VIVENDI UNIVERSAL
Form 20-F
June 29, 2005

As filed with the Securities and Exchange Commission on June 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2004**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File Number: 001-16301
VIVENDI UNIVERSAL, S.A.
(Exact name of Registrant as specified in its charter)

N/A	**Republic of France**
(Translation of Registrant s name into English)	*(Jurisdiction of incorporation or organization)*

42, avenue de Friedland
75380 Paris Cedex 08
France
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Ordinary Shares, nominal value 5.50 per share	New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share, nominal value 5.50 per share	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

American Depositary Shares	63,224,034
Ordinary Shares, nominal value 5.50 per share	1,072,624,363

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 o Item 18 þ

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PRESENTATION OF INFORMATION

This Annual Report on Form 20-F (referred to herein as this annual report or this document) has been filed with the US Securities and Exchange Commission (SEC).

Vivendi Universal refers to Vivendi Universal, S.A., a *société anonyme,* a form of stock corporation, organized under the laws of the Republic of France, and its direct and indirect subsidiaries. Vivendi refers to Vivendi, S.A., the predecessor company to Vivendi Universal. Unless the context requires otherwise, references to the Vivendi Universal group , we, us and our mean Vivendi Universal, S.A. and its subsidiaries or its predecessor company and its subsidiaries. Vivendi Universal Entertainment and VUE refer to Vivendi Universal Entertainment LLLP, a limited liability limited partnership organized under the laws of the State of Delaware. Vivendi Environnement changed its name pursuant to a shareholder resolution adopted on April 30, 2003 to Veolia Environnement (VE). Shares refers to the ordinary shares of Vivendi Universal. The principal trading market for the ordinary shares of Vivendi Universal is Euronext Paris S.A., or the Paris Bourse. ADSs or ADRs refers to the American Depositary Shares or Receipts, respectively, of Vivendi Universal which are listed on the New York Stock Exchange, or NYSE, each of which represents the right to receive one Vivendi Universal ordinary share.

This annual report includes Vivendi Universal s Consolidated Financial Statements for the years ended December 31, 2004, 2003 and 2002 and as at December 31, 2004, 2003 and 2002. Vivendi Universal s Consolidated Financial Statements, including the notes thereto, are included in Item 18 Financial Statements and have been prepared in accordance with generally accepted accounting principles in France, which we refer to in this annual report as French GAAP or GAAP . Unless otherwise noted, the financial information contained in this annual report is presented in accordance with French GAAP. French GAAP is based on requirements set forth in French law and in European regulations and differs significantly from generally accepted accounting principles in the United States, which we refer to in this annual report as US GAAP . See Item 18 Financial Statements Note 32 for a description of the significant differences between French GAAP and US GAAP and a reconciliation of net income, shareholders equity and other measures from French GAAP to US GAAP.

Various amounts in this document are shown in millions for presentation purposes. Such amounts have been rounded and, accordingly, may not total. Rounding differences may also exist for percentages.

CURRENCY TRANSLATION

Share capital in Vivendi Universal is represented by ordinary shares with a nominal value of 5.50 per share. Our shares are denominated in euros. Because we intend to pay cash dividends denominated in euros, exchange rate fluctuations will affect the US dollar amounts that shareholders will receive on conversion of dividends from euros to dollars.

We publish our Consolidated Financial Statements in euros. Unless noted otherwise, all amounts in this annual report are expressed in euros. The currency of the United States will be referred to as US dollars, US$, $ or dollars . For historical exchange rate information, refer to Item 3 Key Information Exchange Rate Information . For a discussion of the impact of foreign currency fluctuations on Vivendi Universal s financial condition and results of operations, see Item 5 Operating and Financial Review and Prospects .

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to divestitures, acquisitions, working capital and capital requirements, available liquidity, maturity of debt obligations, business trends and other information that is not historical information. Forward-looking

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statements can be identified by context. For example, when we use words such as estimate(s), aim(s), expect(s), feel(s), will, may, believe(s), anticipate(s) and similar expressions in this document, we are intending to identify those statements as forward-looking. All forward-looking statements, including, without limitation, the launching or prospective development of new business initiatives and products, anticipated music or motion picture releases, and anticipated cost savings from asset disposals and synergies are based upon our current expectations and various assumptions. Our expectations, beliefs, assumptions and projections are expressed in good faith, and we believe there is a reasonable basis for them. There can be no assurance, however, that management s expectations, beliefs and projections will be achieved. There are a number of risks and uncertainties that could cause our actual results to differ materially from our forward-looking statements. These include, among other things:

our ability to retain or obtain required licenses, permits, approvals and consents;

legal and regulatory requirements, and the outcome of legal proceedings and pending investigations;

the lack of commercial success of our product or services, particularly in the television, motion pictures and music markets;

challenges to, loss, infringement, or inability to enforce intellectual property rights;

lost sales due to piracy, particularly in the motion picture and music business;

downturn in the markets in which we operate, particularly the music market;

increased technical and commercial competition, particularly in the television market;

our ability to develop new technologies or introduce new products and services;

changes in our corporate rating or rating of Vivendi Universal s debt;

the availability and terms of financing;

changes in business strategy or development plans;

political instability in the jurisdictions in which we operate;

fluctuations in interest rates or foreign currency exchange rates and currency devaluations;

inflation and instability in the financial markets;

restrictions on the repatriation of capital;

natural disasters; and

war or acts of terrorism.

The foregoing list is not exhaustive; other factors may cause actual results to differ materially from the forward-looking statements. We urge you to review and consider carefully the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects, and Item 11 Quantitative and Qualitative Disclosures About Market Risk . All forward-looking statements attributable to us or persons acting on our behalf speak only as of

the date they are made and are expressly qualified in their entirety by the cautionary statements. Vivendi Universal does not undertake to update any forward-looking statement.

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PART I

Item 1: ***Identity of Directors, Senior Management and Advisers***

Not applicable.

Item 2: ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3: ***Key Information***

Selected Financial Data

The selected consolidated financial data at year end and for each of the years in the three-year period ended December 31, 2004 have been derived from our Consolidated Financial Statements and the related notes appearing elsewhere in this annual report. The selected consolidated financial data at year end and for each of the years in the two-year period ended December 31, 2001 have been derived from our Consolidated Financial Statements not included in this annual report. You should read this section together with Item 5 Operating and Financial Review and Prospects and our Consolidated Financial Statements included in this annual report.

Our Consolidated Financial Statements have been prepared in accordance with French GAAP, which differs in certain significant respects from US GAAP. The principal differences between French GAAP and US GAAP, as they relate to us, are described in Item 18 Financial Statements Note 32 . For a discussion of significant transactions and accounting changes that affect the comparability of our Consolidated Financial Statements and the financial data presented below, refer to Item 4 Information on the Company Main Developments for 2004, 2003 and 2002 and the Notes to our Consolidated Financial Statements.

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SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended December 31,						
	2004 as published	2003 as published	2002 with VE accounted for using the equity method(a)	2002 as published	2001 as published	2000 restated(b)	2000 as published
	(In millions of euros)						
STATEMENT OF INCOME							
Amounts in accordance with French GAAP							
Revenues	21,428	25,482	28,112	58,150	57,360	41,580	41,798
Operating income	3,476	3,309	1,877	3,788	3,795	1,823	2,571
Income (loss) before gain (loss) on businesses sold, net of provisions, income tax, equity affiliates, goodwill amortization and minority interests	2,774	2,102	(2,217)	(954)	1,867	1,061	1,938
Gain (loss) on businesses sold, net of provisions/exceptional items(b)	(140)	602	1,125	1,049	2,365	3,812	2,947
Goodwill amortization and impairment losses	(669)	(2,912)	(19,434)	(19,719)	(15,203)	(634)	(634)
Minority interests	(1,030)	(1,212)	(574)	(844)	(594)	(625)	(625)
Net income (loss)	754	(1,143)	(23,301)	(23,301)	(13,597)	2,299	2,299
Earnings (loss) per share basic	0.70	(1.07)	(21.43)	(21.43)	(13.53)	3.63	3.63
Earnings (loss) per share diluted	0.63	(1.07)	(21.43)	(21.43)	(13.53)	3.41	3.41
Amounts in accordance with US GAAP							
Revenues	21,254	25,321		40,062	51,733	34,276	34,276
Net income (loss)	2,921	(1,358)		(43,857)	(1,172)	1,908	1,908
Earnings (loss) per share basic	2.73	(1.27)		(40.35)	(1.19)	3.24	3.24
Earnings (loss) per share diluted	2.58	(1.27)		(40.35)	(1.19)	3.03	3.03
Dividend per share	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Average share outstanding (millions)(c)	1,072.1	1,071.7	1,087.4	1,087.4	1,004.8	633.8	633.8
	1,072.6	1,071.5	1,068.6	1,068.6	1,085.8	1,080.8	1,080.8

Shares outstanding at year-end (millions)							
STATEMENT OF FINANCIAL POSITION							
Amounts in accordance with French GAAP							
Intangible assets, net (including goodwill, net)	23,195	29,567	34,768	34,768	60,919	67,313	67,313
Shareholders equity	13,621	11,923	14,020	14,020	36,748	56,675	56,675
Minority interests	2,959	4,929	5,497	5,497	10,208	9,787	9,787
Equity and quasi-equity(d)	17,580	17,852	20,517	20,517	46,956	66,462	66,462
Total assets	43,288	54,920	69,333	69,333	139,002	150,738	150,738
Financial net debt(e)	3,135	11,565	12,337	12,337	37,055	35,535	35,535
Amounts in accordance with US GAAP							
Shareholders equity	14,483	9,804		11,655	54,268	64,729	64,729
Total assets	44,061	54,696		69,790	151,139	151,818	151,818
STATEMENT OF CASH FLOWS							
Amounts in accordance with French GAAP							
Net cash provided by operating activities	4,798	3,886	2,795	4,670	4,500	2,514	2,514
Net cash provided by (used for) investing activities	2,986	(3,900)	4,109	405	4,340	(1,481)	(1,481)
Net cash (used for) provided by financing activities	(7,517)	(4,313)	(2,461)	(3,792)	(7,469)	(631)	(631)
Capital expenditures and purchases of investments	1,947	5,974	3,729	8,926	13,709	38,343	38,343

(a) This condensed French GAAP financial data presents Vivendi Universal s consolidation scope as of December 31, 2002. VE is accounted for using the equity method from January 1, 2002, instead of December 31, 2002.

(b) Restated to reflect changes in accounting policies and financial statement presentation adopted in 2001. As permitted by the *Comité de la Réglementation Comptable* (CRC) Rule 99.02 (§41), Vivendi Universal elected to present its Consolidated Statement of Income in a format that classifies income and expenses by function rather than by category, which was the format previously presented, and the definition of exceptional items was restricted to gain (loss) on businesses sold, net of provisions. Prior to 2001, Vivendi Universal adopted a broader definition of exceptional items, including restructuring costs, plant dismantling and closure costs and the effect of guarantees given when exercised, among others. These items are now included as a component of operating income or financing expense when they concern the impairment of financial assets.

(c) Excluding treasury shares recorded as a reduction of shareholders equity.

(d) Including total shareholders equity, minority interests and other equity (notes mandatorily redeemable in new shares of Vivendi Universal), which are separate lines in the Consolidated Statement of Financial Position.

(e) Financial Net Debt, a non-GAAP measure, is defined as gross financial debt (sum of long-term debt, bank overdrafts and other short-term borrowings which are separate lines in the Consolidated Statement of Financial Position) less cash and cash equivalents, as presented in the Consolidated Statement of Financial Position. Until 2001, Vivendi Universal used a notion corresponding to Financial Net Debt less other marketable securities, short-term loans receivable, and net interest-bearing long-term loans receivable.

Exchange Rate Information

The following table sets forth, for the periods indicated, the end-of-period average, high and low noon buying rates in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise indicated, such rates are set forth as US dollars per euro. On June 23, 2005, the noon buying rate was 1.00 = $1.2066.

Month Ended	Period End	Average Rate(1)	High	Low
May 31, 2005	1.23	1.27	1.29	1.23
April 30, 2005	1.29	1.29	1.31	1.28
March 31, 2005	1.30	1.32	1.35	1.29
February 28, 2005	1.33	1.30	1.33	1.28
January 31, 2005	1.30	1.31	1.35	1.30
December 31, 2004	1.36	1.34	1.36	1.32

Year Ended	Period End	Average Rate(2)	High	Low
December 31, 2004	1.36	1.24	1.30	1.18
December 31, 2003	1.26	1.13	1.26	1.04
December 31, 2002	1.05	0.95	1.05	0.86
December 31, 2001	0.89	0.89	0.95	0.84
December 31, 2000	0.94	0.92	1.03	0.83

(1) The average of the exchange rates for all days during the applicable month.

(2) The average of the exchange rates on the last day of each month during the applicable year.

Dividends

The table below sets forth the total dividends paid per Vivendi Universal ordinary share and Vivendi Universal ADSs from 2000 through 2004. The amounts shown exclude the *avoir fiscal,* a French tax credit which was abolished as of January 1, 2005 (more information is provided under Item 10 Additional Information Taxation French Taxation of US Holders of Our Ordinary Shares or ADSs). We have rounded dividend amounts to the nearest cent.

	Dividend per Ordinary Share	Dividend per ADS

	(euros)	**(dollars)**(1)
2000(2)	1.00	0.89
2001	1.00	0.89
2002	1.00	0.91
2003		
2004(3)		

(1) Translated solely for convenience into US dollars at the noon buying rates on the respective dividend payment dates, or on the following business day if such date was not a business day in the US. The noon buying rate may differ from the rate that may be used by the depositary to convert euros to US dollars for the purpose of making payments to holders of ADSs.

(2) Prior to December 8, 2000, the date of the completion of the Vivendi S.A., The Seagram Company Ltd. and Canal Plus, S.A. merger transactions (described below under Item 4 Information on the Company History and Development of the Company), each

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Vivendi ADS represented one-fifth of a Vivendi ordinary share, while each Vivendi Universal ADS now represents one Vivendi Universal ordinary share.

(3) The payment of a dividend of 0.60 per share for fiscal year 2004 was approved at the annual meeting of the shareholders held on April 28, 2005. This dividend was paid on May 4, 2005.

Risk Factors

You should carefully review the risk factors described below in addition to the other information presented in this document.

We are a party to numerous legal proceedings and investigations that could have a negative effect on us.

We are a party to lawsuits and investigations in France and in the US that could have a material adverse effect on us. In France, the *Autorité des Marchés Financiers* (AMF, formerly the *Commission des Opérations de Bourse*) commenced in July 2002, May 2004 and January 2005, separate investigations regarding, respectively, certain of our financial statements, certain of our share repurchases and movements in our share price at the time of the issuance of notes mandatorily redeemable for our shares in November 2002. We are also being investigated by the financial department of the *Parquet de Paris* (Office of the Public Prosecutor) regarding the publication of false or misleading information regarding our financial situation or prospects, as well as the publication of untrue or inaccurate financial statements (for financial years 2000 and 2001). In the US, we are a party to a number of suits and investigations concerning allegations challenging the accuracy of our financial statements and certain public statements made by us describing our financial condition from late 2000 through 2002. We are also involved in a dispute with the US Internal Revenue Service with respect to the tax treatment reported by the Seagram Company Limited with respect to the redemption of DuPont shares held by Seagram. In our opinion, the plaintiffs claims in the legal proceedings lack merit, and we intend to continue to defend against such claims vigorously. However, the outcome of any of these legal proceedings or investigations or any additional proceedings or investigations that may be initiated in the future could have a material adverse effect on us. For a more complete discussion of our legal proceedings and investigations, see Item 8 Financial Information Litigation .

We have a number of contingent liabilities that could cause us to make substantial payments.

We have a number of significant contingent liabilities. These liabilities are generally described in Item 18 Financial Statements Note 28 . If we were forced to make a payment due to one or more of these contingent liabilities, it could have an adverse effect on our financial condition and our ability to make payments under our debt instruments.

Unfavorable currency exchange rate fluctuations could adversely affect our results of operations.

A significant portion of our assets, liabilities, revenues and costs are denominated in currencies other than euros. To prepare our Consolidated Financial Statements, we must translate those assets, liabilities, revenues and expenses into euros at then-applicable exchange rates. Consequently, increases and decreases in the value of the euro versus other currencies will affect the amount of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. In addition, exchange rate fluctuations could cause our expenses to increase as a percentage of net sales, affecting our profitability and cash flows.

Our business operations in some countries are subject to additional risks.

We conduct business in markets around the world. The risks associated with conducting business internationally, and in particular in some countries outside Western Europe, the US and Canada, can include, among other risks:

- fluctuations in currency exchange rates (particularly the US dollar-euro exchange rate) and currency devaluations;

restrictions on the repatriation of capital;

differences and unexpected changes in regulatory environments;

varying tax regimes which could adversely affect our results of operations or cash flows;

exposure to different legal standards and enforcement mechanisms and the associated cost of compliance therewith; and

tariffs, duties, export controls and other trade barriers.

We may not be able to insure or hedge against these risks and we may not be able to ensure compliance with all of the applicable regulations without incurring additional costs. Furthermore, financing may not be available in countries with less than investment-grade sovereign credit ratings. As a result, it may be difficult to create or maintain profit-making operations in developing markets.

We may suffer reduced profits or losses as a result of intense competition.

The majority of the industries in which we operate are highly competitive and require substantial human and capital resources. From time to time, our competitors may reduce their prices in an effort to expand market share, introduce new technologies or services, or improve the quality of their services. We may lose business if we are unable to match the prices, technologies or service quality offered by our competitors. In addition, television programs produced and distributed by us face intensified competition due to the expansion of digital cable and satellite broadcasting, which increases the number of competing channels and programs offered. Any of these competitive effects could have a material adverse effect on our business and financial performance.

We may not be successful in developing new technologies or introducing new products and services.

The industries in which we operate are subject to rapid and significant changes in technology and are characterized by the frequent introduction of new products and services. The pursuit of necessary technological advances may require substantial investments of time and resources, and we may not succeed in developing marketable technologies. Furthermore, we may not be able to identify and develop new product and service opportunities in a timely manner. Finally, technological advances may render our existing products obsolete, forcing us to write off investments and make substantial new investments.

We may not be able to retain or obtain required licenses, permits, approvals and consents.

We need to retain or obtain a variety of permits and approvals from regulatory authorities to conduct and expand our businesses. The process for obtaining or renewing these permits and approvals is often lengthy, complex, unpredictable and costly. If we are unable to retain or obtain the permits and approvals we need to conduct and expand our businesses at a reasonable cost and in a timely manner in particular, licenses to provide telecommunications services and broadcasting licenses our ability to achieve our strategic objectives could be impaired. In addition, any adverse changes in the regulatory environment in which our businesses operate could impose prohibitive costs on us and limit our revenue.

We may have difficulty enforcing our intellectual property rights.

The decreasing cost of electronic and computer equipment and related technology has made it easier to create unauthorized versions of audio and audiovisual products such as compact discs, videotapes and DVDs. Similarly, advances in Internet technology have increasingly made it possible for computer users to share audio and audiovisual information without the permission of the copyright owners and without paying royalties to holders of applicable intellectual property or other rights. A substantial portion of our revenue comes from the sale of audio and audiovisual products that are potentially subject to unauthorized copying and widespread, uncompensated dissemination on the Internet. If we fail to obtain appropriate relief or enforcement through the judicial process, or if we fail to develop effective means of protecting our entertainment-related intellectual property, our results of operations and financial position may suffer.

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Our motion picture businesses may lose sales due to unauthorized copies and piracy.

Technological advances and the conversion of motion pictures into digital formats have made it easier to create, transmit and share high-quality unauthorized copies of motion pictures in theatrical release, on videotapes and DVDs, from pay-per-view through unauthorized set-top boxes and other devices and through unlicensed broadcasts on free TV and the Internet. Unauthorized copies and piracy of these products compete against legitimate sales of these products. A failure to obtain appropriate relief from unauthorized copying through the judicial process and legislation and an inability to curtail rampant piracy may have an adverse effect on our motion picture business.

Universal Music Group has been losing, and is likely to continue to lose, sales due to unauthorized copies and piracy.

Technological advances and the conversion of music into digital formats have made it easy to create, transmit and share high-quality unauthorized copies of music through pressed disc and CD-R piracy, home CD burning and the downloading of music from the Internet. Unauthorized copies and piracy both decrease the volume of legitimate sales and put pressure on the price at which legitimate sales can be made and have had, and we believe will continue to have, an adverse effect on Universal Music Group (UMG).

The recorded music market has been declining and may continue to decline.

Economic recession, CD-R piracy and illegal downloading of music from the Internet and growing competition for consumer discretionary spending and shelf space have all contributed to a declining recorded music market. Additionally, the period of growth in recorded music sales driven by the introduction and penetration of the CD format has ended and no profitable new format has emerged to take its place. Worldwide sales in the recorded music market have declined since 1999, with no assurances against continued decline. A declining recorded music market is likely to lead to the loss of revenue and operating income at UMG.

Our content assets in television, motion pictures and music may not be commercially successful.

A significant amount of our revenue comes from the production and distribution of content offerings such as feature films, television series and audio recordings. The success of content offerings depends primarily upon their acceptance by the public, which is difficult to predict. The market for these products is highly competitive and competing products are often released into the marketplace at the same time. The commercial success of a motion picture, television series or audio recording depends on several variable factors, including the quality and acceptance of competing offerings released into the marketplace at or near the same time and the availability of alternative forms of entertainment and leisure time activities. Our motion picture business is particularly dependent on the success of a limited number of releases, and the commercial failure of just a few of these motion pictures can have a significant adverse impact on results. Our failure to garner broad consumer appeal could materially harm our business, financial condition and prospects for growth.

Canal+ Group is subject to French and other European content and expenditure provisions that restrict its ability to conduct its business.

Canal+ Group is regulated by various statutes, regulations and orders. In particular, under its French broadcast authorization, the premium channel Canal+ is subject to, among others, the following regulations: (i) no more than 49% of its capital stock may be held by a single shareholder and (ii) 60% of the films broadcast by the channel must be European films and 40% must be French-language films. French regulations, as well as formal commitments to the French motion picture industry, also stipulate financing levels for European and French content. These regulations limit Canal+ s ability to choose content and could have an adverse effect on its operations and results.

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Item 4: *Information on the Company*

History and Development of the Company

The commercial name of our company is Vivendi Universal, and the legal name of our company is Vivendi Universal, S.A. Vivendi Universal is a *société anonyme,* a form of stock corporation, initially organized under the name Sofiée, S.A. on December 11, 1987, for a term of 99 years in accordance with the French Commercial Code. Our registered office is located at 42, avenue de Friedland, 75380 Paris Cedex 08, France, and the telephone number of our registered office is +33 1 71 71 1000. Our agent in the US is Vivendi Universal US Holding Co., located at 800 Third Avenue, 5th Floor, New York, New York 10022. All matters addressed to our agent should be to the attention of the Senior Vice President, Deputy General Counsel.

We were formed through the merger in December 2000 of Vivendi S.A., The Seagram Company Ltd. and Canal Plus, S.A., with Vivendi Universal continuing as the surviving parent entity (Merger Transactions). From our origins as a water company, we expanded our business rapidly in the 1990s and transformed ourselves into a media and telecommunications company with the December 2000 merger. Following the appointment of new management in July 2002, we commenced a significant asset divestiture program aimed at reducing the Vivendi Universal group s indebtedness, which we have almost completed. See Our Strategy and Main Developments for 2004, 2003 and 2002 below.

Our Strategy

Our focus is to grow our media and telecommunications businesses.

The media and telecommunications sectors grew twice as fast as the rest of the economy during the past thirty years, and we believe these sectors continue to have high growth potential. The penetration rate for media and telecommunications remains low in many geographic markets, and we expect the increase in the number of platforms and distribution formats, combined with the diversification of applications for the telecommunications networks, to contribute to organic growth across all of our businesses in all markets.

The revolution in digital distribution should create new opportunities where the media and telecommunications sectors intersect, which we expect will generate organic growth. Although our activities span across different markets, our operations complement each other in many ways. New technologies (including the increase in bandwidth, the rapid expansion and development of fixed and mobile networks, and the improvement of man-machine interfaces, screens and batteries) increase opportunities for our media and telecommunications businesses to bolster their offerings. Our businesses share and leverage key know-how, such as the digitization of content, subscription management, intellectual property management and research and development capacity.

We expect our businesses to capitalize on the anticipated growth opportunities in the media and telecommunications sectors:

Platforms: We have already implemented or have begun to develop the platforms on which we expect media content will be distributed in the future. The Canal+ Group currently broadcasts content across terrestrial, cable, satellite, ADSL, Digital Terrestrial Television (DTT) and UMTS (3G) platforms. UMG distributes content on CDs, DVDs, portable digital music players, other digital platforms and mobile telephony. Vivendi Universal Games (VU Games) develops products for various formats: CD-ROM, Internet, consoles and handheld devices.

Networks: We believe that quality content will drive the future success of telecommunications networks. We expect that growth of UMTS mobile telephony will rely on the availability of games, music, Internet, television and movie content. Similarly, we expect growth in fixed telephony and ADSL to be driven by the availability of music, television and video on demand.

Our ability to grow our principal businesses will be further strengthened by the substantial completion of our reorganization in 2004. Our reorganization effort resulted in the divestiture of a total of 24.6 billion worth of assets, and new investments totaling 24.1 billion to increase our stake in SFR Cegetel Group and Maroc Telecom and acquire a 20% interest in NBC, to create NBC Universal (NBCU).

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In 2004, we significantly improved our operating results and the cash flows generated by our businesses, as a result of the turnaround at Canal+ Group and UMG, the ongoing restructuring process of VU Games and the continued growth at SFR Cegetel Group and Maroc Telecom. We reduced our financial net debt to 3.1 billion as at the end of 2004 (significantly less than our 5 billion target), and regained our Investment Grade status in 2004. Our objectives are to focus on completing the turnaround efforts at Canal+ Group, UMG and VU Games and to strengthen each of our businesses.

Main Developments for 2004, 2003 and 2002

Over the last three years, the Vivendi Universal group has evolved considerably, by divesting almost 24.6 billion[(1)] in assets and investing approximately 24.1 billion[(2)] (including the acquisition of an additional 16% stake in Maroc Telecom in January 2005). The Vivendi Universal group s revenues were divided by 2.7, operating income remained almost stable and Financial Net Debt was divided by 11.8. Following this important reorganization, Vivendi Universal emerged as a major player in the Media and Telecommunications industries. In 2004, Vivendi Universal consolidated its position in its strategic businesses.

The divestitures completed since January 2002 reduced Financial Net Debt by 19.7 billion, including 16.7 billion with respect to the divestitures plan approved by the board of directors on September 25, 2002. As a result, Vivendi Universal exceeded the initial goal of 12.0 billion of reduction in Financial Net Debt within 18 months and the target for reduction in Financial Net Debt was increased to 16.0 billion in 2003. In particular, the combination of Vivendi Universal Entertainment LLLP (VUE) and National Broadcasting Company, Inc. (NBC) resulted, from an accounting standpoint, in the divestiture of 80% of VUE and the acquisition of 20% of NBC. An enterprise value of approximately 10.2 billion was attributed to VUE in this transaction, corresponding to the related reduction in Financial Net Debt (5.3 billion) and to the value of the 20% stake received in NBC (4.9 billion).

Divestitures completed were as follows:

For more details, please refer to 2004 Developments , 2003 Developments , and 2002 Developments .

Date	Assets	Cash and cash equivalents	Financial gross debt	Impact on financial net debt
		(In millions of euros)		
June/December 2002	Veolia Environnement(a)	3,335		3,335
June/July 2002	Vivendi Universal Publishing (VUP) Professional and Health divisions	894	37	931
June 2002	Canal+ Digital	264		264
July 2002	Interest in Lagardère	44		44
August 2002	Vizzavi	143		143
December 2002	Houghton Mifflin	1,195	372	1,567
December 2002	Interest in EchoStar	1,037		1,037
December 2002	VUP publishing activities in Europe	1,121	17	1,138
December 2002	Sithe Energies Inc.	319		319
	Other divestitures (including divestiture fees)	219		219
	Sales of investments in 2002 (excluding Veolia Environnement)	8,571	426	8,997

June 2002	Vinci shares(b)	291		291
	Total 2002(c)	8,862	426	9,288

(1) Represents the impact on the Financial Net Debt (19.7 billion) and the value of assets received as a result of the divestitures (4.9 billion).

(2) Represents the impact on the Financial Net Debt (12.3 billion) and the value of the exchanged stake (11.8 billion).

Date	Assets	Cash and cash equivalents	Financial gross debt	Impact on financial net debt
		(In millions of euros)		
February 2003	Consumer Press division	200		200
February 2003	Canal+ Technologies	191		191
February/June 2003	InterActiveCorp warrants	600		600
April 2003	Telepiù(d)	457	374	831
May 2003	Fixed-line telecommunication in Hungary(e)	10	305	315
May 2003	Comareg	135		135
May 2003	Interest in Vodafone Egypt	43		43
June 2003	Interest in Sithe International	40		40
October 2003	Canal+ Nordic(f)	48		48
	Other divestitures (including divestiture fees)	(316)	239	(77)
	Sales of investments in 2003	1,408	918	2,326
June 2003	VUE real estate(b)	276		276
	Total 2003	1,684	918	2,602
February 2004	Atica & Scipione	31	10	41
March 2004	Sportfive	274		274
May 2004	Vivendi Universal Entertainment(g)	2,312	2,984	5,296
May 2004	Kencell	190		190
June 2004	Monaco Telecom	169		169
June/August 2004	flux-divertissement (flow entertainment) businesses at StudioExpand and Canal+ Benelux	49	(7)	42
June 2004	Egée and Cèdre Towers	84		84
August 2004	Interest in VIVA Media	47		47
October 2004	UCI Cinemas	170		170
December 2004	15% of Veolia Environnement	1,497		1,497
	Other divestitures (including divestiture fees)	(118)	46	(72)
	Sales of investments in 2004	4,705	3,033	7,738
September 2004	Canal+ Group headquarters(b)	108		108
	Total 2004	4,813	3,033	7,846
	Total divestitures completed between 2002 and 2004	15,359	4,377	19,736
	including the divestiture plan decided by the board of directors	12,387	4,340	16,727

(between July 2002 and December 2004)

(a) This transaction led to the deconsolidation of Veolia Environnement debt (15.7 billion) and the accounting of Veolia Environnement using the equity method as of December 31, 2002.

(b) Divestiture of assets not included in the line sales of investments of the consolidated statement of cash flows but part of the divestiture plan approved by the board of directors on September 25, 2002.

(c) Includes the impact of 6,279 million on Financial Net Debt for the second half of 2002, excluding Veolia Environnement.

(d) Includes a 13 million adjustment corresponding to the reimbursement of accounts payable net of debt.

(e) Excludes the promissory note of 10 million received by Vivendi Universal in August 2004.

(f) Excludes a residual amount of approximately 7 million of deferred purchase consideration received in the first quarter of 2004 and excludes inter-company loans.

(g) Corresponds to gross cash proceeds of 3,073 million, net of transaction fees and other (107 million), Matsushita Electronic, Inc. (MEI) proceeds (40 million) and cash closing adjustments (614 million). Please refer to Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Net cash provided by (used for) investing and financing activities . From an accounting standpoint, the combination of NBC and VUE was recorded as the divestiture of 80% of Vivendi Universal s stake in VUE, and the concurrent acquisition of a 20% stake in NBC.

In addition, total acquisitions signed between January 2002 and December 2004 amounted to 24.1 billion, representing an increase of 12.3 billion in Financial Net Debt and 11.8 billion of exchange of interests.

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Acquisitions completed were as follows:

For more details, please refer to 2004 Developments , 2003 Developments , and 2002 Developments .

Date	Assets	Cash and cash equivalents	Financial gross debt	Impact on financial net debt	Exchange of interests	Total impact
		(In millions of euros)				
January 2002	EchoStar shares	1,699		1,699		1,699
January 2002	Interest in Sportfive	122		122		122
	Other	179		179		179
	Purchases of investments in 2002	2,000		2,000		2,000
May 2002	Entertainment assets of InterActiveCorp.	1,757	2,507	4,264	6,871(a)	11,135
	Total 2002	3,757	2,507	6,264	6,871	13,135
January 2003	Additional 26% interest in SFR (ex Cegetel Group S.A.)	4,011		4,011		4,011
March 2003	Closing of contractual guarantees to former Rondor shareholders	207		207		207
December 2003	Telecom Développement	56	162	218		218
	Other	148	(24)	124		124
	Purchases of investments in 2003	4,422	138	4,560		4,560
January 2004	DreamWorks(b)	94		94		94
March 2004	Sportfive exercise of put option by Jean-Claude Darmon	30		30		30
May 2004	VUE exercise of call option on Barry Diller s stake (1.5%)	226		226		226
May 2004	VUE acquisition of 20% interest in NBC				4,929(c)	4,929
	Other	57	(6)	51		51
	Purchases of investments in 2004	407	(6)	401	4,929	5,330
	Total completed between 2002 and 2004	8,586	2,639	11,225	11,800	23,025
November 2004		1,100		1,100		1,100

	Additional 16% interest in Maroc Telecom (estimation)(d)					
	Total acquisitions signed between January 2002 and December 2004	9,686	2,639	12,325	11,800	24,125

(a) Contribution of 320.9 million USANi LLC shares held by Vivendi Universal and stakes of 5.44% and 1.5% in VUE issued to InterActiveCorp (IAC, formerly known as USA Interactive and prior thereto as USA Networks, Inc.) and to Barry Diller, respectively, and after deduction of IAC warrants received by Vivendi Universal.

(b) Includes the purchase of the music rights catalog as well as the advance on the film rights distribution agreement.

(c) From an accounting standpoint, the combination of NBC and VUE is recorded as the divestiture of 80% of Vivendi Universal s stake in VUE, and the concurrent acquisition of a 20% stake in NBC.

(d) Signed on November 18, 2004 and completed on January 4, 2005.

Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE

On June 7, 2005, Vivendi Universal, NBCU and InterActiveCorp (IAC) unwound IAC s interests in VUE through the purchase by NBCU of IAC s common and preferred interests in VUE. The unwinding of IAC s interests was funded in part through (i) the sale of treasuries applied for the defeasance of the covenants of the VUE Class A preferred interests, (ii) the exchange of 56.6 million shares of IAC stock securing the put/call rights relating to the VUE Class B preferred interests and (iii) capital contributions of $160 million by Vivendi Universal, through its subsidiary Universal Studios Holding. As a result of the unwinding of IAC s interests, Vivendi Universal s obligations to fund the after-tax cost of 94.56% of the 3.6% per annum cash coupon on the VUE Class B preferred interests and pay up to $520 million to NBCU in respect of any loss from the disposition of Universal Parks and Resorts were eliminated. As part of the

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unwinding, Vivendi Universal and IAC also agreed to terminate their pending tax dispute. In addition, Vivendi Universal and GE agreed to defer by one year, to January 2007 and May 2010, respectively, the dates on which Vivendi Universal may first exercise its rights to monetize its equity interest in NBCU over time at fair market value, and on which GE may exercise its call right on Vivendi Universal s equity interest in NBCU. For more information on the formation of NBCU, please refer to Combination of VUE and NBC to form NBC Universal (NBC-Universal transaction) May 2004 .

2004 Developments

In 2004, Vivendi Universal achieved its main goals: the finalization of the strategic alliance between VUE and NBC to form NBCU (20% controlled and 18.5% owned by Vivendi Universal); the divestiture of 15% out of the 20.3% stake held in VE; the conclusion of an agreement with the Kingdom of Morocco in order to acquire an additional 16% interest in Maroc Telecom to increase Vivendi Universal s stake to 51%; and the admission of Vivendi Universal to the French Consolidated Global Profit Tax System, which should generate maximum tax savings of approximately 3.8 billion. The finalization of the divestiture program contributed to the reduction in Financial Net Debt, which totaled 3,135 million as of December 31, 2004. Given the current level of debt, associated with the decrease in financing expense following the debt rating upgrades (back to Investment Grade by the three rating agencies) and the redemption of the High Yield Notes, Vivendi Universal management views the financial flexibility of the Vivendi Universal group as fully restored (please refer to Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources).

In addition, the actions taken in 2004 reflect the priority given to the management of the Vivendi Universal group s businesses in order to reinforce its position among the main European players in Media and Telecommunications. In particular, Canal+ Group won exclusive rights to the French National Football League 1 for three seasons (2005-2008), signed an agreement for exclusive first broadcasts of all of the movies produced by Twentieth Century Fox and signed many agreements in order to reinforce its partnership with the French movie industry and to improve its supply of movies. UMG continued its restructuring efforts and its actions to fight against piracy and counterfeiting. A new management team was put in place in January 2004 at VU Games in order to set up an efficient international organization. SFR Cegetel launched France s first public 3G offer (UMTS) on June 16, 2004 and became the first operator to commercialize 3G telephone services to the general public in France at the beginning of November 2004. Lastly, Maroc Telecom continued, notably, to develop the penetration and use of mobile telecommunications in order to stimulate growth in the market in which it operates.

Combination of VUE and NBC to form NBC Universal (NBC-Universal transaction) May 2004

On October 8, 2003, Vivendi Universal and GE announced the signing of a definitive agreement[3] for the combination of the respective businesses of NBC and VUE. This transaction, which was completed on May 11, 2004, resulted, from an accounting standpoint, on the one hand, in the divestiture of 80% of Vivendi Universal s interest in VUE for an amount of 8,002 million (corresponding to gross cash proceeds of 3,073 million and value of interests received in NBC of 4,929 million, before Universal Studios Holding Corp. minority interests) and, on the other hand, in the concurrent acquisition of a 20% interest in NBC (for 4,929 million). The new company, called NBC Universal, is 80% owned and controlled by GE, with 18.5%

[3] The main shareholder agreements entered into with GE relating to the NBC-Universal transaction are available at http://finance.vivendiuniversal.com.

owned and 20% controlled by Vivendi Universal (through its subsidiary, Universal Studios Holding Corp.) as presented in the following organizational chart:

* Before the closing of the NBC-Universal transaction, Vivendi Universal exercised the call option on Barry Diller s 1.5% stake in VUE for $275 million (226 million).

NBCU s assets mainly include: the NBC Television Network, Universal Pictures studios, television production studios (NBC Studios and Universal Television), a portfolio of cable networks, 14 NBC local stations, Spanish-language TV broadcaster Telemundo and its 15 Telemundo local stations, and interests in five theme parks.

As part of the NBC-Universal transaction, GE paid at closing $3.65 billion (3.073 billion) of cash consideration to Universal Studios Holding Corp. In addition, as a result of this transaction,Vivendi Universal transferred approximately $4.3 billion (3.6 billion) of VUE s consolidated gross financial debt to NBCU and thus reduced its Financial Net Debt by approximately $6.3 billion (5.3 billion), after cash adjustments (please refer to Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Consolidated Cash Flows).

Under the terms of the NBC-Universal transaction, Vivendi Universal (i) was responsible for the cost of the defeasance of covenants of the VUE Class A preferred interests (657 million; or 607 million after minority interests), (ii) is responsible for the net costs of the dividends of 3.6% per annum on the VUE Class B preferred interests (298 million; or 275 million after minority interests) and (iii) will receive from NBCU, when certain put/call rights relating to the VUE Class B preferred interests are exercised, the potential after-tax economic benefit related to the divestiture of the 56.6 million shares of IAC stock transferred to NBCU as part of the NBC-Universal transaction (above $40.82 per share). Vivendi Universal also has certain contingent obligations in connection with the NBC-Universal transaction relating to taxes, retained businesses and liabilities, the divestiture of certain businesses and other matters customary for a transaction of this type. On June 7, 2005, Vivendi Universal, NBCU and IAC unwound IAC s interests in VUE through the purchase by NBCU of IAC s common and preferred interests in VUE. As a result, Vivendi Universal s obligations to fund the after-tax cost of 94.56% of the 3.6% per annum cash coupon on the VUE Class B preferred interests and pay up to $520 million to NBCU in respect of any loss from the disposition of Universal Parks and Resorts were eliminated.

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Vivendi Universal is entitled to sell its stake in NBCU under mechanisms providing for exits at fair market value, the timing of which has been deferred by one year as part of the June 2005 VUE unwinding. As a result, Vivendi Universal will be able to sell its shares on the market beginning in 2007, for an amount up to $3 billion in 2007 and $4 billion in 2008 and each year thereafter. GE will have the right to pre-empt any of Vivendi Universal s sales to the market. Under certain circumstances, if Vivendi Universal does exercise its right to sell its shares on the market and if GE does not exercise its pre-emption right, Vivendi Universal will be able to exercise a put option to GE. Lastly, for a 12-month period commencing on May 11, 2010, GE will have the right to call either (i) all of Vivendi Universal s NBCU shares or (ii) $4 billion of Vivendi Universal s NBCU shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC-Universal transaction. If GE calls $4 billion, but not all, of Vivendi Universal s NBCU shares, GE must call the remaining NBCU shares held by Vivendi Universal by the end of the 12-month period commencing on May 11, 2011. Please also refer to Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE .

In addition to the exit rights described above, as part of the agreements with GE, Vivendi Universal has certain veto, board designation, information and consent rights in NBCU. Vivendi Universal initially holds three out of 15 seats on the board of directors of NBCU. Vivendi Universal s governance rights in NBCU may terminate, under certain circumstances, upon a change in control of Vivendi Universal.

For 2004, the impact of the NBC-Universal transaction on Vivendi Universal s earnings corresponded to a 1,793 million capital loss, which can be analyzed as follows:

- a capital gain of $653 million, before a $290 million tax impact, resulting in an after-tax profit of $363 million (312 million). The carrying value in dollars of disposed assets did not exceed the transaction value in dollars; and
- a - 2,105 million foreign currency translation adjustment (with no impact on cash position or on shareholders equity), as Vivendi Universal reclassified to net income 80% of a cumulative foreign currency translation adjustment related to VUE (previously recorded as a reduction of shareholders equity and resulting from the depreciation of the dollar versus the euro since VUE s acquisition date).

In addition, in the context of the NBC-Universal transaction, Vivendi Universal has expanded VUE s relationship with DreamWorks Pictures for seven years, and UMG acquired DreamWorks Records for 94 million in January 2004. The label s roster and catalog are comprised of rock and pop, country, urban, film scores and soundtracks, and Broadway cast recordings.

Please refer to Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE and Item 18 Financial Statements Note 3.1 for further information.

Divestiture of 15% of Veolia Environnement, Part of Vivendi Universal s 20.3% Stake December 2004

In December 2004, Vivendi Universal disposed of 15% of VE, part of its 20.3% stake in VE, through three transactions: (i) 10% was placed under an accelerated book building procedure for total proceeds of 997 million (24.65 per share) on December 9, (ii) 2% was sold to VE for 195 million (23.97 per share) and (iii) 3% was sold to Société Générale for 305 million (24.65 per share).

The last two transactions were carried out following the non-exercise of the call options granted by Vivendi Universal in November 2002 to certain institutional shareholders of VE relative to Vivendi Universal s stake in VE. The exercise price was 26.50 per share. As these options expired on December 23, 2004, the related premium recorded as a deferred income in the amount of 173 million in December 2002 was recognized in *Other financial expenses, net of provisions* on their expiry date.

Overall, Vivendi Universal received a total amount of 1,497 million in these transactions, generating an after-tax capital gain of 1,485 million. From a tax standpoint, the associated capital gain of 477 million was offset by Vivendi Universal s current capital losses and, therefore, did not result in any cash capital gain tax.

VE, which was fully consolidated until December 31, 2002 and accounted for using the equity method thereafter, was fully deconsolidated on December 9, 2004. Currently, Vivendi Universal retains 5.3% of VE subject to a lock-up period of 180 days starting on December 9, 2004.

In addition, Vivendi Universal and Société Générale entered into a three-year derivative transaction that enables Vivendi Universal to benefit from any potential capital gains on 5% of VE over a price of 23.91 per share. This derivative may be settled by Vivendi Universal at any time from December 9, 2005, exclusively in cash. The premium due by Vivendi Universal to Société Générale is recorded in *Portfolio Investments Other* at its net present value (68 million as of December 31, 2004) and is payable in thirds for three years, starting January 10, 2005.

At the same time, in order to finalize the financial separation from its former subsidiary, Vivendi Universal decided to substitute a third party in its guarantee commitments with respect to network renewal costs, granted to VE in June 2000 and in December 2002. For this purpose, on December 21, 2004, Vivendi Universal signed a contract of perfect delegation with VE and a third party to transfer all its residual obligations towards VE. As a result, Vivendi Universal paid the third party a balance of 194 million corresponding to the present value on that day of the maximum exposure until 2011 (including 2004 renewal costs of 35 million). The costs for 2004 were accounted for as an operating expense. The remaining balance was recorded as a loss on businesses sold, net of provisions.

Please refer to Item 18 Financial Statements Note 3.2 for further information.

Maroc Telecom in 2004: Listing on the Casablanca and Paris Stock Exchanges and Execution of an Agreement for the Acquisition of 16% of the Capital

Listing of Maroc Telecom on the Casablanca and Paris Stock Exchanges. The shares of the historical telecommunications operator in the Kingdom of Morocco have traded on the Casablanca Stock Exchange and the Euronext Paris S.A. Premier Marché since December 13, 2004. The introduction price was fixed at MAD 68.25 per share (6.16 per share based on the dirham/euro exchange rate as of December 10, 2004). At December 31, 2004, the market price was 8.41 per share. 130,985,210 shares were sold by the Kingdom of Morocco as part of the offer, representing 14.9% of Maroc Telecom s share capital.

Acquisition of an Additional 16% Stake in Maroc Telecom. The Kingdom of Morocco and Vivendi Universal agreed, on November 18, 2004, to the acquisition by Vivendi Universal of an additional 16% stake in Maroc Telecom, indirectly via a wholly-owned subsidiary (Société de Participation dans les Télécommunications). This acquisition, which was completed on January 4, 2005, enables Vivendi Universal, a strategic partner that has held operating control of Maroc Telecom since the beginning of 2001, to increase its stake from 35% to 51%, thereby perpetuating its control over the company. By virtue of the Maroc Telecom shareholders agreements, Vivendi Universal holds the majority of voting rights at shareholder meetings and on the Supervisory Board until December 30, 2005. After this acquisition, Vivendi Universal s control is now assured by the direct holding, unlimited in time, of the majority of voting rights at shareholder meetings and by the entitlement to appoint, by virtue of shareholder agreements and the Company bylaws, three of the five members of the Management Board and five of the eight members of the Supervisory Board. This acquisition marks a new and decisive milestone in the strategic partnership between the Kingdom of Morocco and Vivendi Universal. The deal price was set at MAD 12.4 billion, or approximately 1.1 billion, and includes a premium for continuing control. Payment was made on January 4, 2005 and was financed 50% by long-term debt issued in Morocco of MAD 6 billion, or approximately 537 million (please refer to Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources). For Vivendi Universal, from an economic standpoint, this transaction will be accretive to net income as of 2005, taking into account, notably, a cost of financing that is lower than the yield of the investment. In addition, from an accounting standpoint, the accretion from this transaction will improve as a result of the absence of goodwill amortization under the International Financial Reporting Standards (IFRS), which is applicable as of January 1, 2005.

Full Consolidation of Mauritel by Maroc Telecom since July 1, 2004. Mauritel, previously accounted for using the equity method, has been fully consolidated by Maroc Telecom since July 1, 2004. For the second

half of 2004, Mauritel generated revenues and operating income of 34 million and 11 million, respectively. For more details, please refer to Item 18 Financial Statements Note 30 .

Consolidated Global Profit Tax System since January 1, 2004

On December 23, 2003, Vivendi Universal applied to the Ministry of Finance for permission to use the Consolidated Global Profit Tax System under Article 209 *quinquies* of the French tax code. Authorization was granted by an order, dated August 22, 2004, and notified on August 23, 2004, for a five-year period beginning with the taxable year 2004. This period may be extended. Vivendi Universal is thus entitled to consolidate its own profits and losses (including tax losses carried forward as of December 31, 2003) with the profits and losses of its subsidiaries operating within and outside France. Subsidiaries in which Vivendi Universal owns at least 50% of outstanding shares, both French and foreign, as well as Canal+ S.A., fall within the scope of the Consolidated Global Profit Tax System, including, but not limited to, Universal Music Group (UMG), VU Games, CanalSatellite and SFR. The 2004 Finance Act authorized the unlimited carry forward of existing ordinary losses as of December 31, 2003, which, combined with Vivendi Universal s permission to use the Consolidated Global Profit Tax System, enables Vivendi Universal to maintain its capacity to maximize the value of ordinary losses carried forward.

In the absolute, with Vivendi Universal S.A. reporting ordinary losses of 11.8 billion as of December 31, 2004, as the head of the tax group, Vivendi Universal could realize maximum tax savings of approximately 3.8 billion (undiscounted value), at current income tax rates (excluding additional contributions) by the end of the loss relief period. Nonetheless, the period during which losses will be applied cannot currently be determined with sufficient precision given the uncertainty associated with any economic activity. As such, at the December 31, 2004 year-end, Vivendi Universal recognized in its 2004 income tax the expected tax savings relating to the current year (464 million) and a deferred tax asset in the amount of expected tax savings in 2005 (492 million) based on budget forecasts.

Overall, receipt of authorization to use the Consolidated Global Profit Tax System generated a tax saving of 956 million in 2004. Vivendi Universal s first tax return in respect of 2004 consolidated net income must be filed with the tax authorities by November 30, 2005 at the latest.

Reinforcement of the Program Offerings of Canal+ Group

In 2004, Canal+ Group was involved in many discussions to enhance program offerings for subscribers. As a result, in December 2004, Canal+ Group won exclusive rights to the French National Football League 1 matches for three seasons (2005-2008) for an average cost of approximately 600 million per year. Also, to improve its film offerings, Canal+ (i) signed, in May 2004, several agreements to reinforce its partnership with the French film industry (covering the period 2005-2009), (ii) extended, in November 2004, an agreement for first broadcast of all Twentieth Century Fox film features, (iii) extended, in January 2005, a long-term agreement for exclusive first broadcast rights to all future productions of NBCU s studio, (iv) extended, in February 2005, its exclusivity contract with DreamWorks for its next 40 movies, and (v) extended, in April 2005, its exclusivity contract with Spyglass Entertainment until December 2009. In addition, on February 11, 2005, Canal+ Group and Lagardère Group ended their participation in MultiThématiques (that is now owned 100% by Canal+ Group) and Lagardère Thématiques. This development enabled Canal+ Group to present itself under optimal conditions at the May 2005 selection launched by the Conseil Supérieur de l Audiovisuel (CSA) for the attribution of DTT frequencies.

Elektrim Telekomunikacja Sp. z.o.o (Elektrim Telekomunikacja) in 2004

Since December 1999, Vivendi Universal has held a 49% interest in Elektrim Telekomunikacja, with Elektrim S.A. (Elektrim) holding the remaining 51% until September 3, 2001. On that date, the Luxembourg investment company, Ymer, acquired a 2% equity interest in Elektrim Telekomunikacja from Elektrim. Vivendi Universal indirectly bears the economic risk associated with the assets held by Ymer, but does not have legal control over such assets. Ymer is a company independent of Vivendi Universal, which does not own or control Ymer, directly or indirectly. Vivendi Universal is not entitled to exercise the voting rights held by

Ymer in Elektrim Telekomunikacja. In return for the economic risk borne by Vivendi Universal, the transfer by Elektrim to Ymer of a 2% equity interest in Elektrim Telekomunikacja enabled Vivendi Universal to limit the risk of sale of the controlling interest in Elektrim Telekomunikacja by Elektrim to a third party and, thereby, protect the value of its investment in Elektrim Telekomunikacja. Vivendi Universal accounts for its investment in Elektrim Telekomunikacja using the equity method. Please refer to Item 18 Financial Statements Note 7.3 .

As of December 31, 2004, Elektrim Telekomunikacja s only major asset was a 48% stake in the Polish mobile telecommunications company Polska Telefonia Cyfrowa (PTC), alongside Carcom Warszawa (Carcom) (3%) and Deutsche Telekom (DT) (49%). Carcom is owned 50% by Vivendi Universal, 49% by Elektrim and 1% by Ymer. A chart of the PTC ownership structure is presented below:

As of December 31, 2004, Vivendi Universal has invested approximately 1.8 billion in Elektrim Telekomunikacja (capital of 1.2 billion and shareholder advances of 0.6 billion). The capital investment is fully impaired since December 31, 2002. The net book value of shareholder advances totaled 379 million as of December 31, 2004.

In December 2000, DT commenced an arbitration proceeding in Vienna against Elektrim and Elektrim Telekomunikacja. DT asked the arbitration tribunal to declare invalid the transfer by Elektrim to Elektrim Telekomunikacja of 48% of the PTC shares owned by Elektrim.

In its award (the Award), which was served on the parties on December 13, 2004, the arbitration tribunal held that:

1. The transfer by Elektrim to Elektrim Telekomunikacja of the PTC shares was ineffective, and the PTC shares were to be considered as never having ceased to form part of the assets of Elektrim;

2. The said sale did not constitute a material breach of Article 16.1 of the shareholders agreement between DT and Elektrim, but such a material breach would occur if Elektrim did not recover the shares concerned within two months of service of the Award;

3. The Tribunal dismissed DT s claim for a declaration that an Economic Impairment on the part of Elektrim existed; and

4. The Tribunal did not have jurisdiction over Elektrim Telekomunikacja, and the claims concerning Elektrim Telekomunikacja could not be entertained in the context of the arbitration.

DT withdrew its claim concerning its financial loss.

On February 2, 2005, the Award was partially recognized by a Warsaw tribunal (Regional Court Civil Division) with regard to the first three points described above. In February, 2005, Elektrim Telekomunikacja appealed against this partial *exequatur* for breach of the provisions of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, dated June 10, 1958. The decision was also appealed by the Public Prosecutor.

In the context of proceedings launched by Elektrim Telekomunikacja concerning ownership of the PTC shares and notified to PTC on December 10, 2004, the Warsaw Tribunal (Regional Court Commercial Division) issued an injunction on December 30, 2004, upon Elektrim Telekomunikacja s request prohibiting any amendment of the company register held by PTC. This injunction is currently the subject of an appeal by DT and Elektrim.

In parallel with these proceedings, Elektrim attempted twice to unilaterally obtain from the Warsaw Registry Court an amendment of the registration of ownership of the PTC shares allocated to Elektrim Telekomunikacja, in its favor. In its decision rendered on February 10, 2005, the Warsaw Registry Court considered the claims to be unjustified with regard to aforesaid injunction awarded on December 30, 2004 and dismissed the proceedings. Nevertheless, on February 25, 2005, the Warsaw Registry Court has, based on PTC shareholders lists and deliberations by the Boards drawn up and produced by DT and Elektrim in conditions considered to be fraudulent by Elektrim Telekomunikacja, authorized the registration of Elektrim as a shareholder of PTC in lieu of Elektrim Telekomunikacja. Elektrim Telekomunikacja has commenced proceedings in order to rectify the register and filed a complaint before the Warsaw Public Prosecutor.

For these reasons, Vivendi Universal considers that the legal uncertainty surrounding ownership of the PTC shares held by Elektrim Telekomunikacja represents severe long-term restrictions on Elektrim Telekomunikacja s ability to exercise joint control and influence over PTC. As a result, Vivendi Universal has accounted for Elektrim Telekomunikacja, using the equity method based on financial statements in which the PTC investment is no longer consolidated from January 1, 2004. Please refer to Item 8 Financial Information Litigation and Item 18 Financial Statements Note 7.3 .

