 | (4,207)                                        | 721            |
| Sports rights                                                  | 299                   | -                                              | 299            |
| <b>Content assets</b>                                          | <b>12,837</b>         | <b>(8,637)</b>                                 | <b>4,200</b>   |
| Deduction of current content assets                            | (1,029)               | 25                                             | (1,004)        |
| <b>Non-current content assets</b>                              | <b>11,808</b>         | <b>(8,612)</b>                                 | <b>3,196</b>   |

### Changes in main content assets

| (in millions of euros)                                                                   | Year ended December 31, |              |
|------------------------------------------------------------------------------------------|-------------------------|--------------|
|                                                                                          | 2010                    | 2009         |
| <b>Opening balance of internally developed franchises and other games content assets</b> | <b>523</b>              | <b>1,031</b> |
| Amortization, net (a)                                                                    | (242)                   | (310)        |
| Acquisitions/Internal developments                                                       | 83                      | 126          |
| Impairment                                                                               | (215) (b)               | (302) (b)    |
| Changes in foreign currency translation adjustments and other                            | 78                      | (22)         |
| <b>Closing balance of internally developed franchises and other games content assets</b> | <b>227</b>              | <b>523</b>   |

- a. Includes €88 million recorded under "Amortization of intangible assets acquired through business combinations" in the Consolidated Statement of Earnings (€183 million in 2009).
- b. At year-end 2009, following the lower than expected performance of certain games, in particular the *Guitar Hero* franchise, Activision Blizzard's Management performed an impairment test on relevant assets or group of assets, by comparing their recoverable value, determined as the discounted value of future cash flows. As a result, as of December 31, 2009, an impairment loss of €302 million was recognized on these assets. At year-end 2010, according to the decision of Activision Blizzard's Management to discontinue the *Guitar Hero* franchise and based on the lower than expected performance in certain other games, Activision Blizzard's Management performed an impairment test on relevant assets or group of assets. As a result, as of December 31, 2010, an impairment loss of €215 million (including the full impairment of *Guitar Hero* franchise) was recognized on these assets.

(in millions of euros)

**Opening balance of music catalogs and publishing rights**

|                                                               |  |
|---------------------------------------------------------------|--|
| Amortization, net (a)                                         |  |
| Business combinations                                         |  |
| Purchases of catalogs                                         |  |
| Impairment of catalogs                                        |  |
| Changes in foreign currency translation adjustments and other |  |

**Closing balance of music catalogs and publishing rights**

| Year ended December 31, |              |
|-------------------------|--------------|
| 2010                    | 2009         |
| <b>2,037</b>            | <b>2,339</b> |
| (285)                   | (277)        |
| -                       | 15           |
| 10                      | 14           |
| (27)                    | (2)          |
| 182                     | (52)         |
| <b>1,917</b>            | <b>2,037</b> |

- a. This amortization is recorded in "Amortization of intangible assets acquired through business combinations" in the Consolidated Statement of Earnings.

(in millions of euros)

**Opening balance of payments to artists and repertoire owners**

|                                                               |  |
|---------------------------------------------------------------|--|
| Payments to artists and repertoire owners                     |  |
| Business combinations                                         |  |
| Recoupment of advances, net                                   |  |
| Changes in foreign currency translation adjustments and other |  |

**Closing balance of payments to artists and repertoire owners**

| Year ended December 31, |            |
|-------------------------|------------|
| 2010                    | 2009       |
| <b>495</b>              | <b>459</b> |
| 578                     | 624        |
| -                       | 1          |
| (624)                   | (584)      |
| 36                      | (5)        |
| <b>485</b>              | <b>495</b> |

(in millions of euros)

**Opening balance of film and television costs**

|                                           |  |
|-------------------------------------------|--|
| Acquisition of coproductions and catalogs |  |
| Consumption of coproductions and catalogs |  |
| Acquisition of film and television rights |  |
| Consumption of film and television rights |  |
| Business combinations                     |  |
| Other                                     |  |

**Closing balance of film and television costs**

| Year ended December 31, |            |
|-------------------------|------------|
| 2010                    | 2009       |
| <b>721</b>              | <b>716</b> |
| 70                      | 67         |
| (109)                   | (113)      |
| 700                     | 667        |
| (671)                   | (645)      |
| -                       | 4          |
| 42                      | 25         |
| <b>753</b>              | <b>721</b> |

(in millions of euros)

**Opening balance of sports rights**

|                                    |  |
|------------------------------------|--|
| Rights acquisition (a)             |  |
| Rights accrual, net (a)            |  |
| Consumption of broadcasting rights |  |
| Other                              |  |

**Closing balance of sports rights**

| Year ended December 31, |            |
|-------------------------|------------|
| 2010                    | 2009       |
| <b>299</b>              | <b>285</b> |
| 646                     | 712        |
| 42                      | (62)       |
| (676)                   | (636)      |
| 1                       | -          |
| <b>312</b>              | <b>299</b> |

- a. Mainly relates to the rights to broadcast the French Professional Soccer League 1 which were awarded to Canal+ Group in 2008 for four seasons between 2008-2009 and 2011-2012. As of December 31, 2010, these rights were recognized as follows: for the 2010-2011 season, the rights are accrued upon the start of the broadcasting period (August 1, 2010) for €465 million. For the remaining season (2011-2012), €465 million was recognized as given off balance sheet commitments (see below) and will be recorded in the Statement of Financial Position upon the start of the season or upon first payment.

## 10.2 Contractual content commitments

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

Content liabilities are part of "Trade accounts payable and other" or part of "Other non-current liabilities" whether they are current or non-current, as applicable (please refer to Note 16). Content liabilities related to share-based compensation plans are recorded as provisions (please refer to Note 21).

| (in millions of euros)                            | Minimum future payments as of December 31, 2010 |              |           |            | Total - minimum future payments as of December 31, 2009 |
|---------------------------------------------------|-------------------------------------------------|--------------|-----------|------------|---------------------------------------------------------|
|                                                   | Total                                           | Due in       |           |            |                                                         |
|                                                   |                                                 | 2011         | 2012-2015 | After 2015 |                                                         |
| Games royalties                                   | 43                                              | 43           | -         | -          | 40                                                      |
| Music royalties to artists and repertoire owners  | 1,417                                           | 1,391        | 26        | -          | 1,306                                                   |
| Film and television rights (a)                    | 213                                             | 213          | -         | -          | 213                                                     |
| Sports rights                                     | 379                                             | 379          | -         | -          | 379                                                     |
| Creative talent, employment agreements and others | 56                                              | 20           | 32        | 4          | 126                                                     |
| <b>Total content liabilities</b>                  | <b>2,108</b>                                    | <b>2,046</b> | <b>58</b> | <b>4</b>   | <b>2,064</b>                                            |

### Off balance sheet commitments given/(received)

| (in millions of euros)                                | Minimum future payments as of December 31, 2010 |              |               |            | Total - minimum future payments as of December 31, 2009 |
|-------------------------------------------------------|-------------------------------------------------|--------------|---------------|------------|---------------------------------------------------------|
|                                                       | Total                                           | Due in       |               |            |                                                         |
|                                                       |                                                 | 2011         | 2012-2015     | After 2015 |                                                         |
| Film and television rights (a)                        | 2,011                                           | 901          | 936           | 174        | 2,326                                                   |
| Sports rights                                         | 730                                             | 627          | 103           | -          | 1,304                                                   |
| Creative talent, employment agreements and others (b) | 918                                             | 439          | 449           | 30         | 886                                                     |
| <b>Total given</b>                                    | <b>3,659</b>                                    | <b>1,967</b> | <b>1,488</b>  | <b>204</b> | <b>4,516</b>                                            |
| Film and television rights (a)                        | (70)                                            | (47)         | (23)          | -          | (77)                                                    |
| Sports rights                                         | (22)                                            | (18)         | (4)           | -          | (30)                                                    |
| Creative talent, employment agreements and others (b) |                                                 |              | not available |            |                                                         |
| Other                                                 | (131)                                           | (73)         | (58)          | -          | (92)                                                    |
| <b>Total received</b>                                 | <b>(223)</b>                                    | <b>(138)</b> | <b>(85)</b>   | <b>-</b>   | <b>(199)</b>                                            |
| <b>Total net</b>                                      | <b>3,436</b>                                    | <b>1,829</b> | <b>1,403</b>  | <b>204</b> | <b>4,317</b>                                            |

- a. Primarily includes contracts valid over several years for the broadcast of future film and TV productions and co-productions (mainly exclusivity contracts with major US studios and pre-purchases in the French movie industry), StudioCanal film production and coproduction commitments (given and received) and broadcasting rights of CanalSat and Cyfra+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release. As of December 31, 2010, provisions recorded relating to film and television rights amounted to €184 million, compared to €296 million as of December 31, 2009.

In addition, this amount does not include commitments given in relation to channel right contracts for which Canal+ Group did not grant minimum guarantees. The variable amount of these commitments cannot be reliably determined and is not reported in balance sheet and in commitments given and is instead recorded as an expense of the period when incurred. Based on the estimation of the future subscriber number at Canal+ France, commitments in relation to channel right contracts would have increased by €174 million as of December 31, 2010, compared to €406 million as of December 31, 2009.

In addition, according to the agreement entered into with cinema professional organizations on December 18, 2009, Canal+ SA has to invest, every year for a five-year period (2010-2014), 12.5% (compared to 12% according to the previous agreement before December 18, 2009) of its annual revenues in the financing of European films.

In terms of audiovisual, according to the agreements with producers and authors' organizations, Canal+ France has to invest every year a percentage of its revenues in the financing on heritage work.

Agreements with cinema organizations and with producers and authors' organizations are not recorded as off balance sheet commitments as the future estimate of these commitments cannot be reliably determined.

- b. Mainly relates to UMG which routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other products ("Creative talent and employment agreements"). Until the artist or the other party has delivered his or her content or the repayment of an advance, UMG discloses its obligation as an off balance sheet commitment. While the artist or the 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 (or the likelihood of the other party's failure to meet its obligations) as an offset to its off balance sheet commitments.

## Note 11 Other intangible assets

| (in millions of euros) | December 31, 2010                 |                                                   |                         |
|------------------------|-----------------------------------|---------------------------------------------------|-------------------------|
|                        | Other intangible assets,<br>gross | Accumulated amortization<br>and impairment losses | Other intangible assets |
| Software               | 4,541                             | (3,208)                                           | 1,333                   |
| Telecom licenses       | 1,698                             | (599)                                             | 1,099                   |
| Customer bases         | 1,006                             | (475)                                             | 531                     |
| Trade names            | 485                               | (52)                                              | 433                     |
| Other                  | 1,830                             | (818)                                             | 1,012                   |
|                        | <b>9,560</b>                      | <b>(5,152)</b>                                    | <b>4,408</b>            |

| (in millions of euros) | December 31, 2009                 |                                                   |                         |
|------------------------|-----------------------------------|---------------------------------------------------|-------------------------|
|                        | Other intangible assets,<br>gross | Accumulated amortization<br>and impairment losses | Other intangible assets |
| Software               | 4,314                             | (2,812)                                           | 1,502                   |
| Telecom licenses       | 1,339                             | (496)                                             | 843                     |
| Customer bases         | 976                               | (287)                                             | 689                     |
| Trade names            | 445                               | (52)                                              | 393                     |
| Other                  | 1,655                             | (740)                                             | 915                     |
|                        | <b>8,729</b>                      | <b>(4,387)</b>                                    | <b>4,342</b>            |

Software includes acquired software, net for €676 million as of December 31, 2010 (€910 million as of December 31, 2009), primarily includes SFR software amortized over 4 years, as well as SFR's internally developed software.

Trade names relate to trade names acquired from GVT in 2009 and Activision in 2008.

Other intangible assets notably include indefeasible rights of use (IRU) and other long-term occupational rights, net for €393 million as of December 31, 2010 (€424 million as of December 31, 2009).

### Changes in other intangible assets

| (in millions of euros)                              | Year ended December 31, |              |
|-----------------------------------------------------|-------------------------|--------------|
|                                                     | 2010                    | 2009         |
| <b>Opening balance</b>                              | <b>4,342</b>            | <b>3,872</b> |
| Depreciation                                        | (993)                   | (883)        |
| Impairment losses                                   | (2)                     | -            |
| Acquisitions                                        | 805 (a)                 | 490          |
| Increase related to internal developments           | 276                     | 288          |
| Divestitures/Decrease                               | (19)                    | (4)          |
| Business combinations                               | 27                      | 432 (b)      |
| Changes in foreign currency translation adjustments | 83                      | (5)          |
| Other                                               | (111)                   | 152          |
| <b>Closing balance</b>                              | <b>4,408</b>            | <b>4,342</b> |

a. Includes €300 million related to the acquisition of 3G mobile telephony spectrum by SFR.

b. Primarily relates to intangible assets acquired in 2009 upon the takeover of GVT (€396 million).

The amortization charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of telecom licenses (SFR: -€66 million in 2010, compared to -€71 million in 2009; Maroc Telecom Group: -€7 million in 2010, compared to -€5 million in 2009), internally developed software (-€210 million in 2010, unchanged compared to 2009) and acquired software (-€269 million in 2010, compared to -€311 million in 2009).

## Note 12 Property, Plant and Equipment

| (in millions of euros)   | December 31, 2010                    |                                                |                               |
|--------------------------|--------------------------------------|------------------------------------------------|-------------------------------|
|                          | Property, plant and equipment, gross | Accumulated depreciation and impairment losses | Property, plant and equipment |
| Land                     | 189                                  | (2)                                            | 187                           |
| Buildings                | 2,576                                | (1,488)                                        | 1,088                         |
| Equipment and machinery  | 12,290                               | (6,998)                                        | 5,292                         |
| Construction-in-progress | 270                                  | -                                              | 270                           |
| Other                    | 4,317                                | (2,937)                                        | 1,380                         |
|                          | <b>19,642</b>                        | <b>(11,425)</b>                                | <b>8,217</b>                  |

| (in millions of euros)   | December 31, 2009                    |                                                |                               |
|--------------------------|--------------------------------------|------------------------------------------------|-------------------------------|
|                          | Property, plant and equipment, gross | Accumulated depreciation and impairment losses | Property, plant and equipment |
| Land                     | 181                                  | (2)                                            | 179                           |
| Buildings                | 2,341                                | (1,360)                                        | 981                           |
| Equipment and machinery  | 10,745                               | (6,145)                                        | 4,600                         |
| Construction-in-progress | 240                                  | -                                              | 240                           |
| Other                    | 4,084                                | (2,820)                                        | 1,264                         |
|                          | <b>17,591</b>                        | <b>(10,327)</b>                                | <b>7,264</b>                  |

As of December 31, 2010, other property, plant and equipment notably included set-top boxes, net for €669 million, compared to €599 million as of December 31, 2009. In addition, property, plant and equipment financed pursuant to finance leases amounted to €68 million, compared to €79 million as of December 31, 2009.

### Changes in property, plant and equipment

| (in millions of euros)                              | Year ended December 31, |              |
|-----------------------------------------------------|-------------------------|--------------|
|                                                     | 2010                    | 2009         |
| <b>Opening balance</b>                              | <b>7,264</b>            | <b>6,317</b> |
| Depreciation                                        | (1,527)                 | (1,385)      |
| Acquisitions/Increase                               | 2,339                   | 1,772        |
| Divestitures/Decrease                               | (67)                    | (135)        |
| Business combinations                               | 2                       | 913 (a)      |
| Changes in foreign currency translation adjustments | 169                     | (2)          |
| Other                                               | 37                      | (216)        |
| <b>Closing balance</b>                              | <b>8,217</b>            | <b>7,264</b> |

a. Mainly corresponds to the acquisitions of GVT (€776 million) and Sotelma (€98 million). Please refer to Note 2.

The depreciation charge is accounted for in cost of revenues and in selling, general and administrative expenses. It mainly consists of the depreciation of buildings (-€128 million in 2010, compared to -€140 million in 2009) and equipment and machinery (-€1,007 million in 2010, compared to -€981 million in 2009).

## Note 13 Intangible and tangible assets of telecom operations

| December 31, 2010                                                |              |                     |              |               |
|------------------------------------------------------------------|--------------|---------------------|--------------|---------------|
|                                                                  | SFR          | Maroc Telecom Group | GVT          | Total         |
| (in millions of euros)                                           |              |                     |              |               |
| <b>Other intangible assets, net</b>                              |              |                     |              |               |
| Software                                                         | 1,008        | 213                 | 39           | 1,260         |
| Telecom licenses                                                 | 885          | 214                 | -            | 1,099         |
| Customer bases                                                   | 287          | 3                   | 208          | 498           |
| Trade names                                                      | -            | 1                   | 141          | 142           |
| Other                                                            | 897          | 54                  | 14           | 965           |
|                                                                  | <b>3,077</b> | <b>485</b>          | <b>402</b>   | <b>3,964</b>  |
| <b>Property, plant and equipment, net</b>                        |              |                     |              |               |
| Land                                                             | 47           | 128                 | -            | 175           |
| Buildings                                                        | 809          | 221                 | 13           | 1,043         |
| Equipment and machinery                                          | 2,286        | 1,639               | 1,213        | 5,138         |
| Construction-in-progress                                         | 220          | -                   | -            | 220           |
| Other                                                            | 679          | 117                 | 97           | 893           |
|                                                                  | <b>4,041</b> | <b>2,105</b>        | <b>1,323</b> | <b>7,469</b>  |
| <b>Intangible and tangible assets of telecom operations, net</b> | <b>7,118</b> | <b>2,590</b>        | <b>1,725</b> | <b>11,433</b> |
| December 31, 2009                                                |              |                     |              |               |
|                                                                  | SFR          | Maroc Telecom Group | GVT          | Total         |
| (in millions of euros)                                           |              |                     |              |               |
| <b>Other intangible assets, net</b>                              |              |                     |              |               |
| Software                                                         | 1,174        | 218                 | 25           | 1,417         |
| Telecom licenses                                                 | 648          | 195                 | -            | 843           |
| Customer bases                                                   | 385          | 2                   | 237          | 624           |
| Trade names                                                      | -            | 1                   | 124          | 125           |
| Other                                                            | 796          | 54                  | 10           | 860           |
|                                                                  | <b>3,003</b> | <b>470</b>          | <b>396</b>   | <b>3,869</b>  |
| <b>Property, plant and equipment, net</b>                        |              |                     |              |               |
| Land                                                             | 40           | 127                 | -            | 167           |
| Buildings                                                        | 753          | 165                 | 13           | 931           |
| Equipment and machinery                                          | 2,217        | 1,499               | 757          | 4,473         |
| Construction-in-progress                                         | 207          | -                   | -            | 207           |
| Other                                                            | 635          | 111                 | 68           | 814           |
|                                                                  | <b>3,852</b> | <b>1,902</b>        | <b>838</b>   | <b>6,592</b>  |
| <b>Intangible and tangible assets of telecom operations, net</b> | <b>6,855</b> | <b>2,372</b>        | <b>1,234</b> | <b>10,461</b> |

SFR holds licenses for its networks and for the supply of its telecommunications services in France for a period of 15 years for GSM (between March 2006 and March 2021) and 20 years for UMTS (between August 2001 and August 2021).

In March 2006, the French Government authorized SFR to continue using its GSM license over the 15-year period commencing April 1, 2006 and ending March 31, 2021 for an annual payment comprised of a (i) fixed portion in an amount of €25 million for each year (capitalized over the period based on a present value of €278 million in 2006) and (ii) a variable portion equal to 1% of the yearly revenues generated by the 2G technology.

Upon the acquisition of the UMTS license, the fixed amount paid, i.e., €619 million, was recorded as an intangible asset and the variable part of the fee equals to 1% of the yearly revenues.

The variable parts of these fees cannot reliably be determined and they are not recorded in the Statement of Financial Position. They are recorded as an expense when incurred.

In addition, on November 30, 2009, the “Autorité de Régulation des Communications Electroniques et des Postes” or “Arcep” (the French Telecommunications Regulatory Body) addressed a notice to SFR regarding its compliance by December 31, 2013, with its undertakings in terms of UMTS network coverage, within the following schedule:

- 84% coverage of the French metropolitan population as of June 30, 2010;
- 88% coverage of the French metropolitan population as of December 31, 2010;
- 98% coverage of the French metropolitan population as of December 31, 2011; and
- 99.3% coverage of the French metropolitan population as of December 31, 2013.

As of December 31, 2010, SFR honors and exceeds its commitments relating to UMTS network coverage (3G) fixed by Arcep for this date: SFR covers 92% of the French metropolitan population.

## Note 14 Investments in equity affiliates

| (in millions of euros) | Voting interest   |                   | Value of equity affiliates |                   |
|------------------------|-------------------|-------------------|----------------------------|-------------------|
|                        | December 31, 2010 | December 31, 2009 | December 31, 2010          | December 31, 2009 |
| NBC Universal (a)      | 12.34%            | 20.00%            | 2,779                      | 4,033             |
| Other                  | na*               | na*               | 127                        | 113               |
|                        |                   |                   | <b>2,906</b>               | <b>4,146</b>      |

na\*: not applicable

### Changes in value of equity affiliates

| (in millions of euros) | December 31, 2009 | Changes in scope of consolidation | Impairment losses | Income from equity affiliates | Dividends received | Changes in foreign currency translation adjustments and other | December 31, 2010 |
|------------------------|-------------------|-----------------------------------|-------------------|-------------------------------|--------------------|---------------------------------------------------------------|-------------------|
| NBC Universal (a)      | 4,033             | (1,629)                           | -                 | 201                           | (299) (b)          | 473 (c)                                                       | 2,779             |
| Other                  | 113               | (3)                               | -                 | (6)                           | (2)                | 25                                                            | 127               |
|                        | <b>4,146</b>      | <b>(1,632)</b>                    | <b>-</b>          | <b>195</b>                    | <b>(301)</b>       | <b>498</b>                                                    | <b>2,906</b>      |

| (in millions of euros) | December 31, 2008 | Changes in scope of consolidation | Impairment losses | Income from equity affiliates | Dividends received | Changes in foreign currency translation adjustments and other | December 31, 2009 |
|------------------------|-------------------|-----------------------------------|-------------------|-------------------------------|--------------------|---------------------------------------------------------------|-------------------|
| NBC Universal          | 4,342             | -                                 | (82) (d)          | 178                           | (306)              | (99) (c)                                                      | 4,033             |
| Other                  | 99                | 39                                | (28)              | (7)                           | -                  | 10                                                            | 113               |
|                        | <b>4,441</b>      | <b>39</b>                         | <b>(110)</b>      | <b>171</b>                    | <b>(306)</b>       | <b>(89)</b>                                                   | <b>4,146</b>      |

- a. At the conclusion of the NBC Universal transaction completed in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. Pursuant to various agreements entered into between Vivendi and GE, Vivendi and GE shared governance rights and each had a right to receive any dividends paid by NBC Universal pro rata to its then-current interest. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE (as amended, the “2009 Agreement”). The 2009 Agreement was entered into in connection with GE’s concurrent agreement with Comcast Corporation (“Comcast”) to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the “Comcast Transaction”). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for \$ 5,800 million, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction. On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for \$2,000 million. The remainder of Vivendi’s interest, or 12.34% of NBC Universal, was sold to GE on January 25, 2011 for \$3,800 million (which includes an additional \$222 million received in relation to the previously sold 7.66% interest), in advance of the closing of the Comcast Transaction. In addition, Vivendi received its pro rata share of dividends for the period from January 1, 2010 to January 25, 2011 (the date of sale), totaling approximately \$390 million, of which approximately \$300 million was received in 2010. For a detail of the accounting treatment applied by Vivendi with respect to the sale of its interest in NBC Universal, please refer to Note 2.2
- b. Includes the dividend received from NBC Universal in 2010 of €233 million, as well as the dividend received of €66 million on January 25, 2011 with respect to the fourth quarter 2010.
- c. Includes changes in foreign currency translation adjustments (+€318 million in 2010, compared to -€101 million in 2009).
- d. As of December 31, 2009, based on the economics of the agreement with GE and the valuation of Vivendi’s interest in NBC Universal at \$5.8 billion, Vivendi Management concluded that the carrying value of its interest exceeded the recoverable amount, which generated a \$118 million recognition of impairment (representing €82 million) as of this date.

## Financial information relating to NBC Universal shares

The table below shows condensed information relating to Vivendi's equity in the stand-alone financial statements of NBC Universal shares. The equity is calculated by applying Vivendi's ownership interests to this affiliate as of December 31, 2010 and December 31, 2009, respectively, as presented in Note 28.

| (in millions of euros)               | December 31, 2010 | December 31, 2009 |
|--------------------------------------|-------------------|-------------------|
| <b>Vivendi's ownership interests</b> | <b>12.34%</b>     | <b>20.00%</b>     |
| Revenues                             | 1,536             | 2,159             |
| EBIT                                 | 205               | 308               |
| Earnings                             | 136               | 183               |
| Total assets                         | 3,954             | 4,747             |
| Total liabilities                    | 1,734             | 1,395             |

## Note 15 Financial assets

| (in millions of euros)                                          | Note | December 31, 2010 | December 31, 2009 |
|-----------------------------------------------------------------|------|-------------------|-------------------|
| Cash management financial assets (a)                            |      | 508               | 271               |
| Available-for-sale securities (b)                               |      | 50                | 50                |
| Derivative financial instruments                                | 23   | 91                | 30                |
| Other financial assets at fair value through profit or loss (c) |      | 35                | 113               |
| <b>Financial assets at fair value</b>                           | 23   | <b>684</b>        | <b>464</b>        |
| Other loans and receivables (d)                                 |      | 412               | 426               |
| Cash deposits backing borrowings                                |      | 22                | 49                |
| Held-to-maturity investments                                    |      | -                 | 1                 |
| <b>Financial assets at amortized cost</b>                       |      | <b>434</b>        | <b>476</b>        |
| <b>Financial assets</b>                                         |      | <b>1,118</b>      | <b>940</b>        |
| Deduction of current financial assets                           |      | (622)             | (464)             |
| <b>Non-current financial assets</b>                             |      | <b>496</b>        | <b>476</b>        |

- a. Relates to US treasuries and government agency securities, with a maturity exceeding three months, held by Activision Blizzard for \$672 million as of December 31, 2010, compared to \$389 million as of December 31, 2009.
- b. The available-for-sale securities do not include significant publicly quoted securities as of December 31, 2010 and as of December 31, 2009 and weren't the subject of significant impairment with respect to fiscal years 2010 and 2009.
- c. Other financial assets at fair value primarily include the Auction Rate Securities (ARS) held by Activision Blizzard for €18 million as of December 31, 2010 (€54 million as of December 31, 2009). The change was notably attributable to the put option exercised on June 30, 2010 by Activision Blizzard over a portion of these ARS.
- d. Other loans and receivables notably include cash deposits relating to Qualified Technological Equipment (QTE) operations by SFR for €237 million as of December 31, 2010 (€247 million as of December 31, 2009).

## Note 16 Net working capital

### Trade accounts receivable and other

| (in millions of euros)                                     | December 31, 2010 | December 31, 2009 |
|------------------------------------------------------------|-------------------|-------------------|
| Trade accounts receivable                                  | 5,753             | 5,561             |
| Trade accounts receivable write-offs                       | (1,231)           | (1,091)           |
| <b>Trade accounts receivable, net</b>                      | <b>4,522</b>      | <b>4,470</b>      |
| <i>of which past due receivables that are not impaired</i> | <i>1,416</i>      | <i>1,419</i>      |
| Other                                                      | 2,189             | 1,997             |
| <i>of which VAT to be received</i>                         | <i>827</i>        | <i>826</i>        |
| <i>social costs and other taxes</i>                        | <i>176</i>        | <i>87</i>         |
| <i>prepaid charges</i>                                     | <i>331</i>        | <i>338</i>        |
| <b>Trade accounts receivable and other</b>                 | <b>6,711</b>      | <b>6,467</b>      |

Vivendi considers that there is not a significant risk of non-recovery of non-impaired past due receivables, as each operating segment applies a depreciation rate on trade accounts receivable. Depreciation rates are based on historical observation of levels of bad debts for each customer group, primarily on the basis of statistics relating to those business segments of the group whose business model is based on subscriptions (Activision Blizzard, SFR, GVT and Canal+ Group). For those business segments a percentage of defaults measured on the basis of the bad debts in a given period in relation to the revenues for the same period is used. In addition, the balance of the amount mentioned above is, notably, made up of receivables relating to the operational segments of SFR and Canal+ Group that are not subject to contentious proceedings for their recovery, considering that their maturity is less than 30 days, 60 days or 120 days, according to the nature of the relevant clients and business sectors in which they operate, and in respect of which the level of risk is, therefore, considered to be limited.

