2011

Annual Report

vivendi

The Best Emotions, Digitally

2011

vivendi

Annual Report

The Annual Report in English is a translation of the French "*Document de référence*" provided for information purposes. This translation is qualified in its entirety by reference to the "*Document de référence*".

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Revenues by Business Segment

December 31 – in millions of euros

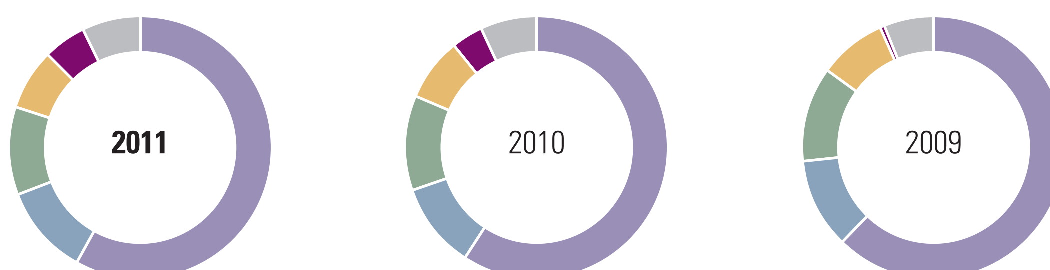
	2011	2010	2009
Activision Blizzard	3,432	3,330	3,038
Universal Music Group	4,197	4,449	4,363
SFR	12,183	12,577	12,425
Maroc Telecom Group (1)	2,739	2,835	2,694
GVT (2)	1,446	1,029	104
Canal+ Group	4,857	4,712	4,553
Non-core operations and others, and elimination of intersegment transactions	(41)	(54)	(45)
Total	**28,813**	**28,878**	**27,132**

1. Includes Sotelma, consolidated since August 1, 2009.

2. GVT has been consolidated since November 13, 2009.

Revenues by Geographical Zone

December 31 – in millions of euros



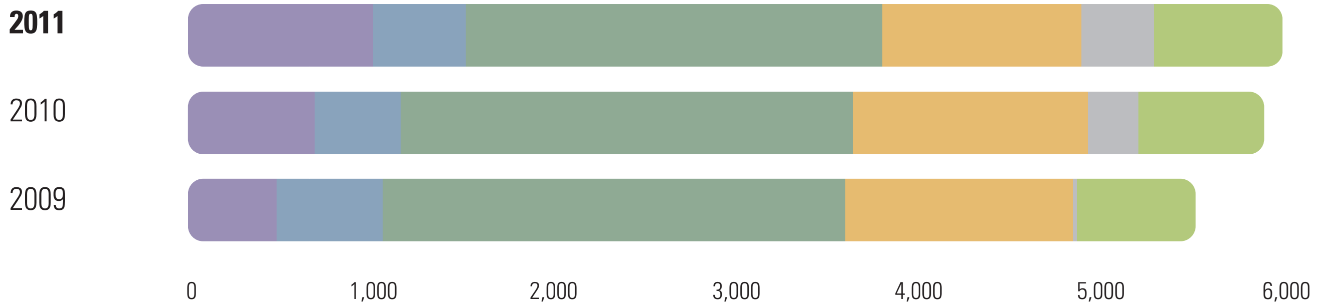
	2011	2010	2009
France	16,800	17,097	16,898
Rest of Europe	3,173	3,061	3,046
USA	3,085	3,375	3,153
Morocco	2,166	2,296	2,248
Brazil (1)	1,527	1,084	147
Rest of the World	2,062	1,965	1,640
Total	**28,813**	**28,878**	**27,132**

1. Mainly includes Revenues of GVT, consolidated since November 13, 2009.

1

EBITA by Business Segment

December 31 – in millions of euros



	2011	2010	2009
Activision Blizzard	1,011	692	484
Universal Music Group	507	471	580
SFR	2,278	2,472	2,530
Maroc Telecom Group (1)	1,089	1,284	1,244
GVT (2)	396	277	20
Canal+ Group	701	690	652
Holding & Corporate	(100)	(127)	(91)
Non-core operations and others	(22)	(33)	(29)
Total	**5,860**	**5,726**	**5,390**

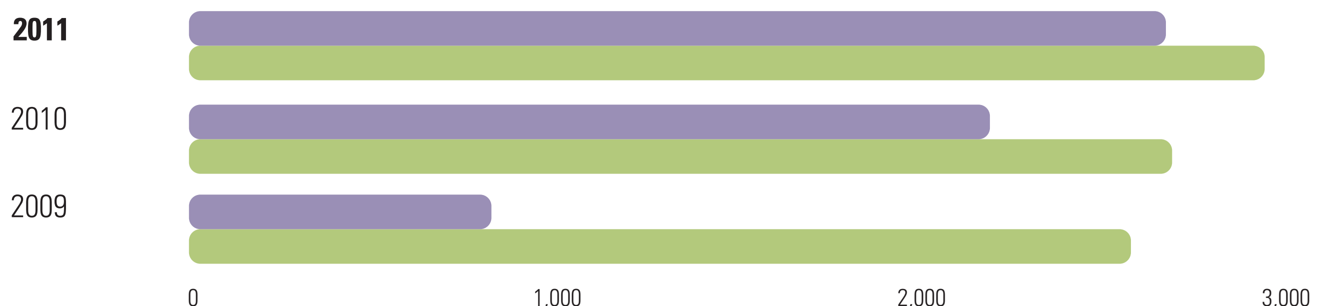
Vivendi considers EBITA, a non-GAAP measure, to be a relevant measure to assess its operating segments performance as reported in the segment data. The method used in calculating EBITA excludes the accounting impact of the amortization of intangible assets acquired through business combinations, impairment losses on goodwill and other intangibles acquired through business combinations, and other financial income and charges related to financial investing transactions and to transactions with shareowners. This enables Vivendi to measure and compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or acquisitions.

1. Includes Sotelma, consolidated since August 1, 2009.

2. GVT has been consolidated since November 13, 2009.

Earnings Attributable to Vivendi SA Shareowners and Adjusted Net Income

December 31 – in millions of euros

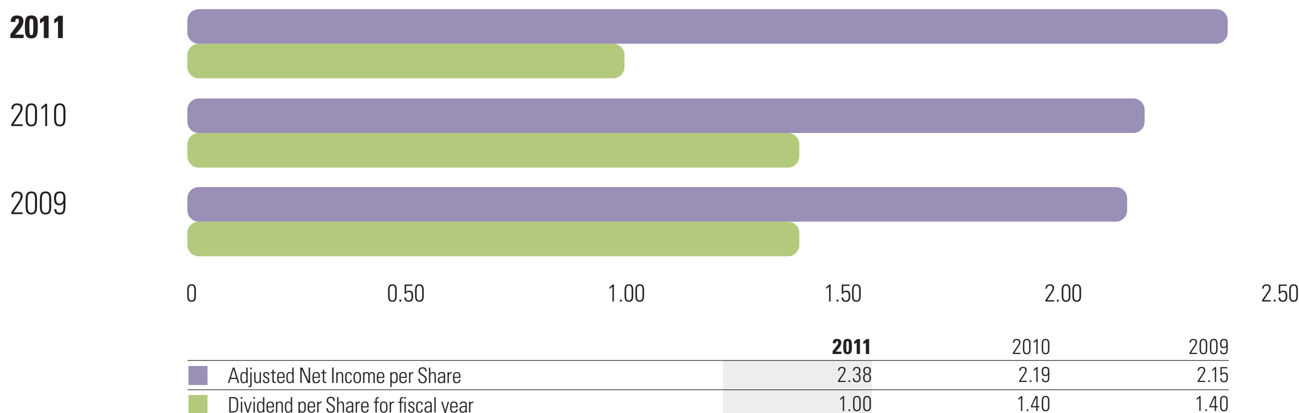


	2011	2010	2009
Earnings attributable to Vivendi SA Shareowners	2,681	2,198	830
Adjusted Net Income	2,952	2,698	2,585

Vivendi considers Adjusted Net Income, a non-GAAP measure, to be a relevant measure to assess the Group's operating and financial performance. Vivendi Management uses Adjusted Net Income because it better illustrates the underlying performance of continuing operations by excluding most non-recurring and non-operating items.

Adjusted Net Income per Share and Dividend per Share

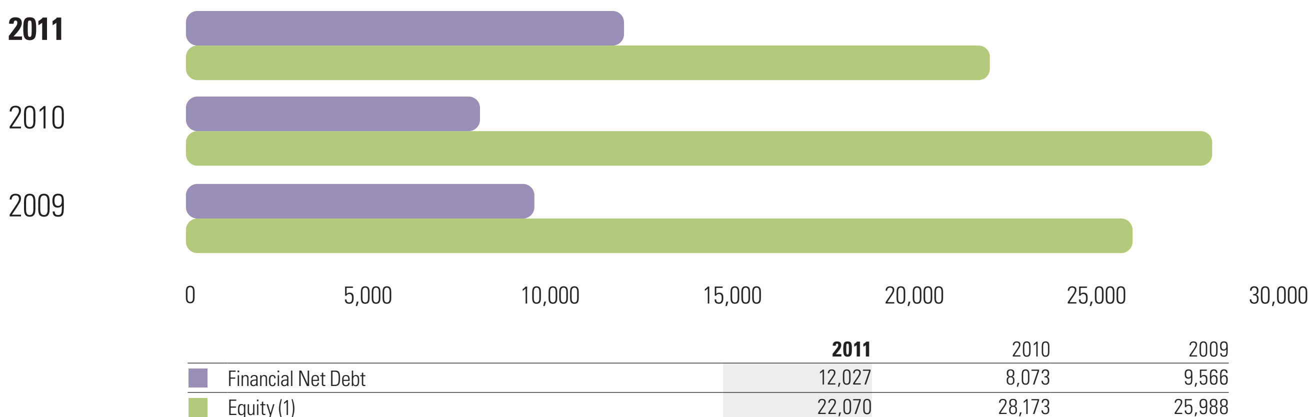
December 31 – in euros



	2011	2010	2009
Adjusted Net Income per Share	2.38	2.19	2.15
Dividend per Share for fiscal year	1.00	1.40	1.40

Financial Net Debt and Equity

December 31 – in millions of euros



	2011	2010	2009
Financial Net Debt	12,027	8,073	9,566
Equity (1)	22,070	28,173	25,988

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

Financial Net Debt should be considered in addition to, and not as a substitute for, other GAAP measures reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP.

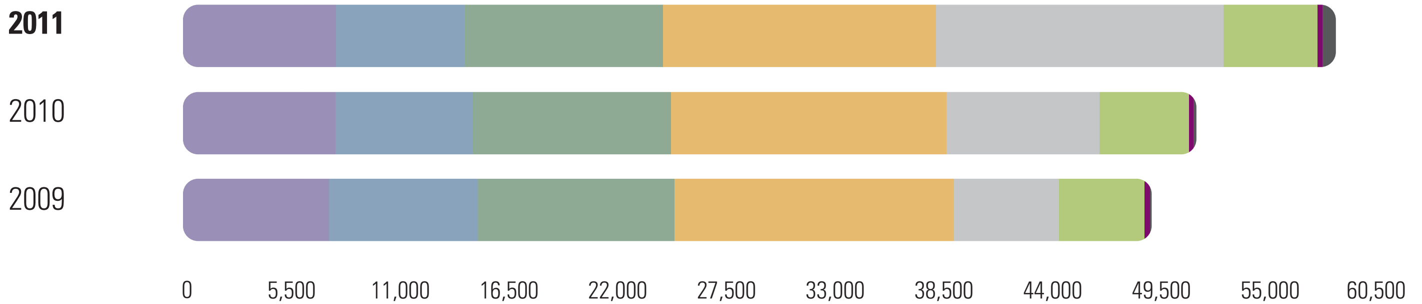
Vivendi Management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain debt covenants of Vivendi.

1. In accordance with IAS 27 revised, the acquisition by Vivendi of a 44% interest in SFR from Vodafone on June 16, 2011, for a total amount of €7,750 million, was accounted for as a purchase of non-controlling interests and accordingly the consideration paid was fully recognized as a deduction from equity in 2011. The difference between the consideration paid and the carrying value of non-controlling interests acquired as of June 16, 2011, i.e., a net amount of €6,049 million, has been recorded as a deduction from equity attributable to Vivendi SA shareowners.

1

Headcount by Business Segment

December 31



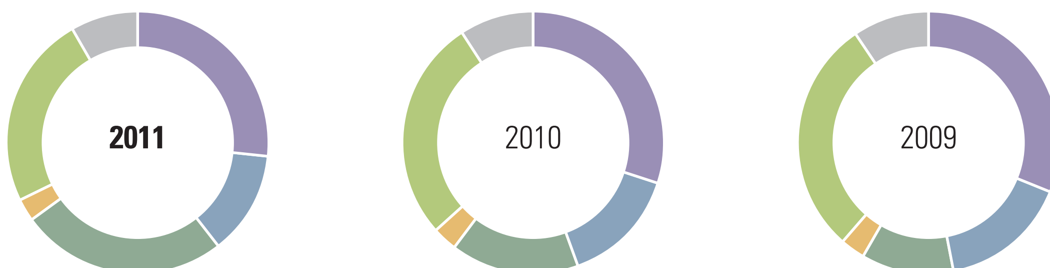
	2011	2010	2009
Activision Blizzard	7,738	7,695	7,382
Universal Music Group	6,500	6,967	7,524
SFR	10,039	10,021	9,945
Maroc Telecom Group (1)	13,806	13,942	14,152
GVT (2)	14,549	7,714	5,289
Canal+ Group	4,752	4,534	4,347
Corporate	251	249	254
Others	683	150	111
Total	**58,318**	**51,272**	**49,004**

1. Includes Sotelma, consolidated since August 1, 2009.

2. GVT has been consolidated since November 13, 2009.

Headcount by Geographical Zone

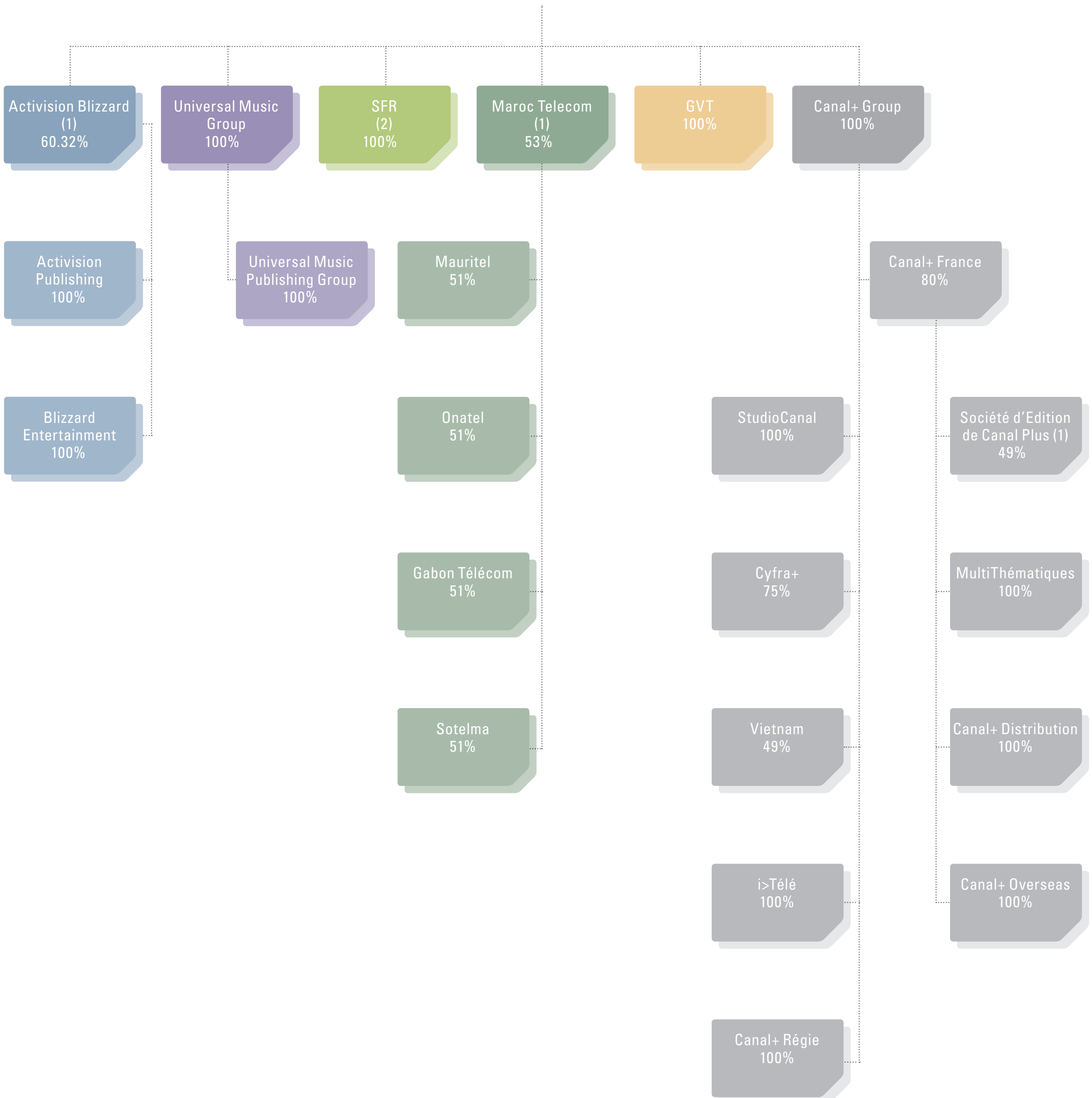
December 31



	2011	2010	2009
France	15,691	15,447	15,360
North America	7,435	7,419	7,649
South and Central America	14,868	8,051	5,654
Asia-Pacific	1,542	1,609	1,455
Africa	14,069	14,127	14,328
Europe (excluding France)	4,713	4,619	4,558
Total	**58,318**	**51,272**	**49,004**

Simplified Economic Organization Chart

Percentage of voting interest held by Vivendi as of December 31, 2011



1. *Listed Company.*
2. *On June 16, 2011, Vivendi acquired Vodafone's 44% interest in SFR and now fully controls SFR. For more information on this transaction, please refer to Chapter 4, Financial Report, Section 1.1.*

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DESCRIPTION OF THE GROUP AND ITS BUSINESSES – LITIGATION – RISK FACTORS

Section 1 Description of the Group

Vivendi creates, publishes and distributes digital products and services. The Group relies on the strength of its inventors and designers, its engineers and its brands to offer to its customers digital content, platforms and distribution networks of the highest quality. It controls the entire value chain, from production to publishing and distribution of content (video games, music and audiovisual works).

A leader in communication and entertainment, Vivendi brings together the world's leader in video games (Activision Blizzard), the world's leader in music (Universal Music Group), France's leader in alternative telecommunications (SFR), Morocco's leader in telecoms (Maroc Telecom Group), Brazil's leader in alternative high-speed Internet operations (GVT), and France's leader in pay-TV (Canal+ Group).

- Activision Blizzard: the world's number one independent publisher of online and console video games.
- Universal Music Group: the world's leader in recorded music, number one in most major countries, and the largest catalog of musical works.
- SFR: the number one mobile and fixed-line alternative telecommunications operator in Europe and France's alternative telecom leader.
- Maroc Telecom Group: the number one mobile and fixed-line telecommunications operator in Morocco, which also has a foothold in Burkina Faso, Gabon, Mauritania and Mali.
- GVT: Brazil's alternative telecom leader, the best performing high-speed operator in Brazil offering fixed-line telephony, Internet, and pay-TV services and products.
- Canal+ Group: France's leading publisher of premium and theme channels, France's leader in the aggregation and distribution of pay-TV offers and Europe's largest producer and distributor of films.

In 2011, Vivendi strengthened several of its business lines. The company became the sole shareholder in SFR by purchasing Vodafone's 44% interest in what constitutes the Group's largest cash flow contributor.