Vivendi Universal Disposed of Approximately 1.1 Billion in Assets (Not Including the NBC-Universal and Veolia Environnement Transactions) in 2004

Canal+ Group

Sportfive. In March 2004, RTL Group and Canal+ Group signed an agreement with Advent International for the divestiture of their interests in Sportfive. Before signing the agreement, Canal+ Group and RTL Group acquired on March 31, 2004, Jean Claude Darmon s approximate 4.9% stake in Sportfive for a total of 60 million (including a price adjustment of 5 million). The sale to Advent International of the 48.85% stake in Sportfive held by Canal+ Group, for which the group received 274 million in cash, was completed on June 25, 2004. This divestiture generated a gain of 44 million (including a 22 million provision reversal).

Canal+ Group finalized, among other things, the divestiture of the companies of StudioExpand s flux-divertissement business in June 2004 and Canal+ Benelux in August 2004 for a total amount of 42 million (the deconsolidation of the cash held by these companies, as well as the payment of a litigation had a 26 million unfavorable impact on Financial Net Debt). These divestitures generated a gain of 66 million (including a provision reversal of 24 million).

Quai André Citroën Headquarters. In September 2004, Canal+ Group finalized the divestiture of its former headquarters at Quai André Citroën for 108 million. This divestiture generated a capital gain of 13 million.

Divestiture of NC Numéricâble. In December 2004, Canal+ Group and France Telecom announced that they had signed an agreement for the divestiture of their cable operations to the Cinven investment fund and to Altice Multiple Service Operator. Canal+ Group will retain an interest of approximately 20% in the new operator for an estimated amount of 37 million (corresponding to its share in equity). Canal+ Group proceeds from the divestiture are estimated at 87 million (before potential adjustments to the number of

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networks actually transferred). This transaction, subject to regulatory approvals, was finalized on March 31, 2005. A 56 million provision accrual was recorded in 2004.

Non-core operations

Vivendi Telecom International (VTI)

Kencell. In May 2004, Vivendi Universal sold its 60% stake in Kencell, Kenya s No. 2 mobile phone operator, for a cash amount of $230 million (190 million). The stake was sold to Sameer Group, the owner of the remaining 40% stake, after it exercised its pre-emptive rights. This divestiture generated a gain of 38 million (net of a 7 million provision accrual).

Monaco Telecom. In June 2004, Vivendi Universal sold to Cable & Wireless its 55% stake in Monaco Telecom for a total consideration of 169 million in cash (including a 7 million dividend distribution). This divestiture generated a gain of 21 million (net of a 5 million provision accrual).

Finalization of the Total Withdrawal from Publishing Operations: Divestiture of Brazilian Publishing Operations February 2004

Vivendi Universal divested its interest in Atica & Scipione, publishing operations in Brazil, for a total consideration of 41 million. This divestiture generated a loss of 8 million.

Divestiture of United Cinema International (UCI) October 2004

Vivendi Universal and Viacom finalized the divestiture of their respective 50% stakes in European operations of the UCI Cinemas group to Terra Firma. In addition, UCI Group divested its 50% stake in UCI Japan to Sumitomo Corporation (50% of transaction proceeds were paid by UCI Cinemas to Vivendi Universal). As part of these transactions, Vivendi Universal received 170 million. These transactions generated a capital gain of 64 million.

Other 2004 transactions

UMG. In August 2004, UMG sold its stake of approximately 15% in VIVA Media to Viacom for a total consideration of 47 million. This divestiture generated a gain of 26 million.

Divestiture of two Philip Morris Towers. In June 2004, the divestiture of the Cèdre (27,000 m^2) and the Egée (55,000 m^2) towers located at La Défense, Paris, resulted in a reduction in Vivendi Universal s off balance sheet commitments related to the long-term leases signed with Philip Morris in 1996, by 270 million.

In addition, the reimbursement of the different participating loans and/or guarantees granted by Vivendi Universal led to a net cash inflow of 84 million.

2003 Developments

In 2003, Vivendi Universal invested 6.0 billion, including 1.6 billion of capital expenditures in its core businesses and 4 billion to purchase BT Group s 26% interest in SFR Cegetel (for more details, please refer to Item 5 Operating and Financial Review and Prospects Consolidated Cash Flows). In addition, in 2003, Vivendi Universal formed a strategic alliance between VUE and NBC. Vivendi Universal also refocused, restructured, and recapitalized Canal+ Group for close to 3 billion, eliminated major cash drains, divested non-strategic assets with proceeds of approximately 3 billion and refinanced its debt.

SFR Cegetel: Vivendi Universal Invested 4 Billion in January 2003 to Strengthen its Position in SFR Cegetel

In January 2003, Vivendi Universal purchased BT Group s 26% interest in Cegetel Groupe S.A. for 4 billion, thereby increasing its voting interest in the French telecommunications operator from 59% to 85% and its ownership interest from 44% to 70% (approximately 56% ownership interest in SFR, its mobile

subsidiary). The acquisition of this interest from BT Group was made through *Société d investissement pour la téléphonie* (SIT), as follows:

a. SIT, wholly owned, controlled and consolidated by Vivendi Universal, was initially the legal owner of the 26% shareholding at an acquisition cost of 4 billion.
b. SIT financed this acquisition by a 2.7 billion cash contribution from Vivendi Universal (in turn financed partly by the 1 billion bond issue completed in November 2002 and redeemable in Vivendi Universal new shares on November 25, 2005) and by a non-recourse loan of 1.3 billion with a scheduled maturity of June 30, 2004. Debt service on this loan, which was drawn on January 23, 2003, was to be provided by dividends paid in respect of its 26% shareholding in Cegetel Groupe S.A. This loan was repaid in July 2003 out of the proceeds of the issuance of five-year High Yield Notes. Following the repayment of its credit facility, SIT merged with Vivendi Universal, allowing the Vivendi Universal group to simplify the ownership structure of the 26% stake in Cegetel Groupe S.A. acquired in January 2003, and thereby increase its access to dividends from Cegetel Groupe S.A.

As a result of this transaction, Cegetel Groupe S.A., which was consolidated by Vivendi Universal with a 44% ownership interest, has been consolidated with a 70% ownership interest since January 23, 2003 (approximately 56% ownership interest in SFR, its mobile subsidiary).

During 2003, Vivendi Universal signed with Vodafone Group Plc a number of agreements designed to further improve the performance of SFR Cegetel, as well as optimize cash flows between SFR Cegetel and its shareholders:

Vodafone and SFR signed an agreement to increase their cooperation and their joint economies of scale in a number of different areas through: coordination of their activities in the development and rollout of new products and services, including Vodafone live!, and development of operational synergies in procurement (including IT and technology), and best practice sharing.

On December 18, 2003, the extraordinary shareholders meeting of Cegetel Groupe S.A. approved the simplification of the group s structure through the merger of Transtel, Cofira and SFR into Cegetel Groupe S.A. holding company.

The new company resulting from the merger, which is both a mobile phone operator and the holding company of the group, was renamed SFR. It is owned 55.8% by Vivendi Universal, 43.9% by Vodafone, and 0.3% by individual shareholders. In connection with this simplification, an amendment to the Cegetel shareholders agreement was signed in order to include the specific provisions of the SFR shareholders agreement (this document is available at: http://www.vivendiuniversal.com). The group, comprised of SFR and its subsidiaries and the fixed line operator Cegetel, became SFR Cegetel.

In 2004, SFR decided to implement a dividend distribution plan, which will in part involve the distribution of premiums and reserves and the introduction of quarterly advance dividend payments. Please refer to Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources .

In parallel, in December 2003, SFR (formerly known as Cegetel Group) and SNCF (the French National Railway Company) decided to merge their fixed line business and approved the merger of Cegetel S.A. (fixed line operator, subsidiary of SFR) and Telecom Développement (network operator, subsidiary of SNCF, in which SFR had a minority interest). This entity is named Cegetel S.A.S. and the capital is held 65% by SFR and 35% by SNCF.

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As a result of these transactions, the structure of SFR Cegetel is as follows:

* Stake acquired by Vodafone in 2003

Canal+ Group: recovery efforts in 2003

Canal+ made significant progress in its turnaround efforts. It refocused on its core pay-TV activities in France and the activities of StudioCanal. It launched a number of initiatives to restructure and reposition these activities. It exited most of its non-core activities, which often represented significant cash drains (see 2003 Divestitures: Vivendi Universal divested about 3 billion of assets below).

Also, on December 18, 2003, following Canal+ Group s extraordinary shareholders meeting, Vivendi Universal recapitalized Canal+ Group for 3 billion through the conversion of an inter-company loan into equity, with no cash impact. This transaction was approved by Vivendi Universal s board of directors on September 23, 2003.

As a result of this recapitalization, the performance of Canal+ Group in 2003 and divestitures of non-core assets, Canal+ Group s Financial Net Debt was close to 1 billion at the end of 2003 versus approximately 5 billion on June 30, 2003. In February 2004, Canal+ Group Financial Net Debt was reduced to approximately 500 million.

Cash drains in 2003

Vivendi Universal continued its efforts to eliminate its major cash drains. It essentially shut down its Internet operations, which had generated approximately 2.5 billion in losses since 2000, divested a number of businesses that had previously generated significant losses (see 2003 Divestitures: Vivendi Universal divested about 3 billion of assets below) and refocused and restructured its headquarter activities (see Reorganization of Vivendi Universal Headquarters in 2002 below).

2003 Divestitures: Vivendi Universal divested about 3 billion of assets

Canal+ Group

Canal+ Technologies. The sale of Vivendi Universal s 89% stake in Canal+ Technologies to Thomson Multimedia was completed on January 31, 2003 for 191 million in cash. Given the previous impairment loss recorded against this investment, the divestiture generated a capital gain of 21 million.

Telepiù. In April 2003, Vivendi Universal, Canal+ Group, News Corporation and Télécom Italia completed the sale of Telepiù, the Italian pay-TV platform. The consideration for this transaction amounted to

831 million, comprising debt of 374 million (after a capital contribution of 100 million) and 457 million in cash. The cash payment included a 13 million adjustment relating to the reimbursement of accounts payable net of the debt adjustment. This transaction generated a capital gain of 215 million, after the reversal of a 352 million provision, resulting from unanticipated improvements in working capital registered by Telepiù in the first quarter of 2003.

Dilution in Sogecable. In connection with its merger with ViaDigital, a Telefonica subsidiary, Sogecable performed a capital increase in July 2003 subscribed to in full by Telefonica. As a consequence, Canal+ Group s ownership interest in Sogecable decreased from 21.27% to 16.38%. Following termination of the shareholders agreement governing Sogecable on September 29, 2003, Vivendi Universal ceased to account for Sogecable on an equity basis on October 1, 2003. This transaction generated a dilution profit of 71 million. In addition, the three principal shareholders (Canal+ Group, Prisa and Telefonica) granted a 50 million loan to Sogecable that will mature in 10 years time. In February 2004, the 20,637,730 Sogecable shares held by Canal+ Group, as well as the 50 million loan, were transferred to Vivendi Universal.

Canal+ Nordic. In October 2003, Vivendi Universal and Canal+ Group sold the subsidiaries of Canal+ Nordic, the company in charge of its pay-TV channel activities in the Nordic region, to an investment fund consortium comprising Baker Capital and Nordic Capital. The transaction contributed approximately 55 million to the Vivendi Universal group s debt reduction (including 7 million received in the first quarter of 2004), principally due to loan relinquishment. This transaction generated a capital gain of 17 million.

Canal+ Benelux. In December 2003, Canal+ Group sold its Flemish operations to Telenet, and sold Canal+ Belgique S.A. to Deficom, for a total consideration of 32 million. These transactions generated a capital gain of 33 million.

Vivendi Universal Entertainment in 2003

Spencer Gifts. On May 30, 2003, Vivendi Universal (through VUE) sold Spencer Gifts, a novelty and gift store chain operating in the US, Canada and the UK, to an investor group led by privately held Gordon Brothers Group and Palladin Capital Group Inc. for consideration of approximately $100 million. This operation generated no capital gain.

Non-core operations in 2003

Vivendi Universal Publishing (VUP) in 2003

Consumer Press. Vivendi Universal completed the sale of the Consumer Press Division (*Groupe Express-Expansion Groupe l Etudiant*) to the Socpresse Group in February 2003, for an aggregate consideration of 200 million. This transaction generated a capital gain of 104 million.

Comareg. In May 2003, Vivendi Universal completed the sale of Comareg to the *France Antilles* group. The consideration received from this transaction was 135 million. Given the previous impairment loss recorded against this investment, this transaction generated a capital gain of 42 million.

Vivendi Telecom International in 2003

Vivendi Telecom Hungary. In May 2003, Vivendi Universal concluded the divestiture of its fixed-line telephony activities in Hungary (Vivendi Telecom Hungary) to a consortium led by AIG Emerging Europe Infrastructure Fund and GMT Communications Partners Ltd. The amount of the transaction was 325 million in enterprise value, including the issuance of a 10 million promissory note received by Vivendi Universal in August 2004. Given the previous impairment loss recorded against this investment, the divestiture generated a capital gain of 15 million in 2003.

Xfera. In August 2003, Vivendi Universal sold its 26.3% interest in Xfera for a nominal 1 to the other members of the Xfera consortium. This transaction generated a capital gain of 16 million, after a 75 million provision accrual.

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Elektrim Telekomunikacja. In 2003, Vivendi Universal pursued a strategy to divest its stake in Elektrim Telekomunikacja. On January 8, 2003, Vivendi Universal signed a letter of intent with Polsat Media S.A. (Polsat) involving the sale to Polsat of Vivendi Universal s stake in Elektrim Telekomunikacja and Elektrim for a total consideration of 550 million. However, Polsat was subsequently unable to meet the closing conditions of this transaction. On September 2, 2003, Vivendi Universal s board of directors approved the decision to propose to the supervisory board of Elektrim Telekomunikacja, which is 49% owned by Vivendi Universal, to accept the tender offer for PTC, the Polish mobile telecommunications operator, from DT. On September 14, 2003, DT, Vivendi Universal, Elektrim (in agreement with bondholder representatives on the management board) and Ymer Finance announced an agreement in principle on DT s offer to increase its shareholding in PTC from 49% to 100% for a total revised cash offer of 1.1 billion. This agreement did not close because Elektrim could not obtain the required consent of bondholders.

Other 2003 transactions

InterActiveCorp Warrants. In 2003, Vivendi Universal sold in two steps 60.47 million warrants of IAC for consideration totaling 600 million. These warrants were initially acquired in connection with the acquisition of the entertainment assets of IAC. These transactions generated a loss of 329 million, which was offset by the reversal of the related provision of 454 million, which corresponded to a downside mark-to-market adjustment registered as of December 31, 2002.

Unwinding of the Total Return Swap in connection with Time Warner Inc. (formerly known as AOL Time Warner Inc.) Call Options. In April 2003, Time Warner Inc. exercised its call options on the AOL Europe shares held by LineInvest for a cash consideration of $813 million received in May 2003. The provision of $100 million (97 million) recorded by Vivendi Universal in 2002 (in order to cover the market risk under the terms of the total return swap if Time Warner Inc. had opted for payment in its own shares) was consequently reversed in 2003.

Modification of the Structure of UGC S.A. s share capital. On December 31, 2003, Vivendi Universal and the family shareholders of the UGC Group signed an agreement modifying the structure of UGC S.A. s share capital. Under the terms of the agreement:

Vivendi Universal holds 37.8% of UGC S.A. s share capital. After the elimination of the UGC S.A. treasury shares, Vivendi Universal will hold only 40% of UGC S.A. s share capital, and the family shareholders stake will be 56.20%. Vivendi Universal holds five of the 14 seats on the UGC board of directors.

Vivendi Universal has been released from the put option previously granted to the family shareholders, thereby removing a significant off-balance-sheet commitment for Vivendi Universal.

Vivendi Universal also granted a call option to the family shareholders for its UGC S.A. shares at a price of 80 million until December 31, 2005. The price may be adjusted in the case of an onward sale by UGC family shareholders at a later date (within one year of exercise of the call) with an increase in value.

Closing of Contractual Guarantees to Former Rondor Shareholders. Finally, in connection with the purchase of Rondor Music International in 2000, there existed a contingent purchase price adjustment based on the market value of Vivendi Universal shares. The contingent purchase price adjustment was triggered in April 2002 when the share price of Vivendi Universal fell below $37.50 for 10 consecutive days and the former shareholders of Rondor requested early settlement. A liability for this adjustment was recorded in the Consolidated Statement of Financial Position of Vivendi Universal at December 31, 2002 for an estimated amount of 223 million (approximately $230 million). On March 3, 2003, this liability was settled and the former shareholders of Rondor received 8.8 million shares of Vivendi Universal, then representing 0.8% of share capital and a cash amount of $100 million (93 million).

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2002 Developments

While the beginning of 2002 was marked by the completion of the acquisition of the entertainment assets of IAC, the rest of the year was focused on solving Vivendi Universal s liquidity issue, refinancing its debt, initiating a comprehensive divestiture program, and initiating cost-cutting measures at Vivendi Universal s headquarters.

Acquisition of the Entertainment Assets of InterActiveCorp for 11,135 million May 2002

These assets were transferred to NBCU in May 2004 (please refer to Combination of VUE and NBC to form NBC Universal (NBC-Universal transaction) May 2004 and Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE).

On May 7, 2002, Vivendi Universal consummated its acquisition of the entertainment assets of IAC through the limited liability limited partnership VUE, in which Vivendi Universal then had an approximate 93% voting interest and an approximate 86% economic interest (due to the minority stake of MEI). As part of the transaction, Vivendi Universal and its affiliates surrendered 320.9 million shares of USANi LLC previously exchangeable into shares of IAC stock. In addition, Vivendi Universal transferred 27.6 million treasury shares to Liberty Media Corporation in exchange for (i) 38.7 million USANi LLC shares (which were among the 320.9 million surrendered) and (ii) 25 million shares of IAC common stock, which were retained by Vivendi Universal.

As consideration for the transaction, IAC received a $1.62 billion cash payment from VUE, a 5.44% common interest in VUE and Class A and Class B preferred interests in VUE with initial face values of $750 million and $1.75 billion, respectively. The Class B preferred interests were subject to put/call provisions at any time after May 2022 for a number of IAC shares having a market value equal to the accreted face value of the Class B preferred interests at such time, subject to a maximum of 56.6 million shares of IAC common stock.

In addition, Mr. Diller, IAC s chairman and chief executive officer, received a 1.5% common interest in VUE in return for agreeing to specific non-competition provisions for a minimum of 18 months, for informally agreeing to serve as VUE s chairman and chief executive officer (Mr. Diller terminated his temporary assignment as chief executive officer in March 2003) and as consideration for his agreement not to exercise his veto right over this transaction. In connection with the NBC-Universal transaction, Universal Studios elected to purchase Mr. Diller s common interest for $275 million pursuant to the terms of the VUE partnership agreement.

In connection with the acquisition of the entertainment assets of IAC, Vivendi Universal received approximately 60.5 million warrants to purchase common stock of IAC, with exercise prices ranging from $27.50 to $37.50 per share. All of the warrants were sold in 2003.

The entertainment assets acquired by Vivendi Universal were IAC s television programming, cable networks and film businesses, including USA Films, Studios USA and USA Cable. These assets, combined with the film, television and theme park assets of the Universal Studios Group, formed the new entertainment group, VUE controlled at 93% and owned at approximately 86% by Vivendi Universal.

The acquisition cost of the IAC entertainment assets amounted to 11,135 million and was determined with the assistance of an independent third-party valuation firm. Vivendi Universal sold all of its interests in VUE and the IAC common stock to NBC on May 11, 2004. Subsequently, on June 7, 2005, VUE was restructured through the purchase by NBCU of all of IAC s preferred and common interests in VUE in exchange for 56.6 million shares of IAC common stock and cash. For more information, see 2004 Developments and Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE .

In connection with the sale of its shares in IAC, Liberty Media transferred to Vivendi Universal its 27.4% share in the European cable television company, MultiThématiques, and its current account balances in exchange for 9.7 million Vivendi Universal shares. The share value was based on the average closing price of Vivendi Universal shares during a reference period before and after December 16, 2001, the date the

agreement was announced. Following this acquisition, Vivendi Universal held, directly and indirectly, 63.9% of MultiThématiques share capital. The additional goodwill resulting from Vivendi Universal taking a controlling stake in this company, which had been consolidated until March 31, 2002 using the equity method and fully consolidated thereafter, amounted to 542 million.

2002 Divestitures: 9.3 billion in 2002

Vivendi Universal initiated a comprehensive divestiture program aimed at reducing its debt and refocusing the company. The following transactions were completed in 2002.

Veolia Environnement. Following a decision taken by its board of directors on June 17, 2002, Vivendi Universal reduced its ownership interest in VE in three steps. Prior to taking these steps, Vivendi Universal entered into an agreement with Mrs. Esther Koplowitz by which she agreed not to exercise the call option on VE s participation in Fomento de Construcciones y Contratas (FCC), which otherwise would have been exercisable once Vivendi Universal s ownership interest in VE fell below 50%.

The first step occurred on June 28, 2002, when 53.8 million VE shares were sold on the market (approximately 15.5% of the share capital before the capital increase). The shares were sold by a financial institution that had held the shares since June 12, 2002 following a repurchase transaction (known in France as a *pension livrée*) carried out with Vivendi Universal. In parallel, in order to make it possible for the financial institution to return the same number of shares to Vivendi Universal at the maturity of the repurchase agreement on December 27, 2002, Vivendi Universal entered into a forward sale for the same number of shares to this financial institution at the price of the investment. As a result, Vivendi Universal reduced its debt by 1,479 million and held 47.7% of the share capital of VE.

In the second step, on August 2, 2002, VE increased its share capital by 1,529 million, following the issuance and the sale of approximately 58 million new shares (14.3% of the share capital after the capital increase) to a group of investors. Vivendi Universal had previously sold its preferential subscription rights to the group of investors pursuant to an agreement dated June 24, 2002. Following this second transaction, Vivendi Universal owned 40.8% of VE s share capital, and VE continued to be consolidated using the full consolidation method in accordance with GAAP.

The third step occurred on December 24, 2002, a month after the banks that managed the June transaction and a group of new investors entered into an amendment to the June 24, 2002 agreement. Under the terms of the amended agreement, Vivendi Universal agreed to sell 82.5 million shares of VE, representing 20.4% of VE s share capital as at December 24, 2002, and the new investors agreed to become subject to the lock-up on disposals of these shares previously agreed to by Vivendi Universal for the remaining term of that lock-up agreement; i.e., until December 21, 2003. Each of these shares of VE included a call option that entitles these investors to acquire additional VE shares at any time until December 23, 2004 at an exercise price of 26.50 per share. On December 24, 2002, Vivendi Universal received, in exchange for the shares and the call options, 1,856 million. The call options on the VE shares are recorded as deferred items in liabilities for an amount of 173 million. As of December 23, 2004, the call options had not been exercised (see Divestiture of 15% of Veolia Environnement, Part of Vivendi Universal s 20.3% Stake December 2004).

Following this transaction, Vivendi Universal held 82.5 million shares, or 20.4%, of VE s share capital as of December 31, 2002, which were held in an escrow account to cover the call options. From December 31, 2002 to December 9, 2004, this investment was accounted for using the equity method (please refer to Divestiture of 15% of Veolia Environnement, Part of Vivendi Universal s 20.3% Stake December 2004).

Vivendi Universal recorded a 1,419 million capital gain in respect of these transactions in 2002.

Vivendi Universal Publishing. In April 2002, VUP signed a definitive agreement pursuant to which the Cinven, Carlyle and Apax investment funds acquired 100% of the professional and health information divisions of VUP. The transaction completed in July 2002 and reduced profit before tax by 298 million.

In December 2002, Vivendi Universal sold both VUP s European activities and Houghton Mifflin. The European publishing activities were acquired by Editis (formerly known as Investima 10), a company wholly owned by Natexis Banques Populaires, for Lagardère. The gross proceeds from the sale amounted to 1,198 million. This transaction generated a pre-tax gain of 329 million. A purchase price adjustment of 17 million was paid to Editis in December 2003.

Houghton Mifflin was sold to an investment fund consortium comprised of Thomas H. Lee and Bain Capital on December 30, 2002. The purchase price was approximately 1.6 billion, including a cash payment of 1.2 billion. As a result of this transaction, Vivendi Universal recognized a capital loss of 822 million before tax, including a foreign currency translation loss of 236 million.

Vizzavi Europe. In August 2002, Vivendi Universal sold to Vodafone its 50% stake in Vizzavi Europe. As a result, Vivendi Universal received 143 million in cash. As part of the transaction, Vivendi Universal took over 100% of Vizzavi France. This transaction generated a capital gain of 90 million.

EchoStar Communications Corporation (EchoStar). In December 2002, Vivendi Universal sold its entire stake in EchoStar, consisting of 57.6 million Class A common shares, back to EchoStar. Total net proceeds of the sale were $1,066 million, generating a capital loss of 674 million before tax. Vivendi Universal held these Class A common shares following the conversion of the 5.8 million EchoStar Class D preferred stock acquired in January 2002 for $1.5 billion. Each Class D preferred stock was convertible into 10 EchoStar Class A common shares.

Sithe. In December 2002, Vivendi Universal sold its remaining 34% stake in Sithe to Apollo Energy LLC. Net cash proceeds from this transaction were 319 million, generating a capital loss of 232 million before tax. Under the terms of this transaction, Vivendi Universal retained ownership of certain minor assets in Asia. These Asian assets were transferred to Marubeni for $47 million on June 11, 2003.

Vinci. In June 2002, Vivendi Universal sold 5.3 million Vinci shares for a total of 344 million, thereby generating a pre-tax capital gain of 153 million. At the same time, Vivendi Universal bought call options on 5.3 million shares at 88.81 for 53 million allowing the Vivendi Universal group to cover the 527 million principal amount of bonds exchangeable for Vinci shares issued in March 2001.

Settlement of the Total Return Swap in Connection with the Divestiture of Vivendi Universal s Investment in BSkyB plc in October 2001. In order to comply with the conditions imposed by the European Commission in October 2001 on the merger of Vivendi, Seagram and Canal+, Vivendi Universal sold 96% (approximately 400 million common shares) of its investment in BSkyB s common shares and 81 million of money market securities to two qualifying special purpose entities (QSPEs). Concurrently, Vivendi Universal entered into a total rate of return swap with the same financial institution that held all of the beneficial interests in the QSPEs, thus allowing Vivendi Universal to maintain its exposure to fluctuations in the price of BSkyB shares until October 2005.

In December 2001, the financial institution controlling the beneficial interest of the QSPEs issued 150 million equity certificates repayable in BSkyB shares, at 700 pence per share. As a result, Vivendi Universal and the financial institution were able to reduce the nominal amount of the swap by 37% and thus fix a value of 150 million BSkyB shares and generate a capital gain of 647 million after-tax and expenses.

In May 2002, this financial institution sold the remaining 250 million BSkyB shares held by the QSPEs, and, concurrently, Vivendi Universal and the financial institution terminated the total return swap on those shares, which were settled at approximately 670 pence per share, before payment by Vivendi Universal of related costs. As a result of this transaction, Vivendi Universal recognized a pre-tax gain of approximately 1.6 billion, net of expenses, and was able to reduce gross financial debt by 3.9 billion.

In addition, in February 2002, Vivendi Universal sold 14.4 million shares in BSkyB following the exercise of its option to exchange a convertible bond for BSkyB shares issued by Pathé that came into Vivendi Universal s possession when it acquired Pathé in 1999. The redemption date was fixed on March 6, 2002, at a redemption price of 100% of the principal amount plus accrued interest to that date. Holders of the bonds were

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entitled to convert them into 188.5236 shares of BSkyB per FFr10,000 principal amount of bonds through and including February 26, 2002.

Reorganization of Vivendi Universal Headquarters in 2002

In October 2002, Vivendi Universal initiated a reorganization plan for its headquarters in Paris, as well as its locations outside France. It aimed to redefine and refocus the headquarters tasks on holding company activities, concentrating all those tasks in Paris and turning New York into a representative office for the company; to sell moveable property and real estate assets held by the holding company (such as three planes and the New York art collection, both sold in 2003 for 84 million); and to achieve full-year savings generated by a very significant cut in non-payroll costs (fees for external services, in particular), as well as a reduction in the number of employees at all headquarters sites. As a result, the number of employees at all headquarters sites was reduced from 507 at the end of 2002 to 288 at the end of 2003 and Holding & Corporate operating losses were reduced by one half from 665 million in 2002 to 330 million in 2003, including 125 million costs savings from operating expenses at the holding company level.

Other 2002 Transactions

Repurchase program. The company initiated a share repurchase program through:

Treasury Shares: Transactions related to treasury shares are detailed in Item 18 Financial Statements Note 11.1 . The cumulative impact of treasury share cancellation on shareholders equity between 2000 and December 2002 was a reduction of approximately 4.6 billion.

Sale of Put Options on Vivendi Universal Shares: Vivendi Universal sold put options on its own shares, by which it agreed to buy its own shares on specified dates at specified exercise prices. As of December 31, 2002 and December 31, 2001, Vivendi Universal had outstanding obligations on 3.1 million and 22.8 million shares, respectively. The average exercise prices were 50.5 and 70, respectively, resulting in a potential commitment of 154 million and 1,597 million, respectively. These put options were only exercisable on their exercise dates and expired during the first quarter of 2003. The losses incurred by Vivendi Universal during 2002 resulting from option holders exercising their rights was 589 million, representing the net premium paid on cash settlement of the difference between the market price and the exercise price. At the end of December 2002, Vivendi Universal then marked to market put options with a specific future exercise date. This resulted in a provision of 104 million, corresponding to the premium paid by Vivendi Universal in connection with cash settlements of these options during the first quarter of 2003. The cumulative cash impact of these transactions was 951 million.

Acquisition of Additional Interest in UGC December 2002. Following the exercise by BNP Paribas of the put granted by Vivendi Universal in July 1997, Vivendi Universal acquired, for a total consideration of 59.3 million, 5.3 million of UGC shares, representing 16% of UGC share capital. Vivendi Universal s 58% interest in UGC did not provide operational control of the company due to a shareholders agreement. Accordingly, this investment was still accounted for using the equity method. On December 31, 2003, Vivendi Universal and the family shareholders of the UGC Group signed an agreement modifying the structure of UGC S.A. s share capital. For more details, please refer to 2003 Developments .

Settlement Agreement with Pernod Ricard-Diageo August 2002. Vivendi Universal, Pernod Ricard and Diageo reached a global settlement of outstanding claims relating to post-closing adjustments arising from the acquisition of Seagram s spirits and wine division, concluded in December 2000 and closed in December 2001. As a result, Vivendi Universal received $127 million in cash.

Waiver by Convertible Bondholders of the Guarantee Agreed by Vivendi Universal September 2002. Holders of 1.50% 1999-2005 VE bonds exchangeable for new or existing Vivendi Universal shares held a general meeting on August 20, 2002. At this meeting, the bondholders waived, effective September 1, 2002, all rights to the guarantee provided by Vivendi Universal in respect of VE s obligations under these bonds and, as a consequence, waived certain rights under the liability clause in the event of default by Vivendi Universal. In

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exchange, the nominal interest rate was increased by 0.75%, from 1.50% to 2.25%. For more details, please refer to Item 18 Financial Statements Note 11.4 .

Business Overview

General

We are a leading Media and Telecommunications company. Our media business is comprised of the Canal+ Group, UMG and VU Games. On May 11, 2004, we completed the NBC-Universal transaction and currently have an approximate 20% interest in NBCU. Our telecommunications business is comprised of the SFR Cegetel Group and Maroc Telecom. We also maintain other non-core operations and investments.

Segment Data

The contribution of our business segments to our consolidated revenues for each of 2004, 2003 and 2002, in each case after the elimination of intersegment transactions, is as follows:

	Year ended December 31,				
	As published			On a comparable basis(a)	
	2004	2003	2002	2004	2003
	(In millions of euros)				
Canal+ Group	3,580	4,158	4,833	3,470	3,339
Universal Music Group	4,993	4,974	6,276	4,993	4,974
Vivendi Universal Games	475	571	794	475	571
Media	9,048	9,703	11,903	8,938	8,884
SFR Cegetel	8,317	7,574	7,067	8,317	7,537
Maroc Telecom	1,627	1,471	1,487	1,658	1,523
Telecom	9,944	9,045	8,554	9,975	9,060
Non-core operations and elimination of intercompany transactions(b)	109	584	813	(20)	28
Total Vivendi Universal (Excluding VUE, VE and VUP assets sold in 2003)	19,101	19,332	21,270	18,893	17,972
Vivendi Universal Entertainment(c)	2,327	6,022	6,270		
VUP assets sold in 2003(d)		128	572		
Veolia Environnement			30,038		
Total Vivendi Universal	21,428	25,482	58,150	18,893	17,972

(a) Comparable basis essentially illustrates the effect of the divestiture of VUE, the divestitures at Canal+ Group (Telepiù, Canal+ Nordic, Canal+ Benelux, etc.), the divestitures of VUP (Comareg and Atica & Scipione), Vivendi Telecom Hungary, Kencell and Monaco Telecom and the abandonment of Internet operations, and includes the full consolidation of Telecom Développement at SFR Cegetel and of Mauritel at Maroc Telecom as if these transactions had occurred at the beginning of 2003. In addition, comparable basis takes into consideration a change

in presentation adopted as of December 31, 2004: in order to standardize the accounting treatments of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the consolidation of Telecom Développement, sales of services to customers, managed by SFR Cegetel and Maroc Telecom on behalf of content providers, previously presented on a gross basis in SFR and Telecom Développement s revenues, are presented net of the related expenses. This change in presentation has no impact on operating income. At SFR Cegetel, it reduced revenues by 168 million in 2004. At Maroc Telecom, the impact was immaterial.

(b) Corresponds to VUP activities in Brazil (Atica & Scipione) deconsolidated since January 1, 2004, Internet operations abandoned since January 1, 2004, VTI, Vivendi Valorisation and other non-core businesses.

(c) VUE was deconsolidated as of May 11, 2004 as a result of the divestiture (from an accounting standpoint) of 80% of Vivendi Universal s interest in this company.

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(d) Corresponds to Consumer Press Division sold in February 2003, which was deconsolidated as of January 1, 2003, and Comareg sold in May 2003.

Geographic Data

The contribution of selected geographic markets to our consolidated revenue for each of 2004, 2003 and 2002 is as follows:

	Year ended December 31,		
	2004	2003	2002
	(In millions of euros)		
France	12,075	11,515	26,391
Rest of Europe	2,749	4,359	15,092
United States of America	3,704	6,238	10,810
Rest of world	2,900	3,370	5,857
Total	21,428	25,482	58,150

Our Segments

Media

Canal+ Group

The Canal+ Group has two principal lines of business:

Pay-TV channel production in France, which includes the Canal+ premium channel and theme channels such as Sport+, i>Télé, CinéCinéma channels, Planète channels, Jimmy, Seasons, Comédie! and Cuisine TV; and

Pay-TV channel distribution terrestrially, via satellite, cable or ADSL, which includes CanalSatellite (renamed CanalSat in May 2005), CanalSatDSL, NC Numéricâble and Media Overseas.

The Canal+ Group also engages in the production and distribution of films through StudioCanal, a major European studio involved in the production, co-production, acquisition and distribution of feature films.

Vivendi Universal owns 100% of Canal+ Group, which in turn owns 49% of Canal+ S.A. (premium channel) and 66% of CanalSatellite.

Pay-TV France

Canal+ Group s pay-TV operations in France are centered on the Canal+ premium channel and theme channels, which provide subscribers with exclusive, high-quality content.

The Canal+ Premium Channel

The Canal+ premium channel, which celebrated its 20th anniversary in November 2004, is a pioneer in pay-TV in Europe. Canal+ is broadcast terrestrially, via satellite, cable and, since March 2004, via ADSL. Since March 5, 2005, Canal+ s digital subscribers have had access to the Canal+ Le Bouquet offering, the first premium multi-channel digital package offer in France, which provides premium content channels (Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Décalé, with their own programs and identities, and Canal+ Hi-Tech). Since November 2004, Canal+ is the only French channel to broadcast movies with Dolby Digital 5.1 sound on its dedicated wide screen (16/9) channel.

Canal+ offers a unique programming format featuring exclusive first-run movies, various sports events, news, documentaries and original entertainment shows.

Canal+ broadcasts approximately 400 films a year, 320 of which are exclusive first runs. Each month nearly 30 French or international movies are shown for the first time, excluding pay-per-view. The channel

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features all film genres, as well as exclusive broadcasts of such major events as the Cannes film festival, France s César Awards and Hollywood s Academy Awards. In 2004, Canal+ also invested more than 131 million to acquire French-language productions. The channel holds exclusive first-run rights to movies produced by major US studios such as Twentieth Century Fox, NBCU, Sony/ Columbia, DreamWorks, New Line, Miramax and Spyglass. Canal+ also has a special agreement with Walt Disney and Pixar covering exclusive broadcasting rights to recent feature-length animated films. In January 2005, the channel renewed its agreement with Luc Besson s EuropaCorp for a three-year period. In April 2005, Canal+ Group extended its agreement with Spyglass Entertainment for a four-year period.

In May 2004, Canal+ and representatives of the French film industry entered into an agreement to strengthen their partnership and to offer Canal+ subscribers an enhanced movie offering. The five-year agreement, which reflects changes in the regulatory environment, came into effect on January 1, 2005 (for further information on this agreement, see Regulatory Environment).

Canal+ offers premium sports coverage, with exclusive commercial-free broadcasts, and pre-game, half-time and post-game reports.

On December 10, 2004, the French soccer league granted Canal+ Group exclusive rights to broadcast all French National League 1 games, France s top soccer league, for three seasons (2005-2008).

Canal+ is France s leading pay-TV channel, with 4.95 million subscriptions (in mainland France and its overseas territories) at December 31, 2004, a net increase of 48,000 as compared to 2003. During 2004, Canal+ gained 550,000 new subscriptions and achieved a 2 percentage point decrease in its churn rate, which fell below 11%.

Theme Channels

Canal+ s theme channels include: i>Télé, a 24-hour news channel, Sport+, a sports channel, Jimmy, a channel dedicated to TV series, Seasons, a dedicated hunting and fishing channel, Comédie!, a comedy channel, Cuisine TV, a cooking channel, CinéCinéma s seven-channel package and the four documentary channels from the Planète package.

On January 3, 2005, Canal+ Group and Lagardère Group signed an agreement under which Lagardère sold its entire stake in MultiThématiques to Canal+ Group. In return, Canal+ Group sold its entire interest in Lagardère Thématiques to Lagardère. Now that the transactions have been completed, Canal+ Group wholly owns MultiThématiques and its subsidiaries, and no longer holds any shares or voting rights in Lagardère Thématiques and its subsidiaries.

Pay-TV Distribution

CanalSatellite

Canal+ Group owns 66% of CanalSatellite, the leading French digital satellite pay-TV provider. In 2004, CanalSatellite continued to grow significantly to reach nearly three million subscriptions at the end of December 2004 (a net increase of 238,000 subscriptions as compared to 2003), and a 0.5 percentage point decrease in its churn rate to 8.6%. CanalSatellite offers over 290 channels and services, about 65 of which are satellite exclusives. CanalSatellite s revenues are comprised mainly of subscription fees.

CanalSatellite diversified its package in 2004 by offering ten additional TV channels dedicated to discovery and entertainment, including the French debut and satellite exclusive of the Discovery Channel (a world leader in factual entertainment), w TV (Filles TV, the first channel aimed at girls aged 11 to 17), E! Entertainment (another satellite exclusive), Pink TV (the first general-interest channel dedicated to the gay community), Planète Choc (devoted to documentaries), CinéCinéma Famiz (which offers comedies, adventure films and animated features), Jetix (dedicated to 4 to 14-year-olds) and BBC Prime (international programs).

CanalSatellite also offers more than 40 interactive services, which generate nearly 1.5 million connections a month.

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Since March 2003, CanalSatellite has offered a new-generation digital set-top box equipped with a hard drive and a double tuner and based on the new international standards in interactive TV (DVB-MHP). This personal video recorder (PVR), called Pilotime, can record up to 40 hours of programs in digital quality, record a program while another program is being watched at the same time, and pause or repeat a live transmission within a timeframe of 30 minutes. Approximately 75,000 Pilotime set-top boxes are currently in use.

NC Numéricâble

Canal+ Group, which owned, as at December 31, 2004, 100% of the French cable operator NC Numéricâble, signed a memorandum of understanding with France Telecom, reflecting the parties aims to combine their respective cable activities and networks in March 2004. In December 2004, Canal+ Group and France Telecom Group entered into an agreement to sell their cable activities to the private equity firm Cinven and the cable operator Altice. This transaction closed on March 31, 2005. Canal+ Group now holds approximately 20% of the new company created through the combination of NC Numéricâble and France Telecom Câble.

Media Overseas

Media Overseas, a wholly owned subsidiary of Canal+ Group, is the operator for Canal+ and CanalSatellite in France s overseas territories and outside of France. Media Overseas also owns over 50% of four overseas operators (Africa, Caribbean, Indian Ocean and Pacific) and manages Canal+ Group s Polish platform.

With over 640,000 subscriptions in French overseas territories and in Africa, MediaOverseas is the third largest French satellite operator and the only French network abroad. As a developer of platforms for French-speaking channels with direct reception via satellite, MediaOverseas fulfills its purpose to promote French culture and the French language abroad.

ADSL TV

Since the first quarter of 2004, with the launch of the digital version of Canal+ via ADSL and CanalSatDSL, Canal+ Group offers ADSL TV distribution as part of its strategy to reach as many homes as possible. Canal+ Group s offerings Canal+ Le Bouquet and CanalSatDSL (80 channels and services) have been available through Neuf Telecom since March 2004, France Telecom since the end of June 2004 and Free since November 2004.

Digital Terrestrial Television (DTT)

On January 17, 2005, Canal+ Group became the first operator to broadcast a full program (Canal+) over DTT. On March 31, 2005, Canal+ began broadcasting unscrambled programs as part of the launch of free DTT services. Canal+ expects to introduce scrambled programs in accordance with the government s timetable for pay-TV via DTT.

Video On Demand (VOD)

On April 30, 2004, Canal+ Group acquired Moviesystem (renamed Canal+ Active), the leading developer and operator of video-on-demand services in France as well as in several other European countries.

StudioCanal

Through StudioCanal, Canal+ Group is also a major player in the production, co-production, acquisition and distribution of European and French films. StudioCanal has one of the largest film libraries in the world, with over 5,000 French, British and American feature film titles, including *Terminator 2*, *Basic Instinct, Cliffhanger, The Graduate, The Producers, The Third Man, Breathless, Chicken Run, Billy Elliot, Grand*

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Illusion, The Spanish Apartment (L Auberge espagnole), *The Pianist, Bridget Jones Diary* and *Bridget Jones: The Edge Of Reason*.

In December 2003, StudioCanal signed a four-year agreement with Universal Pictures with respect to Working Title, the British film studio that produced *Four Weddings and a Funeral, Notting Hill* and *Bridget Jones*. Under the terms of this agreement, StudioCanal will be the minority co-producer, with Universal Studios, of films produced by Working Title and the distributor of these films in French-speaking countries.

In 2004, StudioCanal co-produced five of the 11 French films that sold over 1.5 million box-office tickets in France, including Yann Moix s *Podium,* Olivier Dahan s *Les Rivières Pourpres 2*, and Valérie Guignabodet s *Mariages!*. StudioCanal acquired the French rights to Michael Moore s *Fahrenheit 9/11*, which was awarded the Palme d Or at the 2004 Cannes Film Festival, and co-produced Mike Leigh s *Vera Drake,* which won the Golden Lion and the Coppa Volpi for Best Actress at the Venice International Film Festival. In 2004, StudioCanal was once again the top seller of videos in France with its comedy DVDs, *De Caunes/ Garcia* and *L Intégrule 2*.

Other Activities

Cyfra+ (Poland)

In Poland, Canal+ Group is a significant pay-TV operator through the Canal+ premium channel and theme channels, as well as the Cyfra+ digital package. Cyfra+ offers 56 TV and radio channels, 51 of which are in Polish, as well as approximately 100 additional unscrambled channels accessible via satellite. Cyfra+ is the leading pay-TV package in Poland with approximately 700,000 subscribers. Canal+ Group directly holds 49% of Cyfra+ and controls Polcom, which in turn holds 26% of Cyfra+.

Paris Saint-Germain (PSG)

Canal+ Group has a 98.5% stake in PSG, a leading soccer club in France and the only French National League 1 soccer club in Paris. At the end of the 2004/2005 season, PSG ranked number 9 in the League 1 soccer championship.

Seasonality

Canal+ Group revenues are mainly derived from subscriptions which provide Canal+ Group s pay television activity with regular monthly revenues and good visibility in terms of income due to the duration of subscriber contracts. Canal+ Group is, therefore, less affected by seasonal variances other than with respect to new subscriptions, more than 50% of which are usually generated in the last quarter of each year.

Competition

Competition in the pay-TV sector remains largely national due to language and cultural factors specific to each country. In France, pay-TV has a penetration rate of nearly 37%, compared with 42% in the UK. Satellite TV dominates the French market and therefore cable TV s penetration is weak compared to North America and certain other European countries. Canal+ Group s main pay-TV competitors in France for the distribution of TV channels are TPS (which offers its package via satellite and ADSL) and cable operators. Since 2004, telecommunications providers have also developed television via ADSL offers (which include Canal+ Group channels). New participants are entering the pay-TV industry as digital technology (including DTT in several European countries) expands broadcasting options. The development of new distribution media also increases competition for premium channels such as Canal+, particularly with the release of certain films on DVD before they are broadcast on pay-TV channels.

Competition for theme channels is more international than in the traditional pay-TV sector. In a move initiated by US-based media companies and studios, labels are expanding internationally on the model of MTV and Disney Channel. In the film industry, StudioCanal s main competitors are other film studios from the US, Europe and France.

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We also face competition from piracy, which the Canal+ Group actively combats to protect its commercial interests as well as those of copyright owners. In December 2003, Canal+ Group implemented an over-encryption system for some of its signals that ended the piracy of its satellite broadcasts, which was particularly prevalent in North African countries. The latest version of the Mediaguard conditional access control software, used by CanalSatellite, Canal+ s digital offering and NC Numéricâble, was implemented in 2002. Canal+ Group is currently developing a new version of Mediaguard.

In order to fight piracy, Canal+ Group has created CK2 Security, a subsidiary dedicated to technological monitoring and research that employs approximately 15 people. Canal+ Group and CK2 are actively working on encryption security for the DTT system.

In an agreement signed in 2003, Canal+ Group renewed its relationship with Nagra+ as supplier of the conditional access system used for analog broadcasting of the Canal+ premium channel in France. This agreement allowed Canal+ Group to change all the analog keys in February 2005 to further enhance the security of the system.

In 2004, the Canal+ Group continued to seek legal remedies in criminal proceedings against pirates.

Regulatory Environment

Our broadcast operations are subject to national laws and regulations overseen by such authorities as France s CSA. These authorities generally grant broadcasting licenses for specific time periods. Canal+ Group owns 49% of Canal+ S.A., a company listed under Compartment B of Eurolist by Euronext Paris, which holds the broadcasting license to broadcast the Canal+ premium channel terrestrially, by satellite and by cable that was renewed in December 2000 for five years.

Under its broadcasting license in France, Canal+ S.A. is subject to the following requirements: (i) a single shareholder may not own more than 49% of its capital; (ii) 60% of the films broadcast by the channel must be European films; and (iii) 40% of the films broadcast must be French-language films. Canal+ is also required to invest 4.5% of its revenues in television productions such as made-for-TV movies and original drama.

In May 2004, Canal+ entered into a five-year agreement, which became effective on January 1, 2005, with organizations of the French film industry. Pursuant to the agreement, Canal+:

- gained more flexibility in the scheduling and programming of movies on the Canal+ channel and other Canal+ related channels;
- agreed to allocate 17% of its obligation to acquire French-language movies to films with a budget of 4 million or less as part of a more ambitious and diverse film acquisition policy;
- renewed its financial commitment to support all film industry segments and will continue to allocate at least 9% (up to 12.5% in certain circumstances) of its revenues to the acquisition of French-language films, as part of its obligation to devote 12% of its revenues to the acquisition of European movies; and
- agreed to continue to invest 80% of its French-language film obligation in films prior to the first day of filming.

Our operations are also subject to the French Electronic Communications and Audiovisual Communication Services Act of July 9, 2004, which amended the Audiovisual Communications Act of September 30, 1986 regarding freedom of communications. The new Act confirms and harmonizes the must carry system that requires distributors of services via cable, satellite, ADSL and other networks that do not use terrestrial frequencies assigned by the CSA to provide public access to unused frequencies and increases from five to seven the number of licenses a single person may hold, directly or indirectly, for national digital services broadcast terrestrially.

In October 2004, the French Administrative Supreme Court cancelled the DTT authorizations (for a discussion of DTT services see Digital Terrestrial Television (DTT) above) granted in June 2003 by the CSA to Canal+, i>Télé, Sport+, CinéCinéma Premier and Planète. Canal+ s DTT authorization was not

affected by this decision. In March 2005, Canal+ Group applied to the CSA for the allocation of six DTT channels in addition to the one already allocated to Canal+: i> Télé, as a free-access channel, and Canal+ Cinéma, Canal+ Sport, CinéCinéma Premier, Sport+ and Planète as pay-TV channels. In May 2005, the CSA allocated four DTT channel authorizations to Canal+ Group (out of the eight DTT channel authorizations that were allocated): i> Télé, as a free access channel, and Canal+ Cinéma, Canal+ Sport and Planète as pay-TV channels.

Our broadcast operations are also subject to European Union legislation such as the Television Without Frontiers directive and other directives with respect to intellectual property, e-commerce, data protection and telecommunications.

Research and Development

In 2004, as in 2003, the Canal+ Group did not incur significant research and development costs; most of its expenditure in 2002 (51 million) was related to Canal+ Technologies, a subsidiary which was divested in January 2003.

Raw Materials

Canal+ Group does not rely on raw materials in a material way. Raw materials are primarily comprised of celluloid for the production of films, polycarbonate for the production of DVDs, and paper for packaging. Canal+ Group s operations do not rely on raw materials which are subject to price fluctuations that could have a material impact on Canal+ Group s business.

Property, Plant and Equipment

Canal+ Group s main assets recorded as property, plant and equipment are: PVRs and set-top boxes (Pilotime, Mediasat, Syster), which are either lent or rented to subscribers; broadcasting related assets: including Canal+ s control room/ Playout, CanalSatellite s new broadcasting center, and NC Numéricâble s cable networks (divested in March 2005).

Universal Music Group

Our music business is operated through UMG, in which we hold a 92% interest. UMG is the largest recorded music company in the world in terms of revenues (according to management estimates for 2004 and the International Federation of the Phonographic Industry for 2003). In 2004, UMG held an estimated 24.7% of the global music market (according to management estimates). UMG acquires, manufactures, markets and distributes recorded music through a network of subsidiaries, joint ventures and licensees in 77 countries. UMG also manufactures, sells and distributes music video and DVD products, and licenses recordings. UMG participates in and encourages online electronic music distribution by making a significant amount of its content available online. UMG also invests resources through a variety of independent initiatives and strategic alliances in the technology and electronic commerce areas to allow the music business to be conducted over the Internet and over cellular, cable and satellite networks. UMG is not dependent on any single artist. UMG s top 15 album releases accounted for 13% of unit volume in 2004 (10% in 2003).

UMG is also active in the music publishing market. UMG acquires rights to musical compositions (as opposed to recordings) in order to license them for use in recordings and related uses, such as in films, advertisements or live performances. We believe that UMG is the number three global music publishing company with over one million owned or administered titles.

The key to UMG s success has been its ability to consistently identify, attract and retain successful artists and market them effectively. We believe this is primarily attributable to:

- The stability of the management team compared to UMG s major competitors, which allowed UMG to have a consistent strategy to respond effectively to industry and social trends and challenges;

UMG s size and strength in marketing and distribution, which builds on itself by attracting established artists;

UMG s large catalog of prior hit releases that provide a stable and profitable revenue stream, accounting for approximately 30% of sales, without significant additional investment;

UMG s diverse array of labels in the major markets and local representation across the globe complement each other through their focus on different genres, sub-genres and music segments, and thereby mitigate the effect of changes in consumer tastes; and

Multi-album and multi-year contracts, which secure long-term relationships with some of the most important artists and talent finders in the industry.

Recorded Music

UMG s recorded music business is the largest in the world with particularly strong positions in the important North American and European markets, which together account for nearly three quarters of global sales.

UMG s major recording labels include popular music labels Island Def Jam Music Group, Interscope A&M Records, Geffen Records, Lost Highway Records, MCA Nashville, Mercury Nashville, DreamWorks Nashville, Mercury Records, Polydor and Universal Motown Records Group; classical labels Decca, Deutsche Grammophon and Philips; and jazz labels Verve and Impulse! Records.

Best-selling albums in 2004 included new releases from Eminem, U2 and Nelly and carryover sales from 2003 releases from Black Eyed Peas, Hoobastank and greatest hits collections from Shania Twain, Guns N Roses and George Strait. Other major sellers were the debut releases from several new artists including Ashlee Simpson, Kanye West, JoJo and Lloyd Banks. In the UK, UMG enjoyed an exceptional year for breaking new artists with the debut releases from Scissor Sisters and Keane, also the best-selling titles in that market in 2004. Local artists continued to make a significant contribution to sales, and regional best-sellers included: Rammstein, Rosenstoltz, The Rasmus, Calogero and Michel Sardou (Europe); Hikaru Utada, Kou Shibasaki and Moriyama Naotaro (Japan); and Ivete Sangalo and Juanes (Latin America).

Sales from prior releases account for a significant and stable part of UMG s recorded music revenues each year. UMG owns the largest catalog of recorded music in the world, with performers from the US, the UK and around the world, including: ABBA, Louis Armstrong, Bee Gees, Chuck Berry, James Brown, The Carpenters, Eric Clapton, Patsy Cline, John Coltrane, Count Basie, Def Leppard, Dire Straits, Ella Fitzgerald, The Four Tops, Marvin Gaye, Johnny Hallyday, Jimi Hendrix, Billie Holiday, Buddy Holly, The Jackson Five, The Jam, Elton John, Herbert von Karajan, Kiss, Andrew Lloyd Webber, Lynyrd Skynyrd, The Mamas & the Papas, Bob Marley, Van Morrison, Nirvana, Luciano Pavarotti, Tom Petty, Edith Piaf, The Police, Smokey Robinson, The Rolling Stones, Diana Ross & The Supremes, Michel Sardou, Cat Stevens, Rod Stewart, Caetano Veloso, Muddy Waters, Barry White, Hank Williams and The Who.

UMG markets its recordings and artists through advertising and exposure in magazines, on radio and TV, via the Internet, and through other media and point-of-sale material. Public appearances and performances are also important elements in the marketing process. UMG coordinates television and radio appearances and may provide financing for concert tours by some artists. TV marketing of both specially compiled products and new albums is increasingly important. Marketing is carried out on a country-by-country basis, although global priorities and strategies for certain artists are determined centrally.

Following the sale in May 2005 of UMG s manufacturing and distribution facilities in the United States and Germany to Glenayre Technologies, the parent company of Entertainment Distribution Corporation (EDC), UMG has outsourced the bulk of its manufacturing and distribution requirements to third parties or joint ventures with other record companies. UMG retains distribution facilities in the U.K. and France.