### Trade accounts payable and other

| (in millions of euros)                                           | Note | December 31, 2010 | December 31, 2009 |
|------------------------------------------------------------------|------|-------------------|-------------------|
| Trade accounts payable                                           |      | 6,586             | 6,565             |
| Other                                                            |      | 7,865 (a)         | 7,002 (a)         |
| <i>of which music royalties to artists and repertoire owners</i> | 10.2 | <i>1,391</i>      | <i>1,280</i>      |
| <i>game deferred revenues (b)</i>                                |      | <i>1,303</i>      | <i>991</i>        |
| <i>prepaid telecommunication revenues (c)</i>                    |      | <i>921</i>        | <i>827</i>        |
| <i>VAT to be paid</i>                                            |      | <i>897</i>        | <i>928</i>        |
| <i>social costs and other taxes</i>                              |      | <i>1,256</i>      | <i>1,097</i>      |
| <b>Trade accounts payable and other</b>                          |      | <b>14,451</b>     | <b>13,567</b>     |

- Includes debt incurred in connection with the interim dividend to be paid to Vodafone by SFR for €440 million as of December 31, 2010, which was paid at the end of January 2011 (the same amount was due as of December 31, 2009 with respect to fiscal year 2009 and was paid in January 2010).
- Relates to the impact of the change in deferred net revenues at Activision Blizzard, and related costs of sales associated with the sale of boxes for certain games with significant online functionality (please refer to Note 1.3.4.1).
- Mainly includes subscriptions that are not past due and prepaid cards sold but not consumed, mobile phones held by distributors, roll-over minutes of SFR's mobile operations and the current portion of SFR's deferred revenues of fixed operations.

### Other non-current liabilities

| (in millions of euros)                                                                             | Note | December 31, 2010 | December 31, 2009 |
|----------------------------------------------------------------------------------------------------|------|-------------------|-------------------|
| Advance lease payments in respect of Qualified Technological Equipment operations                  | 15   | 244               | 256               |
| Liabilities related to SFR GSM license (a)                                                         | 13   | 190               | 207               |
| Prepaid revenues from indefeasible rights of use (IRU) and other long-term occupational rights (b) |      | 376               | 519               |
| Non-current content liabilities                                                                    | 10.2 | 61                | 68                |
| Other                                                                                              |      | 203               | 261               |
| <b>Total other non-current liabilities</b>                                                         |      | <b>1,074</b>      | <b>1,311</b>      |

- Relates to the discounted value of the liability. The nominal value amounted to €256 million as of December 31, 2010, compared to €281 million as of December 31, 2009.
- Relates to deferred revenues associated with indefeasible right of use (IRU) agreements, leases or services contracts.

## Note 17 Cash and cash equivalents

| (in millions of euros)                           | December 31, 2010 | December 31, 2009 |
|--------------------------------------------------|-------------------|-------------------|
| Cash                                             | 461               | 718               |
| Cash equivalents (a)                             | 2,849             | 2,628             |
| <i>of which UCITS</i>                            | <i>1,986</i>      | <i>1,948</i>      |
| <i>certificates of deposit and term deposits</i> | <i>863</i>        | <i>680</i>        |
| <b>Cash and cash equivalents (b)</b>             | <b>3,310</b>      | <b>3,346</b>      |

- a. A review of the historical performance of these investments during fiscal years 2010 and 2009 confirmed their accounting treatment as cash equivalents. As reported in Note 1.3.5.8, marketable securities under this section are recorded at fair value through profit or loss.
- b. Mainly includes Activision Blizzard's cash and cash equivalents for €2,124 million as of December 31, 2010 (compared to €1,925 million as of December 31, 2009), invested, if any, in money market funds with initial maturity dates not exceeding 90 days.

## Note 18 Equity

### Share capital of Vivendi SA

| (in thousands)                                                   | December 31, 2010 | December 31, 2009 |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>Common shares outstanding (nominal value: €5.5 per share)</b> | <b>1,237,337</b>  | <b>1,228,859</b>  |
| Treasury shares                                                  | (80)              | (80)              |
| <b>Voting rights</b>                                             | <b>1,237,257</b>  | <b>1,228,779</b>  |

As of December 31, 2010, Vivendi SA held approximately 80,000 treasury shares, representing a net carrying value of approximately €2 million (unchanged compared to December 31, 2009), held to hedge certain share purchase options granted to executives and employees. As these share purchase options expired in 2010, these treasury shares will be cancelled during the first half year 2011.

In addition, as of December 31, 2010, outstanding stock options and performance shares plans represented 50.8 million potential new shares to be issued in favour of their beneficiaries (of which 48.7 million shares due to stock options and 1.8 million performance shares, compared to 41.3 million shares due to stock option and 1.1 million performance shares as of December 31, 2009; please refer to Note 21.2.2) if any, which would result in a potential share capital of €7,084 million divided into 1,288.1 million shares (compared to €6,992 million divided into 1,271.2 million shares as of December 31, 2009).

### Non-controlling interests

| (in millions of euros) | December 31, 2010 | December 31, 2009 |
|------------------------|-------------------|-------------------|
| SFR                    | 1,612             | 1,420             |
| Maroc Telecom Group    | 1,207             | 1,152             |
| Activision Blizzard    | 895               | 1,058             |
| GVT                    | - (a)             | 4                 |
| Other                  | 401               | 337               |
| <b>Total</b>           | <b>4,115</b>      | <b>3,971</b>      |

- a. As of December 31, 2009, GVT was held at 82.45%. Since June 11, 2010, Vivendi holds a 100% controlling interest in GVT (please refer to Note 2.1).

### Dividends paid to shareowners

#### Dividend proposed by Vivendi SA with respect to fiscal year 2010

On February 22, 2011, the date of Vivendi's Management Board's meeting which approved its Consolidated Financial Statements as of December 31, 2010 and the appropriation of earnings, Vivendi's Management Board decided to propose a dividend distribution of €1.40 per share to the shareholders of Vivendi, corresponding to a total cash distribution of approximately €1.7 billion. This proposal was presented to the Vivendi's Supervisory Board at its meeting held on February 28, 2011.

#### Dividend paid by Vivendi SA with respect to fiscal year 2009

At the Annual Shareholders' Meeting held on April 29, 2010, the shareholders of Vivendi approved the recommendations of Vivendi's Management Board relating to the allocation of distributable earnings for fiscal year 2009. As a result, the dividend payment was set at €1.40 per share, representing a total distribution of €1,721 million, which was paid in cash on May 11, 2010.

### ***Dividend paid to subsidiaries' non-controlling interests***

Dividend payments to subsidiaries' non-controlling interests mainly include SFR (€440 million in 2010 and €771 million in 2009), Maroc Telecom SA (€386 million in 2010 and €395 million in 2009) and Activision Blizzard (€58 million in 2010 for the first time).

Moreover, SFR's Board of Directors, at a meeting held on December 6, 2010, decided to pay an interim dividend of €1 billion with respect to fiscal year 2010 (of which €440 million was paid to Vodafone on January 28, 2011) and on February 9, 2011, Activision Blizzard announced that its Board of Directors had declared a dividend of \$0.165 per common share with respect to fiscal year 2010 to shareholders, which will be paid in cash on May 11, 2011.

### **Activision Blizzard**

#### ***Stock repurchase program of Activision Blizzard***

On February 10, 2010, Activision Blizzard announced that its Board of Directors had authorized a new stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1 billion. In 2010, Activision Blizzard repurchased approximately 86 million shares of its common stock in connection with this program, for a total amount of \$966 million, of which approximately 84 million shares were effectively paid in 2010 (\$944 million) and 1.8 million shares were paid in January 2011 (\$22 million). In addition, in January 2010, Activision Blizzard settled a \$15 million purchase of 1.3 million shares of its common stock that it had agreed to repurchase in December 2009 pursuant to the previous \$1.25 billion stock repurchase program, completing that program. In total, Activision Blizzard repurchased approximately 85 million shares of its common stock in 2010, for an amount of \$959 million, or €726 million (compared to \$1.1 billion, or €792 million in 2009). As of December 31, 2010, Vivendi held an approximate 61% interest (non-diluted) in Activision Blizzard (compared to an approximate 57% as of December 31, 2009).

In addition, on February 9, 2011, Activision Blizzard announced that its Board of Directors had authorized a new stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1.5 billion. This program will end at the earlier of March 31, 2012 or on the date of the Board of Directors' decision to discontinue it.

#### ***Vivendi's ownership interest in Activision Blizzard***

Change in Vivendi's ownership interest in Activision Blizzard is as follows:

- On July 9, 2008, out of the 1,315.4 million shares (after share-split by two and net of treasury shares) composing Activision Blizzard's share capital at the time of Vivendi's take over, Vivendi held 716.5 million shares, or a 54.47% interest in Activision Blizzard. After the acquisition on the market of an additional 2.1 million shares in the second half of the year 2008, Vivendi held 718.6 million shares, or a 54.76% interest in Activision Blizzard as of December 31, 2008.
- From July 9, 2008 and December 31, 2010, Activision Blizzard issued approximately 59.0 million shares to beneficiaries of stock option and performance share plans, of which (i) 5.5 million shares between July 9, 2008 and December 31, 2008, (ii) 35.1 million shares in fiscal year 2009 and (iii) 18.4 million shares in fiscal year 2010. During the same period, Activision Blizzard repurchased approximately 199.2 million of its common shares on the market as part of the stock repurchase program approved by Activision Blizzard's Board of Directors, of which (i) 13.0 million shares between July 9, 2008 and December 31, 2008, (ii) 100.7 million shares in fiscal year 2009 and (iii) 85.5 million shares in fiscal year 2010.
- As of December 31, 2010, out of the 1,183.3 million shares (net of treasury shares) composing Activision Blizzard's share capital, Vivendi held 718.6 million shares or a 60.73% interest in Activision Blizzard as of that date. In addition, as of December 31, 2010, the outstanding stock option and restricted share plans represented 77.8 million potential new shares, if any, to be issued in favor of their beneficiaries (61.2 million shares due to stock options and 16.6 million restricted shares: please refer to Note 21.3.2). The stock repurchase program, approved in February 2011, up to an amount of \$1.5 billion represented approximately 136.4 million share buy-back (assuming a share price of \$11 per share).

### **Canal+ France**

#### ***Acquisition by Vivendi of Canal+ France's non-controlling interests***

As part of the combination of the Canal+ Group and TPS pay-TV activities in France finalized in January 2007, TF1 and M6 were granted a put option by Vivendi over their respective 9.9% and 5.1% interests in the share capital of Canal+ France. These options were exercisable in February 2010 at the market price determined by an expert subject to a minimum price of €1,130 million for a 15% interest in the share capital of Canal+ France (corresponding to a valuation of €7.5 billion for 100% of the share capital of Canal+ France).

- On December 28, 2009, the Vivendi/Canal+ Group acquired TF1's 9.9% interest in the share capital of Canal+ France for €744 million, corresponding to the minimum price of the option on that date.
- On February 22, 2010, M6 exercised its put option for €384 million, corresponding to the minimum price of the option on that date, and thus ceased to hold an interest in share capital of Canal+ France as of that date.

In accordance with the accounting standards applicable at the date of the combination, to the extent that the put options initially granted to TF1 and M6 were recorded as financial liabilities in Vivendi's Financial Net Debt, these transactions have no impact on Vivendi's Financial Net Debt. As a result of these transactions, Canal+ Group (a wholly owned subsidiary of Vivendi) holds an 80% controlling interest in Canal+ France.

### ***IPO process of Lagardère's non-controlling interest in Canal+ France***

On April 15, 2010, Lagardère decided to exercise its liquidity right regarding its 20% interest in Canal+ France. As Lagardère and Vivendi had not reached an agreement regarding the sale of its interest, Lagardère decided on July 2, 2010, in accordance with the shareholders agreement signed on January 4, 2007, to launch the Initial Public Offering (IPO) process for their 20% interest in Canal+ France. This IPO process is in progress: on February 16, 2011, Canal+ France filed the Initial Public Offering (IPO) Prospectus with the French Autorité des Marchés Financiers (AMF). For a detail of the shareholders agreement, please refer to Note 26.5 to the Consolidated Financial Statements for the year ended December 31, 2010.

## **Note 19 Provisions**

|                                            | Note | December 31,<br>2009 | Addition   | Utilization  | Reversal     | Business<br>combinations | Divestitures, changes in<br>foreign currency<br>translation adjustments<br>and other | December 31,<br>2010 |
|--------------------------------------------|------|----------------------|------------|--------------|--------------|--------------------------|--------------------------------------------------------------------------------------|----------------------|
| (in millions of euros)                     |      |                      |            |              |              |                          |                                                                                      |                      |
| Employee benefit plans                     | 20   | 409                  | 29         | (55)         | -            | -                        | 49                                                                                   | 432                  |
| Share-based compensation plans             | 21   | 80                   | 8          | (69)         | (5)          | -                        | 2                                                                                    | 16                   |
| Other employee provisions (a)              |      | 69                   | 11         | (19)         | (2)          | -                        | 4                                                                                    | 63                   |
| Employee benefits (b)                      |      | 558                  | 48         | (143)        | (7)          | -                        | 55                                                                                   | 511                  |
| Restructuring costs                        |      | 39                   | 62         | (63)         | -            | -                        | 4                                                                                    | 42                   |
| Litigations                                | 27   | 890                  | 91         | (28)         | (503)        | -                        | (7)                                                                                  | 443                  |
| Losses on onerous contracts                |      | 505                  | 90         | (177)        | (33)         | -                        | 9                                                                                    | 394                  |
| Contingent liabilities due to disposal     | 26.4 | 129                  | 8          | (59)         | (10)         | -                        | (18)                                                                                 | 50                   |
| Cost of dismantling and restoring site (c) |      | 125                  | 10         | (2)          | (7)          | -                        | (63)                                                                                 | 63                   |
| Other                                      |      | 407                  | 171        | (37)         | (56)         | 2                        | 39                                                                                   | 526                  |
| <b>Provisions</b>                          |      | <b>2,653</b>         | <b>480</b> | <b>(509)</b> | <b>(616)</b> | <b>2</b>                 | <b>19</b>                                                                            | <b>2,029</b>         |
| Deduction of current provisions            |      | (563)                | (220)      | 170          | 87           | -                        | (26)                                                                                 | (552)                |
| <b>Non-current provisions</b>              |      | <b>2,090</b>         | <b>260</b> | <b>(339)</b> | <b>(529)</b> | <b>2</b>                 | <b>(7)</b>                                                                           | <b>1,477</b>         |

|                                            | Note | December 31,<br>2008 | Addition     | Utilization  | Reversal     | Business<br>combinations | Divestitures, changes in<br>foreign currency<br>translation adjustments<br>and other | December 31,<br>2009 |
|--------------------------------------------|------|----------------------|--------------|--------------|--------------|--------------------------|--------------------------------------------------------------------------------------|----------------------|
| (in millions of euros)                     |      |                      |              |              |              |                          |                                                                                      |                      |
| Employee benefit plans                     | 20   | 418                  | 11           | (47)         | (2)          | 4                        | 25                                                                                   | 409                  |
| Share-based compensation plans             | 21   | 97                   | 42           | (48)         | (9)          | -                        | (2)                                                                                  | 80                   |
| Other employee provisions (a)              |      | 76                   | 6            | (17)         | -            | -                        | 4                                                                                    | 69                   |
| Employee benefits (b)                      |      | 591                  | 59           | (112)        | (11)         | 4                        | 27                                                                                   | 558                  |
| Restructuring costs                        |      | 151                  | 78           | (146)        | (42)         | -                        | (2)                                                                                  | 39                   |
| Litigations                                | 27   | 384                  | 619          | (45)         | (73)         | 7                        | (2)                                                                                  | 890                  |
| Losses on onerous contracts                |      | 565                  | 141          | (135)        | (83)         | -                        | 17                                                                                   | 505                  |
| Contingent liabilities due to disposal     | 26.4 | 137                  | 1            | (3)          | (2)          | -                        | (4)                                                                                  | 129                  |
| Cost of dismantling and restoring site (c) |      | 104                  | 14           | -            | -            | 8                        | (1)                                                                                  | 125                  |
| Other                                      |      | 372                  | 126          | (53)         | (44)         | 2                        | 4                                                                                    | 407                  |
| <b>Provisions</b>                          |      | <b>2,304</b>         | <b>1,038</b> | <b>(494)</b> | <b>(255)</b> | <b>21</b>                | <b>39</b>                                                                            | <b>2,653</b>         |
| Deduction of current provisions            |      | (719)                | (175)        | 258          | 131          | (3)                      | (55)                                                                                 | (563)                |
| <b>Non-current provisions</b>              |      | <b>1,585</b>         | <b>863</b>   | <b>(236)</b> | <b>(124)</b> | <b>18</b>                | <b>(16)</b>                                                                          | <b>2,090</b>         |

- Includes employee deferred compensation.
- Excludes employee termination reserves recorded under restructuring costs.
- SFR is required to dismantle and restore each telephony antenna site following termination of a site lease.

## Note 20 Employee Benefits

### 20.1 Analysis of expenses related to employee benefit plans

The following table provides information about the cost of employee benefit plans excluding its financial component. The total cost of defined benefit plans is disclosed in Note 20.2.2 below.

| (in millions of euros)              | Note   | Year ended December 31, |           |
|-------------------------------------|--------|-------------------------|-----------|
|                                     |        | 2010                    | 2009      |
| Employee defined contribution plans |        | 39                      | 20        |
| Employee defined benefit plans      | 20.2.2 | 32                      | -         |
| <b>Employee benefit plans</b>       |        | <b>71</b>               | <b>20</b> |

### 20.2 Employee defined benefit plans

#### 20.2.1 Assumptions used in the evaluation and sensitivity analysis

##### Discount rate, expected return on plan assets and rate of compensation increase

The assumptions underlying the valuation of defined benefit plans were made in compliance with accounting policies presented in Note 1.3.8 and have been applied consistently for several years. Demographic assumptions (including notably the rate of compensation increase) are company specific. Financial assumptions (notably including the discount rate and the expected rate of return on investments) are made as follows:

- determination by independent actuaries and other independent advisors of the discount rate for each country by reference to returns received on notes issued by investment grade companies having a credit rating of AA and maturities identical to that of the valued plans, generally based on relevant rate indices, and as reviewed by Vivendi's Finance Department, representing, at year-end, the best estimate of expected trends in future payments from the first of benefit payments; and
- the expected return on plan assets as determined for each plan according to the portfolio composition and the expected performance of each component.

|                                          | Pension benefits |      | Post-retirement benefits |      |
|------------------------------------------|------------------|------|--------------------------|------|
|                                          | 2010             | 2009 | 2010                     | 2009 |
| Discount rate (a)                        | 4.6%             | 5.3% | 4.8%                     | 5.3% |
| Expected return on plan assets (b)       | 3.9%             | 4.4% | na*                      | na*  |
| Rate of compensation increase            | 1.8%             | 1.8% | 3.0%                     | 3.5% |
| Expected average working life (in years) | 10.8             | 11.6 | 6.3                      | 7.0  |

na\*: not applicable.

- A 50 basis point increase (or a 50 basis point decrease, respectively) in the 2010 discount rate would have led to an increase of €1 million in pre-tax expense (or a decrease of €1 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €49 million (or an increase of €54 million, respectively).
- A 50 basis point increase (or a 50 basis point decrease, respectively) in the expected return on plan assets for 2010 would have led to a decrease of €1 million in pre-tax expense (or an increase of €1 million, respectively).

#### Assumptions used in accounting for the pension benefits, by country

|                                | United States |       | United Kingdom |       | Germany |       | France |       |
|--------------------------------|---------------|-------|----------------|-------|---------|-------|--------|-------|
|                                | 2010          | 2009  | 2010           | 2009  | 2010    | 2009  | 2010   | 2009  |
| Discount rate                  | 4.75%         | 5.25% | 5.00%          | 5.50% | 4.25%   | 5.25% | 4.25%  | 5.25% |
| Expected return on plan assets | 4.75%         | 5.25% | 3.53%          | 4.15% | na*     | na*   | 4.62%  | 4.42% |
| Rate of compensation increase  | na*           | na*   | 4.50%          | 4.75% | 1.75%   | 2.00% | 3.30%  | 3.45% |

na\*: not applicable.

**Assumptions used in accounting for post-retirement benefits, by country**

|                               | United States |       | Canada |       |
|-------------------------------|---------------|-------|--------|-------|
|                               | 2010          | 2009  | 2010   | 2009  |
| Discount rate                 | 4.75%         | 5.25% | 5.00%  | 5.75% |
| Rate of compensation increase | 3.50%         | 4.00% | na*    | na*   |

na\*: not applicable.

**Pension plan assets****Weighted-average range of investment allocation by asset category for each major plan**

|                   | Minimum | Maximum |
|-------------------|---------|---------|
| Equity securities | 4%      | 5%      |
| Real estate       | 2%      | 2%      |
| Debt securities   | 86%     | 93%     |
| Cash              | -       | 6%      |

**Allocation of pension plan assets**

|                   | December 31, |             |
|-------------------|--------------|-------------|
|                   | 2010         | 2009        |
| Equity securities | 4%           | 5%          |
| Real estate       | 2%           | 2%          |
| Debt securities   | 93%          | 88%         |
| Cash              | 1%           | 5%          |
| <b>Total</b>      | <b>100%</b>  | <b>100%</b> |

Pension plan assets, which were not transferred, are no longer exposed to stock market fluctuations. These assets do not include occupied buildings or assets used by Vivendi nor shares or debt instruments of Vivendi.

**Cost evolution of post-retirement benefits**

For the purpose of measuring post-retirement benefits, Vivendi assumed the growth in the per capita cost of covered health care benefits would slow down from 8.0% for categories under 65 years old and 65 years old and over in 2010, to 4.7% in 2020 for these categories. In 2010, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €11 million and the pre-tax expense by €1 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €10 million and the pre-tax expense by less than €1 million.

Moreover, Vivendi took into account the impact of the US healthcare reforms (HCR) in its actuarial evaluations as of December 31, 2010. The recognized impacts of the currently known applications resulted overall in a non-significant increase of its post-retirement benefits in the United States.

**20.2.2 Analysis of the expense recorded and benefits paid**

| (in millions of euros)                                        | Year ended December 31, |           |                          |            |           |           |
|---------------------------------------------------------------|-------------------------|-----------|--------------------------|------------|-----------|-----------|
|                                                               | 2010                    | 2009      | 2010                     | 2009       | 2010      | 2009      |
|                                                               | Pension benefits        |           | Post-retirement benefits |            | Total     |           |
| Current service cost                                          | 14                      | 12        | -                        | -          | 14        | 12        |
| Amortization of actuarial (gains)/losses                      | 15                      | (4)       | 2                        | (1)        | 17        | (5)       |
| Amortization of past service cost                             | 1                       | 1         | -                        | -          | 1         | 1         |
| Effect of curtailments/settlements                            | -                       | (2)       | -                        | -          | -         | (2)       |
| Adjustment related to asset ceiling                           | -                       | (6)       | -                        | -          | -         | (6)       |
| <b>Impact on selling, administrative and general expenses</b> | <b>30</b>               | <b>1</b>  | <b>2</b>                 | <b>(1)</b> | <b>32</b> | <b>-</b>  |
| Interest cost                                                 | 28                      | 27        | 8                        | 8          | 36        | 35        |
| Expected return on plan assets                                | (9)                     | (10)      | -                        | -          | (9)       | (10)      |
| <b>Impact on other financial charges and income</b>           | <b>19</b>               | <b>17</b> | <b>8</b>                 | <b>8</b>   | <b>27</b> | <b>25</b> |
| <b>Net benefit cost</b>                                       | <b>49</b>               | <b>18</b> | <b>10</b>                | <b>7</b>   | <b>59</b> | <b>25</b> |

In 2010, benefits paid, including settlements related to external liabilities, amounted to (i) €36 million (€35 million in 2009) with respect to pensions, of which €9 million (€15 million in 2009) was paid by pension funds, and (ii) €13 million (€11 million in 2009) with respect to post-retirement benefits.

## 20.2.3 Analysis of net benefit obligations with respect to pensions and post-retirement benefits

### Benefit obligation, fair value of plan assets and funded status over a five year period

| (in millions of euros)        | Pension benefits |              |              |              |              | Post-retirement benefits |              |              |              |              |
|-------------------------------|------------------|--------------|--------------|--------------|--------------|--------------------------|--------------|--------------|--------------|--------------|
|                               | December 31,     |              |              |              |              | December 31,             |              |              |              |              |
|                               | 2010             | 2009         | 2008         | 2007         | 2006         | 2010                     | 2009         | 2008         | 2007         | 2006         |
| Benefit obligation            | 625              | 539          | 482          | 780          | 1,319        | 159                      | 142          | 135          | 144          | 159          |
| Fair value of plan assets     | 240              | 203          | 189          | 443          | 911          | -                        | -            | -            | -            | -            |
| <b>Underfunded obligation</b> | <b>(385)</b>     | <b>(336)</b> | <b>(293)</b> | <b>(337)</b> | <b>(408)</b> | <b>(159)</b>             | <b>(142)</b> | <b>(135)</b> | <b>(144)</b> | <b>(159)</b> |

### Changes in the value of the benefit obligations, the fair value of plan assets and the funded status

| (in millions of euros)                                                       | Note | Pension benefits |              | Post-retirement benefits |              | Total        |              |
|------------------------------------------------------------------------------|------|------------------|--------------|--------------------------|--------------|--------------|--------------|
|                                                                              |      | 2010             | 2009         | 2010                     | 2009         | 2010         | 2009         |
| <b>Changes in benefit obligation</b>                                         |      |                  |              |                          |              |              |              |
| Benefit obligation at the beginning of the year                              |      | 539              | 482          | 142                      | 135          | 681          | 617          |
| Current service cost                                                         |      | 14               | 12           | -                        | -            | 14           | 12           |
| Interest cost                                                                |      | 28               | 27           | 8                        | 8            | 36           | 35           |
| Contributions by plan participants                                           |      | -                | -            | 2                        | 1            | 2            | 1            |
| Business combinations                                                        |      | -                | 4            | -                        | -            | -            | 4            |
| Divestitures                                                                 |      | -                | -            | -                        | -            | -            | -            |
| Curtailments                                                                 |      | -                | (2)          | -                        | -            | -            | (2)          |
| Settlements                                                                  |      | -                | (4)          | -                        | -            | -            | (4)          |
| Transfers                                                                    |      | -                | -            | -                        | -            | -            | -            |
| Plan amendments                                                              |      | -                | -            | -                        | -            | -            | -            |
| Experience (gains)/losses (a)                                                |      | (2)              | 2            | (2)                      | (1)          | (4)          | 1            |
| Actuarial (gains)/losses related to changes in actuarial assumptions         |      | 58               | 44           | 10                       | 11           | 68           | 55           |
| Benefits paid                                                                |      | (36)             | (31)         | (13)                     | (12)         | (49)         | (43)         |
| Other (foreign currency translation adjustments)                             |      | 24               | 5            | 12                       | -            | 36           | 5            |
| <b>Benefit obligation at the end of the year</b>                             |      | <b>625</b>       | <b>539</b>   | <b>159</b>               | <b>142</b>   | <b>784</b>   | <b>681</b>   |
| <i>of which wholly or partly funded benefits</i>                             |      | 361              | 295          | -                        | -            | 361          | 295          |
| <i>wholly unfunded benefits (b)</i>                                          |      | 264              | 244          | 159                      | 142          | 423          | 386          |
| <b>Changes in fair value of plan assets</b>                                  |      |                  |              |                          |              |              |              |
| Fair value of plan assets at the beginning of the year                       |      | 203              | 189          | -                        | -            | 203          | 189          |
| Expected return on plan assets                                               |      | 9                | 10           | -                        | -            | 9            | 10           |
| Experience (gains)/losses (c)                                                |      | 9                | 3            | -                        | -            | 9            | 3            |
| Contributions by employers                                                   |      | 43               | 34           | 12                       | 11           | 55           | 45           |
| Contributions by plan participants                                           |      | -                | -            | 1                        | 1            | 1            | 1            |
| Business combinations                                                        |      | -                | -            | -                        | -            | -            | -            |
| Divestitures                                                                 |      | -                | -            | -                        | -            | -            | -            |
| Settlements                                                                  |      | -                | (4)          | -                        | -            | -            | (4)          |
| Transfers                                                                    |      | -                | -            | -                        | -            | -            | -            |
| Benefits paid                                                                |      | (36)             | (31)         | (13)                     | (12)         | (49)         | (43)         |
| Other (foreign currency translation adjustments)                             |      | 12               | 2            | -                        | -            | 12           | 2            |
| <b>Fair value of plan assets at the end of the year</b>                      |      | <b>240</b>       | <b>203</b>   | <b>-</b>                 | <b>-</b>     | <b>240</b>   | <b>203</b>   |
| <b>Funded status</b>                                                         |      |                  |              |                          |              |              |              |
| Underfunded obligation                                                       |      | (385)            | (336)        | (159)                    | (142)        | (544)        | (478)        |
| Unrecognized actuarial (gains)/losses                                        |      | 117              | 78           | (1)                      | (7)          | 116          | 71           |
| Unrecognized past service cost                                               |      | 1                | 3            | -                        | -            | 1            | 3            |
| <b>(Provision)/asset before asset ceiling</b>                                |      | <b>(267)</b>     | <b>(255)</b> | <b>(160)</b>             | <b>(149)</b> | <b>(427)</b> | <b>(404)</b> |
| Adjustment related to asset ceiling                                          |      | -                | -            | -                        | -            | -            | -            |
| <b>Net (provision)/asset recorded in the statement of financial position</b> |      | <b>(267)</b>     | <b>(255)</b> | <b>(160)</b>             | <b>(149)</b> | <b>(427)</b> | <b>(404)</b> |
| <i>of which assets related to employee benefit plans</i>                     |      | 5                | 5            | -                        | -            | 5            | 5            |
| <i>provisions for employee benefit plans (d)</i>                             | 19   | (272)            | (260)        | (160)                    | (149)        | (432)        | (409)        |

- Includes the impact on the benefit obligation resulting from the difference between benefits estimated at the previous year-end and benefits paid during the year. As a reminder, in 2008, 2007 and 2006, actual experience (gains)/losses in respect of benefit obligations amounted to €1 million, -€1 million, and -€4 million, respectively.
- In accordance with local laws and practices, certain plans are not covered by pension funds. As of December 31, 2010, they principally comprise supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

- c. Includes the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year. As a reminder, in 2008, 2007, and 2006 actual experience gains/(losses) in respect of plan assets amounted to -€43 million, -€24 million, and €24 million, respectively.
- d. Includes a current liability of €34 million as of December 31, 2010 (compared to €37 million as of December 31, 2009).