In music, Vivendi entered into an agreement to acquire EMI Recorded Music, whose catalog of artists includes Pink Floyd, the Beatles, Maria Callas and Miles Davis. This transaction was made at the particularly favorable price of approximately €1.4 billion (five times EBITDA after synergies) at a time when digital sales are prevailing and the music market is showing signs of recovery.

In television, Canal+ Group finalized both the projected merger of its TV platform in Poland with TVN's "n" platform and the projected acquisition of the Direct 8 and Direct Star channels in France. Approval is pending from the competent regulatory authorities for both transactions, which will be sources of important synergies and value creation.

In addition, Vivendi owns zaOza (a content-sharing website, through subscription), Digitick (France's leader in electronic ticketing), See Tickets (the number two ticketing business in the UK) and Wengo (the French leader in expert phone counseling).

1.1. Strategy

Vivendi's strategy is to focus on creating value through organic growth that is based on innovation, strengthening its positions in rapid-growth countries as well as intra-Group synergies.

Innovation, a daily commitment

When it comes to innovation, the Group is following a process that involves all its subsidiaries and which includes the supply of information on growth vectors and diversification to the Management Board and Supervisory Board on a regular basis. The goal is to identify and invest in new growth vectors to facilitate the emergence of ambitious development projects beyond the natural scope of each of its business lines:

- all Group managers have been made aware of the challenges facing internal growth and diversification;
- many subsidiaries have converted the search for internal development projects into clear guidelines;
- *ad hoc* governance committees have been created to set priorities and approve the allocation of specific resources. This increased the visibility of certain projects and accelerated their implementation;
- a Group committee, involving all Group subsidiaries, has been established to open up new development prospects.

These initiatives have led to the identification of sources of growth in content and services, interactive content distribution platforms, connected home services and offers to businesses.

This entire approach is based on active monitoring, which makes it possible to anticipate and respond to customer expectations and technological changes.

Vivendi's business lines share use of the same new technologies and face the same changes in use as their customers. Internet access has become omnipresent; younger generations born after the advent of the Internet use it routinely and intuitively, and connected objects are multiplying in number. Content consumption methods are evolving with usage that is on-demand, interactive and continuous on all screens. The Internet of tomorrow will be mobile and social. It will accompany societal trends such as the aging of the population and access to health and education for all.

Section 1 **Description of the Group**

Identification of new customer behavior is encouraged at all levels of the business and is accompanied by both discussions between Group experts and a greater proximity to innovative startup ecosystems:

- working groups have been created to facilitate the transfer of knowledge and sharing of best practices in relation to networks, platforms, computer systems, purchases and customer relations;
- a Technological Committee led by Canal+ Group brings together internal experts and third parties who together anticipate new technologies and uses in the areas of television and video; and
- an open innovation program has been built around *Atelier SFR* (a beta test platform), *SFR Jeunes Talents Startup* (a support program for innovative young businesses) and *SFR Développement* (an investment fund). The aim is to respond to technological changes in a flexible and rapid manner.

Each subsidiary offers many innovative services. SFR constantly enriches the neufbox TV offer: it has developed applications that are designed to guarantee continuity of use over multiple screens; it has integrated new services into its television portal, such as DokeoTV, an interactive edutainment application; and it has created an on-demand video game portal that enables players to play games directly on their television.

In parallel, SFR is actively engaged in expanding its operational scope to activities that are related to its core business. Recently, it launched new services and partnerships such as Buyster, an online payment solution that works with three operators and Synapse Cloud, a medical image-hosting services solution, which was developed with Fujifilm.

Universal Music Group has created the Vevo video platform for watching music videos. It is currently the second largest video hosting site in the world, with more than 60 million unique visitors, and is the number-one platform for watching music videos in the United States. It attracts major international advertisers. In 2011, Universal Music also launched OFF.tv, the first Web TV channel to be completely integrated with a music label. By virtue of a partnership with SFR, OFF.tv is accessible to neufbox customers through an interactive application that makes it possible to view HD videos.

Among the new services offered to younger users by the Maroc Telecom Group, the MT Talk offer provides access to social networks from mobile devices. The Universal Music package, designed in partnership with UMG, has proved a commercial success. The Maroc Telecom Group has also developed Menara, the first online information site that is available in the Moroccan and French languages.

Canal+ Group offers its customers an ever-expanding range of interactive content and services. In anticipation of market developments related to the arrival of connected televisions, the Group created CanalPlay Infinity, an unlimited video on-demand subscription offer that is accessible on all screens. SFR held a preview launch of the service in November 2011. This is the first offer of its kind available in France. Canal+ and CanalSat channels are also available on the Microsoft Xbox360.

Activision Blizzard innovated by bringing together the video game and toy industries in a unique product, *Skylanders Spyro's Adventure*. Through a "magic portal", figurines come to life in a video game. It is every child's dream! Launched in October 2011, the game was a great success. The Group continued the development of its successful franchises by creating the *Elite* platform, which was designed to connect over 30 million players of *Call of Duty*. On January 31, 2012, *Elite* already had over seven million registered users.

In October 2011, GVT launched a pay-TV service based on an innovative set-top box model. This hybrid set-top box combines satellite technology for the linear distribution of channels and television over IP networks for interactive services such as video on demand, catch-up VoD and network applications. At the end of February 2012, the service already had 80,000 subscribers.

Stronger position in rapid-growth countries

Vivendi's approach to actively building a stronger position in rapid-growth countries is based on two differentials: the difference in demographic growth between "rapid-growth" and "mature" countries, which brings thousands of young people to the age of digital consumption, and the difference in terms of economic growth, which provides a growing number of people in "rapid-growth" countries with the financial means to access digital products and services.

The Maroc Telecom Group controls telecom operators in Gabon, Mauritania, Burkina Faso, and Mali at a time when mobile telephony use is escalating all over Africa, which is creating new demands and services, such as in the banking sector.

Canal+ Group has a presence in all French-speaking countries in Africa, the Indian Ocean, and Vietnam (where it holds 49% of a joint venture between Canal+ Group and VTV, the Vietnamese public broadcasting group).

UMG has a worldwide presence. However, the world's leader in recorded music is nonetheless trying to increase its foothold and prospects in Russia, China, India, Indonesia, Vietnam, the Middle East and North Africa. The growth of the Internet and other digital platforms makes it possible for UMG to reach populations that were previously difficult to access.

Activision Blizzard has a strong presence in Asia: nearly half the subscribed players of its flagship game, *World of Warcraft*, come from this continent. This game, with more than 10.2 million subscribers, is distributed in 10 languages, and a version in Brazilian Portuguese was recently launched. The video game publisher intends to adapt *Call of Duty* for the Asian regions in the near future.

Section 1 Description of the Group

Since the end of 2009, Vivendi has controlled the operator GVT in Brazil. GVT was created in 2000 and has experienced considerable growth in the fixed-line telephony and high-speed Internet sectors. Its revenues are expected to increase fourfold between 2009 and 2014.

Vivendi plays a central role in the growth of GVT:
- its financial assistance is significantly accelerating the deployment of the Brazilian operator's network (which was deployed to 22 new cities in 2011) and generating significant revenue growth (in 2011, there was over 39% revenue growth in Brazilian reals); and
- intra-Group support and synergies allow GVT to launch (or accelerate the marketing of) innovative new products. The operator is making online games available to its customers on favorable terms in partnership with Activision Blizzard (*World of Warcraft*). Due to the support of Groupe Canal+ and SFR, GVT launched a hybrid pay-TV offer with satellite broadcasting of television channels and IP network distribution of all interactive services. In partnership with UMG, it is also offering GVT subscribers unlimited access to thousands of songs and music videos by Group artists, as well as to live broadcasts of concerts.

Organic growth and intra-Group synergies
Vivendi intends to strengthen the position of its various existing business lines, implement synergies between its group entities and develop related activities with high-potential.

In the broad context of developing digital use and distribution models, the Group is providing the stability and support necessary to implement these changes successfully in all of its operational entities. The Vivendi Group's business units all pertain to the digital and new technologies sector. They are directly targeted at the end consumer via leading brands such as Activision Blizzard, Universal Music, SFR, Maroc Telecom, GVT, and Canal+. The Group offers creative digital content, high-speed telecommunications services and platforms for exchanging or accessing digital content and services. These commonalities give Vivendi a competitive advantage. Through a fruitful exchange of skills and an anticipation of technological developments, it is possible to develop a high level of expertise with regard to subscriptions, brands, distribution and creation platforms, and copyright. Membership in the Group allows various business lines to come together to respond to concrete challenges such as the impact of social networks, the development of customer relationships, the challenges of very-high-speed Internet access and the consequences of the increasing presence of cloud computing.

Vivendi's performance relies heavily on its economic model, which is subscription-based, both for telecommunications and for television, music works, audiovisual platforms and online games. The Group has the necessary skills and expertise to grow its subscriber base, maintain customer loyalty and optimize the income that it generates. The subscription model is a significant advantage because it provides a recurring and therefore predictable source of income.

In addition, intra-Group discussions regarding technological expertise and operational processes in areas such as customer relations, procurement, logistics and insurance revenue, allow the Group to capitalize on its key strengths.

Through the sharing of technological knowledge, the Group optimizes the performance of its platforms and networks as well as the quality of its services. For example, know-how exchanged between GVT, SFR and Groupe Canal+ recently accelerated the launch of GVT's pay-TV service.

The creation in 2011 of a purchase group that brings together all of the Group subsidiaries in order to facilitate the sharing of best practices, joint purchasing and the coordination of initiatives with key suppliers is another example of the strong power of synergies.

At the same time, the Group is expanding its connected activities in growth markets. Recently, Vivendi invested in the ticketing industry, a sector at the junction between the entertainment and digital sectors. It acquired Digitick in France and See Tickets in the UK in order to benefit from the move towards digital and paperless ticketing for live entertainment. These acquisitions strengthen Vivendi's expertise in developing innovative solutions at the cutting edge of all of its business lines.

1.2. Highlights

1.2.1. 2011 Highlights

January
- Vivendi sells the remainder of its interest in NBC Universal (12.34%) for a total of $3.8 billion.
- Vivendi receives €1.254 billion and ends the litigation concerning the share capital ownership of the phone operator PTC in Poland.
- GVT commences operations in Rio de Janeiro, as well as in several cities in the São Paulo metropolitan region.

February
- In the class action lawsuit in the United States, the US District Court for the Southern District of New York rules that, in applying the "Morrison" decision of the US Supreme Court, only shareholders who purchased securities on the New York Stock Exchange may file claims with a US court to seek damages.
- Maroc Telecom launches new mobile terminals in the Amazigh (Berber) language, offering both pre-paid and subscription services.
- StudioCanal and Lionsgate movie studios announce the signing of an agreement for the distribution of 550 films from Miramax's prestigious catalog.

Section 1 **Description of the Group**

March

- SFR, in collaboration with Google™ and Samsung, launches the "Nexus S," the latest generation of Android™ webphone.
- StudioCanal is elected as the "European distributor of the year" by Cartoon Movie 2011, the co-production forum for European animated films.
- The French *Victoires de la Musique* honor a number of UMG artists, including Gaëtan Roussel, Ben l'Oncle Soul, Stromae, Bernard Lavilliers, Abd Al Malik, Philippe Katerine, Eddy Mitchell and M.
- GVT announces its strongest growth since its founding, with 2010 revenues amounting to 2.43 billion Brazilian reals, a 43% increase compared to 2009. Its customer portfolio increased 50.3% compared to 2009, with 4.23 million lines in service.
- Maroc Telecom launches the MT Talk service, a new shared application allowing access to social networks from a mobile device, including from traditional handsets.

April

- Vivendi and Vodafone enter into an agreement for Vivendi's purchase of Vodafone's 44% interest in SFR.
- The Canal+ Group, TF1 and France Télévisions enter into an agreement to obtain broadcasting rights for the 2011 Rugby World Cup.
- Vevo, UMG's music video website, is launched in the UK.

May

- Vivendi sets up three syndicated banking lines in a total amount of €5 billion, increasing its financial security and extending its average debt duration.
- GVT is elected as the most reliable fixed-line and broadband internet provider in Brazil by Info Magazine, the country's main technology magazine.
- La Poste (51%) and SFR (49%) launch La Poste Mobile, a joint venture with the goal of gaining more than 2.4 million customers.
- Canal+ and the French National Rugby League enter into a new broadcast agreement for the Top 14 over the next five seasons (2011-2012 through 2015-2016).

June

- Following the authorization granted by the European Commission, Vivendi acquires Vodafone's 44% interest in SFR with a deal value of €7.75 billion.
- Lady Gaga's new album, Born this Way, exceeds global sales of two million copies in just over a week.
- Maroc Telecom doubles its ADSL speeds for its customers at no additional charge (increasing speeds from 1 to 4 Mbits) and offers an overall price reduction for all speeds (from 2 to 20 Mbits/s).
- SFR launches the "Carrées" formula, a new price policy that rewards customer loyalty.
- GVT launches operations in two new cities in the metropolitan state of São Paulo: Santo André and São Bernardo do Campo.
- SFR and Fnac join forces to distribute telephony services throughout the Fnac store network.
- Following a call for tenders from Ligue 1, the Canal+ Group secures its long-term partnership with French football and strengthens its football offering until 2016.
- SFR signs an agreement with Virgin Mobile (two million customers), which becomes a "Full MVNO" on the SFR network.

July

- Vivendi issues €1.75 billion in bonds. After the acquisition of a 44% stake in SFR, this transaction is consistent with Vivendi's policy of balancing its debt between bank lines of credit and bond issues.
- Vono, GVT's supplier of Internet telephony solutions, increases the number of Brazilian cities in which it offers long-distance communications at local calling prices from 250 to 468.
- StudioCanal consolidates the names of its various subsidiaries under the single StudioCanal brand and thus emphasizes its number one position in Europe.
- UMG joins forces with Baidu, China's leading Chinese-language search engine, to distribute its digital music catalog through the joint venture One-Stop China.
- Maroc Telecom launches a pre-paid 3G Internet offering for Jawal cards.

August

- Universal Music Group Distribution launches digster.fm, a musical playlist service distributed via Spotify.
- SFR offers two new prepaid reloads for unlimited voice and Wi-Fi access service.
- Vivendi acquires See Tickets UK, a British ticket-sales company which is a major player in the ticketing market, for a purchase price of approximately €95 million.

September

- SFR acquires a 15-MHz duplex frequency block in the 4G (2.6 GHz) frequency band for €150 million for a period of 20 years.
- Maroc Telecom launches Vocalis, a new mobile solution specially adapted for the visually-impaired population.
- SFR signs a "Full MVNO" agreement with NRJ Mobile, which has one million active customers.
- UMG form a joint venture with Live Nation, the world leader in the organization of concerts and online ticket sales, to develop the management of artists and their brands.
- StudioCanal signs an exclusive agreement with Anton Capital Entertainment, a European investment fund, to co-finance approximately one hundred international films distributed by the studio over a three-year period, for a total of €500 million.

October

- Activision Blizzard launches *Skylanders: Spyro's Adventure*, an innovative game combining physical action figures with video games.
- SFR launches the Red series, no-commitment offerings sold exclusively online.
- SFR integrates TV on demand and VoD by subscription into its SFR TV and Neufbox TV mobile apps.
- GVT launches its pay TV service in Brazilian cities where the company is active.
- Vivendi wins the Responsible Investment Forum (FIR) – Vigeo prize in the category for CAC 40 index companies.
- Maroc Telecom is listed on the newly launched NYSE Euronext stock index, the CAC International 25.

November

- Vivendi and UMG enter into a final agreement with Citigroup regarding the purchase of EMI's recorded music division for a total of £1.2 billion.
- Canal+ and Orange announce a strategic publishing, commercial and technology partnership relating to the Orange Cinéma Séries channel package, with a view to the Canal+ Group's acquisition of a 33.33% minority interest in the equity capital of Orange Cinéma Séries.
- Activision Blizzard releases *Call of Duty®: Modern Warfare® 3*. Sales of the game exceed $775 million in global box receipts within five days of its release.
- The Canal+ Group offers CanalPlay Infinity, a new, subscription-based, unlimited video-on-demand service for €9.99 per month, launched in preview with SFR.
- Activision Blizzard launches *Call of Duty® Elite*, a social platform designed to facilitate better and easier gaming between players. It gains one million premium members in the first six days after its launch.
- SFR and France Télécom – Orange announce an agreement to roll out fiber optic broadband in over eleven million French households outside of very densely populated regions.
- Maroc Telecom releases Jawal Thaniya, a new prepaid mobile offer which is billed by the second.
- Vivendi issues 35 million shares of Activision Blizzard, thus reducing its stake in Activision Blizzard to approximately 60%.
- Vivendi issues €1 billion in bonds in order to lengthen its debt maturities.

December

- The Bolloré and Canal+ groups announce the signing of a final agreement for the acquisition by the Canal+ Group of the Bolloré Group's free channels, Direct 8 and Direct Star. This agreement is subject to approval by the competent antitrust authorities and by France's Superior Audiovisual Council (*Conseil supérieur de l'audiovisuel*).
- Vivendi is announced as a founding member of the CEO coalition, an initiative launched by the European Commission seeking to make the Internet a place of expression that ensures the safety of children.
- Canal+ wins the rights to broadcast the first choice of the Champions League.
- SFR and UMG launch OFF.tv, a high-definition interactive music program application.
- *Call of Duty®: Modern Warfare® 3* exceeds $1 billion in revenue in the first 16 days of sales.
- Canal+ opens the Canal+ store in Vélizy, the first store completely dedicated to the Canal+ universe and services.
- The Canal+, ITI and TVN groups finalize a strategic partnership to consolidate their pay-channel platforms in Poland and for Canal+ to take a major stake in TVN's equity capital. This transaction is to be submitted to the competent regulatory authorities for approval.
- Vivendi signs a new bank credit facility for €1.1 billion which early refinances an existing facility.
- SFR acquires a 10-MHz duplex frequency block in the 4G (800 MHz) frequency band for €1.065 billion for a period of 20 years.
- StudioCanal becomes a majority shareholder of Tandem Communications, the European leader in the production and sale of television series.

1.2.2. 2012 Highlights

January

- Vivendi issues €1.25 billion in bonds.
- zePass (a subsidiary of Digitick, which is itself a subsidiary of Vivendi), the largest second-hand event ticketing broker in France, launches permanent second-hand event ticketing for the Paris National Opera.
- SFR's game-on-demand service is made accessible as part of the Evolution neufbox offering (ADSL and fiber).
- Vivendi is ranked seventh in the Global 100 list of companies, emphasizing its significant commitment to sustainable development.

February

- As a result of its application of the "Morrison" decision in relation to the class-action lawsuit in the United States, the Manhattan Southern District of the US Federal Court dismisses the claims of individual shareholders who had purchased company's shares on the Paris stock market.
- Maroc Telecom receives Vigeo's "Top Performer CSR 2011" Trophy for its work in the prevention of corruption and its corporate responsibility.
- As a consequence of a fourth mobile phone operator entering the French market, SFR adapts its "Red series" and "Carrées" formula in response to the new mobile phone market situation.

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1.3. Financial Communication Policy and Value Creation

1.3.1. Investment Policy

Creating shareholder value is based on increased profitability from operations, achieved through a vigorous innovation and investment policy.

Investment projects are selected based on a multi-criteria analysis involving:

- growth, with an impact on both increased adjusted net income per share as well as the ability to generate cash;
- the return on capital employed compared to the weighted average cost of capital, adjusted for the impact of the acquisition risks, as assessed in the medium and long terms; and
- in-depth risk assessment.

They are reviewed by Vivendi's Investment Committee, and thereafter by the Management Board, while the most significant investments are reviewed by the Supervisory Board's Strategy Committee and thereafter by the Supervisory Board itself. For major transactions, a post-acquisition audit is performed approximately one year after the acquisition. This analysis re-examines the conditions of value creation by comparing actual operational and financial results with the assumptions made during the investment decision process. It then draws conclusions from this comparison to promote best practices within the Group in the future.