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E-Commerce and Electronic Delivery

Legal digital distribution of music continued to boom in 2004, evolving into a significant revenue stream. Revenue growth was driven by several factors, including:

- growth of download offerings in the US;
- expansion of download offerings in Europe; and
- growth of mobile offerings in Europe, Asia and the US.

Retail sales of UMG s US digital downloads increased from approximately 14 million in 2003 to approximately 71 million in 2004. This growth was driven primarily by Apple s iTunes and other US digital download retailers, such as Napster, Real Networks and Musicmatch. Many US digital retailers launched in Europe in 2004, including iTunes and Napster, joining Europe s local competitors in growing the legal digital marketplace. The emergence of new competitors and the increased focus on the European download market led to strong growth in that market. Retail sales of UMG s European digital downloads increased from 500,000 in December 2003 to over 2 million in December 2004.

Mirroring the growth in music downloads, UMG sold over 10 million master ring tones in the US in 2004 (from 0 in 2003) and began selling ringback tones through one US carrier, with more carriers expected to rollout this product in 2005. In Asia and Europe, UMG s already established mobile business grew strongly, selling a range of digitized products including videos and images in addition to music.

In 2004, UMG maintained its leadership position in digital distribution, achieving an industry-leading market share of 32%, in the US, higher than our market share of 30% for retail distribution. UMG s market share in digital distribution is primarily due to the fact that UMG offers the largest digital distribution catalog, delivers new releases to digital retailers upon release and collaborates with digital retailers to promote its products. UMG continues to innovate by improving its download offerings with, among other enhancements, digital CD booklet artwork, more flexible pricing and promotional offerings.

In 2005, UMG anticipates continued strong growth in US and European download sales as key partners such as Microsoft and Napster begin to market their services more aggressively and as portable music players continue to proliferate. Mobile master ring tones, ring backs and other ancillary mobile products should continue to drive growth in mobile revenue in the US, Europe and Asia. Additionally, we expect that the music subscription market (currently less than 15% of US digital music revenue and insignificant in Europe) will benefit from new technology that enables rented downloads to be transferred to compatible portable devices.

Music Publishing

Music publishing involves the acquisition of rights to, and licensing of, musical compositions (as opposed to recordings). UMG enters into agreements with composers and authors of musical compositions for the purpose of acquiring an interest in the underlying copyright so that we may license the compositions for use in sound recordings, films, videos, commercials and by way of live performances and broadcasting. We also license compositions for use in printed sheet music and song folios. We generally seek to acquire rights, but also administer musical compositions on behalf of third-party owners such as other music publishers and composers and authors who have retained or re-acquired rights. In 2004, the copyrights related to the VUE film and television catalog were transferred to NBCU, as part of the NBC-Universal transaction. We simultaneously negotiated an agreement to continue to administer these rights.

UMG s publishing catalog includes more than one million titles that are owned or administered, including some of the world s most popular songs, such as American Pie , Strangers in the Night , Girl from Ipanema , Good Vibrations Want to Hold Your Hand , Candle in the Wind , I Will Survive and Sitting on the Dock of the Bay , among many other Among the significant artists and songwriters represented are ABBA, Avril Lavigne, 50-Cent, The Beach Boys, Mary J. Blige, Bon Jovi, The Corrs, Gloria Estefan, No Doubt, Prince, Michel Sardou, Paul Simon, Andre Rieu, Shania Twain, Andrew Lloyd Webber and U2. Legendary composers represented include Leonard Bernstein, Elton John and Bernie Taupin, and

Henry Mancini. Acquisitions in 2004 included the Trema (Art Music) catalog, as well as compositions by Mariah Carey, Diana Krall, Ludacris, Franz Ferdinand, BOSS (Joey Starr and Dadoo), Twista, The Killers, Dave Grohl (Foo Fighters) and Clarence Avant (Bill Withers).

Seasonality

Music sales are weighted towards the last quarter of the calendar year when approximately one-third of annual revenues are generated.

Competition

The profitability of a recorded music business depends on its ability to attract, develop and promote recording artists, the public acceptance of those artists and the recordings released in a particular period. UMG competes for creative talent both for new artists and those artists who have already established themselves through another label with the following major record companies: EMI, Sony BMG Entertainment and Warner Music Group. UMG also faces competition from independent labels that are frequently distributed by other major record companies. Although independent labels have a significant combined market share, no label on its own has influence over the market. Changes in market share are essentially a function of a company s artist roster and release schedules.

Sony BMG Entertainment was created in August 2004 when Sony Corporation and Bertelsmann AG combined their global recorded music businesses. The new company does not include the parent companies businesses in music publishing, physical distribution and manufacturing, or Sony Corporation s recorded music business in Japan, SMEJ.

The music industry also competes for consumer discretionary spending with other entertainment products such as video games and motion pictures. UMG is also facing intensified competition for shelf space in recent years due to the success of DVD videos and further consolidation in the retail sector in the US and in Europe.

Finally, the recorded music business continues to be adversely affected by pressed disc and CD-R piracy, home CD burning and illegal downloading from the Internet. According to the International Federation of the Phonographic Industry (IFPI), the worldwide music market for sales of physical formats decreased slightly by 1.3% in value and 0.4% in volume in 2004, and sales of pirated music amounted to $4.5 billion in 2003 (most recent available data) as compared to $4.6 billion in 2002 and $4.3 billion in 2001 (the slight decrease in pirated sales value is a result of the lower prices of pirated products). IFPI further estimates that sales of pirated products represented 15% of the world market of legal music sales in 2003, up from 11% in 1999, and that the global pirate market for recorded music totaled 1.7 billion units in 2003.

Online music services continue to be developed to offer consumers a viable, legal, copy-protected online source of music. The industry and UMG are increasing their anti-piracy activities with a multi-pronged approach focusing on legal action, including participating in industry legislative efforts, public relations and education, and technical countermeasures while offering consumers new products and services (for further information, see E-Commerce and Electronic Delivery above).

Regulatory Environment

UMG s businesses are subject to laws and regulations in each jurisdiction in which they operate. In the US, certain UMG companies entered into a Consent Decree in 2000 with the Federal Trade Commission under which they agreed for seven years not to make the receipt of any co-operative advertising funds for their pre-recorded music products contingent on the price or price level at which such product is advertised or promoted. Also in the US, a UMG company entered into a Consent Decree with the Federal Trade Commission in 2004 under which it agreed to comply with the provisions of the Children s Online Privacy Protection Act and to maintain records demonstrating compliance.

In Canada, in connection with Vivendi s purchase of Seagram, UMG is required to continue its investments in Canada s domestic music industry as part of an undertaking given to the Canadian Department of Heritage.

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Research and Development

UMG aims to pursue digital distribution opportunities and to protect its copyrights and the rights of its contracted artists from unauthorized digital or physical distribution. UMG has established eLabs, a business strategy and technology division, which supervises UMG s digitization and online distribution of content and negotiates agreements for selling that content through third parties. eLabs is actively engaged in various projects intended to open new distribution channels and improve existing ones. In addition, eLabs reviews and considers emerging technologies for application in UMG businesses, such as technological defenses against piracy and new physical formats such as DVD-Audio and HD DVD. Research and development costs incurred by UMG are immaterial.

Raw Materials

The raw materials utilized by UMG s businesses are polycarbonate, for the production of CDs, and paper for packaging. Fluctuations in the price of these raw materials would not have a material impact on UMG s business.

Property, Plant and Equipment

Following the sale in May 2005 of UMG s manufacturing and distribution facilities in the United States and Germany to Glenayre Technologies, the parent company of Entertainment Distribution Corporation (EDC), UMG has outsourced the bulk of such facilities to third parties or joint ventures with other record companies. UMG retains distribution facilities in the U.K. and France and the properties housing the manufacturing and distribution facilities in Germany sold to EDC. UMG generally leases office buildings although a small number are owned.

Vivendi Universal Games

Vivendi Universal Games (VU Games) is a global developer, publisher and distributor of multi-platform interactive games. VU Games development studios and publishing labels include Blizzard Entertainment, Radical Entertainment, Sierra Entertainment and Massive Entertainment. VU Games is a leader in the subscription-based Massively Multi-player Online (MMO) games category and also holds leading positions in the PC and console games markets.

VU Games library contains over 700 titles, many of which were developed in-house and for which VU Games holds the intellectual property rights, including *Warcraft, StarCraft, Diablo* and *World of Warcraft* from Blizzard; *Crash Bandicoot, Spyro, Empire Earth, Leisure Suit Larry, Ground Control* and *Tribes*. VU Games also maintains commercial relationships with strategic partners such as NBCU and Twentieth Century Fox. VU Games owns certain of the technologies used in its PC and console games and also maintains relationships with top-tier external developers. External developer relationships are generally based on long-term, multiple product contracts in order to leverage the developed technology in sequels and spin-offs. Typically, the developer owns the underlying technology that it brings at the beginning of the development process. By using existing technology, VU Games reduces technical risks at the beginning of a project.

In 2004, VU Games became the market leader in the subscription-based MMO games market with Blizzard Entertainment s *World of Warcraft,* which was launched in North America, Australia and New Zealand in November of that year. *World of Warcraft* became the largest MMO in North America during its first week of sales and was the region s fastest-growing MMO. The game was also launched in Korea in mid-January 2005 and became the most successful 100-day launch ever for an MMO role-playing game in the country. *World of Warcraft* was released in Europe in February 2005 and posted excellent first weekend sales and, as at March 2005, there were 500,000 active subscribers. As at June 2005, *World of Warcraft* had more than 2 million subscribers worldwide. The strong results of *World of Warcraft* are expected to have a positive impact on VU Games results in 2005.

VU Games strong performance in the PC games category was led by *Half-Life 2*, launched globally in November 2004, with an estimated 2.3 million units sold at retail as at April 2005. Other top-selling PC titles

in 2004 included *Counter-Strike: Condition Zero, The Chronicles of Riddick: Escape from Butcher Bay, Men of Valor* and *Tribes: Vengeance*.

In the console games market, VU Games publishes titles for Sony s Playstation 2, Microsoft s Xbox and Nintendo s GameCube. In 2004, VU Games best performers in this segment included titles based on content licensed from Universal Studios (*The Chronicles of Riddick: Escape from Butcher Bay* and *Van Helsing*), as well as proprietary games (*Crash Twinsanity, Spyro: A Hero s Tail* and *Leisure Suit Larry: Magna Cum Laude*). *The Simpsons: Hit & Run,* which was originally released by VU Games in 2003, continued to achieve strong sales in 2004.

VU Games 2005 release schedule includes a *World of Warcraft* launch in China and launches of console and PC titles, such as *50 Cent: Bulletproof, Robots, Empire Earth 2*, *F.E.A.R.*, *SWAT 4*, *Crash Bandicoot: Tag Team Racing* and *The Incredible Hulk: Ultimate Destruction*.

VU Games is also intensifying its development efforts for the next generation of consoles from Sony, Microsoft and Nintendo, which are expected to launch commercially in late 2005 or early 2006. VU Games expects to release its next-generation products in 2006. In preparation for the next generation consoles, VU Games entered into an exclusive development agreement with Vancouver-based Radical Entertainment. In March 2005, VU Games completed the acquisition of Radical Entertainment.

Seasonality

PC and console software sales are historically higher during the last quarter of the year. In 2005, VU Games plans to release PC and console games during all quarters to capture revenues throughout the entire year.

The MMO games business provides a consistent revenue stream throughout the year, as consumers are required to pay a monthly subscription fee in order to play games. The continuous revenue flow from *World of Warcraft* should reduce the seasonality of VU Games revenues.

Competition

VU Games main competitors are global publishers with products for multiple platforms and genres. The worldwide leader is Electronic Arts with an approximate 22% market share. The combined worldwide market share of the top ten game publishers is approximately 75%. VU Games is the ninth largest global publisher of interactive games, which comprises PC games and video game software. VU Games share of the European and US markets is approximately 4.7%.

VU Games is the second-largest publisher of PC game software in North America and Europe, with a market share of 12.6%. VU Games holds top market share positions in key regions: number two in the US and Germany, and number three in France, the UK and Spain (source: NPD Funworld, PC Data, Chart-Track, GFK. Data as of December 2004).

In the console and handheld games market, VU Games is the eleventh largest publisher in North America and Europe with a combined 3.7% market share. VU Games rankings in key markets are as follows: number 12 in the US, number 11 in Germany and France, number six in the UK and number eight in Spain. (Source: The NPD Group, Chart-Track, GFK. Data as of November 2004).

Piracy

Piracy is a serious concern for game publishers generally, and one that VU Games anti-piracy department combats directly (e.g., via investigation, litigation, and criminal referrals) and in collaboration with third parties such as other publishers and trade associations. The Interactive Software Federation of Europe estimates that the entertainment software industry lost 2.5 billion to piracy in 2003. The Entertainment Software Association reported that worldwide piracy cost publishers based in the US more than $3 billion last year. With the advent of file sharing software, large pirated games files, which previously were cumbersome to download, now proliferate over the Internet. VU Games continuously updates its internal

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security measures and copy protection technology in an effort to prevent and reduce the infringement of its intellectual property. VU Games has also pursued emerging business models, such as MMO role-playing games, which embrace the Internet while at the same time utilizing technology to prevent piracy. VU Games recent release of the Blizzard title, *World of Warcraft,* incorporated online CD-Key authentication for subscription-based play, which has greatly reduced traditional piracy levels. Significant recent international property rights enforcement victories for VU Games include prevailing in litigation against the architects of an unauthorized server project known as bnetd (which circumvented Blizzard s security protections) and, along with Atari, Inc. and Electronic Arts, Inc., against 321 Studios, Inc. which published software for illegally copying game software.

Regulatory Environment

VU Games voluntarily participates in self-regulatory ratings systems established by various industry organizations around the world. In the US, VU Games adheres to ratings, advertising guidelines and online privacy principles adopted by the Entertainment Software Association and the Entertainment Software Rating Board. Pursuant to these guidelines, VU Games displays on its product packaging and advertising the age group for which a particular product is intended and provides a brief description of the product s content. VU Games must also comply with advertising standards and privacy principles for on-line gaming.

In Europe and the Asia-Pacific region, VU Games complies with local legal requirements applicable to computer games and video games, as well as with local statutory rating systems.

MMO games, such as Blizzard s *World of Warcraft,* require the involvement of extensive teams to manage the game. VU Games and Blizzard have developed a specific training program for game masters who manage and monitor *World of Warcraft* players during online gameplay. In addition to providing online service and support, game masters regularly monitor chat rooms and the players online behavior; players who behave inappropriately are immediately expelled.

Research and Development

Research and development costs include development costs incurred prior to the technological feasibility study of a project. Research and development expenses were 158 million in 2004, 112 million in 2003 and 122 million in 2002.

Raw Materials

Raw materials do not constitute a significant amount in the total economics of a game. The raw materials utilized by VU Games are polycarbonate, for the production of CDs and DVDs, and paper for packaging. These raw materials are not subject to price fluctuations that could have a material impact on VU Games business.

Property, Plant and Equipment

In the US, VU Games operates an assembling and distribution facility which it leases in Fresno, CA; all property and equipment in the building are owned by VU Games. In Europe, VU Games uses external partners for manufacturing and physical distribution. VU Games leases its offices (major offices are located in Los Angeles, CA, Irvine, CA, Seoul, South Korea, and Vélizy, France).

Telecommunications

SFR Cegetel Group

The SFR Cegetel Group is the second-largest mobile and fixed-line telecommunications operator in France with approximately 18 million customers at December 31, 2004, an 8% increase as compared to 2003 on a comparable basis. The SFR Cegetel Group is the only private telecommunications operator in France operating in both the mobile and fixed telephony sectors.

The SFR Cegetel Group operates in the mobile telephony sector through SFR, in which Vivendi Universal holds 55.8% of the share capital (the remaining 43.9% and 0.3% of SFR s share capital are held by Vodafone and individual shareholders, respectively) and in the fixed telephony sector (voice, data transmission and Internet) through Cegetel, a 65%-owned subsidiary of SFR. The SFR Cegetel Group s customer base includes residential, professional and corporate customers, as well as operators and Internet service providers. The infrastructure of SFR Cegetel s network as well as the handsets and SIM cards which its sells to its clients are purchased from different sources.

In May 2005, Cegetel and French fixed-line and Internet service provider, Neuf Telecom, announced their merger plan to set up a new group called Neuf Cegetel that would become the largest alternative fixed telecommunications operator in France. This merger plan is subject to approval from personnel representatives of both Cegetel and Neuf Telecom, and from competition and regulatory authorities. Upon completion of the merger the two reference shareholders of the new Neuf Cegetel, SFR and Louis Dreyfus S.A.S., will have an equal stake of 28% each. The remaining 44% will be held by current shareholders of Neuf Telecom.

Mobile Telephony

SFR offers mobile telephony services both on a subscription (post-paid) and a prepaid basis, with or without handsets, for residential, professional and corporate customers in mainland France and in the French overseas territories, Réunion and Mayotte, through its wholly-owned affiliate *Société Réunionnaise du Radiotéléphone* (SRR). As at December 31, 2004, SFR (including SRR) had 15.82 million customers, representing 35.5% of the total mobile telephony market in France as compared to 35.3% in 2003 and 35.1% in 2002 (source: French telecommunications regulatory authority (ARCEP formerly ART)). In 2004, SFR s customer base increased by almost 1.1 million, from 14.72 million to 15.82 million, a 7% increase. In 2004, for the second year in a row, SFR held the highest market share by net sales (38.2%) in France according to the ARCEP. In 2004, SFR s average revenue per user (ARPU) reached 432, a 2% increase as compared to 2003 on a comparable basis.

In 2004, SFR strengthened its position in mobile multimedia services by becoming the first operator to offer third-generation (3G or UMTS-Universal Mobile Telecommunications System) services in France for the corporate market in June and the consumer market in early November. The success of the Vodafone *live!* mobile multimedia services portal continued in 2004 with more than 2.2 million customers at the end of 2004. This success contributed to a sharp increase in data services usage with more than 4.5 billion text messages (SMS) and 37 million multimedia messages (MMS) sent by SFR customers in 2004, against 3.4 billion and 6 million, respectively, in 2003.

Network

SFR s mobile services operate through a GSM (Global System for Mobile Communication) license the international standard for mobile communications and the dominant digital standard in Europe or through a UMTS license. SFR s GSM network covers 98% of the French population and its GSM/ GPRS (General Packet Radio Service) network covers 87% of France s territory. At the end of 2004, the UMTS network covered 38% of the French population, and 64 of the 104 French cities with more than 50,000 inhabitants. UMTS coverage in 2005 should reach 58% of the French population as a result of a significant capital expenditure program in 2005.

SFR has signed roaming agreements covering over 170 countries for GSM/ GPRS and 12 countries for UMTS.

SFR s GSM license was renewed by the French government for a further 15 years from March 25, 2006 for an annual fee of 25 million and 1% of SFR s turnover generated by the GSM network.

In 2001, SFR was granted a UMTS license by the French government for a period of 20 years (2001-2021) in return for a one-time payment of 619 million and an annual fee equal to 1% of SFR s future turnover generated by the UMTS network. The UMTS system is a third-generation mobile radio system which generates additional capacity, enables broadband media applications and high-speed Internet access.

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SFR will continue to invest in the development of its UMTS network in the coming years. Through its partnership with Vodafone, SFR will benefit from the experience of other European operators.

SFR s network was ranked first or first ex-aequo for quality on 53 out of the 57 criteria used by the ARCEP in its annual audit on the quality of mobile networks. SFR continues to invest in its GSM/ GPRS network in order to maintain a high quality of service and to increase the capacity of the network. At the end of 2004, SFR s mobile network comprised 14,680 GSM/ GPRS sites in mainland France.

Fixed Telephony, Data and Internet

The fixed telephony, data and Internet businesses are operated through Cegetel S.A.S., which was created as a result of the merger of Cegetel and Télécom Développement in December 2003. Cegetel is the second largest fixed telecommunications operator in France, with 1.7 million active residential customers, and more than 25,000 corporate customers at the end of 2004.

In March 2004, Cegetel launched its high-speed Internet access offer for residential and professional customers. At the end of 2004, Cegetel had 699,000 DSL customer lines, including 244,000 retail customer lines.

Cegetel also simplified its telecommunications offerings with the introduction of single rates for local and domestic calls and calls from fixed-line phones to mobile phones on all mobile phone networks.

In October 2004, Cegetel was awarded the largest contract in its history, with EDF-GDF (the French national gas and electricity provider). At the end of 2004, Cegetel had over 27,300 customer sites, a 34% increase as compared to 2003.

In 2004, Cegetel launched packages combining high-speed Internet access and unlimited domestic phone communications, WiFi packages, the first ADSL packages in France offering download speeds of up to four megabytes, and ADSL packages offering download speeds of up to eight megabytes.

Cegetel s fixed telephony network, which comprises 22,918 kilometers of fiber optic cable, is the most extensive private telecommunications network infrastructure in France. The network carried more than 42 billion minutes in 2004, a 5% increase as compared to 2003.

In 2004, one of Cegetel s priorities was to develop a broadband Internet network, with the investment of 150 million in unbundling and the installation of 600 DSLAM (Digital Subscriber Line Access Multiplexer). This equipment was installed in record time, which enabled Cegetel to be the provider (at benchmark quality) of more than 21% of the unbundled ADSL lines in France at the end of 2004. Using the latest technology, Cegetel s DSL platform is modular and compatible with the most advanced DSL features (video on ADSL, ADSL 2+). As a result, the Internet access services currently offered will be supplemented with IP telephony and TV/video on ADSL from 2005.

Seasonality

The SFR Cegetel Group s sales (acquisition of new customers) are generally higher at year end, particularly for mobile activity.

Competition

The SFR Cegetel Group faces strong competition in both the mobile and fixed telephony markets.

SFR s principal competitors are Orange France (a subsidiary of France Telecom, France s incumbent operator) and Bouygues Telecom. According to the ARCEP, the penetration rate of mobile telephony increased by 4.8 percentage points in 2004 to reach 73.9% at year-end as compared to 69.1% at the end of 2003. According to the ARCEP, at the end of 2004, the market share of Orange France and Bouygues Telecom was 47.7% and 16.8%, respectively, and 35.5% for SFR. In the UMTS market, SFR faces competition from Orange France, which launched its UMTS services on December 6, 2004, and Bouygues

Telecom, which indicated that it will launch UMTS services in 2007. In December 2001, the French government offered to grant a fourth UMTS license; there has been no candidate for this license to date.

In June 2004, SFR signed the first MVNO (Mobile Virtual Network Operator) agreement in France with Debitel. Under the terms of this agreement, Debitel can offer a mobile telephony service under its own brand and to its own customers using the resources of SFR s network. This agreement currently covers GSM services only; however, it will be extended to UMTS services during 2005. SFR also signed MVNO agreements with NRJ Mobile in February 2005 for the consumer market and, for the professional market, with Futur Telecom in February 2005, as well as Cegetel and Neuf Telecom in March 2005. Orange France has signed a similar agreement with The Phone House (a French mobile telephony retail outlet), which has set up Breizh Mobile for this purpose.

In the fixed-line telephony and broadband Internet market, Cegetel s main competitors are, in addition to France Telecom and its Internet access subsidiary Wanadoo, Tele2, Neuf Telecom, Free (Groupe Iliad), Completel, AOL, Club Internet and Tiscali. The SFR Cegetel Group also faces indirect competition from the providers of other telecommunications services in France.

Competitive pressures have led to a decrease in rates and an increase in customer retention costs as operators seek to control customer churn rates.

Regulatory Environment

Our telecommunications operations are subject to national laws and regulations overseen by such authorities as France s ARCEP. Since 2004, new telecommunications operators are not required to hold a license to operate a fixed or mobile telecommunications network in France; they must, however, make a declaration to the ARCEP. This sector remains heavily regulated. SFR s GSM license was renewed by the French government for a further 15 years from March 25, 2006 for an annual fee of 25 million and 1% of SFR s turnover generated by the GSM network.

In 2004, a series of European directives known as the Telecoms Package were transposed into French law to encourage competition within the French telecommunications market. As a result, the ARCEP will study 18 different markets identified as relevant by the European Commission and in each case, the ARCEP must, on the basis of the position of the participants in such markets, determine if it is appropriate to allow the normal rules of competition to prevail or if the regulator needs to intervene and impose specific measures designed to re-establish a competitive balance. The ARCEP may notify European Community authorities of its intention to define additional relevant markets in France if it deems this is necessary. These provisions apply to both fixed and mobile telecommunications operators.

The sector-specific measures that the regulator can adopt in the relevant markets include: obligation to provide access, pricing controls (including wholesale cost pricing) and accounting separation. These measures could enhance the development of virtual operators (MVNO) in the mobile telephony market or force France Telecom to offer wholesale resale of telephone services to its competitors.

Within this new regulatory framework, the ARCEP has been granted wider powers and is responsible for studying the competitive conditions within each relevant market. It is responsible for allocating frequencies and phone numbers and is also authorized to settle disputes relating to interconnection and access.

In July 2003, the French government, the association of French mayors (*Association des Maires de France*), the Association of French departments, the ARCEP and the three French mobile telecommunications operators launched a two-phase program to extend mobile services to 3,000 cities which do not have access to mobile services by 2007 (so called white zones). The second phase of this program, which is entirely financed by the mobile operators, was launched in July 2004 and aims to cover approximately 1,200 cities.

SFR complies with the regulations (Decree of May 3, 2002) concerning the limitation of public exposure to electromagnetic fields and endeavors to keep the public, local authorities and its landlords informed about the latest developments and regulations on this issue. SFR has also taken an active part in the work of the

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French mobile operators association (*Association Française des Opérateurs Mobiles* AFOM) in order to enhance the dialog and transparency on this issue. In April 2004, AFOM and the association of French mayors agreed to a best practices guide for the installation of mobile phone masts, which anticipated most of the requirements of the July 2004 law on public health.

The rapid growth of mobile telephony in recent years has led to an international debate on the potential health risks caused by electromagnetic waves. At the end of 2000, SFR set up a dedicated management team, as well as a team of scientific advisers including an epidemiologist and a sociologist, in order to monitor research on this issue, understand the expectations of the various interested parties and take appropriate measures if necessary.

Both within France and outside of France, expert opinion is generally of the view that mobile phone masts do not pose a health risk. The latest report published by the French environmental health agency, the *Agence Française de Sécurité Sanitaire Environnementale* in April 2003, which is due to be updated in 2005, concluded that the waves emitted by base stations do not have an adverse effect on health .

Similarly, scientific research carried out on mobile phones over the last decade has not shown any risk to the health of users. Certain results have, however, raised questions which merit further investigation, and research in this field is still on-going. In particular, the International Cancer Research Center, authorized by the World Health Organization, conducted a large-scale epidemiological study, the conclusions of which are expected to be published in 2005. SFR, in association with the French Ministry for Research and other companies, created a foundation to study radio frequencies and health in January 2005.

Research and Development

The SFR Cegetel Group s research and development effort focuses on standard components and the development of next-generation technologies. The SFR Cegetel Group s research and development costs totaled 37 million in 2004, as compared to 58 million in 2003 and 59 million in 2002.

Raw Materials

As a service operator, the SFR Cegetel Group s operations do not rely on raw materials.

Property, Plant and Equipment

SFR and Cegetel own the telecommunications equipment which is used to operate their networks. This equipment is either located in premises rented from third parties (principally through long-term lease agreements) or owned by the SFR Cegetel Group itself. In some cases equipment is located in premises shared with other telecommunications operators. Most of the administrative buildings are rented. The SFR Cegetel Group uses external partners for the storage and distribution of its products such as mobile handsets or modems.

Maroc Telecom

Maroc Telecom was created in 1998 following its spin-off from the *Office National des Postes et Télécommunications* (the Moroccan National Postal and Telecommunications Office). Maroc Telecom is Morocco s leading telecommunications operator in both the fixed-line and the fast-growing mobile business. Maroc Telecom also controls 51% of Mauritel, the national telecommunications operator in Mauritania, together with a group of local investors.

Vivendi Universal became the Kingdom of Morocco s strategic partner in Maroc Telecom after acquiring a 35% equity interest in Maroc Telecom in 2001 following an auction process organized by the Moroccan government. Pursuant to a shareholders agreement entered into at the time of the acquisition of the 35% interest, Vivendi Universal controlled Maroc Telecom. The Moroccan government continued the process of privatizing Maroc Telecom by selling us 16% of Maroc Telecom s capital in November 2004 (this transaction closed in January 2005) and by conducting an equity offering of 14.9% of Maroc Telecom s share capital in December 2004 (which led to the simultaneous listing of Maroc Telecom on the Casablanca and Paris stock

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exchanges). As a result of these transactions, Vivendi Universal now holds 51% of Maroc Telecom s share capital and the remaining 34.1% and 14.9% of Maroc Telecom s share capital are held by the Kingdom of Morocco and the public, respectively.

Mobile Telephony

The Moroccan mobile telecommunications market grew significantly as a result of the introduction of prepaid offers in 1999 and the liberalization of this sector in 2000.

At the end of 2004, the penetration rate of mobile telephony was 31.2% and Maroc Telecom held a 67.5% market share (source: *Agence Nationale de Réglementation des Télécommunications* National Telecommunications Regulation Agency (ANRT)). In 2004, Maroc Telecom s mobile customer base increased by more than 1.1 million, up 22%, to reach nearly 6.4 million customers, 96% of which were prepaid.

During 2004, Maroc Telecom continued to improve its commercial offer and introduced new services, a more comprehensive handset range, increased its plan offerings with capped-fee plans and continued the development of its loyalty program.

The churn rate, which has been declining steadily for the past three years, was 15.6% at the end of 2004 for post-paid customers compared to 20% at the end of 2003. The churn rate of prepaid customers was 11.4% at the end of 2004, compared to 12% at the end of 2003.

The policy to develop the pre-paid customer base, combined with increased prepaid customer usage, contributed to the slight increase in ARPU, which reached MAD 123 in 2004 (11.04), compared to MAD 122 (10.95) in 2003.

Maroc Telecom remains the benchmark for the SMS and MMS market in Morocco and, until October 2004, was the only operator to offer MMS and GPRS services. In 2004, Maroc Telecom maintained its leadership by offering MMS roaming to its prepaid customers and GPRS roaming to postpaid customers.

Fixed-line Telephony, Data and Internet

Maroc Telecom is the sole holder of a fixed-line telephony license and is the leading data provider in Morocco.

The principal fixed-line telecommunications services provided by Maroc Telecom are:

- telephony services;
- interconnection services with national and international operators;
- data transmission services to professional markets and to Internet service providers, as well as to other telecoms operators; and
- Internet services which include Internet access services and related services such as hosting.

After declining for three years, the number of fixed lines increased in 2003, driven by the growth of residential and public telephony. This trend continued in 2004 with a total of more than 1.3 million customers at December 31, 2004, up 7% as compared to 2003.

The residential customer base was nearly 890,000 lines at the end of 2004, a 2% increase over 2003. The growth of this segment since 2003 is primarily due to the success of a new line of products, under the El Manzil brand, which includes calling plans, packages and capped-fee plans with refill options.

The number of professional and corporate users reached 283,000 at the end of 2004, representing an 11% increase as compared to 2003.

Public telephony is comprised of a network of public booths and an extensive network of phone shops, which are managed by private entrepreneurs who lease, on average, four lines per shop. Phone shops generate a revenue equal to the difference between the retail price (determined by Maroc Telecom) and the rate charged by Maroc Telecom. This activity grew significantly in 2004, largely as a result of the termination in

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October 2004 of the chaining requirement imposing a minimum distance of 200 meters between phone shops. The termination of the chaining requirement enabled a more concentrated phone shop network. The number of lines reached 136,000, a 48% increase as compared to 2003.

Maroc Telecom provides companies with data transmission solutions including X25, Frame relay, digital and analog lease lines, and IP VPN links.

Maroc Telecom s Internet offer consists of Internet access packages under the Menara brand provided to residential and professional customers. The launch of ADSL services in October 2003 has helped to increase Maroc Telecom s Internet customer base. At year-end 2004, Maroc Telecom had nearly 105,000 subscribers to its Internet access services, more than 57% of whom were ADSL subscribers.

Distribution

Maroc Telecom has an extensive distribution network with a direct and indirect network comprising nearly 30,000 points-of-sale and subject to distribution agreements with local resellers or with national retailers.

At December 31, 2004, the various distribution channels were as follows:

- the direct network, composed of 269 sales agencies;
- the local indirect network, comprised of independent shops subject to exclusive agreements, which are managed by the closest Maroc Telecom commercial agency. A significant part of these resellers also have a phone shop;
- an independent local network, primarily dedicated to mobile telephony, managed by GSM Al Maghrib, a company in which Maroc Telecom has held a 35% stake since July 2003; and
- retailers with nationwide networks whose main business is not in telecommunications (supermarkets, newspaper and magazine retailers, tobacco shops or Moroccan post offices).

Network

Maroc Telecom s fixed-telephony and data transmission network has a switching capacity of nearly 1.9 million lines and provides national coverage, as a result of its focus on servicing newly created urban residential areas.

Maroc Telecom manages a fully digitized network as well as a fiber optic interurban transmission infrastructure capable of carrying data at high speed. The international Internet bandwidth has been gradually extended to reach 1,395 Mbits/s.

In mobile telephony, Maroc Telecom has focused on growing both population and geographic coverage. At year-end 2004, Maroc Telecom had nearly 3,750 GSM sites (compared to 3,300 in 2003 and 600 in 1999). Maroc Telecom covers 97% of the Moroccan population. At December 31, 2004, Maroc Telecom had entered into a total of 327 roaming agreements (more than 275 of which are operational) with operators in 184 countries.

Mauritel Group

Maroc Telecom holds 80% of the share capital of Compagnie Mauritanienne de Communications (CMC), which in turn holds 51% of the share capital of Mauritel SA. The remaining 20% of the share capital of CMC is held by Mauritanian investors.

The Mauritel Group is comprised of Mauritel SA, the only fixed-line telephony operator in Mauritania, which provides both fixed-line telephony (voice and data) and Internet access services and Mauritel SA s wholly-owned subsidiary Mauritel Mobiles, the leading mobile phone operator in Mauritania with an estimated 70% percent market share. At the end of 2004, Mauritel had approximately 39,000 fixed lines (a 1% penetration rate) and Mauritel Mobiles had 330,000 clients (a 15% penetration rate).

Seasonality

Maroc Telecom s revenues in mobile and public telephony traditionally increase in July and August, with the return of Moroccans residing abroad, and in the two-week period preceding Aïd El Adha (which was on the second day of February in 2004), while the month of Ramadan (from mid-October to mid-November in 2004) is a low point in consumption for both fixed-line and mobile telephony.

Competition

Twelve telecommunications operator licenses have been allocated in Morocco: a public fixed telecommunications network operator license (Maroc Telecom), two GSM operator licenses (Maroc Telecom and Médi Télécom (Méditel)), four licenses for GMPCS-type satellite telecommunications networks, three licenses for operators of VSAT type satellite-based telecommunications networks and two licenses for operators of shared resources radio electric networks.

Third generation (UMTS) licenses will be granted in 2005 and a third GSM mobile license could be allocated by 2007.

Fixed-line Telephony

After an unsuccessful invitation to tender for the allocation of a second fixed-line telephony license in 2002, the ANRT launched in February 2005 an invitation to tender for the allocation in June 2005 of new licenses for the local loop, national transmission and international gateway and transit.

Maroc Telecom has a monopoly on the fixed-line telephony market with the exception of the public telephone market segment (where operators use GSM or satellite technologies to compete against each other in fixed-line services) and the professional segment (via the use of GSM gateways).

In the public telephony market, competition started in 2004 with Méditel, which opened phone shops using GSM technology in spring 2004, and Globalstar, which opened phone shops using satellite technology. Thuraya, another operator, announced in September 2004 that it would shortly enter this market as a result of a partnership agreement with Quickphone, a Moroccan company. At year end 2004, Maroc Telecom s market share in the public telephony market was estimated at approximately 94% of the number of lines.

Méditel, through the installation of GSM gateways known as Link Optimization Box (LO Box), entered the professional fixed-line market. The installation of this equipment for outgoing PABX lines facilitates the transformation of fixed-to-mobile traffic into mobile-to-mobile traffic without using Maroc Telecom s fixed-line network.

Competition in data transmission services is relatively limited. Maroc Telecom s main competitors include Internet service providers (ISPs), satellite operators and Equant, an international operator.

Mobile

Maroc Telecom s competitor in this segment is Méditel, a mobile license holder since August 1999. The majority shareholders in Méditel are Telefonica and Portugal Telecom, each with 32.18% of the share capital, and a group of Moroccan investors led by *Banque Marocaine du Commerce Extérieur*.

At December 31, 2004, Maroc Telecom held 67.5% of the mobile market (source: ANRT).

Internet

Maroc Telecom holds a 90% market share of the Internet market, excluding subscription-free services (source: ANRT) and its competitors include Maroc Connect, distributor of the Wanadoo brand, with an estimated market share below 10%, as well as other ISPs.

Maroc Telecom has a 95% market share in the high-growth ADSL market (source: ANRT).

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Regulatory Environment

The Kingdom of Morocco created the ANRT, a telecommunications regulatory authority, which is in charge of liberalizing and regulating the telecommunications market in Morocco and manages the liberalization and privatization program of the telecommunications market advocated by the World Bank. Maroc Telecom fulfills its obligations as a fixed-line operator by providing universal service.

In 2004, the Government of the Kingdom of Morocco re-launched the liberalization process in the telecommunications sector by amending and supplementing the Post and Telecommunications Act of August 7, 1997 with Moroccan Law 55-01, which institutes a more gradual sanction system based on fines, relieves the operators of some obligations related to universal service and land development, and authorizes the use of alternative infrastructures, and by publishing a policy paper for the liberalization of the sector for the 2004-2008 period.

In February 2005, the ANRT launched an invitation to tender for the allocation of additional fixed-line telephony licenses for local loop, national transmission and international gateway and transit in June 2005.

Research and Development

Maroc Telecom s research and development activities focus on the introduction of new Maroc Telecom products and/or services or the transformations or improvements to existing Maroc Telecom products. Maroc Telecom s research and development expenses were immaterial in 2004, and were approximately 2 million in 2003 and 2002.

Raw Materials

As a service operator, Maroc Telecom s operations do not rely on raw materials.

Property, Plant and Equipment

For the development of its networks and commercial, support and administrative functions, Maroc Telecom has approximately 4,500 sites (buildings, land, etc.), throughout Morocco, including 3,350 leased locations and 1,150 owned locations.

Most of the 1,150 owned sites previously belonged to the Kingdom of Morocco, and were transferred to Maroc Telecom at the time of its incorporation in 1998 as an in-kind contribution in accordance with Act 24-96. However, at that time, title deeds were not available due to delays in proceedings with the Land Registry. Maroc Telecom is currently regularizing these deeds in order to gain formal legal title to these properties. This process is expected to be completed by the end of the second half of 2006. This timetable is for information only as the regularization of such properties is dependent, in particular, on the duration of governmental proceedings. There have been no difficulties with respect to the regularization of these titles to date. The costs connected with such actions are not deemed significant.

Other

NBC Universal

In May 2004, Vivendi Universal completed the combination of the businesses of NBC with those of VUE and certain related assets to create one of the world s leading media companies, NBC Universal (NBCU). Vivendi Universal holds approximately 20% of NBCU.

NBCU is primarily engaged in the broadcast of network television services to affiliated television stations within the US, including:

- the production of live and recorded television programs;
- the production and distribution of motion pictures;

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the operation, under licenses from the Federal Communications Commission (FCC), of television broadcasting stations;

the ownership of several cable/satellite networks around the world;

the operation of theme parks; and

investment and programming activities in multimedia and the Internet.

The NBC television network is one of four major US commercial broadcast television networks and serves more than 230 affiliated stations in the US. NBC owns and operates Telemundo, a leading US Spanish-language commercial broadcast television network.

At December 31, 2004, NBC owned and/or operated 29 VHF and UHF television stations including those located in Birmingham, Alabama; Los Angeles, California; San Diego, California; Hartford, Connecticut; Miami, Florida; Chicago, Illinois; New York, New York; Raleigh-Durham, North Carolina; Columbus, Ohio; Philadelphia, Pennsylvania; Providence, Rhode Island; Dallas, Texas; and Washington, DC. Broadcasting operations of the NBC Television Network, the Telemundo network, and the company s owned stations are subject to FCC regulation.

NBCU operations also include investment and programming activities in cable television, principally through USA Network, Bravo, CNBC, SCI FI Channel, MSNBC, CNBC Europe, CNBC Asia Pacific, and entertainment channels across Europe and Latin America. NBCU has equity investments in Arts and Entertainment, The History Channel, the Sundance Channel, ValueVision Media, Inc., and a non-voting interest in Paxson Communications Corporation. Through a strategic alliance with Dow Jones, NBCU operates CNBC Europe and CNBC Asia Pacific using the European and Asian business news resources of Dow Jones, and uses Dow Jones editorial resources in the US. NBCU has secured exclusive television rights to the Olympic Games through 2012.

Veolia Environnement

Until June 2002, we held approximately 63% of the share capital of VE, a global environmental services company. We gradually reduced our share capital in VE to 40.8% in July 2002, 20.2% in December 2002, and 5.3% in December 2004. For further information on the December 2004 transaction, see 2004 Developments .

Vivendi Telecom International (VTI)

Vivendi Telecom International operated our fixed and mobile telecommunications businesses outside of France and Morocco.

Kenya. In May 2004, Vivendi Universal sold its 60% stake in Kencell, Kenya s No. 2 mobile phone operator, for a cash amount of $230 million (90 million). The stake was sold to Sameer Group, the owner of the remaining 40% stake, after it exercised its pre-emptive rights.

Monaco. On June 18, 2004, Vivendi Universal sold its 55% stake in Monaco Telecom to Cable & Wireless for a total consideration of 169 million in cash (including a 7 million dividend distribution).

For further information about VTI s operations in 2003 and 2002, see 2003 Developments and 2002 Developments .

Elektrim Telekomunikacja

Vivendi Universal holds 49% of Elektrim Telekomunikacja, a major participant player in the Polish telecommunications market. For further information on Elektrim see 2004 Developments and Item 8 Financial Information Litigation .

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Publishing Operations

In February 2004, we completed the divestiture of our remaining publishing operations through the sale of our interest in Atica & Scipione (publishing operations in Brazil) for a total consideration of 1 million.

Vivendi Universal Net (VU Net)

Our Internet and new technology operations were held by VU Net, a wholly-owned subsidiary of Vivendi Universal, and its subsidiary, Vivendi Universal Net USA Group, Inc. (VU Net USA). In 2002, we carried out a strategic review of Internet operations, which led to a comprehensive restructuring in 2003 through cost-reduction programs, asset sales, transfers of certain operations to other Vivendi Universal entities and the wind-up of certain subsidiaries. As a result, VU Net and VU Net USA were no longer operating subsidiaries of Vivendi Universal as of January 2004. The restructuring was completed in 2004.

Public Takeover Offers

To our knowledge, we have not been the target of any public takeover offer by third parties in respect of our shares during the last or current fiscal year. Moreover, we have not sought to acquire another company in a public takeover except as might be disclosed in this document or in last year s annual report on Form 20-F.

Organizational Structure

The following table sets forth the subsidiaries through which we conducted the majority of our operations as of December 31, 2004 (subsidiaries are indented following their respective parent companies).

		2004				2003			
	Country of Incorporation	Accounting Method	Voting Interest	Ownership Interest		Accounting Method	Voting Interest	Ownership Interest	
				direct	indirect			direct	indirect
Canal+ Group									
Groupe Canal+ S.A.	France	C	100%	100%		C	100%	100%	
Canal+ S.A.(a)	France	C	49%		49%	C	49%		49%
CanalSatellite S.A.	France	C	66%		66%	C	66%		66%
StudioCanal S.A.	France	C	100%		100%	C	100%		100%
MultiThématiques(b)	France	C	70%		70%	C	64%		64%
Universal Music Group									
Universal Studios Holding I Corp.	USA	C	92%	92%		C	92%	92%	
Universal International Music B.V.	Netherlands	C	100%		92%	C	100%		92%
Universal Music (UK) Holdings Ltd.	UK	C	100%		92%	C	100%		92%
Universal Entertainment GmbH	Germany	C	100%		92%	C	100%		92%
Universal Music K.K.	Japan	C	100%		92%	C	100%		92%
Universal Music France S.A.S.	France	C	100%		92%	C	100%		92%
Universal Music Group, Inc.	USA	C	100%		92%	C	100%		92%
UMG Recordings, Inc.	USA	C	100%		92%	C	100%		92%
Vivendi Universal Games	USA	C	100%		99%	C	100%		99%
SFR Cegetel Group									
SFR(c)	France	C	56%	56%		C	56%	56%	
Cegetel S.A.S.(d)	France	C	65%		36%	C	65%		36%

Maroc Telecom S.A.(e)	Morocco	C	51%		35%	C	51%		35%
Mauritel(f)	Mauritania	C	51%		14%				
Vivendi Universal Entertainment/ NBC Universal									
Universal Studios Holding I Corp.	USA	C	92%	92%		C	92%	92%	
Vivendi Universal Entertainment LLLP(g)	USA					C	93%		86%
NBC Universal	USA	E	20%		18%				

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		2004				2003			
	Country of Incorporation	Accounting Method	Voting Interest	Ownership Interest		Accounting Method	Voting Interest	Ownership Interest	
				direct	indirect			direct	indirect
Other									
Vivendi Telecom International S.A.	France	C	100%	100%		C	100%	100%	
Kencell S.A.(g)	Kenya					C	60%		60%
Monaco Télécom S.A.M.(g)	Monaco					C	55%		55%
Elektrim Telekomunikacja(h)	Poland	E	49%		49%	E	49%		49%
Vivendi Universal Publishing S.A.	France	C	100%	100%		C	100%	100%	
Atica & Scipione(g)	Brazil					C	98%		49%
Vivendi Universal Net(i)	France					C	100%	100%	
UGC	France	E	38%	38%		E	38%	38%	
Veolia Environnement S.A.(g)	France					E	20%	20%	

C: Consolidated; E: Equity.

(a) Consolidated because Vivendi Universal (i) 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 Universal and (iii) it assumes the majority of risks and benefits pursuant to an agreement between Canal+ S.A. and Canal+ Distribution, a wholly owned subsidiary of Vivendi Universal. Under the terms of this agreement, Canal+ Distribution guarantees Canal+ S.A. results in return for exclusive commercial rights to the Canal+ S.A. subscriber base.

(b) In February 2005, Canal+ Group and Lagardère Group ended their participation in MultiThématiques (that is now owned 100% by Canal Group) and Lagardère Thématiques.

(c) SFR is owned 55.8% by Vivendi Universal, 43.9% by Vodafone, and 0.3% by individual shareholders. Under the terms of the shareholders agreement, Vivendi Universal has management control of SFR, majority control over the board of directors and appoints the chairman and CEO, majority control over the shareholders general meeting, 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 Universal.

(d) In December 2003, Cegetel S.A. and Telecom Développement (a network operator, and subsidiary of SNCF) were merged into a new entity named Cegetel S.A.S. The capital of this company is owned 65% by SFR and 35% by SNCF. In May 2005, Cegetel and Neuf Telecom announced their merger plan to form Neuf Cegetel, which will be 28% owned by SFR (corresponding to a 15.62% interest for Vivendi Universal through its 55.8% ownership in SFR) and equity-accounted. This transaction is subject to approval from personnel representatives of both Neuf Telecom and Cegetel and from competition and regulatory authorities.

(e) As of December 31, 2004, Vivendi Universal owned a 35% interest in Maroc Telecom, the Kingdom of Morocco holds 50.1% and the remaining 14.9% is held by private investors following an IPO which led to the

simultaneous listing of Maroc Telecom shares on the Casablanca and Paris stock exchanges in December 2004. Vivendi Universal consolidates Maroc Telecom because under company by-laws and shareholders agreements, Vivendi Universal has majority control over its supervisory board and management board. Under shareholders agreements, Vivendi Universal appoints three of the five members of the management board, appoints the chairman of the management board, exercises 51% of all voting rights at shareholders general meetings, granting it, under the majority rules set forth in the company s by-laws, control over the shareholders general meeting, as well as over the supervisory and management boards of Maroc Telecom.

On November 18, 2004, Vivendi Universal and the Kingdom of Morocco agreed to the acquisition by Vivendi Universal of 16% of Maroc Telecom s capital. Under the terms of the agreement, Vivendi Universal acquired, indirectly through Société de Participation dans les Télécommunications (100% subsidiary of Vivendi Universal), an additional 16% stake in Maroc Telecom. This acquisition, completed on January 4, 2005, allows Vivendi Universal, a strategic partner holding the operating control of Maroc Telecom since the beginning of 2001, to increase its stake from 35% to 51% and, thus, to perpetuate its control over the company. The stake held by the Kingdom of Morocco decreased from 50.1% to 34.1%. Indeed, beyond the shareholders agreements which granted Vivendi Universal the majority of votes at shareholders general meetings and at the supervisory board until December 30, 2005, Vivendi Universal s control is now ensured as a result of (i) the direct holding, unlimited in time, of the majority of voting rights at shareholders general meetings and (ii) the right to appoint, pursuant to the company by-laws and shareholders agreements, three out of the five members of the management board and five out of the eight members of the supervisory board. The acquisition was completed on January 4, 2005 for a deal price of MAD 12.4 billion, or approximately 1.1 billion, including a premium for continuing control. Payment was made on January 4, 2005 and was financed 50% by long-term debt issued in Morocco of MAD 6 billion, or approximately 537 million. The agreement signed November 18, 2004 also terminated the obligations under the put option granted by Vivendi Universal to the Kingdom of Morocco concerning 16% of Maroc Telecom share capital. The pledge over the Maroc Telecom shares held by Vivendi Universal, implemented as a payment guarantee, was released on January 4, 2005 following the acquisition of the 16% stake in Maroc Telecom.

(f) Maroc Telecom has a 51% voting interest and approximately 41% ownership interest in Mauritel SA, which was acquired in April 2001. This company, the incumbent telecommunications operator in Mauritania, operates both a fixed-line network and a mobile phone license through a wholly owned subsidiary. In connection with this acquisition, the Islamic Republic of Mauritania and Maroc

Telecom entered into a shareholders agreement which provided for, among others, the grant to the Mauritanian government of veto rights relating to significant transactions. Since these veto rights expired on June 30, 2004, Maroc Telecom is now able to exercise exclusive control over Mauritel. As a result, this subsidiary, accounted for using the equity method as of January 1, 2004, has been fully consolidated since July 1, 2004.

(g) Participations sold in 2004.

(h) Please refer to Item 18 Financial Statements Note 7.3.

(i) Operations abandoned as of January 1, 2004.

Patents, Licenses, Contracts, Manufacturing Processes

Other than our mobile telecommunication licenses (see Item 18 Financial Statements Note 5 for further information), we have no patent, license, contract or other manufacturing process that is, individually, material to Vivendi Universal.

Item 5: ***Operating and Financial Review and Prospects***

Basis of Presentation

The discussion presented below focuses on an analysis of Vivendi Universal s financial and business segment results prepared in accordance with French GAAP, which differ in certain significant respects from US GAAP. For discussion of the most significant reconciling items, see Item 18 Financial Statements Note 32 .

We, under previous management, announced that we intended to fully adopt US GAAP reporting standards beginning in 2002 for the disclosure of supplemental financial information for investors. Following the change in senior management in July 2002, it was decided that Vivendi Universal, as a French company, would prospectively only report its primary financial statements in French GAAP with a reconciliation to US GAAP. We will, however, periodically publish selected US GAAP financial information as required under certain of our debt agreements.

Overview

In 2004, Vivendi Universal achieved its main goals: the finalization of the strategic alliance between VUE and NBC to form NBCU (20% controlled and 18.5% owned by Vivendi Universal); the divestiture of 15% out of the 20.3% stake held in VE; the conclusion of an agreement with the Kingdom of Morocco in order to acquire an additional 16% interest in Maroc Telecom to increase Vivendi Universal s stake to 51%; and the admission to the French Consolidated Global Profit Tax System, which should generate maximum tax savings of approximately 3.8 billion. The finalization of the divestiture program contributed to the reduction in Financial Net Debt, which totaled 3,135 million as of December 31, 2004. Given the current level of debt, associated with the decrease in financing expense following the debt rating upgrades (back to Investment Grade by the three rating agencies) and the redemption of the High Yield Notes, Vivendi Universal management views the financial flexibility of the Vivendi Universal group as fully restored (please refer to Liquidity and Capital Resources).

In addition, the actions taken in 2004 reflect the priority given to the management of the Vivendi Universal group s businesses in order to reinforce its position among the main European players in Media and Telecom. In particular, Canal+ Group won exclusive rights to the French National Football League 1 for three seasons (2005-2008), signed an agreement for exclusive first broadcasts of all of the movies produced by Twentieth Century Fox and signed many agreements in order to reinforce its partnership with the French movie industry and to improve its supply of movies. UMG continued its restructuring efforts and its actions to fight against piracy and counterfeiting. A new management team was put in place in January 2004 at VU Games in order to set up an efficient international organization. SFR Cegetel launched France s first public 3G offer (UMTS) on June 16, 2004 and became the first operator to commercialize 3G telephone services to the general public in France at the beginning of November 2004. Lastly, Maroc Telecom continued, notably, to develop the penetration and use of mobile telecommunications in order to stimulate growth in the market in which it operates.

Moreover, for the first time since 2000, Vivendi Universal reported net income of 754 million in 2004, compared to a loss of 1,143 million in 2003. The 2003 net loss was mainly due to impairment losses. Net income in 2004 mainly resulted from an increase in the operating income of Media businesses (Canal+ Group and UMG) and Telecom businesses (SFR Cegetel and Maroc Telecom), and from a decline in financing expense and other financial expenses, net of provisions, and a substantial reduction in goodwill amortization. However, these were slightly offset by an increase in income tax and losses on businesses sold, net of provisions.

The following discussion of our operations should be read in conjunction with our Consolidated Financial Statements and related Notes set forth in Item 18 Financial Statements of this annual report.

Accounting Policies

Changes in Accounting Principles and Financial Statement Presentation

New Accounting Standard and Change in Estimate

New accounting policy: CRC Rule 04-03 issued on May 4, 2004 concerning the consolidation of Special Purpose Entities

The Financial Security Act (*Loi de Sécurité Financière*), enacted on August 1, 2003, includes an accounting provision that eliminates the requirement to own an interest in a special purpose entity (please refer to Item 18 Financial Statements Note 1.6) for its consolidation, whenever the entity is deemed to be controlled. This provision, which took effect on January 1, 2004, resulted in an amendment to CRC Rule 99-02 by issuance of CRC Rule 04-03 dated May 4, 2004.

Real estate defeasance

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates, as of January 1, 2004, certain special purpose entities used for the defeasance of real estate assets. This consolidation, as of January 1, 2004, resulted in (i) on the assets side, the recognition of real estate assets, i.e., an increase of 245 million in Property, plant and equipment , and (ii) on the liabilities side, an increase of 333 million in Long-term debt (please refer to Item 18 Financial Statements Note 17). The impact on shareholders equity amounted to - 58 million. The impact on net income for the period was - 8 million. This consolidation had no effect on the subtotals in the Consolidated Statement of Cash Flows.

Ymer

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates Ymer, as of January 1, 2004, because it is considered to be a special purpose entity. Despite the fact that Vivendi Universal has no legal control over Ymer, this entity is controlled by Vivendi Universal from an accounting standpoint since Vivendi Universal carries the economic exposure related to Ymer s assets. Nevertheless, Vivendi Universal s ownership interests in Elektrim Telekomunikacja remain unchanged at 49% because it does not have the power to exercise Ymer s voting rights in Elektrim Telekomunikacja. As a result, Vivendi Universal accounts for its stake in Elektrim Telekomunikacja using the equity method. Please refer to Item 18 Financial Statements Note 7.3 and Item 18 Financial Statements Note 8.1 . Application of this new rule had no impact on shareholders equity or net income.