### Benefit obligation and fair value of plan assets detailed by country

|                                  | Pension benefits |            | Post-retirement benefits |            |
|----------------------------------|------------------|------------|--------------------------|------------|
|                                  | December 31,     |            |                          |            |
| (in millions of euros)           | 2010             | 2009       | 2010                     | 2009       |
| <b>Benefit obligation</b>        |                  |            |                          |            |
| US companies                     | 120              | 110        | 139                      | 126        |
| UK companies                     | 178              | 154        | -                        | -          |
| German companies                 | 110              | 102        | -                        | -          |
| French companies                 | 162              | 120        | -                        | -          |
| Other                            | 55               | 53         | 20                       | 16         |
|                                  | <b>625</b>       | <b>539</b> | <b>159</b>               | <b>142</b> |
| <b>Fair value of plan assets</b> |                  |            |                          |            |
| US companies                     | 58               | 53         | -                        | -          |
| UK companies                     | 127              | 98         | -                        | -          |
| French companies                 | 45               | 43         | -                        | -          |
| Other                            | 10               | 9          | -                        | -          |
|                                  | <b>240</b>       | <b>203</b> | <b>-</b>                 | <b>-</b>   |

### Restructuring in the United Kingdom

In November 2008, Vivendi restructured its principal defined benefit pension plan in the United Kingdom covering Seagram Spirits and Wine and UMG beneficiaries, as it existed as of December 31, 2007, by dividing it into three separate plans (retirees of Seagram Spirits and Wine and UMG, former non-retired employees of Seagram Spirits and Wine; and former non-retired employees, and current employees of UMG), and by transferring pension obligations relating to Seagram Spirits and Wine and UMG retirees outside the group.

The Seagram Spirits and Wine and UMG retirees plan therefore purchased an insurance policy for £135 million (€172 million) to cover its obligations. As the value of pension liabilities and related plan assets (the insurance contract) were perfectly matched from this date, no liability was recorded in Vivendi's Consolidated Statement of Financial Position as of December 31, 2008. The settlement of this pension plan became effective at year-end 2009; consequently, Vivendi is legally relieved from all obligations toward beneficiaries of this plan.

### 20.2.4 Additional information on pension benefits in France

Vivendi maintains ten pension plans in France, of which four make investments through insurance companies. The allocation of assets by category of the various plans was as follows:

|                                         | Equity securities | Real estate | Debt securities | Cash | Total  |
|-----------------------------------------|-------------------|-------------|-----------------|------|--------|
| Corporate Supplementary Plan            | 11.5%             | 7.0%        | 80.5%           | 1.0% | 100.0% |
| Corporate Management Supplementary Plan | 11.5%             | 7.0%        | 80.5%           | 1.0% | 100.0% |
| SFR Supplementary Plan                  | 12.8%             | 6.0%        | 80.1%           | 1.1% | 100.0% |
| Canal+ Group IDR* Plan                  | 13.0%             | 12.0%       | 75.0%           | -    | 100.0% |

IDR (Indemnités de départ en retraite)\*: Indemnities payable on retirement.

The asset allocation remains fairly stable over time. Contributions to the four plans amounted to €5 million in 2010 (compared to €5 million in 2009), and are estimated to be €5 million for 2011.

Payments to all ten pension plans in France amounted to €5 million in 2010 (compared to €5 million in 2009), and are estimated to be €5 million in 2011.

In addition, Vivendi took into account the impact of the retirement reform in France (law n°2010-1330 of November 9, 2010) in its actuarial valuations as of December 31, 2010 which generated a non-significant decrease in its French retirement obligations at that date.

## Benefits estimation and future payments

For 2011, pension fund contributions and benefit payments to retirees by Vivendi are estimated at €36 million in respect of pensions, of which €15 million to pension funds, and €13 million to post-retirement benefits.

Estimates of future benefit payments to beneficiaries by the relevant pension funds or by Vivendi (in nominal value) are as follows:

| (in millions of euros) | Pension benefits | Post-retirement benefits |
|------------------------|------------------|--------------------------|
| 2011                   | 27               | 13                       |
| 2012                   | 18               | 13                       |
| 2013                   | 19               | 12                       |
| 2014                   | 39               | 12                       |
| 2015                   | 20               | 12                       |
| 2016-2020              | 180              | 58                       |

## Note 21 Share-based Compensation plans

### 21.1 Impact of the expense related to share-based compensation plans

#### Impact on the Consolidated Statement of Earnings

(in millions of euros)

#### Charge/(Income)

Stock options, restricted stocks and performance shares

Vivendi "Stock appreciation rights" and "restricted stock units"

Employee stock purchase plans

#### Vivendi stock instruments

Activision Blizzard stock options, restricted stock units and performance shares

Blizzard employee cash-settled equity unit plan

#### Activision Blizzard stock instruments

#### UMG employee equity unit plan

#### Neuf Cegetel cash-settled restricted stock plans

#### Subtotal (including Activision Blizzard's capitalized costs)

of which

equity-settled instruments

cash-settled instruments

#### (-) Activision Blizzard's capitalized costs (a)

#### Charges/(Income) related to stock options and other share-based compensation plans

| Note | Year ended December 31, |             |
|------|-------------------------|-------------|
|      | 2010                    | 2009        |
|      | 27                      | 30          |
|      | (5)                     | (9)         |
|      | 15                      | 7           |
| 21.2 | <b>37</b>               | <b>28</b>   |
|      | 68                      | 85          |
|      | 1                       | 42          |
| 21.3 | <b>69</b>               | <b>127</b>  |
| 21.4 | <b>7</b>                | -           |
| 21.5 | -                       | <b>9</b>    |
|      | <b>113</b>              | <b>164</b>  |
|      | 110                     | 122         |
|      | 3                       | 42          |
|      | <b>26</b>               | <b>(10)</b> |
|      | <b>139</b>              | <b>154</b>  |

- a. Share-based compensation costs directly attributable to games development are capitalized as software development costs once the technological feasibility of a product is established and such costs are deemed recoverable. Upon product release, capitalized software development costs are amortized based on the ratio of current revenues to total projected revenues for the specific product, generally with an amortization period of six months or less. In 2010, €41 million were capitalized and €67 million were amortized, representing a net impact of -€26 million. In 2009, €74 million were capitalized and €64 million were amortized, representing a net impact of €10 million.

## Statement of Financial Position

(in millions of euros)

Vivendi "Stock appreciation rights" and "restricted stock units"

UMG employee equity unit plan

Blizzard employee equity unit plan

#### Provisions related to cash-settled instruments

Neuf Cegetel restricted stock plans

#### Payables related to cash-settled instruments

#### Liabilities related to cash-settled instruments

| Note | December 31, 2010 | December 31, 2009 |
|------|-------------------|-------------------|
| 21.2 | 9                 | 20                |
| 21.4 | 7                 | -                 |
| 21.3 | -                 | 60                |
| 19   | <b>16</b>         | <b>80</b>         |
| 21.5 | 38                | 66                |
|      | <b>38</b>         | <b>66</b>         |
|      | <b>54</b>         | <b>146</b>        |

## 21.2 Plans granted by Vivendi

### 21.2.1 Information on plans granted by Vivendi

Vivendi has granted to its employees several share-based compensation plans. During 2010 and 2009, Vivendi adopted equity-settled stock option plans and performance share plans, wherever the fiscal residence of the employee, as well as stock purchase plans for its employees and retirees (employee stock purchase plan and leveraged plan).

The accounting methods applied by Vivendi to value these granted plans are described in Note 1.3.10.

More precisely, **the volatility** applied in valuing the plans granted by Vivendi is calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 5-year period (4-year period as of December 31, 2009) and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

**The risk-free interest rate** used is the rate of French "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date.

**The expected dividend yield** at grant date is based on Vivendi's dividend distribution policy, which is currently an expected dividend of at least 50% of adjusted net income.

The vesting of stock options and performance shares is subject to the satisfaction of performance conditions. Since 2009, such performance conditions also include external indicators, thus following AFEP and MEDEF recommendations.

For 2010 and 2009, these performance conditions are broken down as follows:

- External indicators: 20% (performance of Vivendi shares compared to three trading indices DJ Stoxx Media, DJ Stoxx Telco and CAC 40); and
- Internal indicators: 80% (adjusted net income: 50% and cash flow from operations (CFFO): 30%).

The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee. The satisfaction of the objectives is reviewed over one year for the stock options and over two years for performance shares.

For 2011, performance conditions will be broken down as follows:

- External indicators: 30% (performance of Vivendi shares compared to three trading indices DJ Stoxx Media, DJ Stoxx Telco and CAC 40); and
- Internal indicators: 70% (adjusted net income: 45% and cash flow from operations (CFFO): 25%).

### Equity-settled instruments

For the main stock option and performance share plans granted in 2010 and 2009, the applied assumptions were as follows:

|                                         | 2010      | 2009      |
|-----------------------------------------|-----------|-----------|
| Grant date                              | April 15, | April 16, |
| <i>Data at grant date:</i>              |           |           |
| Options strike price (in euros) (a)     | 19.71     | 20.02     |
| Share price (in euros)                  | 19.89     | 19.57     |
| Expected volatility                     | 25%       | 29%       |
| Expected dividend yield                 | 7.04%     | 7.15%     |
| Performance conditions achievement rate | 100%      | 100%      |

- a. In accordance with legal provisions, the number and strike price of active stock option plans, including the April 15, 2010 plan, as well as the number of performance share in the 2009 and 2010 plans, were adjusted to take into account the impact, for beneficiaries, of the 2009 dividend distribution by a withholding on reserves, which was approved by the Annual General Shareholders' Meeting on April 29, 2010. This adjustment had no impact on share-based compensation expense related to the relevant stock option and performance share plans.

### Stock option plans

The value of the granted equity-settled instruments is estimated and fixed at grant date. Stock options granted in 2010 and 2009, vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost is therefore recognized on a straight-line basis over the vesting period.

The number of options granted on April 15, 2010 was 5,297,200, compared to 6,561,120 options granted on April 16, 2009. After taking into account a 2.75% risk-free interest rate (3.09% in 2009), the fair value of each option granted was €1.99, compared to €2.34 per option on April 16, 2009.

For 2010 and 2009, the Supervisory Board, upon recommendation of the Human Resources Committee, resolved that the 2010 and 2009 performance conditions were satisfied. The number of stock options granted in 2010 and 2009 (indicated above) was therefore definitive.

### Performance share plans

In 2010 and 2009, Vivendi set up performance share plans, pursuant to which shares granted vest at the end of a two-year vesting period, therefore, the compensation cost is recognized on a straight-line basis over the vesting period. Performance shares would be available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares composing the share capital of the company, employee shareholders are entitled to dividends and voting rights attached to these shares at the end of the two-year vesting period. The compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received less the discounted value of dividends that were not received over the vesting period.

The number of performance shares granted on April 15, 2010 was 1,084,172, compared to 567,001 shares granted on April 16, 2009. After taking into account a discount for non-transferability of 17.50% of the share price on April 15, 2010 (17.58% on April 16, 2009), the fair value of each granted performance share was €13.80, compared to €13.23 per share on April 16, 2009.

As the performance conditions fixed in 2009 were satisfied at the end of 2010, the number of performance shares granted in 2009 (indicated above) was definitive.

### Cash-settled instruments

Beginning in 2006, following the delisting of Vivendi's shares from the NYSE, until the end of 2007, following the relaxing of certain US securities regulations with respect to foreign private issuers ("SEC Rule 701"), Vivendi granted specific instruments to its US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees, and these equity instruments are settled in cash only. The value of the cash-settled instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date until the payment date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date.

### Stock appreciation right plans

When the instruments entitle the beneficiaries thereof to receive the appreciation in the value of Vivendi shares, they are known as "stock appreciation rights" (SAR), which are the economic equivalent of stock options. Under a SAR plan, the beneficiaries will receive a cash payment upon exercise of their rights based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SAR and their strike price as set at the grant date. SAR expire at the end of a ten-year period.

### Restricted stock unit plans

When the instruments entitle the beneficiaries thereof to receive the value of Vivendi shares, they are known as "restricted stock units" (RSU), which are the economic equivalent of performance shares or restricted stocks. Under a RSU plan, the beneficiaries will receive, in general, at the end of a four-year period following the grant date, a cash payment based on the Vivendi share price equal to the Vivendi share price at this date, plus the value of dividends paid on Vivendi shares in respect of the two fiscal periods subsequent to the two-year vesting period, and converted into the local currency at the prevailing exchange rate. These RSU are simply units of account and do not have any value outside this plan. They do not carry voting rights and do not represent an ownership interest in Vivendi or any of its businesses.

The following table presents the value of outstanding stock appreciation right and restricted stock unit plans, measured as of December 31, 2010:

|                                                                                 | SAR         |               |             | RSU          |
|---------------------------------------------------------------------------------|-------------|---------------|-------------|--------------|
|                                                                                 | 2007 (a)    | 2006 (b)      |             | 2007 (c)     |
| Grant date                                                                      | April 23,   | September 22, | April 13,   | April 23,    |
| <i>Data at grant date:</i>                                                      |             |               |             |              |
| Strike price (in US dollars)                                                    | 41.34       | 34.58         | 34.58       | na*          |
| Number of instruments granted                                                   | 1,280,660   | 24,000        | 1,250,320   | 106,778      |
| <i>Data at the valuation date (December 31, 2010):</i>                          |             |               |             |              |
| Expected term (in years)                                                        | 3.1         | 2.8           | 2.6         | -            |
| Share price (in US dollars)                                                     | 27.25       | 27.25         | 27.25       | 27.25        |
| Expected volatility                                                             | 27%         | 27%           | 27%         | na*          |
| Risk-free interest rate                                                         | 1.25%       | 1.17%         | 1.10%       | na*          |
| Expected dividend yield                                                         | 6.87%       | 6.87%         | 6.87%       | 6.87%        |
| <b>Fair value of the granted option as of December 31, 2010 (in US dollars)</b> | <b>0.71</b> | <b>1.28</b>   | <b>1.22</b> | <b>27.25</b> |

na\*: not applicable.

- SAR granted in 2007 vest at the end of a three-year vesting period. Therefore, the compensation cost was recognized on a straight-line basis over the vesting period.

- b. SAR granted in 2006 vested annually in one-third tranches from the grant date's anniversary. The compensation cost was recorded over the vesting period, but not on a straight-line basis, given the vesting conditions. The expense was accounted for using the degressive method over a three-year period.
- c. The RSU granted were conditional upon the achievement of certain operating objectives linked to the financial results of the group (adjusted net income and cash flow from operations) as set forth in the budget for the current fiscal year. The operating performance objectives were met in 2007; therefore, all RSU granted in 2007 were definitively vested by the beneficiaries in 2009. The compensation cost was therefore recognized on a straight-line basis over the vesting period.

In accordance with the description above, the beneficiaries of RSU plans granted in 2006 received in 2010 a cash payment based on the Vivendi share price for a total amount of €4 million.

### Employee stock purchase and leveraged plans

Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of its full-time employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the subscription plans granted is estimated and fixed at grant date. This expense is recognized with a corresponding increase in equity and allocated to each business segment, pro rata the number of shares subscribed.

For the subscribed plans in 2010 and 2009, the applied assumptions were as follows:

|                               | 2010   | 2009   |
|-------------------------------|--------|--------|
| Grant date                    | July 5 | July 6 |
| Subscription price (in euros) | 13.78  | 14.61  |
| <i>Data at grant date:</i>    |        |        |
| Share price (in euros)        | 16.46  | 16.77  |
| Discount to face value        | 16.28% | 12.88% |
| Expected dividend yield       | 8.50%  | 8.35%  |
| Risk-free interest rate       | 1.78%  | 2.50%  |
| 5-year interest rate          | 6.20%  | 6.90%  |
| Repo rate                     | 0.36%  | 0.36%  |

Under the **employee stock purchase plans**, the number of subscribed shares was 1,576,839 in 2010 (1,184,491 shares subscribed in 2009). After taking into account a discount for non-transferability of 11.3% of the share price on July 5, 2010 (12.0% on July 6, 2009), the fair value per subscribed share was €0.8 on July 5, 2010, compared to €0.2 per subscribed share on July 6, 2009.

Under **the leveraged plans** implemented in 2010 and 2009, virtually all employees and retirees of Vivendi and its French and foreign subsidiaries are entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2010, the number of subscribed shares under the leveraged plans was 5,413,389 (compared to 3,473,597 subscribed shares in 2009). After taking into account the discount for non-transferability (specified above) and following the leveraged impact, the fair value per subscribed share on July 5, 2010 was €2.5, compared to €2.0 per subscribed share on July 6, 2009.

Given the amount of subscriptions made through the traditional employee share purchase plans and the leveraged plans, the share capital (including issue premium) increased by €98 million on July 29, 2010 and €71 million on July 30, 2009.

## 21.2.2 Information on outstanding Vivendi plans

Activity under all equity-settled and cash-settled Vivendi plans since January 1, 2009 is summarized below:

### Equity-settled instruments

|                                            | Stock options                       |                                                                          | Performance shares                       |
|--------------------------------------------|-------------------------------------|--------------------------------------------------------------------------|------------------------------------------|
|                                            | Number of stock options outstanding | Weighted average strike price of stock options outstanding<br>(in euros) | Number of performance shares outstanding |
| <b>Balance as of December 31, 2008</b>     | <b>43,284,077</b>                   | <b>28.2</b>                                                              | <b>986,827</b>                           |
| Granted                                    | 6,601,120                           | 20.0                                                                     | 570,337                                  |
| Exercised                                  | (155,828)                           | 13.4                                                                     | (459,825)                                |
| Forfeited                                  | (7,498,324)                         | 47.6                                                                     | -                                        |
| Cancelled                                  | (564,340)                           | 26.9                                                                     | (35,828)                                 |
| <b>Balance as of December 31, 2009</b>     | <b>41,666,705</b>                   | <b>23.5</b>                                                              | <b>1,061,511</b>                         |
| Granted                                    | 5,348,200                           | 19.7                                                                     | 1,101,173                                |
| Exercised                                  | (906,840) (a)                       | 14.6                                                                     | (430,335)                                |
| Forfeited                                  | (326,871)                           | 47.8                                                                     | -                                        |
| Cancelled                                  | (359,773)                           | 22.4                                                                     | (29,976)                                 |
| Adjusted                                   | 3,500,498                           | 21.3                                                                     | 124,266                                  |
| <b>Balance as of December 31, 2010</b>     | <b>48,921,919</b>                   | <b>21.4</b>                                                              | <b>1,826,639</b>                         |
| <b>Exercisable as of December 31, 2010</b> | <b>30,204,309</b>                   | <b>22.3</b>                                                              | <b>-</b>                                 |
| <b>Acquired as of December 31, 2010</b>    | <b>30,724,124</b>                   | <b>22.2</b>                                                              | <b>112,978</b>                           |

- a. The weighted average share price for Vivendi shares at the dates of exercise for the options was €19.96 (compared to €19.36 for stock options exercised in 2009).

As of December 31, 2010, the total intrinsic value of outstanding stock options was €60 million and their weighted average remaining contractual life amounted to 5.9 years (see below).

As of December 31, 2010, the weighted-average remaining period before issuing shares under performance shares was 1.2 years.

Please refer to Note 18 for the potential impact on share capital of the exercise of the outstanding stock options and the issuance of performance shares being acquired.

Information on stock options for ordinary shares as of December 31, 2010 is as follows:

| Range of strike prices | Number outstanding | Weighted average strike price<br>(in euros) | Weighted average remaining contractual life<br>(in years) | Number vested     | Weighted average strike price<br>(in euros) |
|------------------------|--------------------|---------------------------------------------|-----------------------------------------------------------|-------------------|---------------------------------------------|
| Under €17              | 3,847,449          | 13.4                                        | 2.4                                                       | 3,847,449         | 13.4                                        |
| €17-€19                | 12,563,715         | 18.5                                        | 8.7                                                       | 397,145           | 18.3                                        |
| €19-€21                | 7,800,641          | 19.2                                        | 3.5                                                       | 7,711,622         | 19.2                                        |
| €21-€23                | 7,168,839          | 22.0                                        | 4.3                                                       | 7,168,839         | 22.0                                        |
| €23-€25                | 6,305,406          | 23.4                                        | 7.3                                                       | 363,200           | 23.4                                        |
| €25-€27                | 5,541,444          | 26.5                                        | 5.3                                                       | 5,541,444         | 26.5                                        |
| €27-€29                | 5,694,425          | 28.6                                        | 6.3                                                       | 5,694,425         | 28.6                                        |
| €29 and more           | -                  | -                                           | -                                                         | -                 | -                                           |
|                        | <b>48,921,919</b>  | <b>21.4</b>                                 | <b>5.9</b>                                                | <b>30,724,124</b> | <b>22.2</b>                                 |

**Cash-settled instruments**

|                                            | SAR (including former ADS converted into SAR in May 2006) |                                                                     | RSU                                          |
|--------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
|                                            | Number of SAR outstanding                                 | Weighted average strike price of SAR outstanding<br>(in US dollars) | Number of restricted stock units outstanding |
| <b>Balance as of December 31, 2008</b>     | <b>20,379,337</b>                                         | <b>51.8</b>                                                         | <b>302,732</b>                               |
| Exercised                                  | (107,312)                                                 | 22.0                                                                | (8,500)                                      |
| Forfeited                                  | (8,165,843)                                               | 51.5                                                                | -                                            |
| Cancelled                                  | (27,212)                                                  | 53.7                                                                | (11,657)                                     |
| <b>Balance as of December 31, 2009</b>     | <b>12,078,970</b>                                         | <b>52.3</b>                                                         | <b>282,575</b>                               |
| Exercised                                  | (212,527) (a)                                             | 12.7                                                                | (177,062)                                    |
| Forfeited                                  | (7,164,959)                                               | 66.3                                                                | -                                            |
| Cancelled                                  | (19,051)                                                  | 24.9                                                                | (6,045)                                      |
| Adjusted                                   | 419,247                                                   | 33.0                                                                | -                                            |
| <b>Balance as of December 31, 2010</b>     | <b>5,101,680</b>                                          | <b>30.2</b>                                                         | <b>99,468</b>                                |
| <b>Exercisable as of December 31, 2010</b> | <b>5,101,680</b>                                          | <b>30.2</b>                                                         | <b>-</b>                                     |
| <b>Acquired as of December 31, 2010</b>    | <b>5,101,680</b>                                          | <b>30.2</b>                                                         | <b>99,468</b>                                |

- a. The weighted average share price for Vivendi shares at the dates of exercise of the SAR was \$26.27 (compared to \$29.65 for the SAR exercised in 2009).

As of December 31, 2010, all rights related to SAR were vested and their total intrinsic value amounted to \$7 million.

Information concerning stock appreciation rights as of December 31, 2010 is as follows:

| Range of strike prices | Number of SAR outstanding | Weighted average strike price | Weighted average remaining contractual life | Number vested    | Weighted average strike price |
|------------------------|---------------------------|-------------------------------|---------------------------------------------|------------------|-------------------------------|
|                        |                           | (in US dollars)               | (in years)                                  |                  | (in US dollars)               |
| Under \$21             | 211,809                   | 15.5                          | 2.1                                         | 211,809          | 15.5                          |
| \$21-\$24              | 875,279                   | 22.3                          | 3.2                                         | 875,279          | 22.3                          |
| \$24-\$27              | 122,790                   | 25.2                          | 1.1                                         | 122,790          | 25.2                          |
| \$27-\$30              | 1,409,623                 | 28.5                          | 4.3                                         | 1,409,623        | 28.5                          |
| \$30-\$33              | 1,203,564                 | 32.2                          | 5.3                                         | 1,203,564        | 32.2                          |
| \$33-\$36              | -                         | -                             | -                                           | -                | -                             |
| \$36-\$39              | 1,278,615                 | 38.5                          | 6.3                                         | 1,278,615        | 38.5                          |
| \$39 and more          | -                         | -                             | -                                           | -                | -                             |
|                        | <b>5,101,680</b>          | <b>30.2</b>                   | <b>4.7</b>                                  | <b>5,101,680</b> | <b>30.2</b>                   |

**21.3 Plans granted by Activision Blizzard****21.3.1 Information on plans granted by Activision Blizzard**

As part of the creation of Activision Blizzard as of July 10, 2008, Vivendi assumed the outstanding plans of Activision.

The accounting methods applied by Activision Blizzard to value these granted plans are described in Note 1.3.10. More precisely, the volatility applied in valuing the plans granted by Activision Blizzard consists of the historical volatility of Activision Blizzard shares and the implied volatility based on traded put and call options. For the plans granted in 2010, the expected stock price volatility ranged from 32.87% to 53.71% (compared to from 41.56% to 60.77% in 2009). The risk-free interest rate used was a forward rate and the expected dividend yield assumption for options granted in 2010 was based on the company's historical and expected future amount of dividend payouts (the dividend yield was zero in 2009).

**Equity incentive plans**

On July 28, 2008, the Board of Directors of Activision Blizzard adopted the Activision Blizzard Inc. 2008 Incentive Plan, approved by stockholders and amended and restated by the Board of Directors on September 24, 2008, further amended and restated by the Board of Directors with stockholders approval on June 3, 2009 and further amended and restated by the Compensation Committee of the Board of Directors with stockholders approval on December 17, 2009, as well as further amended and restated by the Board of Directors and the Compensation Committee of this Board with stockholders approval on June 3, 2010 (as so amended and restated, the "2008 Plan"). The 2008 Plan authorizes the Compensation Committee of the Board of Directors of Activision Blizzard to provide stock-based compensation in

the form of stock options, share appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other performance or value-based awards structured by the Compensation Committee within parameters set forth in the 2008 Plan, including custom awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of the common stock of Activision Blizzard, or factors that may influence the value of the common stock of Activision Blizzard or that are valued based on its performance or the performance of any of the subsidiaries or business units of Activision Blizzard or other factors designated by the Compensation Committee, as well as non incentive bonuses, for the purpose of providing incentives and rewards for performance to the directors, officers, employees of, and consultants to, Activision Blizzard and its subsidiaries.

While the Compensation Committee has broad discretion to create equity incentives, the stock-based compensation program of Activision Blizzard for the most part currently utilizes a combination of options and restricted stock units. Options have time-based vesting schedules, generally vesting annually over a period of three to five years and all options expire ten years from the grant date. Restricted stock units either have time-based vesting schedules, generally vesting in their entirety on an anniversary of the date of grant or vesting annually over a period of three to five years, or vest only if certain performance measures are met. Under the terms of the 2008 Plan, the exercise price for the options, must be equal to or greater than the closing price per share of the common stock of Activision Blizzard on the date the award is granted, as reported on NASDAQ.

Upon the effective date of the 2008 Plan, Activision Blizzard ceased to make awards under all prior equity incentive plans (collectively, the "Prior Plans"), although such plans will remain in effect and continue to govern outstanding awards.

Pursuant to the 2008 Plan as adopted, 30 million shares of the common stock of Activision Blizzard were made available for issuance. The 2008 Plan was amended with stockholder approval on December 17, 2009 to increase the number of shares of the common stock of Activision Blizzard available for issuance thereunder by 14 million and was further amended with stockholders approval on June 3, 2010 to increase the number of shares of the common stock of Activision Blizzard available for issuance thereunder by 56 million. The number of shares of the common stock of Activision Blizzard reserved for issuance under the 2008 Plan may be further increased from time to time by: (i) the number of shares relating to awards outstanding under any Prior Plan that: (a) expire, or are forfeited, terminated or cancelled, without the issuance of shares; (b) are settled in cash in lieu of shares; or (c) are exchanged, prior to the issuance of shares of the common stock of Activision Blizzard, for awards not involving its common stock; and (ii) if the exercise price of any option outstanding under any Prior Plan is, or the tax withholding requirements with respect to any award outstanding under any Prior Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares. As of December 31, 2010, Activision Blizzard had approximately 60 million shares (approximately 16 million shares as of December 31, 2009) of its common stock reserved for future issuance under the 2008 Plan.