1.3.2. Financial Communication Policy

The purpose of the financial communication policy is to provide all shareholders with precise and accurate information on the Group's strategy, position, results and financial development. It follows procedures adopted pursuant to applicable French standards, including the French Financial Security Act of 2003, as well as International Financial Reporting Standards ("IFRS") and benchmarks set forth in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") report.

The Investor Relations department, based in both Paris and New York, maintains permanent relationships with analysts at brokerage firms and with investment fund managers and analysts. The department provides information on a regular basis to convey a clear understanding of the various events impacting the Group's current and future performance on the financial markets. This department also manages the analyst/investor relations section of the Group's website (www.vivendi.com), which is updated regularly. This section of the website is directed primarily at institutional investors.

Vivendi also communicates with institutional investors through meetings organized in the main global financial markets and through the participation of its head-office and Group business executives in investors' conferences.

In 2011, Vivendi's management, the Investor Relations Department and the senior executives of the Group's business lines met many institutional investors over the course of 435 "events", the majority of which took place in France, the UK and the United States, but also in other countries in Europe, Asia and the Middle East. These meetings allowed Vivendi's management to comment on the results and outlook of the Group to managers and analysts from 440 financial institutions at various roadshows (management visited 31 destinations during the year), investor conferences (management participated in 21 conferences during the year) or meetings at the headquarters of Vivendi or its subsidiaries. Specific financial communications have been set up which are aimed at analysts and investors who specialize in socially responsible investing.

Communication to individual shareholders

Communicating with all of its individual shareholders to keep them informed of its activities and strategy is a top priority for Vivendi. The Shareholders' Club, created in 2010, helps Vivendi to meet this goal. In 2011, Club members received numerous documents to help keep them up-to-date with the progress of the company (including Letters to the Shareholders, the Activity and Sustainable Development Report and press releases). Members were also invited to attend 18 information meetings, held in Paris and elsewhere in France. Jean-Bernard Lévy, Chairman of the Management Board, went to Grenoble and Strasbourg, and Philippe Capron, Chief Financial Officer and a member of the Management Board, went to Nice. Mr. Capron also led a meeting at the *Actionaria* fair. Since its creation Vivendi has attended the Paris stock market and financial products fair every year. Moreover, meetings with the Communications Department and educational sessions with the *Ecole de la Bourse* on the topics "How to read a financial article" and "General Shareholders' Meetings" were organized in various cities. Finally, the thematic meetings, "*Jeudi, c'est Vivendi*", continue to take place. In 2011, these meetings focused on such topics as music, StudioCanal and cultural diversity.

The Shareholders' Club also strives to offer its members additional benefits related to the Group's activities, such as: preview screenings of films produced or distributed by StudioCanal; tickets to the Olympia Theater and Canal+ TV shows; live rebroadcasts of operas; tickets to the Vivendi Seve Trophy golf tournament; and visits to the SFR security center.

As a further expression of its commitment to keep investors informed, in October 2011, Vivendi launched its webzine, "Sh@ringVivendi" (available at www.vivendi.com), whose many articles and videos are targeted predominantly at shareholders. Vivendi has also created another interesting activity for its shareholders: every Friday afternoon, shareholders can listen to "audio news" from Vivendi (a two-minute commentary in audio format) which contains the latest news about the Group and its subsidiaries.

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In addition, the Shareholders' Committee met four times in 2011. It focused on the Annual Shareholders' Meeting, Actionaria and digital developments.
The committee acts as a bridge between Vivendi management and the shareholders, who can contact the committee at any time via email (comitecav@vivendi.com) with their questions.

Finally, Vivendi's individual shareholder information service is available to answer shareholders' questions from Monday to Friday (toll-free at 0805 050 050 in France and +33 1 71 71 34 99 outside France).

1.3.3. Value Creation in 2011

The Group took several major steps forward in 2011: the dispute with Deutsche Telekom regarding the ownership of the share capital of PTC in Poland was resolved, the sale of Vivendi's remaining 20% stake in NBC Universal was completed in January, and the acquisition of the 44% stake in SFR held by Vodafone was completed in June. Vivendi now has exclusive control over all of its business lines, which are focused on telecommunications subscriptions in France, Morocco, Sub-Saharan Africa and Brazil, and on media (television, video games and music) globally. The Group is also well positioned to benefit from growing consumer demand for high-content, high-speed Internet access and interactive services around the world.

During the second half of 2011, Vivendi announced three significant investments, which remain subject to approval from the competent authorities. First, the acquisition by UMG of EMI's recorded music business will enable the consolidation of UMG's position as a global leader in recorded music by considerably enriching its portfolio of artists and generating considerable synergies. Second, Groupe Canal+ has taken a strategic step by gaining a foothold in the advertising-financed television market in France with the acquisition of the Direct 8 and Direct Star channels, which were previously owned by the Bolloré Group. This acquisition takes the form of a partnership, with the Bolloré Group taking an equity stake in Vivendi. Third, Groupe Canal+ implemented a similar strategy in Poland through the creation of a partnership with the Groups ITI and TVN. Under this arrangement, Groupe Canal+ took control of the pay-TV platform formed by the combination of "Cyfra+", which it controlled, and "n" which was controlled by TVN. Canal+ is also making a minority stake in the capital of the free-TV Group TVN.

Group activities recorded very strong operational performance, achieving an adjusted net income of more than €2.85 billion in November after the announcement of the acquisition of the 44% stake in SFR previously held by Vodafone, despite the negative impact of tax measures in France approved by the French government in September 2011, which decreased Group earnings by over €350 million. This excellent performance derived from all of Vivendi's business lines, but in particular Activision Blizzard and GVT.

The net financial debt of the Vivendi Group totaled €12 billion as of December 31, 2011. As of that date, the average economic maturity of the Group's debt was approximately four years and Vivendi SA had nearly €6.3 billion in available credit lines. The Group maintains a solid financial position, allowing it to continue its value creating strategy; pay regular, substantial dividends to its shareholders; and maintain its quality credit rating (currently BBB). Shareholders thus benefit from the capital leverage created by debt that is carefully controlled in terms of both volume and cost.

Share Price

Vivendi shares are listed on compartment A of Euronext Paris (ISIN code FR0000127771). As of December 31, 2011, Vivendi had the eleventh-largest stock market capitalization in the CAC 40 Index and the largest capitalization in the Stoxx Europe 600 Media index. Following the acquisition of the 44% stake in SFR previously held by Vodafone, Vivendi stock was transferred from the MSCI Europe Media Index to the MSCI Europe Telecom Index in August 2011.

2011 was marked by a very volatile stock market environment, due in particular to the sovereign debt crisis in Europe. In this context, the CAC 40 Index fell by 17.8% driven by lower financial stocks. The Vivendi share price partially benefitted from its role as defensive stock, with a decrease of just 16.2%. It closed at €16.92 on December 31, 2011. On the basis of reinvested dividends, the performance of Vivendi shares in 2011 was higher than the CAC 40 by 3.3 points.

During the first half of 2011, Vivendi shares performed comparably to the CAC 40. The increasingly competitive environment in the French telecommunications sector was offset by the positive news of the resolution of the dispute in Poland and the acquisition of the 44% stake in SFR. During the second half of the year, the performance of the Vivendi share improved due to good Group operating income and the strategic acquisitions made in the music and television sectors, despite unfavorable developments in the tax regime in France.

Dividend per Share

The payment of a dividend of €1 per share in 2012 for fiscal year 2011, representing a total distribution of €1.25 billion, will be submitted for approval by the Ordinary Shareholders' Meeting on April 19, 2012. The dividend will be payable in cash from May 9, 2012.
At its meeting of February 29, 2012, after having heard a report from the Supervisory Board, Vivendi's Management Board resolved to allocate to each shareholder one bonus share for every 30 shares held, distributable as from May 9, 2012.

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1.4. Sustainable Development Policy

Vivendi, through its worldwide business activities, exerts a human, intellectual and cultural influence on society. In 2011, the Group invested €2.4 billion in video games, music, film and audiovisual programming and dedicated €3.4 billion to net capital expenditure, including €3 million in telecommunications business. The Group's contribution to sustainable development is particular: to satisfy the communications needs of current and future generations, nourish their curiosity, develop their talents and encourage intercultural dialog.

Since 2003, Vivendi has identified three specific issues: protecting and empowering young people when they use multimedia services, promoting cultural diversity and sharing knowledge. These three issues form part of the Group's broader industrial challenge: innovating to keep its tens of millions of customers on every continent satisfied.

In 2011, Vivendi won the French Forum for Socially Responsible Investment (FIR) – Vigeo inaugural award in the CAC 40 company category. This award was created as part of Socially Responsible Investment Week and was given to Jean-Bernard Lévy, the Chairman of Vivendi's Management Board, in the presence of Nathalie Kosciusko-Morizet, the French Minister of Ecology, Sustainable Development, Transport and Housing. The jury evaluated the performance of the competing businesses with regard to the integration of sustainable development issues (principles, goals and risks) in corporate governance.

Vivendi also has a very high scoring from extra-financial ratings agencies. The Group renewed its membership in the main SRI (Socially Responsible Investing) indices: the Dow Jones Sustainability World Enlarged Index (Dow Jones) created in late 2010, the ASPI Eurozone Index (Vigeo); the Ethibel Sustainability Index (Ethibel); the ECPI Ethical Indexes (E-capital Partners); and the FTSE4Good Global (FTSE). In April 2011, Vivendi ranked n°1 *ex aequo* worldwide in the FTSE4Good ESG Ratings. This ranking was established by FTSE (Financial Times Stock Exchange, an independent company jointly owned by the Financial Times and the London Stock Exchange Group) and is awarded based on the results of the annual evaluation of extra-financial performance of selected companies on the FTSE4Good Index. In 2011, the Group also joined the Stoxx Global ESG Leaders Index and was granted Corporate Responsibility Prime status by Oekom. In addition, each year, Vivendi contributes to the Carbon Disclosure Project (CDP), which is an international program that publishes a report on the carbon footprint and climate change strategies of the world's 500 largest companies.

In January 2012, Vivendi was ranked seventh on the Global 100 most sustainable corporations in the world. This announcement was made at the opening of the Davos Economic Forum. Vivendi is the first French company to appear on the Global 100 list.

The EMAS (Eco Management and Audit Scheme) certification for Vivendi SA's environmental approach has been confirmed. Vivendi is one of the few French companies having received this certification. This European certification is one of the most demanding awards in terms of environmental management and commitment to stakeholders.

The Group applies a rigorous sustainable development policy, which takes into consideration the economic, social, societal and environmental performances related to its various operations and its broad geographic presence. This policy requires Vivendi to clearly demonstrate its commitments to all of its partners: customers, shareholders, employees, suppliers, public authorities and the society at large.

Vivendi is a member of the United Nations Global compact. This membership demonstrates the Group's dedication to two main objectives: reaffirming the Group's commitment in favor of human rights while its businesses expand into new markets and contributing to better meeting the communication needs as well as the desire for entertainment of disadvantaged consumers.

Each year, Vivendi reports on its policies, actions and extra-financial reporting in an Activity and Sustainable Development Report and in a publication entitled "Sociographics and Environmental Policy". These reports are available on the Group's website under the "Sustainable Development" and "Financial Information" tabs. Besides the standards required by the French New Economic Regulations Act of 2001 (NRE Act), Vivendi publishes economic and corporate governance indicators, as well as indicators related to its strategic challenges.

For the tenth consecutive year, the 2011 Activity and Sustainable Development Report was provided with a moderate level of assurance by KPMG SA, one of Vivendi's statutory auditors, on the basis of selected social indicators at the Group level and environmental indicators for its business units. This external auditor's report, along with the reporting methodology applied by KPMG, appears in the sustainable development online detailed report on www.vivendi.com.

1.4.1. Main Sustainable Development Issues

Given the key characteristics of the Group's activities, Vivendi has identified priority areas for action.

As a producer and distributor of content, the Group must evaluate the opportunities and risks that such content could represent for its various customers. Since 2003, therefore, Vivendi has identified three strategic sustainable development issues: protecting and empowering young people when they use multimedia services, promoting cultural diversity and knowledge sharing (see section 1.4.2., "Vivendi's Specific Issues" in this section).

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Since Vivendi is at the heart of broadband- and mobility-driven technological developments, the Group must reconcile its need to keep step with the digital revolution with its need to satisfy the demands of its key stakeholders (including employees, consumers, artists, suppliers and the society at large) and regulatory requirements. Managing human capital, valuing content, paying attention to suppliers and communicating with its stakeholders are also among the Group's sustainable development issues.

The subscription business model on which the Group's business units rely raises the issue of collection and processing of personal data of subscribers and customers. In every country in which Vivendi operates, the company seeks to meet subscriber expectations regarding content and service offerings while simultaneously maintaining a rigorous ethical policy for the management of personal data.

Lastly, as Vivendi operates in new markets in high-growth countries, it must assess its contribution to local development in the emerging countries in which it has a presence. This includes employment, investments in infrastructures, development of local talents and access to new information and communication technologies, which is one of the keys to successes sought by governments in the enhancement of education and competitiveness.

1.4.2. Vivendi's Strategic Issues

Starting in 2003, by the very identification of its three strategic issues, Vivendi has innovated by widening the scope of its societal responsibility. The Group has formulated its ambitions in a positive and concrete manner.

Protecting and empowering youth

Vivendi has the responsibility of accompanying all audiences, particularly young people, in the development of their cultural and media practices, while at the same time building a more secure digital universe. In doing so, the Group must reconcile the development of content and service offerings driven by new technologies with the protection of young consumers from practices or behaviors that may be harmful to them. Mobile telephones, Internet, games and films may contain sensitive content or lead to inappropriate behavior. The Group's business units work in collaboration with Vivendi's sustainable development department to address this issue at a Group level.

Promoting cultural diversity in content production and distribution

Vivendi aims to promote cultural diversity as a necessary manifestation of human dignity and a pillar of social cohesion. It thus shares UNESCO's view, as expressed in its Convention on the Protection and Promotion of the Diversity of Cultural Expressions (which came into force in March 2007) that cultural diversity is "a mainspring for sustainable development for communities, peoples and nations". Vivendi's ambition is to encourage the diversity of musical repertoires, promote diversity of cinematographic and televisual expression, promote local talent and enhance cultural heritage.

Sharing knowledge by reducing the digital divide

Promoting knowledge sharing in order to foster both a spirit of openness with others and a mutual understanding is the third specific issue of Vivendi's sustainable development policy. Through its international reach, the Group exercises a certain influence over the representation of various cultures and, through this, it can promote mutual understanding. It must ensure the quality of its content, encourage dialog between cultures and facilitate access to new technologies. Vivendi thus contributes to reducing the digital divide by allowing schools and universities to benefit from advantageous service offers. It also conducts training and educational activities for disadvantaged people using new communication technologies.

1.4.3. Implementation of Sustainable Development Policy

1.4.3.1. Inclusion of sustainable development criteria in the assessment of the variable remuneration of management compensation

During the General Shareholders' Meeting of April 30, 2009, the Chairman of the Supervisory Board announced that sustainable development objectives shall be included in the calculation of the compensation for members of the Vivendi management team beginning in 2010.

The management board has thus requested that the criteria set out for each business unit reflects the particular know-how and positioning of each unit and that the criteria be relevant, measurable and able to be confirmed by a specialized firm.

Accordingly, when calculating bonuses for the relevant members of the management team, their individual contribution to meeting the strategic sustainable development objectives for the Group, such as supporting young people in their media practices, promoting cultural diversity or bridging the digital divide, are to be measured and accounted for.

Vivendi is one of the first companies in the CAC 40 to incorporate performance objectives linked to its societal responsibility into the variable compensation of senior executives. The extra-financial rating agency Vigeo helps the Group evaluate its goals.

The goals chosen by Vivendi's subsidiaries include the actions undertaken by SFR and Maroc Telecom Group to reduce the digital divide by facilitating, for example, accessibility to products and services for disabled or disadvantaged persons; the actions of GVT, which has chosen to deploy ambitious Internet education programs in Brazil; the actions of Canal+ Group to encourage diversity in the films broadcast on its channels; or the commitment by Universal Music Group to promote local talent in emerging countries. Measurable indicators have been identified that correspond to each of these goals.

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Maroc Telecom received the Vigeo Trophy (Top Performer CSR 2011) for its efforts to prevent corruption and its volunteer policy to combat the digital divide. This award is a recognition of the work that has been done by Maroc Telecom. It also demonstrates the consistency of the sustainable development policies enacted at the Group level and within its subsidiaries as well as the relevance of making efforts to lessen the digital divide a Group priority.

1.4.3.2. Sustainable Development Issues: Cross-Mobilization

The Chairman of the Management Board regularly includes sustainable development issues on the agendas for meetings of the Management Board or the Risk Committee. The Chairman also invites experts to these meetings in order to discuss and analyze the development of the Group's activities with regard to meeting sustainable development challenges.

The Sustainable Development Department coordinates this task in close collaboration with all headquarters' operating departments, as well as with those of the Group's business units.

Together with the Investor Relations Department, the Sustainable Development Department organizes meetings with the financial community to present the Group's sustainable development policy.

The Sustainable Development Department works regularly with the Audit Department when the Risk Committee carries out its examination of sustainable development topics or other more specific actions, such as the preparation of a questionnaire for completion by the principal suppliers of the business units. Both departments have established a map of sustainable development risks. The goal for 2012 is to adapt this map to each business unit's specifics.

In connection with the General Counsel's Office, the Sustainable Development Department contributes to promoting the Compliance Program within the Group and among its various partners. It participates in tasks related to the monitoring of Vivendi's policies regarding the processing and collection of personal data.

In close collaboration with the Human Resources Department, the Sustainable Development Department is involved in incorporating and applying sustainable development criteria in the Group's management compensation schemes. It also carries out initiatives to help raise awareness among the Group's social partners. It was involved in preparing the Expert Report for the Vivendi Group Works Council.

Moreover, since 2003, the Sustainable Development Department has relied on the work of a sustainable development committee that meets several times a year. This committee brings together representatives in charge with sustainable development issues from the Group's particular business units and representatives from the headquarters.

1.4.3.3. Changes in reporting in accordance with the "Grenelle II" Law and the Global Reporting Initiative

In 2011, Vivendi made changes to its extra-financial reporting. The objective is to have the best management tool possible while simultaneously satisfying national and international regulatory and professional requirements.

1.4.3.3.1. The "Grenelle II" Law

In July 2011, Vivendi asked representatives from the Legal Department and Audit Department and managers in charge of reporting for various Group business units to attend a meeting of the Sustainable Development Committee. This meeting was dedicated to changes in the collecting and consolidation of environmental, social and societal data as defined under the terms of the "Grenelle II" law. This was part of the sensitization process conducted by corporate headquarters to the subsidiaries of the Group since 2009.

Article 116 of the French New Economic Regulations Act of 2001 (NRE Act) contained no provisions regarding society at large. However, starting in 2008, Vivendi has organized the collection of societal data connected to its three strategic issues. The Grenelle II Law sets forth and strengthens the societal dimension of extra-financial reporting by companies. In order to comply with it, Vivendi defined societal indicators directly related to its activities. As a result, extra-financial reporting can meet its primary function to be the most elaborate management tool possible to avoid risks and strengthen opportunities related to the Group's sustainable development policy.

The taking into account of the Group's impact on society, of French regulations and of international referentials has led Vivendi to include its three strategic issues within the scope of its "actions undertaken to promote human rights". The protection and empowerment of young people is part of the United Nations Convention on the Rights of the Child of 1989 (Art.17). The promotion of cultural diversity is based on several founding texts, among which are the Universal Declaration of Human Rights of 1948 (Art. 27), the UNESCO Universal Declaration on Cultural Diversity of 2001 (Art. 5) and the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions of 2005 (Art. 2). The sharing of knowledge contributes significantly to the exercise of human rights, as is stated in the Charter of Fundamental Rights of the European Union (2000) (Art. 11) related to freedom of expression and information or the United Nations in its Millennium Development Goals (2000).