Qualified Technological Equipment (QTE) operations

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates, as of January 1, 2004, certain entities created pursuant to QTE operations performed in 1999 and 2001 by SFR. This consolidation, as of January 1, 2004, resulted in (i) on the assets side, the recognition of deposits relating to the pre-financing of QTE agreement arrangement commissions, i.e., an 865 million increase in Portfolio investments other and (ii) on the liabilities side, the recording of advance lease payments in Other non-current liabilities and accrued expenses in the same amount. This change in accounting method did not impact shareholders equity or net income.

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New accounting policy: Notice n°2004-E issued on October 13, 2004 by the CNC Urgent Issues Taskforce

Notice n°2004-E issued on October 13, 2004 by the CNC Urgent Issues Taskforce (*Comité d Urgence du Conseil National de la Comptabilité*) specified the accounting methods applicable to discount rights and benefits in kind (goods or services) granted by companies to their customers. The first application of this policy resulted in the accounting in deferred income of contingent future premiums granted by SFR and Maroc Telecom to their customers in connection with their loyalty programs. These premiums consist of discounts offered to customers on the purchase price of a new mobile phone. They were evaluated taking into account the period of validity of the coupons acquired and the probability of their use. The impact on shareholders equity amounted to - 29 million (after income tax and minority interests) and corresponds to benefits acquired prior to January 1, 2004. The impact on net income for the period is not significant.

Change in presentation of Telecom operation revenues

In order to standardize the accounting treatment of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the consolidation of Telecom Développement, the following change in presentation was adopted in 2004: sales of services to customers, managed by SFR Cegetel and Maroc Telecom on behalf of content providers, previously presented on a gross basis in SFR and Telecom Développement s revenues, are presented net of related expenses. This change in presentation had no impact on operating income. At SFR Cegetel, it resulted in a reduction in revenues by 168 million in 2004. At Maroc Telecom, the impact was immaterial.

Change in estimate at Universal Music Group

As of January 1, 2004, the amortization period for UMG s recorded music catalog and music publishing copyrights was reduced from 20 to 15 years. This change in estimate resulted from the company s annual impairment review of intangible assets at the end of 2003, which determined that estimated useful lives were shorter than originally anticipated, primarily as a result of the weakness of the global music market. As a result, the prospective amortization expense in 2004 was increased by 63 million.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of Vivendi Universal s financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, Vivendi Universal cautions that future events rarely develop exactly as forecast, and that these estimates are subject to adjustments.

Use of Estimates

The preparation of Vivendi Universal s financial statements requires management to make informed estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to the sale of future and existing music and publishing related products, as well as from the distribution of theatrical and television products, in order to evaluate the ultimate recoverability of accounts receivable, film inventory, artist and author advances and investments and in determining valuation allowances for investments, long-lived assets, pension liabilities and deferred taxes. Estimates and judgments are also required and regularly evaluated concerning financing entities, restructuring costs, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates under different assumptions or conditions.

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Asset Impairment

Valuation of long-term assets

Vivendi Universal reviews the carrying value of its long-term assets held and used, intangible assets that do not have indefinite lives and long-term assets to be disposed of whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. This review is performed using estimates of future cash flows. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting from lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations of those long-term assets.

Goodwill and other intangible assets with indefinite lives

Vivendi Universal regularly reviews the carrying value of goodwill and other intangible assets with an indefinite life. These assets are tested for impairment at the end of each annual reporting period and whenever events or change in circumstances indicate that the carrying value of the assets may not be recoverable. Impairment tests consist of comparing the carrying amount of an asset to its recoverable amount, defined as the fair value less cost to sell, or the value in use to Vivendi Universal. Value in use is equal to the sum of future cash flows expected to be obtained from the continuing use of the asset (or the operating unit) and from its ultimate disposition. Cash flows used are consistent with the most recent budgets and business plans approved by the management and presented to the board of directors. The discount rate applied reflects current market assessments of the time value of money and risks inherent to the asset (or operating unit). Fair value less costs to sell represents an estimate of the amount which could be obtained from the disposition of the asset (or the operating unit) in an arm s length transaction between knowledgeable and willing parties, after deducting the costs of disposition. These values are determined based on market information (comparison with similar listed companies, recent transactions and stock market prices) or in the absence of such information based on discounted cash flows. Fair values are determined with the assistance of a third-party appraiser.

Under US GAAP, Vivendi Universal adopted SFAS 142 as of January 1, 2002. Under this standard, Vivendi Universal tests for impairment on the basis of the same objective criteria that are used under French GAAP. Nevertheless, SFAS 142 requires a two-step approach at the reporting unit level. In the first step, the fair value of the reporting unit is compared to its carrying value, including goodwill. In order to determine the fair value of the reporting unit, significant management judgment is applied in order to estimate the underlying discounted future cash flows. If the fair value of the reporting unit is less than its carrying value, a second step is performed which compares the implied value of goodwill allocated to the reporting unit to its carrying value. The implied value of goodwill is determined based upon the difference between the fair value of the reporting unit and the net of the fair value of the identifiable assets and liabilities of the reporting unit. If the implied value of goodwill is less than its carrying value, the difference is recorded as an impairment loss. For more information, see Item 18 Financial Statements Note 32 . Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

Investments and receivables from equity affiliates

Vivendi Universal holds minority interest receivables in companies having operations or technology in areas within or adjacent to its strategic focus. Some of these companies are publicly traded and their share prices are highly volatile while some of these companies are non-publicly traded and their value is difficult to determine. Vivendi Universal records an investment impairment charge when it believes an investment has experienced a decline in value that is other than temporary, and records an allowance for receivables if recoverability is uncertain. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments or receivables, thereby possibly requiring an impairment charge in the future.

Revenue Recognition

Vivendi Universal has revenue recognition policies for its various business units, which are appropriate to the circumstances of each business. See Item 18 Financial Statements Note 1 for a summary of these revenue recognition policies.

Vivendi Universal records reductions to revenues for estimated future returns of merchandise, primarily home video, DVD, recorded music and software products. These estimates are based upon historical return experience, current economic trends and projections of customer demand for and acceptance of the products. Differences may arise with respect to the amount and timing of the revenue for any period if actual performance varies from these estimates.

Film and Television Revenues and Costs

Vivendi Universal accounts for the production and distribution of motion pictures and television programming in accordance with SOP 00-2, which requires management s judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each film or program. These estimates are used to determine the amortization of capitalized production costs, expensing of participation and residual cost and any necessary net realizable value. If actual demand or market conditions are actually less favorable than the projections, potentially significant film, television or programming cost write-downs may be required.

Music Advances to Artists

For established artists, Vivendi Universal capitalizes advances and direct costs associated with the creation of master recordings and expenses these costs as the related royalties are earned or when the amounts are determined to be unrecoverable. An established recording artist is an artist whose past performance and current popularity provide a sound basis for estimating the recoverability of the advance. Advances to artists who are not established are expensed as incurred. Estimates of recoverability can change based on the current popularity of the artist based on sales through the reporting period. Unearned balances are reviewed periodically and if future performance is no longer assured, the balances are appropriately reserved.

Pension Benefit Costs

Vivendi Universal s pension benefit obligations and the related costs are calculated using actuarial models and assumptions applicable in the countries where the plans are located, principally in the US, the UK and Canada. Two critical assumptions, discount rate and expected return on plan assets, are important elements of plan expense and/or liability measurement. We evaluate these critical assumptions at least annually. Other assumptions involve demographic factors such as retirement, mortality, turnover and rate of compensation increase. These assumptions are evaluated periodically and are updated to reflect our experience. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The discount rate enables us to state expected future cash flows at a present value on the measurement date. We have little latitude in selecting this rate, as it is required to represent the market rate for high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension expense. We reduced our weighted average discount rate from 5.7% in 2002 to 5.4% in 2003 and 5.1% in 2004 to reflect market interest rate conditions. For our US plans, a further 50 basis point decrease in the discount rate would increase pension expense by approximately 0.9 million per year. To determine the expected long-term rate of return on pension plan assets, we consider, for each country, the structure of the asset portfolio and the expected rates of return for each of the components. For our US plans, a 50 basis point decrease in the expected return on assets of principal plans would increase pension expense on our principal plans by approximately 2 million per year.

We assumed that the weighted averages of long-term returns on our pension plans were 6.4% in 2004, 6.5% in 2003 and 7.2% in 2002. Further information on our principal pension plans is provided in Item 18 Financial Statements Note 15 , including disclosure of these assumptions.

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Contingencies

Vivendi Universal records provisions when (i) at the end of the reporting period the Vivendi Universal group has a legal, regulatory or contractual obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation and (iii) the obligation can be reliably estimated. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. The amount recognized as a provision represents the best estimate of the risk at the Consolidated Statement of Financial Position date. If no reliable estimate can be made of the amount of the obligation, no provision is recorded. The information is then presented in the Notes to our Consolidated Financial Statements in Item 18 Financial Statements . Contingent liabilities are often resolved over long time periods.

Provisions and Liabilities

Provisions and liabilities related to taxes, legal issues and restructuring charges, including environmental matters, require significant judgments and estimates by management. Vivendi Universal continually evaluates these estimates based on changes in the relevant facts and circumstances and events that may impact estimates. Management continually assesses the appropriateness and adequacy of these accounts and adjusts them as estimates change based on current facts and circumstances. While management believes that the current provisions and liabilities for these matters are adequate, there can be no assurance that circumstances will not change in future periods.

Certain significant accounting policies do not involve the same level of measurement uncertainties as those discussed above, but are nevertheless important to an understanding of our Consolidated Financial Statements. Policies related to financial instruments, deferred taxes and business combinations require difficult judgments on complex matters. For a discussion of accounting policies that Vivendi Universal has selected from acceptable alternatives, see Item 18 Financial Statements Note 1 .

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RESULTS OF OPERATIONS

Consolidated Statement of Income

	Year Ended December 31,		
	2004 as Published(a)	2003 as Published	2002 as Published
	(In millions of euros, except per share amounts)		
Revenues	21,428	25,482	58,150
Cost of revenues	(11,633)	(15,268)	(40,574)
Gross margin(%)	*46%*	*40%*	*30%*
Selling, general and administrative expenses	(6,201)	(6,812)	(12,937)
Other operating expenses, net	(118)	(93)	(851)
Operating income	3,476	3,309	3,788
Financing expense	(455)	(698)	(1,333)
Other financial expenses, net of provisions	(247)(b)	(509)	(3,409)
Financing and other expenses, net	(702)	(1,207)	(4,742)
Income (loss) before gain (loss) on businesses sold, net of provisions, income tax, equity affiliates, goodwill amortization and minority interests	2,774	2,102	(954)
Gain (loss) on businesses sold, net of provisions	(140)(c)	602	1,049
Income tax	(400)(d)	408	(2,556)
Income (loss) before equity affiliates, goodwill amortization and minority interests	2,234	3,112	(2,461)
Equity in earnings of sold subsidiaries		1	17
Income (loss) from equity affiliates	219	71	(294)
Veolia Environnement impairment		(203)	
Goodwill amortization	(638)	(1,120)	(1,277)
Impairment losses	(31)	(1,792)	(18,442)
Income (loss) before minority interests	1,784	69	(22,457)
Minority interests	(1,030)	(1,212)	(844)
Net income (loss)	754	(1,143)	(23,301)
Basic earnings per share	0.70	(1.07)	(21.43)
Diluted earnings per share	0.63	(1.07)	(21.43)
Weighted average common shares outstanding (in millions)(e)	1,072.1	1,071.7	1,087.4
Potential dilutive effect of outstanding financial instruments (in millions)	127.0(f)	137.9	146.3

(a) Given the deconsolidation of VUE as of May 11, 2004, the 2004 statement of income includes 132 days of business for this entity (please refer to Item 18 Financial Statements Note 3.1).

(b) Includes High Yield Notes redemption costs (- 350 million).

(c) Includes the after-tax loss on the divestiture of 80% of Vivendi Universal s interest in VUE (- 1,793 million net of a - 2,105 million foreign currency translation adjustment with no impact on cash position and shareholders equity, please refer to Item 18 Financial Statements Note 3.1 , the capital gain on the divestiture of 15% of Vivendi Universal s interest in VE (+ 1,316 million), as well as the gain on the divestiture of other entities, net of provisions (+ 337 million).

(d) Following its admission to the French Consolidated Global Profit Tax System as of January 1, 2004, Vivendi Universal recognized a tax saving of 956 million. Please refer to Item 4 2004 Developments Consolidated Global Profit Tax System since January 1, 2004 and to Item 18 Financial Statements Note 24 .

(e) Excluding treasury shares recorded as a reduction in shareholders equity (2,441 shares as of December 31, 2004).

(f) Financial instruments in the money as of December 31, 2004 represented approximately 104.8 million common shares.

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Comparison of 2004 versus 2003

Vivendi Universal s net income amounted to 754 million in 2004 compared to a net loss of 1,143 million in 2003. This improvement of 1,897 million was achieved through:

+ 167 million from improvement in operating income, despite VUE deconsolidation as of May 11, 2004 generating an unfavorable difference of 594 million;

+ 243 million from reduction in financing expenses resulting from (i) VUE deconsolidation as of May 11, 2004, and (ii) the decrease in the average financial gross debt (10.3 billion in 2004 compared to 16.4 billion in 2003);

+ 262 million from improvement in other financial expenses, net of provisions (mainly due to an improvement in the foreign exchange result: net gain of 9 million compared to net loss of 228 million in 2003, the loss induced by the forgiveness of *Société Financière de Distribution* (SFD) debt of 200 million by SFR Cegetel in 2003 and the premium received on call options for VE shares for 173 million and despite the cost related to the redemption of the High Yield Notes for 307 million);

+ 147 million from improvement in income from equity affiliates and equity in earnings of sold subsidiaries mainly as a consequence of the equity accounting of NBCU from May 12, 2004 (172 million corresponding to 234 days);

+ 2,446 million of reduction in goodwill amortization and impairment losses; and

+ 182 million from lower minority interests: in 2003, SFR Cegetel s result benefited from tax savings relating to the rationalization of its structure;

partially offset by:

- 808 million from an increase in income tax expense due to the increase of earnings before tax, particularly at SFR Cegetel. The positive impact of the Consolidated Global Profit Tax System in 2004 (+ 956 million) was offset by the impact of the rationalization of the SFR Cegetel structure recognized in 2003 (+ 515 million before minority interests) and a reversal in 2003 of a reserve established in 2002 related to VUE (+ 477 million); and

- 742 million on capital losses, mainly due to the divestiture of 80% of Vivendi Universal s interest in VUE, which was partially offset by the gain on the disposition of the 15% stake in VE.

Revenues

In 2004, Vivendi Universal s consolidated revenues amounted to 21,428 million compared with 25,482 million in 2003.

On a comparable basis,[4] revenues increased by 5% (7% at constant currency), from 17,972 million to 18,893 million. This positive performance was mainly achieved through a return to revenue growth at UMG, Canal+ Group and continued growth at SFR Cegetel and Maroc Telecom, and despite a revenue decline at VU Games (which nonetheless reported growth in the fourth quarter of 2004 compared to the fourth quarter of 2003).

For an analysis of revenues by business segment, please refer to Business Segment Results .

Cost of Revenues and Gross Margin

In 2004, cost of revenues represented 54% of revenues (11,633 million) compared to 60% of revenues (15,268 million) in 2003. The gross margin rate increased from 40% in 2003 to 46% in 2004, mainly due to (i) significant changes in scope (primarily the deconsolidation of VUE in May 2004, because VUE s gross

[4] For a definition of comparable basis, please refer to Revenues and operating income from operations by business segment on a comparable basis 2004 - 2003.

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margin rate was lower than the Vivendi Universal group s average), (ii) tight control of customer acquisition and retention costs at SFR Cegetel and (iii) efficient cost reduction policy, particularly at UMG.

Selling, General and Administrative Expenses

In 2004, selling, general and administrative expenses amounted to 6,201 million compared to 6,812 million in 2003. Cost reduction in 2004 compared to 2003 was mainly attributable to significant changes in scope in 2004 (primarily the deconsolidation of VUE and the divestiture of non-core businesses).

Depreciation and Amortization

Depreciation and amortization are part of the administrative and commercial expenses and cost of revenues. In 2004, depreciation and amortization amounted to 1,843 million compared to 1,977 million in 2003. This slight improvement was mainly due to significant changes in scope (deconsolidation of VUE in May 2004 and divestiture of non-core businesses), slightly offset by higher amortization costs at UMG (resulting from the reduction in the amortization period for music and music publishing catalogs from 20 to 15 years) and at telecommunications operations, mainly at SFR Cegetel, following the commencement of the amortization period for the UMTS license beginning mid-June 2004.

Other Operating Expenses, Net

In 2004, other operating expenses, net, amounted to 118 million compared to 93 million in 2003. They consisted of restructuring charges, which amounted to 112 million (primarily at UMG and VU Games) in 2004 compared to 221 million in 2003. In 2003, other operating expenses, net, also included provision reversals (including 129 million at Canal+ Group).

Operating Income

In 2004, Vivendi Universal s operating income amounted to 3,476 million compared to 3,309 million in 2003.

On a comparable basis, operating income increased by 41% (41% at constant currency), from 2,216 million to 3,117 million. All businesses contributed to this strong performance, especially UMG and SFR Cegetel.

For an analysis of operating income by business segment, please refer to Business Segment Results .

Financing Expense

In 2004, financing expense amounted to 455 million compared to 698 million in 2003. Lower financing costs resulting from the deconsolidation of VUE as of May 11, 2004 contributed 189 million to this reduction. Average financial gross debt (calculated on a daily basis) decreased to 10.3 billion in 2004 compared to 16.4 billion in 2003. This was mainly due to the impact of the divestiture plan, and in particular the divestiture of VUE to NBCU which resulted in the deconsolidation of VUE s debt (3.6 billion) and generated cash proceeds (approximately 3 billion, after cash payment to minority shareholders and other fees).

The cost of the average financial gross debt was 4.8% in 2004, unchanged compared to 2003. The decrease in financing costs resulting from lower average financial gross debt was offset by the additional costs incurred in 2004 in connection with the High Yield Notes (1.2 billion issued in April 2003 bearing an interest rate of 9.25% for the tranche denominated in US dollars and 9.5% for the tranche denominated in euros, as well as 1.35 billion issued in July 2003 bearing an interest rate of 6.25%), 83% of which was redeemed in June 2004. The remaining balance of outstanding High Yield Notes were redeemed in January 2005.

For the twelve months ended December 31, 2004, the cost of average financial gross debt was lower than for the first six months ended June 30, 2004 (5.26%) as a result of the significant decrease in the cost of average financial gross debt over the second half of 2004 (4.44% versus 5.23% for the second half of 2003) due

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to the combined effect of the redemption of 83% of the High Yield Notes in June 2004 (funded by the cash received from the NBC-Universal transaction) and the new credit facilities obtained on better financial terms as a result of the upgrade of Vivendi Universal s credit rating to Investment Grade by Fitch (BBB- on May 12, 2004), Standard & Poor s (BBB- on June 1, 2004) and Moody s (Baa3 on October 22, 2004). Please refer to Liquidity Management and Capital Resources .

Furthermore, financing expense included the cost of interest rate swaps (76 million) and interest paid on the notes mandatorily redeemable for new shares in Vivendi Universal (78 million).

Other Financial Expenses, Net of Provisions

In 2004, other financial expenses, net of provisions, amounted to 247 million compared to 509 million in 2003.

In 2004, they were mainly comprised of: (i) the cost related to the redemption of the High Yield Notes (- 350 million including premiums paid to bondholders of 300 million and accelerated amortization of residual issuance fees), (ii) amortization of deferred charges related to bond issuances, facilities and other (- 70 million), (iii) the provision in respect of the SNCF put option on Cegetel S.A.S. (- 35 million in addition to the provision of 85 million recorded as of December 31, 2003) and (iv) loss resulting from the sale of treasury shares to employees exercising their stock options (- 23 million). These negative impacts were slightly offset by (i) the release to income of a premium received on call options for VE shares sold on December 2002 and not exercised at maturity on December 2004 (+ 173 million), (ii) a provision reversal related to the mark-to-market of DuPont shares (+ 31 million), (iii) the gain related to divestiture of VIVA Media shares (+ 26 million), and (iv) the loss incurred on the settlement of interest rate swaps (as a result of the completion of the refinancing plan, 56 million of non-hedging interest rate swaps were recorded in financial expenses, offset by provision reversals of 67 million).

In 2003, other financial expenses, net of provisions, were mainly comprised of: (i) foreign exchange losses (- 228 million), (ii) the forgiveness of SFD debt by SFR Cegetel (- 200 million, offset by the improvement in SFD earnings and shareholders equity, which positively impacted SFR Cegetel s equity share in SFD earnings), (iii) amortization of deferred charges related to bond issuances, facilities and other (- 193 million including a 64 provision accrual), (iv) fees incurred on the implementation of the refinancing plan (- 50 million), (v) the SEC fine (- 40 million), and (vi) the mark-to-market of the SNCF put option on Cegetel SAS (- 85 million, for more details, please refer to Item 18 Financial Statements Note 28). These negative impacts were partially offset by (i) the gain on the sale of IAC warrants (+ 125 million including a 454 provision reversal), (ii) the mark-to-market of DuPont shares (+ 142 million), (iii) the termination of LineInvest total return swap (+ 97 million), and (iv) the sale of the impaired investment in Softbank Capital Partner (+ 29 million).

Please refer to Item 18 Financial Statements Note 22 .

Gain (Loss) on Businesses Sold, Net of Provisions

In 2004, the loss on business sold, net of provisions, amounted to 140 million. It mainly included:

A capital loss of 1,793 million related to the divestiture of 80% of Vivendi Universal s interests in VUE, completed on May 11, 2004 (please refer to Item 18 Financial Statements Note 3.1). This loss was comprised of:

before-tax profit of $653 million, since the carrying value in dollars of disposed assets was less than their transaction value in dollars;

tax expense of $290 million, i.e., an after-tax profit of $363 million (312 million); and

the reclassification to net income of the share of negative non-cash cumulative foreign currency translation adjustments relating to the divested assets, in the amount of 2,105 million.

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The gain on the divestiture of 15% of Vivendi Universal s interests in VE of 1,316 million (please refer to Item 18 Financial Statements Note 3.2).

The gain on the divestiture of other entities, net of provisions, of 337 million, which was mainly comprised of various liquidation bonuses (+ 74 million), the impact of the divestiture of the *flux-divertissement* business of StudioExpand and Canal+ Benelux (+ 66 million), UCI Cinemas (+ 64 million), Sportfive (+ 44 million), Kencell (+ 38 million), Monaco Telecom (+ 21 million) and Atica & Scipione (- 8 million), as well as a provision relating to the anticipated divestiture of NC Numéricâble (- 56 million) and the impact of the abandonment of Internet operations (+ 34 million).

In 2003, the gain on businesses sold, net of provisions, of 602 million consisted mainly of capital gains on the divestiture of and/or dilution of Vivendi Universal s interest in the following investments (please refer to Item 4 2003 Developments for further details): gain on Telepiù (+ 215 million, including a 352 million provision reversal), Consumer Press Division (+ 104 million), Comareg (+ 42 million), Internet subsidiaries (+ 38 million), Xfera (+ 16 million, including a 75 million provision accrual) and dilution results in Sogecable (+ 71 million) and UGC (- 47 million).

On December 31, 2003, income tax and minority interests relating to the gain on business sold, net of provisions, amounted to 21 million and 11 million, respectively. Please refer to Item 18 Financial Statements Note 23 .

Income Tax

In 2004, the income tax expense totaled 400 million compared to a credit of 408 million in 2003.

On December 23, 2003, Vivendi Universal applied to the French Ministry of Finance for permission to use the Consolidated Global Profit Tax System. Vivendi Universal was admitted to this system by an order, dated August 22, 2004, notified on August 23, 2004, for a five-year period beginning with the taxable year 2004. As of December 31, 2004, the impact of this agreement on the income tax expense corresponded to expected tax savings of 956 million. The first tax return must be filed by November 30, 2005 at the latest. This credit corresponds to expected tax savings in fiscal year 2004 (464 million) and a deferred tax asset in the amount of 2005 expected tax savings (492 million) based on next year s budget. Please refer to Item 4 2004 Developments Consolidated Global Profit Tax System since January 1, 2004 and to Item 18 Financial Statements Note 24 .

Furthermore, in 2004, excluding 2003 non-recurring items described below, the income tax expense increase reflected the improvement in the income before gain (loss) on businesses sold, net of provisions, income tax, equity interest, goodwill amortization and minority interests of the businesses and particularly SFR Cegetel.

In 2003, Vivendi Universal reported an income tax credit of 408 million mainly due to (i) tax savings relating to the rationalization of the structure at SFR Cegetel (515 million), (ii) a reversal of a reserve of 477 million (established in 2002 for a potential contractual liability for tax compensation that might have arisen in 2002 if Vivendi Universal had been unable to secure refinancing for the bridge loan relating to the $1.6 billion Vivendi Universal Entertainment Leveraged Partnership Distribution made on May 7, 2002) and (iii) other provision reversals resulting from the conclusion of tax audits covering prior taxable periods.

Income Tax Cash Flow. Income tax paid amounted to 580 million in 2004 compared to 1,242 million in 2003. This improvement was mainly achieved through (i) tax savings related to the rationalization of the corporate structure at SFR Cegetel, which mainly had a cash impact on tax paid in 2004, and (ii) VUE s deconsolidation as of May 11, 2004.

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Income from Equity Affiliates

Income from equity affiliates amounted to 219 million in 2004 compared to 71 million in 2003. This improvement was mainly due to the equity accounting of NBCU from May 12, 2004 (172 million corresponding to 234 days) slightly offset by SFD s contribution in 2003.

Goodwill Amortization

In 2004, goodwill amortization decreased by 43% to 638 million compared to 1,120 million in 2003 primarily due to changes in scope in 2004 (mainly the deconsolidation of VUE) and the exceptional amortization recorded by Canal+ Group in the first quarter of 2003.

Impairment Losses

In 2004, impairment losses amounted to 31 million compared to 1,792 million in 2003 and were incurred mainly in certain subsidiaries of Canal+ Group. In 2003, the main sources of impairment were UMG, due to continued deterioration of the music market in 2003 (1,370 million), VUE, due to softness in the tourism market impacting theme park operations (188 million), Canal+ Group, as a consequence of the impairment of international assets under divestiture (165 million) and VU Games (61 million). For more details, please refer to Item 18 Financial Statements Note 4.4 .

Minority Interests

In 2004, minority interests declined by 15% to 1,030 million and were primarily comprised of minority interests at SFR Cegetel and Maroc Telecom. This decrease mainly resulted from the decline in SFR Cegetel s net income before minority interests, which benefited from tax savings relating to the rationalization of the corporate structure in 2003.

Earnings per share Basic and Diluted

In 2004, earnings improved significantly from a net loss of 1,143 million in 2003 (- 1.07 per share basic and diluted) to a net income of 754 million in 2004 (basic earnings of 0.70 per share and diluted earnings of 0.63 per share).

Comparison of 2003 versus 2002

Vivendi Universal s net loss was significantly reduced in 2003 to 1,143 million compared to 23,301 million in 2002. Excluding VE, this significant improvement was mainly due to lower impairment losses of goodwill and other intangible assets and lower financial provision accrual, which were slightly offset by lower gain on businesses sold.

Revenues

In 2003, Vivendi Universal s consolidated revenues amounted to 25,482 million compared to 58,150 million in 2002. Excluding VE and the publishing businesses divested in 2003, Vivendi Universal 2003 revenues declined 10%, from 28,157 million to 25,354 million. Main contributors to the decline at constant currency were UMG, VU Games and Canal+ Group (mainly due to scope changes), partially offset by increased revenues at SFR Cegetel, Maroc Telecom and VUE.

For an analysis of revenues by business segment, please refer to Business Segment Results .

Cost of Revenues

In 2003, cost of revenues represented 60% of revenues or 15,268 million compared to 60% of revenues or 16,749 million in 2002, excluding VE. Gross margins were flat due to the combination of: (i) improved gross margin from Canal+ Group mainly due to the efficient cost reduction policy and scope changes, (ii) reduced gross margins at UMG (higher proportion of lower margin activities) and VU Games (higher royalties

expenses), (iii) the divestiture of Consumer Press Division and Comareg, and (iv) reduced costs from VTI and Internet activities as a result of the ongoing restructuring plan.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represented 27% of revenues or 6,812 million in 2003 compared to 32% of revenues or 8,918 million in 2002 excluding VE. The cost improvements in 2003 versus 2002 were attributable to: (i) lower fixed costs at UMG, (ii) scope changes at Canal+ Group, VTI and VUE and the divestiture of Comareg and Consumer Press Division, and (iii) decline of holding costs as 2002 was impacted by high expenses related to pensions and insurance due to a change in scope.

Depreciation and Amortization

Depreciation and amortization (D&A) are part of cost of revenues and selling, general and administrative expenses. In 2003, D&A amounted to 1,977 million compared to 2,669 million in 2002, excluding VE. This improvement was mainly due to scope changes at Canal+ Group, reduction of the amortization of catalogue induced by impairment losses recorded at UMG in 2002, and higher level of D&A at SFR Cegetel in 2002 resulting from the revision of the useful life of mobile tangible assets and from the effect of the impairment test on the fixed line operations.

Other Operating Expenses, Net

Other operating expenses, net, amounted to 93 million in 2003 compared to 851 million in 2002. They were comprised of restructuring charges, which amounted to 221 million in 2003 (mainly at UMG, Canal+ Group and Internet) compared to 304 million in 2002 (mainly resulting from restructuring plans at the holding level and at Internet). In 2002, other operating expenses also included non-recurring provisions.

Operating Income

Whereas Vivendi Universal s revenues declined by 56%, Vivendi Universal operating income declined by 13% to 3,309 million, compared to 3,788 million in 2002, mainly due to scope changes. Excluding VE and VUP assets sold in 2003, the 1,412 million change was achieved through:

+ 572 million improvement at Canal+ Group, which recorded 247 million of operating income in 2003 including some provision reversal early in the year;

+ 510 million from the elimination of the company s cash drains in the non-core businesses (VU Net, VTI and Vivendi Valorisation);

+ 470 million from the improved performance at SFR Cegetel;

+ 335 million from lower holding and corporate costs;

+ 160 million growth at Maroc Telecom; and

+ 115 million at VUE, mainly due to changes in scope;

and was offset by:

- 486 million decline at UMG; and
- 264 million decline at VU Games.

For an analysis of operating income by business segment, please refer to Business Segment Results .

Financing Expense

In 2003, financing expense was reduced by one half to 698 million compared to 1,333 million in 2002.

Average financial gross debt decreased to 16.4 billion in 2003 from 22.1 billion in 2002, including the 4 billion investment to increase Vivendi Universal s stake in SFR Cegetel by 26%, but as a result of the

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refinancing program, the average cost of financial gross debt increased from 4.1% in 2002 to 4.8% in 2003, including management of interest costs.

Other Financial Expenses, Net of Provisions

In 2003, other financial expenses, net of provisions, amounted to 509 million compared to 3,409 million in 2002.

In 2002, they were primarily comprised of a capital gain on the sale of Vinci (153 million) and dividends from unconsolidated investments (58 million) offset by losses related to put options on treasury shares (693 million including a provision accrual of 104 million), fees related to the implementation of the refinancing plan (193 million) and provision accruals as a result of mark-to-market of IAC warrants, interest rate swaps and premiums on Vivendi Universal call options (454 million, 261 million and 226 million, respectively), impairment losses related to Elektrim Telekomunikacja, UGC and UGC Ciné Cité, investments in international telecommunications and Softbank Capital Partner investment (609 million, 220 million, 175 million and 120 million, respectively) and amortization of deferred charges related to bond issuances, facilities and other (174 million).

Please refer to Item 18 Financial Statements Note 22 .

Gain on Businesses Sold, Net of Provisions

In 2002, gain on businesses sold, net of provisions, totaled 1,049 million; the principal components of which were capital gains on the divestiture and/or dilution of our interest in the following investments: 1,588 million for BSkyB, 1,419 million for VE, 329 million for VUP s European publishing operations, 172 million for Canal Digital, and 90 million for Vizzavi Europe. Partially offsetting these gains were capital losses on the divestitures of Houghton Mifflin (822 million), EchoStar (674 million), VUP s business-to-business and health divisions (298 million), and Sithe (232 million), and a 360 million provision related to the anticipated sale of Telepiù.

Income Tax

In 2003, income tax was a credit of 408 million compared to an expense of 2,556 million in 2002. This improvement was mostly due to (i) the effect of the rationalization of the structures at SFR Cegetel (savings of 515 million in 2003), (ii) the deconsolidation of VE (expense of 437 million in 2002), (iii) a reversal of a reserve of 477 million (established in 2002 for a potential contractual liability for tax indemnification that would have arisen in 2002 if Vivendi Universal had been unable to secure refinancing for the bridge loan relating to the $1.6 billion Vivendi Universal Entertainment Leveraged Partnership Distribution made on May 7, 2002) and (iv) other provision reversals resulting from the conclusion of tax audit for prior taxable period. Vivendi Universal s income tax rate on adjusted net income in 2003 was 31% compared to 63% in 2002.

Income Tax Cash Flow. Since SFR Cegetel, Maroc Telecom, CanalSatellite and Canal+ S.A. were not part of Vivendi Universal s consolidated tax group, losses elsewhere in the group were not available to offset profits taxable at those entities. Income tax paid amounted to 1,242 million in 2003 compared to 1,252 million in 2002.

Income from Equity Affiliates

Income from equity affiliates amounted to 71 million in 2003, excluding VE impairment losses and impairment losses recorded in respect to certain VUE affiliates, compared to a loss from equity affiliates of 294 million in 2002 mainly due to decreased losses from VTI, Internet and Canal+ subsidiaries as main cash drains have been eliminated and increased earnings from SFR Cegetel subsidiaries, mainly due to SFD contribution, which had no impact on Vivendi Universal s account as it was offset by another financial expense.

Goodwill Amortization

In 2003, goodwill amortization declined 12% to 1,120 million compared to 1,277 million in 2002. The increase in Canal+ Group and SFR Cegetel goodwill amortization was primarily driven by the exceptional amortization (129 million) of Telepiù at Canal+ Group to offset the provision reversal and increased goodwill amortization at SFR, primarily due to the acquisition of BT s 26% stake, which have been more than offset by the impact of the divestitures and restructuring plan at VU Net and particularly the reduction of amortization induced by the impairment losses recorded in previous years.

Impairment Losses

In 2003, impairment losses amounted to 1,792 million compared to 18,442 million in 2002. In view of the continued deterioration of the economy in 2002 and the resulting decline in the value of some Media and Telecommunications assets, combined with the impact of the future increased cost of capital to the group as a result of liquidity issues, 18,442 million of goodwill was written down in 2002. These impairment losses were broken down as follows: 5.4 billion for Canal+ Group, 5.3 billion for UMG, 6.5 billion for VUE, and 1.2 billion for international telecommunications and Internet assets. This impairment charge did not reflect any proportional notional impairment of goodwill originally recorded as a reduction of shareholders equity, which amounted to 0.7 billion in 2002.

For further discussion on impairment losses, please refer to Item 18 Financial Statements Note 4.4 .

Minority Interests

In 2003, minority interest expense increased by 44% to 1,212 million, primarily due to the increased profitability at SFR Cegetel and Maroc Telecom and despite the acquisition of BT s 26% stake in SFR Cegetel.

Earnings per Share Basic and Diluted

Net loss was significantly reduced to 1,143 million compared to 23,301 million in 2002. Vivendi Universal s 2003 loss per share (basic and diluted) amounted to 1.07 compared to 21.43 in 2002.

Adjustments to Conform to US GAAP

	Year Ended December 31,		
	2004	2003	2002
	(In millions, except per share amount)		
Revenues	21,254	25,321	40,062
Operating income (loss)(a)	3,266	940	(18,633)
Net income (loss)	2,921	(1,358)	(43,857)
Net income (loss) per share basic	2.73	(1.27)	(40.35)
Net income (loss) per share diluted	2.58	(1.27)	(40.35)

(a) The reconciliation of the operating income as reported under French GAAP to the operating income (loss) under US GAAP is as follows:

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	Year Ended December 31,		
	2004	2003	2002
		(In millions)	
Operating income French GAAP	3,476	3,309	3,788
Adjustments to conform to US GAAP			
Impairment losses	(30)	(2,301)	(21,587)
Real estate defeased properties	21	44	182
Employee benefit plans	(21)	(66)	(69)
Amortization of SFR market share	(147)	(138)	
Other	(33)	92	(947)
Operating income (loss) US GAAP	3,266	940	(18,633)

Comparison of 2004 versus 2003

Operating Income

The most significant reconciling item impacting operating income in 2004 related to the amortization of SFR market share recognized under US GAAP but not under French GAAP. In 2003, as a result of the allocation of the purchase price of an additional 26% interest in SFR in January 2003, Vivendi Universal recorded a market share for an amount of 650 million. Under French GAAP, market shares are considered to be indefinite-lived assets and thus not amortized. However, they are subject to a regular impairment test. Under US GAAP, this market share was qualified as a subscriber base and determined to be amortized over periods ranging from three to five years resulting in an operating expense of 147 million in 2004 and 138 million in 2003. Furthermore, the impairment losses recorded with respect to goodwill and other intangible assets were included in the operating income under US GAAP but not under French GAAP.

Net Income (Loss)

For the years ended December 31, 2004 and 2003, the net income (loss) under US GAAP was 2,921 million and - 1,358 million, respectively, compared to a net income (loss) of 754 million and - 1,143 million under French GAAP. In 2004, the most significant reconciling item related to the divestiture of 80% of Vivendi Universal s interest in VUE for an amount of 2,200 million. Under French GAAP, the divestiture resulted in a capital loss of - 1,793 million (please refer to Item 18 Financial Statements Note 3.1). Under US GAAP, this transaction generated a capital gain of 407 million (please refer to Item 18 Note 32.9) since the carrying value of VUE was lower under US GAAP than under French GAAP. As of December 31, 2003, the fair value of VUE denominated in US dollars, as per the VUE/ NBC combination agreement, exceeded its carrying value also denominated in US dollars. However, Vivendi Universal s functional currency being the euro, a cumulative foreign currency loss was recorded as a reduction to shareholders equity through the currency translation adjustment account. Under French GAAP, at December 31, 2003, this foreign currency loss should not be taken into consideration when determining the estimated gain or loss related to the disposition of 80% of Vivendi Universal s interest in VUE. Therefore, this foreign currency loss had no impact on Vivendi Universal s net income in 2003 under French GAAP. Under US GAAP, VUE qualified as assets held for sale, its carrying value was initially measured at the lower of cost or fair value less costs to sell. EITF 01-5 required that, for purposes of this measurement, the carrying value should also include that portion of the cumulative translation adjustment which would be reclassified to earnings at the time of divestiture. As a result, the carrying value of VUE was reduced and a corresponding impairment loss of 920 million was recognized in 2003. In addition, under US GAAP, long-lived assets which were part of the VUE divestiture group were no longer depreciated or amortized.

Furthermore, amortization of goodwill under French GAAP was reversed, since goodwill ceased to be amortized under US GAAP on January 1, 2002 upon the adoption of SFAS 142, and the calculation of the impairment test was different under US GAAP. In 2004, given the recent developments surrounding the ownership of the Elektrim Telekomunikacja stake in PTC (please refer to Item 18 Financial State-

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ments Note 7.3), the carrying value of Elektrim Telekomunikacja was fully impaired in the US GAAP consolidated statement of financial position, as it has been in the French GAAP consolidated statement of financial position since December 31, 2002: in 2001, the impairment related to Elektrim Telekomunikacja recognized under French GAAP included an accrual for contingent losses (300 million) that did not meet the FAS 5 criteria for accrual and therefore was not taken into account under US GAAP. In 2003, a lower impairment loss was recorded with respect to UMG under US GAAP (1,370 million under French GAAP versus 982 million under US GAAP).

Comparison of 2003 versus 2002

Operating Income

The most significant reconciling items impacting operating income in 2003 and 2002 related to the impairment losses recorded with respect to goodwill and other intangible assets, which were included in the operating income under US GAAP but not under French GAAP. In 2003, under US GAAP, SFR market share amortization resulted in an operating expense of 138 million.

Net Loss

For the years ended December 31, 2003 and 2002, the net loss under US GAAP was 1,358 million and 43,857 million, respectively, compared to a net loss of 1,143 million and 23,301 million, respectively, under French GAAP. The most significant reconciling items in both periods were goodwill amortization, since goodwill ceased to be amortized under US GAAP on January 1, 2002 upon the adoption of SFAS 142, and the impact of the impairment test, for which the calculation is different under US GAAP. In 2002, under French GAAP, in light of the deteriorating economic conditions and the impact of the higher financing cost for Vivendi Universal, an additional impairment charge of approximately 18.4 billion was recorded (representing a cumulative impairment loss of approximately 31.3 billion). Under US GAAP, Vivendi Universal adopted SFAS 142 and 144 and recorded an impairment charge of 38.2 billion. Furthermore, as of December 31, 2003, under US GAAP, the carrying value of VUE, as assets held for sale, was reduced and a corresponding impairment loss of 920 million was recognized. In addition, under US GAAP, long-lived assets which are part of the VUE divestiture group are no longer depreciated or amortized.

In 2002, the differential accounting treatment for the sale of our investment in BSkyB also decreased US GAAP net income by approximately 1,417 million.

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BUSINESS SEGMENT RESULTS

For more information on business unit operations, see Item 4 Information on the Company .

Revenues and operating income by business segment as published in 2004-2003-2002

	As Published			
	Year Ended December 31,			
	2004	**2003**	**% Change**	**2002**
	(In millions of euros)			
Revenues				
Canal+ Group	3,580	4,158	-14%	4,833
Universal Music Group	4,993	4,974	0%	6,276
Vivendi Universal Games	475	571	-17%	794
Media	9,048	9,703	-7%	11,903
SFR Cegetel	8,317	7,574	10%	7,067
Maroc Telecom	1,627	1,471	11%	1,487
Telecom	9,944	9,045	10%	8,554
Non core operations and elimination of intercompany transactions(a)	109	584	-81%	813
Total Vivendi Universal (Excluding VUE, VE and VUP assets sold in 2003)	19,101	19,332	-1%	21,270
Vivendi Universal Entertainment(b)	2,327	6,022	-61%	6,270
VUP assets sold in 2003(c)		128	na*	572
Veolia Environnement			na*	30,038
Total Vivendi Universal	21,428	25,482	-16%	58,150
Operating Income				
Canal+ Group	198	247	-20%	(325)
Universal Music Group	338	70	x5	556
Vivendi Universal Games	(183)	(201)	9%	63
Media	353	116	x3	294
SFR Cegetel	2,257	1,919	18%	1,449
Maroc Telecom	673	628	7%	468
Telecom	2,930	2,547	15%	1,917
Holding & corporate	(220)	(330)	33%	(665)
Non core operations(a)	76	39	95%	(471)
Total Vivendi Universal (Excluding VUE, VE and VUP assets sold in 2003)	3,139	2,372	32%	1,075

Vivendi Universal Entertainment(b)	337	931	-64%	816
VUP assets sold in 2003(c)		6	na*	(14)
Veolia Environnement			na*	1,911
Total Vivendi Universal	3,476	3,309	5%	3,788

*na: non applicable

(a) Corresponds to VUP activities in Brazil (Atica & Scipione) deconsolidated since January 1, 2004, Internet operations abandoned since January 1, 2004, VTI, Vivendi Valorisation and other non-core businesses.

(b) VUE was deconsolidated as of May 11, 2004 as a result of the divestiture (from an accounting standpoint) of 80% of Vivendi Universal s interest in this company.

(c) Corresponds to Consumer Press Division sold in February 2003, which was deconsolidated as of January 1, 2003, and Comareg sold in May 2003.

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Revenues and operating income by business segment on a comparable basis 2004 2003

Comparable basis essentially illustrates the effect of the divestiture of VUE, the divestitures at Canal+ Group (Telepiù, Canal+ Nordic, Canal+ Benelux, etc.), the divestitures of VUP (Comareg and Atica & Scipione), Vivendi Telecom Hungary, Kencell and Monaco Telecom and the abandonment of Internet operations, and includes the full consolidation of Telecom Développement at SFR Cegetel and of Mauritel at Maroc Telecom as if these transactions had occurred at the beginning of 2003. In addition, comparable basis takes into consideration a change in presentation adopted as of December 31, 2004: in order to standardize the accounting treatments of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the consolidation of Telecom Développement, sales of services to customers, managed by SFR Cegetel and Maroc Telecom on behalf of content providers, previously presented in a gross basis in SFR and Telecom Développement s revenues, are presented net of the related expenses. This change in presentation has no impact on operating income. At SFR Cegetel, it reduced revenues by 168 million in 2004. At Maroc Telecom, the impact was immaterial.

	Comparable Basis			
	Year Ended December 31,			
	2004	2003	% Change	% Change at Constant Currency
	(In millions of euros)			
Revenues				
Canal+ Group	3,470	3,339	4%	4%
Universal Music Group	4,993	4,974	0%	5%
Vivendi Universal Games	475	571	-17%	-11%
Media	8,938	8,884	1%	3%
SFR Cegetel	8,317	7,537	10%	10%
Maroc Telecom	1,658	1,523	9%	11%
Telecom	9,975	9,060	10%	10%
Non core operations and elimination of intercompany transactions(a)	(20)	28	na*	na*
Total Vivendi Universal	18,893	17,972	5%	7%
Operating Income				
Canal+ Group	184	95	94%	95%
Universal Music Group	338	70	x5	x5
Vivendi Universal Games	(183)	(201)	9%	0%
Media	339	(36)	na*	na*
SFR Cegetel	2,257	1,971	15%	15%
Maroc Telecom	682	642	6%	8%
Telecom	2,939	2,613	12%	13%

Holding & corporate	(220)	(330)	33%	31%
Non core operations(a)	59	(31)	na*	na*
Total Vivendi Universal	3,117	2,216	41%	41%

(a) Corresponds to VTI (excluding Vivendi Telecom Hungary, Kencell and Monaco Telecom), Vivendi Valorisation and other non-core businesses.

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Comments on revenues and operating income for Media operations

In 2004, Media operations revenues amounted to 9,048 million, down 7% compared with 2003 (representing a 3% increase on a comparable basis at constant currency).

In 2004, Media operations operating income increased threefold amounting to 353 million (on a comparable basis it went from - 36 million in 2003 to 339 million in 2004).

In 2003, Media operations revenues amounted to 9,703 million, down 18% compared to 2002, while operating income amounted to 116 million, down 60% compared to 2002.

Canal+ Group

	Year Ended December 31,				
	As Published				Comparable Basis(a)
	2004	2003	% Change	2002(b)	% Change
	(In millions of euros, except for margins)				
Revenues					
Pay-TV France	2,861	2,813	2%	2,663	3%
Film StudioCanal	394	351	12%	455	12%
Other	325	994	-67%	1,715	8%
Total Canal+ Group	3,580	4,158	-14%	4,833	4%
Operating income (loss)	198	247	-20%	(325)	94%
Operating margin(%)	6%	6%	stable	na*	+2 points
Subscriptions (in thousands)(c)					
Analog	2,455	2,611	-6%	2,864	
Digital	1,917	1,738	10%	1,613	
Individual subscribers	4,372	4,349	1%	4,477	
Collective	402	375	7%	363	
Overseas	181	183	-1%	178	
Total Canal+ (premium channel)	4,955	4,907	1%	5,018	
CanalSatellite	2,989	2,751	9%	2,520	
NC Numericâble	436	423	3%	407	
Total subscriptions in France	8,380	8,081	4%	7,945	

(a) Comparable basis essentially illustrates the effect of the divestitures at Canal+ Group (Telepiù, Canal+ Nordic, Canal+ Benelux, etc.) as if these transactions had occurred at the beginning of 2003.

(b) Please note that to better reflect the performances of each separate business, Canal+ Group has reallocated dedicated operations and holding costs to each appropriate business line. These amounts were previously reported in other . As a consequence, breakdown of revenues and operating income by business differs from figures published in 2002.

(c) Individual and collective subscriptions differ from 2002 published data, which included only individual subscriptions.

2004 versus 2003

Canal+ Group reported revenues of 3,580 million in 2004, up 4% as compared to 2003 on a comparable basis.

For 2004, Canal+ Group reported operating income of 198 million, up 94% as compared to the previous year on a comparable basis. With positive operating income for the second consecutive year, Canal+ Group confirmed the steady strengthening of its economic situation. This strong performance also reflected the ongoing effects of the strategic recovery plan implemented since 2003.

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Pay TV France:

Revenues of Canal+ Group s core business, French pay-TV, amounted to 2,861 million in 2004 and increased 3% as compared to 2003 on a comparable basis. At the end of 2004, Canal+ Group s portfolio had nearly 8.4 million subscriptions (individual and collective, in France and French overseas territories) to its pay-TV offerings in France, a net increase of 300,000 subscriptions in one year.

In 2004, Canal+, the premium channel, increased its number of subscriptions for the first time since 2000. On December 31, 2004, its portfolio reached 4.95 million subscriptions, representing a net increase of 48,000 subscriptions compared to the previous year. Over the course of 2004, the premium channel totaled more than 550,000 new subscriptions and achieved a significant churn rate decrease (-2 percentage points), which fell below 11%. In 2004, Canal+ strengthened its premium offer, in particular by signing an agreement with the French movie industry and securing exclusivity rights to France s top soccer league for three seasons (2005 to 2008).

CanalSatellite continued its growth, ending 2004 with 2.99 million subscriptions (a net increase of 238,000) and achieved a 0.5 percentage point churn rate decrease to 8.6%.

French pay-TV s operating income amounted to 151 million in 2004, up 18% compared to the previous year on a comparable basis. This improved result of the group s core business was mainly due to revenue growth in addition to savings resulting from the strategic recovery plan.

Film StudioCanal:

Canal+ Group s movie business increased revenues by 12% to 394 million in 2004, primarily due to successful theatrical releases (*Les Rivières Pourpres 2*, *Podium, Comme une Image, Bridget Jones 2*) and the strong performance of DVDs, including *Les Nuls, L Intégrule 1 & 2* and *De Caunes & Garcia*.

With operating income of 38 million in 2004, the group s movie business grew 57% as compared to 2003 on a comparable basis, highlighting the turnaround of StudioCanal over the last two years. This improved performance resulted mainly from the commercial performance of the 2004 theatrical line-up and successful DVD sales.

Other:

In 2004, Other mainly includes French soccer club PSG and Cyfra+.

PSG s strong revenues and operating income are mainly attributable to the club s performance over the different championships: PSG won the French Cup in 2004, ranked number two in the 2003-2004 season of the French National Football League 1 and qualified for the 2004-2005 Champions League championship.

With nearly 700,000 subscribers in 2004, Cyfra+ confirmed its leadership over other digital platforms in Poland. Cyfra s operating income was positive for the second year in a row.

2003 versus 2002

In 2003, actual revenues at Canal+ Group decreased by 14% to 4,158 million as a result of divestitures made in 2003 and described in Item 4 2003 Developments .

Canal+ Group ended 2003 with an operating income of 247 million, compared to an operating loss of 325 million in 2002. Operating income in 2003 included, in particular, a provision reversal impacting Telepiù s operating income of 129 million before its disposal in April 2003. This provision on a contract with a channel was reversed when Telepiù reached a high enough number of subscribers to make the contract profitable.

Pay-TV France:

Revenues from the French pay-TV operations, Canal+ Group s core business, increased 6% to 2,813 million in 2003. Canal+ Group ended 2003 with nearly 8.1 million subscriptions to its Canal+ pay-TV

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offerings in France, representing a net growth of approximately 135,000 subscriptions for the year. With 4.9 million subscriptions at December 31, the Canal+ premium channel significantly limited the forecast decline in its subscriber base to a net of approximately 110,000, primarily due to the sustained level of commitments from new subscribers whose number rose 10% during the year. The churn rate remained at industry-comparable low levels of 12.9%, or 11.8% excluding the impact of special commercial offers not repeated in 2004 which allowed free cancellations. This compares with 10.6% in 2002. CanalSatellite continued to grow, ending the year with 2.8 million subscriptions, for a net annual increase of approximately 230,000 subscriptions. The churn rate was up slightly at 9.1% compared to 8.4% in 2002.

Operating income was 128 million in 2003, which was double that reported in 2002. All of the operations (premium channel, theme channels, satellite and cable packages and operations in the French overseas departments and territories) contributed to the increase. The strong operating performances were achieved through revenue growth, restructuring efforts and cost savings.

Film StudioCanal:

StudioCanal revenues fell 23% to 351 million in 2003, in line with the company strategy to be more selective in its movie investments. StudioCanal s *Les Nuls, l Intégrule* ranked number one among France s best-selling videos and DVDs during the holiday season, with nearly one million copies sold, an unprecedented achievement for a comedy DVD in France.

Operating income in 2003 was positive at 26 million (compared to a 95 million operating loss in 2002) due to the benefits of the company s restructuring, the introduction of a new editorial policy, and the decision to discontinue in-house movie production.

Other:

Other includes non-strategic or non-profitable companies which were disposed of in 2003, either outside of France (pay-TV businesses including Telepiù, Canal+ Nordic and Canal+ Benelux) or in France (Canal+ Technologies, certain Expand activities), as well as Cyfra+ and PSG.

While revenues of this group of companies, at 994 million in 2003, fell 42% due to scope changes, operating income rose due to the positive contribution of most of the companies concerned. In particular, Cyfra+ in Poland reported operating income for the first time in 2003. The subscriber portfolio grew 5% to 670,000 at the end of 2003, representing approximately one million subscriptions to the different premium offers (Canal+ and HBO MaxPak) and to the digital platform Cyfra+.

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Universal Music Group

	Year Ended December 31,			
	As published			
	2004	2003	% Change	2002
	(In millions of euros, except for margins)			
Revenues				
North America(a)	1,985	1,895	5%	2,670
Europe(a)	2,003	2,044	-2%	2,418
Asia(a)	455	516	-12%	563
Rest of the World(a)	216	193	12%	263
	4,659	4,648	0%	5,914
Publishing	372	370	1%	412
Intersegment elimination	(38)	(44)	-14%	(50)
Total UMG	4,993	4,974	0%	6,276
Operating income	338	70	x5	556
Operating margin(%)	7%	1%	+6 points	9%
Market shares(b)				
North America	29.9%	27.9%		31.7%
Europe	26.7%	25.6%		27.1%
Asia	12.8%	13.4%		12.0%
Rest of the World	na*	na*		na*
Total UMG	24.7%	23.5%		25.4%
Music market growth(b)				
North America	4.1%	-5.9%		-8.2%
Europe	-5.1%	-8.5%		-4.1%
Asia	-5.1%	-9.8%		-10.3%
Rest of the World	na*	na*		na*
Total UMG	-0.8%	-7.6%		-7.2%

Best selling titles	Artist	Units	Artist	Units	Artist	Units
	(Units sold, in millions)					
	Eminem	9	50 Cent	9	Eminem	14
	U2	8	t.A.T.u.	4	Shania Twain	8
	Shania Twain	5	Eminem	3	Nelly	8
	Guns N Roses	5	Sheryl Crow	3	8 Mile OST	6
	Black Eyed Peas	4	Toby Keith	3	U2	5
% of top 15 of total units sold		13%		10%		14%

* na: not applicable

(a) In 2003, revenues by country included publishing revenues. In 2004, to better reflect the economic reality, revenues by country did not include publishing revenues, which are now presented on a separate line. As a result, 2002 and 2003 data differs from that published in 2003.