The characteristics of the stock option plans granted by Activision Blizzard are presented below:

|                                                                                       | Stock option plans |             |
|---------------------------------------------------------------------------------------|--------------------|-------------|
|                                                                                       | 2010               | 2009        |
| <i>Weighted-average data at grant date: (a)</i>                                       |                    |             |
| Options strike price (in US dollars)                                                  | 11.52              | 11.67       |
| Maturity (in years)                                                                   | 10                 | 10          |
| Expected term (in years)                                                              | 5.79               | 5.95        |
| Number of instruments granted                                                         | 11,275,785         | 9,512,080   |
| Share price (in US dollars)                                                           | 11.52              | 11.67       |
| Expected volatility                                                                   | 46%                | 53%         |
| Risk-free interest rate                                                               | 2.97%              | 3.63%       |
| Expected dividend yield                                                               | 1.33%              | -           |
| Performance conditions achievement rate                                               | na*                | na*         |
| <b>Weighted-average fair value of the option at grant date (in US dollars) (a)</b>    | <b>3.98</b>        | <b>5.40</b> |
| Weighted-average fair value of the plan at grant date (in millions of US dollars) (a) | 45                 | 51          |

na\*: not applicable.

a. Relates to the weighted-average by number of instruments for each attribution in each fiscal year.

### Restricted stock units and restricted stock awards

Activision Blizzard grants restricted stock units and restricted stock awards (collectively referred to as "restricted stock rights") under the 2008 Plan to employees around the world and Activision Blizzard has assumed, as a result of the creation of Activision Blizzard, the restricted stock rights granted by Activision. Restricted stock rights entitle the holders thereof to receive shares of the common stock of Activision Blizzard at the end of a specified period of time or otherwise upon a specified occurrence (which may include the satisfaction of a performance measure). Restricted stock awards are issued and outstanding upon grant. Holders of restricted stock rights are restricted from selling the shares until they vest. Upon vesting of restricted stock rights, Activision Blizzard may withhold shares otherwise deliverable to satisfy tax withholding requirements. Restricted stock rights are subject to forfeiture and transfer restrictions. Vesting is contingent upon the holders' continued employment with Activision Blizzard and may be subject to other conditions (which may include the satisfaction of a performance measure). If the vesting conditions are not met, unvested restricted stock rights will be forfeited.

In connection with the creation of Activision Blizzard, on July 9, 2008, the Chief Executive Officer of Activision Blizzard received a grant of 2,500,000 market performance-based vesting restricted shares, which vest in 20% increments on each of the first, second, third, and fourth anniversaries of the date of grant, with another 20% vesting on December 31, 2012, the expiration date of the Chief Executive Officer's employment agreement with Activision Blizzard, in each case subject to Activision Blizzard attaining the specified compound annual total stockholder return target for that vesting period. If Activision Blizzard does not achieve the market performance measure for a vesting period, no performance shares will vest for that vesting period. If, however, Activision Blizzard achieves a market performance measure for a subsequent vesting period, then all of the performance shares that would have vested on the previous vesting date will vest on the vesting date when the market performance measure is achieved.

The characteristics of the restricted stock units and restricted stocks granted by Activision Blizzard are presented below:

|                                                                                        | Restricted stock plans |              |
|----------------------------------------------------------------------------------------|------------------------|--------------|
|                                                                                        | 2010                   | 2009         |
| <i>Weighted-average data at grant date: (a)</i>                                        |                        |              |
| Vesting period (in years)                                                              | 3                      | 3            |
| Number of instruments granted                                                          | 10,364,522             | 2,754,974    |
| Share price (in US dollars)                                                            | 11.52                  | 11.80        |
| Expected dividend yield                                                                | 1.33%                  | -            |
| Performance conditions achievement rate                                                | na*                    | na*          |
| <b>Weighted-average fair value of the instrument at grant date (in US dollars) (a)</b> | <b>11.54</b>           | <b>11.80</b> |
| Weighted-average fair value of the plan at grant date (in millions of US dollars) (a)  | 120                    | 33           |

na\*: not applicable.

- a. Relates to the weighted-average by number of instruments for each attribution in each fiscal year.

### Non-plan employee stock options granted to the Chief Executive Officer and the Co-Chairman of Activision

In connection with prior employment agreements, the Chief Executive Officer and the Co-Chairman of Activision Blizzard were previously granted options to purchase the common stock of Activision. The Board of Directors of Activision, Inc. approved the granting of these options. As of December 31, 2008, non-plan options to purchase approximately 16 million shares under such grants were outstanding with a weighted average exercise price of \$1.02, all of which were exercised during 2009.

### 21.3.2 Information on outstanding Activision Blizzard plans

|                                            | Stock options                       |                                                                               | Restricted stocks                       |
|--------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------|
|                                            | Number of stock options outstanding | Weighted average strike price of stock options outstanding<br>(in US dollars) | Number of restricted stocks outstanding |
| <b>Balance as of December 31, 2008</b>     | <b>97,841,005</b>                   | <b>6.5</b>                                                                    | <b>10,267,104</b>                       |
| Granted                                    | 9,512,080                           | 11.7                                                                          | 2,754,974                               |
| Exercised                                  | (34,303,889)                        | 2.6                                                                           | (1,539,390)                             |
| Forfeited/Expired                          | (1,230,875)                         | 10.0                                                                          | (179,963)                               |
| <b>Balance as of December 31, 2009</b>     | <b>71,818,321</b>                   | <b>9.0</b>                                                                    | <b>11,302,725</b>                       |
| Granted                                    | 11,275,785                          | 11.5                                                                          | 10,364,522                              |
| Exercised                                  | (16,210,550) (a)                    | 5.0                                                                           | (2,556,635)                             |
| Forfeited/Expired                          | (5,708,760)                         | 10.2                                                                          | (2,538,184)                             |
| <b>Balance as of December 31, 2010</b>     | <b>61,174,796</b>                   | <b>10.5</b>                                                                   | <b>16,572,428</b>                       |
| <b>Exercisable as of December 31, 2010</b> | <b>36,650,295</b>                   | <b>9.3</b>                                                                    | <b>-</b>                                |
| <b>Acquired as of December 31, 2010</b>    | <b>36,650,295</b>                   | <b>9.3</b>                                                                    | <b>-</b>                                |

- a. The weighted average share price for the shares of Activision Blizzard on the date the options were exercised was \$11.40 (compared to \$11.69 in 2009).

As of December 31, 2010, the total intrinsic value of outstanding stock options was \$157 million and their weighted average remaining contractual life was 7.0 years (see below).

As of December 31, 2010, under restricted stocks, the weighted average remaining period before issuing shares was 2.0 years.

Please refer to Note 18 for the potential impact on share capital of the exercise of the outstanding stock options and the issuance of performance shares being acquired.

Information concerning stock options for ordinary shares as of December 31, 2010 is as follows:

| Range of strike prices | Number outstanding | Weighted average strike price | Weighted average remaining contractual life | Number vested     | Weighted average strike price |
|------------------------|--------------------|-------------------------------|---------------------------------------------|-------------------|-------------------------------|
|                        |                    | (in US dollars)               | (in years)                                  |                   | (in US dollars)               |
| Under \$2              | 334,690            | 1.8                           | 2.0                                         | 334,690           | 1.8                           |
| \$2-\$4                | 3,564,572          | 3.3                           | 2.1                                         | 3,564,572         | 3.3                           |
| \$4-\$6                | 3,578,430          | 5.5                           | 4.0                                         | 3,522,530         | 5.5                           |
| \$6-\$8                | 7,853,778          | 7.0                           | 5.0                                         | 7,386,848         | 7.0                           |
| \$8-\$10               | 8,773,010          | 9.3                           | 6.5                                         | 8,045,284         | 9.3                           |
| \$10-\$12              | 22,106,142         | 11.3                          | 8.8                                         | 5,878,097         | 10.9                          |
| \$12-\$14              | 5,830,440          | 13.1                          | 7.4                                         | 2,845,297         | 13.2                          |
| \$14-\$16              | 3,540,000          | 15.0                          | 7.5                                         | 1,711,000         | 15.0                          |
| \$16-\$17              | 5,533,734          | 16.5                          | 7.6                                         | 3,301,977         | 16.5                          |
| \$17 and more          | 60,000             | 18.4                          | 7.6                                         | 60,000            | 18.4                          |
|                        | <b>61,174,796</b>  | <b>10.5</b>                   | <b>7.0</b>                                  | <b>36,650,295</b> | <b>9.3</b>                    |

### 21.3.3 Blizzard (Activision Blizzard subsidiary) long-term incentive plan

In 2006, Blizzard implemented the Blizzard Equity Plan (BEP), an equity incentive plan denominated in US dollars. Under the Blizzard Equity Plan, certain key executives and employees of Blizzard were awarded restricted shares of Blizzard stock and other cash settled awards of Blizzard.

On July 9, 2008, the creation of Activision Blizzard was deemed a change in control, which automatically triggered cash payments to the beneficiaries for the portion of awards that were vested for \$106 million (€68 million). In addition, on that date, the outstanding unvested rights were immediately vested, cancelled and extinguished and were converted into a new right to receive \$88 million in cash on January 9, 2010, assuming participants remain employed through the payment date. The compensation cost was therefore recognized on a straight-line basis over an 18 month period from July 9, 2008 to January 9, 2010.

As a result, as of December 31, 2009, a provision of \$86 million (€60 million) was recognized. In January 2010, \$88 million (€61 million) was paid out as the final distribution under the Plan, and there are no payment obligations remaining under this Plan.

### 21.4 UMG long-term incentive plan

Effective January 1, 2010, UMG implemented long-term incentive arrangements under which certain key executives of UMG are awarded phantom equity units and phantom stock appreciation rights whose value is intended to reflect the value of UMG. These units are simply units of account and do not represent actual ownership interest in either UMG or Vivendi. The equity units are notional grants of equity that will be payable in cash upon settlement no later than 2015 or earlier under certain circumstances. The stock appreciation rights are essentially options on those notional shares that provide additional compensation tied to any increase in value of UMG over the term. The SAR's are also settled in cash only no later than 2015 or earlier under certain circumstances. There is a guaranteed minimum payout of \$25 million.

Payouts under the plan generally coincide with terms of employment, but can be accelerated or reduced under certain circumstances. The values for both payouts are based upon third party valuations. While the participants' rights vest at the end of a fixed vesting period, compensation expense is recognized over the vesting period as services are rendered. At each closing date, the expense is recognized based on the portion of the vesting period that has elapsed and the fair value of the units calculated using an appropriate grant date model in accordance with IFRS 2.

As of December 31, 2010, the amount accrued under these arrangements was €7 million (nil as of December 31, 2009). There have been no payments made to date.

### 21.5 Neuf Cegetel restricted stock plans

Following Neuf Cegetel's consolidation by SFR in April 2008, Vivendi assumed the residual plans of Neuf Cegetel, including restricted shares granted between 2005 and 2007 to the Company's employees and/or corporate officers. The acquisition of shares only became final after the expiration of a two-year vesting period, with a minimum holding period of two years. As of December 31, 2009, all restricted shares granted under these plans were definitely vested.

Finally, the shares owned (but currently in a holding period) by executives and employees of Ex-Neuf Cegetel are subject to reciprocal put and call option agreements with SFR, with a 2011 maturity at the latest. As of December 31, 2010, the amount accrued was €38 million (compared to €66 million as of December 31, 2009), primarily due to the €31 million payment to beneficiaries of the Neuf Cegetel restricted stock plans in 2010 (compared to €131 million paid in 2009).

## Note 22 Borrowings and other financial liabilities

### 22.1 Analysis of long-term borrowings and other financial liabilities

| (in millions of euros)                                                       | Nominal interest rate (%) | Effective interest rate (%) | Maturity      | December 31, 2010 | December 31, 2009 |
|------------------------------------------------------------------------------|---------------------------|-----------------------------|---------------|-------------------|-------------------|
| <b>Bonds</b>                                                                 |                           |                             |               |                   |                   |
| €750 million bond issue (March 2010) (a)                                     | 4.00%                     | 4.15%                       | March 2017    | 750               | -                 |
| €700 million bond issue (December 2009) (a)                                  | 4.88%                     | 4.95%                       | December 2019 | 700               | 700               |
| €500 million bond issue (December 2009) (a)                                  | 4.25%                     | 4.39%                       | December 2016 | 500               | 500               |
| €1.1 billion bond issue (January 2009) (a)                                   | 7.75%                     | 7.69%                       | January 2014  | 894 (b)           | 1,120             |
| €700 million bond issue (October 2006) (a)                                   | 4.50%                     | 5.47%                       | October 2013  | 700               | 700               |
| €600 million bond issue (February 2005) (a)                                  | 3.88%                     | 3.94%                       | February 2012 | 600               | 600               |
| \$700 million bond issue (April 2008)                                        | 6.63%                     | 6.85%                       | April 2018    | 529 (c)           | 487               |
| \$700 million bond issue (April 2008)                                        | 5.75%                     | 6.06%                       | April 2013    | 529 (c)           | 487               |
| €700 million bond issue (October 2006) (a)                                   | Euribor 3 months +0.50%   | -                           | October 2011  | - (d)             | 700               |
| <i>Subtotal: Vivendi SA's bonds</i>                                          |                           |                             |               | <u>5,202</u>      | <u>5,294</u>      |
| €1.0 billion bond issue (July 2005) (a)                                      | 3.375%                    | 4.14%                       | July 2012     | 1,000             | 1,000             |
| €300 million bond issue (July 2009) (a)                                      | 5.00%                     | 5.05%                       | July 2014     | 300               | 300               |
| <i>Subtotal: SFR's bonds</i>                                                 |                           |                             |               | <u>1,300</u>      | <u>1,300</u>      |
| <b>Facilities</b>                                                            |                           |                             |               |                   |                   |
| €2.0 billion revolving facility                                              | Euribor +0.250%           | -                           | April 2012    | -                 | 450               |
| €2.0 billion revolving facility                                              | Euribor +0.250%           | -                           | August 2013   | 750               | -                 |
| <i>Subtotal: Vivendi SA's facilities</i>                                     |                           |                             |               | <u>750</u>        | <u>450</u>        |
| €1.2 billion revolving facility                                              | Euribor +0.175%           | -                           | April 2011    | - (e)             | 185               |
| €450 million revolving facility                                              | Euribor +0.160%           | -                           | November 2012 | 430               | 290               |
| Securitization programs                                                      | Euribor +0.750%           | -                           | March 2011    | - (d)             | 280               |
| Securitization programs                                                      | Euribor +0.800%           | -                           | January 2015  | 310               | -                 |
| <i>Subtotal: SFR's facilities</i>                                            |                           |                             |               | <u>740</u>        | <u>755</u>        |
| GVT - BNDES notes                                                            | -                         | -                           | 2017          | 163 (f)           | -                 |
| Maroc Telecom - MAD 3 billion notes                                          | 5.05%                     | -                           | July 2014     | 148               | 199               |
| <b>Other</b>                                                                 | -                         | -                           | na*           | 214               | 215               |
| <b>Nominal value of borrowings</b>                                           |                           |                             |               | <b>8,517</b>      | <b>8,213</b>      |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | -                         | -                           | -             | (6)               | (68)              |
| <b>Borrowings</b>                                                            |                           |                             |               | <b>8,511</b>      | <b>8,145</b>      |
| <b>Commitments to purchase non-controlling interests</b>                     |                           |                             |               | <b>1</b>          | <b>13</b>         |
| <b>Other derivative instruments</b>                                          |                           |                             |               | <b>61</b>         | <b>197</b>        |
| <b>Long-term borrowings and other financial liabilities</b>                  |                           |                             |               | <b>8,573</b>      | <b>8,355</b>      |

na\*: not applicable.

- The bonds, listed on the Luxembourg Stock Exchange, are subject to customary pari passu, negative pledge and event of default provisions.
- In December 2010, Vivendi SA acquired €226 million of bonds from the borrowing of €1.1 billion issued in January 2009 (€259 million, including premium).
- As of December 31, 2010, the nominal value of these dollar denominated bonds issued in April 2008 was calculated based on the exchange rate on the closing date, i.e., 1.32 euro/US dollar (compared to 1.44 euro/US dollar as of December 31, 2009).
- These line items were reclassified in short-term borrowings and other financial liabilities.
- In June 2010, SFR refinanced the current credit facility of €1.2 billion with an initial scheduled maturity of April 2011. The new credit facility of the same amount, maturing in June 2015, was undrawn as of December 31, 2010.
- Relates to GVT's loan with BNDES and the average rate paid was 11.1% as of December 31, 2010. This loan is subject to compliance with certain financial covenants (please refer to Note 22.6 below).

## 22.2 Analysis of short-term borrowings and other financial liabilities

| (in millions of euros)                                                       | Nominal interest rate (%) | Maturity      | December 31, 2010   | December 31, 2009   |
|------------------------------------------------------------------------------|---------------------------|---------------|---------------------|---------------------|
| <b>Bonds</b>                                                                 |                           |               |                     |                     |
| Vivendi SA - €630 million bond issue (April 2005)                            | 3.63%                     | April 2010    | -                   | 630                 |
| Vivendi SA - €700 million bond issue (October 2006)                          | Euribor 3 months +0.50%   | October 2011  | 700                 | -                   |
| GVT - \$200 million bond issue                                               | -                         | -             | - (a)               | 137                 |
| <i>Subtotal: bonds</i>                                                       |                           |               | <u>700</u>          | <u>767</u>          |
| <b>Facilities</b>                                                            |                           |               |                     |                     |
| SFR - Securitization programs                                                | Euribor +0.750%           | March 2011    | 283                 | -                   |
| SFR - Syndicated facility ("Club Deal") tranche A                            | Euribor +0.400%           | July 2010     | - (b)               | 248                 |
| SFR - Structured financing (UK Lease)                                        | Euribor +0.400%           | November 2010 | -                   | 100                 |
| GVT - BNDES notes                                                            | -                         | -             | 23 (c)              | 199                 |
| <i>Subtotal: facilities</i>                                                  |                           |               | <u>306</u>          | <u>547</u>          |
| <b>Commercial paper (d)</b>                                                  |                           |               |                     |                     |
| Vivendi SA                                                                   | Eonia +0.22%              | January 2011  | 843                 | 635                 |
| SFR                                                                          | Eonia +0.09%              | January 2011  | 854                 | 933                 |
| <i>Subtotal: commercial paper</i>                                            |                           |               | <u>1,697</u>        | <u>1,568</u>        |
| Bank overdrafts                                                              | -                         | -             | 276                 | 307                 |
| Other                                                                        | -                         | -             | 412                 | 739                 |
| <b>Nominal value of borrowings</b>                                           |                           |               | <u><b>3,391</b></u> | <u><b>3,928</b></u> |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | -                         | -             | -                   | (6)                 |
| <b>Borrowings</b>                                                            |                           |               | <u><b>3,391</b></u> | <u><b>3,922</b></u> |
| Commitments by Vivendi to purchase outstanding GVT shares                    |                           | -             | 2 (e)               | 571                 |
| Put option granted to M6 on 5.1% of the share capital of Canal+ France       |                           | February 2010 | - (f)               | 384                 |
| Put options granted to various third parties by Canal+ Group and SFR         |                           | -             | 3                   | 2                   |
| <b>Commitments to purchase non-controlling interests</b>                     |                           |               | <u><b>5</b></u>     | <u><b>957</b></u>   |
| <b>Other derivative instruments</b>                                          |                           |               | <u><b>34</b></u>    | <u><b>28</b></u>    |
| <b>Short-term borrowings and other financial liabilities</b>                 |                           |               | <u><b>3,430</b></u> | <u><b>4,907</b></u> |

- a. Relates to the bond issued by GVT in June 2006, denominated in US dollar, at a 12% nominal interest rate with an initial scheduled maturity of September 2011; the bond was early redeemed in full in January and February 2010 thanks to GVT's cash and cash equivalents.
- b. In April 2010, SFR early redeemed the Syndicated facility ("Club Deal") tranche A for €248 million, which had been due to expire in July 2010.
- c. Please refer to Note 22.1, footnote (f) above.
- d. In 2010, Vivendi SA increased its commercial paper program from €1.5 to €3 billion. As of December 31, 2010, SFR has a commercial paper program for €1.2 billion.
- e. The acquisition of 100% of GVT was completed during 2010. Please refer to Note 2.1.
- f. As part of the combination of the Canal+ Group and TPS pay-TV activities in France finalized in January 2007, M6 was granted a put option by Vivendi on its 5.1% interest in the share capital of Canal+ France. The present value of this option amounted to €384 million as of December 31, 2009. On February 22, 2010, M6 exercised its put option and thus exited from the share capital of Canal+ France. Please refer to Note 26.3.

## 22.3 Nominal value of borrowings by nature of interest rate and by currency

### Breakdown by interest rate

| (in millions of euros)                            | Note | December 31, 2010 |             | December 31, 2009 |             |
|---------------------------------------------------|------|-------------------|-------------|-------------------|-------------|
| Long-term nominal value of borrowings             | 22.1 | 8,517             |             | 8,213             |             |
| Short-term nominal value of borrowings            | 22.2 | 3,391             |             | 3,928             |             |
| <b>Nominal value of borrowings</b>                |      | <b>11,908</b>     |             | <b>12,141</b>     |             |
|                                                   |      |                   |             |                   |             |
| Fixed interest rate                               |      | 7,016             | 59%         | 7,122             | 59%         |
| Floating interest rate                            |      | 4,892             | 41%         | 5,019             | 41%         |
| <b>Nominal value of borrowings before hedging</b> |      | <b>11,908</b>     | <b>100%</b> | <b>12,141</b>     | <b>100%</b> |
|                                                   |      |                   |             |                   |             |
| Pay-fixed interest rate swaps                     |      | 2,335             |             | 3,885             |             |
| Pay-floating interest rate swaps                  |      | (3,107)           |             | (2,273)           |             |
| <b>Net position at fixed interest rate</b>        | 23.2 | <b>(772)</b>      |             | <b>1,612</b>      |             |
|                                                   |      |                   |             |                   |             |
| Fixed interest rate                               |      | 6,244             | 52%         | 8,734             | 72%         |
| Floating interest rate                            |      | 5,664             | 48%         | 3,407             | 28%         |
| <b>Nominal value of borrowings after hedging</b>  |      | <b>11,908</b>     | <b>100%</b> | <b>12,141</b>     | <b>100%</b> |

As of December 31, 2010, the average cost of borrowings (after management) was 4.09%, with a fixed rate ratio of 61% (compared to 4.75%, with a fixed rate ratio of 92% in 2009).

### Breakdown by currency

| (in millions of euros)             | December 31, 2010 |             | December 31, 2009 |             |
|------------------------------------|-------------------|-------------|-------------------|-------------|
| Euro - EUR                         | 10,253            | 86%         | 10,384            | 86%         |
| US dollar - USD                    | 1,069 (a)         | 9%          | 1,112 (a)         | 9%          |
| Dirham - MAD                       | 245               | 2%          | 295               | 2%          |
| Other                              | 341               | 3%          | 350               | 3%          |
| <b>Nominal value of borrowings</b> | <b>11,908</b>     | <b>100%</b> | <b>12,141</b>     | <b>100%</b> |

- a. Mainly comprises two dollar denominated bonds for \$1,400 million issued in April 2008, representing €1,058 million as of December 2010 (€974 million as of December 2009). Foreign currency risk related to these bonds is hedged at 100% by a long-term loan granted by Vivendi SA to an American subsidiary.

## 22.4 Available bank credit facilities of Vivendi SA and SFR

|                                                                                        |                | As of December 31, 2010 |              |                  | As of December 31, 2009 |              |                  |
|----------------------------------------------------------------------------------------|----------------|-------------------------|--------------|------------------|-------------------------|--------------|------------------|
| (in millions of euros)                                                                 | Maturity       | Maximum amount          | Drawn amount | Available amount | Maximum amount          | Drawn amount | Available amount |
| <b>Vivendi SA</b>                                                                      |                |                         |              |                  |                         |              |                  |
| €2.0 billion revolving facility (April 2005)                                           | April 2012     | 2,000                   | -            | 2,000            | 2,000                   | 450          | 1,550            |
| €2.0 billion revolving facility (August 2006)                                          |                |                         |              |                  |                         |              |                  |
| of which initial credit line                                                           | August 2012    | 271                     | -            | 271              | 271                     | -            | 271              |
| extended credit line                                                                   | August 2013    | 1,729                   | 750          | 979              | 1,729                   | -            | 1,729            |
| €2.0 billion revolving facility (February 2008)                                        |                |                         |              |                  |                         |              |                  |
| of which tranche 1 (a)                                                                 | -              | -                       | -            | -                | 1,000                   | -            | 1,000            |
| tranche 2                                                                              | February 2013  | 1,000                   | -            | 1,000            | 1,000                   | -            | 1,000            |
| €1.0 billion revolving facility (September 2010) (a)                                   | September 2015 | 1,000                   | -            | 1,000            | -                       | -            | -                |
| <b>Subtotal</b>                                                                        |                | <b>6,000</b>            | <b>750</b>   | <b>5,250</b>     | <b>6,000</b>            | <b>450</b>   | <b>5,550</b>     |
| <i>Commercial paper issued (b)</i>                                                     |                |                         |              | <i>(851)</i>     |                         |              | <i>(643)</i>     |
| <b>Total of Vivendi SA's available credit bank facilities, net of commercial paper</b> |                |                         |              | <b>4,399</b>     |                         |              | <b>4,907</b>     |
| <b>SFR</b>                                                                             |                |                         |              |                  |                         |              |                  |
| €1.2 billion revolving facility (July 2004) (c)                                        | -              | -                       | -            | -                | 1,200                   | 185          | 1,015            |
| €1.2 billion revolving facility (June 2010) (c)                                        | June 2015      | 1,200                   | -            | 1,200            | -                       | -            | -                |
| €450 million revolving facility (November 2005)                                        | November 2012  | 450                     | 430          | 20               | 450                     | 290          | 160              |
| €850 million revolving facility (May 2008)                                             | May 2013       | 850                     | -            | 850              | 850                     | -            | 850              |
| €100 million revolving facility (November 2008)                                        | February 2011  | 100                     | -            | 100              | 100                     | -            | 100              |
| Syndicated loan "Club Deal" (July 2005)                                                |                |                         |              |                  |                         |              |                  |
| of which tranche A                                                                     | July 2010      | -                       | -            | -                | 248                     | 248          | -                |
| tranche B                                                                              | March 2012     | 492                     | -            | 492              | 492                     | -            | 492              |
| Securitization program (March 2006)                                                    | March 2011     | 300                     | 283          | 17               | 280                     | 280          | -                |
| Securitization program (January 2010)                                                  | January 2015   | 310                     | 310          | -                | -                       | -            | -                |
| Structured financing (UK Lease)                                                        | November 2010  | -                       | -            | -                | 100                     | 100          | -                |
| <b>Subtotal</b>                                                                        |                | <b>3,702</b>            | <b>1,023</b> | <b>2,679</b>     | <b>3,720</b>            | <b>1,103</b> | <b>2,617</b>     |
| <i>Commercial paper issued (b)</i>                                                     |                |                         |              | <i>(854)</i>     |                         |              | <i>(933)</i>     |
| <b>Total of SFR's available credit bank facilities, net of commercial paper</b>        |                |                         |              | <b>1,825</b>     |                         |              | <b>1,684</b>     |
| <b>Total Vivendi SA and SFR</b>                                                        |                | <b>9,702</b>            |              | <b>6,224</b>     | <b>9,720</b>            |              | <b>6,591</b>     |

- In September 2010, Vivendi SA early refinanced a €1 billion credit facility with an initial scheduled maturity of February 2011 by a bank facility of the same amount with a five-year term.
- Short-term commercial papers are backed by confirmed credit lines which are no longer available for these amounts.
- In June 2010, SFR refinanced the €1.2 billion credit facility with an initial scheduled maturity of April 2011 by a bank facility of the same amount with a five-year term.

### Credit facilities available as of February 22, 2011

As of February 22, 2011, the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2010, Vivendi SA had committed bank facilities in the amount of €6 billion, fully available. Considering the amount of commercial paper issued at this date, and backed on credit facilities for €0.3 billion, these lines were available in an aggregate amount of €5.7 billion. SFR had available committed bank facilities in the amount of €3.4 billion, drawn for €1 billion. Considering the amount of commercial paper issued at this date and backed on credit facilities for €0.9 billion, these lines were available for an aggregate amount of €1.5 billion.