The reporting protocol that defines the requirements and process for gathering extra-financial data therefore now includes a chapter on societal data. It describes the manner in which Vivendi considers the territorial, economic and social impact of its activity, its relationship with stakeholders, including subcontractors and suppliers,

and the fairness of its practices. This last aspect includes anti-corruption measures and measures designed to promote consumer health and safety. It also includes actions to promote human rights that go beyond basic social rights and incorporate the Group's three strategic issues.

All Group entities, as defined in Vivendi's methodological note on reporting (which is presented in the sustainable development specifications available on the corporate website), upload all of the societal, environmental and social indicators defined in the protocol. The purpose is to disclose in the 2012 Registration Document (*Document de référence*) the extra-financial indicators that are most relevant to the Group.

1.4.3.3.2. The Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) was created in 1997. Its mission is to set guidelines that will help organizations report on their economic, environmental and social performance. Besides universally applicable guidelines, sector supplements make it possible to address the challenges specific to certain sectors. Given the intellectual and cultural impact of the media industry, an international, multi-partner working group was created in 2009 to develop a sector supplement specifically for media organizations.

Vivendi is a founding member of this working group. Accordingly, it actively contributes to the development of sector indicators to be published in the first half of 2012. This working group represents a significant advance with regard to the reporting framework that will apply to the entire media industry internationally. Several themes are included in this supplement, including freedom of expression; pluralism and the quality of content editorial; independence; protection of personal data; accessibility and media literacy.

1.4.3.4. An Enhanced Dialogue with Stakeholders

Vivendi is continuing to strengthen dialogue with its various partners. In 2011, it presented its sustainable development policy to institutional and university representative bodies, and at international meetings.

The Group was involved in the Paris Europlace workshops on the theme "Sustainable Development – CSR – SRI (Socially Responsible Investment), value creation leveraging – Contributions to G-20 and B-20 goals".

The Essec Business School invited Vivendi to explain how, starting in 2003, the Group had defined innovative objectives in its understanding of its responsibility to society. This conference centered on the theme "Innovation, Efficiency, Responsibility".

Vivendi was also a partner in the tenth European Forum for Sustainable Development and Responsible Enterprise (FEDERE) in Paris. It contributed to discussions on the theme "Managing SRI strategy in international competition: what action plan to take in the face of pressure from regulators, financial markets and citizens?"

Vivendi is one of the founding members of an initiative announced on December 1, 2011 by Neelie Kroes, Vice President of the European Commission in charge of the European Digital Agenda. The aim of this initiative, called CEO Coalition to make the Internet a better place for kids, is to make the Internet a place for expression that ensures the safety of children as much as possible. It fits perfectly into Vivendi's strategic issues with regard to society.

By joining the *CEO Coalition*, Vivendi is clearly expressing its willingness to share its best practices and expertise with other member media and telecommunications businesses. The Group wants to strengthen at a European level, its dialogue with society at large and public authorities. This process is grounded in the Group's sustainable development policy.

Vivendi supports the European Commission's *Safer Internet Program*. As part of this program, the Group has continued its partnerships with *European Schoolnet* and the *Insafe* network and launched the online platform *Pan-EU Youth*. The purpose of this 'first-of-its-kind' project is to offer young Europeans a place for expression and discussion about matters of citizenship. The *Pan-EU Youth* initiative offers three online consultations on the themes of "young people in the media", "digital lives", and "e-skills".

The fourth United Nations Alliance of Civilizations Forum took place from December 10 to 13, 2011 in Doha (Qatar). On this occasion, Vivendi was invited to take part in a debate on "New strategies for dialogue, understanding and intercultural cooperation" alongside political and academic representatives from the Middle East and Europe.

1.4.4. The *Create Joy* Solidarity Program

Create Joy was launched by Vivendi in 2008. This solidarity program supports the development of underprivileged young people by making entertainment accessible to them while also teaching them new skills and enabling them to plan better for the future through projects related to Vivendi's business units: video games, music, telecommunications, the Internet, television and films. *Create Joy* supports projects in France, the UK, the United States, Brazil, Morocco, Mali and Burkina Faso.

In 2011, *Create Joy* financed approximately thirty projects developed by associations that work with hospitalized children (including *Starlight Children's Foundation*, USA; *Medicinema*, UK; *Jeunes Talents*, France), disabled youth (*Fondation Mallet*, *Toiles Enchantées*, *Signes de Sens*, France), and underprivileged young people (*Orchestre à l'Ecole*, *Apprentis d'Auteuil*, *Chance aux concours*, France; *Music For Youth*, *Vital Regeneration*, UK; *Reel Works Teen Filmmaking*, *Madison Square Boys & Girls Club*, USA; *CDI*, *Agencia do Bem*, Brazil; *Binkad*, Mali; *Cinéma Numérique Ambulant*, *BiblioBrousse* and *Lutt'Opie*, Burkina Faso).

In 2011, Vivendi developed several original initiatives that enabled associations to come together and discuss their *Create Joy* projects.

1.5. Human Resources

Vivendi is committed to ensuring that employees' contributions are rewarded equitably. Consequently, the Group has implemented a profit-sharing policy that exceeds legal requirements and that strongly encourages employee share ownership. In addition to these internal provisions, Vivendi has applied a social responsibility policy to assist regions deeply affected by unemployment and industrial restructurings to help stimulate industrial revitalization and job growth.

1.5.1. Employee Share Ownership and Employee Saving Plans

The steps taken to promote employee share ownership within the Vivendi Group in 2011 were a continuation of the measures launched in 2008. That was the year that saw the creation of the Opus program (leveraged share capital increase with an investment and minimum return guarantee) and of the customary annual rights issue for employees of the Group's French companies. The "Opus 11" program was launched simultaneously in France and worldwide.

Development of Employee Saving Plans in France

Employee share ownership and savings increased in 2011, as a result of the contributions made by the Group's French companies under various participatory compensation plans (including statutory profit sharing, optional profit sharing and employer's contribution). A significant portion of these employee savings continued to be allocated to employee shareholdings. At the same time, employees continued to diversify their savings within the various investment options offered to them under the Vivendi Group Savings Plan ("PEG") and the investment options offered under their relevant company agreements.

In 2011, net amounts received by employees of the Group's French companies under the optional profit sharing plans (*intéressement*), statutory profit sharing plans (*participation*) and pursuant to contributions made by employers to the Group's savings plan (*Plan d'épargne groupe* or PEG) reached a record amount of €108.92 million, up 12.5% compared to 2010. The aggregate amount of additional employee savings amounted to €84.6 million, €61.6 million of which was invested in the various PEG funds. The remaining €23 million was allocated by employees to retirement saving plans (€12.4 million of which was allocated to Perco at SFR) and to various funds or plans maintained by the employees' relevant companies.

Share Capital Increase for the Benefit of Employees

On May 10, 2011, the Management Board approved the annual share capital increase for the benefit of the Group's employees through the PEG, pursuant to authorizations given by the General Shareholders' Meeting of April 21, 2011. The transaction was successfully completed on July 21, 2011. For the fourth consecutive year, the capital increase involved the simultaneous launch of a customary employee offering (in France) and a French and international leveraged plan which included an investment and minimum return guarantee, called "Opus 11".

In 2011, a minimum guaranteed return was offered, compounded at the rate of 2.5% per year as was the case for the two previous years. "Opus 11" was offered to employees in all major countries in which the Group operates, e.g., France, the United States, Brazil, Morocco, Great Britain, Germany and the Netherlands.

Despite uncertainties in the macroeconomic environment, the "Opus 11" project was a tremendous success. The amounts subscribed considerably exceeded subscriptions for previous years. The two portions of the capital increase for 2011 (customary and leveraged) resulted in a capital increase totaling €143.1 million, including €115 million for "Opus 11", representing a 49.7% increase compared to 2010 (a record year) and €28.1 million for the customary offering, representing a 29.5% increase compared to 2010 (also a record year). As a result of this transaction, 9,371,605 new shares were issued, including 7,530,185 shares under "Opus 11" and 1,841,420 shares under the customary employee offering. This volume of newly-issued shares, a 31% increase compared to the 2010 capital increase reserved for employees, represents 0.75% of Vivendi's outstanding share capital. Upon completion of the transaction, the portion of Vivendi's share capital held by its employees was 2.68% in the aggregate.

The capital increase was subscribed for by 10,861 employees, including 9,521 through "Opus 11" and 6,983 in the customary employee offering in France. The overall participation rate of eligible employees amounted to 27.6% in total under the two share plans. 24.2% of the participation was for "Opus 11" alone, 49.1% of which was attributable to employees in France and 6.3% to employees outside France. In France, 57.2% of employees participated in at least one of the two employee offering plans.

Given the success of the "Opus" program, the Board of Directors resolved, on December 13, 2011, to renew the program in 2012 as part of the employee share capital offering, in parallel with the customary employee offering.

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1.5.2. Social dialogue and HR development

Throughout 2011, the corporate partners of the Group Works Council, the European Authority for Dialog between Management and Labor and the headquarters' Works Council were regularly updated as to the Group's strategy, financial position, social policy, and main achievements for the fiscal year. The annual two-day training course covered Group strategy in the telecoms industry and knowledge of the various Vivendi business lines and attendees were also introduced to the Audit Committee and Risk Committee.

2011 ended with a mutual agreement to adapt the Group's employee representative bodies to an international environment (Morocco, Brazil and the USA). Accordingly, European employee representatives and management have begun negotiations with a view to uniting the entire Group around a common set of corporate and societal goals.

Vivendi has created an i3 program (standing for Initiative, Innovation and Information), which enables its subsidiaries to increase and share awareness of the major human resources projects they develop.

The Vivendi Group's training policy encourages employees to acquire and strengthen the skills required to fulfill their objectives and to pursue their career development. Employee training requests and needs are identified and discussed by the Management and employee representatives. They are also discussed during each employee's annual performance review. The percentage of payroll dedicated to training remains significantly higher than that required under French law.

Training is both a key component in the recruitment of young professionals and an asset for the company, which is diversifying its recruitment pools accordingly. Vivendi continues to meet the commitments it made in 2009, with the hiring of 606 employees on alternating work-study contracts in France (compared to 669 in 2010 when compared on a like-for-like basis).

For several years, Vivendi has been developing a training program in partnership with INSEAD (the European Business Administration Institute) to improve its employees' future leaders' skills. This made-to-measure training program aims to develop the skills needed to better understand the national and international business environment, to anticipate major trends in our markets, to learn best practices, to challenge experiences and to redefine accepted beliefs.

With an employment rate of 34%, female representation in the Group is considerably higher than the CAC 40 benchmarks. Vivendi wishes to increase the number of women on executive committees. Convinced that the increased hiring of women in a senior managerial role is an indicator of success for the Group, in late 2011, the Management Board approved a mentoring and networking program to promote gender diversity at the Group's highest levels. In addition, all of the French subsidiaries have signed innovative agreements regarding gender diversity and professional equality.

With regards to risk prevention, job safety and working conditions, studies have been carried out by various entities to implement relevant training programs. Vivendi continues to implement measures in relation to stress management and psychological-social risks. These measures are tailored to each Group entity. They include training of local managers, a free hotline available to employees, and/or information provided to workplace representative agencies (IRPs) by a specialist physician.

Vivendi encourages internal mobility among its various business units through three methods: an annual interview focusing on employee goals, a people review by management and a specialized website. The website, which is accessible via the Intranet site, has been improved through the integration of new technologies such as e-learning so that employees can prepare for possible transfers between business units.

In addition, a succession plan in relation to top management positions and high-potential employees has been put into place within each Group business unit. As soon as emerging leaders are identified, they are guided by a personalized development plan that encourages greater mobility among the Group's various businesses.

1.5.3. Contribution to Employment Development

Since 2004, Vivendi has made commitments to the French public authorities to contribute to the creation of jobs in regions particularly affected by unemployment and industrial restructuring in two different ways:

- creating, via subcontractors, two call centers linked to the Group's activity, one in Belfort (at year-end 2005), the other in Douai (at year-end 2006), with a target of creating 300 full-time equivalent (FTE) jobs at each location, or 600 jobs in total. At year-end 2011, the headcounts at these centers were 462 and 470 FTE jobs respectively; and
- aid the revitalization of vulnerable or low employment areas identified by the French Ministries of the Economy and Industry: €5 million will be allocated over a five-year period to consultancy and the funding of projects designed to create jobs.

These projects were undertaken under the terms of an initial five-year agreement (2005/2009). They were continued under a second agreement initially planned for three years (2010/2012).

Accomplishments under the 2005/2009 five-year agreement: 4,361 jobs created

The results of the eleven programs established under the 2005/2009 five-year agreement were highly satisfactory: as of December 31, 2011, jobs certified by commitment committees, which were set up with public authorities in each relevant area, totaled 5,263, and actual job creations totaled 4,361, which represented more than 83% of certified jobs.

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At year-end 2011, Vivendi exceeded its overall goal to create 2,800 jobs in all employment areas by 88% for certified jobs and by 56% for actual jobs created.

The first employment program was set up in March 2005 and the latest program was launched in March 2008. Each program has an operating lifetime of at least three years. During 2010 and 2011, several programs have been extended beyond their initial three-year period, in agreement with and at the request of the following public authorities: Abbeville and Montdidier (Somme), Thann and Cernay (Haut-Rhin), Pas-de-Calais (extension centered on the Calais areas), as well as Le Tonnerrois (Yonne). At year-end 2011, only two programs were still not complete (Haut-Jura and Le Tonnerrois). As a result, the 2011 results for the five-year agreement (2005/2009) are not entirely final.

Moreover, at the end of the operational phase, the economic development companies involved remain within these areas in order to follow the progress of the programs they instituted and to ensure that proposed jobs translate into actual ones.

Most of the programs have exceeded their job creation goals considerably, albeit to differing degrees: 157% in Arles, 100% in the Somme (Abbeville and Montdidier), 74% in Thann and Cernay (Haut-Rhin), 73% in the Oise, 71% in Dreux, 58% in the Pas-de-Calais, 34% in Sarrebourg and 12% in Chalon-sur-Saône. At year-end 2011, the Haut-Jura (Saint-Claude) program already exceeded its goal by 44% and the Le Tonnerrois program slightly exceeded its goal by 3%. Only the Autun-Château-Chinon program is lagging behind: the goal has been exceeded by 25% in terms of job planning but has not yet been reached in terms of job creation.

80% percent of the companies that were offered assistance in these areas were agribusinesses, public works, and industrial services businesses. 15% percent were involved in trade and the craft industry. The remaining companies were in the tourism and homecare sectors. 70% percent of the aided projects involved the expansion of existing companies, 26% the creation of new companies and 4% acquisitions. Almost all aided companies were either small, medium-sized or very small businesses. More than 85% of all approved projects were carried out by companies from these areas.

At year-end 2011, for the eleven employment areas, €29.49 million had been allocated by Vivendi to the creation of jobs since 2005 under its initial five-year commitments.

2010/2012 Commitments

In the first quarter of 2009, Vivendi agreed to new targets set by the French Government for its contribution to job creation over a period of three years (2010/2012). In addition to maintaining its previous commitments in relation to the call centers in Belfort and Douai, Vivendi has agreed, in line with its previous programs for geographic areas in economic difficulty and in addition to jobs already created under its previous commitments, to create 1,800 new jobs in three years and to allocate €5 million to €6 million per year to meet this goal.

The first geographic areas under this new initiative were assigned to Vivendi by the Ministry of Economics and the Ministry of Industry in late 2009. They included Châtellerault (Vienne), Montluçon (Allier) and a new program in the Oise with a focus on the Beauvaisis and Sud-Oise areas (Creil and Crépy-en-Valois).

The Châtellerault program is unique. The French government asked Vivendi to pool its own revitalization efforts with five revitalization agreements entered into with companies located in the area that had been forced to reduce the number of their employees through reduction in workforce programs. The overall goal was to create 475 jobs. At year-end 2011, the projects approved in Châtellerault accounted for 533 jobs. Of these, 264 have already been created.

In less than two years, the new Oise program has almost achieved its goal of creating 300 jobs; 643 jobs have been scheduled to be created and 298 have actually been created. In the Montluçon area (where there was a goal of creating 250 jobs), 326 jobs have been planned and 148 have already been created.

During summer 2010, three new areas have been designated by the public authorities: the Pays de Ploërmel (Morbihan), Vendôme (Loir-et-Cher) and a new program in Calais. Programs in these three areas started in the fourth quarter of 2010. Their goal was to create a total of 600 jobs. At year-end 2011, the total number of jobs scheduled for the program totaled 536 and the number of jobs already created totaled 190.

For all six of these programs, the overall goal is to create 1,625 jobs. At year-end 2011, the provisional results are 2,038 planned jobs, of which 900 have already been created.

In 2011, Vivendi dedicated a total of €5.02 million to fund these projects, which is comparable to the amount so allocated in 2010. The total 2010/2012 funding for these commitments now amounts to €10.04 million.

1.5.4. Equality of Opportunity in Educational Programs

Fondation SFR

Fondation SFR is five years old. The foundation extends and enhances the company's sponsorship activities to promote equality of opportunity. It operates as close to the ground as possible and, every year, it supports over one hundred joint projects sponsored by company employees. This support may be of a financial or personal nature, through financial donations or the sponsorship of skills.

In 2011, Fondation SFR launched its first call for projects whose goal is to improve the daily lives of elderly people through digital technology. Three associations received awards. Both funding and time were donated by SFR employees.

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Key figures include, amongst others:
- 120 projects funded and sponsored by employees via the Fondation SFR support fund;
- 50 employees having received the title of citizen-employee. This allows them to take six to fifteen days per year out of their work schedule to lead a project in an association; and
- 19 employees participating in international development aid missions.

Passeport Avenir

By creating the "Telecom Engineer Passport" (*Passeport Ingénieur Télécoms*) in 2005, SFR and the French public authorities intended to facilitate access to engineering schools for young people in depressed areas and to offer them the prospect of high level careers in telecommunications businesses. SFR's objective is to create genuine and exemplary situations of academic and professional success for young people, within companies located in disadvantaged neighborhoods, by using the appeal of the telecommunications business. This program is the first to actively involve all key players at all levels, including teachers, companies, higher education institutions, local policy-makers and young people themselves.

A "Circle" that has gradually gotten wider

In 2006, the program expanded to the "Telecom Passport Circle" ("*Cercle passeport télécoms*"). Six companies in the telecommunications sector (Alcatel-Lucent, Ericsson France, Motorola France, Nokia Siemens Network and Siemens France) joined SFR in its partnership with the French Ministry of Education and the Ministry of Employment, Social Cohesion and Housing.

In 2007, other new partners joined the *Cercle passeport telecoms*, including: Crédit Mutuel, Formule 1 hotels, Orange and the Fondation Alcatel-Lucent. Crédit Mutuel offers all students who attend partner schools loans requiring no parental guarantee. Formule 1 offers students two free nights in Formule 1 hotels during the university entrance exam period if they have to travel a long distance from home. Orange strengthens and extends the *Cercle*'s presence on the ground and the commitment of the telecommunications sector to equality of opportunity and social advancement. Finally, the Alcatel-Lucent Foundation works in the United States with a network of 70 English-speaking mentors to offer telephone interviews and conversations to young people assisted by the *Cercle*. In 2011, 15 companies joined the program, renamed "Passport to the Future" ("*Passeport Avenir*"), which is expanding its efforts at universities.

2011 key figures include:
- 43 technological (ATS, TSI, ECT) and professional preparatory classes, 55 major engineering and management schools and five universities are partners with *Passeport Avenir*;
- 755 mentors and 71 advisors, acting for a total of 826 employees, including 119 mentors from SFR;
- out of 776 individual students mentored, 463 are preparing to attend institutions of higher learning and 313 are already attending them. In total, 4,060 students are being mentored;
- 74% of students have received scholarships (note that an increased number of mentored students are apprentices in school, and so cannot receive a scholarship); and
- the preparatory exam success rate for institutions of higher learning is 88% and the rate of those who opt to take the exam again is 9%.