(b) Music market and market share data for 2004 are UMG estimates using the IFPI methodology. Music market and market share data for 2003 and 2002 are IFPI data.

2004 versus 2003

UMG s revenues of 4,993 million were up slightly (+0.4%) in 2004 compared to 2003, despite significant adverse currency movements.

At constant currency, revenues were up 5% with better than market performances particularly in North America and the UK, more than offsetting market weakness across most of continental Europe and lower sales

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in the Music Clubs. Revenues in Asia were down versus 2003. However, there was a rebound in both Latin America and Australasia. Digital sales of recorded music, including downloads and ringtones, represented approximately 2% of total revenues. UMG estimates that its worldwide market share reached 24.7% in 2004 compared to 2003 s market share of 23.5% as measured by IFPI. US album unit sales, as measured by Nielsen SoundScan, rose 2% versus 2003 with UMG outperforming the market with a 7% increase. According to Nielsen SoundScan, UMG s market share grew from 28.1% in 2003 to 29.6% in 2004.

Best sellers for 2004 included new releases from Eminem, U2, and Nelly, carryover sales from 2003 releases from Black Eyed Peas and Hoobastank and Greatest Hits collections from Shania Twain, Guns N Roses and George Strait. Other major sellers were debut releases from several new artists, including Ashlee Simpson, Kanye West, JoJo, and Lloyd Banks. UMG UK enjoyed an exceptional year for breaking new artists, such as best selling debut releases from Scissor Sisters and Keane. Local repertoire continued to make a significant contribution to activity and regional best sellers included: Rammstein, Rosenstolz, The Rasmus, Calogero, and Michel Sardou in Europe; Hikaru Utada, Kou Shibasaki and Moriyama Naotaro in Japan; and Ivete Sangalo and Juanes in Latin America.

Operating income of 338 million in 2004, compared to 70 million in 2003, reflected the better than market sales performance, lower marketing expenses, the other results of the company s cost reduction program.

The strong operating performance was partly offset by higher amortization costs, primarily due to a reduction in the period that music and music publishing catalogs were amortized from 20 to 15 years, and an impairment charge in respect of UMG s Music Clubs in the UK and France prior to their sale in December 2004. Results in 2003 included a charge relating to an unfavorable decision after trial in a lawsuit currently under appeal. Operating margins improved to 7% of revenues in 2004 from 1% in 2003.

2003 versus 2002

UMG s revenues of 4,974 million in 2003 were 21% below 2002 due to adverse currency movements, weakness in the global music market, and a lower number of releases from global superstars. Growth in Japan and the UK was more than offset by declines in the US, Germany, and France. The global music market declined an estimated 7% in 2003 due to the combined impact of pressed disc and CD-R piracy, illegal downloading of music from the Internet, and increased competition from other forms of entertainment such as DVDs. UMG s top 15 album releases accounted for 10% of unit volume in 2003 versus 14% in 2002. Best sellers included 50 Cent, which was the number one best seller of the year in the US and strong carryover sales from 2002 releases by t.A.T.u. and Eminem. Other major sellers in 2003 were from Sheryl Crow, Toby Keith, Black Eyed Peas, with very strong sales outside of North America, and from Sting and Busted, who had two albums in the year selling over 1 million units.

In 2003, operating income at UMG declined 87% to 70 million. This decline reflected the margin impact of the decline in revenue and a higher proportion of lower margin activity. Lower marketing and catalog amortization expenses offset restructuring costs incurred as a result of reorganizing businesses primarily in the US and Europe and a substantial increase in legal charges, primarily the cash deposit made with the United States District Court in connection with UMG s appeal of an unfavorable decision after trial in a lawsuit brought by TVT Records and TVT Music, Inc. (the TVT matter).

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Vivendi Universal Games

	As published			
	Year ended December 31,			
	2004	2003	% change	2002
	(In millions of euros, except for margins)			
Revenues	475	571	-17%	794
Operating income (loss)	(183)	(201)	9%	63
Operating margin(%)	na*	na*	na*	8%
% sales				
PC	46%	38%		59%
Console	48%	62%		40%
Online and Other	6%			2%
Breakdown of revenues				
North America	56%	55%		63%
Europe	34%	34%		27%
Asia Pacific and ROW	10%	11%		10%
Best selling titles	*Half-Life 2*	*Simpsons Hit and Run*		*Warcraft III*
	Simpsons Hit and Run	*Hulk*		*Fellowship of the Ring*
	Crash Twinsanity	*Crash Nitro Kart*		*Crash V*
	World of Warcraft	*Warcraft III expansion pack*		*The Thing*
	Spyro: A Hero s Tail	*Hobbit*		*Spyro I*

* na: not applicable

2004 versus 2003

In spite of the improved performance of the fourth quarter, VU Games revenues in 2004 amounted to 475 million, down 17% as compared to 2003 (11% at constant currency). Best-sellers in 2004 included two critically acclaimed new releases the global release of *Half-Life 2*, the sequel to one of the best-selling PC games in history, and the launch of the highly anticipated subscription-based, MMO game *World of Warcraft* in North America, Australia, and New Zealand. At December 31, 2004, *Half-Life 2* had sold an estimated 1.7 million units globally and was a top-selling PC game in most major markets including Germany, the UK, Nordic countries, France, Italy, Spain, and the US. *World of Warcraft* is the fastest-growing game in its category, achieving more than 600,000 active accounts since its commercial launch in November 2004 and is the largest MMO in North America. However, due to its year-end launch, subscription revenues from *World of Warcraft* had only a modest impact on VU Games 2004 revenues.

Best-sellers in 2004 also included the following new releases: *Crash Twinsanity, Spyro: A Hero s Tail, Riddick* and *Baldur s Gate: Dark Alliance II,* as well as very strong continuing sales of last year s highly successful *Simpsons: Hit & Run*.

In 2004, VU Games operating loss was 183 million compared to 201 million in 2003. Excluding one-time costs associated with the turnaround plan (approximately 95 million),VU Games operating loss in 2004 was reduced

significantly compared to the prior year. These one-time costs included write-offs of certain projects and titles, along with significant restructuring expenses associated with the cost of reducing staff numbers in North America and Europe.

2003 versus 2002

VU Games revenues in 2003, comprised of a balanced mix of original content (45%), licensed properties (40%) and third-party releases (15%), decreased to 571 million in 2003, 28% below 2002.

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Operating loss in 2003 amounted to 201 million compared to an operating income of 63 million in 2002 mainly reflecting lower gross margins on declining revenues and the write-off of R&D expenses (54 million, please refer to Item 18 Financial Statements Note 1). A weaker release schedule in 2003 compared to the prior year compounded by slippage resulted in lower revenues, higher returns, price protection, and products and advance write-offs.

Comments on revenues and operating income for Telecommunications operations

In 2004, Telecommunications operations revenues amounted to 9,944 million, up 10% from 2003 (10% increase on a comparable basis at constant currency).

Telecommunications operations operating income amounted to 2,930 million, up 15% from 2003 (13% increase on a comparable basis at constant currency).

In 2003, Telecommunications operations revenues amounted to 9,045 million, up 6% from 2002, while operating income amounted to 2,547 million, up 33% on 2002.

SFR Cegetel

	Year Ended December 31,				
	As Published				Comparable basis(a)
	2004	2003(b)	% change	2002(b)	% of variation
	(In millions of euros, except for margins)				
Revenues					
Network revenues	6,850	6,338	8%	5,800	10%
Equipment sales, net	433	370	17%	316	17%
Other (including connection fees and intercompany transactions)	(100)	41	na*	46	na*
Mobile	7,183	6,749	6%	6,162	10%
Fixed and Internet	1,134	825	37%	905	12%
Total SFR Cegetel	8,317	7,574	10%	7,067	10%
Operating Income	2,257	1,919	18%	1,449	15%
Operating margin(%)	27%	25%	+2 points	21%	+1 point
MOBILE OPERATIONS(c)					
Number of customers (end of period, in thousands)					
Postpaid	9,601	8,501	13%	7,187	
Prepaid	6,219	6,223	0%	6,360	
Total number of customers(d)	15,820	14,724	7%	13,547	
Market share	35.5%	35.3%	+0.2 point	35.1%	
Annual rolling ARPU (in /year)(e)					
Postpaid	603	635	-5%	674	-4%
Prepaid	183	176	4%	162	5%
Total	432	431	0%	424	2%
Churn rate (in %/year)					
Postpaid	13%	13%	+0 point	21%	

Prepaid	36%	36%	+0 point	33%
Total	24%	24%	+0 point	27%

	Year Ended December 31,				
	As Published				Comparable basis(a)
	2004	2003(b)	% change	2002(b)	% of variation
	(In millions of euros, except for margins)				
FIXED OPERATIONS					
Breakdown of revenues (before SFR Cegetel intercompany transactions)					
Revenues(f)	1,435	825	74%	905	11%
Residential and professional(%)	26%	46%	ns*	48%	-3 points
Corporate(%)	27%	54%	ns*	52%	-3 points
Wholesale(%)	47%	0%	ns*	0%	+6 points
Customers (end of period, in thousands)					
Residential and professional(g)	1,722	1,472	17%	3,286	
DSL	244	ns*	ns*	ns*	
Total DSL (incl. third parties)	699	ns*	ns*	ns*	
DSL unbundled	337	ns*	ns*	ns*	
Corporate Data sites	28.0	20.3	38%	12.4	
Backbone switched traffic (minutes, in billions)	42	40	5%	34	

*na: not applicable; ns: non significant

(a) Comparable basis illustrates the full consolidation of Telecom Développement as if the merger had occurred at the beginning of 2003. In addition, comparable basis takes into consideration a change in presentation adopted as of December 31, 2004. In order to standardize the accounting treatment of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the consolidation of Telecom Développement, sales of services to customers managed by SFR Cegetel on behalf of content providers, previously presented in a gross basis in SFR and Telecom Développement s revenues, are presented net of related expenses. This change in presentation had no impact on operating income. At SFR Cegetel, it resulted in a reduction in revenues by 168 million in 2004.

(b) Please note that because of the merger of SFR and Cegetel Groupe S.A., and to better reflect the performances of each separate business, SFR Cegetel has reallocated holding and other revenues, which were previously reported in the fixed and other line renamed fixed and internet , to the mobile line. As a consequence, SFR Cegetel s breakdown of results by business in 2002 and 2003 differs from figures published in 2003.

(c) Including mainland France (SFR) and La Réunion (French overseas department) (SRR).

(d) Source: ARCEP.

(e)

ARPU is defined as revenues net of promotions and net of third-party content provider revenues (including toll numbers related revenues) excluding roaming in and equipment sales divided by average ARCEP total customer base for the last twelve months.

(f) In order to better reflect the economic reality of fixed operations, Cegetel revenues are presented before inter-company transactions, which increased in 2004 following Telecom Développement consolidation.

(g) In order to better reflect the economic reality of fixed operations, this line now presents only residential and professional active voice customers. As a result, the number of residential and professional customers differs from data presented in 2003.

2004 versus 2003

SFR Cegetel revenues increased by 10% (also 10% on a comparable basis) to 8,317 million in 2004. Operating income grew 18% (15% on a comparable basis) to 2,257 million.

Mobile:

The contribution of the mobile telephony activity to SFR Cegetel revenues increased by 6% (10% on a comparable basis) to 7,183 million in 2004, mainly reflecting the year-on-year increase in the customer base combined with a slight increase in blended ARPU. This performance was achieved despite the fixed to mobile voice termination rate cut of 12.5% on January 1, 2004.

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In 2004 (and for the second year in a row, as measured by ARCEP), SFR (including SRR) became the market leader in net adds with a 38% market share and 1,095,000 new net customers, taking its registered customer base to 15.82 million, a 7% increase against 2003. SFR increased its market share in the French mobile market to 35.5% compared to 35.3% at the end of December 2003.

The improved customer mix to 60.7% postpaid customers at the end of 2004, against 57.7% in 2003 combined with improved use of data services led to an increase of 2% on a comparable basis in the annual rolling blended ARPU to 432.

In 2004, SFR strengthened its position as reference operator for mobile multimedia services in France by becoming the first operator to offer 3G services to the consumer market in France in early November. Additionally, the success of Vodafone *live!* was confirmed with more than 2.23 million customers registered to the mobile multimedia services portal at the end of 2004.

This contributed to a sharp increase in data services use with 4.5 billion text messages (SMS) and 37 million multimedia messages (MMS) sent by SFR customers in 2004 (against 3.4 billion and 6 million, respectively, in 2003) and a 31% growth in data ARPU to 52. Data revenues represented 11% of network revenue in 2004, compared to 9% in 2003.

For 2004, mobile activity operating income grew 20% (also 20% on a comparable basis) to 2,332 million, due to continued strong control of customer acquisition and retention costs (12% of network revenues compared to 13% in 2003) and the recording of 48 million of positive, non-recurring items versus 26 million in 2003.

Fixed and Other:

The contribution of fixed telephony and Internet activity to SFR Cegetel revenues increased by 37% to 1,134 million (12% on a comparable basis), driven mainly by growing retail and wholesale broadband Internet along with the strong performance of the Cegetel corporate division.

Cegetel achieved strong commercial performance in the broadband Internet market during the fourth quarter of 2004 with 12%[5] of market net adds, compared to 9% for the third quarter, even though this activity was only launched commercially in March 2004. Cegetel ended 2004 with 699,000 DSL customer lines[6] including wholesale and more than 244,000 DSL retail customer lines.

Cegetel efforts to roll-out a broadband Internet network since the beginning of 2004 are also reflected by the number of unbundled lines, which represent 21%[7] of the French market s unbundled lines at the end of 2004 against 7% at the end of June 2004.

As a consequence of the heavy commercial and technical costs of the broadband Internet retail offer launched in March 2004 and despite the growth in revenues and the recording of positive non-recurring items amounting to 74 million (versus 31 million in 2003), the fixed telephony and Internet activity reported operating losses of 75 million in 2004, compared to a loss of 29 million for the same period in 2003 (and income of 24 million on a comparable basis).

2003 versus 2002

SFR Cegetel reported strong performance in 2003 with consolidated revenue growth of 7% to 7,574 million. Operating income increased by 32% to 1,919 million compared to 1,449 million in 2002, mainly reflecting efficient cost management.

(5) Cegetel 2004 fourth quarter net increase in the number of direct broadband customers, according to market data disclosed by ARCEP on January 17, 2005.

(6) DSL lines include ADSL lines and, marginally, Turbo DSL lines.

(7) Cegetel number of DSL unbundled lines at the end of December 2004 according to market data disclosed by ARCEP on January 17, 2005.

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Mobile:

Mobile telephony revenues increased 10% to 6,749 million in 2003, driven by significant growth in the customer base and a strong annual rolling ARPU. SFR increased its market share in the French mobile market to 35.3% at the end of December 2003, against 35.1% at the end of December 2002. In 2003 and for the first time ever, SFR (including SRR) became the market leader in net adds with a 38% market share, recording 1,177,500 new net customers and taking its registered customer base to 14.7 million, a 9% increase over 2002. This positive performance was primarily achieved due to strong market share on postpaid net adds (43%). Furthermore, SFR is actively taking measures to attract and increase the loyalty of postpaid customers resulting in a 7.1 percentage point churn rate decline to 13.4% in 2003. The number of prepaid customers declined by 136,900 or 2% compared to flat overall growth in the total market.

Annual rolling ARPU grew 1.7% to 431 in 2003, despite the fixed incoming call tariff decrease of 15% on January 1, 2003. This favorable ARPU trend is explained by an improved customer mix and increased usage in 2003: postpaid customer base grew 18% (compared to 14% market growth) to 8.5 million, improving the customer mix to 57.7% at the end of December 2003, against 53% at the end of December 2002 while overall voice usage increased 7% year-on-year to 256 minutes per average customer per month.

In addition, the number of multimedia customers more than doubled, exceeding 2.3 million at the end of December 2003. The growing adoption of multimedia mobile services by SFR customers was confirmed, with approximately 330,000 customers (as at December 31, 2003) for the new multimedia service portal Vodafone *live!* launched in November 2003 (and approximately 410,000 customers at end of January 2004) and 3.3 billion text messages (SMS) and 6 million multimedia messages (MMS) sent in 2003.

Growth in the customer base, strong annual rolling ARPU, declining customer acquisition costs per gross addition (-10% excluding promotions) resulting from efficient cost management and a strong reduction in bad debt increased profitability and increased operating income by 25% to 1,948 million in 2003.

Fixed and Internet:

Fixed telephony revenues declined 9% to 825 million in 2003 primarily due to the unfavorable impact of year end 2002 voice price decreases and an unfavorable traffic mix. Operating losses decreased by 75% to 29 million in 2003 mainly due to improved cost management and favorable non-recurring events that more than offset the revenue decline.

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Maroc Telecom

	Year ended December 31,				
	As published				Comparable basis(a)
	2004	2003	% change	2002	% of variation
	(In millions of euros, except for margins)				
Revenues					
Network revenues	600	505	19%	447	19%
Equipment sales, net	93	79	18%	96	18%
Other (including connection fees and intercompany transactions)	208	192	8%	203	8%
Mauritel (mobile)	20		na*		20%
Mobile	921	776	19%	746	16%
Voice revenues	604	608	-1%	645	-1%
Data and Internet revenues	73	70	4%	60	4%
Other (including connection fees, data, Internet and intercompany transactions)	325	360	-10%	361	-10%
Mauritel (fixed)	14		na*		7%
Fixed and Internet	1,016	1,038	-2%	1,066	-3%
Elimination of intercompany transactions	(310)	(343)	na*	(325)	na*
Total Maroc Telecom	1,627	1,471	11%	1,487	9%
Operating income	673	628	7%	468	6%
Operating margin(%)	41%	43%	-2 points	31%	-1 point
Mobile(b)					
Number of customers (end of period, in thousands)	6,361	5,214	22%	4,598	
% of prepaid customers	96%	96%	stable	96%	
Market share(c)	68%	71%	-3 points	74%	
ARPU (in /month)(d)					
Postpaid	72	76	-5%	81	
Prepaid	9	9	0%	10	
Total	11	11	0%	12	
Churn rate (in %/year)					
Postpaid	16%	20%	na*	22%	
Prepaid	11%	12%	na*	12%	
Total	12%	12%	na*	12%	
Fixed and Internet (in thousands)(b)					
Number of lines(e)					
Residential	890	871	2%	801	

Public phone(f)	136	92	48%	78
Professional and corporate	283	256	11%	248
Total	1,309	1,219	7%	1,127
Number of Internet subscribers(g)	105	47	123%	34

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*na: not applicable

(a) Comparable basis illustrates the full consolidation of Mauritel as if this transaction had occurred at the beginning of 2003. In addition, the comparable basis takes into consideration a change in presentation adopted as of December 31, 2004: in order to standardize the accounting treatment of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the consolidation of Telecom Développement, sales of services to customers managed by Maroc Telecom on behalf of content providers, previously presented in a gross basis in SFR and Telecom Développement s revenues, are presented net of related expenses. This change in presentation had no impact on operating income. At Maroc Telecom, the impact was immaterial.

(b) Maroc Telecom only

(c) Source: ANRT.

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

(e) Excluding Internet customers.
(f) Téléboutique lines and Maroc Telecom s public phones.
(g) 2003 and 2002 data differs from data published in 2003 as it includes ADSL customers and leased lines.

2004 versus 2003

Maroc Telecom revenues amounted to 1,627 million in 2004, up 11% on 2003 (and 11% on a comparable basis at constant currency).

Maroc Telecom 2004 operating income grew by 7% to 673 million (8% at constant currency on a comparable basis). This positive revenue performance was partially reduced by higher acquisition costs, mainly mobile (customer base gross increase of +585,000 compared to 2003), the escalation of advertising campaigns and the accounting of a non-recurring provision accrual for the voluntary departure plan for employees to be implemented in 2005 (14 million as of December 31, 2004).

Mobile:

Mobile revenues in 2004 totaled 921 million, up 19% as compared to 2003 (19% on a comparable basis at constant currency) driven by continuing customer base growth (+22%) to approximately 6.4 million customers. This growth was also driven by equipment sales to new customers and the positive performance of prepaid ARPU (up 2% to 8.6), reflecting consumption stimulated by more promotions and the launch of the MAD 20 (1.8) scratch card.

In a highly competitive environment, Maroc Telecom focused on increasing customer loyalty: the prepaid customer churn rate declined by 1 percentage point from 12% in 2003 to 11% in 2004 and the postpaid customer churn rate fell by 4 percentage points from 20% in 2003 to 16% in 2004.

Fixed and Internet:

Fixed telephony and Internet revenues in 2004 were 1,016 million in 2004, a decrease of 2% as compared to 2003 (down 1% on a comparable basis at constant currency). This decline was essentially due to a tariff reduction on leased line prices applied retroactively from January 1, 2004, impacting the level of services invoiced by the fixed activity to the mobile one. Excluding the impact of this tariff reduction, revenues in 2004 increased 2% (3% on a comparable basis at constant currency) as compared to 2003 due to a 7% growth in the customer base to 1.3 million customers at the end of 2004, the growth in incoming international traffic (+17%) and the success of the ADSL launch (approximately 60,000 subscribers at the end of 2004 compared with approximately 2,600 subscribers at the end of 2003), and in spite of a decrease in the average traffic per user.

2003 versus 2002

In 2003, Maroc Telecom revenues were 1,471 million, down 1% as compared to 2002.

Mobile revenues, representing 43% of 2003 total revenues, increased 8.5% as compared to 2002, as a result of a larger customer base. Mobile customers at year end 2003 increased 13% by 617,000 to 5,214,000.

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Fixed-line revenues were stable, with the increase in incoming mobile calls and Internet offset by lower national voice traffic and the loss of Meditel s (the mobile competitor) international traffic. Maroc Telecom s fixed-line customer base increased by 92,000 new customers to reach 1,219,000.

Operating income was up 34% to 628 million in 2003 mainly driven by operational improvement, the impact of 2002 restructuring measures, lower bad debt, lower mobile customer acquisition costs and a reduction in selling, general and administrative expenses.

Comments on revenues and operating income for Holding & Corporate and Other

Holding & Corporate

2004 versus 2003

In 2004, Holding & Corporate operating income improved by 33%, with operating losses reduced from 330 million to 220 million. This improved performance was mainly achieved through ongoing significant reductions in operating expenses at the Paris headquarters and New York office.

2003 versus 2002

Following restructuring measures taken in 2002 to reverse the trend on what was one of the group s leading causes of losses, operating losses have been reduced by one half from 665 million to 330 million.

Other

	As published		
	Year ended December 31,		
	2004	**2003**	**2002**
	(In millions of euros)		
Revenues			
Vivendi Telecom International	125	340	461
Internet		79	174
Other businesses	(16)	165	178
Non core operations and elimination of intercompany transactions	109	584	813
Vivendi Universal Entertainment	2,327	6,022	6,270
VUP assets sold in 2003		128	572
Veolia Environnement(a)			30,038
Total Revenues	2,436	6,734	37,693
Operating income			
Non core operations	76	39	(471)
Vivendi Universal Entertainment	337	931	816
VUP assets sold in 2003		6	(14)
Veolia Environnement(a)			1,911
Total Operating Income	413	976	2,242

(a)

VE s published figures may differ from the figures presented in Vivendi Universal s Consolidated Financial Statements, primarily due to the elimination of non-material inter-company transactions. Moreover, Vivendi Universal s definition of operating income differs from VE s definition of EBIT used in their December 31, 2002 accounts, which does not include restructuring charges of 56 million.

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2004 versus 2003

Vivendi Telecom International. Revenues and operating income declines in 2004 were mainly due to changes in scope (mainly Kencell in May 2004 and Monaco Telecom in June 2004).

Other operations. Other operations reported negative revenues of 16 million in 2004 mainly from inter-company transactions. Operating income amounted to 42 million in 2004 compared to 23 million in 2003.

Vivendi Universal Entertainment. From May 11, 2004, Vivendi Universal ceased to consolidate VUE following the completion of the NBC-Universal transaction. As a result, comparison of VUE s contribution to Vivendi Universal s accounts in 2004 and 2003 is not relevant. For more details on the NBC-Universal transaction, please refer to Item 4 2004 Developments .

From January 1, 2004 to May 11, 2004, VUE s revenues amounted to 2,327 million. Over the period, VUE s revenues notably benefited from Universal Pictures Group s (UPG) strong revenues, which amounted to 1,510 million, due to the successes of DVD releases of key titles such as *American Wedding, Cat in the Hat, The Rundown, Intolerable Cruelty* and *Lost in Translation* and of theatrical releases of *Along Came Polly, Dawn of the Dead, Connie and Carla* and *Van Helsing*. VUE s revenues also benefited from Universal Television Group s (UTG) strong revenues, which amounted to 722 million, in particular due to increased licensing revenues for *Law & Order: Special Victims Unit*, increased production volume of other shows and stronger advertising and affiliate revenues at Universal Television Networks, which includes USA Network and Sci Fi Channel. Universal Parks & Resorts (UPR) and Other revenues were 95 million.

From January 1, 2004 to May 11, 2004, VUE s operating income amounted to 337 million and mainly benefited from strong performance at UTG and increases, over a comparable period, in theme park attendance at Universal Studios Hollywood.

2003 versus 2002

Vivendi Telecom International. Revenues and operating income declines in 2003 were principally due to scope changes, notably the divestiture of fixed-line telecommunications in Hungary in May 2003.

Internet. Revenues decline and the strong reduction in operating losses in 2003 reflect the ongoing restructuring plan.

Other businesses. Operating income amounted to 23 million in 2003 compared to operating losses of 299 million in 2002. This strong improvement was achieved due to reduced losses in real estate. In 2002, operating losses were mainly impacted by non-recurring provisions.

Vivendi Universal Entertainment. In 2003, VUE s revenues amounted to 6,022 million, down 4% as compared to 2002 (6,270 million). Strong performances at UPG and UTG were mainly offset by lower revenues at UPR, adverse currency movements and scope changes.

Operating income was up 14% to 931 million (versus 816 million in 2002).

Universal Pictures Group. UPG s revenues decreased 5% to 3,664 million in 2003 as compared to 2002 (3,861 million); the theatrical and DVD success of *Bruce Almighty, 2 Fast 2 Furious, Johnny English* and *Seabiscuit* being more than offset by adverse currency movements. UPG s revenues also benefited from strong theatrical performances of *American Wedding* and *Love Actually* and the DVD success of library releases including *Scarface* and *Animal House*.

Operating income decreased 18% to 545 million in 2003 as compared to 2002.

Universal Television Group. Revenues at UTG were up 21% to 1,840 million in 2003 as compared to 2002 (1,525 million) mainly reflecting the consolidation, from May 8, 2002, of IAC s entertainment assets. Revenues from television production benefited from the continued strong performance of the three shows in the *Law & Order* franchise, as well as the debut of several other productions in 2003.

Operating income increased 25% to 535 million in 2003 as compared to 2002, reflecting the consolidation, from May 8, 2002, of IAC s entertainment assets and driven by the continued success of the

Law & Order franchise and higher margins on sales of library products. At Universal Television Networks, which includes USA Network and the Sci Fi Channel, increases in advertising sales and affiliate fees were offset by investments in acquired and original programming.

Universal Parks & Resorts and Other. The revenues of UPR and Other fell 41% to 518 million in 2003 as compared to 2002 (885 million) due to scope changes with the divestiture of Spencer Gifts on May 30, 2003 and revenue decline at Universal Studios Hollywood and Universal Studios Japan, resulting from ongoing security concerns and the associated softness in the tourism market. These declines were slightly offset by strong performance at Universal Studios Networks, a group of international cable channels, which was driven by the growth in subscriber numbers and affiliate fees.

Operating losses were reduced from 275 million in 2002 to 149 million in 2003 due to a gain realized on the sale of hotel properties located at Universal Studios Hollywood and improved performances at Universal Studios Networks due to higher affiliate fees and subscriber numbers combined with reduced overhead costs.

Veolia Environnement. In 2002, total revenues for VE were 30,038 million, out of which 28,073 million related to core businesses. VE s operating income was 1,911 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Management and Capital Resources

Financial Net Debt of the company amounted to 3.1 billion as of December 31, 2004 and has been divided by 11.3 since December 31, 2000. Its evolution is presented below:

	Year Ended December 31,									
	2004 as Published		2003 as Published		2002 as Published		2001(a)		2000(a)	
	(In millions of euros)									
Long-term debt(b)	4,549	72%	9,621	67%	10,455	53%	27,777	66%	23,954	62%
Bank overdrafts and other short-term borrowings(b)	1,744	28%	4,802	33%	9,177	47%	14,003	34%	14,852	38%
Financial gross debt	6,293	100%	14,423	100%	19,632	100%	41,780	100%	38,806	100%
Cash and cash equivalents(b)	(3,158)		(2,858)		(7,295)		(4,725)		(3,271)	
Financial Net Debt	3,135		11,565		12,337		37,055		35,535	

(a) Up to 2001, Vivendi Universal used a notion corresponding to Financial Net Debt less other marketable securities, short-term loan receivables, and net interest-bearing long-term loan receivables.

(b) As presented in the Consolidated Statement of Financial Position.

In 2004, cash flow generated by the businesses has been partially reduced by the dividends paid by the telecommunications businesses to their minority shareholders (1.8 billion was paid to them out of a total of 3.8 billion, please refer to Consolidated Cash Flows Net cash provided by (used for) investing and financing activities).

Beginning in 2003, access to cash flow within the businesses has improved dramatically, as the restrictions (ring fencing) on VUE were substantially eased in June 2003, and SFR Cegetel made its first dividend distribution. Shareholders of the latter also adopted a quarterly dividend distribution policy starting 2004. As a result, cash flow after interest and taxes[5] generated by the company s businesses and available at the corporate level totaled 2.8 billion in 2004, as compared to 1.4 billion in 2003.

In 2004, Vivendi Universal was able to reduce its debt mainly due to the completion of its divestiture program (particularly the sale of VUE and the 15% stake in VE). Meanwhile, it was able to reduce the cost of its debt, as a result of its debt restructuring:

At the closing of the NBC-Universal transaction, on May 11, 2004, Vivendi Universal received approximately 3 billion (after minority interests and other) and deconsolidated, at that date, total gross financial debt of approximately 3.6 billion borne by VUE, including a $920 million loan

(5) Defined as Vivendi Universal s net cash provided by operating activities and capital expenditures, net of proceeds excluding SFR Cegetel and Maroc Telecom plus dividends received from SFR Cegetel and Maroc Telecom. Please refer to the end of Liquidity Management and Capital Resources.

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agreement from American institutional investors, a $750 million securitization program for movie rights and the VUE Class A and B preferred interests for $2.6 billion. Please refer to Consolidated Cash Flows .

At the same time, Vivendi Universal was able to repay the 1.8 billion drawn portion of the 3 billion multicurrency revolving credit facility, the 1 billion Tranche B of the 2.5 billion dual currency facility (the unused portion of both loans being cancelled) and the £136 million (205 million) loan contracted by Universal Music Operations (UMO). In addition, a 2.7 billion multicurrency credit facility, signed on February 25, 2004, was set up on the basis of conditions more favorable than the previous revolving credit facilities.

On May 25, 2004, Vivendi Universal launched a tender offer to purchase 1 billion of High Yield Notes. On June 16, 2004, the size of this offer was increased to 2.4 billion (including premium and interests). As part of this offer, the holders of the Notes were also solicited to waive covenants attached to the Notes. On June 29, 2004, the offer terminated with a tender rate of 96.4% for the 9.50% and 9.25% High Yield Notes and a tender rate of 72.0% for the 6.25% High Yield Notes, for a total amount of approximately 2.0 billion, out of a total of 2.4 billion (i.e., 83% tendered). In addition, the covenants attached to the Notes were waived. The premium amount paid to the bondholders and the accrued interest amounted to 0.3 billion.

At the same time, Vivendi Universal was able to place 700 million floating rate notes issued with European institutional investors. These notes, issued on July 12, 2004, have a three-year maturity and a yield of three month EURIBOR + 60 basis points.

Following the success of this note issuance, the 2.7 billion multicurrency credit facility was reduced to 2.5 billion and its conditions were renegotiated on more favorable terms. As of December 31, 2004, this credit facility was undrawn and was used as a back-up for the treasury bills issued for 274 million.

In addition, SFR Cegetel set up, in May 2004, a securitization program for an aggregate amount of 405 million (drawn for 400 million as of December 31, 2004). Furthermore, in order to refinance certain of its existing indebtedness, a revolving credit facility was set up on July 15, 2004, with a five-year maturity for a total amount of 1.2 billion (drawn for 350 million as of December 31, 2004).

In December 2004, Vivendi Universal divested 15% of its 20.3% stake in VE. In total, Vivendi Universal received 1,497 million related to the overall transactions (please refer to Item 4 Divestiture of 15% of Veolia Environnement, Part of Vivendi Universal s 20.3% Stake December 2004).

Since December 31, 2004:

To finance the purchase of 16% of Maroc Telecom on January 4, 2005, a MAD 6 billion (537 million) facility was set up. The borrowing comprises two tranches: a MAD 2 billion tranche with a 2007 maturity and a MAD 4 billion tranche with a 2012 maturity.

On January 21, 2005, the remaining High Yield Notes were redeemed for a principal amount of approximately 400 million (corresponding to $107 million Notes issued in dollars and 316 million Notes issued in euros), following the sending of a formal Note of Redemption to all bondholders in December 2004. On completion of this transaction, none of the High Yield Notes issued by Vivendi Universal remained outstanding. The premium paid to the bondholders amounted to 41 million.

On February 15, 2005, Vivendi Universal issued 600 million of bonds maturing on February 15, 2012 with a 3.9% yield rate. The proceeds of this issue were used to repay, at no penalty, the $780 million note issued to NBCU on May 11, 2004, which was due to expire no later than May 2007. This new bond issue enabled Vivendi Universal S.A. to pay down the remainder of its secured debt, and extended the average maturity of the Vivendi Universal group s debt at no extra cost (had the bond been issued on December 31, 2004, average maturity of the

debt would have been 3.4 versus 3.0 years, as of December 31, 2004, excluding revolving bank credit).

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On April 6, 2005, Vivendi Universal issued bonds of 630 million with a 3.755% yield rate, maturing in April 2010. These bonds enabled to extend the average maturity of the group s debt and the early redemption of bonds convertible into Vinci shares, issued in March 2001 for a total consideration of 527 million and redeemable in March 2006.

On April 19, 2005, a MAD 6 million credit facility was set up by SPT from Altijari, a Moroccan bank. This facility was backed by a cash collateral deposit at VTI for the same amount.

On April 29, 2005, in order to benefit from good bank credits market conditions, Vivendi Universal issued a 2 billion syndicated loan, to refinance the 2.5 billion syndicated loan. With an initial tenure of 5 years (April 2010), the syndication has two one-year extensions to be exercised before the second anniversary. As at June 23, 2005, this facility was undrawn.

During the course of 2003, Vivendi Universal was able to obtain new lines of credit allowing it to progressively regain its financial flexibility, to substantially reduce its bank margins, to regain a balance between bank financing and capital markets financing and, finally, to extend the average maturity of its debt. The above-mentioned objectives were achieved through:

the issuance of 1.2 billion High Yield Notes with a 7-year maturity concurrently with the implementation by Vivendi Universal of a 2.5 billion syndicated secured bank facility, which together enabled Vivendi Universal to reimburse and cancel several existing facilities, falling due in 2003 and 2004, for a total amount of 2.5 billion;

the refinancing of VUE s $1.62 billion short-term bridge loan facility in the first half of 2003 by a $750 million securitization of VUE s film rights with a 6-year maturity and a $920 million term loan with a 5-year maturity. These two operations produced not only a significant extension of the maturity of VUE s debt but also allowed the upstream flow of cash from VUE to Vivendi Universal;

the issuance of 1.3 billion High Yield Notes in July 2003, which enabled Vivendi Universal to repay the balance outstanding on a 1.3 billion loan granted to a special purpose subsidiary in connection with the acquisition of a 26% interest in SFR Cegetel; following this refinancing, Vivendi Universal was able to take direct control of its participation in SFR Cegetel and, thus, fully benefit from the corresponding dividend stream; and

the strengthening by Vivendi Universal of its position in its bond financings by the decision in August 2003 of the holders, of the 527 million bonds due March 2006 exchangeable into Vinci shares to remove a put option that would have otherwise been exercisable in March 2004 and the issuance of 605 million bonds due October 2008 exchangeable for Sogecable shares.

Vivendi Universal s cash flow on a consolidated basis is not all available to Vivendi Universal at the parent company level. In particular:

Dividends and other distributions (including payment of interest, repayments of loans, other returns on investment or other payments) from Vivendi Universal s subsidiaries are restricted under certain agreements. Some of Vivendi Universal s subsidiaries that are less than wholly owned are unable to pool their cash with Vivendi Universal and must pay a portion of any dividends to other shareholders. These subsidiaries include SFR Cegetel and Maroc Telecom.

Since January 1, 2004, SFR Cegetel has implemented the dividend distribution plan agreed to by its two main shareholders, which in particular involves the distribution of premiums and reserves and the introduction of quarterly interim dividend payments.

The ability of Vivendi Universal s subsidiaries to make certain distributions may also be limited by financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments.

Under certain credit facilities, Vivendi Universal and its subsidiary, SFR Cegetel, are subject to certain financial covenants which require them to maintain various financial ratios described in Description of

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Vivendi Universal s Covenants . As of December 31, 2004, they both complied with all applicable financial ratios.

The Vivendi Universal group believes that its cash flow plus its unused credit facilities should provide a sound basis for funding these cash requirements.

Credit Ratings

Vivendi Universal s credit ratings as of June 23, 2005 are the following:

Rating agency	Rating date	Type of debt	Ratings		Outlook
Standard & Poor s	June 1, 2004	Long-term corporate	BBB-	}	Positive
		Short-term corporate	A-3	}	(November 23,
		Senior unsecured debt	BBB-	}	2004)
Moody s	October 22, 2004	Long-term senior unsecured debt	Baa3		Stable
Fitch Ratings	December 10, 2004	Long-term senior unsecured debt	BBB		Stable

Consolidated Cash Flows

Condensed Statement of Consolidated Cash Flows

	Year ended December 31,		
	2004 Actual	**2003 Actual**	**2002 Actual**
	(In millions of euros)		
Net cash provided by operating activities	4,798	3,886	4,670
Net cash provided by (used for) investing activities	2,986	(3,900)	405
Net cash provided by (used for) financing activities	(7,517)	(4,313)	(3,792)
Foreign currency translation adjustment	33	(110)	1,287
Change in cash and cash equivalents	300	(4,437)	2,570

Net Cash Provided by Operating Activities

In 2004, net cash provided by operating activities totaled 4.8 billion, an increase of 0.9 billion versus 2003 primarily due to lower financing expense and income tax paid, higher dividend received from equity affiliates, offset by the cost related to the redemption of the High Yield Notes. In 2004, the main contributors were SFR Cegetel (3.2 billion), UMG (0.8 billion), Maroc Telecom (0.7 billion), Canal+ Group (0.6 billion), VUE (0.4 billion) and dividends received from NBCU (0.4 billion) offset by net cash used for operating activities at Holding & Corporate, VU Games and other (- 1.3 billion). Excluding SFR Cegetel and Maroc Telecom, net cash provided by operating activities was 2.7 billion in 2004, including dividends received from SFR Cegetel and Maroc Telecom of 1.8 billion.

Net cash provided by operating activities totaled 3.9 billion in 2003, a decrease of 0.8 billion versus 2002. Excluding VE, net cash provided by operating activities increased by 1.1 billion primarily due to improved operating income before depreciation and amortization and reduced working capital. In 2003, the main contributors were SFR Cegetel (2.4 billion), VUE (0.7 billion), Maroc Telecom (0.6 billion), UMG (0.6 billion) and Canal+ Group (0.4 billion) offset by net cash used for operating activities at VU Games (- 0.2 billion) and at Holding & Corporate and other (- 0.6 billion). Excluding SFR Cegetel and Maroc Telecom, net cash provided by operating activities was 1.6 billion in 2003, including dividends received from SFR Cegetel and Maroc Telecom of 0.7 billion.

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Net Cash Provided by (used for) Investing and Financing Activities

The following table is presented in order to analyze the evolution of net cash provided by investing and financing activities and their impact on Financial Net Debt during the period under review. As a reminder, Vivendi Universal considers the non-GAAP measure, Financial Net Debt, to be an important indicator measuring the company s indebtedness. Financial Net Debt is calculated as a sum of long-term debt, bank overdrafts and short-term borrowings, less cash and cash equivalents; in each case, as reported on Vivendi Universal s Consolidated Statement of Financial Position. Financial Net Debt should be considered in addition to, not as a substitute for, Vivendi Universal s debt and cash position reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP. Vivendi Universal s management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain of Vivendi Universal s debt covenants.

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Change in Financial Net Debt in 2004

	Cash and cash equivalents	Financial Gross Debt	Impact on Financial Net Debt
		(In millions of euros)	
Financial Net Debt at December 31, 2003	(2,858)	14,423	11,565
Net cash provided by operating activities(a)	(4,798)		(4,798)
Investing activities:			
Capital expenditures	1,540		1,540
Proceeds from sales of property, plant, equipment and intangible assets	(239)		(239)
Purchases of investments			
VUE exercise of the call option on Barry Diller s stake (1.5%) (May)	226		226
DreamWorks purchase of the music rights catalog (January)	64		64
DreamWorks advance on film rights distribution agreement (January)	*30*		*30*
Sportfive exercise of his put option by Jean-Claude Darmon (March)(b)	30		30
Other	57	(6)	51
	407	(6)	401
Sales of investments			
VUE (May)(c)	(2,312)	(4,320)	(6,632)
15% of Veolia Environnement (December)	(1,497)		(1,497)
Sportfive (March)(b)	(274)		(274)
Kencell (May)(d)	(190)		(190)
Monaco Telecom (June)(e)	(169)		(169)
Atica & Scipione (February)	(31)	(10)	(41)
Flux-divertissement business of StudioExpand and Canal+ Benelux (June/August)(f)	(49)	7	(42)
VIVA Media (August)	(47)		(47)
Cèdre and Egée towers (June)	(84)		(84)
UCI Cinemas (October)(g)	(170)		(170)
Other(h)	118	(46)	72
	(4,705)	(4,369)	(9,074)
Net (decrease) increase in financial receivables	(13)		(13)
Purchase (sales) of marketable securities	24		24
Net cash (provided by) used for investing activities	(2,986)	(4,375)	(7,361)

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	Cash and cash equivalents	Financial Gross Debt	Impact on Financial Net Debt
	(In millions of euros)		
Financing activities:			
Proceeds from issuance of borrowings and other long-term debt			
VUE term loan set up to purchase US Treasury Bonds (May)(c)	(695)	695	
VUE purchase of US Treasury Bonds (May)(c)	695		695
SFR Cegetel 1.2 billion revolving credit facility (July)	(350)	350	
700 million floating notes (July)	(700)	700	
Other	(7)	7	
	(1,057)	1,752	695
Principal payment on borrowings and other long-term liabilities			
Proceeds			
Loan contracted by UMO (£136 million) (May)	205	(205)	
High Yield Notes (June)(i)	2,000	(2,000)	
2.5 billion dual currency facility (May)	1,000	(1,000)	
Other	236	(236)	
Other financing arrangements			
Vivendi Universal Promissory note to USI (NBC Universal subsidiary) (May)(c)		658	658
Consolidation of Special Purpose Vehicles used for the defeasance of real estate (January)(j)	7	326	333
	3,448	(2,457)	991
Net decrease (increase) in short-term borrowings and other			
Bank overdrafts and other short-term borrowings and other SFR Cegetel securitization program	(487)	487	
SFR Cegetel treasury bills	(218)	218	
Vivendi Universal Treasury bills	(274)	274	
Vivendi Universal 3 billion multicurrency revolving credit facility	1,000	(1,000)	
Vivendi Universal convertible 1.25% (OCEANE) (January)	1,699	(1,699)	
SFR Cegetel 600 million bonds (July)	600	(600)	
Other	817	(817)	
Other financing activities	157	(96)	61
	3,294	(3,233)	61
Net proceeds from issuance of common shares	(18)		(18)

Cash dividends paid by consolidated companies to their minorities shareholders			
SFR Cegetel(k)	1,470		1,470
Maroc Telecom S.A.(l)	303		303
Other subsidiaries	77		77
	1,850		1,850
Net cash (provided by) used for financing activities	7,517	(3,938)	3,579
Foreign currency translation adjustment	(33)	183	150
Change in Financial Net Debt during 2004	(300)	(8,130)	(8,430)
Financial Net Debt at December 31, 2004	(3,158)	6,293	3,135

(a) Net cash provided by operating activities includes, among other things, dividends that have no impact on net income. Such dividends include, among other things, dividends received from NBCU: a 224 million dividend received in June 2004 corresponding to 20% (before Universal Studios Holding Corp. minority interests) of the cash generated by NBC and VUE from October 1, 2003 to May 11, 2004, as well as dividends of 78 million and 55 million received in September 2004 and December 2004, respectively.

(b) The net impact of the divestiture of Sportfive on Financial Net Debt amounts to 229 million, net of the preliminary acquisition of Sportfive shares held by Jean-Claude Darmon (30 million) and after the payment, by Canal+ Group, of 15 million to conclude an historical litigation with Sportfive relating to vendor warranties. Please refer to Item 4 Information on the Company 2004 Developments.

(c) In May 2004, Vivendi Universal divested (from an accounting standpoint) 80% of VUE to which an enterprise value of approximately 10.2 billion was attributed by the transaction with GE, corresponding to the related reduction in Financial Net Debt (5.3 billion) and to the value of the 20% stake received in NBC (4.9 billion). For a detailed analysis of the NBC-Universal transaction s impacts on Financial Net Debt, please refer to Liquidity and Capital Resources Detailed analysis of the NBC-Universal transaction s impact on the change in Financial Net Debt.

(d) The net impact of Kencell s divestiture on Financial Net Debt amounts to 178 million, after deconsolidation of the cash and divestiture fees presented in other (please refer to (h) below).

(e) The net impact of Monaco Telecom s divestiture on Financial Net Debt amounts to 74 million, after deconsolidation of the 68 million cash held by this company and divestiture fees presented in others (please refer to (h) below).

(f) Includes 23 million of price adjustment on Canal Benelux divestiture. Furthermore, the net impact of the divestiture of StudioExpand s *flux divertissement* business and Canal+ Benelux on Financial Net Debt amounts to 16 million, after deconsolidation of the cash held by Canal+ Benelux, the cash payment made as part of a litigation and divestiture fees, presented in other (please refer to (h) below).

(g) The net impact of UCI Cinemas divestiture on Financial Net Debt amounts to 158 million, after taking into account the cash held by this company and distributed to shareholders by the buyer and divestiture fees presented in other (please refer to (h) below).

(h) These amounts include inter-company loan redemptions, divestiture fees, the cash outflow of Monaco Telecom, Kencell and Canal+ Benelux, the compensation pursuant to the settlement and release agreement of $19.5 million paid in respect of the Houghton Mifflin purchase price adjustment (please refer to Item 18 Financial Statements Note 28) as well as the impact of other divestitures.

(i) Vivendi Universal has also paid a premium to bondholders (259 million) and accrued interest for a total amount of 307 million, corresponding to a total cash outflow of 2.3 billion.

(j) As a result of the application of CRC Rule 04-03 issued on May 4, 2004, Vivendi Universal has fully consolidated Special Purpose Entities used for the defeasance of certain real estate assets since January 1, 2004. Please refer to Item 18 Financial Statements Note 1.

(k) In January 2004, SFR Cegetel paid an exceptional dividend of 899 million out of which 398 million was paid to minority shareholders. In addition, it paid a 2003 total dividend of 1,258 million (including 556 million to minority shareholders) and a 2004 interim dividend of 1,167 million (including 516 million to minority shareholders).

(l) In 2004, the total amount of dividends paid by Maroc Telecom was 465 million.

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Detailed analysis of the NBC-Universal transaction s impact on the change in Financial Net Debt

	Cash and cash equivalents	Financial Gross Debt	Net impact on Financial Net Debt
		(In millions of euros)	
Divestiture of 80% of VUE			
Net cash proceeds	(2,926)		(2,926)
Gross cash proceeds	(3,073)		(3,073)
Transaction fees and others	107		107
MEI proceeds	40		40
Deconsolidation of VUE s debt		(4,320)	(4,320)
$920 million loan agreement		(776)	(776)
Securitization program		(630)	(630)
VUE class A preferred interests		(701)	(701)
VUE class B preferred interests		(1,518)	(1,518)
Term loan set up to purchase US Treasury Bonds(a)		(695)	(695)
Cash closing adjustment as of May 11, 2004(b)	614		614
Net cash (provided by) used for investing activities	(2,312)	(4,320)	(6,632)
VUE Term loan set up to purchase US Treasury Bonds	(695)	695	
VUE Purchase of US Treasury Bonds(a)	695		695
Vivendi Universal Promissory note to USI(a)		658	658
Net cash (provided by) used for financing activities		1,353	1,353
Foreign currency translation adjustment		(17)	(17)
Total impact on Financial Net Debt	(2,312)	(2,984)	(5,296)

(a) After the defeasance of covenants of the VUE Class A preferred interests immediately prior to the closing of the NBC-Universal transaction, VUE purchased US Treasury Bonds for 695 million financed by a term loan. The amount of these securities will at least equal the VUE Class A preferred interest amount (including interest) at maturity in 2022; i.e., approximately $1,990 million. In accordance with the terms of the transaction, Vivendi Universal then issued a promissory note to USI, a subsidiary of NBCU, for $780 million to reimburse 94.56% of the cost of this defeasance. Please refer to Item 4 Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE for information on the restructuring of VUE in June 2005.

(b) The Business Combination Agreement between Vivendi Universal, GE and NBC contained specific provisions related to the settlement of the inter-company loan between VUE and Vivendi Universal between October 1, 2003 and May 11, 2004, the completion date of the NBC-Universal transaction. As of September 30, 2003, the balance on the inter-company loan was $562 million. Since that date, Vivendi Universal has received the full

amount of the cash flow generated by VUE through this inter-company loan ($728 million (614 million) which was reimbursed to VUE as of May 11, 2004). In June, Vivendi Universal received a dividend of 224 million corresponding to 20% (before Universal Studios Holding Corp. minority interests) of the cash generated by NBC and VUE between October 1, 2003 and May 11, 2004. Since May 12, 2004, Vivendi Universal has access to the cash flows generated by NBCU, up to its stake held in the company, through a loan undrawn as at June 23, 2005.

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Change in Financial Net Debt during 2003

	Cash and cash equivalents	Financial Gross Debt	Impact on Financial Net Debt
		(In millions of euros)	
Financial Net Debt at December 31, 2002	(7,295)	19,632	12,337
Net cash provided by operating activities	(3,886)		(3,886)
Investing activities:			
Capital expenditures	1,552		1,552
Proceeds from sale of property, plant and equipment and intangible assets(a)	(477)		(477)
Purchases of investments			
Additional 26% interest acquired in Cegetel Groupe S.A. (January)	4,011		4,011
Closing of contractual guarantees to former Rondor shareholders (March)	207		207
Telecom Développement (December 2003)	56	162	218
Other	148	(24)	124
	4,422	138	4,560
Sales of investments			
InterActiveCorp warrants (February/June)	(600)		(600)
Telepiù (April)	(457)	(374)	(831)
Consumer Press division (February)	(200)		(200)
Canal+ Technologies (January)	(191)		(191)
Comareg (May)	(135)		(135)
Canal+ Nordic (October)(b)	(48)		(48)
Interest in Vodafone Egypt (May)	(43)		(43)
Interest in Sithe International (June)(c)	(40)		(40)
Fixed line telecommunication in Hungary (May)(d)	*(10)*	*(305)*	*(315)*
Other(e)	316	(239)	77
	(1,408)	(918)	(2,326)
Net (decrease) increase in financial receivables	(140)		(140)
Purchases (sales) of marketable securities	(49)		(49)
Net cash (provided by) used for investing activities	3,900	(780)	3,120
Financing activities:			
Proceeds from issuance of borrowings and other long-term debt			
Senior notes (2010) (April)	(1,183)	1,183	
Senior notes (2008) (July)	(1,353)	1,353	
2.5 billion dual currency facility (May)	(1,000)	1,000	
VUE $920 million loan agreement (June)(f)	*(800)*	*800*	
VUE securitization program (March)(f)	(704)	704	

Sogecable exchangeable (October)	(605)	605
Other	(12)	12
	(5,657)	5,657
Principal payment on borrowings and other long-term liabilities		
Cash settlement of Veolia Environnement exchangeable notes (March)(g)	1,781	(1,781)
Other	166	(166)
	1,947	(1,947)

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	Cash and cash equivalents	Financial Gross Debt	Impact on Financial Net Debt
		(In millions of euros)	
Net decrease (increase) in short-term borrowings and other			
SIT 1.3 billion acquisition facility (July)	(1,300)	1,300	
3 billion multicurrency revolving credit facility	(1,000)	1,000	
3 billion multicurrency revolving credit facility	3,000	(3,000)	
VUE $1.62 billion loan (June)(f)	1,456	(1,456)	
BSkyB exchangeable 1% (July)(h)	1,440	(1,440)	
SIT 1.3 billion acquisition facility (January 2003)	1,300	(1,300)	
Other(i)	2,363	(2,195)	168
	7,259	(7,091)	168
Net proceeds from issuance of common shares	(71)		(71)
Sales (purchases) of treasury shares(j)	98		98
Cash dividends paid by consolidated companies to their minorities shareholders	737		737
Net cash (provided by) used for financing activities	4,313	(3,381)	932
Foreign currency translation adjustment	110	(1,048)	(938)
Change in Financial Net Debt during 2003	4,437	(5,209)	(772)
Financial Net Debt at December 31, 2003	(2,858)	14,423	11,565

(a) Including the sale of 10 Universal City Plaza to a group of US investors. The asset is a 35-story tower block located in Los Angeles, California, and Universal Studios will continue to rent the building.

(b) Excluding the residual amount of 7 million received during the first quarter 2004, excluding the inter-company account.

(c) In June 2003, Vivendi Universal sold its interest in Sithe International (operations in Asia Pacific) to the Japanese group Marubeni for $47 million.

(d) Excluding the 10 million promissory note received by Vivendi Universal in August 2004.

(e) Including the negative impact of the cash flow generated by sold entities until the closing of transactions (Telepiù in 2003 for the amount of 193 million), when surrendered to the purchasers in accordance with the terms and conditions of the share purchase agreement. However, this allocation has no impact on net debt. Certain divestitures also include inter-company redemption.

(f) The proceeds from the VUE securitization program and the $920 million loan agreement have been used to repay the $1.62 billion loan dated November 25, 2002 that matured on June 30, 2003.

(g) In February 2001, Vivendi Universal issued 32,352,941 bonds exchangeable, at any time after April 17, 2001, for shares in VE (interest 2%; yield to maturity 3.75%; expiring March 2006; nominal value 55.90, or 30% above the average weighted price of VE shares the previous day). Following the exercise of the put by investors in March 2003, Vivendi Universal reimbursed 31,858,618 of VE exchangeable bonds at a total cost of 1.8 billion.