## 22.5 Future minimum contractual payments related to borrowings and other financial liabilities

The table below presents the net carrying values of borrowings and other financial liabilities as presented in the Statement of Financial Position ("carrying value") and contractual undiscounted cash flows as set forth in the relevant agreements ("nominal value"):

| (in millions of euros)                                                       | December 31, 2010 |               |              |              |              |              |            |              |
|------------------------------------------------------------------------------|-------------------|---------------|--------------|--------------|--------------|--------------|------------|--------------|
|                                                                              | Carrying value    | Nominal value |              |              |              |              |            |              |
|                                                                              |                   | Total         | 2011         | 2012         | 2013         | 2014         | 2015       | After 2015   |
| Nominal value of borrowings                                                  | 8,517             | 8,517         | -            | 2,165        | 2,107        | 1,321        | 366        | 2,558        |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | (6)               | -             | -            | -            | -            | -            | -          | -            |
| Interest to be paid (a)                                                      | -                 | 1,663         | 368          | 362          | 278          | 220          | 127        | 308          |
| Borrowings                                                                   | 8,511             | 10,180        | 368          | 2,527        | 2,385        | 1,541        | 493        | 2,866        |
| Commitments to purchase non-controlling interests                            | 1                 | 1             | -            | -            | -            | -            | -          | 1            |
| Other derivative instruments                                                 | 61                | 70            | 36           | 32           | 2            | -            | -          | -            |
| <b>Long-term borrowings and other financial liabilities</b>                  | <b>8,573</b>      | <b>10,251</b> | <b>404</b>   | <b>2,559</b> | <b>2,387</b> | <b>1,541</b> | <b>493</b> | <b>2,867</b> |
| Nominal value of borrowings                                                  | 3,391             | 3,391         | 3,391        | -            | -            | -            | -          | -            |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | -                 | -             | -            | -            | -            | -            | -          | -            |
| Interest to be paid (a)                                                      | -                 | 14            | 14           | -            | -            | -            | -          | -            |
| Borrowings                                                                   | 3,391             | 3,405         | 3,405        | -            | -            | -            | -          | -            |
| Commitments to purchase non-controlling interests                            | 5                 | 5             | 5            | -            | -            | -            | -          | -            |
| Other derivative instruments                                                 | 34                | 32            | 32           | -            | -            | -            | -          | -            |
| <b>Short-term borrowings and other financial liabilities</b>                 | <b>3,430</b>      | <b>3,442</b>  | <b>3,442</b> | -            | -            | -            | -          | -            |
| <b>Borrowings and other financial liabilities</b>                            | <b>12,003</b>     | <b>13,693</b> | <b>3,846</b> | <b>2,559</b> | <b>2,387</b> | <b>1,541</b> | <b>493</b> | <b>2,867</b> |

| (in millions of euros)                                                       | December 31, 2009 |               |              |              |              |              |              |              |
|------------------------------------------------------------------------------|-------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                                                              | Carrying value    | Nominal value |              |              |              |              |              |              |
|                                                                              |                   | Total         | 2010         | 2011         | 2012         | 2013         | 2014         | After 2014   |
| Nominal value of borrowings (a)                                              | 8,213             | 8,213         | -            | 1,273        | 2,437        | 1,262        | 1,481        | 1,760        |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | (68)              | -             | -            | -            | -            | -            | -            | -            |
| Interest to be paid (b)                                                      | -                 | 1,728         | 333          | 327          | 314          | 238          | 190          | 326          |
| Borrowings                                                                   | 8,145             | 9,941         | 333          | 1,600        | 2,751        | 1,500        | 1,671        | 2,086        |
| Commitments to purchase non-controlling interests                            | 13                | 13            | -            | 13           | -            | -            | -            | -            |
| Other derivative instruments                                                 | 197               | 225           | 78           | 67           | 38           | 17           | 15           | 10           |
| <b>Long-term borrowings and other financial liabilities</b>                  | <b>8,355</b>      | <b>10,179</b> | <b>411</b>   | <b>1,680</b> | <b>2,789</b> | <b>1,517</b> | <b>1,686</b> | <b>2,096</b> |
| Nominal value of borrowings (a)                                              | 3,928             | 3,928         | 3,928        | -            | -            | -            | -            | -            |
| Cumulative effect of amortized cost and reevaluation due to hedge accounting | (6)               | -             | -            | -            | -            | -            | -            | -            |
| Interest to be paid (b)                                                      | -                 | 40            | 40           | -            | -            | -            | -            | -            |
| Borrowings                                                                   | 3,922             | 3,968         | 3,968        | -            | -            | -            | -            | -            |
| Commitments to purchase non-controlling interests                            | 957               | 957           | 957          | -            | -            | -            | -            | -            |
| Other derivative instruments                                                 | 28                | 29            | 29           | -            | -            | -            | -            | -            |
| <b>Short-term borrowings and other financial liabilities</b>                 | <b>4,907</b>      | <b>4,954</b>  | <b>4,954</b> | -            | -            | -            | -            | -            |
| <b>Borrowings and other financial liabilities</b>                            | <b>13,262</b>     | <b>15,133</b> | <b>5,365</b> | <b>1,680</b> | <b>2,789</b> | <b>1,517</b> | <b>1,686</b> | <b>2,096</b> |

- Contractual undiscounted cash flows related to nominal value of borrowings in currency were estimated based on the applicable exchange rate as of December 31, 2010 and December 31, 2009, respectively.
- The interest to be paid on floating rate borrowings was estimated based on floating rates as of December 31, 2010 and December 31, 2009, respectively.

## 22.6 Description of main financial covenants

### Vivendi SA

Vivendi SA is subject to certain financial covenants pursuant to which Vivendi SA is required to comply with various financial ratios, as described hereunder. As of December 31, 2010, Vivendi was in compliance with its financial ratios.

#### Loans

The syndicated facilities (please refer to the table included in Note 22.4 above) contain customary provisions related to events of default and covenants relating to negative pledge, divestiture and merger transactions. In addition, at the end of each half year, Vivendi SA is required to comply with a ratio of Proportionate Financial Net Debt<sup>1</sup> to Proportionate EBITDA<sup>2</sup> over a twelve-month rolling period not exceeding three for the duration of the loans. Non-compliance with this ratio could result in the early repayment of the facilities if they were drawn, or their cancellation.

The renewal of credit lines when they are drawn is contingent upon the issuer reiterating certain representations regarding its ability to comply with its obligations with respect to the contracts of the loans.

#### Bonds

Bonds issued by Vivendi SA (totalling €5.9 billion as of December 31, 2010) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking). In addition, bonds issued since 2006 by Vivendi SA for a total amount of €5.3 billion contain a change in control trigger if the long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-) as a result of such an event.

### SFR

SFR is subject to certain financial covenants pursuant to which SFR is required to comply with various financial ratios, as described hereunder. As of December 31, 2010, SFR was in compliance with its financial ratios.

#### Loans

SFR's bank credit facilities (please refer to the table included in Note 22.4 above) contain customary default, negative pledge, and merger and divestiture covenants. These facilities are subject to a change in control provision. In addition, at the end of each half year, SFR must comply with the two following financial ratios: (i) a ratio of Financial Net Debt to consolidated EBITDA over a twelve-month rolling period not exceeding 3.5; and (ii) a ratio of consolidated earnings from operations (consolidated EFO) to consolidated net financing costs (interest) equal to or greater than 3. Non-compliance with these financial ratios could constitute an event of default that could among others result in the cancellation or the early repayment of the different loans.

The renewal of confirmed bank credit facilities when they are drawn and the launch of securitization programs are contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations.

#### Bonds

Bonds issued by SFR (totalling €1.3 billion as of December 31, 2010) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking).

### GVT

GVT is subject to certain financial covenants pursuant to which GVT is required to comply with various financial ratios, as described hereunder. As of December 31, 2010, GVT was in compliance with its financial ratios.

The loan issued by GVT with BNDES (National Bank for Economic and Social Development) is subject to certain financial covenants pursuant to which GVT is required to comply, at the end of each half year, with at least three of the following financial ratios: (i) a ratio of equity to total asset equal to or higher than 0.40; (ii) a ratio of Financial Net Debt to consolidated EBITDA not exceeding 2.50; (iii) a ratio of current financial liabilities to EBITDA not exceeding 0.45; and (iv) a ratio of EBITDA to net financial expenses of at least 4.00.

This loan also contains a change in control trigger. On November 13, 2009, the takeover of GVT by Vivendi triggered the early repayment of this loan which was consequently reclassified in short-term borrowings in the Statement of Financial Position as of December 31, 2009.

<sup>1</sup> Defined as Vivendi Financial Net Debt excluding cash management financial assets less the share of Financial Net Debt relating to loans issued before December 31, 2009, excluding cash management financial assets relating to loans issued before December 31, 2009, attributable to non-controlling interests of Activision Blizzard, SFR and Maroc Telecom Group.

<sup>2</sup> Defined as Vivendi modified EBITDA less modified EBITDA attributable to non-controlling interests of Activision Blizzard, SFR, and Maroc Telecom Group plus the dividends received from the entities that are not fully or proportionately consolidated.

Following the BNDES's approval on February 9, 2010, to waive the change-of-control trigger, this loan was reclassified as long-term borrowing. In addition, in July 2010, GVT made an early partial reimbursement of this loan in the amount of BRL250 million (approximately €113 million).

## 22.7 Intercompany loans

|                                                                                   |               | As of December 31, 2010 |              |                  | As of December 31, 2009 |              |                  |
|-----------------------------------------------------------------------------------|---------------|-------------------------|--------------|------------------|-------------------------|--------------|------------------|
| (in millions of euros, except where noted)                                        | Maturity      | Maximum amount          | Drawn amount | Available amount | Maximum amount          | Drawn amount | Available amount |
| <b>Loan facility granted by Vivendi SA to SFR (a)</b>                             |               |                         |              |                  |                         |              |                  |
| €3 billion revolving facility (April 2008)                                        |               |                         |              |                  |                         |              |                  |
| of which tranche A                                                                | July 2009     | -                       | -            | -                | -                       | -            | -                |
| tranche B                                                                         | July 2010     | -                       | -            | -                | 1,000                   | 1,000        | -                |
| tranche C                                                                         | December 2012 | 1,000                   | 1,000        | -                | 1,000                   | 1,000        | -                |
| €1.5 billion revolving facility (June 2009)                                       | June 2013     | 1,500                   | 1,450        | 50               | 1,500                   | 650          | 850              |
| <b>Total</b>                                                                      |               | <b>2,500</b>            | <b>2,450</b> | <b>50</b>        | <b>3,500</b>            | <b>2,650</b> | <b>850</b>       |
| <b>Loan facility granted by Vivendi to GVT (March 2010)</b>                       |               |                         |              |                  |                         |              |                  |
|                                                                                   | March 2015    | 540                     | 156          | 384              | -                       | -            | -                |
| <b>Loan facility granted by SPT to Maroc Telecom (June 2010) (b)</b>              |               |                         |              |                  |                         |              |                  |
| (in millions of MAD)                                                              | March 2011    | 1,150                   | 1,150        | -                | -                       | -            | -                |
| <b>Loan facility granted by Vivendi SA to VTB (November 2009) (c)</b>             |               |                         |              |                  |                         |              |                  |
|                                                                                   | November 2010 | -                       | -            | -                | 4,000                   | -            | 4,000            |
| <b>Loan facility granted by Vivendi SA to Activision Blizzard (July 2008) (d)</b> |               |                         |              |                  |                         |              |                  |
| (in millions of dollars)                                                          | March 2011    | -                       | -            | -                | 475                     | -            | 475              |

- In addition to the items presented above, in January 2011, Vivendi SA and SFR set up a current account advance, in favor of SFR for an amount of up to €1 billion for one year, renewable by tacit agreement.
- In June 2010, SPT "*Société de Participations dans les Télécommunications*", a wholly-owned subsidiary of Vivendi, made its cash available to Maroc Telecom for an initial amount of MAD 3,450 million (€313 million) pursuant to three short-term loan facility contracts of MAD 1,150 million each, maturing on September 2, 2010, December 2, 2010 and March 2, 2011, respectively.
- VTB, a wholly-owned subsidiary of Vivendi, organized under Brazilian law, was initially created in 2009, in order to acquire 100% of the GVT shares. This acquisition was intended to be financed with this facility. Since the acquisition of GVT was ultimately and primarily made by Vivendi SA directly and the April 2010 tender offer was made by VTB, financed with a capital increase, this €4 billion revolving facility was no longer necessary and was therefore cancelled.
- On July 23, 2010, Activision Blizzard notified Vivendi SA regarding the cancellation of this loan facility granted in July 2008.

## 22.8 Average maturity

The average term of the instruments included in the consolidated financial debt of Vivendi and its subsidiaries is assessed using two methodologies:

- The average "accounting" term, pursuant to which a short-term draw-down on a medium-term credit line is only taken into account for the term of the short-term draw-down.
- The average "economic" term, pursuant to which all undrawn amounts on available medium-term credit lines may be used to reimburse group borrowings with the shortest term.

### Vivendi

As of December 31, 2010, the average "accounting" term of the group's financial debt was 2.8 years, compared to 2.9 years at year-end 2009, and the average "economic" term of the group's financial debt was 4.0 years, compared to 3.9 years at year-end 2009.

### SFR

As of December 31, 2010, the average "economic" term<sup>3</sup> of SFR's financial debt was 2.6 years (compared to 2.3 years at year end 2009).

<sup>3</sup> Excludes intercompany loans with Vivendi.

## 22.9 Vivendi and SFR credit ratings

As of February 22, 2011, the date of the Management Board meeting that approved the Financial Statements for the year ended December 31, 2010, the credit ratings of Vivendi were as follows:

| Rating agency                | Rating date        | Type of debt                    | Ratings | Outlook |
|------------------------------|--------------------|---------------------------------|---------|---------|
| <b>Standard &amp; Poor's</b> | July 27, 2005      | Long-term <i>corporate</i>      | BBB     | Stable  |
|                              |                    | Short-term <i>corporate</i>     | A-2     | Stable  |
|                              |                    | Senior unsecured debt           | BBB     | Stable  |
| <b>Moody's</b>               | September 13, 2005 | Long-term senior unsecured debt | Baa2    | Stable  |
| <b>Fitch Ratings</b>         | December 10, 2004  | Long-term senior unsecured debt | BBB     | Stable  |

As of February 22, 2011, the credit ratings of SFR were as follows:

| Rating agency        | Rating date  | Type of debt    | Ratings | Outlook |
|----------------------|--------------|-----------------|---------|---------|
| <b>Fitch Ratings</b> | June 8, 2009 | Long-term debt  | BBB+    | Stable  |
|                      | June 8, 2009 | Short-term debt | F2      | Stable  |

## 22.10 Financial Net Debt of SFR and Maroc Telecom Group, and net cash position of Activision Blizzard

As of December 31, 2010:

- SFR's Financial Net Debt amounted to €5,833 million (compared to €5,935 million as of December 31, 2009);
- Maroc Telecom Group's Financial Net Debt amounted to €388 million (compared to €315 million as of December 31, 2009); and
- Activision Blizzard had a positive net cash position of €2,632 million (compared to €2,196 million as of December 31, 2009).

## Note 23 Financial instruments and management of market risks

### 23.1 Fair value of financial instruments

Pursuant to IAS 32, financial instruments are defined as follows:

- financial assets, which comprise the following assets:
  - cash;
  - contractual rights to receive cash or another financial asset;
  - contractual rights to exchange a financial instrument under potentially favorable conditions; or
  - equity instruments of another entity.

In practice, financial assets include cash and cash equivalents, trade accounts receivable and other as well as financial assets measured at fair value, at historical cost or at amortized cost.

- financial liabilities, which comprise the following liabilities:
  - contractual obligations to deliver cash or another financial asset; or
  - contractual obligations to exchange a financial instrument under potentially unfavorable conditions.

In practice, financial liabilities include trade accounts payable and other, other non-current liabilities, short and long-term financial borrowings and other financial liabilities, including commitments to purchase non-controlling interests and other derivative financial instruments.

- equity instruments of the group.

### Accounting categories and fair value of financial instruments

| December 31, 2010                                     |                                 |                                         |                |                           |                            |            |
|-------------------------------------------------------|---------------------------------|-----------------------------------------|----------------|---------------------------|----------------------------|------------|
| Breakdown by accounting category                      |                                 |                                         |                |                           |                            |            |
| Note                                                  | Assets<br>available for<br>sale | Fair value<br>through profit<br>or loss | Amortized cost | Derivative<br>instruments | Total<br>carrying<br>value | Fair value |
| (in millions of euros)                                |                                 |                                         |                |                           |                            |            |
| Financial assets                                      | 15                              | 50                                      | 543            | 434                       | 91                         | 1,118      |
| Trade accounts receivable and other                   | 16                              | -                                       | -              | 6,711                     | -                          | 6,711      |
| Cash and cash equivalents                             | 17                              | na*                                     | 3 310          | na*                       | na*                        | 3,310      |
| Long-term borrowings and other financial liabilities  |                                 |                                         | 1              | 8,511                     | 61                         | 8,933      |
| Short-term borrowings and other financial liabilities |                                 |                                         | 5              | 3,391                     | 34                         | 3,431      |
| Borrowings and other financial liabilities            | 22                              |                                         | 6              | 11,902                    | 95                         | 12,003     |
| Other non-current liabilities                         | 16                              |                                         | -              | 1,074                     | -                          | 1,074      |
| Trade accounts payable and other                      | 16                              |                                         | -              | 14,451                    | -                          | 14,451     |

| December 31, 2009                                     |                                 |                                         |                |                           |                            |            |
|-------------------------------------------------------|---------------------------------|-----------------------------------------|----------------|---------------------------|----------------------------|------------|
| Breakdown by accounting category                      |                                 |                                         |                |                           |                            |            |
| Note                                                  | Assets<br>available for<br>sale | Fair value<br>through profit<br>or loss | Amortized cost | Derivative<br>instruments | Total<br>carrying<br>value | Fair value |
| (in millions of euros)                                |                                 |                                         |                |                           |                            |            |
| Financial assets                                      | 15                              | 50                                      | 384            | 476                       | 30                         | 940        |
| Trade accounts receivable and other                   | 16                              | -                                       | -              | 6,467                     | -                          | 6,467      |
| Cash and cash equivalents                             | 17                              | na*                                     | 3 346          | na*                       | na*                        | 3,346      |
| Long-term borrowings and other financial liabilities  |                                 |                                         | 13             | 8,145                     | 197                        | 8,676      |
| Short-term borrowings and other financial liabilities |                                 |                                         | 957            | 3,922                     | 28                         | 4,911      |
| Borrowings and other financial liabilities            | 22                              |                                         | 970            | 12,067                    | 225                        | 13,587     |
| Other non-current liabilities                         | 16                              |                                         | -              | 1,311                     | -                          | 1,311      |
| Trade accounts payable and other                      | 16                              |                                         | -              | 13,567                    | -                          | 13,567     |

na\*: not applicable

The carrying value of trade accounts receivable and other, cash and cash equivalents and trade accounts payable is a reasonable approximation of fair value, due to the short maturity of these instruments.

## Valuation method for financial instruments at fair value

The following tables present the fair value method of financial instruments according to the three following levels:

- Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value measurement based on observable market data (other than quoted prices included within Level 1); and
- Level 3: fair value measurement based on valuation techniques that use inputs for the asset or liability that are not based on observable market data.

As a reminder, the other financial instruments at amortized cost are not included in the following table.

|                                                             |      | December 31, 2010 |              |              |            |
|-------------------------------------------------------------|------|-------------------|--------------|--------------|------------|
|                                                             |      | Fair value        |              |              |            |
| (in millions of euros)                                      | Note | Total             | Level 1      | Level 2      | Level 3    |
| <b>Financial assets at fair value</b>                       | 15   | <b>684</b>        | <b>526</b>   | <b>91</b>    | <b>67</b>  |
| of which cash management financial assets                   |      | 508               | 508          | -            | -          |
| available-for-sale securities                               |      | 50                | 1            | -            | 49         |
| derivative financial instruments                            |      | 91                | -            | 91           | -          |
| other financial assets at fair value through profit or loss |      | 35                | 17           | -            | 18         |
| <b>Cash and cash equivalents</b>                            | 17   | <b>3,310</b>      | <b>3,310</b> | -            | -          |
| <b>Financial liabilities at fair value</b>                  |      | <b>101</b>        | -            | <b>97</b>    | <b>4</b>   |
| of which commitments to purchase non-controlling interests  |      | 6                 | -            | 2            | 4          |
| other financial derivative instruments                      |      | 95                | -            | 95           | -          |
|                                                             |      | December 31, 2009 |              |              |            |
|                                                             |      | Fair value        |              |              |            |
| (in millions of euros)                                      | Note | Total             | Level 1      | Level 2      | Level 3    |
| <b>Financial assets at fair value</b>                       | 15   | <b>464</b>        | <b>326</b>   | <b>31</b>    | <b>107</b> |
| of which cash management financial assets                   |      | 271               | 271          | -            | -          |
| available-for-sale securities                               |      | 50                | 2            | 1            | 47         |
| derivative financial instruments                            |      | 30                | -            | 30           | -          |
| other financial assets at fair value through profit or loss |      | 113               | 53           | -            | 60         |
| <b>Cash and cash equivalents</b>                            | 17   | <b>3,346</b>      | <b>3,346</b> | -            | -          |
| <b>Financial liabilities at fair value</b>                  |      | <b>1,195</b>      | -            | <b>1,195</b> | -          |
| of which commitments to purchase non-controlling interests  |      | 970               | -            | 970          | -          |
| other financial derivative instruments                      |      | 225               | -            | 225          | -          |

In 2010 and 2009, there was no significant transfer of financial instruments measured at fair value between level 1 and level 2. In addition, as of December 31, 2010 and December 31, 2009, financial instruments measured at level 3 fair value did not include any significant amount.

## 23.2 Management of market risks and financial derivative instruments

Vivendi centrally manages its financial liquidity, interest rate and foreign currency exchange rate risks. Vivendi's Financing and Treasury Department conducts these activities, reporting directly to the chief financial officer of Vivendi, a member of the Management Board. The Department has the necessary expertise, resources, notably technical resources and information systems for this purpose.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. All derivative financial instruments are used for hedging purposes, for which the accounting recognition is presented in the tables below<sup>4</sup>.

<sup>4</sup> The principles and assumption methods in accounting recognition of derivative instruments are described in Note 1.3.7.

| December 31, 2010                                     |                                  |                |                                                      |                            |                      |                      |
|-------------------------------------------------------|----------------------------------|----------------|------------------------------------------------------|----------------------------|----------------------|----------------------|
| (in millions of euros)                                | Derivative financial instruments |                | Accounting qualification of net assets/(liabilities) |                            |                      |                      |
|                                                       | as assets                        | as liabilities | Hedge accounting                                     |                            |                      | Economic Hedging (a) |
|                                                       |                                  |                | Fair Value Hedge                                     | Cash Flow Hedge accounting | Net Investment Hedge |                      |
| <b>Interest rate risk management</b>                  | <b>69</b>                        | <b>(87)</b>    | <b>67</b>                                            | <b>(87)</b>                | <b>-</b>             | <b>2</b>             |
| Pay-fixed interest rate swaps                         | -                                | (87)           | -                                                    | (87)                       | -                    | -                    |
| Pay-floating interest rate swaps                      | 69                               | -              | 67                                                   | -                          | -                    | 2                    |
| <b>Foreign currency risk management</b>               | <b>22</b>                        | <b>(8)</b>     | <b>(1)</b>                                           | <b>2</b>                   | <b>13</b>            | <b>-</b>             |
| <b>Derivative financial instruments</b>               | <b>91</b>                        | <b>(95)</b>    | <b>66</b>                                            | <b>(85)</b>                | <b>13</b>            | <b>2</b>             |
| Deduction of current derivative financial instruments | (22)                             | 34             |                                                      |                            |                      |                      |
| <b>Non-current derivative financial instruments</b>   | <b>69</b>                        | <b>(61)</b>    |                                                      |                            |                      |                      |

| December 31, 2009                                     |                                  |                |                                                      |                            |                      |                      |
|-------------------------------------------------------|----------------------------------|----------------|------------------------------------------------------|----------------------------|----------------------|----------------------|
| (in millions of euros)                                | Derivative financial instruments |                | Accounting qualification of net assets/(liabilities) |                            |                      |                      |
|                                                       | as assets                        | as liabilities | Hedge accounting                                     |                            |                      | Economic Hedging (a) |
|                                                       |                                  |                | Fair Value Hedge                                     | Cash Flow Hedge accounting | Net Investment Hedge |                      |
| <b>Interest rate risk management</b>                  | <b>5</b>                         | <b>(208)</b>   | <b>(13)</b>                                          | <b>(127)</b>               | <b>-</b>             | <b>(63)</b>          |
| Pay-fixed interest rate swaps                         | -                                | (195)          | -                                                    | (127)                      | -                    | (68)                 |
| Pay-floating interest rate swaps                      | 5                                | (13)           | (13)                                                 | -                          | -                    | 5                    |
| <b>Foreign currency risk management</b>               | <b>25</b>                        | <b>(17)</b>    | <b>2</b>                                             | <b>18</b>                  | <b>(1)</b>           | <b>(11)</b>          |
| <b>Derivative financial instruments</b>               | <b>30</b>                        | <b>(225)</b>   | <b>(11)</b>                                          | <b>(109)</b>               | <b>(1)</b>           | <b>(74)</b>          |
| Deduction of current derivative financial instruments | (25)                             | 28             |                                                      |                            |                      |                      |
| <b>Non-current derivative financial instruments</b>   | <b>5</b>                         | <b>(197)</b>   |                                                      |                            |                      |                      |

- a. The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.

### 23.2.1 Interest rate risk management

Interest rate risk management instruments are used by Vivendi to reduce net exposure to interest rate fluctuations, to adjust the respective proportion of fixed and floating interest rates in the total debt and to lower average net financing costs. In addition, Vivendi's internal procedures prohibit all speculative transactions.

### Average gross borrowings and average cost of borrowings

In 2010, average gross borrowings amounted to €12.7 billion (compared to €10.2 billion in 2009), of which €7.2 billion was at fixed-rates and €5.5 billion at floating rates (compared to €5.7 and €4.5 billion in 2009, respectively). After management, the average cost of borrowings was 4.09%, with a fixed rate ratio of 61% (compared to 4.75%, with a fixed-rate ratio of 92% in 2009).

### Interest rate hedges

Interest rate risk management instruments used by Vivendi include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate borrowings to LIBOR and EURIBOR indexed ones. Pay-fixed interest rate swaps convert floating rate borrowings into fixed rate borrowings. These instruments enable the group to manage and reduce volatility in future cash flows required for interest payments on borrowings.

As of December 31, 2010, borrowings totaled €11.9 billion. Before considering any interest rate risk management instruments, fixed-rate borrowings totaled 59% at €7.0 billion. After hedging, fixed-rate borrowings totaled 52% at €6.2 billion: this change is due to the group debt restructuring achieved in November and December 2010, aimed at reducing the fixed rate debt ratio with notably the unwinding of pay-fixed interest rate swaps for a total notional amount of €950 million (SFR €550 million, Vivendi S.A. €400 million).

### Outstanding and average income from investments

As of December 31, 2010, average cash and cash equivalents amounted to €3.3 billion in 2010 (compared to €3.0 billion in 2009), bear interest at a floating rate. The average interest income rate amounted to 0.88% in 2010 (compared to 0.92% in 2009).

## Sensitivity to changes in interest rates

As of December 31, 2010, given the relative weighting of the group's fixed-rate and floating-rate positions, an increase of 100 basis points in short-term interest rates (or a decrease of 100 basis points) would have resulted in a €19 million decrease in interest expense (or an increase of €19 million).

## Detailed information related to interest rate risk management instruments

(The positive amounts relate to pay-fixed interest rate swaps, the negative amounts relate to pay-floating interest rate swaps)

| (in millions of euros)                        | December 31, 2010 |                    |                               |                         |
|-----------------------------------------------|-------------------|--------------------|-------------------------------|-------------------------|
|                                               | Total             | Hedge accounting   |                               | Economic Hedging<br>(a) |
|                                               |                   | Fair Value Hedge   | Cash Flow Hedge<br>accounting |                         |
| <b>Notional amount of hedging instruments</b> |                   |                    |                               |                         |
| <b>Pay-fixed interest rate swaps</b>          | <b>2,335</b>      | -                  | <b>2,335</b> (b)              | - (c)                   |
| Average interest rate paid                    |                   | -                  | 3.86%                         | -                       |
| Average interest rate received                |                   | -                  | 0.89%                         | -                       |
| Maturity                                      |                   |                    |                               |                         |
| 2011                                          | 1,200             | -                  | 1,200                         | -                       |
| 2012-2015                                     | 1,135             | -                  | 1,135                         | -                       |
| After 2015                                    | -                 | -                  | -                             | -                       |
| <b>Pay-floating interest rate swaps</b>       | <b>(3,107)</b>    | <b>(3,007)</b> (d) | -                             | <b>(100)</b>            |
| Average interest rate paid                    |                   | 3.60%              | -                             | 0.78%                   |
| Average interest rate received                |                   | 5.01%              | -                             | 3.92%                   |
| Maturity                                      |                   |                    |                               |                         |
| 2011                                          | (50)              | -                  | -                             | (50)                    |
| 2012-2015                                     | (2,307)           | (2,257)            | -                             | (50)                    |
| After 2015                                    | (750)             | (750)              | -                             | -                       |
| <b>Net position at fixed interest rate</b>    | <b>(772)</b>      | <b>(3,007)</b>     | <b>2,335</b>                  | <b>(100)</b>            |
|                                               |                   |                    |                               |                         |
| (in millions of euros)                        | December 31, 2009 |                    |                               |                         |
|                                               | Total             | Hedge accounting   |                               | Economic Hedging<br>(a) |
|                                               |                   | Fair Value Hedge   | Cash Flow Hedge<br>accounting |                         |
| <b>Notional amount of hedging instruments</b> |                   |                    |                               |                         |
| <b>Pay-fixed interest rate swaps</b>          | <b>3,885</b>      | -                  | <b>2,935</b>                  | <b>950</b>              |
| Average interest rate paid                    |                   | -                  | 3.89%                         | 4.06%                   |
| Average interest rate received                |                   | -                  | 0.56%                         | 0.55%                   |
| Maturity                                      |                   |                    |                               |                         |
| 2010                                          | 600               | -                  | 600                           | -                       |
| 2011-2014                                     | 2,885             | -                  | 2,335                         | 550                     |
| After 2014                                    | 400               | -                  | -                             | 400                     |
| <b>Pay-floating interest rate swaps</b>       | <b>(2,273)</b>    | <b>(2,173)</b>     | -                             | <b>(100)</b>            |
| Average interest rate paid                    |                   | 3.83%              | -                             | 0.43%                   |
| Average interest rate received                |                   | 5.32%              | -                             | 3.92%                   |
| Maturity                                      |                   |                    |                               |                         |
| 2010                                          | -                 | -                  | -                             | -                       |
| 2011-2014                                     | (2,273)           | (2,173)            | -                             | (100)                   |
| <b>Net position at fixed interest rate</b>    | <b>1,612</b>      | <b>(2,173)</b>     | <b>2,935</b>                  | <b>850</b>              |

- The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.
- Pay-floating interest rate swaps classified as cash flow hedges for accounting purposes include:
  - at SFR, €1,635 million maturing in 2011, 2012 or 2013; and
  - at Vivendi SA, €700 million maturing in 2011 and backed to the bond issued of same amount and same maturity.
- As of December 31, 2010, there are no longer any pay-fixed interest rate swaps not classified as cash flow hedges for accounting purposes given that:
  - Vivendi SA's pay-fixed interest rate swaps with a total notional amount of €400 million and an initial scheduled maturity of September 2015 were early settled in November 2010; and
  - SFR's pay-fixed interest rate swaps with a total notional amount of €550 million and an initial scheduled maturity of March 2013 were early settled in December 2010.