Mobi3

The Mobi3 program has existed since 2008. It is based on an entrance examination and is offered to participants by three companies involved in the life cycle of cell phones: Dassault Systems, DLA Piper and SFR, in partnership with *IMS-Entreprendre pour la Cité*. Mobi3 forms part of the "Engage" program supported by the Ministry of Education, with the aim of developing social commitments among employees across Europe. It challenges teams of middle school students to develop the cell phone of the future as part of their DP3 (3-hour professional discovery) option. Consequently, the students study the life cycle of a cell phone from 3D design to sale and cover marketing, legal aspects and logistics. This opportunity is used to introduce them to several professionals. In its fourth year of operation (2011-2012), seven middle schools in Ile-de-France have participated in the program.

Télémaque

Institut Télémaque was created in July 2005 in partnership with the French Ministry of Education and 15 companies (Adecco, Axa, BPCE, Cisco, Darty, EDF, La Poste, PPR, Rexel, Schneider Electric, SFR, Technip, Total, UBS and Veolia).

Its mission is to support gifted, motivated young people (either middle-school students attending priority education schools or apprentices in vocational training) from disadvantaged areas in order to give them every opportunity to succeed based on merit. The goal is for them to complete their secondary education and to pass with good and very good grades.
The program is based on individualized mentoring, both in school and in the student's personal life, from middle school through the *baccalauréat*. This takes place through dual mentoring (educational and professional) and financial aid that allow them to identify and achieve their goals. In 2011, out of 250 young people mentored by one of the 19 Institut Télémaque partner companies, ten were mentored by SFR employees.

La chance aux concours

The association *La chance aux concours* offers students receiving scholarships free preparation for entrance exams to journalism school. The preparation is conducted by professional volunteers. It is supported financially by the *Create Joy* program and receives additional support from Canal+ Group, which offers students the opportunity to attend field trips to publishers, to meet i>Télé journalists and to participate in internships.

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ARPEJEH

Based on a finding that most disabled students stop their studies after 8th grade, SFR set up, in 2008, the ARPEJEH association (Assisting Young and Disabled Students to Complete their Studies). It brings together businesses and government entities from all sectors.

The aim is to encourage disabled students to avoid self-criticism by showing them that they can pursue a worthy professional career. To achieve this aim, the association organizes "job discovery" workshops in middle schools. This provides an opportunity for disabled students to realize that a place exists for them in the business world and that it is therefore essential that they continue their studies. A framework agreement, signed with the French Ministry of National Education regarding three school districts in Ile-de-France, is evidence of the importance of these measures. The Lyon school district joined the ARPEJEH association in 2011.

Internships in companies, "job discovery" and "unusual job discovery" workshops are increasing in number. Today, the ARPEJEH association includes almost 48 companies, including L'Oréal, LVMH, Air France and RTE (Transport and Electricity Network). The association is chaired by Stéphane Roussel, the Vivendi Group's Human Resources Director.

1.6. Insurance

Vivendi has a centralized policy[1] under which various insurance schemes cover certain risks that the Group is facing.

The insurance schemes are established to supplement any risk-prevention procedures currently in place on-site. These include 'return to work' or first-aid plans in the event of a disaster affecting the nerve center of any given business, as well as environmental protection measures.

In 2011, Vivendi signed or renewed the following principal insurance schemes.

Property damage and business interruption

General insurance schemes for the entire Group[1] are in place for an aggregate coverage of up to €400 million per loss. These schemes cover the risk of fire, water damage, natural events, terrorism (depending on the legal restrictions applicable in each relevant country/state) and any business interruption resulting from these events. In general, the applicable excess per incident is €250,000.

Third-party liability

Business and third-party product liability schemes have been implemented and provide aggregate cumulative coverage of €150 million per year for the entire Group. This amount supplements various so-called first-line policies which are subscribed for directly by various business units (i.e., Universal Music Group, SFR, Maroc Telecom Group, GVT and Canal+ Group) for an aggregate amount comprised between two and sixteen million dollars or euros, as applicable.

Work accidents

Certain schemes are specific to operations undertaken in the United States, particularly those relating to work accidents, for which the employer remains responsible for insurance purposes. So-called workers' compensation programs have been implemented to address the requirements under various federal and state laws.

1.7. Investments

Vivendi's main investments include acquisitions of financial investments, as described in Section 1.1 of the Financial Report, as well as investments in content and capital expenditures, as described in Sections 3 and 4.2 of the Financial Report. The impact of these investments on Vivendi's financial position is described in Section 5 of the Financial Report. The impact of the financial investments on the Consolidated Statement of Financial Position is described in Note 2 to the Consolidated Financial Statements, and the impact of both content investments and capital expenditures on the Consolidated Statement of Financial Position is described in Notes 10, 11, 12 and 13 to the Consolidated Financial Statements. Moreover, the contractual commitments assumed by Vivendi, as part of the acquisitions of financial investments as well as content investments and capital expenditures, are described in Note 26 to the Consolidated Financial Statements. Capital expenditures which have been broken down by geographic region and business are presented in Note 3 to the Consolidated Financial Statements. The Group is not planning any future investments for which Management has already contracted firm commitments, other than those described in Note 26 to the Consolidated Financial Statements.

1. Excluding Activision Blizzard, which has its own insurance schemes.

Section 2 **Description of the Group's Businesses**

2.1. Activision Blizzard

Activision Blizzard is a global leader in interactive entertainment software and the world's largest independent video game publisher. The company was formed in 2008 through the merger of Activision, Inc. and Blizzard Entertainment, two of the leading players in the field of interactive entertainment.

Activision Publishing, Inc. (Activision), is a leading international publisher of interactive software products and content. Activision develops and publishes video games on various consoles, handheld platforms and the PC platform through internally developed franchises and license agreements.

Blizzard Entertainment, Inc. (Blizzard), is the leading company in the subscription-based massively multiplayer online role-playing game ("MMORPG") category. Blizzard internally develops and publishes PC-based computer games and maintains its related proprietary online-game service, *Battle.net*®, one of the biggest in the world with millions of active gamers.

Activision Blizzard's portfolio of proven franchises is unmatched in the industry and includes Activision Publishing's *Call of Duty*® and Blizzard Entertainment's *World of Warcraft*®, *StarCraft*® and *Diablo*®. Each of these franchises is a long-standing leader in its respective genre. *Call of Duty*® and *World of Warcraft*, *StarCraft* and *Diablo* have strong online player communities.

The company's objective is to continue to be a worldwide leader in the development, publishing, and distribution of quality interactive entertainment software, online content and services that deliver a highly satisfying entertainment experience.

Continue to Improve Profitability. The company continually strives to manage risk and increase its operating leverage and efficiency with the goal of increased profitability. It believes the key factors that will affect its future profitability will be the success of its core properties, proven franchises and genres, cost discipline, and its ability to leverage the continued growth of online and digital revenue opportunities.

Create Shareholder Value. Activision Blizzard continues to focus on enhancing shareholder return through growing its operating margin, maintaining a strong balance sheet and generating strong cash flows. As a result, it expects to continue to achieve long-term growth and has been able to provide value to its shareholders through stock repurchase programs and cash dividends.

Grow Through Continued Strategic Acquisitions and Alliances. Activision Blizzard intends to continue to evaluate the expansion of its resources and intellectual properties library through acquisitions, strategic relationships, and key license transactions. It will also continue to evaluate opportunities to increase its already proven development expertise through the acquisition of, or investment in, selected experienced software development firms.

Focus on Delivery of Digital Content and Online Services. Activision Blizzard continues to shift towards the digital delivery of content and to establish and develop direct and long-term relationships with its gamers. It will also continue to support, maintain and enhance the *World of Warcraft* and *Call of Duty* online communities. Activision Blizzard believes that focusing its efforts on online product innovations, such as additional online content, services and social connectivity provides lasting value enhancement to its global communities of players.

In 2011, according to The NPD Group, Charttrack and Gfk, Activision Blizzard was the #1 console and handheld publisher in the United States and Europe for the fourth quarter and the #1 console and handheld publisher in the United States for calendar year 2011. It had three #1 best-selling titles in their genres worldwide – Activision Publishing's *Call of Duty: Modern Warfare 3* was the #1 first-person action franchise; *Skylanders Spyro's Adventure* was the #1 kids title; and Blizzard Entertainment's *World of Warcraft*, was the #1 subscription-based MMORPG.

In addition to Activision Blizzard's wholly owned portfolio of franchises, in May 2010, Activision entered into an exclusive 10-year partnership with Bungie, the developer of blockbuster game franchises including *Halo*, *Myth* and *Marathon*, to bring Bungie's next big action game universe to market. During the term of the agreement, Activision will have exclusive, worldwide rights to publish and distribute all future Bungie games based on new intellectual property on multiple platforms and devices.

Activision Blizzard's existing core franchises, coupled with Bungie's new game universe, as well as a new MMORPG currently in development by Blizzard Entertainment, should provide the company with a solid foundation for long-term growth. Its strong financial position, its global best-in-class retail and online distribution capabilities, and its proven ability to create value should enable it to grow its biggest franchises through innovation, establish new online business models, expand within Asia and into new geographies and continue to partner with the industry's best development talent.

2.1.1. Activision Publishing Product Highlights

Activision Publishing focuses on development and publishing activities principally for products and content that are, or have the potential to become, franchises with sustainable mass consumer appeal and recognition. It is Activision Publishing's experience that these products and content can then serve as the basis for sequels, prequels and related new products and content that can be released over an extended period of time.

Section 2 **Description of the Group's Businesses**

In recent years, Activision Publishing has been best known for its success in the first-person action category due to the *Call of Duty* franchise, including the latest release *Call of Duty: Modern Warfare 3*, which was launched on November 8, 2011. *Call of Duty: Modern Warfare 3* became the biggest entertainment launch ever in its first 24 hours, selling approximately $400 million in North America and the United Kingdom, according to Charttrack and retail customer sell-through information.

2011 marked the third consecutive year that *Call of Duty* set day-one launch records across all forms of entertainment. The game also established an all-new five-day worldwide sell-through record of more than $775 million (retail value), exceeding Activision Publishing's previous five-day worldwide sell-through record of $650 million set by last year's *Call of Duty: Black Ops*, according to Charttrack and internal estimates.

According to The NPD Group, Charttrack and Gfk, for calendar year 2011, in aggregate across all platforms in the United States and Europe, *Call of Duty: Modern Warfare 3* was the #1 best-selling title in dollars and *Call of Duty: Black Ops* was the #5 best-selling title in dollars.

On November 8, 2011, in conjunction with *Call of Duty Modern Warfare 3*, Activision Publishing launched an innovative new free and premium online service, *Call of Duty Elite*, that significantly enhances the Call of Duty franchises' multiplayer experience and delivers a new level of social engagement that will unite the Call of Duty community. Six days after the launch of *Elite* on November 8, 2011, it has sold one million premium memberships. By comparison, the premium subscription services of Netflix, Hulu Plus and Sirius XM each reached one million paid subscribers after approximately one year. As of January 31, 2012, more than seven million gamers have registered for *Call of Duty Elite*, including more than 1.5 million premium annual memberships which Activision Publishing has sold for the online service.

Call of Duty Elite's features and services engage the community in three key ways:

- Connect: *Call of Duty Elite* gives players unprecedented control over their multiplayer experience, transforming it into a true social network. Players can compete against friends, players of similar skill levels and players with similar interests, join groups, join clans and play in organized tournaments;
- Compete: *Call of Duty Elite* establishes the most exciting, competitive environment in a MMORPG. Players will have available a constant stream of events and competitions, tiered to group them with others of .similar ability; and
- Improve: *Call of Duty Elite* provides players with a dynamic strategy guide that tracks their statistics and performances down to the minutest details so that they can learn and up their game.

During calendar year 2011, in addition to *Call of Duty: Modern Warfare 3*, Activision Publishing released an innovative new family entertainment property, *Skylanders Spyro's Adventure*, which brings the world of toys, video games and the Internet together like never before. *Skylanders Spyro's Adventure* lets players transport more than 30 real-world toys into virtual game worlds using the *Portal of Power*™ peripheral. The game delivers the first-ever cross-platform connected gameplay experience across consoles, handhelds, on iOS and Android apps and through an expansive web world. Each *Skylanders* game figure remembers skill advancements and level-ups, allowing players to take their *Skylanders* character with them when they play on any of the other platforms.

According to The NPD Group, Charttrack and Gfk, in North America and Europe, including accessory packs and figures, *Skylanders Spyro's Adventure* was the #8 best-selling game in US dollars for the fourth quarter of 2011, and the #1 best-selling kid's title in US dollars for calendar year 2011. Additionally, in North America, including accessory packs and figures *Skylanders Spyro's Adventure* was the #10 best-selling game in US dollars.

Additionally, during calendar year 2011, Activision Publishing released several other games including, *Spider-Man*™: *Edge of Time*; *X-Men*™ *Destiny*; *Transformers*™: *Dark of the Moon*; *GoldenEye 007*™: *Reloaded Double 'O' Edition*; *Wipeout In The Zone* and several from its popular *Cabela's* franchise — *Cabela's Survival: Shadows of Katmai*, *Cabela's Adventure Camp*. *Cabela's Big Game Hunter 2012*, and *Cabela's Hunting Party*.

2.1.2. Blizzard Entertainment Product Highlights

Since 2004, when Blizzard Entertainment first launched its subscription based MMORPG: *World of Warcraft*, the franchise has experienced significant sequential growth. In 2008, the company released the second *World of Warcraft* expansion pack, *World of Warcraft: Wrath of the Lich King*® and in 2010, it launched *World of Warcraft: Cataclysm*®, the third expansion pack, in all regions other than China where the game was launched. Blizzard Entertainment has announced plans for the fourth *World of Warcraft* expansion pack – *World of Warcraft: Mists of Pandaria*.

As of the date of this report, *World of Warcraft* is available in North America, Europe (including Russia), China, South Korea, Australia, New Zealand, Brazil, Chile, Argentina, Southeast Asia and the regions of Taiwan, Hong Kong and Macau. In the Asian market, Blizzard distributes *World of Warcraft* directly through its local subsidiaries, partners and license agreements. In 2009, Blizzard entered into a license agreement with NetEase.com, Inc. for the operation of *World of Warcraft* in China. In addition, Blizzard granted a license to NetEase for the operation in China of *StarCraft*® *II: Wings of Liberty*™, *Warcraft*® *III: Reign of Chaos*® and *Warcraft*® *III: The Frozen Throne*®.

In 2010, Blizzard launched the sequel to *StarCraft*, *StarCraft II: Wings of Liberty* simultaneously around the world including in North America, Europe, South Korea, Australia, New Zealand, Russia, Brazil, Chile, Argentina, Southeast Asia and the regions of Taiwan, Hong Kong, and Macau. Within 48 hours, *StarCraft II: Wings of Liberty* had sold more than 1.5 million copies, making it the fastest-selling strategy game of all time, and it went on to sell more than three million units within the first month, based on internal company records, public data and/or reports from key distribution partners.

Section 2 **Description of the Group's Businesses**

Simultaneously with the release of *StarCraft II: Wings of Liberty*, Blizzard launched a new version of its online gaming service, *Battle.net*, evolving it into the industry's premier online gaming destination for Blizzard gamers. In addition to *StarCraft II: Wings of Liberty* and *World of Warcraft*, *Battle.net* will power Blizzard's subsequent new releases in the future and is designed to keep players connected to their friends no matter which Blizzard game they are playing. The service offers players advanced communications features, social networking, player matching and digital content delivery, enabling a unique, connected experience for millions of players across multiple brands.

Looking forward, Blizzard Entertainment has announced its intention to launch *Diablo III*, the next title in its critically acclaimed series of action role-playing games.

World of Warcraft remained the #1 subscription-based MMORPG worldwide for calendar year 2011, ending the year at approximately 10.2 million subscribers.

2.1.3. Seasonality

The interactive entertainment industry is highly seasonal, with the highest levels of consumer demand occurring during the year-end holiday buying season. The exposure to the seasonal nature of the business can be somewhat lessened by releasing core titles at times other than during the end-of-year holiday season and by launching selected downloadable content for core titles. The subscription-based MMORPG business provides a more consistent revenue stream throughout the year, as players pay a monthly subscription fee or purchase hourly time cards in order to play.

2.1.4. Regulatory Environment

Activision Blizzard voluntarily participates in self-regulatory rating systems established by various video game industry organizations around the world. In the United States and Canada for example, the group adheres to the principles adopted by the Entertainment Software Rating Board ("ESRB"). It also adheres to other applicable video game ratings systems, such as the Pan European Game Information ("PEGI") rating system, pursuant to which Activision Blizzard displays the age group for which a particular product is intended on its product packaging and advertising, respects applicable advertising guidelines and online privacy principles and provides a brief description of the product's content on its packaging.

Blizzard offers parental controls for parents whose children play *World of Warcraft*. The system allows parents, as the account holders, to monitor and manage their children's gaming time. By enabling the parental controls system, parents can choose the days and times during which their children may play (e.g., weekends exclusively or one or several predetermined weekdays between certain hours) and the frequency of breaks (e.g., every thirty minutes or once an hour). Anyone attempting to log on to the game outside the authorized times will not be allowed access. In addition, Activision Publishing's console-based games are compatible with the parental controls tools built into the game consoles.

2.1.5. Piracy

Piracy is a serious concern for video game publishers. Through its anti-piracy department, Activision Blizzard combats piracy and counterfeiting on its own and in collaboration with third parties, including other publishers and trade associations. Activision Blizzard utilizes emerging business models that embrace the Internet and at the same time use technology to thwart piracy. Another international enforcement challenge comes in the form of unauthorized server systems. Organized international groups circumvent security measures and reverse engineer software codes to facilitate infringing online play of Activision Blizzard titles. Some infringing servers require the use of pirated software and/or a "donation" in order to play, which is far less than the cost of legitimate software or monthly subscription rates. Activision Blizzard aggressively defends its intellectual property rights against infringement, including taking legal measures when it deems such measures advisable, as well as referring targets to criminal authorities, supporting prosecutions and providing training for customs and law enforcement officials.

2.1.6. Competition

Through Blizzard Entertainment's *World of Warcraft*, Activision Blizzard is the leader in the subscription-based MMORPG category. *World of Warcraft* is the only MMORPG that has experienced major success in all key markets (North America, Europe and Asia). Competitors that also publish MMORPGs include NCSoft, Trion Worlds, Sony Online Entertainment, Electronic Arts and Funcom.

Competitors in the console, handheld, mobile and PC games segment include, among others, Electronic Arts, Bethesda Softworks, Konami, Take-Two Interactive, THQ and Ubisoft entertainment, as well as Nintendo, Sony and Microsoft, which publish video games for their own platforms.

2.1.7. Raw Materials

The principal raw materials used in the Activision Blizzard businesses are polycarbonates for the production of CDs and DVDs, paper and plastic materials for the packaging of its products and other plastic materials for game accessories for consoles and PCs. These raw materials do not experience price fluctuations that could have a material impact on the Activision Blizzard business. Polycarbonates and the plastic materials used in certain packaging and for hardware accessories could experience price variations due to the fluctuation in oil prices. The business activities of Activision Blizzard are not dependent on any raw material suppliers.

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2.1.8. Research and Development

Capitalized software development costs include amounts paid to entitled beneficiaries for the use of their intellectual property content in order to develop new games (e.g., software development, graphics and editorial content), direct costs incurred during the internal development of products and the acquisition costs for software developed outside of the company. Software development costs are capitalized when the technical feasibility of the software has been established and they are considered recoverable. These costs are mainly generated by Activision Blizzard as part of the games development process and are amortized using the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues) for a given product. Non-capitalized software development costs are immediately recorded as research and development costs.