(h) In July 2000, Vivendi issued 59,455,000 bonds exchangeable for BSkyB shares or redeemable in cash, at a unit par value of 24.22. These bonds earned interest at 1% and matured on July 5, 2003. The conversion rate was one BSkyB share (with a par value of 50 pence) for one Vivendi Universal bond. On July 5, 2003, all outstanding bonds were redeemed at a unit price of 24.87.

(i) Including the reimbursement of revolving credit facilities of 850 million, the Société Générale 215 million and 275 million revolving credit facilities and a CDC IXIS 200 million revolving credit facility.

(j) Including the 104 million impact of put options on treasury shares.

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Financial Net Debt: Reconciliation to US GAAP

	December 31, 2004				
	Long-term debt	Bank overdrafts and other short term borrowings	Financial gross debt	Cash and cash equivalents	Total financial net debt
	(In millions of euros)				
Financial Net Debt French GAAP	4,549	1,744	6,293	(3,158)	3,135
Adjustments to conform to US GAAP					
Forward contract related to the acquisition of 16% of Maroc Telecom(a)		1,100	1,100		1,100
Real estate defeased properties(b)	240		240		240
Other	(20)	389	369		369
Financial Net Debt US GAAP	4,769	3,233	8,002	(3,158)	4,844

(a) Following the share purchase agreement (in the form of a firm commitment to purchase from the Kingdom of Morocco 16% of the share capital of Maroc Telecom) signed in November 2004, a financial liability was recognized for an amount of 1,100 million against minority interests in the US GAAP consolidated statement of financial position. The transaction was executed on January 4, 2005. Please refer to Item 18 Financial Statements Note 30.

(b) In compliance with CRC Rule 04-03 dated May 4, 2004, Vivendi Universal fully consolidates as of January 1, 2004, certain Special Purpose Entities used for the defeasance of some real estate assets. Please refer to Item 18 Financial Statements Note 32.7 Summary of significant differences between accounting policies adopted by Vivendi Universal and US GAAP.

	December 31, 2003				
	Long-term debt	Bank overdrafts and other short term borrowings	Financial gross debt	Cash and cash equivalents	Total financial net debt
	(In millions of euros)				
Financial Net Debt French GAAP	9,621	4,802	14,423	(2,858)	11,565
Adjustments to conform to US GAAP					
	(3,438)		(3,438)	124	(3,314)

Impact of VUE classification as an asset held for sale (c)					
Real estate defeased properties	848		848		848
Other		336	336		336
Financial Net Debt US GAAP	7,031	5,138	12,169	(2,734)	9,435

(c) Please refer to Item 18 Financial Statements Note 3.1 and Item 4 Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE . Under the terms of the NBC-Universal transaction, Vivendi Universal paid the cost of the required defeasance of certain covenants of the VUE Class A preferred interests and was also responsible for the net cost of the dividends on the VUE Class B preferred interests.

Description of Vivendi Universal s Covenants

Vivendi Universal has set up a number of borrowings in the last few years in order to restructure its debt and improve its financing condition.

The bonds issued by Vivendi Universal carry customary provisions related to events of default and negative pledge.

The 2.0 billion syndicated facility established in April 2005 contains customary provisions related to events of default, and restrictions in terms of negative pledge and disposal and merger transactions.

In addition, Vivendi Universal has to maintain the ratio of financial Net Debt to proportionate EBITDA at maximum 3 for the loan duration.

SFR has set up borrowings to repay the 600 million bond that matured in July 2004 and to replace existing credit lines:

- a 1.2 billion 5-year credit line was set up by SFR in July 2004.

It contains customary default, negative pledge and mergers and disposal provisions. It is subject to an ownership clause. In addition, SFR must maintain financial ratios:

- a maximum ratio of Financial Net Debt to EBITDA: 3.5 to 1,
- a minimum ratio of Operating Income to Net Financing costs (financing expense): 3 to 1.

These ratios are computed at the end of each half year.

- two securitization programs for a total net amount of 405 million were set up on May 11, 2004 for a 5-year period. They carry early repayment provisions if the delinquency rate is higher than a certain percentage, in the event of a change in control of SFR, and in the case of customary events of default. In addition, the granting of these borrowings is subject to the satisfaction of some conditions precedent, including a borrowing ratio (Net financial debt/EBITDA) which must be lower than 3.5 at the end of each half year.

Lastly, to finance the purchase of 16% of Maroc Telecom on January 4, 2005, a MAD 6 billion facility was set up by *Société de Participations dans les Télécommunications* (SPT), a Moroccan company indirectly wholly owned by Vivendi Universal. The borrowing is comprised of two tranches: a MAD 2 billion tranche with a 2007 maturity and a MAD 4 billion tranche with a 2012 maturity.

Vivendi Universal has granted a security (*caution solidaire*) to SPT. The security contract contains the same financial ratios as those included in the 2.5 billion syndicated loan set up in May 2004:

- maximum ratio of Financial Net Debt to proportionate EBITDA: 2.8 to 1 from December 31, 2004,
- minimum ratio of proportionate EBITDA to Net Financing Costs (financing expense): 4.5 to 1 from March 31, 2005.

This borrowing carries negative pledge and acquisition and restructuring restrictions and customary events of default provisions, as well as early repayment events in the case of a change in the borrower s ownership or Vivendi Universal s non-compliance with financial ratios contained in the security agreement.

OFF-BALANCE-SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

On an annual basis, Vivendi Universal and its subsidiaries maintain detailed records on all contractual obligations, commercial commitments and contingent liabilities, which are reviewed with senior management and updated on a quarterly basis. In order to ensure completeness, accuracy and consistency of the records, many procedures are performed, including but not limited to:

- review of minutes of meetings of shareholders, directors, committees of the board, and management committees for matters such as contracts, litigation, and authorization of fixed asset acquisitions or divestitures;
- review with banks of items such as guarantees and endorsements;
- review with internal and/or external legal counsel of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies;
- review of tax examiner s reports, notices of assessments and income tax analyses for additional prior year amounts;
- review with risk management, insurance agents and brokers of coverage for unrecorded contingencies;
- review of related party transactions for guarantees and other commitments; and
- review of all contracts and agreements.

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Contractual Obligations and Commercial Commitments Given as of December 31, 2004, 2003 and 2002

Vivendi Universal and its subsidiaries have various contractual obligations and commercial commitments, which have been defined as items for which we are contractually obligated or committed to pay a specified amount at a specific point in time. Certain of these items are required to be recorded as liabilities in our Consolidated Financial Statements, for example long-term debt. Others, such as certain purchase commitments and other executory contracts, are not permitted to be recognized as liabilities in our Consolidated Financial Statements, but are required to be disclosed. The following table summarizes, on the one hand, the items recorded as liabilities and, on the other hand, contractual obligations and commercial commitments as of December 31, 2004, 2003 and 2002:

Recorded as liabilities in the Consolidated Statement of Financial Position	Total as of December 31, 2004	Payments due in 2005	2006-2007	2008-2009	After 2009	Total as of December 31, 2003	2002
	(In millions of euros)						
Long-term debt	4,549		2,302	1,791	456	9,621	10,455
including capital leases	*440*		*8*	*84*	*348*	*196*	*274*
Bank overdrafts and other short-term borrowings	1,744	1,744				4,802	9,177
Sports rights(a)	2,134	531	1,287	316		695	1,065
Broadcasting rights(b)(*)	36		3	22	11	370	506
Creative talent and employment agreements(c)	121	13	52	33	23	220	250
Other	84	41	14	2	27	231	240
Total	8,668	2,329	3,658	2,164	517	15,939	21,693

Other contractual obligations and commercial commitments	Total as of December 31, 2004	Payments due in 2005	2006-2007	2008-2009	After 2009	Total as of December 31, 2003	2002
	(In millions of euros)						
Operating leases(d)	1,628	274	443	376	535	1,384	1,868
Sports rights							1,440(e)
Broadcasting rights(b)(*)	2,081	645	548	250	638	1,740	2,690
Creative talent and employment agreements(c)(*)	828	363	327	105	33	1,503	1,473
Real estate defeasance(f)	240		240			947	846
Other	328	93	93	32	110	1,026	701
Total	5,105	1,375	1,651	763	1,316	6,600	9,018

(*) The decrease in these commitments as of December 31, 2004 primarily results from the deconsolidation of VUE as of May 11, 2004.

(a) Exclusivity contracts for broadcasting sporting events by Canal+ Group recorded in other non-current liabilities. As of December 31, 2004, they primarily include broadcasting rights to the coming three French Football National League 1 seasons (2005-2008) for 1,800 million.

(b) Primarily contracts valid over several years related to the broadcasting of future film and TV productions, commitments to film productions and broadcasting rights at Canal+ Group and VUE (in 2003 and 2002). In 2004 Canal+ Group notably extended an agreement for first broadcast rights to all Twentieth Century Fox film features (covering 2007-2012).

(c) Agreements in the normal course of business, which relate to creative talent and employment agreements principally at UMG, VU Games and VUE (in 2003 and 2002).

(d) Lease obligations assumed in the normal course of business for rental of buildings and equipment, as well as satellite capacities at Canal+ Group.

(e) Exclusivity contracts for Canal+ Group broadcasting rights to French National Football League 1 matches for the seasons 2004-2007, on hold as of December 31, 2002.

(f) Lease obligations related to the defeasance of real estate. Pursuant to Rule 04-03 issued on May 4, 2004 by the CRC, Vivendi Universal has fully consolidated, as of January 1, 2004, special purpose entities used for the defeasance of certain real estate assets. This consolidation resulted in (i) on the assets side, the recognition of certain real estate assets still defeased as of today, i.e., an increase of 245 million in Property, plant and equipment , and (ii) on the liabilities side, an increase of 333 million in Long-

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term debt (please refer to Item 18 Financial Statements Note 1.1). These amounts, recorded in the Consolidated Statement of Financial Position as of January 1, 2004, do not include the two defeased office towers located at La Défense in Paris sold to German investors on June 29 and 30, 2004. They include (i) the third building located at La Défense sold to Philip Morris in 1998 and leased back to Vivendi Universal under a very long-term lease and (ii) two buildings in Berlin which were sold in 1996, the sales being coupled with very long-term leases. The recording in the Consolidated Statement of Financial Position of these assets leads to the cancellation of the related off-balance sheet commitments. In addition, the off-balance sheet commitments related to the two Philip Morris buildings sold in June 2004 were cancelled. Off-balance sheet commitments still existing in respect of the different buildings in La Défense and in Berlin have been reduced to (i) a rent guarantee, up to a maximum accrued amount of 16 million granted by Vivendi Universal to the buyer of one of two office towers sold in June 2004 and (ii) an annual rental guarantee of 12 million granted by Vivendi Universal to the buyer of the Berlin building Quartier 207 in 1996. This building has not been consolidated as of January 1, 2004 because the associated annual rental guarantees are to terminate in December 2006, following the exercise of the put option committing Dresdner Bank to buy it. The underlying debt related to this building is recorded as an off-balance sheet commitment.

Specific Commitments Given as of December 31, 2004

In addition to contractual obligations and commercial commitments given, Vivendi Universal and its subsidiaries have entered into various guarantees or other specific agreements. The most significant ones as of December 31, 2004 are summarized as follows:

Canal+ Group

Canal+ Group has granted various put options to certain minority shareholders of its subsidiaries. With respect to the put options, the contingent liabilities are estimated by the company at approximately 53 million, of which approximately 1 million are exercisable as of December 31, 2004.

Universal Music Group

The original three-year term of UMG s 50% joint venture in The Inc. (formerly known as Murder, Inc.) record label was extended as of February 10, 2002 for an additional 5 years until February 10, 2007. Ninety days after expiry or termination of the term, UMG is obligated to purchase its joint venture partner s 50% interest under a formula based on prior performance. To date, the group does not think that the exercise of this option could have a significant impact on UMG s financial position.

SFR Cegetel

(a) Under the terms of the partnership agreement concluded in 2003 between SFR and SNCF, exit conditions take the form of commitments to buy or sell SNCF s interest in the capital of Cegetel SAS (an entity resulting from the merger of Cegetel and Telecom Développement on December 31, 2003). SFR issued a commitment to buy SNCF s 35% holding in Cegetel SAS, which can be exercised at any time between January 1, 2007 and March 31, 2010:

- at a price of 75% of the market value of the company as determined by a group of experts should this value not exceed 627 million for the total amount of the capital, with a floor of 250 million;
- for a fixed sum of 470 million if a group of experts value the capital between 627 million and 1,100 million;
- for 470 million plus 35% of the value of the capital in excess of 1,100 million, as determined by a group of experts, if more than 1,100 million.

The sums payable, as determined in one or other of the cases indicated above, will be subject to a deduction of 67 million, plus interest accrued up to the date of transfer of ownership of the SNCF shares, on the down payment of 32 million made by SFR on December 31, 2003. A cumulative provision of 120 million was accrued as of June 30, 2004 in respect of this put option (please refer to Item 18 Financial Statements Note 14).

SNCF also issued a commitment to sell its interest in the capital of Cegetel SAS to SFR, which can be exercised between April 1, 2010 and June 30, 2013. The price is set at 35% of the market value of the company

as determined by a group of experts, less a deduction of 67 million plus interest accrued at the date of transfer of ownership of the SNCF shares, on the down payment of 32 million made by SFR on December 31, 2003.

Reciprocal vendor warranties were also given by SFR and SNCF, at the time of the merger of Telecom Développement and Cegetel S.A. Debt forgiveness undertakings (with financial recovery clauses, dated as of December 2000), in favor of its subsidiaries Cegetel 7 and Cegetel Entreprises (subsequently merged to become Cegetel S.A. on January 1, 2001, and later Cegetel SAS on December 31, 2003) were amended; and SFR waived the right to apply these financial recovery clauses of an initial amount of 813 million, until such time as SFR holds the entire share capital of Cegetel SAS, or less than 5% thereof.

(b) Under the terms of the UMTS license assigned in August 2001 for a 20-year duration, SFR is committed to pay a fee of 1% of its UMTS revenues. UMTS rollout occurred in June 2004.

Maroc Telecom

(a) In January 2003, Maroc Telecom signed with the Kingdom of Morocco s government an investment agreement under which Maroc Telecom committed itself to a 3-year investment program for a total amount of MAD 7 billion and to creating 300 new jobs before January 2006. In return, the Moroccan government committed to exempt Maroc Telecom from customs fees on investment imports. As of December 31, 2004, MAD 2.8 billion (250 million) of the investment program had yet to be spent. If Maroc Telecom does not realize these investments, it will have to pay the unpaid customs fees plus penalties for late payment.

(b) In connection with the stock market listing of Maroc Telecom on December 13, 2004, Vivendi Universal granted employees of this entity a stock price guarantee, capped at 22 million. This guarantee takes effect after a three-year period and expires June 14, 2008.

Holding & Corporate

(a) In connection with the Seagram merger, Vivendi Universal entered into a Shareholders Governance Agreement with members of the Bronfman family, pursuant to which Vivendi Universal agreed, among other things, not to dispose of Seagram shares in a taxable transaction and not to dispose of substantially all of the assets acquired by Vivendi Universal from Seagram in a transaction that would trigger the Gain Recognition Agreement entered into by the Bronfman family and result in the recognition of a taxable gain by it. Under the applicable US income tax regulations, to comply with the foregoing Vivendi Universal must retain at least 30% of the gross assets or at least 10% of the net assets (values determined as of December 8, 2000) until the end of the five-year period ending on December 31, 2005. At the present time, Vivendi Universal is in compliance with this provision.

(b) As of December 31, 2004, Vivendi Universal continued to guarantee commitments given by VE subsidiaries for a total amount of approximately 50 million, mainly relating to performance guarantees given to local authorities (Adelaide and others). All these commitments are being progressively transferred to VE and have been counter-guaranteed by the latter.

(c) Vivendi Universal has counter-guaranteed US financial institutions which have backed the issuance of surety bonds by local reinsurers in favor of Vivendi Universal US operating companies for an amount of 7 million.

(d) Vivendi Universal has retained certain indemnification obligations to GenRe regarding the structure of two interest rate and indices swap agreement contracts implemented in late 1997, and terminated in December 2002. Vivendi Universal believes that the likelihood that these obligations could materialize is remote.

(e) In connection with the litigation between Vivendi Universal and IAC (please refer to Item 18 Financial Statements Note 28.5), Vivendi Universal had to deliver a letter of credit of $91 million to IAC, in order to appeal the first ruling issued on June 30, 2004. The parties agreed to terminate the litigation on June 7, 2005 and the letter of credit was surrendered to Vivendi Universal.

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(f) In connection with Vivendi Universal obtaining permission to use the Consolidated Global Profit Tax System, Vivendi Universal committed on August 23, 2004, to create at least 1,600 jobs on open-ended contracts within three years, and 2,100 within five years. For that purpose, Vivendi Universal committed to pay 5 million annually for five years.

Vivendi Telecom International

In connection with its investment in Xfera which was sold in 2003, Vivendi Universal granted counter-guarantees of 55 million to a group of banks, which provided a guarantee to the Spanish government covering payment by Xfera of UMTS frequency spectrum fees.

Individual entitlement to training

French Law n° 2004-391 of May 4, 2004 regarding professional training and social dialog entitles employees with open-ended contracts to a minimum of 20 hours individual training per year, which can be accumulated over a period of six years, capped at 120 hours. As of December 31, 2004, cumulated training entitlement under this law totaled approximately 207,000 hours.

Commitments related to divestitures and restructuring

(a) As part of the NBC-Universal transaction which completed in May 2004, Vivendi Universal and GE have given each other some reciprocal commitments customary for this type of transaction, and have assumed obligations relating to taxes, retained businesses and liabilities, and the divestiture of certain businesses. They have undertaken to indemnify each other against losses stemming from among other things the breach of representations and warranties, any breach of the respective covenants and agreements and the incurrence of new liabilities related to contributed operations.

Neither party will have any indemnification obligations for losses as a result of breaches of representations and warranties and of violation of environmental laws and remedial actions (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 exceed $325 million, but in no event will the aggregate indemnification payable exceed $2,087.9 million.

In addition, Vivendi Universal will have indemnification liabilities for 50% of every dollar of loss up to $50 million and for all losses in excess for $50 million relating to liabilities arising out of the most favored nation provisions set forth in certain contracts.

The representations and warranties other than those regarding authorization, capitalization and tax representations terminate on August 11, 2005. Notices of claims for indemnity for environmental matters must be made by May 11, 2009, except for remediation claims which must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.

(b) As part of the sale of Canal+ Technologies in January 2003, Vivendi Universal granted customary guarantees to Thomson. In addition, Vivendi Universal agreed to indemnify Thomson in the event of specific third party claims up to 50% of costs, capped at approximately 4 million for Vivendi Universal s share. Vivendi Universal also agreed to guarantee payables due by Canal+ Group subsidiaries for an initial amount of approximately 4 million. Vivendi Universal paid 4 million during the first half of 2004 in respect of these guarantees.

(c) In connection with the divestiture of Canal+ Nordic which occurred in October 2003, the group granted certain customary guarantees to the acquirers up to 22 million, expiring in October 2005. A specific guarantee was also granted up to 50 million, expiring in April 2010. Its application could be extended under certain conditions. Two guarantees on output deals retained by Canal+ Group amount respectively to a maximum of 20 million and $15 million over the life of the contracts. These guarantees are covered by a back-to-back agreement by the buyers. Canal+ Group has also retained distribution guarantees to Canal

Digital and Telenor Broadcast Holding on behalf of its former subsidiary. These guarantees are covered by a back-to-back agreement by the buyers.

(d) In connection with the divestiture of Canal+ Belgique to Deficom and a consortium of cable channel service operators and the sale of the assets of Canal+ N.V. to Télénet in December 2003, the group granted certain customary guarantees to the acquirers with a two-year duration and a 5 million cap for each transaction (except for tax and employee-related liabilities). The group granted other specific guarantees for a total amount of approximately 8 million provided in the consolidated statements as of December 31, 2004, 4 million of which has been called to date.

(e) Customary guarantees were also given in 2004 to Dargaud, Sony, AB Groupe and Drucker Channel in respect of the divestitures of Studio Expand animation and entertainment operations and certain MultiThématiques assets with a 27 million cap. They expire on March 1, 2014 at the latest.

(f) In connection with the divestiture of Sportfive in 2004, Canal+ Group granted customary guarantees and specific guarantees related to the collection of certain receivables as well as several litigations, expiring on June 30, 2006. The guarantees are shared with RTL Group and capped at 100 million for the sellers (excluding a 7 million threshold), i.e., 50 million for Canal+ Group. A provision amounting to 3 million was recorded as of December 31, 2004 in respect of this guarantee. The sellers also granted customary tax guarantees with no limit as to amount.

(g) In connection with the divestiture of Canal+ Nederland in August 2004, Vivendi Universal granted customary guarantees capped at 4 million (1 million threshold), expiring in two years. On December 31, 2004, the buyer paid an earn-out of $31 million. The group also kept distribution commitments estimated at $38 million initially linked to this earn-out, which will be written-off on receipt of approval from the competition authorities.

(h) In connection with the sale of fixed-lined telecommunications in Hungary on May 13, 2003, VTI granted customary guarantees to Telemark related to tax liabilities and potential 2002 license payments to the Hungarian state.

(i) In connection with the divestiture of its 55% stake in Monaco Telecom on June 18, 2004, Vivendi Universal granted to Cable and Wireless customary guarantees capped at 90 million (2.5 million threshold), valid until June 18, 2006. Specific guarantees were also granted capped at 20 million. They expire on June 18, 2009 at the latest.

(j) The divestiture of the 60% stake in Kencell to Sameer Group, which occurred on May 25, 2004, was accompanied by customary guarantees capped at $40 million, expiring on March 31, 2006. Vivendi Universal also granted specific guarantees related to certain receivables and tax loss carry forward.

(k) Under the terms of the agreement governing the sale of Houghton Mifflin shares in December 2002, all the guarantees granted by Vivendi Universal expired on June 30, 2004, excluding guarantees relating to intellectual property, which expire at the end of December 2005, guarantees relating to the environment, which expire in December 2007, guarantees relating to tax and employee matters subject to statutes of limitation and guarantees relating to share ownership which are unlimited in time.

(l) As part of the sale of the 50% stake held by Vivendi Net UK Ltd in Vizzavi Limited and Vizzavi Europe Holding BV to Vodafone in August 2002, Vivendi Universal granted certain customary guarantees to Vodafone up to its initial 50% share in Vizzavi.

(m) In connection with the dismantling of MP3 operations in 2003, Vivendi Universal granted a guarantee to insurers with respect to representations made to them by MP3.

(n) In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi Universal granted guarantees on its own representations and those of Sithe. 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 will expire December 18, 2005.

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(o) As part of the sale of real estate assets in June 2002 to Nexity, Vivendi Universal granted two autonomous first demand guarantees, one for 40 million and one for 110 million to several subsidiaries of Nexity (SAS Nexim 1 to 6). The guarantees are effective until June 30, 2017. These autonomous guarantees are in addition to the vendor warranties granted by Sig 35, Vivendi Universal s subsidiary, to SAS Nexim 1 to 6 in connection with guarantee contracts dated June 28, 2002. The vendor warranties are valid for a period of five years, from June 28, 2002, except those relating to litigation (valid until the end of the proceedings), tax, custom, and employee-related liabilities (statute of limitations plus three months) and the decennial guarantee applicable to real estate.

(p) In connection with the divestiture of Aero Services on April 2, 2004, Vivendi Universal granted customary guarantees capped at $27.5 million, valid for an 18-month period (including fiscal litigation).

(q) In connection with the divestiture of its 50% stake in UCI in October 2004, Vivendi Universal granted customary guarantees to the buyer capped at 135 million. These guarantees expire on April 28, 2006, except for guarantees relating to environment matters which expire on April 28, 2007 and guarantees relating to tax matters which expire at the end of the applicable statute of limitations period.

At the same time, Vivendi Universal continues to provide guarantees in respect of UCI rent commitments to owners of cinema theaters in Germany of approximately 113 million as of December 31, 2004. Vivendi Universal received counter-guarantees in this respect from the purchaser of its 50% stake.

Several guarantees issued in 2004 and in prior years expired. The statutes of limitations of certain guarantees related to employee and tax liabilities has not yet run out. To our knowledge, no material claims have been made to date.

Various other miscellaneous guarantees were granted by the Vivendi Universal group for a total amount of approximately 68 million. Among them, a guarantee capped at 29 million which would be reimbursed in approximately 5 years, if it were to be called. In addition, subsidiaries grant guarantees, including in relation to vendor financing in the ordinary course of business, and Vivendi Universal grants guarantees to financial institutions on behalf of its subsidiaries in their pursuit of their operational activity.

The following table summarizes the specific commitments described above:

Transactions and guarantees	Amount	Expiry
Put options to minority shareholders granted by Canal+ Group	Approximately 53 million of which 1 million were exercisable as of December 31, 2004	
Put option on The Inc. records		2007
Buy/sell agreement on 35% interest in Cegetel SAS held by SNCF	Price depends on the amount of realizable value of the company: between 0 and 627 million: price equal to 75% of the realizable value (minimum 250 million). between 627 million and 1,100 million: price equal to 470 million above 1,100 million: price equal to 470 million plus 35% of the value of the capital (in excess of 1,100).	2007-2010
UMTS license	1% of revenues earned	2021
Investment program agreed with the Moroccan government	MAD 2.8 billion (250 million)	2005
Stock guarantee granted by Vivendi Universal to Maroc Telecom employees over Maroc Telecom shares	Maximum of 22 million	2007-2008
Shareholders governance agreement with members of the Bronfman family		2005

Counter-guarantee on surety bonds	7 million	
Obligations to GenRe		
Obligations related to the permission to use the Consolidated Global Profit System	Creation of jobs (2,100 within 5 years)	2009
	Payment of 5 million annually for 5 years	2009
Counter guarantees to banks in connection with Spanish UMTS license	55 million	
Individual entitlement to training	Approximately 207,000 hours in 2004	
NBC-Universal transaction		

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Transactions and guarantees	Amount	Expiry
breaches of obligations relating to retained businesses and liabilities, and the divesture of certain businesses	Capped at $2,087.9 million	
obligation to cover the Most Favored Nation provisions	50% of every dollar of loss up to $50 million 100% of all losses in excess for $50 million	
Divestiture of Canal+ Technologies	Specific guarantees capped at 4 million	
Divestiture of Canal+ Nordic	Customary guarantees up to 22 million	2005
	Specific guarantees capped at 50 million	2010
Divestiture of Canal+ Belgique and Canal+ N.V.	Customary guarantees up to 5 million for each transaction	2005
	Other specific guarantees capped at 8 million	
Divestiture of the StudioExpand animation and entertainment operations and certain MultiThématiques assets	Guarantees capped at 27 million	2014
Divestiture of Sportfive	Guarantees capped at 50 million	2006
Divestiture of Canal+ Nederland	Guarantees capped at 4 million	2006
Divestiture of fixed-line telecommunications in Hungary	Customary guarantees related, among other, to the license	
Divestiture of Monaco Telecom	Guarantees capped at 90 million	2006
	Specific guarantees capped at 20 million	2009
Divestiture of Kencell	Guarantees capped at $40 million	2006
	Specific guarantees	
Divestiture of Houghton Mifflin	Guarantees relating to intellectual property, to the environment, to tax and employee matters and to share ownership	2005-2007
Divestiture of 50% stake in Vizzavi	Customary guarantees	
Dismantling of MP3 operations	Guarantees to insurers	
Divestiture of Sithe	Guarantees capped at $480 million	2005
Sale of real estate assets	Vendor warranties	2007
	Autonomous first demand guarantees capped at 150 total	2017
Divestiture of AéroServices	Customary guarantees capped at $27.5 million	2005
Divestiture of UCI	Customary guarantees capped at 135 million	2007
Various other miscellaneous guarantees	Approximately 68 million	

RESEARCH AND DEVELOPMENT

Research and development plays an important role in several of our businesses. For detailed information on research and development, see Item 4 Information on the Company Our Segments Telecommunications SFR Cegetel Group , Information on the Company Our Segments Media Universal Music Group , Information on the Company Our Segments Media Canal+ Group , Information on the Company Our Segments Media Vivendi Universal Games and Item 18 Financial Statements Note 20 .

IFRS 2004 TRANSITION

Pursuant to European regulation 1606/2002 dated July 19, 2002 on the application of international accounting standards, the consolidated financial statements of Vivendi Universal for the financial year ending December 31, 2005 will be prepared in accordance with the IAS (International Accounting Standards)/ IFRS (International Financial

Reporting Standards) applicable as of December 31, 2005 as approved by the European Union. The first financial statements published in accordance with IAS/ IFRS will be those for the 2005 financial year, with comparative figures for 2004 prepared using the same primary basis of accounting. For more information on the IAS/ IFRS transition and Vivendi Universal s 2004 financial information prepared in accordance with the applicable IAS/ IFRS, please refer to Exhibit 15.1 to this annual report.

APPENDIX TO OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Reconciliation of revenues and operating income as published to revenues and operating income on a comparable basis

It is required under French GAAP (paragraph 423 of CRC Rule 99-02) to promote comparability, even though it should be noted that this information on a comparable basis is not compliant with Article 11 of

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Regulation S-X under the US Securities Exchange Act of 1934. Revenues and operating income on a comparable basis provide useful information to investors because they include comparable operations in each period presented and thus represent meaningful comparative information for assessing earnings trends.

Reconciliation of revenues and operating income as published to revenues and operating income on a comparable basis for 2004

Year Ended December 31, 2004	As Published	VUE	Canal+ Assets (a)	Mauritel	VTI Assets (b)	Other	Comparable Basis
	(In millions of euros)						
Revenues							
Canal+ Group	3,580		(110)				3,470
Universal Music Group	4,993						4,993
Vivendi Universal Games	475						475
Media	9,048		(110)				8,938
SFR Cegetel	8,317						8,317
Maroc Telecom	1,627			31			1,658
Telecom	9,944			31			9,975
Non core operations	109				(119)	(10)	(20)
Total Vivendi Universal	19,101		(110)	31	(119)	(10)	18,893
(Excluding VUE)							
VUE	2,327	(2,327)					
Total Vivendi Universal	21,428	(2,327)	(110)	31	(119)	(10)	18,893
Operating Income (Loss)							
Canal+ Group	198		(14)				184
Universal Music Group	338						338
Vivendi Universal Games	(183)						(183)
Media	353		(14)				339
SFR Cegetel	2,257						2,257
Maroc Telecom	673			9			682
Telecom	2,930			9			2,939
Holding & Corporate	(220)						(220)
Non core operations	76				(16)	(1)	59
	3,139		(14)	9	(16)	(1)	3,117

Total Vivendi Universal							
(Excluding VUE)							
VUE	337	(337)					
Total Vivendi Universal	3,476	(337)	(14)	9	(16)	(1)	3,117

(a) Mainly corresponds to Canal+ Nederland and flux-divertissement businesses of StudioExpand.

(b) Corresponds to Monaco Telecom and Kencell.

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Reconciliation of revenues and operating income as published to revenues and operating income on a comparable basis for 2003

Year Ended December 31, 2003	As published	Telepiú	VUE	VUP assets sold in 2003	Canal+ assets (a)	Telecom Développement	Mauritel	Change in presentation (b)	Atica & Scipione	Internet	VTI assets (c)	Other	Comparable basis
	(In millions of euros)												
Revenues													
Canal+ Group	4,158	(311)			(508)								3,339
Universal Music Group	4,974												4,974
Vivendi Universal Games	571												571
Media	9,703	(311)			(508)								8,884
SFR Cegetel	7,574					140		(177)					7,537
Maroc Telecom	1,471						53	(1)					1,523
Telecom	9,045					140	53	(178)					9,060
Non core operations	584								(87)	(79)	(331)	(59)	28
Total Vivendi Universal	19,332	(311)			(508)	140	53	(178)	(87)	(79)	(331)	(59)	17,972
(Excluding VUE and VUP assets sold in 2003)													
VUE	6,022		(6,022)										
VUP assets sold in 2003	128			(128)									
Total Vivendi Universal	25,482	(311)	(6,022)	(128)	(508)	140	53	(178)	(87)	(79)	(331)	(59)	17,972
Operating Income (Loss)													
Canal+ Group	247	(113)			(39)								95
Universal Music Group	70												70

Vivendi Universal Games	(201)												(201)
Media	116	(113)			(39)								(36)
SFR Cegetel	1,919					52							1,971
Maroc Telecom	628						14						642
Telecom	2,547					52	14						2,613
Holding & Corporate	(330)												(330)
Non core operations	39								(14)	15	(40)	(31)	(31)
Total Vivendi Universal	2,372	(113)			(39)	52	14		(14)	15	(40)	(31)	2,216
(Excluding VUE and VUP assets sold in 2003)													
VUE	931		(931)										
VUP assets sold in 2003	6			(6)									
Total Vivendi Universal	3,309	(113)	(931)	(6)	(39)	52	14		(14)	15	(40)	(31)	2,216

(a) Mainly corresponds to Canal+ Nordic, Canal+ Benelux and flux-divertissement businesses of StudioExpand.

(b) Corresponds to a change in presentation adopted as of December 31, 2004: in order to standardize the accounting treatment of sales of services provided to customers on behalf of content providers (mainly toll numbers), following the full consolidation of Telecom Développement, sales of services to customers, managed by SFR Cegetel and Maroc Telecom on behalf of content providers, previously presented on a gross basis in SFR and Telecom Développement s revenues, are presented net of the related expenses. This change in presentation has no impact on operating income. At SFR Cegetel, it reduced revenues by 168 million in 2004. At Maroc Telecom, the impact was immaterial.

(c) Corresponds to Vivendi Telecom Hungary, Monaco Telecom and Kencell.

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Item 6: *Directors, Senior Management and Employees*

Management and Supervisory Boards

Until April 28, 2005, our company was a *société anonyme à conseil d administration,* a form of stock corporation with a single board of directors.

At the shareholders meeting held on April 28, 2005 (the Annual Meeting), our shareholders approved the change of our corporate form to a *société anonyme à directoire et conseil de surveillance,* a form of stock corporation with a two-tier management structure pursuant to which a management board (*directoire*) manages our day-to-day affairs under the general supervision of a supervisory board (*conseil de surveillance*). Most of the members of our board of directors were appointed as members of the supervisory board at the Annual Meeting and seven of our senior executives were appointed as members of the management board by the supervisory board.

The Management Board

Mission

The management board is invested, with respect to third parties, with the broadest powers to act in all circumstances on behalf of the company, subject to the powers specifically granted by law to the supervisory board and to shareholders acting at general meetings and within the limitations of Vivendi Universal s purpose and except with respect to matters that require the prior authorization of the supervisory board, as set forth in the company s by-laws. The actions that the management board may not take without the prior authorization of the supervisory board include: any transactions that could substantially affect the Vivendi Universal group s scope of activity; the admission of the company s securities to trading on a regulated market; any investment commitments or acquisitions of assets exceeding the amounts set by the supervisory board; the issuance of marketable securities of any kind as authorized by an extraordinary shareholders meeting in accordance with Articles L.225-129-2 *et seq.* of the French Commercial Code; the issuance of bond loans as provided for in Article L.228-40 of the French Commercial Code, or credit facilities, for a term or for a sum exceeding those set by the supervisory board; the issuance of stock options, or the grant of restricted stock or any similar security, to employees or certain categories of employees; the execution of any agreements and transactions, arbitrations, and the acceptance of any settlements involving amounts in excess of the sums set by the supervisory board; and the execution of any draft agreements relating to a merger, a spin-off or a partial transfer of assets involving amounts in excess of the thresholds set by the supervisory board. For more information on the management board, please refer to Item 10 Additional Information Organizational Documents of Vivendi Universal .

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Composition

Members of the management board are nominated by the supervisory board. The following table sets forth the names of the members of our management board, their ages, positions and principal responsibilities as at the date of this annual report:

Name	Age	Positions and Responsibilities
Jean-Bernard Lévy	50	Chairman of the management board and Chief Executive Officer of Vivendi Universal
Abdeslam Ahizoune	50	Chairman of the management board of Maroc Telecom
Jacques Espinasse	62	Chief Financial Officer of Vivendi Universal
Frank Esser	46	Chairman of SFR Cegetel Group
Bertrand Meheut	53	Chairman of the executive board of Canal+ Group. Chairman and Chief Executive Officer of Canal+ S.A.
Doug Morris	66	Chairman and Chief Executive Officer of Universal Music Group
René Pénisson	63	Chairman of VU Games. Senior Executive Vice-President, Human Resources of Vivendi Universal

Biographies

Jean-Bernard Lévy was appointed Chairman of the management board and Chief Executive Officer of Vivendi Universal on April 28, 2005. Mr Lévy served as Chief Operating Officer of Vivendi Universal since August 2002. From 1998 to 2002, he was Managing Partner, Corporate Finance, at the French equities broker Oddo Pinatton. Mr. Lévy was also Chairman and Chief Executive Officer of Matra Communication (Lagardère Group) from 1995 to 1998. From 1993 to 1994, he was Chief of Staff to the French Minister for Industry, Postal Services, Telecommunications and Foreign Trade, Mr. Gérard Longuet. From 1988 to 1993, he was General Manager, Communication Satellites, of Matra Marconi Space. From 1986 to 1988, he acted as Technical Adviser to the French Minister for Postal Services and Telecommunications, Mr. Gérard Longuet, and from 1982 to 1986, served as Vice-President, Human Resources Corporate Headquarters, at France Telecom.

Jacques Espinasse was appointed Chief Financial Officer of Vivendi Universal in July 2002 and was appointed to our management board on April 28, 2005. Mr. Espinasse was formerly Chief Operating Officer of TPS, a French satellite television service, since 1999. He became a member of the board of directors of TPS in 2001. Previously, he held a variety of senior management positions in major French companies, including CEP Communication and Groupe Larousse Nathan, where he was appointed Senior Executive Vice-President in 1984. In 1985, he became Chief Financial Officer of the Havas group. He was named Senior Executive Vice-President of the group when it was privatized in May 1987 and held this position until January 1994. He is a director of SES Global.

René Pénisson was appointed Chairman of VU Games in January 2004 and Senior Executive Vice-President, Human Resources of Vivendi Universal in April 2004, and was appointed to our management board on April 28, 2005. Prior to these positions, Mr. Pénisson served as Adviser to the Chairman and Chief Executive Officer, Social Relations and Organization of Vivendi Universal from September 2002. From 1999 to 2002, he was a member of the Executive Committee of Aventis; Senior Executive Vice-President, Human Resources of Aventis and Chairman of Aventis Animal Nutrition and of the company RP Industrialization. From 1997 to 1999, he served as member of the Executive Committee of Rhône Poulenc S.A. From 1982 to 1997, Mr. Pénisson was Executive Vice-President, Basic Chemicals Division of Rhône Poulenc; Chief Operating Officer of Rhône Poulenc Chimie; and Senior Executive Vice-President, Human Resources of the Rhône Poulenc Group.

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Abdeslam Ahizoune was appointed Chairman of the Management Board of Maroc Telecom in February 2001 and was appointed to our management board on April 28, 2005. Mr. Ahizoune served as Chairman and Chief Executive Officer of Maroc Telecom from 1998 to 2000. He held a number of positions in the Moroccan government: Minister of Telecommunications and Managing Director of the Office National des Postes et Télécommunications (ONPT) from 1997 to 1998; Managing Director of the ONPT (from February 1995 to August 1997); Minister of Post and Telecommunications and Managing Director of the ONPT (from August 1992 to February 1995) and Director of Telecommunications for the Ministry of Post and Telecommunications (from 1983 to 1992). Mr. Ahizoune is a member of the board of directors of the following organizations: Mohammed V Solidarity Foundation (Fondation Mohammed V pour la Solidarité), since April 2004; Al Akhawayne University, since November 2003; and the Mohammed VI Foundation for the Environment (Fondation Mohammed VI pour l Environnement), since June 2001. Mr. Ahizoune is also a member of the Support Committee (Comité de Soutien) of the Mohammed V Solidarity Foundation, since 2001, and is a member of the Executive Committee of the International Chamber of Commerce, Paris, since February 2004. Mr. Ahizoune holds an engineering degree from the Ecole Nationale Supérieure des Télécommunications in Paris (1977).

Frank Esser was appointed Chairman of SFR Cegetel Group in December 2002, and has been with the group since September 2000 when he was appointed CEO. Mr. Esser was appointed to our management board on April 28, 2005. He has also been a board member of the GSM Association since February 2003 and joined the association s Public Policy Committee in 2004. Prior to joining SFR Cegetel Group, Mr. Esser was Co-CEO of Mannesmann, in charge of international investments and business development Mr. Esser studied economics, business and information technology in Freiburg and Cologne (Germany) and has a doctorate in economics

Bertrand Meheut joined Canal+ Group in October 2002, and was appointed Chairman of the Executive Board of Canal+ Group on February 7, 2003, and Chairman and Chief Executive Officer of Canal+ S.A. on February 20, 2003. Mr. Meheut was appointed to our management board on April 28, 2005. After graduating from l Ecole des Mines, a French engineering school, Bertrand Meheut held various positions in the chemicals industry, primarily in the life sciences sector. He spent most of his career at Rhône-Poulenc, which became Aventis after merging with Germany s Hoechst. He served as Chairman and CEO of Aventis CropScience, an Aventis and Schering subsidiary, running agrichemicals and biotechnologies operations.

Doug Morris was appointed Chairman and Chief Executive Officer of Universal Music Group in November, 1995 and was appointed to our management board on April 28, 2005. A graduate of Columbia University, Mr. Morris began his music career as a songwriter for music publisher Robert Mellin, Inc. In 1965 Mr. Morris joined Laurie Records as a writer and producer and was later promoted to Vice President and General Manager. Following this, Mr. Morris created his own label, Big Tree Records, which was distributed and eventually acquired by Atlantic Records in 1978. At this time Mr. Morris was named President of ATCO Records, beginning his 17-year association with Warner Music. In 1980, Mr. Morris was appointed President of Atlantic Records and, in 1990, assumed the position of Co-Chairman and Co-CEO (with Ahmet Ertegun) of the Atlantic Recording Group. In 1994, Mr. Morris was promoted to President and Chief Operating Officer of Warner Music U.S. and was soon after appointed Chairman. Mr. Morris began his association with the MCA Music Entertainment Group (now Universal Music Group) in July 1995 by forming a joint venture, New York City-based full service record label. Throughout his career, Mr. Morris has worked with some of the most popular and influential artists of the past four decades including The Rolling Stones, Phil Collins, Pete Townsend, Led Zeppelin, Stevie Nicks, Bette Midler, Tori Amos, INXS, Erykah Badu, and Juvenile. Mr. Morris serves on the boards of The Robin Hood Foundation and The Cold Spring Harbor Laboratory, and is a director of The Rock and Roll Hall of Fame. In 2003, the National Academy of Recording Arts and Sciences (NARAS) awarded Mr. Morris with the President s Merit Award.

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The Supervisory Board

Mission

The supervisory board determines the strategic orientations of Vivendi Universal and monitors its management as required by law. At any time of the year, the supervisory board may carry out any verifications or controls which it deems necessary and may demand any documents which it deems useful to the fulfillment of its mission. In addition, the supervisory board grants the management board permission to carry out certain transactions, as described in Mission of the Management Board below, for which its prior authorization is required. For more information on the supervisory board, please refer to Item 10 Additional Information Organizational Documents of Vivendi Universal .

Composition

Our supervisory board, which can be composed of 3 to 18 members, currently comprises 12 members. The appointment of members of the supervisory board is approved by our shareholders for renewable terms of a maximum of four years, subject to the provisions of our *statuts* relating to age limits. The following table sets forth the composition of our supervisory board as at the date of this annual report:

Name	Age	Position	Expiration of term(1)
Jean-René Fourtou(2)(3)	66	Chairman of the supervisory board	2008
Claude Bébéar(2)(3)	69	Member of the supervisory board	2008
Gérard Brémond(3)	67	Member of the supervisory board	2008
Fernando Falcó y Fernández de Córdova(3)	65	Member of the supervisory board	2006
Paul Fribourg(3)	51	Member of the supervisory board	2008
Gabriel Hawawini(3)	57	Member of the supervisory board	2006
Henri Lachmann(3)	66	Member of the supervisory board	2008
Pierre Rodocanachi(3)	66	Member of the supervisory board	2008
Karel Van Miert(3)	63	Member of the supervisory board	2008
Sarah Frank	59	Member of the supervisory board	2009
Patrick Kron	52	Member of the supervisory board	2009
Andrzej Olechowski	57	Member of the supervisory board	2009

(1) Term expires at the annual shareholders meeting approving the accounts for the year set forth in this column.

(2) Under French law, this member of the supervisory board is not considered independent.

(3) This member was a director prior to the change of our corporate form and was appointed as member of the supervisory board for the remainder of his term as director.

Biographies

Jean-René Fourtou was appointed to the board of directors of Vivendi Universal in July 2002 and served as Chairman and Chief Executive Officer of Vivendi Universal until April 28, 2005, when he became Chairman of the supervisory board. He joined Bossard & Michel as a consultant in 1963. In 1972, he became Chief Operating Officer of Bossard Consultants and Chairman in 1977. In 1986, he was appointed Chairman and Chief Operating Officer of the Rhône-Poulenc Group. From December 1999 to May 2002, he served as Vice Chairman and Chief Operating Officer of Aventis. He is Chairman of the supervisory board of Canal+ Group and a member of the supervisory board of Maroc Telecom. He is the Vice Chairman of the supervisory board of AXA, a member of the Executive Committee of AXA Millésimes SAS and AXA s permanent representative on the board of directors of AXA Assurances IARD Mutuelle. Mr. Fourtou is currently a director of NBC Universal, Cap Gemini and Sanofi Aventis. He is also the Honorary Chairman of the International Chamber of Commerce.

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Claude Bébéar was appointed to the board of directors of Vivendi Universal in July 2002, and appointed to our supervisory board on April 28, 2005. Since 1958, his entire career has been spent in the insurance sector. From 1975 to 2000, he headed a group of insurance companies, which became AXA in 1984. Currently, Mr. Bébéar is Chairman of the supervisory board of the AXA Group and Chairman of the board of directors of FINAXA. Mr. Bébéar established and chairs the Institut du Mécénat de Solidarité, a humanitarian and social organization, as well as the Institut Montaigne, an independent political think tank. He is also a director of BNP Paribas and various AXA Group subsidiaries and a non-voting director of Schneider Electric.

Gérard Brémond was appointed to the board of directors of Vivendi Universal in January 2003, and appointed to our supervisory board on April 28, 2005. At the age of 24, he joined a family construction business which builds homes, offices and warehouses. An architecture enthusiast, his meeting with Jean Vuarnet, the Olympic ski champion, led to the creation and development of the mountain resort of Avoriaz. Mr. Brémond developed other resorts, both in the mountains and on the coast, and created the Pierre et Vacances Group. By successively acquiring Orion, Gran Dorado, Center Parcs and Maeva, the Pierre et Vacances Group has become one of the leading tourism operators in Europe. Mr. Brémond also founded two communications companies (television and film production). He currently serves as Chairman and Chief Executive Officer of Pierre et Vacances S.A. He also serves as Chairman or director of several Pierre et Vacances Group companies and as a director of Groupe Maeva SA. Mr. Brémond is the Chairman and Chief Executive Officer of SA Société d Investissement Touristique et Immobilier and SA Société d Investissement Touristique et Immobilier s permanent representative on the Board of directors of Peterhof, S.E.R.L., Lepeudry et Grimaud, and C.F.I.C.A. He is the Chairman and Chief Executive Officer of GB Développement SA and GB Développement SA s permanent representative on the board of directors of Ciné B. He is also the Chairman of Pont Royal S.A., SARL OG s permanent representative on the board of directors of Marathon and Marathon International, a director of Holding Green BV, and a member of the supervisory board of Center Parcs Europe NV.

Fernando Falcó y Fernández de Córdova was appointed to the board of directors of Vivendi Universal in September 2002, and appointed to our supervisory board on April 28, 2005. He served as Chairman of the Organisation and Union of Riesgos del Tiétar and of Real Automóvil Club de España for 27 years; Chairman of the Group Vins René Barbier, Conde de Caralt et Segura Viudas; Vice Chairman of Banco de Extremadura, and as a member of the board of directors of various companies. Mr. Falcó has established and managed various agricultural businesses, as well as family businesses involved in the export of agricultural products. He contributed to the creation of services and safety measures for motorists with the implementation of technical assistance and travel assistance services in Spain, Europe and throughout the world. In this capacity, he represented Spain on the FIA (International Automobile Federation) as well as on the AIT (International Tourism Alliance). Mr. Falcó is a member of the Spanish Higher Council for traffic and road safety (Ministry of the Interior) and is part of the Group for Urban Mobility (Madrid). Until 2002, he was Vice Chairman of the World Council for Tourism and Motoring of the FIA, which is headquartered in Paris. In June 1998, he was appointed Chairman of the AIT based in Geneva, a position he held until 2001. Mr. Falcó is a member of the Regional Council of the ASEPEYO of Madrid. He currently serves as director and member of the Executive Committee of Cementos Portland Valderrivas and as director of Fomento de Construcciones y Contratas (FCC) and FCC Construcción. He is also director and Vice Chairman of the Executive Committee of Sogecable, Vice Chairman of Canal Digital+, director of Vinexco (Falco Group), and Chairman of the Comité Organizador del Salon Internacional del Automóvil de Madrid.

Paul Fribourg was appointed to the board of directors of Vivendi Universal in January 2003, and appointed to our supervisory board on April 28, 2005. He is Chairman and Chief Executive Officer of ContiGroup Companies (formerly Continental Grain Company), a private company with French and Belgian roots, that has diverse agribusiness activities. Since the age of 26, he has held several management positions in this company, both in Europe and the United States. He is a member of the US Council on Foreign Relations, and a director of the Park East Synagogue, The Browning School, New York University, Nightingale-Bamford School, America-China Society, Loews Corporation, Appeal of Conscience Foundation, Endeavor Global, Inc., and The Public Theater. He is also Chairman of The Lauder Institute/ Wharton Business

School, member of the JP Morgan National Advisory Board, member of Rabobank International North American Agribusiness s advisory committee, and a director of Deans Advisors at Harvard Business School.

Gabriel Hawawini was appointed to the board of directors of Vivendi Universal in May 2003, and appointed to our supervisory board on April 28, 2005. He is The Henry Grunfeld Professor of Investment Banking of INSEAD in Fontainebleau, France, where he also currently serves as Dean. Before joining INSEAD, he taught at New York and Columbia universities from 1974 to 1982. Mr. Hawawini was also Vice Chairman of the French Finance Association from 1984 to 1986 and served on editorial committees for several university publications. He is the author of twelve books, and over seventy research publications about management based on value creation, risk appraisal, asset valuation, portfolio management and the structure of financial markets. Among other publications, he is the author of *Mergers and Acquisitions in the US Banking Industry* published by North Holland in 1991, and *Finance for Executives: Managing for Value Creation* (South Western Publishing, 2002). He has advised many private companies on the implementation of management systems based on value creation. Since 1982, he has organized, directed and participated in several programs to improve management methods worldwide.

Henri Lachmann was appointed to the board of directors of Vivendi Universal in December 2000, and appointed to our supervisory board on April 28, 2005. In 1963, he joined Arthur Andersen, the international auditing firm, where he served successively as auditor, then as manager of the Accounting Review Department. In 1970, he joined the Strafor Facom Group and then Schneider Electric S.A., where he held various management positions until June 1981, when he was appointed Chairman and Chief Executive Officer, a position he still currently holds. He is a member of the supervisory board of AXA Group and director of various AXA subsidiaries. Mr. Lachmann is also a director of FINAXA and ANSA, a member of the supervisory board of the Norbert Dentressangle Group, and a member of the Strategy Committee of *L Institut de l entreprise*.

Pierre Rodocanachi was appointed to the board of directors of Vivendi Universal in May 2004, and appointed to our supervisory board on April 28, 2005. He is the Chairman of the Strategic Committee of Booz Allen Hamilton, an international management and strategy consulting firm. He joined Booz Allen Hamilton in 1973 and in 1979 became CEO of its French subsidiary. In 1987, he was appointed Senior Vice Chairman and became a member of the Strategic Committee and of the Operations Committee of Booz Allen Hamilton Inc., and manager of all its activities for Southern Europe. Prior to joining Booz Allen Hamilton, Mr. Rodocanachi began his career as a researcher in a solids physics laboratory at the *Centre national de la recherche scientifique* (CNRS). Then, for five years, he managed the planning department of the French General Delegation for Scientific and Technical Research (DGRST). From 1969 to 1971, he served as Technical Consultant on scientific matters for the Minister of Industry and, from 1971 to 1973, was the Deputy Director for the National Agency for Research Valuation (ANVAR). Mr. Rodocanachi is a director of the American Chamber of Commerce in France (Chairman from 1997-2000), the Aspen France Institute, and the *Institut du mécénat de solidarité* (Treasurer). He is a member of the French Olympic Medalists Association a Chevalier of the Legion of Honor and a recipient of the National Order of Merit. He is also director and Chairman of the Audit Committee of Carrefour and a director of DMC and the publication *Commentaires*.

Karel Van Miert was appointed to the board of directors of Vivendi Universal in May 2004, and appointed to our supervisory board on April 28, 2005. He is a former Vice-President of the European Commission, and a former President of Nyenrode University (April 2000 March 2003). He obtained a degree in International Relations at the University of Ghent, followed by a postgraduate degree from the Center for European Studies at the University of Nancy. From 1968 to 1970, he worked for the National Scientific Research Fund, as well as a part time lecturer on European institutions at the Vrije Universiteit in Brussels. He has worked for several European Commissioners: in 1968 for Sicco Mansholt, and in 1973 as a member of the Private Office of Henri Simonet, Vice President of the European Commission. After starting his political career with the Belgian Socialist Party as International Secretary in 1976, he became Head of the Private Office of Willy Claes, Minister of Economic Affairs in 1977. He chaired the Socialist Party from 1978 to 1988 and became Vice Chairman of the Confederation of European Social Democratic Parties in 1978. From 1986 to 1992, Mr. Van Miert was Vice-President of the International Socialist Party. He was a member

of the European Parliament from 1979 to 1985, and then took a seat in the Belgian Chamber of Representatives. In 1989, Mr. Van Miert was appointed member of the European Commission responsible for transport, credit, investment and consumer policy. For six years, he served under President Jacques Delors and in 1992, he assumed interim responsibility for environmental policies. As Vice-President of the European Union Commission, Mr. Van Miert was responsible for competition policy from 1993 to 1999. From April 2000 to March 2003, he chaired the University of Nyenrode where he teaches European competition policy. He is the author of several publications on European integration. In 2003, Mr. Van Miert chaired the European Union High Level Group on Trans-European Transport Networks. Mr. Van Miert is a director of Agfa-Gevaert, Anglo American plc, De Persgroep, DHV Holding BV, Royal Philips Electronics NV, Solvay S.A., Wolters Kluwer NV, Münchener Rück and RWE AG.

Sarah Frank was appointed to the supervisory board of Vivendi Universal on April 28, 2005. From 1990 to 1997, Mrs. Frank was Chairman and Chief Executive Officer of BBC Worldwide Americas, the subsidiary of British television channel, BBC, for North and South America. Mrs. Frank was Vice-President and Director of Education at Thirteen/ WNET New York, a public television station in New York City, where she directed the educational programs of the station. Mrs. Frank participated in the National Teacher Training Institute, a nationwide program to train teachers to integrate technology into classroom curricula. Most recently she co-produced with WGBH *They Made America*, a documentary series based on the book by Sir Harold Evans. Mrs. Frank serves on the boards of The Foundation of the New York Chapter of the National Academy of Television Arts and Sciences; Eugene Lang College, the Liberal Arts College of New School University; and the Coalition for Quality Children s Media. She is also a member of the New York Women s Forum.