Paid premium as part of the accelerated settlement of these hedging rate swaps amounted to €76 million.

- d. Pay-floating interest rate swaps classified as fair value hedges for accounting purposes, solely contracted by Vivendi SA, include:
- €1,200 million, maturing in 2012;
  - €1,400 million, maturing in 2013; and
  - €750 million, maturing in 2017; entered into in 2010 following the issue in March 2010 of a bond of same amount with the same maturity date.

### 23.2.2 Foreign currency risk management

Vivendi's foreign currency risk management seeks to hedge highly probable budget exposures, resulting primarily from monetary flows generated by activities performed in currencies other than the euro and firm commitments, essentially relating to the acquisition of editorial content including sports, audiovisual and film rights, realized in foreign currency.

- Foreign currency risk management is initially centralized by Vivendi SA in order to obtain the benefits associated with internal hedging and to optimize the volume of external hedges issued from financial institutions. The tables below show the net position centralized by Vivendi SA in the main foreign currencies.

| (in millions of euros)               | December 31, 2010 |           |              | December 31, 2009 |             |              |
|--------------------------------------|-------------------|-----------|--------------|-------------------|-------------|--------------|
|                                      | USD               | GBP       | Other        | USD               | GBP         | Other        |
| Assets                               | 1,335             | 13        | 65           | 1,517             | 26          | 44           |
| Liabilities                          | (1,057)           | (7)       | (241)        | (973)             | (60)        | (251)        |
| <b>Net balance before management</b> | <b>278</b>        | <b>6</b>  | <b>(176)</b> | <b>544</b>        | <b>(34)</b> | <b>(207)</b> |
| Derivative financial instruments     | (282)             | 27        | 190          | (574)             | 34          | 232          |
| <b>Net balance after management</b>  | <b>(4)</b>        | <b>33</b> | <b>14</b>    | <b>(30)</b>       | <b>-</b>    | <b>25</b>    |

A uniform euro decrease of 1% against all foreign currencies in position as of December 31, 2010, would have a cumulated impact of approximately €1 million on net income (unchanged compared to December 31, 2009).

- Subsequently, Vivendi enters into external hedges (currency swaps and forward contracts), in accordance with procedures prohibiting speculative transactions:
  - Vivendi is the sole counterparty for foreign currency transactions within the group, unless specific regulatory or operational restrictions require otherwise;
  - all foreign currency hedging transactions are backed, in amount and by maturity, by an identified economic underlying item;
  - the majority of the hedging instruments have a maturity of less than one year; and
  - all identified exposures are :
    - for exposures related to forecasted transactions: hedged annually at 80%; and
    - for firm commitment contracts: hedged at 100%.
- In addition, Vivendi may also hedge foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities by entering into currency swaps and forward contracts enabling the refinancing or investment of cash balances in euros or other local currency and uses monetary or derivative instruments, if applicable, to manage its foreign currency exposure to intercompany current accounts denominated in foreign currencies (economic hedging). Nevertheless, net exposures to foreign currency risk related to net working capital from subsidiaries (primarily internal flows of royalties as well external purchases or capital expenditures), in particular at Activision Blizzard, UMG, SFR and Maroc Telecom are not generally hedged, as net exposures are non-significant and the relevant risks are realized at the end of each month by translating the sum into the functional currency of the relevant operating entities.
- As of December 31, 2010,
  - The group's financial debt included 86% of loans in euro (unchanged ratio compared to December 31, 2009), representing €10,253 million. The balance of €1,655 million essentially comprised two bonds issued for an aggregate amount of \$1.4 billion dated April 2008 (please refer to Note 22.1). The foreign currency risk of these loans is hedged at 100% by a long term loan granted by Vivendi SA to an American subsidiary.
  - Vivendi SA had effectively hedged approximately 100% (unchanged compared to December 31, 2009) of its discounted foreign currency cash flows, as well as its exposure under foreign currency loans and borrowings.
  - The principal currency hedged was the US dollar.
  - Firm commitment contracts were entirely hedged.
  - Preliminary 2011 forecasted transactions were hedged, other than for specific cases, at 50% at the beginning of the fourth quarter 2010. Hedging was increased up to 80% at the beginning of 2011 in accordance with Vivendi's internal procedures with respect to foreign currency hedging related to operations and will be reviewed in the middle of 2011.
  - Nevertheless, the intercompany loan for a five-year period granted by Vivendi to GVT under market terms for €540 million (drawn for €156 million as of December 31, 2010) is not subject to a foreign currency hedging in the GVT's Statement of Financial Position. This loan mainly aimed at financing the significant increase in GVT's capital expenditures program related to the geographical expansion of its telecommunication network.

The following tables present the notional amount of foreign currency risk management instruments (currency swaps and forwards) use by Vivendi:

| December 31, 2010                                                    |              |                  |                            |                      |                      |
|----------------------------------------------------------------------|--------------|------------------|----------------------------|----------------------|----------------------|
| (in millions of euros)                                               | Total        | Hedge accounting |                            |                      | Economic Hedging (a) |
|                                                                      |              | Fair Value Hedge | Cash Flow Hedge accounting | Net Investment Hedge |                      |
| Sales against the euro                                               | 3,379        | 79               | 110                        | 2,883                | 307                  |
| Of which the USD-EUR sales relating to the NBC Universal transaction | 2,883        | -                | -                          | 2,883 (b)            | -                    |
| Sales against other currencies                                       | -            | -                | -                          | -                    | -                    |
| Purchases against the euro                                           | 679          | 166              | 127                        | -                    | 386                  |
| Purchases against other currencies                                   | 15           | 13               | 2                          | -                    | -                    |
| <b>Total</b>                                                         | <b>4,073</b> | <b>258</b>       | <b>239</b>                 | <b>2,883</b>         | <b>693</b>           |

| December 31, 2009                                                    |              |                  |                            |                      |                      |
|----------------------------------------------------------------------|--------------|------------------|----------------------------|----------------------|----------------------|
| (in millions of euros)                                               | Total        | Hedge accounting |                            |                      | Economic Hedging (a) |
|                                                                      |              | Fair Value Hedge | Cash Flow Hedge accounting | Net Investment Hedge |                      |
| Sales against the euro                                               | 917          | 41               | -                          | 347                  | 529                  |
| Of which the USD-EUR sales relating to the NBC Universal transaction | 347          | -                | -                          | 347 (b)              | -                    |
| Sales against other currencies                                       | 39           | 5                | -                          | -                    | 34                   |
| Purchases against the euro                                           | 1,073        | 243              | 584 (c)                    | -                    | 246                  |
| Purchases against other currencies                                   | 43           | 43               | -                          | -                    | -                    |
| <b>Total</b>                                                         | <b>2,072</b> | <b>332</b>       | <b>584</b>                 | <b>347</b>           | <b>809</b>           |

- a. The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.
- b. Starting December 2009, after Vivendi had agreed that it would sell its 20% interest in NBC Universal to GE for a total amount of \$5,800 million, Vivendi gradually hedged its investment in NBC Universal using currency forward sales contracts denominated in US dollars, at an average exchange rate of 1.33 dollar/Euro. From an accounting perspective, these forward contracts were qualified as net investment hedges in NBC Universal. On September 26, 2010, forward sales contracts for a nominal value of \$2,000 million were unwound for €1,425 million. On January 25, 2011, forward sales contracts for a nominal value of \$3,800 million were unwound for €2,921 million (as of December 31, 2010 they were unwound for €2,883 million).
- c. Mainly includes the EUR-BRL contract of €520 million put into place in anticipation of the investment in GVT, and to partially hedge the purchase of shares in BRL (please refer to Note 2.1).

The following table presents the notional amounts to be delivered or received under the main currency instruments (positive amounts refer to currency receivable and negative amounts refer to currency deliverable).

| (in millions of euros)             | December 31, 2010 |                |          |                | December 31, 2009 |              |            |                |
|------------------------------------|-------------------|----------------|----------|----------------|-------------------|--------------|------------|----------------|
|                                    | EUR               | USD            | BRL      | Other currency | EUR               | USD          | BRL        | Other currency |
| Sales against the euro             | 3,379             | (3,119)        | -        | (260)          | 917               | (847)        | -          | (70)           |
| Sales against other currencies     | -                 | -              | -        | -              | -                 | (39)         | -          | 39             |
| Purchases against the euro         | (679)             | 280            | -        | 399            | (1,073)           | 345          | 520        | 208            |
| Purchases against other currencies | -                 | 15             | -        | (15)           | -                 | 43           | -          | (43)           |
|                                    | <b>2,700</b>      | <b>(2,824)</b> | <b>-</b> | <b>124</b>     | <b>(156)</b>      | <b>(498)</b> | <b>520</b> | <b>134</b>     |

### 23.2.3 Liquidity risk management

The main factors notably considered in assessing Vivendi's financial position are as follows:

- As of December 31, 2010, the group's Financial Net Debt amounted to €8.1 billion.
  - This amount included SFR's Financial Net Debt of €5.8 billion, of which €2.5 billion was financed by Vivendi SA by way of a grant to SFR of revolving facilities granted under market terms. The group's Financial Net Debt also included the net cash position of Activision Blizzard for €2.6 billion as of December 31, 2010 (including US government agency securities).
  - Vivendi's credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's) and its "economic" average term<sup>5</sup> was 4.0 years, compared to 3.9 years at year-end 2009. SFR's credit rating is BBB+ (Fitch) and its "economic" average term<sup>6</sup> was 2.6 years, compared to 2.3 years at year-end 2009. Please refer to Notes 22.8 and 22.9.
  - The aggregate amount of bonds issued by Vivendi SA and SFR was almost stable compared to December 31, 2009 and amounted to €7.2 billion, representing approximately 61% of gross borrowings, compared to 62% as of December 31, 2009. The average "economic" term of the bonds issued by the group was 3.8 years, compared to 4.1 years as of December 31, 2009. In 2010, Vivendi SA and SFR each refinanced a credit facility for €1 billion and €1.2 billion, respectively, with initial scheduled maturity dates in 2011; the two new credit facilities will expire in 2015. Moreover, in March, Vivendi SA placed a €750 million bond issue with a 7-year maturity and in December, Vivendi SA redeemed a portion of the bond maturing in January 2014 for €226 million (or €259 million premium included).
  - The table below shows bonds and bank credit facilities of Vivendi SA and SFR, cumulated and due in the next five years. In this table, bank facilities amounts relate to the maximum amount (available and issued amount, excluding amount backing commercial papers).

| (in millions of euros) | December 31,  | Maturing during the following periods |              |              |              |              |              |
|------------------------|---------------|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                        | 2010          | 2011                                  | 2012         | 2013         | 2014         | 2015         | After 2015   |
| <b>Bonds</b>           |               |                                       |              |              |              |              |              |
| Vivendi SA             | 5,901         | 700                                   | 600          | 1,229        | 894          | -            | 2,478        |
| SFR                    | 1,300         | -                                     | 1,000        | -            | 300          | -            | -            |
| <b>Sub-total</b>       | <b>7,201</b>  | <b>700</b>                            | <b>1,600</b> | <b>1,229</b> | <b>1,194</b> | <b>-</b>     | <b>2,478</b> |
| <b>Bank facilities</b> |               |                                       |              |              |              |              |              |
| Vivendi SA             | 6,000         | -                                     | 2,271        | 2,729        | -            | 1,000        | -            |
| SFR                    | 3,702         | 400                                   | 942          | 850          | -            | 1,510        | -            |
| <b>Sub-total</b>       | <b>9,702</b>  | <b>400</b>                            | <b>3,213</b> | <b>3,579</b> | <b>-</b>     | <b>2,510</b> | <b>-</b>     |
| Vivendi SA             | 11,901        | 700                                   | 2,871        | 3,958        | 894          | 1,000        | 2,478        |
| SFR                    | 5,002         | 400                                   | 1,942        | 850          | 300          | 1,510        | -            |
| <b>Total</b>           | <b>16,903</b> | <b>1,100</b>                          | <b>4,813</b> | <b>4,808</b> | <b>1,194</b> | <b>2,510</b> | <b>2,478</b> |

- As of February 22, 2011, the date of the Management Board meeting which approved the Financial Statements the year ended December 31, 2010, the available undrawn facilities of Vivendi SA, net of commercial paper issued at this date, amounted to €5.7 billion, and available credit lines of SFR, net of commercial paper issued at this date, amounted to approximately €1.5 billion.
- In addition, the group's Financial Net Debt as of December 31, 2010, including cash proceeds of \$3.8 billion received from the sale on January 25, 2011 of the 12.34% remaining interest in NBC Universal and the €1.254 billion proceeds received on January 14, 2011 to end the litigation over telecommunications assets in Poland amounted to €3.9 billion. Cash and cash equivalents generated by these transactions are at this time invested in short-term cash investments (such as SICAV, investment funds, certificates of deposit), that satisfy the criteria of cash equivalents, as defined by AMF and IAS7 recommendations.
- Furthermore, Vivendi SA centralizes daily cash surpluses (cash pooling) of all controlled entities (a) that do not have significant non-controlling interests and (b) that are not subject to local regulations restricting the transfer of financial assets or (c) that are not subject to other contractual agreements.  
Alternatively, cash surpluses are not pooled by Vivendi SA but rather, as the case may be, distributed as dividends or used to finance investments of the relevant subsidiaries, common stock repurchase or to reimburse borrowings used to finance their investments. This situation notably applies to SFR, Maroc Telecom, and Activision Blizzard. Regarding Activision Blizzard, until July 9, 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's Financial Net Debt, after giving effect to such dividend, exceeds \$400 million.

<sup>5</sup> Considers that all undrawn amounts on available medium-term credit lines may be used to repay group borrowings with the shortest term.

<sup>6</sup> Excludes intercompany loans with Vivendi.

Taking into account the foregoing, Vivendi considers that the cash flows generated by its operating activities, its cash and cash equivalents and amounts available through its current bank credit facilities, will be sufficient to cover its operating expenses and capital expenditure, to service its debt, for the payment of dividends, as well as its financial investment projects, if any for the next twelve months.

### 23.3 Credit and investment concentration risk and counterparty risk management

Vivendi's risk management policy aims at minimizing the concentration of its credit (lines of credit, bonds, derivatives) and investment risk as well as counterparty risk, as regards the setting-up of bank credit facilities, derivatives or investments, by entering into transactions only with highly rated commercial banks (essentially rated at least A- by rating agencies), and, as regards bond issues, by distributing the transactions among selected financial investors.

In addition, Vivendi's trade receivables do not represent a significant concentration of credit risk due to its wide customer base, the wide variety of customers and markets, and the geographic diversity of its business operations.

### 23.4 Sensitivity of foreign currency translation risk of Financial Statements

As Vivendi operates worldwide, the currency translation of Financial Statements of certain of the group's operating segments is sensitive to exchange rate fluctuations (in particular the dollar (USD), the dirham (MAD), and the Brazilian real (BRL)). The following table shows the impacts of a change of more or less 5% and 10% from fixed exchange ratio of these three currencies against the euro on the main operating indicators and indebtedness of the group. (An increase represents the appreciation of the euro against the currency concerned.)

| Average exchange rate used over the year 2010<br><b>Change assumptions</b> | USD (€ 1 = \$ 1.33) |      |       |      | MAD (€ 1 = MAD 11.17) |      |       |      | BRL (€ 1 = BRL 2.36) |      |       |      |
|----------------------------------------------------------------------------|---------------------|------|-------|------|-----------------------|------|-------|------|----------------------|------|-------|------|
|                                                                            | +5%                 | -5%  | +10%  | -10% | +5%                   | -5%  | +10%  | -10% | +5%                  | -5%  | +10%  | -10% |
| Revenues                                                                   | -0.6%               | 0.6% | -1.1% | 1.3% | -0.4%                 | 0.4% | -0.7% | 0.9% | -0.2%                | 0.2% | -0.3% | 0.4% |
| Earnings before interest and income taxes (EBIT)                           | -0.2%               | 0.2% | -0.4% | 0.4% | -1.1%                 | 1.3% | -2.2% | 2.6% | -0.3%                | 0.3% | -0.5% | 0.6% |
| Interest, net                                                              | -0.7%               | 0.7% | -1.3% | 1.5% | -0.1%                 | 0.1% | -0.2% | 0.3% | -0.1%                | 0.1% | -0.2% | 0.2% |
| Net cash provided by operating activities                                  | -0.3%               | 0.3% | -0.6% | 0.7% | -0.8%                 | 0.9% | -1.6% | 1.9% | -0.2%                | 0.3% | -0.5% | 0.6% |
| Exchange rate used as of December 31, 2010<br><b>Change assumptions</b>    | USD (€ 1 = \$ 1.32) |      |       |      | MAD (€ 1 = MAD 11.14) |      |       |      | BRL (€ 1 = BRL 2.23) |      |       |      |
|                                                                            | +5%                 | -5%  | +10%  | -10% | +5%                   | -5%  | +10%  | -10% | +5%                  | -5%  | +10%  | -10% |
| Redemption value of borrowings                                             | -0.4%               | 0.5% | -0.8% | 1.0% | -0.1%                 | 0.1% | -0.2% | 0.2% | -0.1%                | 0.1% | -0.1% | 0.2% |
| Cash and cash equivalents                                                  | -1.8%               | 2.0% | -3.5% | 4.2% | 0.0%                  | 0.0% | -0.1% | 0.1% | -0.1%                | 0.1% | -0.2% | 0.3% |

### 23.5 Equity market risk management

As of December 31, 2010 and as of December 31, 2009, Vivendi's exposure to equity market risk primarily related to available-for-sale securities, for a non-significant amount (€50 million in 2010 and 2009). Please refer to Note 15. In 2010 and 2009, Vivendi did not put into place any equity market risk hedging.

## Note 24 Consolidated Cash Flow Statement

### 24.1 Adjustments

| (in millions of euros)                                                  |   | Year ended December, 31 |              |
|-------------------------------------------------------------------------|---|-------------------------|--------------|
|                                                                         |   | 2010                    | 2009         |
| <b>Items related to operating activities with no cash impact</b>        |   |                         |              |
| Amortization and depreciation of tangible and intangible assets         | 4 | 3,338                   | 3,800        |
| Change in provision, net                                                |   | (136)                   | (189)        |
| Other non-cash items from EBIT                                          |   | (1)                     | (1)          |
| <b>Items related to investing and financing activities</b>              |   |                         |              |
| Proceeds from sales of property, plant, equipment and intangible assets | 3 | 9                       | 2            |
| <b>Adjustments</b>                                                      |   | <b>3,210</b>            | <b>3,612</b> |

### 24.2 Investing and financing activities with no cash impact

In 2010, there were no significant investing and financing activities with any cash impact.

In 2009, financing activities with no cash impact related to the dividend payment in shares with respect to fiscal year 2008 for €904 million: the corresponding capital increase was recorded on June 4, 2009. In addition, in 2009, there was no significant investing activity with any cash impact.

## Note 25 Transactions with related parties

This note describes transactions with related parties performed during 2010 and 2009 which may have an impact on the results, operations or the financial position of the group in 2011 or thereafter. As of December 31, 2010, and to the best of the company's knowledge, no transactions with related parties as described hereunder are likely to have a material impact on the results, operations or financial position of the group.

As a reminder, group-related parties are those companies over which the group exercises an exclusive control, joint control or significant influence, shareholders exercising joint control over group joint ventures, non-controlling interests exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise an exclusive control, joint control, significant influence or in which they hold significant voting rights. To the company's knowledge there are no family relationships among the related parties.

### 25.1 Compensation of directors and officers

The table below is a breakdown of Vivendi's compensation costs (including social security contributions) as well as other benefits granted to members of the Management Board and Supervisory Board.

|                                                 | Year ended December 31, |           |
|-------------------------------------------------|-------------------------|-----------|
|                                                 | 2010                    | 2009      |
| (in millions of euros)                          |                         |           |
| Short-term employee benefits (a)                | 17                      | 11        |
| Social security contributions                   | 2                       | 2         |
| Post-retirement benefits (b)                    | 3                       | 2         |
| Other long-term benefits                        | -                       | -         |
| Termination benefits (c)                        | ns                      | ns        |
| Share-based payments                            | 5                       | 8         |
| <b>Total costs accounted in profit and loss</b> | <b>27</b>               | <b>23</b> |

ns: not significant.

- Includes fixed and variable compensation, benefits in kind, as well as Supervisory Board attendance fees recognized over the period. The variable components attributable to the fiscal year 2010 amounted to €8 million and remained to be paid as of December 31, 2010. The variable components attributable to the fiscal year 2009 amounted to €5 million which was paid in 2010.
- Relates to costs of the pension benefit plans (compulsory plans and additional benefit plans).
- Relates to the provision recognized over the period with respect to conventional indemnities upon voluntary retirement.

Mr. Lucian Grainge, was appointed as a member of the Vivendi Management Board on April 29, 2010. In addition, Mr. René Pénisson's membership on the Management Board expired on April 27, 2009.

Mr. Jean-Bernard Lévy waived his employment contract (suspended since April 28, 2005, the date he was appointed Chairman of the Management Board) upon the renewal of his term of office on April 27, 2009, in accordance with the AFEP-MEDEF recommendations of October 2008 on the compensation of corporate officers of publicly traded companies. At its meeting on February 26, 2009, the Supervisory Board approved various elements of the compensation and benefits in kind granted to the Chairman of the Management Board and compensation payable upon the termination of his duties. These elements were approved at the Annual Shareholders' Meeting held on April 30, 2009. At its meeting on February 25, 2010, the Supervisory Board decided not to change these compensation elements for 2010. A breakdown of these items is presented in Sections 3.2.2.1 and 3.2.2.2 of Chapter 3 of the 2010 Annual Report.

Members of the Management Board, except the president, do not benefit from any contractual severance payments of any kind with respect to their service on the board even upon the expiration of their term of office. However, certain members are entitled to severance payments in the event of a breach of their employment contract (except in the event of dismissal for serious misconduct). As of December 31, 2010, the aggregate estimated amount of these obligations was €31 million (€11 million as of December 31, 2009).

As of December 31, 2010, the net obligations in favor of the Management Board members relating to pension plans amounted to €31 million and provisions amounted to €9 million (compared to €20 million and €6 million of provisions as of December 31, 2009). In 2010, the increase mainly resulted from both the annual update of the valuation assumptions for defined benefits and from the increase in social security contributions. For detailed information about pension benefit plans, please refer to Notes 1.3.8 and 20.

A detailed description of the compensation and benefits of corporate officers of the group is presented in the Annual Report.

## 25.2 Other related parties

In 2010 and 2009, most Vivendi related companies were non-controlling interests that exercise significant influence on group affiliates such as Vodafone, which owns 44% of SFR, the Kingdom of Morocco, which owns 30% of Maroc Telecom Group and Lagardère, which owns 20% of Canal+ France as well as equity affiliates such as NBC Universal. Vivendi held a 12.34% interest in NBC Universal as of December 31, 2010 and a 20% interest as of December 31, 2009; in addition, on January 25, 2011, Vivendi sold its entire remaining interests in NBC Universal (please refer to Note 2.2).

The following table presents the main current related-party transactions entered into with these companies and the corresponding outstanding amounts owed by these companies or Vivendi; it does not include transactions entered into with subsidiaries controlled by the group as of December 31, 2010 and December 31, 2009 (please refer to Note 28 for a list of main consolidated entities). In addition and as a reminder, commercial relationships among subsidiaries of the group, aggregated in operating segments, are conducted on an arm's length basis under terms and conditions similar to those which would be offered by third parties. The cost of Vivendi SA's headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the group's businesses, are included in the Holding and Corporate operating segment. (Please refer to Note 3 for a detailed description of transactions between the parent company and the subsidiaries of the group, aggregated by operating segments.)

| (in millions of euros)                                | December 31, 2010 | December 31, 2009 |
|-------------------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                                         |                   |                   |
| Non-current content assets                            | 30                | 9                 |
| Non-current financial assets                          | -                 | 6                 |
| Trade accounts receivable and other                   | 38                | 46                |
| <b>Liabilities</b>                                    |                   |                   |
| Short-term borrowings and other financial liabilities | 12                | 16                |
| Trade accounts payable and other                      | 111               | 110               |
| <b>Contractual obligations, net off balance sheet</b> | 140               | 256               |
| <b>Statement of earnings</b>                          |                   |                   |
| Revenues                                              | 132               | 178               |
| Operating expenses                                    | (243)             | (307)             |

The following is a summary of the related party transactions referenced above, all of which are conducted on an arm's length basis:

- Broadcasting rights regarding NBC Universal programs broadcast on the Canal+ Group channels and NBC Universal channels broadcast on CanalSat and a movie production and distribution agreement with StudioCanal. As of December 31, 2010, Canal+ France and StudioCanal gave commitments relating to these contracts amounting to approximately €175 million (compared to €293 million as of December 31, 2009), and received commitments in favor of StudioCanal for a total amount of €8 million (compared to €10 million as of December 31, 2009). In 2010, Canal+ Group recorded a net operating expense of €5 million (compared to €18 million in 2009) in respect of commercial transactions with NBC Universal and its subsidiaries. As of December 31, 2010, total receivables amounted to €25 million (compared to €28 million December 31, 2009), and total payables amounted to €6 million (compared to €30 million as of December 31, 2009). In addition, StudioCanal invested up to €14 million in co-production projects (compared to €9 million as of December 31, 2009);
- Agreements entered into 2006 with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer for a period of five years as a result of the Canal+ Group and TPS combination of the pay-TV activities in France. These agreements have been extended through June 30, 2013; and
- Cooperation and roaming agreements between SFR and Vodafone Group. These contracts generated a net expense of €43 million for SFR in 2010 (compared to €42 million in 2009).

## Note 26 Contractual obligations and other commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- contracts related to operations such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including finance leases (please refer to Note 12), off-balance sheet operating leases and subleases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to the group's scope contracted through acquisitions or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets;
- commitments related to the group's financing: borrowings issued as well as management of interest rate, foreign currency and liquidity risks (please refer to Notes 22 and 23); and
- contingent assets and liabilities linked to litigations in which Vivendi and/or its subsidiaries are either plaintiff or defendant (please refer to Note 27).