For calendar year 2011, research and development expenditure for Activision Blizzard amounted to €653 million (compared to €765 million in 2010) and consisted of all internal or external net costs charged against earnings for the periods reported.

2.2. Universal Music Group

Universal Music Group (UMG) is the world's leading music company, with top market positions in recorded music, music publishing and merchandising[2].

The recorded music business discovers and develops recording artists and then markets and promotes their music across a wide array of formats and platforms. UMG continues to expand its participation in other operations related to its recording artists, including brand rights management, sponsorship and touring.

In the music publishing business, UMG discovers and develops songwriters, and owns and administers copyrights to musical compositions for use in recordings, public performances and related uses, such as films and advertisements.

The merchandising business produces and sells artist and other branded products via multiple sales points including fashion retail, concert touring and the Internet.

In November 2011, Vivendi and UMG entered into a definitive agreement to purchase EMI's recorded music division for a total consideration of £1.2 billion. Closing of the agreement remains subject to a number of conditions precedent, including approval by regulatory authorities in the countries and continents concerned.

2.2.1. Recorded Music

UMG's recorded music business holds market leading positions in most of the world's major music markets, including the United States, the United Kingdom, France and Germany. The development of the digital market and new innovative business models has enabled UMG to improve its performance in the BRIC (Brazil, Russia, India and China) countries as well as expand its presence into other emerging markets, such as the Middle East and Eastern Europe.

UMG is not dependent on any particular artist or music trend, due to its direct representation in more than 50 countries across the globe that ensures participation in the important local music sector and its diverse range of labels in the major markets. UMG's labels complement each other through their focus on different genres and music segments, thereby mitigating the effect of changes in consumer taste. UMG's major recording labels include popular music labels (such as Island Def Jam Music Group, Interscope Geffen A&M Records, Universal Music Nashville, Mercury Records, Polydor and Universal Motown Republic Group), classical, and jazz labels (such as Decca, Deutsche Grammophon and Verve).

In 2011, best-selling albums included titles from a wide range of artists, including best selling acts such as Lady Gaga, Rihanna, Lil Wayne and Justin Bieber and emerging talents such as Nicki Minaj, Jessie J, LMFAO and Scotty McCreery, via UMG's partnership with American Idol. Regional best sellers included titles from Girls Generation and Kara in Japan, Paula Fernandes in Brazil and Nolwenn Leroy in France.

Sales from prior releases account for a significant and stable part of UMG's recorded music revenues each year. UMG owns the most comprehensive catalog of recorded music in the world, with performers from the United States, the United Kingdom and around the world, including ABBA, Louis Armstrong, Chuck Berry, Black Sabbath, James Brown, The Carpenters, Eric Clapton, Patsy Cline, John Coltrane, Elvis Costello, Count Basie, Def Leppard, Dire Straits, Ella Fitzgerald, The Four Tops, Serge Gainsbourg, Marvin Gaye, Bebel Gilberto, Guns 'N Roses, Johnny Hallyday, Billie Holiday, Buddy Holly, The Jackson Five, The Jam, Elton John, Herbert von Karajan, The Kinks, Kiss, Andrew Lloyd Webber, Lynyrd Skynyrd, The Mamas & The Papas, Bob Marley, Dean Martin, Nirvana, Mike Oldfield, Luciano Pavarotti, Tom Petty, Edith Piaf, The Police, Smokey Robinson, The Rolling Stones, Diana Ross & The Supremes, Michel Sardou, Frank Sinatra, Dusty Springfield, Cat Stevens, Rod Stewart, Caetano Veloso, Muddy Waters, Barry White, Hank Williams and The Who.

UMG markets its recordings and promotes its artists through advertising and exposure in magazines, on radio and TV, via the Internet and mobile phone devices and through point-of-sale material. Public appearances and performances are also important elements in the marketing process, which is carried out on a country-by-country basis although global priorities and strategies for some artists are determined centrally. Television advertising plays an important role in the marketing of compilations and new albums. UMG is also very active in developing new sources of revenue, including expanded rights arrangements, often described as '360° deals', through advertising and sponsorship agreements and participation in theatrical and TV production. UMG's Universal Brand Entertainment Experience (u-bee) is now

2. *Source : Music & Copyright.*

operating in 45 countries, developing multi-territory brand partnerships with a diversified customer base such as Hewlett-Packard, Indonesia's Indosat and Peugeot. A new division called u-bee Classics has been launched targeting high-end and luxury brands using UMG's large catalog of classical and jazz repertoire.

UMG plays a leading role in the expansion of the digital music market and continues to encourage and support innovation through partnerships entered into with the leading actors of the market, including Spotify, iTunes, Google Music, Amazon, Deezer and Vevo. It has more than 670 epartners worldwide.

UMG has outsourced the bulk of its manufacturing operations and the management of its distribution activities to third parties.

2.2.2. Music Publishing

Universal Music Publishing Group is the world's leading music publishing company[3]. Music publishing involves the acquisition of the rights to and the 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 the compositions may be licensed for use in sound recordings, films, videos, commercials and live and other public performances (e.g., broadcasting and film performances). UMG also licenses compositions for use in printed sheet music and song portfolios. UMG generally seeks to acquire rights but it also administers musical compositions on behalf of owners such as other music publishers and authors who have retained or acquired such rights.

UMG's music publishing company is also a global leader in the Production Music Library businesses. The Production Music Library business owns or controls a vast catalog of original music and arrangements (through numerous libraries and niche brands) and provides this music for use in films, television, advertising and new media industries, essentially as an economical licensing alternative to live or popular music.

UMG's combined publishing catalog contains more than two million owned and administered titles, including some of the world's most popular songs, such as "R.E.S.P.E.C.T.," "American Pie," "Strangers in the Night," "Copacabana," "Born to be Wild," "Good Vibrations," "I Want to Hold Your Hand," "Sweet Dreams (Are Made of This)," "I Will Survive," "Smoke Gets in your Eyes" and "(Sitting on) the Dock of the Bay." Some of the major artists/songwriters whose works are represented include Eminem, Adele, Justin Timberlake, Mumford & Sons, ABBA, The Mamas & The Papas, Keith Urban, Juan Gabriel, Coldplay, The Beach Boys, Irving Berlin, Mariah Carey, T-Pain, Jon Bon Jovi, Maroon 5, Chris Brown, Gloria Estefan, Linkin Park, Florence and the Machine, André Rieu, Andrew Lloyd Webber, Ne-Yo and U2. Legendary composers whose works are represented include Leonard Bernstein, Paul Simon, Elton John, Bernie Taupin, Jimi Hendrix and Henry Mancini. During 2011, UMG entered into a number of new publishing deals, including agreements with Diane Warren, Ari Levine, Philip Lawrence, DJ White Shadow, Smashing Pumpkins, and Jeremih (among many others).

2.2.3. Merchandising

Bravado, UMG's global merchandising company, is the only global, 360 degree full-service merchandise company in the industry. It develops and markets high-quality licensed merchandise to a world-wide audience. Bravado works closely with new and established entertainment clients, creating innovative products carefully tailored to each artist or brand. Products are sold on live tours, via selected retail outlets and through web-based stores. Bravado also licenses rights to an extensive network of third party licensees around the world. It maintains offices in London, Los Angeles, New York, Berlin, Paris, Tokyo and Sydney. Bravado is able to leverage UMG's global sales and distribution network as well as UMG's significant marketing strength. Bravado artists include The Rolling Stones, Lady Gaga, Michael Jackson, Justin Bieber, Paul McCartney, Eminem, Kanye West, Metallica, Nickelback, Katy Perry, Guns 'N Roses, Red Hot Chili Peppers, Green Day and The Killers, among many others.

2.2.4. Seasonality

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

2.2.5. Regulatory Environment

UMG's businesses are subject to the laws and regulations of the countries in which they operate.

In the United States, in 2000, certain UMG subsidiaries entered into a Consent Decree with the Federal Trade Commission (FTC), under which they agreed that, for the next twenty years, they would not make the receipt of any co-operative advertising fund for their pre-recorded music products contingent on the price (or price level) at which such products are offered for sale.

In 2003, following a lawsuit filed by the FTC, the FTC issued an order that generally prohibits UMG from entering into agreements with unaffiliated entities to fix, raise or stabilize prices or price levels for the sale of audio or video products in the United States and any agreements with such entities to prohibit non-deceptive advertising for audio or video products in the United States.

Also in the United States, in 2004, a UMG company entered into a Consent Decree with the FTC, under which it agreed to comply with the provisions of the Children's Online Privacy Protection Act and to maintain records demonstrating compliance.

3. Source : Music & Copyright.

Section 2 **Description of the Group's Businesses**

2.2.6. Piracy

Piracy continues to cause material damage to the music industry while impeding the development of new business models. It is estimated that for every twenty songs downloaded from the Internet, only one song is legally purchased. UMG takes a multi-pronged approach in response to piracy, working in conjunction with the rest of the music industry and other entertainment sectors, including the movie and games industries and across other sectors via initiatives like the International Chamber of Commerce's BASCAP. This multi-pronged approach includes the following:

- UMG supports the launch of new and innovative services, such as Spotify, Aspiro's WIMP and Google Music, as well as the continued growth of existing services such as iTunes, Amazon, Deezer and VEVO, giving consumers an increasing number of ways in which to legally access music. Indeed, UMG has over 670 ePartners around the globe; and
- UMG works with governments and ISPs to introduce measures to educate users as to the wide availability of legitimate downloading services and which implement a system of warnings about the use of illegal services. Ultimately, where a user repeatedly ignores the warnings, this system should impose penalties such as temporary suspension of Internet access. Graduated Response Systems are in place in France, New Zealand and South Korea. The Graduated Response Memorandum of Understanding with ISPs in the United States will begin its roll-out in the first half of 2012.

2.2.7. 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 success of recordings released within a particular period. UMG competes for creative talent with the other major record companies both for new artists and for those artists who have already established themselves with another label. 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 single label has material influence over the market. Changes in market share are essentially based on a company's selection of artists and its release schedules.

The music industry competes for consumer discretionary spending with other entertainment products such as video games and motion pictures. In recent years, UMG has been facing greater competition for shelf-space, due to declining CD sales and continued consolidation of the retail sector in the United States and Europe.

Finally, the recorded music business continues to be adversely affected by piracy, in particular illegal downloading from the Internet (please refer to section 2.2.6 "Piracy" of this chapter).

2.2.8. Raw Materials

The principal raw materials used in UMG's recorded music business are polycarbonates for the production of CDs and DVDs and paper for the packaging of its products. These raw materials are not subject to price fluctuations that may have a material impact on UMG's business. UMG's business operations are not dependent on raw material suppliers.

Bravado, UMG's merchandising arm, is committed to using and promoting products and services that have minimal impact on the environmental, ecological and social welfare of the planet and its inhabitants.

2.2.9. Research and Development

UMG's goal is to exploit opportunities for digital distribution and to protect its copyrights and those of its artists against any unauthorized digital or physical distribution. UMG created Global Digital Business, a new media and technologies division in its structure, which analyzes and studies emerging technologies applicable to UMG's operations, such as technological defenses against piracy and new physical formats. UMG has not incurred any material research and development expenses.

2.3. SFR

SFR is the leading alternative telecommunications operator in France. As a global operator, it helps bring the best of the digital world to individuals and companies.

SFR provides its telecommunications services to customers in Metropolitan France. It also operates in Réunion and Mayotte, through its wholly-owned subsidiary Société Réunionnaise du Radiotéléphone (SRR).

As of December 31, 2011, SFR had 21.5 million mobile customers and 5 million high-speed Internet customers, representing 31.3% of the mobile telephony market and approximately 22% of the French high-speed and very-high-speed Internet market (sources: The Electronic Communications and Mail Regulation Authority "ARCEP" and SFR data).

2.3.1. Performance and Services

SFR's highlights in 2011:

- a new pricing strategy:
  - mobile service offers emphasizing loyalty, which are more flexible for the customer (the "*Carrées*" plans with or without commitment, with or without a mobile phone);
  - low-cost, no-commitment and no-mobile offers sold exclusively online (Red Series);
- development of the most comprehensive network for the mobile Web:
  - the most extensive 3G+ coverage to 98% of the population;
  - free distribution of the "SFR Femto" to optimize 3G coverage at home or at work;
  - approximately 4 million Wi-Fi hotspots;
- enhanced customer relations and sales outlets:
  - improved customer contact-point quality (a powerful "multichannel" approach: 840 SFR customer-service stations, 5,000 sellers, 12,000 call center service representatives, 1,100 home technicians and a new website);
  - an exclusive distribution partnership with Fnac to develop telephony in its stores (deployment of SFR customer-service stations in 80 Fnac stores) by the end of 2012;
- strategic agreements with virtual operators (MVNOs):
  - the successful launch of La Poste Mobile, a joint venture with La Poste;
  - entering into MVNO agreements with Virgin Mobile and CIC/NRJ Mobile;
- structural investments for the future:
  - further development of optical fiber networks on French territory;
  - obtaining 4G frequencies in the 2.6 GHz and 800 MHz bands; and
- the launch of Buyster, the first solution for secure payments over the Internet by mobile phone, created by France Télécom, Bouygues Telecom, SFR and Atos.

Mobile

Market

According to ARCEP, in 2011, the mobile telephony market continued to expand in France, with a customer base that rose by 3.5 million (representing a net annual growth of 5.4%). As of December 31, 2011, the total number of customers in France (including Overseas France) was 68.5 million. The market penetration rate stood at 105.5% at year-end 2011, compared to 100.7% at year-end 2010.

The French mobile market was characterized by a strong competitive dynamic. More specifically, it experienced a decline in prices, the emergence of low-cost offers and the ever-increasing development of MVNOs.

SFR

In 2011, SFR registered 744,000 new mobile subscribers. The total number of mobile customers at year-end 2011 totaled 21.5 million, a 0.8% increase compared to year-end 2010.

In 2011, SFR's share of the mobile telephony market in France, excluding MVNOs, was 31.3% (Source: ARCEP and SFR). Its market share of subscription customers was 33.8%.

In addition, in 2011, SFR served more than 2.4 million customers on its network on behalf of MVNOs. This 94% increase, compared to 2010, is the result of new strategic agreements with CIC/NRJ Mobile and Virgin Mobile, among others.

At year-end 2011, 41% of SFR customers were equipped with smartphones (compared to 28% at year-end 2010).

SFR is also performing well in terms of the following services:

- access to Wi-Fi mobility with nearly 4 million hotspots. Moreover, in the PACA region, a pilot service is making it possible to switch seamlessly and automatically from 3G to Wi-Fi (Auto-Connect Wi-Fi);
- multi-screen TV VoD. All SFR neufbox customers also have mobile access to 120 live TV channels, television programming on demand, a VoD catalog, or their programming guide;
- games, with over 2.9 million for-pay video games downloaded in 2011 and a catalog of more than 1,500 games, including about 100 in HD; and
- music: SFR has more than 9,000 subscribers to its streaming music offer available in partnership with Spotify.

Section 2 **Description of the Group's Businesses**

Fixed-line and Internet

Market

In 2011, the high-speed and very-high-speed Internet market continued to grow in France, with a 1.4 million increase in household customers, representing (source: ARCEP) a 7% annual net growth. At year-end 2011, the total number of customer households in France (including Overseas France) was 22.8 million.

SFR

In 2011, SFR recorded 11% (SFR estimates) of net high-speed and very-high-speed market sales, increasing its subscriber base to 5 million household customers.

In terms of use, the number of subscribers to ADSL television rose from 2.7 million at year-end 2010 to 3.1 million at year-end 2011. This has resulted in a sharp increase in Pay TV consumption with 15 million VoD units viewed in 2011 (pay, free and subscription).

In 2011, SFR expanded its ADSL TV offerings with:

- CanalPlay Infinity, the Canal+ Group unlimited VoD service;
- a catch-up TV service with approximately 20 channels available, including My TF1, Pluzz TV from the France Télévisions Group and M6 replay; and
- new applications, including SFR Météo in partnership with Météo France and Dokeo TV, an edutainment service designed in partnership with Nathan.

SFR has also continued to develop its on-demand gaming services using Cloud Gaming, a new way to play remotely (streaming without having to download). The catalog features 80 high-quality console games available on televisions, PCs and Macs.

Finally, SFR received the prestigious Red Dot Design Award for the neufbox Evolution's remote control and the *Grand Prix Stratégies du Design* prize for its interface.

Businesses

The strategy of SFR Business Team focuses on three main areas: cloud computing, internationalization and fiber optics. SFR Business Team has also reaffirmed its commitment to customer satisfaction and was awarded the Qualicert label for a second year in a row.

That same year, the business market experienced some decisive successes:

- the commercial launch of Pack Business Enterprises (a hosted unified multi-site communications service) was a success;
- SFR and the BPCE Group entered into an agreement to roll out a tele-presence solution to approximately fifty sites;
- the launch in partnership with Fujifilm of "Synapse Cloud", medical imaging hosting services solution intended for public and private health care institutions;
- an "*Ecotaxe*" partnership that brings geolocation solution for the management of heavy goods charge was entered into with the Ecomouv' consortium and the French Ministry of Ecology, Sustainable Development, Transportation and Housing; and
- SFR Business Team won the "OPACHE" government calls for tender. This mobile voice and data communication solution provides terminals with a potential of 150,000 lines available to the ministries.

Investments

In 2011, SFR invested €1.7 billion, mainly in networks and computer systems. SFR also invested €1.2 billion for the purchase of 4G licenses and obtained 15 MHz in the 2.6 GHz band for €150 million and 10 MHz of "golden frequency" in the 800 MHz band for a total amount of €1.065 billion accounted for in 2012.

Also in relation to the mobile network, SFR continued to invest in its own infrastructure networks, including 3G, with the extension of its coverage to 98% of the population at year-end 2011. It also expanded the capacity of its existing 3G sites.

In 2011, SFR's fiber optic operations, centered on the continued connection of buildings in very dense areas, were strengthened by a co-investment agreement entered into with Bouygues Telecom. SFR and Orange-France Télécom also entered into a framework agreement for the deployment of fiber optics in less dense areas (see "Network" section).

2.3.2. Network

At year-end 2011, the SFR GSM/GPRS network covered more than 99% of the French population and the UMTS (3G/3G+) network 98% of the French population.

On the 3G network, SFR achieved its coverage goals for the period 2000-2011. It increased capacity to support new mobile internet uses (data traffic doubled in one year) by raising upload speeds (HSUPA) to 2 Mbit/s and offering download speeds (HSDPA) of 7.2 Mbit/s over its entire 3G/3G+ network.

SFR deploys the latest developments in 3G. Its goal is to offer upload speeds of 5.8 Mbit/s and download speeds ranging from 21 Mbit/s for more than 40% of the French population to 42 Mbit/s in France's three largest cities.

In addition to increased speeds, SFR aims to offer the best mobile Internet experience to as many people as possible through continued efforts to increase its 3G+ network density. Meanwhile, it is increasing available capacity, improving transmission links and developing a most comprehensive network, combining 3G+, Femtocell and SFR Wi-Fi access.

Other Changes

In August 2011, SFR launched its second generation "SFR Femto". This box provides optimal coverage at home and at work. SFR is the only operator in France to offer it at no cost to all its mobile subscribers.

The SFR Wi-Fi network has approximately four million access points in France. It provides coverage in key public places such as railway stations, hotels, cafés, and restaurants. To improve customer experience, SFR launched as a large-scale pilot the service Auto-Connect Wi-Fi, which makes it possible to switch from the 3G network to Wi-Fi seamlessly and automatically.

As part of the frequency allocations for the fourth-generation mobile network (LTE, Long Term Evolution), SFR was awarded 25 MHz frequencies (10 MHz in the 800 MHz band and 15 MHz in the 2.6 GHz band). It thus has a broad spectrum as well as "golden frequencies" that will enable it to ensure nationwide 4G coverage. In addition, a demonstration of 4G services was given in Marseille. It highlighted the significant gains that LTE technology will deliver in terms of speed and low "response time" (latency) for tomorrow's very-high-speed mobile services.