Patrick Kron was appointed to the supervisory board of Vivendi Universal on April 28, 2005. He began his career at the French Ministry of Industry between 1979 and 1984 before joining the Péchiney Group. From 1984 to 1988, Patrick Kron held operational responsibilities in one of Péchiney s most important factories in Greece before becoming Chief Operating Officer of Péchiney s subsidiary in Greece. Between 1988 and 1993, he held several senior operational and financial positions in the aluminum processing division within Péchiney and then became Chairman and Chief Executive Officer of Péchiney Electrométallurgie. In 1993, he became a member of the Executive Committee of the Péchiney Group and was appointed Chairman of Carbone Lorraine from 1993 to 1997. From 1995 to 1997, he ran the Food, Health and Beauty Care Packaging Sector of Péchiney and held the position of Chief Operating Officer of American National Can in Chicago (USA). From 1998 to 2002, Patrick Kron was Chairman of the management board of Imerys before joining Group Alstom, as Director on July 24, 2001 and Chief Operating Officer on January 1, 2003. He has been the Chairman and Chief Executive Officer of Alstom since March 11, 2003. He is also a member of the supervisory board of Imerys and a director of the association *Les Arts Florissants William Christie* .

Andrzej Olechowski was appointed to the supervisory board of Vivendi Universal on April 28, 2005. He was Deputy Governor of the National Bank of Poland from 1989 to 1991. He held various functions in the Polish government: in 1991, he was appointed Secretary of State to the Ministry of Foreign Affairs; in 1992, Minister of Finance, and from 1993 to 1995, Minister of Foreign Affairs, a period during which he served as economic advisor to President Lech Walesa. From 1994 to 1998, Mr Olechowski served as Chairman of the City Council of Wilanów. In 2000, Mr. Olechowski was a candidate in the Presidential elections in Poland. In 2001, he was one of the creators of the Civic Platform, a Polish centrist political party. From May 1998 to June 2000, Mr. Olechowski served as Chairman of Bank Handlowy w Warszawie, of which he is currently a member of the supervisory board. He sits on the boards of several public, charitable and educational foundations. Mr. Olechowski has served as a consultant for Central Europe Trust Polska since 1995. Mr. Olechowski is a lecturer at the Jagiellonian University in Cracow, the Catholic University in Warsaw and at the Collegium Civitas in Warsaw. He is the author of numerous publications on international trade and foreign policy. He is a director of Euronet, a member of the supervisory board of Bank Handlowy w Warszawie, chairman of the supervisory board of Europejski Fundusz Hipoteczny, a member of the International Advisory Board of Tewtron and the European Advisory Board of Citigroup, and senior advisor to Central Europe Trust Polska.

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Senior Executives

The following table sets forth the names of our senior executives and members of the executive committee, their ages, positions and principal responsibilities as at the date of this annual report:

Name	Age	Positions and Responsibilities
Jean-Bernard Lévy	50	Chairman of the management board and Chief Executive Officer of Vivendi Universal
Jacques Espinasse	62	Member of the management board and Chief Financial Officer of Vivendi Universal
Robert de Metz	53	Senior Executive Vice-President, Strategy and Development
René Pénisson	63	Member of the management board and Senior Executive Vice-President, Human Resources, Vivendi Universal. Chairman of Vivendi Universal Games
Jean-François Dubos	59	Executive Vice-President and General Counsel, Secretary of the management and supervisory boards
Michel Bourgeois	55	Executive Vice-President, Communications and Public Affairs
Régis Turrini	46	Executive Vice-President, Mergers and Acquisitions

Biographies

The biographies for Jean-Bernard Lévy, Jacques Espinasse and René Pénisson are provided under The Management Board Biographies .

Robert de Metz was appointed Senior Executive Vice-President, Strategy and Development of Vivendi Universal in April 2005. Prior to this position Mr. de Metz served as Senior Executive Vice-President, Divestitures, Mergers and Acquisitions of Vivendi Universal since September 2002. He previously worked as a fund manager. He was a member of the executive board of directors of Paribas from 1997 to 2000, where his main responsibilities included the execution of mergers and acquisitions.

Jean-François Dubos was appointed Executive Vice-President and General Counsel, Secretary of the management and supervisory boards of Vivendi Universal in April 2005. Prior to this position, Mr. Dubos served as Executive Vice-President and General Counsel, Secretary of the board of directors of Vivendi Universal. Mr. Dubos is responsible for managing the group s legal and administrative services departments. He is also a member of the French Administrative Supreme Court (*Maître des Requêtes au Conseil d Etat*), currently on temporary leave. Mr. Dubos joined Compagnie Générale des Eaux, the predecessor of Vivendi Universal, as deputy to the Chief Executive Officer in 1991, and since 1994, has held the position of General Counsel. From 1993 to 1999, he was the Chief Executive Officer of the group s subsidiary Carrousel du Louvre. From 1984 to 1991, while a full-time member of the French Administrative Supreme Court (*Conseil d Etat*), he worked on a wide range of matters, including education, interior affairs, urban planning, historical preservation and codification of laws. From 1981 to 1984, he was co-head of the cabinet of the French Ministry of Defense. Mr. Dubos currently serves on the board of directors of Sogecable, and two water distribution companies (i.e., Société des Eaux de Melun and Mediterránea de Aguas), as well as on the supervisory board of Groupe Canal+.

Michel Bourgeois was appointed Executive Vice-President Communications and Public Affairs of Vivendi Universal in September 2002. In this position, he is responsible for corporate communications, internal communications, media, public relations and public affairs. From 2000 to 2002, Mr. Bourgeois was Executive Vice-President Corporate Communications, France, of the pharmaceuticals company Aventis.

Mr. Bourgeois previously held successive positions at Rhône Poulenc from 1987 to 2000, in Media Relations and Corporate Communications and was Adviser to the Chairman, Jean-René Fourtou, from 1995 to 2000.

Régis Turrini was appointed Executive Vice-President of Vivendi Universal, in charge of mergers and acquisitions in April 2005. Prior to this position Mr. Turrini served as Executive Vice President of Vivendi Universal in charge of divestitures, mergers and acquisitions since January 2003. He reports to Robert de Metz, Senior Executive Vice President, Strategy and Development of Vivendi Universal. Mr. Turrini is an attorney admitted to the Paris bar, and a graduate of the Paris Institute of Political Sciences and ENA. He began his career as a judge to the court dealing with disputes in the French civil service. He then joined law firms Cleary Gottlieb Steen & Hamilton (from 1989 to 1992), followed by Jeantet & Associés (from 1992 to 1995), as a corporate lawyer. In 1995, Mr. Turrini joined the investment bank ARJIL & Associés (Lagardère group) as executive director. He was then appointed managing director and, from 2000, managing partner.

There are no family relationships among or between any of the members of the management and supervisory boards and the senior executives. There was no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any of those mentioned above was selected as a member of the management or supervisory boards or senior executive.

The Board of Directors

Until April 28, 2005, Vivendi Universal was a *société anonyme à conseil d administration* with a single board of directors. The following table sets forth the composition of our board of directors in 2004 through to April 28, 2005:

Name	Position	Year of appointment as Director
Jean-René Fourtou(1)(2)	Chairman and Chief Executive Officer	2002
Claude Bébéar(1)(2)	Director	2002
Gérard Brémond(2)	Director	2003
Bertrand Collomb	Director	2003
Fernando Falcó y Fernández de Córdova(2)	Director	2002
Paul Fribourg(2)	Director	2003
Gabriel Hawawini(2)	Director	2003
Gerard Kleisterlee	Director	2002
Marie-Josée Kravis	Director	2001
Henri Lachmann(2)	Director	2000
Pierre Rodocanachi(2)	Director	2004
Karel Van Miert(2)	Director	2004

(1) Under French law, this director was not considered independent.

(2) Appointed as member of the supervisory board at the Annual Meeting.

None of Vivendi Universal s directors in 2004 have entered into any contracts with Vivendi Universal or any of its subsidiaries that provide benefits upon termination of employment.

Compensation of Directors in 2004

Until April 28, 2005, Vivendi Universal was a *société anonyme à conseil d administration* with a single board of directors. In 2004, each director received director s fees of 50,000 on a full year basis (25,000 of which is fixed, and 25,000 of which is variable, depending on actual presence at board meetings) and an additional 4,500 for each committee meeting attended (9,000 for committee presidents).

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The following table sets forth the amount of director s fees paid in 2004:

Members of the Board of directors in 2004	**(In euros)**
Mr. Jean-René Fourtou(1)	0
Mr. Claude Bébéar	135,500
Mr. Gérard Brémond	77,000
Mr. Bertrand Collomb	99,500
Mr. Fernando Falcó y Fernández de Córdova	75,250
Mr. Paul Fribourg	93,250
Mr. Gabriel Hawawini	68,000
Mr. Gerard Kleisterlee	52,750
Mrs. Marie-Josée Kravis	144,500
Mr. Henri Lachmann	91,875
Mr. Pierre Rodocanachi	29,500
Mr. Karel Van Miert	34,000
Total	901,125

(1) Mr. Fourtou waived the payment of his fees for 2004.

Compensation of the Chairman and Chief Executive Officer in 2004

Our Chairman and Chief Executive Officer in 2004 was Mr. Jean-René Fourtou.[6]

Upon recommendation of the Human Resources Committee, the board of directors at its meeting held on March 16, 2004 set forth the following principles for the compensation of Mr. Fourtou for 2004 (unchanged from 2003): annual fixed salary of 1 million; bonus target of 150% (with a maximum of 250%); 800,000 stock options without discount; and a company retirement fund of 2.5% of the target compensation per year of service as Chairman and Chief Executive Officer, with the possibility of a cash exit.

For the fiscal year 2004, Mr. Fourtou s total gross compensation was 3,449,563, comprised of 1,000,008 as fixed salary, 2,425,000 as 2003 bonus paid in 2004, and 24,555 as benefits in kind.

On May 21, 2004, Mr. Fourtou was granted 800,000 stock options at an exercise price of 20.67 per share expiring on May 21, 2014.

For 2004, Mr. Fourtou waived his fees as a director of Vivendi Universal and as a director and member of the supervisory boards of its controlled subsidiaries within the meaning of article 233-16 of the French Commercial Code. In addition, Mr. Fourtou waived his entitlement to the company retirement fund for each year he contributed.

Compensation of Senior Executives

Our ten most highly compensated senior executives earned an aggregate of 11.965 million (including benefits in kind) for the fiscal year 2004. In addition, the top ten compensation packages (including benefits in kind) paid by Vivendi Universal for its senior executives in the group, including nine US senior executives, totaled 54.561 million for the fiscal year 2004.

All senior executives have waived their fees as directors of Vivendi Universal and as directors and members of the supervisory boards of its controlled subsidiaries within the meaning of article 233-16 of the French Commercial Code.

[6] At the Annual Meeting held on April 28, 2005, Mr. Fourtou was appointed Chairman of the supervisory board.

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In order to limit the gain resulting from the announcement of the authorization to file under the Consolidated Global Profit Tax System, estimated at the time by financial analysts at 2 per share, three senior executives of Vivendi Universal, Messrs. Jean-René Fourtou, Jean-Bernard Lévy and Jacques Espinasse decided, at the request of the French Ministry of Economy and Finance, to waive their right to exercise a certain number of subscription options for new Vivendi Universal shares granted from the date they joined Vivendi Universal through the date the authorization by the French Ministry of Economy and Finance was granted. For more information about the Consolidated Global Profit Tax System, please refer to Item 4 Information on the Company 2004 Developments .

Corporate Governance

We seek to apply the highest international standards of corporate governance and, through the Disclosure Committee, we are implementing the rules and procedures set out by the US Sarbanes-Oxley Act. Our company has taken the following actions: increased the number of committees emanating from the former board of directors and the current supervisory board (the Audit Committee, the Human Resources Committee, the Strategy Committee and the Corporate Governance Committee); created a special Disclosure Committee to ensure accuracy of publicly disclosed information; adopted an internal charter governing the operation of the supervisory board or its predecessor, the board of directors; implemented the broadcasting of shareholders meetings via the Internet; eliminated double voting rights in order to assure equality of shareholder rights; eliminated the policy of issuing stock in the event of a takeover bid; shortened the length of time securities need to be blocked for the exercise of voting rights; shortened the terms of directors and now members of the supervisory board to four years; and provided for the appointment of an employee as a member of the supervisory board when employee participation in our share capital reaches 3%.

Committees of the Supervisory Board

Until April 28, 2005, the board of directors comprised four committees. As a consequence of the change of our corporate form at the shareholders meeting held on April 28, 2005, the committees described below have become committees of the supervisory board.

Creation and Functioning of Committees Common Attributes

The permanent committees of the supervisory board are: (i) the Audit Committee, (ii) the Strategy Committee, (iii) the Human Resources Committee; and (iv) the Corporate Governance Committee.

Each committee fulfills a role of review, analysis and preparation with respect to certain deliberations of the supervisory board. Each committee produces, within its area of expertise, proposals, recommendations and opinions, where appropriate. In accordance with French law, the committees have no decision-making authority; they serve a purely consultative function, acting under the authority of the supervisory board, to which they are accountable.

Committee members are appointed by the supervisory board and cannot appoint proxies. Unless otherwise decided by the supervisory board, the committee members terms are the same as their respective terms on the supervisory board and are renewable. The supervisory board appoints a chairman for each committee, who presides over the committee for the duration of his or her term as a committee member. The committee chairman or one of its members reports upon the committee s work to the supervisory board at each scheduled meeting of the supervisory board. Each committee establishes its own charter, which must be approved by the supervisory board, pursuant to the provisions of the supervisory board s internal charter. Each committee meets upon being convened by its chairman and sets its own meeting schedule. Committee meetings may also be held by telephone conference or videoconference. The chairman of each committee draws up the agenda of the meetings and presides over the committee s deliberations. The chairman of a committee may decide to invite all members of the supervisory board to attend its meetings but only the members of the committee take part in its deliberations. Minutes of each meeting are drawn up by the Secretary of the supervisory board, who attends the meetings of each of the supervisory board s committees.

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In addition to the permanent committees, the supervisory board may decide to form ad hoc committees, for a limited term, with regard to certain exceptional transactions or assignments.

Audit Committee

Composition

The Audit Committee is composed of at least four members of the supervisory board, all of whom must be independent and one of whom must have finance or accounting expertise. At least one member must be a financial expert (as defined in the Sarbanes-Oxley Act), with a thorough understanding of accounting standards, as well as practical experience in the preparation of financial statements and in the application of prevailing accounting regulations. The current members are Henri Lachmann (Chairman), Pierre Rodocanachi, Gabriel Hawawini and Karel Van Miert.

Mission

The mission of the Audit Committee is to prepare the supervisory board s deliberations, and to provide recommendations or opinions, with regard to accounting procedures, particularly in the following areas: review of our accounts and consolidated annual, half-year and quarterly accounts before they are presented to the supervisory board; coherence and effectiveness of our internal control measures; issuance of opinions on the annual report of the Compliance Program; follow-up on the mandates accorded to the external and internal auditors and review the conclusions of their audits; accounting methods and principles, specifically, the activities to be included within our consolidated accounts; our off balance-sheet risks and commitments; procedures for selecting statutory auditors, including issuance of an opinion regarding such auditor s fees and verification of compliance with rules ensuring such auditor s independence; mode of selection of the statutory auditors, specifically regarding fees and regulatory compliance; and any topic that, in its opinion, could represent risks or serious procedural deficiencies.

The Audit Committee meets at least four times a year and at any other time that Vivendi Universal requires. For the purpose of carrying out its tasks, the committee may, with no members of the management board present, meet with the statutory auditors and the members of our management responsible for preparing financial statements and conducting internal audits, including the Chief Financial Officer, the Chief Accounting Officer and the Treasurer.

With respect to internal audit and risk management, the committee reviews the most significant off-balance sheet commitments, meets with the Director of Internal Audit, and renders its opinion on the organization of, and work performed by, the internal audit department. The Audit Committee may have recourse to external experts, when it deems necessary, at Vivendi Universal s expense.

In the course of its mission to select the statutory auditors, the committee reviews the fees paid by us or any of our subsidiaries to the statutory auditors and any member of their network. The committee ensures that the amount, conditions of payment, and proportion of the total revenues of the statutory auditors and their network that such fees represent are not likely to affect the statutory auditors independence. The committee also monitors compliance with the rules regarding the statutory auditors independence.

The committee reviews our financial statements at least two days before they are presented to the supervisory board. The committee receives a memorandum from the statutory auditors summarizing the results and the accounting options adopted, and a memorandum from the Chief Financial Officer describing the exposure to off-balance sheet risks and commitments. The statutory auditors are present at the meetings of the Audit Committee at which our accounts are reviewed.

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Strategy Committee

Composition

The Strategy Committee is composed of a minimum of four members of the supervisory board. The current members are Claude Bébéar (Chairman), Karel Van Miert, Gérard Brémond, Andrzej Olechowski, Sarah Frank and Patrick Kron.

Mission

The Strategy Committee s mission is to prepare the supervisory board s deliberations, and to provide recommendations or opinions, with regard to the following areas: our strategic direction; acquisitions and divestitures of a sizeable nature; strategic joint ventures and/or industry and financial cooperation agreements; sizeable internal restructuring operations; transactions falling outside our announced strategy; financial operations that may impact the balance sheet s structure; sizeable financial operations that are material to the company; and our liquidity and debt situation.

The Strategy Committee meets at least four times a year and at any other time that Vivendi Universal requires. For the purpose of carrying out its tasks, the committee may, with no members of the management board present, meet with the members of our management responsible for preparing financial statements and conducting internal audits, including the Chief Financial Officer, the Chief Accounting Officer and the Treasurer. The Strategy Committee may have recourse to external experts, when it deems necessary, at Vivendi Universal s expense.

Human Resources Committee

Composition

The Human Resources Committee is composed of a minimum of four members of the supervisory board. The current members are Paul Fribourg (Chairman), Fernando Falcó y Fernández de Córdova, Gérard Brémond and Pierre Rodocanachi.

Mission

The mission of the Human Resources Committee is to prepare the supervisory board s deliberations and to provide recommendations or opinions with regard to the following matters: compensation of the Chairman of the supervisory board; compensation of the members of the management board; allocation of options to subscribe for or purchase shares (stock options) to members of the management board and the top 20 executives of the company; allocation and modes of payment of supervisory board members fees; remuneration of the principal executives; issuance of opinions with regard to liability coverage and complementary retirement packages for our officers and directors; and oversight of, and issuance of opinions with regard to the recruitment of principal executives.

The Human Resources Committee meets at least three times a year and at any other time that Vivendi Universal requires. The Human Resources Committee may have recourse to external experts, when it deems necessary, at Vivendi Universal s expense.

Corporate Governance Committee

Composition

The Corporate Governance Committee is composed of a minimum of three members of the supervisory board, three of whom must be independent. The current members are Claude Bébéar (Chairman), Gabriel Hawawini, Paul Fribourg, Fernando Falcó y Fernández de Córdova and Andrzej Olechowski.

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Mission

The mission of the Corporate Governance Committee is to prepare the supervisory board s deliberations and to provide recommendations or opinions with regard to the following areas: candidates for membership of the supervisory board and composition and functions of the board committees; criteria of independence with respect to supervisory board members; appointment of the Chairman of the management board and its members; succession plan with regard to the Chairman of the management board and its members; organization and functioning of the supervisory board; preparation of the annual meeting concerning the evaluation of the Chairman of the management board; review of national and international practices in the field of corporate governance; and recommendations regarding our corporate governance measures.

The Corporate Governance Committee meets at least three times a year and at any other time that Vivendi Universal requires. The Corporate Governance Committee may have recourse to external experts, when it deems necessary, at Vivendi Universal s expense.

The Governance Agreement (June 19, 2000)

We are a party to a governance agreement (signed on June 19, 2000) with certain former Seagram shareholders that are members or affiliates of the Bronfman family (the Bronfman Shareholders). The governance agreement restricted the transfer of our shares held by the Bronfman Shareholders and contains other provisions relating to the ownership, holding, transfer and registration of our shares.

In the governance agreement, we agreed, among other things, not to dispose of Seagram shares in a taxable transaction and not to dispose of substantially all of the assets we acquired from Seagram in a transaction that would trigger the Gain Recognition Agreement (the GRA) entered into by the Bronfmans and result in recognition of taxable gain to them. Under the applicable US income tax regulations, to comply with the foregoing, we must retain at least 30% of the gross assets or at least 10% of the net assets (values are determined as of December 8, 2000) until the end of the five-year period ending on December 31, 2005. We are in compliance with this provision and do not intend to violate it and trigger the GRA.

The provisions of the governance agreement with respect to the designation of Directors by the Bronfmans were terminated on December 8, 2004.

Employees

The number of our employees, as of December 31, 2004, was approximately 37,906. The following tables show a breakdown of employees by business segments and geographic locations as of December 31 of the year specified:

Breakdown of employees by business segments

	Number of employees in 2004	**Number of employees in 2003**	**Number of employees in 2002**
Canal+ Group	4,275	4,798	7,541
UMG	9,661	10,849	11,754
VU Games	1,654	1,985	2,074
VUE(a)		14,187	14,605
SFR Cegetel Group(b)	9,781	9,036	10,882
Maroc Telecom	12,204(c)	12,145	13,493
Other(d)	331	2,451	1,466
Total	37,906	55,451(e)	61,815

(a) Vivendi Universal Entertainment was deconsolidated on May 11, 2004.

(b) In 2002, including VTI; in 2003, excluding Telecom Développement.

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(c) Excludes Mauritel.

(d) For 2002, VU Net and Corporate. For 2003, VU Net, VTI, Corporate and Atica & Scipione. For 2004, VU Net, VTI, and Corporate.

(e) Excludes Studios Babelsberg.

Breakdown of employees by geographic location

	Number of employees in 2004	Number of employees in 2003	Number of employees in 2002
North America	4,713	18,910	20,188
Europe (excl. France)	4,667	6,504	9,552
France	14,529	14,740	16,043
Africa	12,252	12,776	14,100
Asia Pacific	1,409	1,322	1,494
South America	336	1,199	438
Total	37,906	55,451	61,815

The decrease in the number of employees is a result of the divestitures and restructuring undertaken since 2002.

Our employees membership in trade unions varies from country to country, and we are party to numerous collective bargaining agreements. As is generally required by law, we renegotiate our labor agreements in Europe annually in each country in which we operate.

Although we have experienced strikes and work stoppages in the past, we believe that relations with our employees are generally good. We are not aware of any material labor arrangement that has expired or is soon to expire and that is not expected to be satisfactorily renewed or replaced in a timely manner.

Share Ownership

Until April 28, 2005, our company was a *société anonyme à conseil d administration* with a single board of directors. The following table sets forth the share ownership of our directors as of December 31, 2004:

Name	Number of shares held
Jean-René Fourtou	400,000(1)
Claude Bébéar	2,000
Gérard Brémond	750
Bertrand Collomb	1,607
Fernando Falcó y Fernández de Córdova	1,000
Paul Fribourg	1,000
Gabriel Hawawini	1,390
Gerard Kleisterlee	800
Marie-Josée Kravis	750
Henri Lachmann	1,500
Pierre Rodocanachi	1,800
Karel Van Miert	750

Total	413,437(2)

(1) Including 128,622 as usufructuary.

(2) represents 0.04% of our share capital.

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None of the members of our management or supervisory boards or any of our executive officers beneficially own, or hold options to purchase, 1% or more of the shares of Vivendi Universal.

Stock Option Plans

Since the Merger Transactions, we have granted stock options to executives and key employees, as well as within our subsidiaries and affiliates, under three stock option plans and one stock subscription option plan. With the exception of the Outperformance Plan (SO IV), options granted to US-based executives are options to purchase our ADSs. Executives employed outside of the United States are granted options to purchase our shares. We use several criteria for determining whether and to whom stock options will be granted: his/her degree of responsibility; job performance; recognition and reward to those executives and key employees who have participated in significant transactions; and the potential of the executives.

Since its creation in 2000, Vivendi Universal has made significant option grants to a select group of executives and key employees in the following manner:

10,886,898 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 1% of Vivendi Universal s outstanding share capital, were granted to 3,681 beneficiaries in December 2000, exercisable at a strike price, without discount, of 78.64 for Vivendi Universal shares or $67.85 for ADSs;

5,200,000 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 0.48% of Vivendi Universal s outstanding share capital, were granted to a select group (approximately 100) senior executives in December 2000 under the Outperformance Plan (the vesting and exercisability of these stock options are linked to the outperformance of Vivendi Universal against a weighted index media company performance comprised of 60% Media MSCI and 40% Stoxx Media);

13,333,627 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 1.23% of Vivendi Universal s share capital then outstanding, were granted to 2,816 beneficiaries in October 2001, exercisable at a strike price, without discount, of 48.20 for Vivendi Universal shares or $44.25 for ADSs;

3,619,300 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 0.33% of Vivendi Universal s share capital then outstanding, were granted to 51 beneficiaries in September 2002, exercisable at a strike price of 12.10 for Vivendi Universal shares or $11.79 for ADSs.

1,660,000 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 0.16% of Vivendi Universal s share capital then outstanding, were granted to 35 beneficiaries in January 2003, exercisable at a strike price of 15.90 for Vivendi Universal shares or $16.85 for ADSs.

11,299,000 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 1.06% of Vivendi Universal s share capital then outstanding, were granted to 489 beneficiaries in May 2003, exercisable at a strike price, without discount, of 14.40 for Vivendi Universal shares or $16.44 for ADSs.

1,015,000 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 0.09% of Vivendi Universal s share capital then outstanding, were granted to 80 beneficiaries in December 2003, exercisable at a strike price, without discount, of 19.07 for Vivendi Universal shares or $22.59 for ADSs.

9,279,600 options[(1)] to purchase ADSs or Vivendi Universal shares, representing 0.87% of Vivendi Universal s share capital then outstanding, were granted to 563 beneficiaries in March 2004, exercisable at a strike price, without discount, of 20.67 for Vivendi Universal shares or $24.61 for ADSs.

[(1)] As a consequence of the 2002 dividend payment taken from the retained earnings (in accordance with applicable rules), we adjusted the exercise prices and number of Vivendi Universal shares or ADSs subject to each outstanding

stock option and the number of Vivendi Universal shares or ADSs reserved for issuance under each of the existing stock option plans before 2002 in order to preserve the value of each option.

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The significant features of the stock option plans and the stock subscription option plan under which we have made option grants are the following:

SO I (traditional options)

Options granted under SO I have an eight or ten-year term. These options normally vest over three years from the date of grant in equal one-third amounts, and become exercisable, with respect to the then vested portion of the grant after the second anniversary of the grant date. After the third anniversary of the grant date, the entire grant is vested and exercisable. Employees terminated by Vivendi Universal and its subsidiaries and affiliates retain any options granted under this plan that have vested before their termination date and the plan permits the acceleration of vesting or the extension of the exercise period in connection with an optionholder s termination of employment upon approval of the management board. Such an acceleration or extension is subject to the approval of the supervisory board with respect to options granted to members of the management board and top 20 executives of our company. In the event of a bid or tender offer for all or substantially all of the shares of Vivendi Universal, options granted under SO I immediately vest and become exercisable and the underlying shares will be freely transferable without any condition.

SO II

The options granted under SO II were exercisable from September 18, 2000, to September 17, 2003, at an adjusted unit price of 48.64, and from September 18, 2003 to September 17, 2004, at an adjusted unit price of 52.05.

SO III (over-performance options)

The options granted under SO III vest and become exercisable after a five-year period following May 11, 1999 and remain exercisable until the expiration of the eight-year validity period of the plan. The number of options that can be exercised will be determined based on the performance of Vivendi Universal s stock price vis-à-vis a benchmark price index composed of a basket of indexes (55% Media, 35% Telecoms, 10% Utilities).

SO IV (over-performance options)

The options granted under SO IV vest and become exercisable after a six-year period following the date of grant and remain exercisable until the expiration of the eight-year validity period of the plan; *provided, however,* that the vesting of such options will be accelerated based on the performance of Vivendi Universal s stock price vis-à-vis the movement of the combined index, 60% MSCI and 40% Stoxx Media, as follows:

if, after a three-year period, the performance of Vivendi Universal s stock price exceeds the index performance by 9% or more;

if, after a four-year period, the performance of Vivendi Universal s stock price exceeds the index performance by 12% or more; or

if, after a five-year period, the performance of Vivendi Universal s stock price exceeds the index performance by 15% or more.

In addition, following each of the third, fourth and fifth anniversaries of the date of grant, the vesting of such options will be accelerated after each quarter if the performance of Vivendi Universal s stock price exceeds the index performance by the percentage required for the period examined, increased by 0.75% per quarter (x% + 0.75% per quarter). In the event of a public offering, the options granted under SO IV will become vested and immediately exercisable and the underlying shares will be freely transferable.

Item 7: *Major Shareholders and Related Party Transactions*

Major Shareholders

To our knowledge, no individual shareholder owns beneficially, or exercises control or direction over, 5% or more of the outstanding Vivendi Universal ordinary shares.

As at June 15, 2005, there were 1,448 registered holders of ADSs in the US holding a total of 76,796,068 ADSs.

Related Party Transactions

Please refer to Item 18 Financial Statements Note 27 for a discussion of related party transactions.

Item 8: *Financial Information*

Consolidated Financial Statements

See Item 18 Financial Statements .

Litigation

COB/ AMF Procedure

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

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

The decision of the AMF Sanctions Commission was rendered on November 3, 2004. Vivendi Universal was ordered to pay a financial penalty of 1 million. The equity accounting method of consolidation of Elektrim Telekomunikacja, for the financial year 2001 only, was challenged by the AMF which considers that Elektrim Telekomunikacja, should have been consolidated by way of proportionate integration.

On February 4, 2005, Vivendi Universal appealed against the decision in the Paris Court of Appeals. Vivendi Universal took the view, shared by its auditors, that the method of consolidation of Elektrim Telekomunikacja, applied over the period subject to the COB s investigation, was in accordance with the applicable accounting regulations. The hearing before the Paris Court of Appeals was held on May 17, 2005.

On June 29, 2005, the Paris Court of Appeals partially overturned the November 3, 2004 decision of the AMF Sanctions Commission and reduced the amount of the penalty imposed by the AMF against Vivendi Universal from 1 million to 300,000. In this decision, the Paris Court of Appeals validated Vivendi Universal s accounting treatment of its investment in Elektrim Telekomunikacja. The Paris Court of Appeals upheld the AMF s complaints with respect to communications regarding indebtedness at the end of 2000 and the level of cash flow in September 2001 but overturned the Sanctions Commission s decision regarding the conditions of access to Cegetel s cash balances and recognized that Vivendi Universal could not be held responsible for the oral communications of its then Chief Executive Officer, Mr. Jean-Marie Messier.

AMF Investigation into Vivendi Universal s Purchase of Its Own Shares

On May 4, 2004, the AMF commenced an investigation into Vivendi Universal s purchase of its own shares between September 1, 2001 and December 31, 2001.

AMF Complaint in Connection with the Issuance of Notes Mandatorily Redeemable for New Shares of Vivendi Universal

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

The AMF complaint against Vivendi Universal is that Deutsche Bank sold institutional investors a product comprising both notes mandatorily redeemable for new shares of Vivendi Universal and hedging in respect of the Vivendi Universal shares, the description of which was not sufficiently detailed in the prospectus. Vivendi Universal takes the view that it fully complied with its obligations as an issuer to provide information, and Vivendi Universal and its two senior executives intend to challenge these complaints before the AMF Sanctions Commission.

Investigation by the Financial Department of the Parquet de Paris

The investigation initiated by the financial department of the *Parquet de Paris* regarding the publication of false or misleading information regarding the financial situation or forecasts of Vivendi Universal, as well as the publication of untrue or inaccurate financial statements (for financial years 2000, and 2001) is ongoing. The application for Vivendi Universal to be joined as a civil party was definitively granted by an order of the Court of appeals dated June 25, 2003.

It is too early to predict with certainty the precise outcome of the disputes set out below, to determine their duration or to quantify any potential damages. In the opinion of Vivendi Universal, the claimants complaints are without legal or factual cause of action. Vivendi Universal plans to defend vigorously against them and will assert all its rights.

Securities Class Action Litigation

Since July 18, 2002, a number of claims have been filed against Vivendi Universal, Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002 the New York court decided to consolidate these claims in a single action under its jurisdiction entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934. On January 7, 2003, they filed a consolidated class action suit that may benefit potential groups of shareholders. Damages of unspecified amount are claimed.

The proceedings are currently in the stage of discovery in which the plaintiffs have to prove violation that caused a loss to the shareholders.

Vivendi Universal s opposition to plaintiffs motion for class certification is due on September 15, 2005. Plaintiffs reply papers in further support of their motion for class certification is due on September 30, 2005.

Witness depositions should begin in August 2005 at the earliest.

Elektrim Telekomunikacja

On August 26, 1999, four minority shareholders of PTC transferred about 15% of the share capital of PTC to Elektrim. In October 1999, DT alleged that its pre-emption rights in respect of about 3.12% of the share capital of PTC had been violated, and referred the matter to arbitration in Vienna. On April 9, 2003, the arbitration tribunal issued an award declaring that the transfer was valid and dismissed DT s claims. On December 19, 2003 the tribunal also ordered DT to reimburse part of Elektrim s costs in the arbitration.

In December 2000, DT commenced a new arbitration proceeding in Vienna against Elektrim and Elektrim Telekomunikacja. DT asked the arbitration tribunal to declare invalid the transfer by Elektrim to Elektrim Telekomunikacja of 48% of the PTC shares owned by Elektrim.

In its award (the Award), which was served on the parties on December 13, 2004, the arbitration tribunal held that:

1. The transfer by Elektrim to Elektrim Telekomunikacja of the PTC shares was ineffective, and the PTC shares were to be considered as never having ceased to form part of the assets of Elektrim;

2. The said sale did not constitute a material breach of Article 16.1 of the shareholders agreement between DT and Elektrim, but such a material breach would occur if Elektrim did not recover the shares concerned within two months of service of the Award;

3. The Tribunal dismissed DT s claim for a declaration that an economic impairment on the part of Elektrim existed; and

4. The Tribunal did not have jurisdiction over Elektrim Telekomunikacja, and the claims concerning Elektrim Telekomunikacja could not be entertained in the context of the arbitration.

DT withdrew its claim concerning its financial loss.

On February 2, 2005, the Award was partially recognized by a Warsaw tribunal (Regional Court Civil Division) with regard to the first three points described above. In February 2005, Elektrim Telekomunikacja appealed against this partial exequatur for breach of the provisions of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, dated June 10, 1958. The decision was also appealed by the Public Prosecutor.

In the context of proceedings launched by Elektrim Telekomunikacja concerning ownership of the PTC shares and notified to PTC on December 10, 2004, the Warsaw Tribunal (Regional Court Commercial Division) issued an injunction on December 30, 2004, upon Elektrim Telekomunikacja s request prohibiting any amendment of the company register held by PTC. This injunction is currently the subject of an appeal by DT and Elektrim.

In parallel with these proceedings, Elektrim attempted twice to unilaterally obtain from the Warsaw Registry Court an amendment of the registration of ownership of the PTC shares allocated to Elektrim Telekomunikacja, in its favor. In its decision rendered on February 10, 2005, the Warsaw Registry Court considered the claims to be unjustified with regard to the aforesaid injunction awarded on December 30, 2004 and dismissed the proceedings. Nevertheless, on February 25, 2005, the Warsaw Registry Court has, based on PTC shareholders lists and deliberations by the Boards drawn up and produced by DT and Elektrim in conditions considered to be fraudulent by Elektrim Telekomunikacja, authorized the registration of Elektrim as a shareholder of PTC in lieu of Elektrim Telekomunikacja. Elektrim Telekomunikacja has commenced proceedings in order to rectify the register and filed a complaint before the Warsaw Public Prosecutor.

Vivendi Universal has brought the matter before the Polish Government to demand compliance with the law and its commitments with regard to the protection and equitable treatment of investors through the agreement between the Government of the Republic of France and the Government of the Republic of Poland to encourage the reciprocal protection of investments signed on February 14, 1989.

On August 22, 2003, Vivendi Universal and VTI filed a request for arbitration before an arbitration tribunal under the aegis of the London Court of International Arbitration (LCIA), against Elektrim, Elektrim Telekomunikacja and Carcom. This request arose in the context of the Third Amended and Restated Investment Agreement of September 3, 2001 (the agreement) between Elektrim, Elektrim Telekomunikacja, Carcom, Vivendi Universal and VTI. The purpose of this Agreement was to govern relations between Vivendi Universal and Elektrim within Elektrim Telekomunikacja, to organize the investment of Vivendi Universal and Elektrim Telekomunikacja in PTC, and furthermore to anticipate the consequences of the Vienna Award. The initial subject matter of the dispute was the applicability of certain provisions of the Agreement, this initial scope having been extended by Elektrim to cover its validity as a whole and by Vivendi Universal to

cover breaches by Elektrim thereof. On March 24, 2005, the LCI Arbitral Tribunal as a result of the first hearing which took place in London on March 17, 2005, issued a provisional freezing order preventing Elektrim to transfer the PTC shares, requesting Elektrim to vote during the PTC shareholders meetings according to Elektrim Telekomunikacja s instructions. On April 28, 2005, the arbitral tribunal confirmed this interim order. The next hearing is to take place during the week of September 5, 2005.

On August 27, 2003, Elektrim commenced another arbitration against Elektrim Telekomunikacja, under the aegis of the Court of Arbitration of the Polish Chamber of Commerce. As Elektrim has finally recognized the jurisdiction of the Tribunal under the aegis of the LCIA, this proceeding is at the moment suspended.

In April 2005, Vivendi Universal commenced proceedings against DT in the Paris Commercial Court, for wrongful termination of negotiations.

In September 2004, Deutsche Telekom, without notice and without proper cause, terminated tripartite negotiations commenced one year earlier with Elektrim relating to the sale of 51% of PTC to DT. Vivendi Universal considers this sudden withdrawal to have been motivated by DT s wish to appropriate the shares of PTC at the lowest possible cost using methods which Vivendi regards as unlawful. Vivendi Universal is claiming damages from DT, currently estimated at 2.2 billion to compensate for the losses it has suffered, and, in particular, for the loss of value in its investment in Poland caused by the behavior of DT.

The Polish Office for the Protection of Competition (the Office) had been informed of an increase of Vivendi Universal s participation of 2% more of the share capital of Elektrim Telekomunikacja and sent Vivendi Universal a request for information on February 5, 2004 in order to establish whether the provisions of the national law, dated December 15, 2000 on the protection of competition had or had not been violated due to failure to declare a concentration resulting from the intention of Vivendi Universal to take control of Elektrim Telekomunikacja. By a letter dated February 16, 2004, Vivendi Universal reminded the Office that it held only 49% of Elektrim Telekomunikacja, that this holding was fully in compliance with the provisions of the national competition law, and that in the event that it intended to acquire control of Elektrim Telekomunikacja it would duly inform the Office in accordance with the law. On July 22, 2004, the Office informed Vivendi Universal that no breach of the Polish competition regulations had been noted.

On November 23, 2004, the Office required precisions following information appearing in the Vivendi Universal 2004 six-month report for the period of January 1 to June 30, 2004, concerning its methods of consolidation in respect of Ymer. On December 28, 2004, Vivendi Universal responded to the Office that, following the adoption of the financial security law of August 1, 2003, new accounting criteria required it to take Ymer into account for consolidation purposes, notwithstanding the absence of control over that company in the legal sense of the term and particularly with regard to the Polish Commercial and Companies Code. On April 7, 2005, the Office decided to initiate an anti-trust proceeding against Vivendi Universal.

Dispute with the IRS

Seagram, then Vivendi Universal as successor to Seagram s rights, had been in discussion with the US Internal Revenue Service (IRS) since 1998 when, on August 21, 2003, Vivendi Universal received notice from the IRS challenging the tax treatment submitted by Seagram in its Form 10-K in the context of the redemption by DuPont in April 1995 of 156 million of its own shares held by Seagram.

The IRS claims additional tax of $1.5 billion plus interest. On October 31, 2003, Vivendi Universal challenged this demand in the US Tax Court. The IRS filed an answer on December 18, 2003. Vivendi Universal then filed a further reply on February 2, 2004. Discovery of documents is in process.

Vivendi Universal continues to believe that the tax treatment adopted in 1995 is fully compliant with US tax laws at the time. While the outcome of any controversy cannot be predicted with complete certainty, Vivendi Universal considers that this dispute with the IRS, if decided against Vivendi Universal, would not have a significant effect on its overall financial situation. Furthermore, Vivendi Universal considers that it has made the appropriate provisions in its accounts regarding this litigation.

SFR

SFR is the subject of contentious proceedings which have been served in connection with competition law, proceedings which are often common with other telecommunications service providers. The management of SFR is not in the position to determine the potential impact of the outcome of these proceedings and, consequently, has made no provision in its accounts in relation thereto.

Universal Music Group

The Office of the New York Attorney General (NYAG) is investigating radio promotion practices in the music industry. Universal Music Group (UMG), received subpoenas duces tecum in September 2004, November 2004 and March 2005 and several additional requests for information from the NYAG with respect to its radio promotion practices. UMG is complying with the subpoenas and is fully cooperating with the investigation. It is our understanding that the NYAG has also issued subpoenas duces tecum to other record companies and owners of radio stations. At this time, it is not possible to predict the duration or outcome of the investigation.

Dividend Policy

Future dividends will depend on the group s earnings, financial condition and other factors. The payment and amount of dividends are subject to the recommendation of the management board and resolution by the group s shareholders at an annual shareholders meeting.

For fiscal year 2004, the board of directors proposed a dividend of 0.60 per share, representing a distribution rate of approximately 50% of the group s adjusted net income. The dividend was approved by the shareholders meeting on April 28, 2005.

Vivendi Universal expects to continue to propose a dividend distribution rate of approximately 50% of the group s adjusted net income in 2005.

Significant Changes

The significant events that occurred between December 31, 2004 and June 29, 2005 are described in the appropriate sections. In particular, the situation of Elektrim Telekomunikacja is presented in Item 18 Financial Statements Note 7.3 , the acquisition of a 16% stake in Maroc Telecom realized on January 4, 2005 is described in Item 18 Financial Statements Note 30 , the merger plan between plan between Cegetel and Neuf Telecom is described in Item 4 Our Segments Telecommunications and the VUE restructuring described in Item 4 Subsequent Developments in 2005 Purchase of IAC s Equity Interests in VUE .

Item 9: ***The Offer and Listing***

Market Price Information

Our ordinary shares currently trade on Euronext Paris S.A. and our ADSs trade on the NYSE. The table below sets forth the reported high and low sales prices of Vivendi and Vivendi Universal ordinary shares and ADSs on Euronext Paris S.A. and on the NYSE, respectively (and, for periods before September 2000, the high and low bids for Vivendi ADSs in the over-the-counter market). For periods before the completion of the Merger Transactions on December 8, 2000, the table sets forth price information for Vivendi ordinary shares and ADSs; for periods after that date, the table sets forth price information for Vivendi Universal ordinary shares and ADSs. Each Vivendi ADS represented one-fifth of a Vivendi ordinary share before the completion of the Merger Transactions, while each Vivendi Universal ADS now represents one Vivendi Universal ordinary share. To facilitate comparison of information for periods before and after December 8, 2000, price information for the Vivendi ADSs is shown as if each Vivendi ADS represented one Vivendi ordinary share.

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Last Six Months

	Eurolist by Euronext™ Paris (Ordinary Shares)		NYSE (ADSs)	
	High	**Low**	**High**	**Low**
May, 2005	25.05	23.25	$ 31.48	$ 29.70
April, 2005	24.50	22.50	31.39	29.65
March, 2005	24.50	22.78	32.15	30.38
February, 2005	25.21	23.42	32.73	31.39
January, 2005	24.62	23.23	32.33	30.64
December, 2004	24.00	22.10	32.28	29.88

Last Two Years by Quarter

	Eurolist by Euronext™ Paris (Ordinary Shares)		NYSE (ADSs)	
	High	**Low**	**High**	**Low**
2005				
Second Quarter (through June 23, 2005)	25.98	22.50	$ 31.48	$ 29.65
First Quarter	25.21	22.78	32.73	30.23
2004				
Fourth Quarter	24.00	20.31	32.28	25.94
Third Quarter	23.29	19.06	28.27	23.57
Second Quarter	23.37	19.00	28.10	23.08
First Quarter	23.85	19.30	29.32	24.45
2003				
Fourth Quarter	19.71	15.11	24.28	18.38
Third Quarter	17.63	14.52	18.80	16.57
Second Quarter	17.75	12.03	20.63	13.73
First Quarter	17.98	11.03	18.90	12.30

Last Five Years

	Eurolist by Euronext™ Paris (Ordinary Shares)		NYSE (ADSs)	
	High	**Low**	**High**	**Low**
2005 (through June 23, 2005)	25.98	22.50	$ 32.73	$ 29.65
2004	24.00	19.00	32.28	23.08
2003	19.71	11.03	24.28	12.30

2002	64.40	8.62	57.90	8.90
2001	82.00	40.22	76.00	37.30
2000	150.00	68.60	142.50	50.00

We urge you to obtain current market quotations.

Item 10: ***Additional Information***

Organizational Document of Vivendi Universal

At the shareholders meeting held on April 28, 2005, our shareholders approved the change of our corporate form to a *société anonyme à directoire et conseil de surveillance* and the adoption of amended

statuts, a copy of which is filed as an exhibit to this annual report. For information on our organizational documents for the fiscal year 2004 and through April 27, 2005, please refer to Item 10 Additional Information Organizational Document of Vivendi Universal of our annual report on Form 20-F for the fiscal year 2003.

Register Information

Vivendi Universal is registered with the Paris Trade Register (*Registre du Commerce et des Sociétés*) under the registration number 343 143 763.

Purpose

Under Article 2 of our *statuts*, the main corporate purpose of Vivendi Universal is (i) to provide any direct or indirect telecommunications and media/entertainment activities, and any interactive services, to individual, business and public-sector customers, (ii) to market any products and services related to the foregoing, (iii) to engage in any commercial, industrial, financial, stock, share and real-estate transactions directly or indirectly related to the aforementioned purpose or to any similar or related purposes, or contributing to the fulfilment of these purposes, and (iv) more generally, to engage in the management and acquisition, by way of subscription, purchase, contribution, exchange or through any other means, of shares, bonds and any other securities of companies already existing or to be formed and the right to sell such securities.

Members of the Management and Supervisory Boards

Under the French Commercial Code, each member of the supervisory board must be a shareholder of Vivendi Universal. Our *statuts* provide that a member of the supervisory board must own at least 1,000 shares of Vivendi Universal for as long as he or she serves as a member of the supervisory board. Members of the supervisory board are elected for a four-year term and are eligible for reelection upon the expiration of his or her term of office. No more than one-third of the members of the supervisory board may be older than the age limit set by law, which is presently seventy. The annual shareholders meeting may allocate an aggregate amount of fees to be distributed by the supervisory board to its members. The compensation of the Chairman and Vice-Chairman of the supervisory board is determined by the supervisory board.

The management board can be composed of two to seven members who are not required to be shareholders of Vivendi Universal. The supervisory board appoints the members of the management board for a four-year term and determines their compensation. Members of the management board may be reappointed and may be dismissed at any time either by the supervisory board or by the shareholders at a shareholders meeting.

Under the French Commercial Code, any transaction, directly or indirectly, between a company and a member of its supervisory or management board or any of its officers or one of its shareholders holding more than 10% of voting securities, that cannot be reasonably considered to be in the ordinary course of business or is not at arm s length, is subject to the supervisory board s prior consent. A member of the management or supervisory board may not participate in a vote consenting to a transaction in which he or she is directly or indirectly interested. Any such transaction concluded without the prior consent of the supervisory board can be voided if it is fraudulent or otherwise harmful to the company, and the interested member of the management or supervisory board can be held liable on this basis. The statutory auditor must be informed of the transaction within one month of its conclusion and must prepare a special report to be submitted to the shareholders for approval at their next meeting. In the event the transaction is not ratified by the shareholders, it will remain enforceable by third parties against the company, but the company may in turn hold the interested member of the management or supervisory board and, in some circumstances, the other members of the management board, liable for any damages it may suffer as a result.

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Shareholders Meetings

General

In accordance with the French Commercial Code, there are two types of shareholders general meetings, ordinary and extraordinary. Ordinary general meetings of shareholders are required for matters that are not specifically reserved by law to extraordinary general meetings. Extraordinary general meetings of shareholders are required for approval of matters such as amendments to our *statuts*, including any amendment required in connection with extraordinary corporate actions (e.g., among other things, increasing or decreasing our share capital; creating a new class of equity securities; selling or transferring substantially all of our assets; and voluntary liquidation).

The French Commercial Code requires our management board to convene an annual general meeting of shareholders for approval of the annual accounts. This meeting must be held within six months of the end of each fiscal year unless extended by order of the Commercial Court (*Tribunal de Commerce*). Both the management and supervisory boards may also convene an ordinary or extraordinary general meeting upon proper notice at any time during the year. If either the management or supervisory boards fails to convene a shareholders meeting, our independent auditors or a court appointed agent may call the meeting at the request of (i) any interested party in the event of emergency, (ii) one or more shareholders holding more than 5% of our share capital or (iii) an *association* of shareholders representing more than 1% of our voting rights.

Shareholders holding more than 50% of our share capital or voting rights may also convene a shareholders meeting after a public offer or a sale of a controlling stake of Vivendi Universal s share capital.

Notice

We must announce general meetings at least 30 days in advance by means of a preliminary notice published in the *Bulletin des Annonces Légales Obligatoires* (BALO). The preliminary notice must first be sent to the AMF. The AMF also recommends that the preliminary notice be published in a financial newspaper of national circulation in France and by e-mail or postal mail for registered shares. We must send a final notice containing the agenda, other information about the meeting and general information on Vivendi Universal at least 15 days prior to the meeting or at least six days prior to the resumption of any meeting adjourned for lack of a quorum. The final notice must also be published in the BALO and in a newspaper authorized to publish legal announcements in the local administrative department in which we are registered.

Attendance and Voting

Each share confers on the shareholder the right to cast one vote, subject to certain limited exceptions under the French Commercial Code. Shareholders may attend ordinary and extraordinary general meetings and exercise their voting rights subject to the conditions specified in the French Commercial Code and our *statuts*. There is no requirement that shareholders have a minimum number of shares in order to attend or to be represented at an ordinary or extraordinary general meeting.

Proxies and Votes by Mail

Shareholders may vote in person, by proxy or by postal mail. Upon decision of the management board specified in the notice of meeting, shareholders may also vote by Internet.

Quorum and Majority

The French Commercial Code requires that, upon first convocation, 25% of the shares entitled to voting rights must be represented by shareholders present in person or voting by mail or by proxy to fulfill the quorum requirement for either an ordinary or an extraordinary general meeting where an increase in Vivendi Universal s shares capital is proposed through incorporation of reserves, profits or share premium. No quorum is required upon second convocation of such meeting.

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For any other extraordinary general meeting, the quorum requirement upon first convocation is one-third of the shares entitled to voting rights, on the same basis, and 25% of the shares entitled to voting rights, on the same basis, upon second or further convocation. If the quorum is not present at a meeting, the meeting is adjourned for a maximum of two months. Any deliberation by the shareholders that takes place without a quorum is void.

A simple majority of shareholders of the shareholder votes cast may pass any resolution on matters required to be considered at an ordinary general meeting, or concerning a capital increase by incorporation of reserves, profits or share premium at an extraordinary general meeting. At any other extraordinary general meeting, a two-thirds majority of the shareholder votes cast is required. A unanimous shareholder vote is required to increase liabilities of shareholders.

Limitations on Right to Own Securities

Neither French law nor our *statuts* contain any provision that limits the right to own Vivendi Universal s securities or limits the rights of shareholders, including non-resident or foreign shareholders, to hold or exercise voting rights associated with those securities.

Anti-Takeover Provisions of our By-Laws

Vivendi Universal s *statuts* provide that any person or group that fails to notify the company within 15 days of acquiring or disposing of 0.5% or any multiple of 0.5% of our ordinary shares may be deprived of voting rights for shares in excess of the unreported fraction.

Anti-Takeover Effects of Applicable Law

The French Commercial Code provides that any individual or entity, acting alone or in concert with others, that holds, directly or indirectly, more than 5%, 10%, 20%, 33^{1}/3%, 50% or 66^{2}/3% of the outstanding shares or the voting rights attached to the share, or that increases or decreases its shareholding or voting rights to any of the above percentages must notify the number of shares and voting rights that it holds to the company and the AMF within five trading days of crossing that threshold. In addition, every shareholder who, directly or indirectly, acting alone or in concert with others, acquires ownership or control of shares representing 10% or 20% of Vivendi Universal s share capital must notify Vivendi Universal and the AMF of its intentions for the 12 months following such acquisition. The AMF makes this notice public. The acquirer may amend its stated intentions by filing a new report.

Failure to comply with these notifications will result in the suspension of the voting rights attached to the shares exceeding the above-mentioned thresholds for a period of two years from the date on which the shareholder has cured such default and such shareholder may have all or part of its voting rights suspended for up to five years by the *Tribunal de Commerce* at the request of Vivendi Universal, any of Vivendi Universal s shareholders, or the AMF.

The French New Economic Regulations Act also requires the notification of the AMF of any agreement which provides preferential conditions of acquisition or divestiture of shares representing 0.5% or more of the share capital or voting securities, and the failures to give such notifications will result in such provision being unenforceable during the course of a tender offer.

Under French Law, and subject to limited exemptions, any person or persons acting in concert that become the holder of more than 33^{1}/3% of the share capital or voting rights of a French listed company must initiate a public tender offer for the balance of the share capital of such company. This mandatory public tender offer also applies to any person or persons acting in concert, that own, directly or indirectly, between 33^{1}/3% and 50% of the share capital or the voting rights of a French listed company and who, within a period not exceeding 12 months, increase the number of their shares or voting rights by more than 2% of the total number of shares or of voting rights of the company. Such persons must also inform the AMF of any change in the number of shares or voting rights they hold, and the AMF makes the information public.

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Under the provisions of the French Commercial Code, if the number of a shareholder s outstanding voting rights changes by 5% or more between two annual ordinary general meetings, Vivendi Universal is required to publish in the BALO, within 15 calendar days of such change, the number of voting rights outstanding and provide the AMF with written notice of such information.

Ordinary Shares

Dividends

Dividends on our ordinary shares are distributed to shareholders pro rata, and terms of payment are determined at the shareholders meeting approving the distribution of such dividends. Under the French Commercial Code, we must pay any dividends within nine months of the end of our fiscal year, unless this period is extended by an order of the *Tribunal de Commerce*. Subject to certain conditions, the management board can decide the distribution of interim dividends during the course of the fiscal year. Dividends on shares that are not claimed within five years of the date of declared payment revert to the French government.

Under French Company Law, Vivendi Universal must allocate 5% of the net profits of each fiscal year to a legal reserve fund until the amount in that fund is equal to 10% of the nominal amount of its share capital.

Voting Rights

Each Vivendi Universal ordinary share carries the right to cast one vote in shareholder elections.

Liquidation Rights

If Vivendi Universal is liquidated, any assets remaining after payment of its debts, liquidation expenses and all of its remaining obligations will be distributed first to repay in full the nominal value of its shares. Any surplus will be distributed pro rata among shareholders in proportion to the nominal value of their shareholdings.

Future Capital Calls

All of our outstanding ordinary shares are fully paid. Accordingly, no further contribution of capital may be required from the holders of such shares by Vivendi Universal.