### 26.1 Contractual obligations and commercial commitments

Below is a summary of the group's contractual obligations and commercial commitments as of December 31, 2010 and December 31, 2009. Further information is provided in Notes 26.1.1 and 26.1.2 and in the notes referenced in the table below.

|                                                                                                             |        | As of December 31, 2010 |                 |               |              | Total as of<br>December 31,<br>2009 |
|-------------------------------------------------------------------------------------------------------------|--------|-------------------------|-----------------|---------------|--------------|-------------------------------------|
|                                                                                                             |        | Total                   | Payments due in |               |              |                                     |
|                                                                                                             |        |                         | 2011            | 2012-2015     | After 2015   |                                     |
| (in millions of euros)                                                                                      | Note   |                         |                 |               |              |                                     |
| Borrowings and other financial liabilities                                                                  | 22     | 13,693                  | 3,846           | 6,980         | 2,867        | 15,133                              |
| Content liabilities                                                                                         | 10.2   | 2,108                   | 2,046           | 58            | 4            | 2,064                               |
| <b>Subtotal - future minimum payments related to the consolidated statement of financial position items</b> |        | <b>15,801</b>           | <b>5,892</b>    | <b>7,038</b>  | <b>2,871</b> | <b>17,197</b>                       |
| Contractual content commitments                                                                             | 10.2   | 3,436                   | 1,829           | 1,403         | 204          | 4,317                               |
| Commercial commitments                                                                                      | 26.1.1 | 2,411                   | 1,231           | 729           | 451          | 2,181                               |
| Operating leases and subleases                                                                              | 26.1.2 | 2,620                   | 504             | 1,347         | 769          | 2,466                               |
| <b>Subtotal - not recorded in the consolidated statement of financial position</b>                          |        | <b>8,467</b>            | <b>3,564</b>    | <b>3,479</b>  | <b>1,424</b> | <b>8,964</b>                        |
| <b>Total contractual obligations and commercial commitments</b>                                             |        | <b>24,268</b>           | <b>9,456</b>    | <b>10,517</b> | <b>4,295</b> | <b>26,161</b>                       |

#### 26.1.1 Off balance sheet commercial commitments

| (in millions of euros)      | Minimum future payments as of December 31, 2010 |              |              |            | Total - minimum<br>future payments as of<br>December 31, 2009 |
|-----------------------------|-------------------------------------------------|--------------|--------------|------------|---------------------------------------------------------------|
|                             | Total                                           | Due in       |              |            |                                                               |
|                             |                                                 | 2011         | 2012 - 2015  | After 2015 |                                                               |
| Satellite transponders      | 839                                             | 141          | 472          | 226        | 629                                                           |
| Investment commitments (a)  | 1,373                                           | 988          | 174          | 211        | 1,472                                                         |
| Other                       | 376                                             | 179          | 183          | 14         | 167                                                           |
| <b>Given commitments</b>    | <b>2,588</b>                                    | <b>1,308</b> | <b>829</b>   | <b>451</b> | <b>2,268</b>                                                  |
| Satellite transponders      | (79)                                            | (29)         | (50)         | -          | (67)                                                          |
| Other (b)                   | (98)                                            | (48)         | (50)         | -          | (20)                                                          |
| <b>Received commitments</b> | <b>(177)</b>                                    | <b>(77)</b>  | <b>(100)</b> | <b>-</b>   | <b>(87)</b>                                                   |
| <b>Net total</b>            | <b>2,411</b>                                    | <b>1,231</b> | <b>729</b>   | <b>451</b> | <b>2,181</b>                                                  |

a. Mainly relates to SFR and Maroc Telecom Group:

- SFR: €362 million as of December 31, 2010 (compared to €407 million as of December 31, 2009) related to public service delegations. Businesses related to these delegations of public service consist of setting up and operating telecommunication facilities in certain areas of France for local or regional authorities, as delegors. In addition, as of December 31, 2009, SFR's commitments included the exchange of mobile equipment purchased from Nokia Siemens Network in 2007, for new equipment purchased by SFR for an equivalent amount. This transaction was completed in 2010.
- Maroc Telecom SA and its capital expenditure program: on May 21, 2009, Maroc Telecom and the Moroccan State entered into a third capital expenditure agreement pursuant to which Maroc Telecom committed to carrying out a capital expenditure program for a total amount of MAD 10.5 billion (approximately €930 million) over the period 2009-2011. As of December 31, 2010, approximately €236 million of the capital expenditure program had yet to be spent (compared to approximately €596 million as of December 31, 2009). These investments, aimed at expanding and modernizing infrastructures, notably include investments

dedicated to the coverage of isolated rural and mountainous regions as part of the PACTE universal telecommunications service program. More than 7,300 cities are expected to be covered by 2011.

- Regarding Maroc Telecom Group's subsidiaries (Sotelma since August 1, 2009, Onatel, Mauritel and Gabon Telecom): their capital expenditure amounted to €77 million as of December 31, 2010, compared to €70 million as of December 31, 2009.

- b. Mainly relates to commitments received from Bouygues Telecom to SFR regarding the agreement to share their investments and their fiber-optic horizontal networks in very high density areas.

## 26.1.2 Off balance sheet operating leases and subleases

|                        | Minimum future leases as of December 31, 2010 |             |              |             | Total - minimum<br>future leases as of<br>December 31, 2009 |
|------------------------|-----------------------------------------------|-------------|--------------|-------------|-------------------------------------------------------------|
|                        | Total                                         | Due in      |              |             |                                                             |
| (in millions of euros) |                                               |             | 2011         | 2012 - 2015 | After 2015                                                  |
| Buildings (a)          | 2,379                                         | 431         | 1,226        | 722         | 2,282                                                       |
| Other                  | 289                                           | 89          | 145          | 55          | 234                                                         |
| <b>Leases</b>          | <b>2,668</b>                                  | <b>520</b>  | <b>1,371</b> | <b>777</b>  | <b>2,516</b>                                                |
| Buildings (a)          | (48)                                          | (16)        | (24)         | (8)         | (50)                                                        |
| <b>Subleases</b>       | <b>(48)</b>                                   | <b>(16)</b> | <b>(24)</b>  | <b>(8)</b>  | <b>(50)</b>                                                 |
| <b>Net total</b>       | <b>2,620</b>                                  | <b>504</b>  | <b>1,347</b> | <b>769</b>  | <b>2,466</b>                                                |

- a. Mainly relates to offices and technical premises.

As of December 31, 2010, provisions of €10 million were recorded in the Statement of Financial Position with respect to operating leases (compared to €12 million as of December 31, 2009). These provisions mainly related to unoccupied buildings.

In 2010, net expense recorded in the statement of earnings with respect to operating leases amounted to €591 million (compared to €484 million in 2009). The increase of €107 million mainly reflected the integration of GVT (€83 million), which Vivendi took over November 13, 2009.

## 26.2 Other commitments given or received relating to operations

| Ref.                          | Context                                                                            | Main characteristics (nature and amount)                                                                                                     | Expiry |
|-------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------|
| <b>Contingent liabilities</b> |                                                                                    |                                                                                                                                              |        |
| (a)                           | Obligations related to the permission to use the Consolidated Global Profit System | Payment of approximately €5 million annually.                                                                                                | 2011   |
|                               | Individual rights to training for French employees                                 | Approximately 1.5 million hours, compared to approximately 1.3 million-hours as of December 31, 2009.                                        | -      |
|                               | UMTS network coverage (3G) at SFR                                                  | Please refer to Note 13 "Property, Plant, Equipment and Intangible Assets of Telecom Operations".                                            | 2013   |
| (b)                           | GSM-R commitment                                                                   | €21 million joint and several guarantee with Synerail.                                                                                       | 2025   |
|                               | Obligations in connection with pension plans and post-retirement benefits          | Please refer to Note 20 "Employee benefits".                                                                                                 | -      |
| (c)                           | Commitment to contribute to the VUPS pension fund                                  | Guarantee equal to 125% of the accounting deficit (approximately €5 million, compared to approximately €11 million as of December 31, 2009). | 2011   |
| (d)                           | Various other miscellaneous guarantees given                                       | Cumulated amount of €216 million (compared to €163 million as of December 31, 2009).                                                         | -      |
| <b>Contingent assets</b>      |                                                                                    |                                                                                                                                              |        |
|                               | Various other miscellaneous guarantees received                                    | Cumulated amount of €209 million (compared to €162 million as of December 31, 2009).                                                         | -      |

- a. By an order dated March 13, 2009, authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code was renewed for the period beginning on January 1, 2009 and ending on December 31, 2011. Under the terms of the permission to use the Consolidated Global Profit Tax System, Vivendi undertook to continue to perform its previous years' commitments, in particular with regard to job creation (Please refer to Note 6.1).
- b. On February 18, 2010, a group constituted by SFR, Vinci and AXA (30% each) and TDF (10%) entered into a contract with Réseau Ferré de France regarding the public-private partnership GSM-R. The 15-year contract, valued at approximately €1 billion, covers the financing, building, operation and maintenance of the digital telecommunications network that enables conference mode communications (voice and data) between train drivers and teams on the ground. It will be rolled out gradually until 2015 over 14,000 km of conventional and high-speed railway lines in France.
- c. This guarantee, which expired in January 2011, generated no additional financial commitment compared to those described in Note 20.
- d. Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the course of their operations.

## 26.3 Share purchase and sale commitments

In connection with the purchase or sale of operations and financial assets, Vivendi grants or receives commitments to purchase or sell securities. The main commitments of this nature relate to Vivendi's interest in NBC Universal and in the share capital of Canal+ France; please refer to Note 2.2 and 18, for a detailed description of the sale of Vivendi's interest in NBC Universal and transactions completed or in progress related to Canal+ France's non-controlling interests.

In addition, as of December 31, 2009, Vivendi had committed to purchase the GVT shares that it did not hold at that date: please refer to Note 2.1 for a detailed description of the completion of GVT's acquisition.

Furthermore, Vivendi and its subsidiaries have granted or received purchase or sale options related to shares in equity affiliates and unconsolidated investments.

## 26.4 Contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares

| Ref.                          | Context                                                                                              | Characteristics (nature and amount)                                                                                                                                                                                                                                                                             | Expiry                       |
|-------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>Contingent liabilities</b> |                                                                                                      |                                                                                                                                                                                                                                                                                                                 |                              |
| (a)                           | NBC-Universal transaction (May 2004) and subsequent amendments (2005 - 2010)                         | - Breaches of tax representations;<br>- Obligation to cover the Most Favored Nation provisions; and<br>- Remedial actions.                                                                                                                                                                                      | -<br>2014                    |
|                               | Creation of Activision Blizzard (July 2008)                                                          | Tax sharing and indemnity agreements.                                                                                                                                                                                                                                                                           |                              |
|                               | Divestiture of UMG manufacturing and distribution operations (May 2005)                              | Various commitments for manufacturing and distribution services.                                                                                                                                                                                                                                                | 2015                         |
| (b)                           | Take over of Neuf Cegetel by SFR (April 2008)                                                        | Commitments undertaken in connection with the authorization of the take over by the French Minister of the Economy, Industry and Employment.                                                                                                                                                                    | 2012                         |
| (c)                           | Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)                   | - Commitments in connection with the authorization of the combination pursuant to the merger control regulations;<br>- General guarantees expired on January 4, 2009;<br>- Tax and social guarantees with a €162 million cap; and<br>- Counter-guarantees granted to TF1 and M6 as part of certain commitments. | 2012<br>2009<br>2011<br>2013 |
| (d)                           | Divestiture of Canal+ Nordic (October 2003)                                                          | - Specific guarantee capped at €50 million, expired in April 2010; and<br>- Specific guarantees given to American studios expired at the end of June 2009.                                                                                                                                                      | 2010<br>2009                 |
| (e)                           | Divestiture of NC Numéricable (March 2005)                                                           | Specific guarantees capped at €241 million (including tax and social risks).                                                                                                                                                                                                                                    | 2014                         |
|                               | Divestiture of PSG (June 2006)                                                                       | Unlimited specific guarantees.                                                                                                                                                                                                                                                                                  | 2018                         |
| (f)                           | Divestiture of Sithe (December 2000)                                                                 | Specific guarantees capped at \$480 million.                                                                                                                                                                                                                                                                    | -                            |
| (g)                           | Sale of real estate assets (June 2002)                                                               | Autonomous first demand guarantees capped at €150 million in total (tax and decennial guarantees).                                                                                                                                                                                                              | 2017                         |
| (h)                           | Early settlement of rental guarantees related to the last three buildings in Germany (November 2007) | Guarantees of rental payments obligations of the companies sold in the transaction in the amount of €304 million as of December 31, 2010 (€331 million as of December 2009).                                                                                                                                    | 2026                         |
|                               | Divestiture of Spirits and Wine activities of Seagram (2001)                                         | Specific guarantee expired on September 25, 2009 relating to a claim formed by the Republic of Colombia and certain of its political subdivisions.                                                                                                                                                              | 2009                         |
|                               | Other                                                                                                | Guarantees capped at €48 million (€57 million as of December 31, 2009).                                                                                                                                                                                                                                         | -                            |
| <b>Contingent assets</b>      |                                                                                                      |                                                                                                                                                                                                                                                                                                                 |                              |
| (i)                           | Acquisition of Tele2 France by SFR (July 2007)                                                       | - Guarantees capped at €358 million, expired on January 20, 2009; and<br>- Commitments on the handling and distribution of audio-visual content.                                                                                                                                                                | 2009<br>2012                 |
| (c)                           | Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)                   | Vendor warranties received from TF1 and M6 capped at €112 million, expired in 2010.                                                                                                                                                                                                                             | 2010                         |
|                               | Acquisition of Kinowelt (April 2008)                                                                 | - General and specific guarantees regarding movie rights property given by the sellers to EuroMedien Babelsberg GmbH; and<br>- Specific guarantees, notably on film rights were granted by the sellers.                                                                                                         | 2013<br>-                    |
| (e)                           | Divestiture of NC Numéricable (March 2005)                                                           | €151 million counter-guaranteed by France Telecom.                                                                                                                                                                                                                                                              | 2014                         |
| (j)                           | Divestiture of Xfera (2003)                                                                          | Guarantees amounting to €71 million.                                                                                                                                                                                                                                                                            | -                            |
| (h)                           | Early settlement of rental guarantees related to the last three buildings in Germany (November 2007) | - Pledge over the cash of the divested companies;<br>- Counter-guarantee provided by the purchaser in the amount of €200 million; and<br>- Additional purchase price of up to €10 million, under certain conditions.                                                                                            | -                            |
|                               | Elektim/PTC                                                                                          | - €1,254 million proceed received on January 14, 2011; and<br>- Reciprocal commitment with third parties (please refer to Note 2.4).                                                                                                                                                                            | 2011                         |
|                               | Various other miscellaneous contingent assets                                                        | Cumulated amount of €33 million (€28 million as of December 31, 2009).                                                                                                                                                                                                                                          | -                            |

The accompanying notes are an integral part of the contingent assets and liabilities described above.

- a. As part of the NBC-Universal transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction, and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses resulting from, among other things, any breach of their respective representations, warranties and covenants.

Neither party will have any indemnification obligations for losses arising as a result of any breach of representations and warranties (i) for any individual item where the loss is less than \$10 million and (ii) in respect of each individual item where the loss is equal to or greater than \$10 million except where the aggregate amount of all losses exceeds \$325 million. In that event, the liable party will be required to pay the amount of losses which exceeds \$325 million, but in no event will the aggregate indemnification payable exceed \$2,088 million.

In addition, Vivendi will have indemnification obligations for 50% of every U.S. dollar of loss up to \$50 million and for all losses in excess of \$50 million relating to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of IACI's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of \$10 million and a payment basket of \$325 million.

The representations and warranties other than those regarding authorization, capitalization and tax representations terminated on August 11, 2005. Notices of environmental claims related to remediation must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations. None of the provisions described in this paragraph were amended by the Agreement signed in December 2009 between Vivendi and GE relating to the agreement between GE and Comcast regarding NBC Universal, or by the completion of the sale of Vivendi's entire interest in NBC Universal, completed on January 25, 2011 (please refer to Note 26.3).

- b. Approval from the Ministry of Economy, Industry and Employment, dated April 15, 2008, resulted in additional commitments from Vivendi and its subsidiaries. They address competitor access and new market entrants to wholesale markets on SFR's fixed and mobile networks, acceptance on the fixed network of an independent television distributor if such a player appears, as well as the availability, on a non-exclusive basis, of ADSL on eight new channels which are leaders in their particular areas (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV). A detailed summary of the commitments undertaken by the Vivendi group and SFR is available on Vivendi's website at the following address: <http://www.vivendi.com/vivendi/SFR,262>.

In addition, following successful completion of the tender offer pursuant to which SFR obtained a 96.41% equity interest in Neuf Cegetel, SFR launched a squeeze-out for the remaining outstanding Neuf Cegetel shares. The funds relating to compensation for the Neuf Cegetel shares which are not claimed by depository institutions on behalf of beneficiaries, shall be held by CACEIS Corporate Trust for a period of 10 years commencing on the effective date of the squeeze-out (June 24, 2008) and then paid to the Caisse des Dépôts et Consignations upon expiration of this deadline. These funds may be claimed by beneficiaries at any time subject to a thirty-year statute of limitations period, after which time the funds shall be paid to the French State.

Finally, the shares owned (but currently in a holding period) by executives and employees of Ex-Neuf Cegetel are subject to reciprocal put and call option agreements with SFR, with a maturity of 2011 at the latest.

- c. On August 30, 2006, the TPS/Canal+ Group merger was authorized, in accordance with the merger control regulations, pursuant to a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Canal+ Group complying with certain undertakings. Without questioning the pay-TV economic model, or the industrial rationale behind the transaction and the benefits to the consumer, these commitments satisfy, more specifically, the following objectives:

- facilitate the television and video-on-demand (VOD) operators' access to attractive audiovisual content rights and, in particular, French and U.S. films and sporting events. To this end, the Canal+ Group undertook, notably, to restrict to a maximum term of three years the duration of future framework agreements with major US studios, not to seek exclusive VOD rights, to guarantee non-discriminatory access to the StudioCanal catalogue, to restrict the proportion of films taken from this catalogue in the acquisition of films by the future entity and to cease soliciting combined offers for different categories of cinematographic and sporting rights.

In addition, the Canal+ Group undertook to retrocede, within the framework of competition requirements, free-to-air audiovisuals rights to TV series and sporting events that the new entity may hold and does not use, more specifically to;

- make available several high-quality channels to all pay-TV distributors upon request, enabling these distributors to develop attractive products. Third parties will be provided access to TPS Star, three cinema channels (CinéStar, CinéCulte, CinéToile), Sport+ and the children's channels Piwi and Teletoon. In addition, Canal+ will be available in digital (self distribution) to all operators wishing to include this channel in their product range; and
- enable French-language independent licensed channels to be included in the satellite offerings of the new group. The current proportion of theme channels in the group's offerings that are neither controlled by the Canal+ Group or one of the minority shareholders in the new entity, will be retained at the current level as a minimum, including in the basic offering. This guarantee applies in terms of both the number of channels and revenue.

These commitments were given by Vivendi and the Canal+ Group for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD, which cannot exceed five years.

In addition, as part of the sale of a 20% interest in Canal+ France to Lagardère Active as of January 4, 2007, Canal+ Group made tax and social representations and warranties to Lagardère Active with a €162 million cap on the entities held by Canal+ France, excluding Canal Satellite, MultiThématiques and the TPS entities. The general guarantees expired on January 4, 2009 except for the tax and social guarantees which expired on January 4, 2011.

Moreover, Vivendi granted a counter-guarantee, which will expire on January 4, 2013, in favor of TF1 and M6 in order to assume commitments and guarantees made by TF1 and M6 in connection with some of the contractual content commitments and other long term obligations of TPS and other obligations recognized in the statement of financial position of TPS.

- d. In connection with the divestiture of Canal+ Nordic in October 2003, Canal+ Group granted a specific guarantee with a cap of €50 million which expired in April 2010. Canal+ Group has also retained distribution guarantees given in favor of Canal Digital and Telenor Broadcast Holding by a former subsidiary which guarantees are covered by a counter-guarantee given by the buyers. All guarantees given to American studios expired in June 2009.
- e. As part of the divestiture of NC Numéricâble on March 31, 2005, the Canal+ Group granted specific guarantees with a €241 million cap (including tax and social risks). Specific risks relating to cable networks used by NC Numéricâble are included in this maximum amount and are counter-guaranteed by France Telecom up to €151 million. In addition, in January 2006, Canal+ Group received as part of the final divestiture of its 20% interest in Ypso, the right to a potential earn-out payment under certain conditions which was not valued in the off-balance sheet accounts.
- f. In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted customary representations and guarantees. Claims, other than those made in relation to foreign subsidiary commitments, are capped at \$480 million. In addition, claims must exceed \$15 million, except if they relate to foreign subsidiaries or the divestiture of certain electrical stations to Reliant in February 2000. Some of these guarantees expired on December 18, 2005. Some environmental commitments still exist and any potential liabilities related to contamination risks will survive for an indefinite period of time.
- g. In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million, to several subsidiaries of Nexity (Nexim 1 to 6). The guarantees are effective until June 30, 2017.
- h. As part of the early settlement of rental guarantees relating to the three remaining buildings owned in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark) at the end of November 2007, Vivendi agreed to continue to guarantee certain lease payment obligations (i.e., €304 million, compared to €331 million as of December 31, 2009) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In return for such guarantee, Vivendi received a pledge over the cash of the divested companies for €56 million (compared to €70 million as of December 31, 2009) and a counter-guarantee provided by the purchaser in the amount of €200 million. In addition, as part of a new agreement entered into with the acquiror in June 2009, Vivendi received a €40 million payment in December 2009 from an account pledged to its benefit, and may receive another payment of €10 million depending on the conditions of the reorganization of the structure. In exchange, the lease transactions are set to terminate at the latest, respectively, on December 31, 2012 (Anthropolis/Grindenwaldweg), on March 31, 2016 (Dianapark) and on December 31, 2016 (Lindencorso).
- i. The Share Purchase Agreement (SPA) dated October 2, 2006 between Tele2 Europe SA and SFR contains representations and warranties which expired on January 20, 2009 except for those claims arising with respect to tax and social matters for which the expiration period is three months following the expiration of the applicable statute of limitations. On July 18, 2007, by way of implementation of the European Union antitrust regulation, the European Commission approved the purchase of the fixed and internet activities of Tele2 France by SFR, subject to commitments on the handling and distribution of audio-visual content for a five year period. A detailed summary of the commitments undertaken by the Vivendi group and SFR is available on Vivendi's website at the following address: <http://www.vivendi.com/vivendi/SFR,262>.
- j. Vivendi received guarantees in respect of the repayment of amounts paid in July 2007 (€71 million), in the event of a favourable decision of the Spanish Courts concerning Xfera's tax litigation to cancel the 2001, 2002 and 2003 radio spectrum fees. These guarantees include a first demand bank guarantee relating to 2001 fees for an amount of €57 million.

Several guarantees given in 2010 and during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations of certain guarantees relating, among other things, to employees, environment and tax liabilities, in consideration of share ownership, or given in connection with the dissolution or winding-up of certain businesses are still active. To the best of Vivendi's knowledge, no material claims for indemnification against such liabilities have been made to date.

In addition, Vivendi regularly delivers, at the settlement of disputes and litigations, commitments for damages to third parties, which is typical in such transactions.

## 26.5 Shareholders' agreements

Under existing shareholders' or investors' agreements (including those relating to Activision Blizzard, SFR, Maroc Telecom Group and Canal+ France), Vivendi holds certain rights (such as pre-emptive rights, priority rights) which give it control over the capital structure of consolidated companies partially owned by minority shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders' agreements or the bylaws of consolidated entities, equity affiliates or unconsolidated interests, Vivendi and its subsidiaries have given or received certain rights (pre-emptive and other rights) entitling them to maintain their shareholder's rights.

### Shareholders' Agreement among Vivendi, TF1 and M6

Pursuant to the Shareholders' Agreement among Vivendi, TF1 and M6, dated 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 were not represented on the supervisory board of Canal+ France and did not have rights of any kind in respect of the management of Canal+ France. Vivendi had a pre-emptive right over all the shares of Canal+ France owned by TF1 and M6.

As of December 31, 2010, TF1 and M6 had exited from the share capital of Canal+ France (please refer to Note 18), and thus from the shareholders' agreement.

### Strategic Agreements among Vivendi, Canal+ Group, Lagardère and Lagardère Active

Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to maintain its economic interest in Canal+ France, with varying rights according to the level of its participation in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France. The main provisions of these strategic agreements are as follows:

- The Chairman and all the members of the management board of Canal+ France are appointed by Canal+ Group. Lagardère is represented by two members out of the eleven members of the supervisory board.
- 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 by-laws, a major permanent change in the business, its transformation into a company in which the partners would have unlimited liability, a single investment representing more than a third of revenues, a tender offer for the company's shares, in certain circumstances the entry of a third party as a shareholder, 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 beginning 2015, Lagardère will have a liquidity right exercisable between March 15 and April 15 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 taking into account the fact that Lagardère waived its right to exercise its call option enabling it to own 34% of the capital of Canal+ France). Pursuant to this liquidity right, Lagardère is entitled to request a public offering of Canal+ France shares. On April 15, 2010, Lagardère decided to exercise its liquidity right regarding its 20% interest in Canal+ France. As Lagardère and Vivendi had not reached an agreement regarding the sale of its interest, Lagardère decided on July 2, 2010 to launch an Initial Public Offering (IPO) process. The Initial Public Offering (IPO) process is still in progress: on February 16, 2011, Canal+ France filed the Initial Public Offering (IPO) Prospectus with the French Autorité des Marchés Financiers (AMF). In this event, Vivendi/Canal+ Group have 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.

In addition, in compliance with Article L. 225-100-3 of the French Commercial Code, it is stated that some rights and obligations of Vivendi resulting from shareholders' agreements (SFR, Maroc Telecom Group, and Cyfra+) may be amended or terminated in the event of a change in control of Vivendi or a tender offer being made for Vivendi. These shareholders' agreements are subject to confidentiality provisions.

## 26.6 Collaterals and pledges

As of December 31, 2010, the amount of the group's assets that were pledged or mortgaged for the benefit of third parties was €151 million (compared to €106 million as of December 31, 2009). Moreover, Vivendi has no guarantees from third parties in respect of any of its receivables outstanding as of December 31, 2010 nor did it have any as of December 31, 2009.

## Note 27 Litigation

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as “Legal Proceedings”).

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents Vivendi’s best estimate of the risk, provided that Vivendi may, at any time, reassess such risk if events occur during such proceedings. As of December 31, 2010, provisions recorded by Vivendi for all claims and litigations amounted to €443 million in 2010, compared to €890 million in 2009 (please refer to Note 19).

To the company’s knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including, to the company’s knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had in the previous twelve months a significant impact on the company’s and on its group’s financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 22, 2011, the date of the Management Board meeting held to approve Vivendi’s financial statements for the year ended December 31, 2010.

### **Trial of Vivendi’s former officers in Paris**

In October 2002, the financial department of the Parquet de Paris launched an investigation into the publication of false or misleading information regarding the financial situation and forecasts of the company and the publication of untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases of its own shares by the company between September 1, 2001 and December 31, 2001, following the filing by the AMF of an investigation report with the Parquet de Paris on June 6, 2005. Vivendi joined the proceedings as a civil party.

On January 23, 2009, the Public Prosecutor transmitted to the judge and civil parties a final prosecutor’s decision of dismissal in respect of all matters under investigation during the period 2000-2002. On October 16, 2009, the Judge Mr. Jean-Marie d’Huy ordered all parties to face trial before the Criminal Court. The charges of disclosure and publication of untrue or inaccurate financial statements were rejected by the Judge. The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*). The Prosecutor asked the Court to drop charges against the defendants.

The Court rendered its judgment on January 21, 2011. The previous recognition of Vivendi as a civil party was confirmed. Jean Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Jean-Marie Messier and Guillaume Hannezo were also ordered to pay damages to shareholders entitled to reparation as civil parties. The former Vivendi officers as well as some civil parties appealed the decision.

### **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 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, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class (“class certification”), that 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 Vivendi’s petition 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 Certiorari seeking to appeal the Second Circuit’s decision on class certification. On October 9, 2007, the Supreme Court denied the petition.

On March 12, 2008, Vivendi filed a motion for reconsideration of the Court’s class certification decision dated March 22, 2007, that included French shareholders in the plaintiff class. On March 31, 2009, the Court denied that motion.

Following the March 22, 2007 certification decision, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action. The Liberty Media and individual plaintiffs’ actions remain pending against the company.

The trial of the class action lawsuit commenced on October 5, 2009, in New York.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000, and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements.

As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and \$0.13 and \$10.00 per American Depositary Receipt ("ADR"), depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On March 26, 2010, Vivendi filed certain post-trial motions with the Court, challenging the jury's verdict.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the *Morrison v. National Australia Bank* case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States."

At a hearing that took place in New York on July 26, 2010, Vivendi petitioned the Court to apply the "Morrison" decision and therefore to exclude from the class shareholders who did not purchase or sell their shares on a U.S. exchange.

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADSs on the New York Stock Exchange. The Court declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must first take place. The Court denied Vivendi's post-trial motions challenging the jury's verdict.

Vivendi still believes that it has solid grounds for an appeal, at the appropriate times. Vivendi intends to challenge, among other issues, plaintiffs' theories of causation and damages accepted by the judge and, more generally, certain decisions made by the judge during the conduct of the trial. Several aspects of the verdict will also be challenged.

On the basis of the verdict rendered on January 29, 2010, and an assessment of the matters set forth above supported by studies conducted by companies specializing in the calculation of class action damages and in accordance with the accounting principles described in Notes 1.3.1 (Use of Estimates) and 1.3.8 (Provisions), Vivendi made a provision on December 31, 2009, in an amount of €550 million in respect of the damages that Vivendi might have to pay to class plaintiffs. Vivendi re-examined the amount of the reserve related to the Securities class action litigation in the United States, given the District Court for the Southern District of New-York decision on February 17, 2011 in our case, which followed the US Supreme Court's decision on June 24, 2010 in the *Morrison* case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADSs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.