SFR has continued its developments in the convergence of access and services over IP. This data transmission method provides flexibility, upgradeability and security at the lowest cost.

In 2011, development in the field of fiber-to-the-home (FTTx) was continued through fiber connections made available to more than 60,000 eligible households. In November 2011, SFR and Orange-France Télécom entered into a framework agreement to deploy fiber coverage in less densely populated areas. This agreement covers 9.8 million homes: SFR will be responsible for approximately 2.3 million homes by 2020. In total, by 2020, nearly 60% of French households will have fiber coverage as a result of the investment from private operators.

At year-end 2011, SFR had the largest alternative fixed network in France with nearly 57,000 km of high-speed fiber-optic networks. This modern capillary network connects nearly 4,800 SCUs (subscriber connection units), for almost 26 million unbundled lines. It provides high-speed data services (such as ADSL 2+ and fiber optics) at optimum cost. It connects 100% of France Télécom subscriber switches, thus allowing SFR to provide switched voice services and favorable interconnection rates.

Services to local communities

SFR Collectivités is the Group entity dedicated to local authorities. Its role is to support SFR networks and services' deployment strategy in accordance with local needs. Beyond the cooperative relationship between SFR and local authorities, SFR also enters into major long-term partnerships, including public initiative networks, that focus on:

- deploying fixed-line and mobile infrastructure networks to increase appeal and territorial coverage while increasing speeds;
- educating local authorities about network deployment as well as the design, construction, and operation of telecommunications networks. As a result, SFR Collectivités has responded to calls for "Investment in the Future" projects. It works alongside local authorities in the preparation of their plans to expand local digital coverage. This close relationship has materialized through the deployment of 28 high-speed and very-high-speed fixed-line networks in France; and
- supporting local authorities in their projects to develop new uses for digital technology (including solidarity, education, transportation and parking).

2.3.3. Seasonality

SFR's gross customer acquisitions are characterized by significant seasonal variations since nearly one-third of mobile customer acquisitions occur in the final three months of the year.

2.3.4. Responsibility, Commitment

SFR is a major player in the digital field. As such, it recognizes that it has a special responsibility to provide opportunities to the society. Its more recent efforts to make this commitment a reality include, among others:

- For a greener world: SFR has strengthened the eco-design of its neufbox Evolution. It has made a commitment to the experimental environmental labeling launched by the French Ministry of Ecology. It has increased its energy efficiency efforts and made its no-mobile offers more widely available.
- For a safer world:
  - youth protection: SFR is the first operator to further develop mobile and fixed parental controls in order to adapt them to new uses. It assists parents in teaching their children how to handle their first mobile device; and
  - SFR has improved communication to local residents during the installation of new relay antennas.
- For a more connected world:
  - in consultation with social partners, SFR has created a pilot telecommuting program with 150 volunteer employees;
  - in June 2011, it signed the Charter to facilitate access by disabled persons to electronic communication services; and
  - in 2011, the Fondation SFR launched its first call for projects from associations with the theme of "digital solidarity for the elderly". The three winning projects (out of 110) will be supported financially and will benefit from the commitment of SFR employees.

Section 2 **Description of the Group's Businesses**

2.3.5. Regulatory Environment

2.3.5.1. Changes in Regulation

2011 was marked by several changes to the French and European regulations. The 2011 Budget Act amended the rules for applying VAT rates to "multiplay" subscriptions. The entry into force of this measure has led to an increase in VAT on these offers. SFR has chosen not to pass this increase on to consumers through higher mobile prices and has assumed the negative impact on its revenues.

In France:

In 2011, ARCEP adopted several major decisions, including:

- wholesale market access offers to physical infrastructures that comprise the optical fiber local loop (market No. 4) and activated high-speed and very-high-speed offers delivered at the sub-national level (market No. 5): the decisions of June 14, 2011 (1) led to the revision of the pricing principles for the France Télécom bitstream offer, which must now reflect its costs, (2) set the framework for higher speeds (including a compensation mechanism, operational arrangements and a notice period), (3) improved leasing offers for France Télécom fiber optic links allowing France Télécom to decrease some its related rates;
- fixed-line telephony market: the decision of July 26, 2011 redefined call termination rate ceilings downward. It improved operational arrangements for wholesale subscription offers to the telephone service offered by France Télécom;
- SFR, Orange and Bouygues Telecom mobile voice call termination services: the decision of May 5, 2011 set future call termination rate cuts for the three mobile operators for the period from July 1, 2011 to December 31, 2013. As a result, these rates are capped at 1.5 euro cents per minute until June 30, 2012; 1 euro cent per minute until December 31, 2012; and 0.8 euro cents per minute until December 31, 2013; and
- mobile voice call termination services for Free mobile and the full-MVNOs Lycamobile and Oméa Télécom: a draft decision provides for the setting of call termination rate ceilings for the three operators. The proposed levels (2.4 euro cents per minute until June 30, 2012; 1.6 euro cents per minute until December 31, 2012; and 1.1 euro cents per minute until December 31, 2013) are below the requests made by some of these operators.

"Very-high-speed" Program

At year-end 2010, ARCEP set the regulatory framework applicable to the deployment of "very-high-speed" networks outside densely populated areas. On November 15, 2011, SFR and France Télécom entered into an agreement for the deployment of 9.8 million "very-high-speed" connections in less densely populated areas under the aegis of the General Commission for Investment (*Commissariat Général à l'Investissement*). Pursuant to this agreement, of these 9.8 million connections, 2.3 million will be deployed by SFR.

Moreover, the General Commission for Investment clarified the rules governing the allocation of deployment project aid for very-high-speed networks to local authorities (€900 million were allocated for this purpose under the national "very-high-speed" program), thus opening a new window for such investments. The rules for loans (€1 billion has been allocated) that can be made to operators to fund deployments under private initiatives must be identified in early 2012.

The digital dividend and frequencies for very high-speed mobile

In 2011, ARCEP set the procedures for allocating 800 MHz and 2.6 GHz frequencies for the deployment of "very-high-speed" mobile networks. These procedures rely on the following three criteria: regional digital development, competition in the mobile market and spectrum enhancement. SFR applied for these frequencies and obtained a 10 MHz duplex frequency in the 800 MHz band (digital dividend) and a 15 MHz duplex frequency in the 2.6 GHz band (3G extension band), for a total amount of €1.215 billion. On this occasion, SFR undertook to cover 98% of the population within 12 years, 90% in each department and 99.6% within 15 years. It also committed to hosting Free on a roaming basis on the 800 MHz band and to host MVNOs.

In Europe:

- in late 2010, the "consumer rights" directive was adopted. It establishes a harmonized framework for the rules applicable to consumer contracts in Europe. In particular, it provides for the lengthening of the withdrawal period for distance selling to 14 days. It also details rules governing contractual and pre-contractual information, withdrawal rights and refunds;
- in late 2011, the order transposing the directives of the new telecoms package adopted in 2009 was ratified. This text, which is legislative in scope, reduces the portability period to one day. It establishes a new procedure for reporting personal data violation and network incidents. It includes new provisions for accessibility to electronic communications services for persons with disabilities. Further details of a regulatory nature are planned for early 2012;
- in spring 2010, Commissioner Nelly Kroes launched a wide-ranging initiative involving the leading stakeholders from the digital industry. The goal was to identify proposals that would accelerate the implementation of the European digital agenda. The work for the initiative, which was conducted under the authority of the chairmen of Vivendi, Alcatel Lucent and Deutsche Telekom, resulted in eleven proposals, which should materialize in the form of actions taken by the European Commission;
- the Commission also launched a consultation on the enhancement of local loops with regard to deployment of fiber optics to replace the copper network. The findings of this consultation and the subsequent Commission recommendations are expected sometime in 2012.

2.3.5.2. Environment and Health

Environment

Preservation of the environment is becoming a defining structural feature of the digital economy. For SFR, this challenge is two-fold. On the one hand, the company must be exemplary. This requires the stabilization of energy consumption in an environment of exponentially increasing usage. On the other hand, it involves contributing to the reduction of greenhouse gas emissions in French society through mass distribution of information and communication technologies in the transport, health, education, construction, and energy sectors, among others. It is within this framework that SFR is committed to deploying concrete solutions to serve individuals, businesses, and local authorities.

With regard to limiting consumption, SFR's environmental policy aims to control the environmental impacts of its activities. This is achieved due in particular to an ISO 14001-certified environmental management system. Its further goal is to enable its customers to reduce their environmental footprint.

In 2011, the scope of the ISO 14001 certification was further expanded to address, in particular, the eco-design process for boxes. Through this process, SFR is setting out to control its energy consumption, whether through real-time monitoring and optimization or by the use of more energy-efficient equipment. Specific efforts include:

- the construction of a new, more environmentally friendly data center at the forefront of innovation in Trappes;
- participation, with the Achères 1 datacenter, in the European Code of Conduct; and
- testing of renewable energies.

Efforts to enable customers to become eco-consumers have been strengthened:

- SFR extended environmental impact labeling for mobiles to the Réunion island, while engaging in the experiment launched in July by the French Ministry of Ecology;
- eco-designed SIM cards (half the previous size) have been made generally available to all its customers;
- SFR also launched the first French pilot program for paper half-size SIM cards that reduce its carbon footprint by almost 30%, as compared to a traditional plastic SIM card;
- with the launch of the "*Carrées*" plans, all offers are now available with or without a mobile and with or without commitment;
- the new neufbox Evolution is entirely eco-designed. Its main environmental impact was reduced by 30% to 50% over the previous generation; and
- the collection program that allows customers to return their old mobiles to SFR spaces to receive a voucher and paperless billing for fixed-line and mobile clients have been maintained.

SFR has also anticipated the provisions of the Grenelle Environment Forum. It conducted the first general Carbon Footprint® audit of its businesses based on the methodology developed by ADEME. This assessment has identified new areas for improving and enhancing gains resulting from actions already undertaken.

Health

SFR is closely monitoring the work of experts nationally and internationally, with the knowledge that questions remain about possible effects due to exposure to electromagnetic fields.

In May 2011, the International Agency for Research on Cancer (IARC), under the aegis of the World Health Organization (WHO), classified radio frequency electromagnetic fields, which are especially associated with the use of mobile telephones, as "possibly carcinogenic to humans". The WHO said in its Fact Sheet No. 304 on mobile telephones, which was updated following this announcement, that "*no scientific evidence currently demonstrates that the use of mobile telephones presents a health risk.*"

With vigilance and transparency in mind, SFR is continuing its efforts to keeps its customers informed, in particular through the website www.mobile-et-radiofrequences.com. It mass-distributes the industry leaflet "Mon mobile et ma santé" ("My mobile and my health"), which was updated in November 2011 (V5), in the SIM card kits, in SFR spaces and on the Internet. More generally, SFR relays usage precautions to reduce radio wave exposure, such as using a headset (provided free in all SFR packs). In accordance with recent regulations on the subject, the operator displays the maximum level of exposure (DAS) of telephones in its sales brochures, on the shelves of its distribution network, on its websites and in advertisements.

It is also committed to a strengthened dialogue with all stakeholders on the issue, through the working groups which originated from the "Grenelle des Ondes" discussions on digital technology and health. Pending the results of the work announced for 2012, the implementation of the "*Guide des relations entre communes et opérateurs*" ("Guide to the relationship between municipalities and operators"), signed by the AMF and the *Association française des opérateurs mobiles* (AFOM), is still the roadmap for the profession. Regional SFR teams are constantly involved. SFR also continues to participate in research funding in this area through new mechanisms put in place by the French government.

Section 2 **Description of the Group's Businesses**

2.3.6. Piracy

SFR seeks to find optimal solutions to the problems posed by piracy that respect the rights and obligations of everyone involved. It applies the HADOPI law (High Authority of Diffusion on the Art Works and Protection of Rights on the Internet), which promotes the dissemination and protection of creation on the Internet. It has always worked to maximize legal offerings and has contributed many new innovations to the market in an effort to offer its customers a real alternative to piracy, such as the inclusion of an unlimited legal music download service in its ADSL offer in 2007. It has also set up a pay-per-download store with legal music and video downloads available for its ADSL and mobile clients.

2.3.7. Competition

From 2011, SFR has anticipated the increased competition and the arrival of a fourth operator with:
- a new pricing strategy (the "*Carrées*" plans, new mobile offerings emphasizing loyalty and flexibility with or without commitment and with or without a mobile phone and the launch of low-cost no-commitment no-mobile packages sold exclusively on the Web: the "Red series"); and
- the enrichment of its customer relations and points-of-sale to support its customers throughout the country, at all stages of their commercial relationship.

The respective market shares held by SFR's mobile competitors are: Orange France (39.5%), Bouygues Telecom (16.5%) and the MVNOs and other operators in metropolitan France (12.6%), compared with SFR's 31.3% market share (Source: ARCEP and operator publications). SFR's mobile network market share, including the MVNOs on its network, was approximately 34.9% at year-end 2011 (Source: ARCEP and SFR estimates).

At year-end 2011, the respective market shares of SFR's high-speed and very-high-speed Internet competitors were: France Télécom (42%), Iliad (21%), Bouygues Telecom (5%) and other Internet Service Providers (9%), compared with SFR's market share of 22%.

2.3.8. Raw Materials

The principal raw materials used in SFR's businesses are copper for laying cables, petroleum-based polymers for laying fiber optics, steel for the construction of pylons and paper for the packaging of its products. These raw materials do not represent a significant enough portion of overall costs to have a material impact on SFR's business. SFR's business operations are not dependent on any raw material suppliers.

2.3.9. Research and Development

In 2011, SFR's efforts in research and development were primarily focused in three areas:
- the quality of customer service (fixed-line and mobile);
- service platforms and user-friendly services; and
- the exploration of new telecommunications technologies in radio (4G/LTE networks, Femtocell for indoor coverage), high-speed access (enrichment of services available on the TV set-top box), core network (initial introduction of 100 Gbs/s on the SFR backbone fiber cables), or terminals through education and/or experiments on pilot platforms.

SFR has chosen to pursue its network research strategy (both academic and industrial) through collaborative projects. The results of these multi-party collaborations have generated new patents, particularly in the fields of networks, security and multimedia services.

In 2011, SFR's research and development expenses are estimated at €67 million, compared to €70 million in 2010.

2.4. Maroc Telecom Group

Maroc Telecom Group is the historical telecommunications operator in the Kingdom of Morocco with operations in the fixed line telephony, mobile telephony and Internet sectors.

In recent years, the Maroc Telecom Group has conducted a dynamic process of international expansion. In December 2006, it acquired a 51% controlling stake in the historical operators in Mauritania (Mauritel, via the CMC holding company) and Burkina Fasso (Onatel) and in July 2009 in Mali (Sotelma). In February 2007, it announced the acquisition of a 51% stake in Gabon Télécom, which it has been managing since that date. The transaction was finalized in December 2010.

The Maroc Telecom Group launched Mosibud, two Mobile Virtual Network Operators ("MVNO"), in France on December 1, 2006 and in Belgium on May 2, 2007, which French network and Belgian network were sold to SFR on May 30, 2009 and to Belgacom on June 30, 2010, respectively.

In addition, it holds 100% of Casanet, one of the leading suppliers of Internet solutions in Morocco and the publisher of the Moroccan Internet portal menara.ma.

Section 2 Description of the Group's Businesses

2.4.1. Morocco

2.4.1.1. Mobile Telephony

As of December 31, 2011, the Moroccan mobile telephony market had approximately 36.5 million mobile subscribers, 95.74% of whom held pre-paid accounts. Maroc Telecom on that date held a 46.85% market share, compared with 32.92% for Médi Télécom and 20.23% for Wana (source: ANRT).

The active mobile customers of Maroc Telecom grew 1.4% in 2011 with 17.1 million customers, driven by the strong 25% growth in post-paid mobile phones. Pre-paid accounts rose slightly by 0.2%.

2011 was marked by an increase in competition. Promotional offers resulting in significant rate reductions and targeted marketing programs intensified to expand mobile usage and win new customers.

In the pre-paid service segment, Maroc Telecom extended its permanent bonus offer to low value reloads (5 DH to 30 DH). It offers customers a five-second grace period before taxing calls transferred to voice mail. In August 2011, the operator launched a new bonus promotion, offering one hour of communications during evenings and weekends to national destinations to customers who reload 20DH, valid for one week. On November 15, 2011, Maroc Telecom launched Jawal Thaniya, its pre-paid offer to bill per second.

In the post-paid segment, Maroc Telecom continued to promote unlimited offers. At the same time, it lowered its rates by extending the flat rate periods and enhancing its offers with new services. In September 2011, the operator added 30 additional minutes to its line of individual and controlled mobile flat rates. In October 2011, it reworked its flat rates without commitment, known as "*Liberté*", by integrating free minutes and including 3G Internet access.

In the 3G+ Internet segment, after opening access to all it post-paid and pre-paid customers, Maroc Telecom continued its deliberate policy to win new customers and retain their loyalty. This policy was reflected in a reduction in rates, an increase in the number of promotional offers, and the offering of higher speeds.

In addition, Maroc Telecom offers its customers the most recent innovations. Innovative offers rolled out in 2011 included: MT-Talk, the sport Arriyadi package, and Prepaid Mobile TV. Maroc Telecom was the only telecommunications operator in the world to be ranked as one of the 100 most innovative companies by Forbes in 2011. In 2011, it also received the prize for innovations in the mobile payment category awarded by the International Association of Money Transfer Networks (IAMTM).

2.4.1.2. Fixed-line Telephony, Data and Internet

The main fixed-line telecommunications services provided by Maroc Telecom Group included:
- telephony services;
- interconnection services with national and international operators;
- data transmission on behalf of third party operators, Internet Service Providers and business customers;
- Internet which includes Internet access services and related services such as hosting; and
- television via ADSL.

In 2011, the fixed-line assets of Maroc Telecom rose slightly by 0.8%, to a total of 1,214 million lines as of December 31, 2011. This performance was achieved due to marketing and sales efforts, including a reduction in call termination rates from abroad to fixed-line phones, the development of unlimited voice offers and the expansion of ADSL.

In 2011, the Internet market continued to expand with an increase in the number of ADSL customers and a sharp increase in mobile Internet 3G+. The ADSL Internet segment recorded 94,000 new customers in 2011, an increase of 19%. This growth was stimulated by a doubling of speeds, expansion of the offer (MT Duo combining fixed-line telephony and ADSL high-speed Internet) and a decline in the rates that began in late 2009. As a result, Maroc Telecom has a very strong position in the ADSL segment, which represents 18.53% of all Internet access, with a market share of more than 99.8% (source: ANRT).

At year-end 2011, the number of business and corporate subscribers in Morocco totaled nearly 416,364. Maroc Telecom's share of this market was 92.39% of installed lines, compared with 5.28% for Médi Télécom and 2.33% for Wana (source: ANRT).

As of December 31, 2011, total public telephones (all operators and all technologies combined) was close to 128,636 lines, down 29.2% from 2010, because of the strong competition from mobile services. Maroc Telecom's market share in public telephony was 73.92% of the lines, compared with 26.08% for Médi Télécom (source: ANRT).

Section 2 **Description of the Group's Businesses**

2.4.1.3. Distribution

Maroc Telecom holds the largest national distribution network. Its direct and indirect network includes more than 71,000 points of sale.

In 2011, the various distribution channels of Maroc Telecom were as follows:
- a direct network, comprised of 364 sales offices. This network is expanding rapidly and new offices are created and old ones are realigned every year;
- a local indirect network, composed of independent retailers operating under exclusivity agreements and managed by the nearest Maroc Telecom sales office. A significant portion of these retailers operate phone stores; and
- an independent local network, composed of exclusive national distributors. These are distributors organized at the national level (GAM, Sicotel, Canal M and Altadis).

2.4.1.4. Network

Maroc Telecom has developed a leading-edge network to offer a broad range of services to its customers. This network is composed of a transmission backbone, switching centers, latest generation service platforms and an access network.