Changes in Share Capital

Under the French Commercial Code, we may increase our share capital only with the approval our shareholders at an extraordinary general meeting (or with a delegation of authority from our shareholders). Generally, if we issue additional shares, or any equity securities or other specific kinds of additional securities carrying a right, directly or indirectly, to purchase equity securities issued by us for cash, current shareholders will have pre-emptive rights on these securities on a pro rata basis. These pre-emptive rights entitle the individual or entity that holds them to subscribe to an issue of any securities that may increase our share capital by means of a cash payment or a set-off of cash debts.

A two-thirds majority of our ordinary shares entitled to vote at an extraordinary general meeting may vote to waive pre-emptive rights with respect to any particular offering. French law requires a company s management board and independent auditors to present reports that specifically address any proposal to waive pre-emptive rights. Shareholders may also waive their own pre-emptive rights with respect to any particular offering.

Under the French Commercial Code, we may decrease our share capital only with the approval of our shareholders at an extraordinary general meeting (or with a delegation of authority from our shareholders). There are two methods to reduce share capital: (i) by reducing the number of shares outstanding and (ii) by decreasing the nominal value of existing shares. The conditions under which the share capital may be reduced will vary depending upon whether the reduction is attributable to losses. We may reduce the number of outstanding shares either by an exchange of shares or by the repurchase and cancellation of our shares. Any

decrease must meet the requirements of the French Commercial Code, which provides that all holders of shares in each class of shares must be treated equally, unless the affected shareholders otherwise agree.

Amendments to Rights of Holders

The rights of holders of our ordinary shares can be amended only by action of an extraordinary general meeting. A unanimous shareholder vote is required to increase liabilities of shareholders.

Material Contracts

In view of the size and scope of the operations of our company, we believe that the only agreements to which we or any of our subsidiaries are a party that could be considered material to our company are the agreements in connection with the NBC-Universal transaction and the VUE restructuring. For a description of each of these agreements, see Item 4 Information on the Company and Item 18 Financial Statements Note 3.1 .

Exchange Controls

French exchange control regulations currently do not limit the amount of payments that we may remit to nonresidents of France. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a nonresident be handled by an accredited intermediary. In France, all registered banks and most credit establishments are accredited intermediaries.

Taxation

French Taxation and US Federal Income Taxation

The following summary discusses the material French tax consequences and US federal income tax consequences to US Holders, as defined below, of the purchase, ownership, and disposition of our ordinary shares or ADSs.

The following summary is for general information only. It is not intended, and should not be construed, as legal or professional tax advice. It is based upon current provisions of the laws, conventions, and treaties, including the US Internal Revenue Code of 1986, as amended (the Code) and current and proposed US Treasury regulations and administrative and judicial decisions thereunder, that are currently in effect, all of which are subject to change, possibly on a retroactive basis. Neither French nor US federal tax authorities are bound by the views expressed in the discussion below, and there can be no assurance that such authorities will accept its conclusions.

This discussion is not exhaustive of all possible tax considerations. It does not purport to be a comprehensive description of all aspects of French taxation and US federal income taxation that may be relevant to each investor s decisions regarding the purchase, ownership, and disposition of our ordinary shares or ADSs in light of that investor s particular circumstances.

For example, this discussion considers only US Holders that will own our ordinary shares or ADSs as capital assets. Further, this summary does not discuss the French tax consequences or US federal income tax consequences to US Holders that are subject to special treatment under French tax laws or US federal income tax laws, such as the following:

- dealers or traders in securities or foreign currency, including traders in securities that use a mark-to-market method of accounting for their holdings;

- tax-exempt organizations or retirement plans, except to a limited extent under French Taxation of US Holders of Our Ordinary Shares or ADSs Taxation of Dividends ;

- banks, thrifts, insurance companies, regulated investment companies, or other financial institutions or financial services entities ;

- real estate investment trusts;

persons that acquire our ordinary shares or ADSs as compensation;

persons that hold our ordinary shares or ADSs together with other investments as part of a straddle , hedge , conversion transaction , constructive sale , or other integrated transaction;

US persons that have a functional currency other than the US dollar;

certain expatriates and former long-term residents of the United States;

certain foreign corporations treated as domestic corporations pursuant to section 269B or section 7874 of the Code;

partnerships and other pass-through entities, or investors that hold our ordinary shares or ADSs through partnerships or other pass-through entities;

persons that own, whether directly, indirectly, or through attribution, at least 10% of the value or voting power of our shares;

persons that are not entitled to the benefits of the Convention between the US and France for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, entered into on August 31, 1994 (the Treaty); and

persons whose ownership of our ordinary shares or ADSs is connected with the conduct of business through a permanent establishment or fixed base in France.

In addition, the discussion below does not address any aspects of tax laws other than French tax laws or US federal income tax laws, the possible application of US federal gift or estate taxation, or the potential application of the alternative minimum tax.

Accordingly, holders and prospective holders of our ordinary shares or ADSs are strongly urged not to rely exclusively on this summary but to consult their own tax advisers as to the specific consequences to them under French tax law, US federal income tax law, and other tax laws of the purchase, ownership, and disposition of our ordinary shares or ADSs, including, in particular, the effect of any state or local taxes or taxes other than French taxes and US federal income taxes.

Ownership for Tax Purposes of Our Ordinary Shares or ADSs

Assuming that the obligations set forth in the Deposit Agreement, dated as of April 19, 1995, as amended and restated as of September 11, 2000, and as further amended and restated as of December 8, 2000, among Vivendi Universal, S.A., The Bank of New York, as Depositary, and all the Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder and any related agreements will be fulfilled in accordance with their terms, holders of our ADSs will be treated as the owners of the ordinary shares represented by such ADSs for both French tax purposes and US federal income tax purposes. Accordingly, among other consequences, exchanges of our ordinary shares for ADSs or of ADSs for our ordinary shares under the Deposit Agreement will not be subject to French tax or US federal income tax.

US Holders

The following discussion describes the material French tax consequences and US federal income tax consequences of the purchase, ownership, and disposition of our ordinary shares or ADSs by a US Holder, defined for purposes of this discussion as a beneficial owner of our ordinary shares or ADSs that is one of the following:

a citizen or resident of the US;

a corporation created or organized in the US or under the laws of the US or any state thereof or the District of Columbia;

an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source; or

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a trust, if (i) a court within the US is able to exercise primary supervision of the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

French Taxation of US Holders of Our Ordinary Shares or ADSs

The 2004 Finance Bill, adopted by France on December 30, 2003, included a reform of the dividend distribution regime and, specifically, the abolition of the *avoir fiscal* and the *précompte*. As of January 1, 2005, the new rules were effective for individual as well as corporate recipients of dividends. Accordingly, the following discussion of French tax consequences to US Holders of our ordinary shares or ADSs applies to dividends paid as from January 1, 2005.

Taxation of Dividends

France generally imposes a withholding tax on dividends equal to 25% of the gross amount of dividends paid. However, French tax will be withheld from dividends paid to a US holder of our ordinary shares or ADSs at the 15% rate specified in the Treaty if, pursuant to new regulations dated February 25, 2005, issued by the French tax authorities, such holder has provided to the financial institution which manages the holder s security account, prior to the date of payment of the dividends, a certificate stating that such holder is a US resident within the meaning of the Treaty. This certificate must comply with the example provided by the French authorities and attached as Schedule 1 to the above regulations. The certificate must be accompanied by (i) a certificate of residence signed by the tax authorities of the state of residence of the US Holder or (ii) a certificate provided by the financial institution that manages the securities account of such holder attesting that the holder is a US resident. Further, the certificate must be accompanied by the following information:

Name and address of the US financial institution managing the securities account of the US Holder;

Name and address of the US Holder;

French tax identification number of the US Holder, if necessary;

Nature of the rights held;

Dividend payment date;

Par value of the stock in respect of which dividends were paid; and

Total amount distributed to the US Holder.

If a US Holder has not provided the above certificate prior to the dividend payment date, we will deduct French withholding tax at the full non-Treaty rate of 25%. In that case, the US Holder may claim a refund of the excess withholding tax by completing and providing to the French tax authorities French Treasury Form RF 1 A EU-No. 5052 prior to December 31 of the calendar year following the year in which the dividend is paid. The US Holder should ignore the references that remain in French Treasury Form RF1 A EU-No. 5052 to the now-abolished *avoir fiscal*.

If the holder is a tax exempt entity such as a pension fund, state-owned entity, not-for-profit-organization, or individual entitled to dividends by virtue of a beneficial interest in an individual retirement account, such holder may be required to supply additional documentation of its entitlement to Treaty benefits.

Taxation of Capital Gains

A US Holder that is a resident of the United States for purposes of the Treaty generally will not be subject to French tax on gain from the sale or other taxable disposition of our ordinary shares or ADSs.

Special rules may apply to holders that are residents of both France and the US for purposes of the Treaty.

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Estate and Gift Taxes

Under the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritances and Gifts, entered into on November 24, 1978, a transfer of our ordinary shares or ADSs by a US Holder as a gift or by reason of such holder s death will not be subject to French gift or inheritance tax unless the US Holder was domiciled in France at the time of the gift or of such holder s death.

Wealth Tax

French wealth tax should not apply to a US Holder that is a US tax resident for purposes of the Treaty.

US Federal Income Taxation of US Holders of Our Ordinary Shares or ADSs

Taxation of Dividends

Subject to the discussion below under the caption Tax Consequences if We Are a Passive Foreign Investment Company , a US Holder will be required to include in gross income on the date of receipt, as ordinary income, the amount of any dividend paid on our ordinary shares or ADSs (such dividend defined as any distribution by us to our shareholders in respect of their ownership of our ordinary shares or ADSs, to the extent that the distribution is paid out of our current or accumulated earnings and profits as determined for US federal income tax purposes). If a holder holds ADSs, the date of receipt will be the date on which the payment is received by the Depositary. The amount of the dividend for US federal income tax purposes will include the amount of any French income taxes withheld from the total amount paid. Distributions in excess of our earnings and profits for US federal income tax purposes will be applied against and will reduce a US Holder s basis in such holder s ordinary shares or ADSs and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ordinary shares or ADSs.

A preferential tax rate of 15% may apply to dividends received by US Holders that are individuals (as well as certain trusts and estates) from a qualified foreign corporation, or QFC. A non-US corporation will qualify as a QFC if its shares are readily tradable on an established securities market in the United States or if it is eligible for the benefits of a qualifying income tax treaty with the US. We believe that we qualify as a QFC under both of the foregoing tests and, accordingly, that dividends on our ordinary shares or ADSs generally will be eligible for the 15% rate of tax. However, dividends to a US Holder will not be eligible for the preferential 15% rate if (i) the US Holder has not held such holder s ordinary shares or ADSs for at least 61 days during the 121-day period that begins 60 days prior to the ex-dividend date of such ordinary shares or ADSs or (ii) to the extent that the US Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during the 121-day period in which a US Holder has a substantially diminished risk of loss on such holder s ordinary shares or ADSs are not counted toward meeting the holding period required by the statute.

Because we are not a US corporation, no dividends received deduction is available to corporate US Holders of our ordinary shares or ADSs.

The amount of any dividend that we pay in euros (which amount will include the amount of any French income taxes withheld) will be equal, for US federal income tax purposes, to the US dollar value of those euros on the date the dividend is included in income (which is the date of receipt), regardless of whether a US Holder in fact converts the payment into US dollars on that date. If the euros are in fact converted into US dollars on the date of receipt, a US Holder generally should not recognize any foreign currency gain or loss upon the conversion. If the euros are not converted into US dollars on the date of receipt, a US Holder generally will have a basis in those euros equal to the US dollar value of the euros on the date of receipt. In such case, a US Holder, upon a sale or other taxable disposition of the euros, may be required to recognize foreign currency gain or loss, which generally will constitute US source ordinary income or loss.

As described above under French Taxation of US Holders of Our Ordinary Shares or ADSs Taxation of Dividends , a US Holder may under some circumstances obtain a refund of amounts of French income tax withheld from a payment of dividends in excess of the 15% rate provided in the Treaty. In such

case, a US Holder may be required to recognize foreign currency gain or loss. This foreign currency gain or loss generally will constitute US source ordinary income or loss.

A US Holder generally may, at the holder s election, claim the amount of any French income taxes withheld on a dividend payment as either a deduction from gross income or a dollar-for-dollar credit against the holder s US federal income tax liability. An individual who does not claim itemized deductions but instead utilizes the standard deduction may not claim a deduction for the amount of French income taxes withheld but may claim such amount as a credit against the individual s US federal income tax liability.

The amount of foreign income taxes paid or withheld that may be claimed as a credit in any year is subject to complex limitations and restrictions whose application must be determined on an individual basis by each shareholder. The limitations set forth in the Code include, among others, rules that limit the amount of foreign tax credits allowable with respect to specific classes of income to the amounts of US federal income tax otherwise payable with respect to such classes of income. For US foreign tax credit purposes, dividends paid by us generally will be foreign source passive income.

Generally, the total amount of allowable foreign tax credits in any year may not exceed a taxpayer s regular US federal income tax liability for the year attributable to foreign source taxable income. Further, a US Holder will be denied a foreign tax credit with respect to French income taxes withheld on payments of dividends on our ordinary shares or ADSs (i) if the US Holder has not held such ordinary shares or ADSs for at least 16 days of the 31-day period that begins 15 days prior to the ex-dividend date of such ordinary shares or ADSs or (ii) to the extent that the US Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during the 31-day period in which a US Holder has a substantially diminished risk of loss on such ordinary shares or ADSs are not counted toward meeting the 16-day holding period required by the statute.

Taxation of Capital Gains

Upon a sale or other taxable disposition of our ordinary shares or ADSs, a US Holder will recognize capital gain or loss in an amount equal to the difference between such holder s basis in the ordinary shares or ADSs, which is usually the amount in US dollars for which the US Holder purchased the ordinary shares or ADSs, and the amount in US dollars realized upon the disposition. In the case of a cash basis US Holder, the amount in US dollars generally will be calculated as of the settlement date. For an accrual basis US Holder, the amount in US dollars generally will be calculated as of the trade date; but the accrual basis US Holder may elect to have the calculation made as of the settlement date if such election is applied consistently from year to year. Such election may not be changed without the consent of the IRS.

Capital gain from the sale or other taxable disposition of our ordinary shares or ADSs held for more than one year is long-term capital gain and, in the case of individuals and other non-corporate taxpayers, generally is subject to taxation at a maximum rate of 15%. For US foreign tax credit purposes, gains and losses recognized by a US Holder upon the sale or other taxable disposition of our ordinary shares or ADSs normally will be treated as US source income or loss. The deductibility of capital losses is subject to limitations.

In certain instances, for example, in the case of a dual resident, a US Holder that may be subject to tax in France upon the sale or other taxable disposition of our ordinary shares or ADSs and that is entitled to the benefits of the Treaty may treat gains upon such sale or other taxable disposition as French source income and, accordingly, may, subject to other US foreign tax credit limitations, credit the French income tax on such sale against the holder s income from the sale for US federal income tax purposes.

Tax Consequences if We Are a Passive Foreign Investment Company

A company is a passive foreign investment company (PFIC), if, in a taxable year, (i) passive income constitutes 75% or more of its gross income or (ii) assets producing or held for the production of passive income constitute at least 50% of its assets. If we were a PFIC, and a US Holder did not make an election to (x) treat us as a qualified electing fund, or QEF, or (y) mark our ordinary shares or ADSs to market annually, excess distributions by us to the US Holder would be taxed as ordinary income.

Part of such distributions could be allocated to prior taxable years, and the tax on such amounts would be subject to interest charges at the rate applicable to deficiencies in payments of income tax. In addition, the entire amount of gain realized by a US Holder upon a sale or other taxable disposition of our ordinary shares or ADSs would be treated as an excess distribution and would be subject to tax as described above. Further, a US Holder s tax basis in our ordinary shares or ADSs that were acquired from a decedent would not receive a step-up to fair market value as of the date of the decedent s death but would instead be equal to the lesser of (i) the fair market value of the ordinary shares or ADSs on that date and (ii) the decedent s basis in the ordinary shares or ADSs.

The PFIC rules described above will not apply to a US Holder of our ordinary shares or ADSs, even if we are a PFIC, if the US Holder, in the first taxable year in which such holder owns our ordinary shares or ADSs, has made an election to treat us as a QEF (and if we comply with certain reporting requirements). A shareholder that has made a QEF election is required for each taxable year (i) to include in income, as ordinary income, a pro rata share of the ordinary earnings of the QEF and (ii) to include in income as long-term capital gain a pro rata share of the net capital gain of the QEF, subject to a separate election to defer payment of the tax (which deferral is subject to an interest charge). The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the Internal Revenue Service, or IRS. Similarly, even if we are a PFIC, the general PFIC rules described above will not apply to a US Holder that elects to mark our ordinary shares or ADSs to market annually.

We do not believe that we are a PFIC. However, the tests for determining PFIC status are fundamentally factual in nature and cannot be applied until the close of the taxable year in question. Accordingly, there can be no assurance that we will not become a PFIC. US Holders that hold our ordinary shares or ADSs during a period in which we are a PFIC will be subject to the foregoing general rules even if we later cease to be a PFIC, subject to certain exceptions for US Holders that have made a QEF election.

US Holders are urged to consult their own tax advisers concerning the PFIC rules, including the consequences to them of making a QEF or mark-to-market election with respect to our ordinary shares or ADSs in the event that we are treated as a PFIC.

Information Reporting and Backup Withholding

The amounts of any dividends paid to a US Holder in respect of our ordinary shares or ADSs and the amounts of any proceeds paid to a US Holder upon the sale or other taxable disposition of our ordinary shares or ADSs must be reported annually to such US Holder and to the IRS. A US Holder may also be subject to backup withholding (currently at a rate of 28%) on dividends paid on our ordinary shares or ADSs or on proceeds of a sale or other taxable disposition of our shares or ADSs unless the US Holder timely provides a properly completed IRS Form W-9 (or any successor form that the IRS may designate) or otherwise establishes an exemption from such backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a credit against a US Holder s US federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Holders that are not US persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-US status in connection with payments received within the United States or through a US-related financial intermediary.

The preceding discussion of the material US federal income tax consequences of the purchase, ownership, and disposition of our ordinary shares or ADSs is general information only and is not tax advice. Accordingly, each investor or prospective investor should consult that investor s own tax adviser as to the particular tax consequences to it of purchasing, holding, and disposing of our ordinary shares or ADSs, including the applicability and effect of state or local tax laws or tax laws other than French tax laws or US federal income tax laws and of any changes or proposed changes in applicable law.

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Documents on Display

Documents referred to in this document can be inspected at our offices at 42, avenue de Friedland, Paris Cedex 75380, France.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than six months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The public may also view documents we have filed with the SEC on the internet at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions in Section 16 of the Exchange Act.

Statement on Corporate Governance as Required by Section 303A.11 of the New York Stock Exchange s Listed Company Manual

Overview

Vivendi Universal is incorporated under the laws of France and its principal trading market is the Paris Bourse (Euronext). Vivendi Universal s ADSs are listed on the New York Stock Exchange (NYSE) and trade in the form of ADRs, each of which represent one Vivendi Universal ordinary share. Set forth below is a brief summary of the principal ways in which our corporate governance practices differ from the NYSE s corporate governance rules applicable to US domestic companies listed on the NYSE.

Vivendi Universal s corporate governance principles and practices reflect applicable laws and regulations in France as well as those in the US, including applicable provisions of the Sarbanes-Oxley Act (see Item 6 Corporate Governance for information regarding our current corporate governance structure, including the composition and responsibilities of our committees). In addition to complying with all applicable laws and regulations concerning corporate governance, Vivendi Universal s financial communications also take into account various best practices that have developed in recent years in the French, European and US markets.

Many of the corporate governance rules in the NYSE Listed Company Manual (the Listed Company Manual) do not apply to Vivendi Universal as a foreign private issuer . However, Rule 303A.11 of the Listed Company Manual requires foreign private issuers to describe significant differences between their corporate governance standards and the corporate governance standards applicable to US companies listed on the NYSE. While our management believes that our corporate governance practices are similar in many respects to those of US NYSE-listed companies and provide investors with protections that are comparable in many respects to those established by the Listed Company Manual, there are certain key differences which are described below.

Composition of Board of Directors; Independence

The Listed Company Manual provides that the board of directors of a US listed company must consist of a majority of independent directors. A director qualifies as independent only if the board affirmatively determines that the director has no material relationship with the company, either directly or indirectly. In addition, the Listed Company Manual enumerates a number of relationships that preclude independence.

As described in Item 6 of this annual report, Vivendi Universal has a supervisory board and a management board rather than a single board of directors. Two members of Vivendi Universal s supervisory board are not independent as defined under Section 303A.02 of the Listed Company Manual. The Chairman of the supervisory board served as Vivendi Universal s Chief Executive Officer until April 28, 2005

and both the Chairman and Mr. Bébéar, a member of our supervisory board, serve as members of the supervisory board of AXA (see Item 6 The Supervisory Board for further information).

Board Committees

The Listed Company Manual requires that a US listed company have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have published charter that addresses certain matters specified in the Listed Company Manual. Vivendi Universal s supervisory board has created four committees: Audit Committee, Human Resources Committee, Strategy Committee and Corporate Governance Committee. The Audit and Human Resources committees are comprised solely of independent members. Vivendi Universal s Corporate Governance Committee does not meet the independence standard of the Listed Company Manual, as the chairman of that committee is not independent as defined under the applicable Listed Company Manual standard. The charters of Vivendi Universal s supervisory board committees are not available on its corporate website, although such charters can be obtained directly from Vivendi Universal upon request.

Under French law, the committees of the supervisory board are advisory in nature and have no independent or delegated decision-making authority. This is different from a US company listed on the NYSE where, for example, the Listed Company Manual requires that certain Board committees be vested with decision-making powers on certain matters (e.g., nominating or audit committees). Under French law, ultimate decision-making authority rests with the supervisory board, and board committees are charged with examining matters within the scope of their charter and making recommendations on these matters to the supervisory board. French law does not require the members of board committees to be independent.

Audit Committee

With regard to the Listed Company Manual s rules relating to audit committees, Vivendi Universal s Audit Committee does not prepare a report included in Vivendi Universal s annual report, as required under Section 303A.07(c) of the Listed Company Manual. However, Vivendi Universal s Audit Committee effects frequent periodic reporting to Vivendi Universal s supervisory board, as well as through communications by Vivendi Universal with the public. While the Listed Company Manual sets forth a detailed standard for oversight by the Audit Committee of a NYSE-listed company of its external auditor s independence, we believe that Vivendi Universal s standard surpasses that of the NYSE in that French law requires that Vivendi Universal shareholders appoint our external auditors at the annual shareholders meeting, upon recommendation of the supervisory board. The external auditors are appointed for six financial years and cannot be dismissed without cause by the shareholders or the supervisory or management boards before the end of their mandate.

Corporate Governance Guidelines

The Listed Company Manual requires US listed companies to adopt, and post on their websites, a set of corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. In addition, the chief executive officer of a US listed company must certify to the NYSE annually that he or she is not aware of any violations by the company of the NYSE s corporate governance listing standards. The certification must be disclosed in the company s annual report to shareholders.

French law requires neither the adoption of such guidelines nor the publication of such certifications. French corporate governance guidelines recommend, however, the boards of directors/supervisory boards of French companies perform an annual self-evaluation and that a formal evaluation be undertaken every three years. Vivendi Universal performed a formal evaluation of its board at the end of 2003.

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Other Differences

Vivendi Universal, as a foreign private issuer, is exempt from rules imposing certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Vivendi Universal s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provision of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Vivendi Universal ordinary shares and ADSs. In addition, Vivendi Universal is not required to file periodic reports and financial statements with the SEC as frequently or promptly as US companies with securities registered under the Exchange Act, nor is it required to comply with Regulation FD, which restricts the selective disclosure of material information. As a result, there may be less publicly-available information for Vivendi Universal than for US listed companies. Finally, as a foreign private issuer, Vivendi Universal s Chief Executive Officer and Chief Financial Officer issue the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act on an annual basis (with the filing of this annual report) rather than on a quarterly basis as would be the case of a US domestic company filing quarterly reports on a Form 10-Q. For more information regarding our corporate governance, you may refer to our *statuts*, filed as an exhibit to this annual report.

Item 11: *Quantitative and Qualitative Disclosures about Market Risk*

Vivendi Universal, as a result of its global operating and financing activities, is exposed to fluctuations in interest rates, foreign currency exchange rates and equity markets. These fluctuations could have a negative impact on net income and financial position. In seeking to minimize the risks and costs associated with such activities, Vivendi Universal follows a centrally administered risk management policy approved by its management board. As part of this policy, Vivendi Universal uses various derivative financial instruments to manage interest rate, foreign currency exchange rate and equity market risks and their impact on earnings and cash flows. Vivendi Universal generally does not use derivative financial instruments for trading or speculative purposes. See Item 18 Financial Statements Note 28.7 for tables summarizing information about Vivendi Universal s interest rate risk management instruments, foreign currency risk management instruments, equity-linked specialized indexed swaps and call option agreements.

Interest Rate Risk Management

Interest rate risk management instruments are used by Vivendi Universal to manage net exposure to interest rate changes, to adjust the proportion of total debt that is subject to floating and fixed interest rates and to lower overall borrowing costs. However, the use of these instruments will decrease in line with the substantial reduction in the Vivendi Universal group s financial gross debt. The average gross debt (calculated on a daily basis) in 2004 was 10.3 billion, with 8.7 billion at fixed rates and 1.6 billion at floating rates. The average rate was 3.87%. After interest rate management, the cost of average gross debt was 4.75% with a fixed rate ratio of 84%. Before interest rate management and assuming a constant financial structure, a 1% increase in interest rates in 2004 would have generated a supplementary expense of 51 million.

As of December 31, 2002, following implementation of the refinancing plan in the second half of 2002, the portion of the interest rate swap portfolio not yet settled was no longer backed by underlying interests and represented an unrealized loss of 241 million, which was recorded in reserves. As of December 31, 2004, given changes in interest rates and the settlement of part of the portfolio, the provision stands at 162 million (including accrued interest of 28 million).

Interest rate risk management instruments used by Vivendi Universal include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate debt obligations to LIBOR and EURIBOR. Pay-fixed swaps convert floating rate debt obligations to fixed rate instruments and are considered to be a financial hedge against changes in future cash flows required for interest payments on floating rate debt. Vivendi Universal has also used interest rate collars in order to protect itself against the increase in interest rates above a ceiling rate in exchange for the relinquishment of the decrease of these rates below a floor rate.

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Foreign Currency Risk Management

Foreign currency risk management instruments are used by Vivendi Universal to reduce earnings and cash flow volatility associated with changes in foreign currency exchange rates. To protect the value of forecasted foreign currency cash flows, including royalties, licenses, distribution rights and the value of existing foreign currency assets and liabilities, Vivendi Universal enters into various instruments, including forward contracts and currency swaps, that hedge a portion of its anticipated foreign currency exposures for periods not to exceed two years. As of December 31, 2004, Vivendi Universal had effectively hedged (from a financial perspective only and not from an accounting perspective) approximately 92% of its estimated foreign currency exposures, related to anticipated cash flows to be remitted over 2005 and debt-related exposure. The principal currencies hedged were primarily the US dollar, Japanese yen, pound sterling and Canadian dollar. In 2004, commitments were entirely hedged, as well as budgeted cash flows, which were also hedged approximately 80%. With respect to the residual 64 million that was not hedged, an unfavorable movement of 10% in the euro exchange rate could have generated a supplementary expense of 6 million.

Furthermore, the impact of a hypothetical change in the euro/US dollar exchange rate compared with 2004 average rate used (1 = $1.235) on Vivendi Universal s operating indicators would be as follows:

a 5% change:

- a positive change (appreciation of the US dollar) would lead to an increase of about 1.9% in revenue, 0.7% in operating income and 1.6% in net cash provided by operating activities;

- a negative change (depreciation of the US dollar) would lead to a decrease of about 1.7% in revenue, 0.7% in operating income and 1.5% in net cash provided by operating activities.

a 10% change:

- a positive change (appreciation of the US dollar) would lead to an increase of about 4.0% in revenue, 1.6% in operating income and 3.4% in net cash provided by operating activities;

- a negative change (depreciation of the US dollar) would lead to a decrease of about 3.3% in revenue, 1.3% in operating income and 2.8% in net cash provided by operating activities.

Equity Market Risk Management

Vivendi Universal s exposure to equity markets risk relates to its investments in the marketable securities of unconsolidated entities and in debt securities. Before equity market risk management, a decrease of 10% in the fair value of its portfolio investments would have generated a decrease of 118 million in the value of these assets.

Fair Value of Financial Instruments

As of December 31, 2004, 2003, and 2002, Vivendi Universal s financial instruments included cash and cash equivalents, marketable securities, accounts receivable, investments, accounts payable, gross debt and interest rate, foreign currency and equity market risk management contracts. The carrying value of cash and cash equivalents, marketable securities, accounts receivable, accounts payable, bank overdrafts and other short-term borrowings approximated fair value because of the short-term nature of these instruments. The estimated fair value of other financial instruments, as set forth below, has generally been determined by reference to market prices resulting from trading on a national securities exchange or in an over-the-counter market. In cases where listed market prices are not available, fair value is based on estimates using present value or other valuation techniques.

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	December 31,					
	2004		2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In millions of euros)					
Financial assets						
Other investments	2,449	3,013	3,549	3,909	4,138	4,138(a)
Interest rate collars				1		
Currency swaps	17	17	20	20	44	44
Forward exchange contracts					106	106
Financial liabilities						
Long-term debt	4,549	4,760	9,621	10,294	10,455	10,622
Interest rate swaps (including accrued interest)(b)	162	163	228	257	241	257
Forward exchange contracts			4	4		
Put options on treasury shares(b)					104	104

(a) In 2002, due to provisions recognized, the net carrying value of investments corresponds to their fair value.

(b) In addition to accrued interest, provisions were recorded on these elements in respect of potential losses as of December 31, 2002 and 2003.

Credit Concentrations and Counter-Party Risk

Vivendi Universal minimizes its credit concentration and counter-party risk by entering into contracts only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although Vivendi Universal s credit risk is the replacement cost at the then-estimated fair value of the instrument, management believes that the risk of incurring losses is remote and those losses, if any, would not be material. The market risk related to the foreign exchange agreements should be offset by changes in the valuation of the underlying items being hedged. Vivendi Universal s receivables and investments do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which its products are sold, its reporting units presence in many geographic areas and the diversification of its portfolio among instruments and issuers.

Liquidity risk

Given the current level of debt, associated with the decrease in the financing expense following the improvement in the debt rating (back to Investment Grade for the three rating agencies) and the redemption of the High Yield Notes, the financial flexibility of the Vivendi Universal group is, in Vivendi Universal management s opinion, fully restored.

Item 12: ***Description of Securities Other than Equity Securities***

Not applicable.

PART II

Item 13: ***Default, Dividend Arrearages and Delinquencies***

None.

Item 14: ***Material Modifications to the Rights of Security Holders***

At the Annual Meeting, our shareholders approved the elimination of the provision of our *statuts* adjusting the voting rights of shareholders owning in excess of 2% of the company s total voting power.

Item 15: ***Controls and Procedures***

As of December 31, 2004, Vivendi Universal management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. These are designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, summarized and reported within specific time periods. Based on this evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2004 to a reasonable assurance level (within the meaning of the US federal securities laws).

No significant changes were made in our internal controls over financial reporting during the period covered by this report that materially affected, or are reasonably likely to affect materially, our internal control over financial reporting.

Item 16A: ***Audit Committee Financial Expert***

Vivendi Universal s supervisory board has determined that Mr. Henri Lachmann is the audit committee financial expert. Mr. Lachmann satisfies the requirements of the definition of financial expert as set forth in the instructions to Item 16A of Form 20-F.

Item 16B: ***Code of Ethics***

At its March 16, 2004 meeting, Vivendi Universal s board of directors adopted a code of financial ethics, acting upon a proposal by the Audit Committee and in accordance with the Sarbanes-Oxley Act. This code applies to Vivendi Universal s Chief Executive Officer, Chief Financial Officer and other senior financial officers. This code does not replace Vivendi Universal s compliance program, or any of the codes of ethics applicable to any of its subsidiaries. A copy of Vivendi Universal s code of financial ethics can be obtained free of charge directly from Vivendi Universal.

In addition, the inventory and documentation of Vivendi Universal s internal control procedures relating to financial reporting has been completed for Vivendi Universal s business units. In particular, Section 404 of the Sarbanes-Oxley Act, to which the Vivendi Universal group will adhere as of 2006, provides that Vivendi Universal s executives shall implement a formal evaluation of internal control and financial reporting procedures. In this regard, in 2003, Vivendi Universal began identifying procedures that have an impact on the preparation of financial reports and other financial information, as well as the key risks and controls relating thereto. Our goal is to pursue in 2005 the phase of testing initiated in 2004, to effect any necessary adjustment and to finalize the evaluation of these controls during 2006.

Item 16C: ***Principal Accountant Fees and Services***

Barbier Frinault & Cie, a member firm of Ernst & Young International (Barbier), and RSM Salustro Reydel (RSM) have served as Vivendi Universal s principal independent public accountants for the fiscal years in the three-year period ended December 31, 2004 with respect to our Consolidated Financial Statements.

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The following table presents the aggregate fees for services paid to Barbier and RSM for the fiscal years 2003 and 2004:

	RSM		Barbier	
	Amount		Amount	
	2004	2003	2004	2003
	(In millions of euros)			
Audit fees	5.7	7.8	10.9	10.4
Audit-related fees	2.0	1.9	2.6	12.7
Tax fees				
All Other fees				
Total	7.7	9.7	13.5	23.1

Audit fees consist of fees billed by any of RSM and Barbier (collectively, the Auditors) for the audit of the consolidated financial statements of Vivendi Universal and its subsidiaries, audits of subsidiary financial statements (including statutory audits required by local law), review of interim financial statements and other procedures required to be performed by the Auditor in connection with these reviews and/or the issuance of its audit process. Audit fees also include fees for services performed by the Auditors that are closely related to the audit and in many cases could only be provided by our Auditors. Such services include comfort letters and consents provided in connection with capital raising activities, certain reports, attestations, or similar documents relating to regulatory filings by Vivendi Universal and its subsidiaries.

Audit-related fees consist of fees billed by the Auditors for services that are related to the performance of the audit or review of the consolidated financial statements of Vivendi Universal and its subsidiaries. Audit-related services include due diligence services in connection with potential business acquisitions or divestitures, audits of employee benefit plans, specific agreed-upon procedures required from time to time in order to respond to requests or questions from regulatory authorities or to comply with financial reporting or other regulatory requirements and other audit services.

Vivendi Universal s Auditors did not provide, for the year ended December 31, 2004 and 2003, any services that would be classified under the caption Tax fees or All other fees.

In addition, PwC Audit (PwC), appointed at the shareholders meeting of April 29, 2003, served as Vivendi Universal s statutory auditor for certain of its subsidiaries for the fiscal year ended December 31, 2003. As a result of Vivendi Universal s divestitures, specifically, the NBC-Universal transaction, and the subsequent reduction of Vivendi Universal s consolidation scope, PwC resigned as statutory auditor on June 8, 2004.

Audit Committee Pre-approval of Policies and Procedures

The Audit Committee is responsible, to the extent permitted by French law, for establishing and following the procedures relating to the appointment, compensation, retention and oversight of Vivendi Universal s independent auditors. The Audit Committee provides a recommendation to Vivendi Universal s supervisory board regarding the appointment and terms of compensation of the Auditors. The Audit Committee also examines auditor independence principles and rules relating to services provided by the Auditors and the scope of the audit. In addition, the Audit Committee pre-approves all permitted audit and non-audit services performed by the Auditors, in order to assure that these services do not impair the Auditor s independence or judgment.

The Audit Committee pre-approves all permitted audit and non-audit services performed by the Auditors, in order to assure that these services do not impair the Auditors independence or judgment. The policy provides for general

annual pre-approval of certain specified permitted services up to 500,000 for each engagement and requires specific pre-approval for engagements exceeding that amount and for all other permitted services. Each year, the Audit Committee, which has been given the authority by Vivendi Universal s supervisory board to decide upon such matters, will be called upon to render a favorable opinion on

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all permitted audit and non-audit services with an estimated cost of up to 500,000 for each engagement to be entered into for the next 12 months.

Item 16D: ***Exemptions from the Listing Standards for Audit Committees***

Not applicable.

Item 16E: ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

In 2004, purchases of shares were exclusively allocated to stock option plans.

Period	Total Number of Shares Purchased	Average Price Paid per Share ( )	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 2004	(1)	(1)		6,350,000
February 2004	(1)	(1)		6,350,000
March 2004	(1)	(1)		6,350,000
April 2004	(1)	(1)		6,350,000
May 2004	1,001,500(3)	20.13(5)	1,001,500(2)	5,348,500
June 2004	2,514,325(4)	23.13(5)	2,514,325(2)	2,834,175
July 2004	1,247,000(6)	22.58	1,247,000(2)	1,587,175
August 2004				1,587,175
September 2004				1,587,175
October 2004				1,587,175
November 2004				
December 2004				

(1) The shares purchase program has been implemented on May 5, 2004.

(2) The Combined Shareholders Meeting held on April 29, 2003 authorized the board of directors of Vivendi Universal to buy and sell the company s own shares on the market for a period of 18 months in compliance with the objectives and procedures of the stock purchase program approved on May 3, 2004 by the *Commission des Opérations de Bourse* (COB) under visa no. 04-355. The number of shares held or acquired may not exceed 5% of the company authorized share capital. Under this authorization, 4,762,825 shares have been repurchased from May 5, 2004 to October 27, 2004. However, the board of directors has decided to limit the number of shares to be purchased to 6,350,000.

(3) Including 1,000,000 shares purchased on the Euronext market and 1,500 by exercise of call options.

(4) Including 550,000 shares purchased on the Euronext market and 1,964,325 by exercise of call options.

(5) Average price paid for shares purchased on the Euronext market. The average price of shares purchased by exercise of call options granted to the Canal+ Group employees was 19.58.

(6) Purchased on the Euronext market.

Share buyback program for 2005

In connection with the implementation of the share buyback program registered with the AMF on January 21, 2005 under number 05-032, Vivendi Universal entered into a liquidity contract with Rothschild & Cie Banque. This liquidity contract complies with the requirements of French law and the Business Ethics Charter of the AFEI (French Association of Investment Firms) and authorizes Rothschild & Cie Banque to purchase Ordinary Shares for an amount up to 76 million on the Paris Bourse from January 24, 2005 for a period of one year with automatic renewal.

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PART III

Item 17: ***Financial Statements***

Not applicable.

Item 18: ***Financial Statements***

See our Consolidated Financial Statements beginning at page F-1.

Item 19: ***Exhibits***

Exhibit Number	Description
1.1	Amended and Restated By-Laws and Articles of Association (*statuts*) of Vivendi Universal (English translation).
2.1*	Deposit Agreement, dated as of April 19, 1995, as amended and restated as of September 11, 2000, and as further amended and restated as of December 8, 2000, by and among Vivendi Universal, S.A., The Bank of New York, as Depositary, and all the Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder (incorporated by reference to Vivendi Universal s Registration Statement on Form 8-A, filed on December 29, 2000, File No. 001-16301).
2.2	Vivendi Universal agrees to furnish to the Commission on request a copy of any instrument defining the rights of holders of long-term debt of Vivendi Universal and any subsidiary for which consolidated or unconsolidated financial statements are required to be filed.
4.1*	Merger Agreement, dated as of June 19, 2000, by and among Vivendi S.A., Canal Plus S.A., Sofiée S.A., 3744531 Canada Inc. and The Seagram Company Ltd. (incorporated by reference to Vivendi Universal s Registration Statement on Form F-4, filed on October 30, 2000, File No. 333-48966).
4.2*	Shareholder Governance Agreement, dated as of June 19, 2000, by and among Vivendi S.A., Sofiée S.A. and certain shareholders of the Seagram Company Ltd. (incorporated by reference to Vivendi Universal s Registration Statement on Form F-4, filed on October 30, 2000, File No. 333-48966).
4.3*	Business Combination Agreement, dated as of October 8, 2003, by and among General Electric Company, National Broadcasting Company Holding, Inc., National Broadcasting Company, Inc., Universal Studios Holding III Corp. and Vivendi Universal, S.A. (incorporated by reference to Vivendi Universal s Report of Foreign Private Issuer on Form 6-K, filed on November 4, 2003, File No. 001-16301).
4.4*	IACI Matters Agreement, dated as of October 8, 2003, by and among General Electric Company, National Broadcasting Company Holding, Inc., National Broadcasting Company, Inc., Universal Studios Holding III Corp. and Vivendi Universal, S.A. (incorporated by reference to Vivendi Universal s Report of Foreign Private Issuer on Form 6-K, filed on November 4, 2003, File No. 001-16301).
8.1	List of subsidiaries of Vivendi Universal S.A.
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934.
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities and Exchange Act of 1934.
13.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
14.1	Consent of RSM Salustro Reydel and Barbier Frinault & Cie.

15.1 IFRS 2004 Transition.

* Incorporated herein by reference as indicated.

VIVENDI UNIVERSAL
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Shareholders of Vivendi Universal:

We have audited the consolidated balance sheets of Vivendi Universal and subsidiaries (together « the Company ») as of December 31, 2004, 2003 and 2002, and the related consolidated statements of income, change in shareholders equity and cash flows for each of the three years in the period ended December 31, 2004, expressed in Euros. We have also audited the information presented in Note 32 which includes the effect of the differences between accounting principles generally accepted in France and accounting principles generally accepted in the United States of America (« U.S. ») on the Company s consolidated net income or loss and on shareholders equity as of and for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, (i) the financial position of the Company, and the results of its operations and its cash flows as of and for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in France and (ii) the information with respect to U.S. generally accepted accounting principles as of and for each of the three years in the period ended December 31, 2004 set forth in Note 32.

Accounting principles generally accepted in France vary in certain significant respects from accounting principles generally accepted in the U.S. The Company has disclosed the effect of the application of accounting principles generally accepted in the U.S. on results of operations for each of the years in the three-year period ended December 31, 2004 and stockholders equity as of December 31, 2004, 2003 and 2002, in Note 32 to the consolidated financial statements.

/s/ RSM Salustro Reydel

RSM Salustro Reydel

/s/ Barbier Frinault & Cie.

Barbier Frinault & Cie.
A member firm of Ernst & Young International

Paris and Courbevoie, France
March 10, 2005
(Except with respect to matters discussed in Note 32 as to which date is June 29, 2005)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2004	2003	2002
		(In millions of euros)		
ASSETS				
Goodwill, net	4.1	15,555	17,789	20,062
Other intangible assets, net	5	7,640	11,778	14,706
Property, plant and equipment, net	6	5,063	6,365	7,686
Investments in equity affiliates	7.1	880	1,083	1,903
Investment in NBC Universal	3.1	*696*		
Other investments in equity affiliates		*184*	*1,083*	*1,903*
Other investments	8	2,449	3,549	4,138
Total long-term assets	26.1	31,587	40,564	48,495
Inventories and work-in-progress		443	744	1,310
Accounts receivable and other	9	6,545	8,809	9,892
Deferred tax assets	24.4	1,219	1,546	1,613
Short-term loans receivable		73	140	640
Marketable securities	10	263	259	88
Cash and cash equivalents	17	3,158	2,858	7,295
Total current assets		11,701	14,356	20,838
Total Assets	26.2	43,288	54,920	69,333
SHAREHOLDERS EQUITY AND LIABILITIES				
Share capital		5,899	5,893	5,877
Additional paid-in capital		6,109	6,030	27,687
Retained earnings and others		1,613		(19,544)
Total shareholders equity	11	13,621	11,923	14,020
Minority interests	12	2,959	4,929	5,497
Other equity	13	1,000	1,000	1,000
Deferred income		100	560	579
Provisions	14	2,236	2,294	3,581
Long-term debt	17	4,549	9,621	10,455
Other non-current liabilities and accrued expenses	18	3,826	2,407	3,894
		28,291	32,734	39,026
Accounts payable	19	10,046	12,261	13,273
Deferred taxes liabilities	24.4	3,207	5,123	7,857
Bank overdrafts and other short-term borrowings	17	1,744	4,802	9,177
Total current liabilities		14,997	22,186	30,307

Total Shareholders Equity and Liabilities	43,288	54,920	69,333

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

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CONSOLIDATED STATEMENT OF INCOME

	Note	2004(a)	2003	2002
		Year Ended December 31,		
		(In millions of euros, except per share amounts)		
Revenues	20.1	21,428	25,482	58,150
Cost of revenues	20.1	(11,633)	(15,268)	(40,574)
Selling, general and administrative expenses		(6,201)	(6,812)	(12,937)
Other operating expenses, net		(118)	(93)	(851)
Operating income	26.2	3,476	3,309	3,788
Financing expense		(455)	(698)	(1,333)
Other financial expenses, net of provisions	22	(247)	(509)	(3,409)
Financing and other expenses, net		(702)	(1,207)	(4,742)
Income (loss) before gain (loss) on businesses sold, net of provisions, income tax, equity affiliates, goodwill amortization and minority interests		2,774	2,102	(954)
Gain (loss) on businesses sold, net of provisions	23	(140)	602	1,049
Income tax	24	(400)	408	(2,556)
Income (loss) before equity affiliates, goodwill amortization and minority interests		2,234	3,112	(2,461)
Equity in earnings of sold subsidiaries	2		1	17
Income (loss) from equity affiliates	7.1	219	71	(294)
Veolia Environnement impairment	7.1		(203)	
Goodwill amortization	4.1	(638)	(1,120)	(1,277)
Impairment losses	4.4	(31)	(1,792)	(18,442)
Income (loss) before minority interests		1,784	69	(22,457)
Minority interests	12	(1,030)	(1,212)	(844)
Net income (loss)		754	(1,143)	(23,301)
Basic earnings per share		0.70	(1.07)	(21.43)
Diluted earnings per share		0.63	(1.07)	(21.43)
Weighted average common shares outstanding (in millions)(b)		1,072.1	1,071.7	1,087.4
Potential dilutive effect of outstanding financial instruments (in millions)	11.4	127.0	137.9	146.3

(a) Given the deconsolidation of Vivendi Universal Entertainment LLLP (VUE) as of May 11, 2004, the 2004 Consolidated Statement of Income includes 132 days of business for this entity (please refer to note 3.1. NBC-Universal transaction completed on May 11, 2004).

(b) Excluding treasury shares recorded as a reduction in shareholders equity (2,441 shares as of December 31, 2004).

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2004	2003	2002
		Year ended December 31,		
		(In millions of euros)		
Cash flow operating activities:				
Net income (loss)		754	(1,143)	(23,301)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	25.1	2,587	4,759	24,040
Veolia Environnement impairment			203	
Financial provisions and provisions related to businesses sold (a)		(205)	(1,007)	2,895
Gain on sale of property, plant and equipment and financial assets		281	47	(1,748)
Income (loss) from equity affiliates and businesses sold		(219)	(72)	277
Deferred taxes	24	(530)	(842)	1,608
Minority interests	12	1,030	1,212	844
Dividends received from equity affiliates	25.3	410	59	179
Changes in working capital	25.2	690	670	(124)
Net cash provided by operating activities		4,798	3,886	4,670
Cash flow investing activities:				
Capital expenditures	26.2	(1,540)	(1,552)	(4,134)
Proceeds from sales of property, plant, equipment and intangible assets		239	477	158
Purchases of investments		(407)	(4,422)	(4,792)
Sales of investments		4,705	1,408	10,325(b)
Net decrease (increase) in financial receivables		13	140	(1,365)(b)
Sales (purchases) of marketable securities		(24)	49	213
Net cash provided by (used for) investing activities		2,986	(3,900)	405
Cash flow financing activities:				
Proceeds from issuance of borrowings and other long-term liabilities		1,057	5,657	2,748
Principal payment on borrowings and other long-term liabilities		(3,448)	(1,947)	(1,854)
Net increase (decrease) in short-term borrowings and other		(3,294)	(7,259)	(5,991)
Notes mandatorily redeemable for new shares of Vivendi Universal				767
Net proceeds from issuance of common shares		18	71	1,622
Sales (purchases) of treasury shares			(98)	1,973
Cash dividends paid by consolidated companies to their minority shareholders	25.3	(1,850)	(737)	(252)
Cash dividends paid by Vivendi Universal S.A.	25.3			(1,048)
Cash payment to InterActiveCorp.				(1,757)

Net cash provided by (used for) financing activities		(7,517)	(4,313)	(3,792)
Foreign currency translation adjustment		33	(110)	1,287
Change in cash and cash equivalents		300	(4,437)	2,570
Cash and cash equivalents:				
Beginning		2,858	7,295	4,725
Ending		3,158	2,858	7,295
Supplementary information				
Net interests paid (all cash interests paid related to financing activities)		430	621	1,145
Income tax paid	24.2	580	1,242	1,252

(a) Comprises financial provisions reported in other financial expenses, net of provisions (52 million as of December 31, 2004; please refer to note 22 Other financial expenses, net of provisions, for the years ended December 31, 2004, 2003 and 2002) and provisions reported in Gain (loss) on businesses sold, net of provisions (153 million as of December 31, 2004; please refer to note 23 Gain (loss) on businesses sold, net of provisions, for the years ended December 31, 2004, 2003 and 2002).

(b) In 2002, included the reclassification of a 662 million refund, previously recorded as Sales of investments .

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

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Note	Common shares Number	Common shares Amount	Additional Paid-in Capital	Retained Earnings and Others: Retained Earnings	Retained Earnings and Others: Foreign Currency Translation Adjustment	Retained Earnings and Others: Treasury Shares(a)	Retained Earnings and Others: Total	Shareholders Equity
		(Thousands)	(In millions of euros)						
Balance at December 31, 2001		1,085,828	5,972	28,837	6,047	997	(5,105)	1,939	36,748
Net loss for the year 2002					(23,301)			(23,301)	(23,301)
Foreign currency translation adjustment						(3,615)		(3,615)	(3,615)
Dividends paid, 1 per share				(890)	(421)			(421)	(1,311)
Goodwill from business combination reversed					1,001			1,001	1,001
Conversion of ex-Seagram exchangeables		11,463	63	848	(887)			(887)	24
Conversion of ex-Seagram stock options		1,239	7	92					99
Conversion of bonds, warrants, stock options and issuances under the employee stock purchase plan		1,396	8	48					56
Treasury shares and recombined stripped shares cancellation		(31,367)	(173)	(1,248)					(1,421)
Treasury shares and stripped shares allocation					807		5,100	5,907	5,907
Release of revaluation surplus and other					(167)			(167)	(167)
		1,068,559	5,877	27,687	(16,921)	(2,618)	(5)	(19,544)	14,020

Balance at December 31, 2002									
Net loss for the year 2003					(1,143)			(1,143)	(1,143)
Foreign currency translation adjustment						(1,132)		(1,132)	(1,132)
Appropriation of 2002 net income				(21,789)	21,789			21,789	
Conversion of ex-Seagram exchangeables		2,052	11	152	(163)			(163)	
Conversion of bonds, warrants, stock options and issuances under the employee stock purchase plan		3,361	19	18					37
Stripped shares	11.2	(2,453)	(14)	(38)	52			52	
Treasury shares allocation							5	5	5
Release of revaluation surplus and other					136			136	136
Balance at December 31, 2003		1,071,519	5,893	6,030	3,750	(3,750)			11,923
Net income for the year 2004					754			754	754(b)
Reversal of foreign currency translation adjustment related to 80% of the interests in VUE	3.1					2,105		2,105	2,105(b)
Foreign currency translation adjustment						(1,115)		(1,115)	(1,115)
Impact of the implementation of CRC Rule 04-03	1.1				(58)			(58)	(58)
Impact of the implementation of Notice 2004-E issued by the Urgent Issues Taskforce	1.2				(29)			(29)	(29)

Conversion of ex-Seagram exchangeables		1,148	6	85	(91)		(91)	
Conversion of bonds, warrants, stock options and issuances under the employee stock purchase plan		1,115	6	12				18
Stripped shares	11.2	(1,158)	(6)	(18)	24		24	
Release of revaluation surplus and other					23		23	23
Balance at December 31, 2004		1,072,624	5,899	6,109	4,373	(2,760)	1,613	13,621

(a) Excluding stripped shares.

(b) In accordance with accounting principles, upon the divestiture of 80% of its interest in VUE, Vivendi Universal reclassified to net income, in proportion to the divested economic interest, the cumulative foreign translation adjustment related to VUE recorded as a reduction in shareholders equity. This reclassification resulted in a loss of 2,105 million, but had no impact on shareholders equity.

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

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Note 1. Summary of Significant Accounting Policies and Practices

Basis of Presentation

Vivendi Universal prepares its Consolidated Financial Statements in accordance with generally accepted accounting principles in France (GAAP), including Rule 99.02 of the French Accounting Standards Board. Certain reclassifications have been made to the 2002 and 2003 consolidated financial statements to conform to the 2004 presentation.

1.1. New Accounting Policy: CRC Rule 04-03 Issued on May 4, 2004 Concerning the Consolidation of Special Purpose Entities

The Financial Security Act (*Loi de Sécurité Financière*) enacted on August 1, 2003, includes an accounting provision that eliminates the requirement to own an interest in a special purpose entity (Please refer to Note 1.6. Principles of consolidation) for its consolidation, whenever the entity is deemed to be controlled. This provision, which took effect on January 1, 2004, resulted in an amendment to CRC Rule 99-02 by issuance of CRC Rule 04-03 dated May 4, 2004.

1.1.1. Real Estate Defeasance

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates, as of January 1, 2004, certain Special Purpose Entities used for the defeasance of real estate assets. This consolidation as of January 1, 2004 resulted in (i) on the assets side, the recognition of real estate assets, i.e., an increase of 245 million in Property, plant and equipment , and (ii) on the liabilities side, an increase of 333 million in Long-term debt (please refer to note 17 Financial Net Debt as of December 31, 2004, 2003 and 2002). The impact on shareholders equity amounted to - 58 million. The impact on net income for the period was - 8 million. This consolidation had no effect on the subtotals in the Consolidated Statement of Cash Flows.

1.1.2. Ymer

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates Ymer, as of January 1, 2004, because it is considered to be a Special Purpose Entity. Despite the fact that Vivendi Universal has no legal control over Ymer, this entity is controlled by Vivendi Universal from an accounting standpoint since Vivendi Universal carries the economic exposure related to Ymer s assets. Nevertheless, Vivendi Universal s ownership interests in Elektrim Telekomunikacja remain unchanged at 49% because it does not have the power to exercise Ymer s voting rights in Elektrim Telekomunikacja. As a result, Vivendi Universal accounts for its stake in Elektrim Telekomunikacja using the equity method. Please refer to note 7.3 Equity accounting of Elektrim Telekomunikacja and note 8.1 Investments accounted for using the cost method . Application of this new rule had no impact on shareholders equity or net income.

1.1.3. Qualified Technological Equipment (QTE) Operations

In accordance with CRC Rule 04-03, Vivendi Universal fully consolidates, as of January 1, 2004, certain entities created pursuant to Qualified Technological Equipment (QTE) operations performed in 1999 and 2001 by SFR. This consolidation as of January 1, 2004 resulted in (i) on the assets side, the recognition of deposits relating to the pre-financing of QTE agreement arrangement commissions; i.e., an 865 million increase in Portfolio investments other , and (ii) on the liabilities side, the recording of advance lease payments in Other non-current liabilities and accrued expenses in the same amount. This change in accounti