Vivendi considers that its provision and the assumptions on which it is based may have to be amended as the proceedings progress, and consequently, the present amount of damages that Vivendi might have to pay the plaintiffs could differ significantly, in either direction, from the provision. As is permitted by current accounting standards, no details are given of the assumptions on which this estimate is based, because their disclosure at this stage of the proceedings could be prejudicial to Vivendi.

### **Elektrim Telekomunikacja**

From 1999 until 2001, Vivendi invested in the capital of Polska Telefonia Cyfrowa Sp. Z.o.o. (PTC), the Polish mobile telephone operator. Vivendi made this investment through Elektrim Telekomunikacja Sp. z o.o. (Telco) and Carcom Warszawa (Carcom), two companies that were formed together with Elektrim SA.

These shareholdings were the subject of several litigation proceedings, among which were several arbitration proceedings initiated by Deutsche Telekom in Vienna, aiming, among others, at invalidating the transfer of the PTC shares from Elektrim to Telco, an arbitration proceedings before the London Court of International Arbitration (LCIA), launched by Vivendi against Elektrim regarding the Telco shareholders' agreement entered into by both companies, an arbitration proceedings launched by Vivendi against the Republic of Poland, based on the treaty entered into between France and Poland relating to the reciprocal encouragement and protection of investments, as well as numerous other proceedings before Polish courts.

On December 14, 2010, Vivendi entered into certain agreements with Deutsche Telekom, Mr. Zygmunt Solorz-Zak (the main shareholder of Elektrim) and the creditors of Elektrim, including the Polish State and Elektrim's bondholders, aiming at putting an end to the litigation regarding

PTC's share capital ownership. These agreements were implemented on January 14, 2011, the date on which all proceedings among the parties were annulled. Vivendi relinquished all its rights to the PTC's shares and received €1.254 billion.

### **Compañía de Aguas de Aconquija and Vivendi against the Republic of Argentina**

On August 20, 2007, the International Center for Settlement of Investment Disputes ("ICSID") issued an arbitration award in favor of Vivendi and Compañía de Aguas de Aconquija, its Argentinian subsidiary, relating to a dispute that arose in 1996 regarding the water concession it held between 1997 and 1997, in the Argentinian Province of Tucuman. The arbitration award held that the actions of the provincial authorities had infringed the rights of Vivendi and its subsidiary, and were in breach of the provisions of the Franco-Argentine Bilateral Investment Protection Treaty. The arbitration tribunal awarded Vivendi and its subsidiary damages of US\$105 million plus interest and costs.

On December 13, 2007, the Argentinian Government filed an application to vacate the arbitration award on the basis, among others, of an alleged conflict of interest regarding one of the arbitrators. The ICSID appointed an ad hoc committee to rule on this application.

On August 10, 2010, the ICSID rejected the Argentinian Government's application and the award of August 20, 2007 became final. As of the date of this Report, the Argentinian Government has failed to comply with the award.

### **Claim by Centenary Holdings III Ltd.**

Centenary Holdings III Ltd. (CH III), a former Seagram subsidiary, divested in January 2004, was placed into liquidation in July 2005. On January 9, 2009, the liquidator of CHIII sued a number of its former directors, former auditors and Vivendi. The liquidator, acting on behalf of CH III's creditors, alleges that the defendants breached their fiduciary duties.

On September 30, 2010, Vivendi and one of the former directors of CHIII settled with the liquidator. This settlement put an end to the legal proceedings brought against them and assigned to Vivendi all claims filed on behalf of the creditors.

### **Vivendi Deutschland against FIG**

Further to a claim filed by CGIS BIM (a subsidiary of Vivendi) against FIG to obtain the release of a portion of the amount remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the cancellation of the sale by a judgment of the Berlin Court of Appeal, which invalidated a judgment rendered by the Berlin High Court. CGIS BIM was ordered to repurchase the buildings and to pay damages in an amount to be determined. Vivendi delivered a guarantee so as to pursue settlement negotiations. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the judgment execution.

On April 23, 2009, the Regional Berlin Court issued a decision setting aside the judgment of the Berlin Court of Appeal dated May 29, 2008. On June 12, 2009, FIG appealed that decision. A second claim for additional damages was filed by FIG in the Berlin Regional Court and was served on CGIS on March 3, 2009. On December 16, 2010, the Berlin Court of Appeal rejected FIG's appeal and confirmed the decision of the Regional Berlin Court, which decided in CGIS's favor and confirmed the invalidity of the judgment execution and therefore invalidated the order for CGIS BIM to repurchase the building and pay damages.

### **Neuf Cegetel's claim against France Telecom regarding the broadcasting of the Orange Foot channel**

On May 14, 2009, the Paris Court of Appeal reversed a judgment that had upheld the claims made by Free and Neuf Cegetel against France Telecom relating to the broadcasting of the Orange Foot channel, and held that the Orange Foot channel offer, which made subscription to the Orange Foot channel conditional upon prior subscription to the Internet Orange ADSL offer, constituted a related sale transaction prohibited by the French Code of Consumption. The Court of Appeal considered that the prohibition against related sale transactions was contrary to the regime established by the European Directive 2005/29/EC of May 11, 2005 concerning unfair business-to-consumer commercial practices. SFR appealed the decision to the French Supreme Court. On July 13, 2010, the French Supreme Court rejected SFR's appeal.

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

On April 10, 2009, SFR appealed before the French Supreme Court the decision of the Paris Court of Appeal dated March 11, 2009, which had confirmed the financial penalties imposed on the three operators for having entered into an illegal agreement and exchanged information between 1997 and 2003. On April 7, 2010, the French Supreme Court confirmed the decision of the Paris Court of Appeal dated March 11, 2009, with respect to SFR.

### **Vivendi's complaint against France Telecom before the European Commission for abuse of a dominant position**

On March 2, 2009, Vivendi and Free jointly filed a complaint against France Telecom before the European Commission (the "Commission"), for abuse of a dominant position. Vivendi and Free allege that France Telecom imposes excessive tariffs on offers for access to its fixed network and on telephone subscriptions. In July 2009, Bouygues Telecom joined in this complaint. In a letter dated February 2, 2010, the Commission informed the parties of its intention to dismiss the complaint. On September 17, 2010, Vivendi filed a complaint before the Court of First Instance of the European Union in Luxembourg.

### **Complaint against France Telecom before the French Competition Authority**

On February 11, 2009, Neuf Cegetel and Groupe Canal+ jointly filed a complaint against France Telecom before the French Competition Authority for abuse of dominant position and collusion with the French Professional Football League. Their complaint is that France Telecom uses a strategy intended to restrict the marketing of its cinematographic and sporting rights to its exclusive ADSL subscribers only. The instructing magistrate issued a preliminary report on August 5, 2010, in which he stated competition concerns and acknowledged France Telecom's decision to propose certain commitments in response to those concerns. On September 20, 2010, France Telecom sought an extension in order to prepare its response.

### **Complaint against France Telecom and Orange before the French Competition Authority**

On August 9, 2010, SFR filed a complaint before the French Competition Authority against France Telecom and Orange for anti-competitive practices on the professional mobile market.

### **Tenor against Groupe SFR Cegetel, Groupe France Telecom and Bouygues Télécom**

Tenor (a fixed operators association, which became ETNA) brought a claim before the French Competition Council alleging anti-competitive practices by France Telecom, Cegetel, SFR and Bouygues Télécom in the telecommunications sector. On October 14, 2004, the French Competition Council fined SFR, among others, for abuse of dominant position. On November 20, 2004, SFR filed an appeal. On April 12, 2004, the Court of Appeal overturned the decision of the Competition Council, having decided that the allegations were not proven. On April 29, 2005, ETNA appealed against that ruling before the French Supreme Court. On May 10, 2006, the Supreme Court overruled the decision of the Court of Appeal stating that the Court of Appeal should have examined whether the alleged practices had an adverse impact on competition. On April 2, 2008, the second Court of Appeal denied the requests made by SFR. On April 30, 2008, SFR appealed to the Supreme Court. On March 3, 2009, the Supreme Court reversed the decision dated April 2, 2008, considering that "price scissoring" practices may not, as such, constitute anti-competitive practices.

On January 27, 2011, The Court of Appeal overruled the decision of the Competition Council stating that the grievances against SFR and France Telecom have not been proven. The Court ordered the amount of the fine imposed by the Competition Council to be reimbursed.

### **Complaint lodged with the Competition Authority by Orange Réunion, Orange Mayotte and Outre Mer Telecom against *Société Réunionnaise du Radiotéléphone (SRR)***

Orange Réunion and Orange Mayotte filed a complaint against SRR (a SFR subsidiary) for alleged discriminatory practices. On September 15, 2009, the French Competition Authority imposed protective measures on SRR, requiring it to propose to its subscribers offers which do not discriminate based on the network used, except to reflect the cost differences among the network operators. The French Competition Authority's investigation is ongoing.

### **Complaint lodged with the Competition Authority by Outremer Telecom against *Société Réunionnaise du Radiotéléphone (SRR)*, France Télécom and Mauritius Telecom**

On September 23, 2010, Outremer Telecom filed a complaint before the French Competition Authority and sought protective measures. It alleges that SRR, France Télécom and Mauritius Telecom have entered into an illegal framework agreement relating to the submarine cable project, LION, in the Indian Ocean.

### **Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets**

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices in the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate.

### **Metro Goldwyn Mayer against Groupe Canal+ and others**

In 1996, the TPS Group (TPS) entered into an output agreement with Metro Goldwyn Mayer Inc. (MGM), relating to the broadcasting rights of MGM's catalog. This agreement had an initial term of five years and was thereafter renewed for an additional five-year period before being terminated on December 31, 2006. The agreement provided MGM with the right to renew the contract for a new five-year period if TPS merged with another satellite operator before the termination of the agreement. Following the announcement of the merger between TPS and Canal+ France, MGM notified TPS that it would exercise its renewal option and extend the agreement through December 31, 2011. TPS challenged this renewal based on the fact that the merger effectively occurred in January 2007, after the termination of the agreement. In April 2007, MGM filed a complaint against Canal+France, Canal+ Distribution SAS, as successor to TPS, and Groupe Canal+, with the District Court of New York seeking, among other things, damages for breach of contract. Discovery as well as witness depositions are ongoing and are not expected to be completed before the end of June 2011.

### **Parabole Réunion affairs**

In July 2007, the group Parabole Réunion filed a legal action before the Paris Tribunal of First Instance following the termination of the distribution on an exclusive basis of the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius. Pursuant to a decision dated September 18, 2007, the Canal+ Group was prohibited, under fine, from allowing the broadcast of these channels by third parties, unless it offered to Parabole Réunion the replacement of these channels by other similarly attractive channels, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal reversed the judgment and dismissed Parabole Réunion's main claims against Groupe Canal+. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. On November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

In parallel with the foregoing proceedings, on October 21, 2008, Parabole Réunion and its shareholders filed a claim against Canal Réunion, Canal+ Overseas, CanalSatellite Réunion, Canal+ France, Groupe Canal+ and Canal+ Distribution, seeking the enforcement of the agreement entered into on May 30, 2008, pursuant to the companies would combine their TV channel broadcasting activities in the Indian Ocean. The execution of this agreement was contingent upon the satisfaction of certain conditions. As these conditions were not satisfied, the agreement became null and void. On June 15, 2009, the Commercial Court rejected Parabole Réunion's claim. Parabole Réunion appealed the decision.

Parabole Réunion also brought various proceedings seeking to obtain a statement recognizing the maintaining of the TPS Foot channel, among others, before the High Court of Nanterre. On September 16, 2010, the Versailles Court of appeal rejected Parabole Réunion demands. Parabole Réunion appealed the decision before the French Supreme Court.

### **Action brought by the French Competition Authority regarding practices in the pay-TV sector**

On January 9, 2009, further to its voluntary investigation and a complaint by France Telecom, the French Competition Authority sent Vivendi and Groupe Canal+ a notification of grievances. It alleges that Groupe Canal+ has abused its dominant position in certain pay-TV markets and that Vivendi and Groupe Canal+ colluded with TF1 and M6 on the one hand, and with Lagardère, on the other. Vivendi and Groupe Canal+ denied these allegations.

On November 16, 2010, the Competition Authority rendered a decision in which it dismissed the grievance of collusion, in respect of all parties and other grievances in respect of Groupe Canal+. The Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Groupe Canal+'s exclusive distribution rights on channels broadcasted by the group and by independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On December 17, 2010, France Télécom appealed the decision before the Paris Court of Appeal. Vivendi and Groupe Canal+ joined these proceedings.

### **Inquiry into the implementation of certain undertakings given in connection with the combination of Canal Satellite and TPS**

The French Competition Authority opened an inquiry regarding the implementation of certain undertakings given by Vivendi and Group Canal+ in connection with the combination of TPS and Canal Satellite. The investigation by the Competition Authority is ongoing.

### **Complaints against music industry majors in the United States**

Several complaints have been filed before the Federal Courts in New York and California against Universal Music Group, Warner Music, EMI, Bertelsmann and Sony BMG, for alleged anti-competitive practices in the context of sales of CDs and Internet music downloads. These complaints have been consolidated before the Federal Court in New York. The motion to dismiss filed by the defendants was granted by the Federal Court, on October 9, 2008, but this decision was reversed by the Second Circuit Court of Appeals on January 13, 2010. Defendants filed a motion for rehearing which was denied. They filed a petition with the U.S. Supreme Court which was rejected on January 10, 2011.

### **Studio Infinity Ward, subsidiary of Activision Blizzard**

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, Activision Blizzard terminated the employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against Activision Blizzard in Los Angeles Superior Court for breach of contract and wrongful termination. On April 9, 2010, Activision Blizzard filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty. In addition, 38 current and former employees of Infinity Ward filed a complaint against Activision Blizzard in Los Angeles Superior Court on April 27, 2010 for breach of contract and violation of the Labor Code of the State of California. On July 8, 2010, an amended complaint was filed which added seven additional plaintiffs. They claim that the company failed to pay bonuses and other compensation allegedly owed to them.

On December 21, 2010, Activision Blizzard filed a consolidated cross complaint in order to add Electronic Arts as a party, the discovery having shown the complicity of Electronic Arts in the case. The Court set a trial date of May 23, 2011. Activision Blizzard does not expect these two lawsuits to have a material impact on the company.

### **Investigations in Brazil**

On November 13, 2009, following Vivendi's acquisition of Global Village Telecom (Holding) S.A. ("GVT"), the CVM (the Brazilian financial markets authority) and the Public Prosecutors of the State of Rio and of the State of Parana opened an investigation regarding the information provided by Vivendi about transactions it carried out with certain GVT shareholders.

On May 17, 2010, Vivendi received a statement of grievance from the CVM to which it responded on September 27, 2010. The CVM complains that Vivendi did not provide sufficient information concerning certain option agreements entered into between Vivendi and a third party in its press release dated November 13, 2009, announcing the acquisition of control of GVT. Vivendi opposed the statement.

In December 2010, Vivendi reached a settlement with the CVM, for an amount of approximately €67 million. This puts an end to the proceedings with the CVM. As stated under Brazilian law, this settlement does not imply the acknowledgement of any wrongdoing by Vivendi in the context of GVT's acquisition, nor a determination by the CVM of any violation of the Brazilian Stock Exchange regulations by Vivendi.

#### **Actions related to the ICMS tax**

GVT is party in various Brazilian States to several proceedings concerning the recovery of the "ICMS" tax (*Impostos Sobre Circulações de Mercadorias e Prestações de Serviços*), a tax on operations relating to the circulation of goods and the supply of transport, communication and electricity services. As of today, GVT has obtained favorable decisions in several States.

#### **Action related to the FUST and FUNTEL taxes in Brazil**

The Brazilian tax authorities argue that the assessment of the taxes known as "FUST" (*Fundo da Universalizações dos Serviços de Telecomunicações*), a federal tax to promote the supply of telecommunications services throughout the whole Brazilian territory, including in areas that are not economically viable and "FUNTEL" (*Fundo para Desenvolvimento Tecnológico das Telecomunicações*), a federal tax to finance technological investments in Brazilian telecommunications services should be based on the company's gross revenue without deduction for price reductions or interconnection expenses and other taxes, which would lead to part of that sum being subject to double taxation. GVT is challenging this interpretation and has secured a suspension of payment of the sums claimed by the tax authority from the federal judge.

#### **Proceedings brought against telecommunications operators in Brazil regarding the application of the PIS and COFINS taxes**

Several proceedings were launched against all the Brazilian telecommunications operators including GVT, with a view to preventing invoices from being increased by taxes known as "PIS" (Programa de Integrações Social) and "COFINS" (Contribuição para Financiamento da Seguridade Social), which are federal taxes applying in particular to revenue from the provision of telecommunications services. GVT believes that its defenses are stronger than those of the historic operators insofar as it has a more flexible license that allows it to set its own tariffs.

## Note 28 Major consolidated entities or entities accounted under equity method

As of December 31, 2010, approximately 530 entities were consolidated or accounted for using the equity method (compared to approximately 560 entities as of December 31, 2009).

C: Consolidated; E: Equity.

| Note                                                    | Country              | December 31, 2010     |                 |                    | December 31, 2009     |                 |                    |
|---------------------------------------------------------|----------------------|-----------------------|-----------------|--------------------|-----------------------|-----------------|--------------------|
|                                                         |                      | Accounting Method     | Voting Interest | Ownership Interest | Accounting Method     | Voting Interest | Ownership Interest |
| <b>Vivendi S.A.</b>                                     | <b>France</b>        | <b>Parent company</b> |                 |                    | <b>Parent company</b> |                 |                    |
| <b>Activision Blizzard, Inc. (a)</b>                    | <b>United States</b> | <b>C</b>              | <b>52%</b>      | <b>61%</b>         | <b>C</b>              | <b>53%</b>      | <b>57%</b>         |
| Activision Publishing, Inc.                             | United States        | C                     | 100%            | 61%                | C                     | 100%            | 57%                |
| Activision U.K. Ltd.                                    | United Kingdom       | C                     | 100%            | 61%                | C                     | 100%            | 57%                |
| Guitar Hero, Inc.                                       | United States        | C                     | 100%            | 61%                | C                     | 100%            | 57%                |
| Blizzard Entertainment, Inc.                            | United States        | C                     | 100%            | 61%                | C                     | 100%            | 57%                |
| Blizzard Entertainment S.A.S.                           | France               | C                     | 100%            | 61%                | C                     | 100%            | 57%                |
| <b>Universal Music Group, Inc.</b>                      | <b>United States</b> | <b>C</b>              | <b>100%</b>     | <b>100%</b>        | <b>C</b>              | <b>100%</b>     | <b>100%</b>        |
| PolyGram Holding, Inc.                                  | United States        | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| UMG Recordings, Inc.                                    | United States        | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Vevo                                                    | United States        | E                     | 50%             | 50%                | E                     | 50%             | 50%                |
| SIG 104 (b)                                             | France               | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Centenary Holding B.V.                                  | Netherlands          | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Universal International Music B.V.                      | Netherlands          | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Centenary Music International B.V.                      | Netherlands          | -                     | -               | -                  | C                     | 100%            | 100%               |
| Universal Entertainment GmbH                            | Germany              | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Universal Music LLC                                     | Japan                | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Universal Music France S.A.S.                           | France               | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Universal Music Holdings Limited                        | United Kingdom       | C                     | 100%            | 100%               | -                     | -               | -                  |
| Centenary Music Holdings Limited                        | United Kingdom       | -                     | -               | -                  | C                     | 100%            | 100%               |
| <b>SFR Société Française du Radiotéléphone S.A. (c)</b> | <b>France</b>        | <b>C</b>              | <b>56%</b>      | <b>56%</b>         | <b>C</b>              | <b>56%</b>      | <b>56%</b>         |
| Société Réunionnaise du Radiotéléphone S.C.S.           | France               | C                     | 100%            | 56%                | C                     | 100%            | 56%                |
| Société Financière de Distribution S.A.                 | France               | C                     | 100%            | 56%                | C                     | 100%            | 56%                |
| 5 sur 5 S.A.                                            | France               | C                     | 100%            | 56%                | C                     | 100%            | 56%                |
| <b>Maroc Telecom S.A.</b>                               | <b>Morocco</b>       | <b>C</b>              | <b>53%</b>      | <b>53%</b>         | <b>C</b>              | <b>53%</b>      | <b>53%</b>         |
| Mauritel S.A.                                           | Mauritania           | C                     | 51%             | 22%                | C                     | 51%             | 22%                |
| Onatel S.A.                                             | Burkina Faso         | C                     | 51%             | 27%                | C                     | 51%             | 27%                |
| Gabon Telecom S.A.                                      | Gabon                | C                     | 51%             | 27%                | C                     | 51%             | 27%                |
| Sotelma S.A.                                            | Mali                 | C                     | 51%             | 27%                | C                     | 51%             | 27%                |
| <b>Global Village Telecom (Holding) S.A.</b>            | <b>Brazil</b>        | <b>C</b>              | <b>100%</b>     | <b>100%</b>        | <b>C</b>              | <b>82%</b>      | <b>82%</b>         |
| Global Village Telecom Ltda                             | Brazil               | C                     | 100%            | 100%               | C                     | 100%            | 82%                |
| POP Internet Ltda                                       | Brazil               | C                     | 100%            | 100%               | C                     | 100%            | 82%                |
| Innoweb Ltda                                            | Brazil               | C                     | 100%            | 100%               | C                     | 100%            | 82%                |
| <b>Canal+ Group S.A.</b>                                | <b>France</b>        | <b>C</b>              | <b>100%</b>     | <b>100%</b>        | <b>C</b>              | <b>100%</b>     | <b>100%</b>        |
| Canal+ France S.A.                                      | France               | C                     | 80%             | 80%                | C                     | 75%             | 75%                |
| Canal+ S.A. (d)                                         | France               | C                     | 49%             | 39%                | C                     | 49%             | 36%                |
| MultiThématiques S.A.S.                                 | France               | C                     | 100%            | 80%                | C                     | 100%            | 75%                |
| TPS Star S.N.C.                                         | France               | C                     | 100%            | 80%                | C                     | 100%            | 75%                |
| Canal+ Overseas S.A.S.                                  | France               | C                     | 100%            | 80%                | C                     | 100%            | 75%                |
| Canal+ Distribution S.A.S.                              | France               | C                     | 100%            | 80%                | C                     | 100%            | 75%                |
| StudioCanal S.A.                                        | France               | C                     | 100%            | 100%               | C                     | 100%            | 100%               |
| Cyfra+                                                  | Poland               | C                     | 75%             | 75%                | C                     | 75%             | 75%                |
| Vietnam (e)                                             | Vietnam              | C                     | 49%             | 49%                | C                     | 49%             | 49%                |
| <b>NBC Universal</b>                                    | <b>United States</b> | <b>E</b>              | <b>12%</b>      | <b>12%</b>         | <b>E</b>              | <b>20%</b>      | <b>20%</b>         |
| <b>Other</b>                                            |                      |                       |                 |                    |                       |                 |                    |
| Elektrim Telekomunikacja                                | Poland               | C                     | 51%             | 51%                | C                     | 51%             | 51%                |
| Polska Telefonia Cyfrowa (PTC) (f)                      | Poland               | -                     | -               | -                  | -                     | -               | -                  |
| Vivendi Mobile Entertainment                            | France               | C                     | 100%            | 100%               | C                     | 100%            | 100%               |

- a. Vivendi consolidates Activision Blizzard and its subsidiaries because it holds the right to appoint a majority of members to Activision Blizzard's board of directors and thus has the power to govern Activision Blizzard's financial and operational policies in order to obtain benefits from its operations. Until 2013, the approval of certain matters by Activision Blizzard board of directors requires the affirmative vote of a majority of the votes present or otherwise able to be cast on the board and at least a majority of the independent directors of the board. However, until 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's pro forma net debt, after giving effect to such dividend, exceeds \$400 million.

Moreover, due to Activision Blizzard's stock repurchase program, the exercise of stock options, restricted stocks and other dilutive instruments by Activision's employees, Vivendi's ownership interest in Activision Blizzard may fluctuate from time to time.

- b. In October 2010, SIG 104 acquired Centenary Holding BV, in connection with an intergroup transfer of UMG's non-American subsidiaries.

- c. SFR S.A. is 56% owned by Vivendi and 44% owned by Vodafone. Under the terms of the shareholders' agreement, Vivendi has management control of SFR, majority control over the board of directors, appoints the chairman and CEO, has majority control over shareholders' general meetings, and no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi.
- d. This company is consolidated because (i) Vivendi has majority control over the board of directors, (ii) no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi and (iii) Vivendi assumes the majority of risks and benefits pursuant to an agreement with Canal+ S.A. via Canal+ Distribution S.A.S., as amended on December 28, 2007. Indeed, Canal+ Distribution, a wholly-owned subsidiary of Vivendi, guarantees Canal+ S.A. results in return for exclusive commercial rights to the Canal+ S.A. subscriber base.
- e. In 2009, Canal+ Group and VTV, the Vietnamese public television company, launched a satellite pay-TV platform in Vietnam. The entity is held 49% by Canal+ Group and 51% by VCTV, a VTV subsidiary. This company has been fully consolidated since July 1, 2009 by Vivendi because Canal+ Group has both operational and financial control due to a general delegation granted by the majority shareholder as well as due to the bylaws of this company.
- f. Due to the litigations which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim SA (Elektrim), the legal uncertainty regarding the ownership of Telco's stake in a mobile telecommunication operator Polska Telefonia Cyfrowa (PTC) prevented Telco from exercising joint control over PTC, as provided in the by-laws of PTC. As a result, Vivendi did not consolidate its stake in PTC, whose carrying value was decreased to zero since the year ended December 31, 2006 (please refer to Note 2.4).

## Note 29 Statutory auditors fees

Fees paid by Vivendi SA to its statutory auditors and members of their firms in 2010 and 2009 were as follows:

| (in millions of euros)                                                                 | Salustro Reydel<br>(Member of KPMG International) |            |             |             | Ernst & Young et Autres |            |             |             | Total       |             |
|----------------------------------------------------------------------------------------|---------------------------------------------------|------------|-------------|-------------|-------------------------|------------|-------------|-------------|-------------|-------------|
|                                                                                        | Amount                                            |            | Percentage  |             | Amount                  |            | Percentage  |             | 2010        | 2009        |
|                                                                                        | 2010                                              | 2009       | 2010        | 2009        | 2010                    | 2009       | 2010        | 2009        |             |             |
|                                                                                        |                                                   |            |             |             |                         |            |             |             |             |             |
| Statutory audit, certification, consolidated and individual financial statements audit |                                                   |            |             |             |                         |            |             |             |             |             |
| Issuer                                                                                 | 0.7                                               | 0.7        | 11%         | 11%         | 1.2                     | 1.2        | 15%         | 14%         | 1.9         | 1.9         |
| Fully consolidated subsidiaries                                                        | 3.6                                               | 4.0        | 56%         | 61%         | 5.6                     | 5.8        | 72%         | 66%         | 9.2         | 9.8         |
| Other work and services directly related to the statutory audit                        |                                                   |            |             |             |                         |            |             |             |             |             |
| Issuer                                                                                 | 0.1                                               | 0.1        | 2%          | 2%          | 0.1                     | 0.8        | 1%          | 9%          | 0.2         | 0.9         |
| Fully consolidated subsidiaries                                                        | 1.2                                               | 1.0        | 19%         | 15%         | 0.7                     | 0.5        | 9%          | 6%          | 1.9         | 1.5         |
| Sub-total                                                                              | 5.6                                               | 5.8        | 88%         | 89%         | 7.6                     | 8.3        | 97%         | 95%         | 13.2        | 14.1        |
| Other services provided by the network to fully consolidated subsidiaries              |                                                   |            |             |             |                         |            |             |             |             |             |
| Legal, tax and social matters                                                          | 0.2                                               | 0.2        | 3%          | 3%          | -                       | 0.1        | -           | 1%          | 0.2         | 0.3         |
| Other                                                                                  | 0.6                                               | 0.5        | 9%          | 8%          | 0.2                     | 0.3        | 3%          | 4%          | 0.8         | 0.8         |
| Sub-total                                                                              | 0.8                                               | 0.7        | 12%         | 11%         | 0.2                     | 0.4        | 3%          | 5%          | 1.0         | 1.1         |
| <b>Total</b>                                                                           | <b>6.4</b>                                        | <b>6.5</b> | <b>100%</b> | <b>100%</b> | <b>7.8</b>              | <b>8.7</b> | <b>100%</b> | <b>100%</b> | <b>14.2</b> | <b>15.2</b> |

## Note 30 Subsequent events

The main developments that occurred between December 31, 2010 and February 22, 2011, the date of the Management Board meeting that approved the financial statements for the fiscal year 2010 are as follows:

- End to the litigation in Poland: on January 14, 2011, completion of the agreements entered into in December 2010 and receipt of net cash proceeds of €1,254 million by Vivendi (please refer to Note 2.4);
- On January 19, 2011, Canal+ Group and Orange announced their intention to create a joint-venture in order to merge Orange Cinema Series and TPS Star;
- Completion of the sale of Vivendi's interest in NBC Universal for \$3,800 million received on January 25, 2011; Vivendi received a total amount of \$5,800 million (please refer to Note 2.2);
- New stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of \$1.5 billion (please refer to Note 18); and
- Securities Class Action in the United States (please refer to Note 27).