The mobile network of Maroc Telecom is based on GSM technology deployed over almost all the country (6,720 base stations that covered 98.71% of the population at year-end 2011). This coverage will again be expanded, through the Universal Service PACTE program, for which Maroc Telecom has made a commitment to cover an additional 7,338 rural locations (end of the program: June 2012).

This GSM 2G network is completed by a 3G/HSDPA network composed of more than 3,500 NodeB (base stations) that offer all the multimedia third-generation services (including video conferencing, streaming, downloads and online games) at a theoretical rate of up to 7.2 Mbs/s, including high-speed Internet access by USB key for mobile.

With approximately 230 international relationships, Maroc Telecom ensures voice and data connectivity to all countries in the world. This connectivity is provided by two international transit centers (Casablanca and Rabat) and by four subsea fiber optic cables (SMW3, Tétouan-Estepona; Eurafrica and Atlas Offshore, which Maroc Telecom has owned since 2007). The operator has a redundant Internet broadband on these international cables, which increased from 60 Gbps/s at year-end 2010 to 110 Gbps/s at year-end 2011.

2.4.2. International

2.4.2.1. Mauritel

The Maroc Telecom Group holds 41.2% of Mauritel, via CMC, a holding company, which holds 51.527% of the Mauritel shares and in which Maroc Telecom holds an 80% stake.

Mauritel offers fixed-line telephony (voice and data) and Internet access to individuals, companies and government services. It is the leading operator in this market, with a 51% market share at the end of September 2011 (source: Dataxis).

Fixed-line telephony lines totaled 41,000 at year-end 2011, an increase of 1.6% compared to year-end 2010. This situation reflects the increased competition between fixed-line and mobile activities in Mauritania. The penetration rate was limited to 2.4% as of the end of September 2011 (source: Dataxis).

In 2009, Mattel (the Mauritanian-Tunisian telecommunications company) and Chinguitel were awarded a fixed-line license to operate in the Mauritanian market. However, to date, Mattel has not developed either a network or fixed-line offers, while Chinguitel offers fixed-line services on its CDMA network. Mauritel thus is the only wire fixed-line operator in Mauritania.

At year-end 2011, Mauritel had 6,700 Internet subscribers, most of whom were connected to the ADSL network. This represents growth of 1.4%.

In the mobile market, two operators are present along with Mauritel: Mattel and Chinguitel (since August 2007). Mauritel's mobile customers, almost all of whom are pre-paid, rose 10.9% on an annual rate to total more than 1.75 million customers as of December 31, 2011. This performance generated a market share of 59% at the end of September 2011, representing a slight increase compared to year-end 2010 (source: Dataxis). It was driven by an adjusted rate and promotional policy: e.g., the sale of pre-paid cards with per/second communication billing and the launch of added value services increasingly adapted to each type of customer.

2.4.2.2. Onatel

The Maroc Telecom Group holds a 51% stake in Onatel.

The Onatel extraordinary shareholders' meeting of December 29, 2010 approved the proposed merger of Onatel with its mobile subsidiary Telmob. Since that date, Onatel has become a global operator. It benefits from the pooling of all its fixed-line, mobile and Internet businesses.

At year-end 2011, Onatel had 142,000 fixed-line lines, down 1.7% compared to 2010. The penetration rate of fixed-line is very low, only 0.9% at the end of September 2011 (source: Dataxis).

Over the same period, Internet customers totaled 31,000 ADSL subscribers, up 10% compared to 2010.

As of September 30, 2011, the Burkina Faso market had 6.9 million mobile customers. This represents a penetration rate of 46%, an 11-point increase over a year. The mobile market in Burkina Faso is the stage for fierce competition among the three operators: Onatel, Airtel (ex-Zain) and Telecel Faso. The bid for tenders launched in 2010 by Arcep for the award of a fourth mobile telephony license was however not successful and a second bid round for four 3G licenses is in progress.

Onatel's mobile customer base totaled nearly 2.97 million customers at year-end 2011. Almost all of this strong annual increase of nearly 24% was generated in the pre-paid sector. This performance allowed Onatel to maintain its leadership position in the market with a market share of 41% at the end of September 2011 (source: Dataxis). Onatel is thus confirming its leadership backed by its promotional efforts, the quality of its services and its network coverage.

2.4.2.3. Gabon Télécom

The Maroc Telecom Group holds 51% of Gabon Télécom. The historical operator of Gabon comprises Gabon Télécom and its wholly-owned subsidiary Libertis.

The extraordinary shareholders' meeting of Gabon Télécom of December 20, 2011 approved the proposed merger of Gabon Télécom with its mobile subsidiary Libertis. Since that date, Gabon Télécom has become a global operator, which generates substantial savings among its fixed-line, mobile and Internet activities.

Gabon Télécom is currently the only fixed-line telephony operator in Gabon. On the other hand, in the Internet and VSAT market, other access suppliers are also operating. At year-end 2011, the operator had 22,000 fixed lines (wire and CDMA), a decline of 15.4%. This is due to the competition from mobile services and an operation to retain customers. The fixed-line penetration rate for the population remains low. It was only 1.8% at the end of September 2011.

Gabon Télécom also offers Internet access via its wire network (particularly ADSL high speed) and its CDMA network. At year-end 2011, Gabon Télécom had 24,000 Internet subscribers. This 6.5% increase retained its customer base, while it also conducted a policy to increase the average bill.

As of September 30, 2011, the Gabonese market has 2.17 million mobile customers (commercial customers). This figure represents a penetration rate of 143%, up 7.5 points over one year. The already high penetration rate affects market growth. The total declined 3.3% at year-end 2011.

The Gabonese mobile market remains highly competitive with four operators operating 2G networks: Gabon Télécom, Airtel (ex Zain), Moov and Azur (network launched in mid-2009). As of December 31, 2011, Gabon Télécom had 532,000 mobile customers, down 24% from 2010. This change is due to an operation to streamline the customer base early in 2011. In this context, Gabon Télécom ranks second in the Gabonese market, with a market share of 21% at the end of September 2011.

In 2010, a bid for tenders was launched to award 3G licenses, but it was unsuccessful at year-end 2011.

2.4.2.4. Sotelma

The Maroc Telecom Group holds a 51% stake in Sotelma, the historical operator in Mali.

Sotelma is the most active operator in the fixed-line market. It has 94,000 lines, an increase of 18.7%. The penetration rate of fixed-line telephony in the population is still very low. It was only 0.6% at year-end 2011.

Sotelma operates an ADSL network that allows it to offer high-speed Internet services. The operator also offers Internet access via its CDMA network. At year-end 2011, Sotelma had nearly 37,000 Internet subscribers, which represents a sharp increase (+88%).

As of December 31, 2011, the Mali market had 10.8 million mobile customers. This penetration rate of 78% represents a strong increase of 27 points compared to 2010. Maroc Telecom's acquisition of a stake in Sotelma energized the market. At year-end 2011, only two mobile operators were active in Mali: Sotelma and Orange Mali which hold 2G and 3G licenses. In 2011, the third mobile license went up for bid and was awarded to the Monaco Telecom/Planor consortium.

Sotelma recorded 4.38 million customers as of December 31, 2011 (almost all prepaid). This very strong increase of 102% on an annual rate was achieved because of the significant investments made during the previous year in order to improve network coverage and density. This significant deployment of new infrastructures (number of BTS doubled) included an intensive marketing effort. All these efforts earned Sotelma a market share of 40%, a 31% increase compared to year-end 2010.

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2.4.3. Seasonality

In Morocco, the two weeks preceding Aïd Al Adha (November 7 in 2011) and the summer months traditionally see steady activity (essentially for mobile and public telephony). This is primarily generated by the return of Moroccans living abroad (MRE). On the other hand, the month of Ramadan (August 2-31 in 2011) is a low consumption point, for both fixed-line and mobile.

In Mauritania, there is generally high activity from June to September. Other much shorter periods offer significant sales opportunities, such as religious celebrations. During the Ramadan period, fixed-line and mobile usage is low.

In Burkina Faso, the months of August and September are rainy. This has a negative impact on sales and on the quality of the network service, and also impacts the revenues from fixed-line and mobile telephony.

In Gabon, the summer months (July to September) and December are the peak activity periods. This is primarily due to vacations within the country, family ceremonies, the Independence celebration, the start of the school year and the end of year holidays (Christmas and New Year's Eve). In contrast, the months of November, January and February are generally low periods of activity and offset the peaks observed during the summer and the end of year holidays.

In Mali, the rainy period from June to September disturbs telecommunications activity. However, the arrival of large numbers of Mali students for vacation moderates the impact. Other short-term events also provide an opportunity for significant sales. These include religious events such as Tabaski – Aïd Al Adha (generally the day itself and the next few days) and the end of year celebrations (December). However, and except when the final days of Ramadan coincide with the holiday, this month records a significant drop in mobile and fixed-line telephony.

2.4.4. Regulatory environment in Morocco

In Morocco, the National Telecommunications Regulatory Agency (ANRT) prepares the studies and regulations for the telecommunications sector. It also ensures operator compliance with the regulations in force. In this respect, it prepares and implements the procedures for awarding licenses through competitive bidding. It manages and supervises the spectrum of radio-electric frequencies. It controls the wholesale rates of the operators that exert significant influence over a given market and compliance by all operators with the rules of fair competition in the market. Finally, its mission includes resolving disputes over interconnection, competition and shared infrastructures.

During the period from 2004-2008, two fixed-line telephony licenses, three third-generation network licenses (UMTS) and a third second-generation license were awarded, while the primary regulation levers (unbundling, number portability and carrier pre-selection) were established.

In February 2010, a government policy paper was published and traces the broad outlines of the regulations for the period ending at year-end 2013: shared infrastructures, reduction in unbundling rates, improvement in portability periods, significant decline in interconnection rates with the introduction of asymmetry until 2013 and stronger supervision of retail offers and promotions.

In 2011, a plan to reform the regulatory framework was submitted for comments to the Operators of public telecommunications networks (ERPT). The proposed revision primarily covers sharing infrastructures, urban planning, development of the territory and occupancy of public lands. Maroc Telecom transmitted its comments and counter-proposals to the ANRT and to the Government Secretary General. The proposed drafts are being reviewed by the competent authorities.

In a decision of December 1, 2011, the ANRT revised the price cap for fixed-line and mobile call terminations, initially set for the period 2011-2013, and accelerated the reduction in these rates as of January 1, 2012. The target values for January 1, 2013 were cut in half, while maintaining the existing asymmetries among the three operators until that date. In the mobile networks, the new call termination rate must be 0.20 DH, excluding VAT, as of January 1, 2013, instead of 0.40 DH excluding VAT which was the amount initially stipulated. In addition, the ANRT decision provides for the extension to all network operators of the obligation of non-discrimination in *on-net/off-net* rates for prepaid mobile calls as of January 1, 2012.

Maroc Telecom fulfills its obligations as a fixed-line and mobile operator providing universal service in compliance with contract specifications. Universal service covers telecommunications services, including telephone service with a specific quality at an affordable price. It also includes the provision of Internet access, the transmission of emergency calls, and the provision of an information service and a directory in printed and electronic formats (these two services are mandatory). Public telephones installed on public roads must also be provided.

Maroc Telecom is required to dedicate 2% of its revenues before tax and before interconnection fees to universal service by applying the "pay or play principle". This principle gives the option between payment of all or part of its contribution to the universal service fund and/or the performance of the programs approved by the Universal Service Management Committee.

For the years 2008-2011, the ANRT consulted all national operators on the implementation of a vast universal service program known as "PACTE". It is designed to provide telephone and Internet access to all dead zones in Morocco, representing 9,263 locations. The Universal Service Management Committee selected Maroc Telecom for 7,338 localities for a total amount of 1,159 billion dirhams. This amount will be deducted from its contribution to the universal services for the years 2008-2011. The deadline for completing this entire program has been extended to June 30, 2012.

The ANRT notified the network operators of Decision 04/11 of July 13, 2011 concerning the identifications of 2G and 3G mobile customers. The operators must have identified all their customers by year-end 2012; failing which penalties may apply pursuant to applicable rules and regulations.

The three operators informed the ANRT, through their MATI association (Moroccan Association of Telecommunications Professionals) that achieving those objectives would require effective involvement by the ANRT in communications about the plan. Since then, the ANRT has conducted two press campaigns.

2.4.5. Competition in Morocco

As of the date of this report, 20 telecommunications operator licenses have been awarded in Morocco:

- three public fixed telecommunications network operator licenses (Maroc Telecom, Médi Télécom and Wana/Inwi);
- three GSM licenses (Maroc Telecom Group, Médi Télécom and Wana);
- three UMTS licenses (Maroc Telecom Group, Médi Télécom and Wana);
- five licenses to operators of GMPCS-type satellite telecommunications networks;
- three licenses to operators of VSAT-type satellite-based telecommunications networks; and
- three licenses to operators of radioelectric resources using shared resources (3RP), including one regional.

2.4.5.1. Fixed-line Telephony

In 2007, operators holding the two fixed-line licenses launched their services. However, competition already existed in the public telephony market sector and the professional sector before these new licenses were awarded.

At year-end 2011, Maroc Telecom’s market share in public telephony represented approximately 73.92% of the number of lines (Source: ANRT).

Médi Télécom entered the business fixed-line telephony market by installing GSM gateways known as “LO-Box” (*Link Optimization Box*), which transform the fixed-line to mobile traffic into mobile to mobile traffic without going through the Maroc Telecom fixed-line network. At year-end 2011, Maroc Telecom’s market share in this segment was 92.39% (source: ANRT).

In October 2011, Wana launched its Inwi fixed-line with prepaid limited mobility offer, without subscription or commitment. The Wana/Inwi fixed-line with limited mobility offers using the CDMA technology totaled nearly 2.29 million customers at year-end 2011, down 8% compared to 2010 (on an annual rate) (source: ANRT).

In data transmission services, there is competition among Internet Service Providers (“ISPs”), satellite operators and the international operator Equant (France Télécom Group).

2.4.5.2. Mobile

Maroc Telecom is active in the Moroccan mobile market with two other operators: Médi Télécom and Wana. Médi Télécom has been 40% owned by France Télécom since September 2010. It has held a mobile license since August 1999. The third operator, Wana, holds a 3G license. This allowed Wana to launch mobile offers using CDMA technology in June 2008. In February 2010, it launched its new telephony brand Inwi with a GSM network.

At year-end 2011, Maroc Telecom held 46.85% of the total market, down 6 points compared to year-end 2010 (source: ANRT).

The year 2011 was marked by stronger competition in the mobile market. Promotional offers and marketing campaigns increased in order to win new customers and expand their mobile usage. These efforts generated a 34% decline in mobile rates over the course of 2011. This decline was in large part offset by the 39% increase in usage over the same period (source: ANRT).

2.4.5.3. Internet

At year-end 2011, Maroc Telecom held a market share of 53.19% in the Internet market, all access methods combined (ADSL and 3G). Its rivals, Médi Télécom and Wana, held market shares of 28.48% and 18.33%, respectively.

In addition, Maroc Telecom had a very strong position in the ADSL market with a market share of more than 99% (source: ANRT).

2.4.6. Raw Materials

The principal raw materials used in Maroc Telecom’s operations are copper for laying cables, petroleum-based polymers for laying fiber optics, steel for the construction of pylons and paper for the product packaging. These raw materials do not represent a significant enough portion of overall costs to have a material impact on the business of the Maroc Telecom Group. The business operations of the Maroc Telecom Group are not dependent on any raw material suppliers.

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2.4.7. Research and Development

The Maroc Telecom teams work to introduce new products and services or transformations or improvements to existing products and services. However, such work is not patent-eligible inventions or processes. Improvements brought to a protected invention are registered to protect them by means of a specific certificate known as a certificate of addition, for which the filing formalities are identical to those of the main patent.

As of December 31, 2011, Maroc Telecom held five patents, one model and two designs filed with the Moroccan Office of Industrial and Commercial Property (OMPIC).

Every year, Maroc Telecom holds an innovation contest among its employees. It is intended to promote the best ideas or projects, particularly in the sales and technical areas, with results for the company in terms of filing a patent, trademark or model.

However, the Maroc Telecom Group has not incurred any material research and/or development expenditure.

2.5. GVT

GVT is the leading alternative telecommunications operator in Brazil. In late 2000, GVT began its operations as the second operator, or a mirror company to the local incumbent in Region II, which, as determined by ANATEL (Brazilian Telecommunications Agency, which promotes and develops telecommunications), consists of the Federal District (Distrito Federal) and nine states in the Midwest and South of Brazil as well as certain states in the North.

GVT currently operates in 119 Brazilian cities in all regions, including Region I (Rio de Janeiro and Northeast) and Region III (São Paulo). It has licenses to operate all types of telecommunications services nationwide.

GVT continues to pursue a strategy of growth by expanding the network coverage in current cities and expanding its territorial reach in other additional key markets located outside Region II, creating a national presence in all populated areas of Brazil. In 2011, it launched operations in 22 cities and is currently planning to launch its network in 20-25 additional cities in 2012. Its results from operations are strong in all significant cities, but the cities outside Region II represent an increasingly significant portion of GVT's overall results, including total revenues and lines-in-service (LIS).

GVT is the fastest growing telecommunications service provider in Brazil in terms of revenue and EBITDA. Its Compounded Annual Growth (CAGR) over the period 2006-2011 is 34% for Revenue and 40% for EBITDA. In 2011, these indicators indicated a rise of 39% in revenue growth and a rise of 38% in EBITDA (at constant foreign exchange rate).

GVT offers innovative bundles at very competitive prices; it delivers up to 100 Mbps speed for broadband to the retail market with differentiated value added services and it also integrates an innovative Pay TV service to retail customers. It offers the highest quality of service for all market sectors: i.e., Retail/Small to Medium Enterprises (SME) and Corporate.

GVT is considered to be the most established and well-recognized alternative to the fixed-line incumbents (the Incumbents) in the Brazilian market, enabling it to continue to gain market share from its main competitors in its current areas of operation, as well as in new areas in which it launches services. In 2011, GVT captured an average market share of approximately 23.1% of the voice and broadband market in the 119 cities where it operates.

In 2011, GVT was considered to be the best broadband provider in Brazil for the third consecutive year and the most reliable company for fixed telephony for the second consecutive year according to the main Brazilian technology publication, INFO Magazine.

2.5.1. Products and services

GVT offers comprehensive and advanced telecommunications services to markets that range from large, stable sectors with strong cash flow generation (such as conventional telephony) to high-growth sectors (such as broadband, Internet services, VoIP, and, from the second half of 2011, Pay TV using satellite and IPTV technology). This approach allows GVT to target a broad market and offer one-stop shopping for all fixed-line telecommunications, Internet and Pay TV services that its customers require. GVT's presence across different markets with diversified products and customer segments helps stabilize its revenues and reduces its exposure to any one end-user application or customer. It continues to offer flexible bundles at competitive prices for comparable products and services offered by its main competitors, while at the same time increasing its margins over the preceding years.

GVT develops bundles of diversified products into an integrated package to attractive different customer segments. GVT bundles conventional telephony, broadband Internet, Pay TV, value added services, services and content over broadband, managed services, corporate data, VoIP-based products in packages offered to its customers enabling it to generate higher revenues per customer and a higher return on invested capital, while building strong customer relationships and a high level of customer engagement.

In 2011, GVT continued to introduce new products and services. In September, GVT announced the pre-launch of its Pay TV in all cities of coverage. All packages offered have High Definition channels, on-demand content, digital recorder and interactive services based on Internet. GVT is the first company in Brazil, and one of the pioneers worldwide, to adopt a hybrid model, which allows better transmission of TV channels with high quality satellite (DTH) while at the same time enabling

interactive services, integration with the Internet and on-demand content using the IP network. By adopting this solution, GVT TV takes advantage of the full potential of its next-generation network. Due to the network architecture based on optical fiber and advanced technologies such as VDSL (Very-high-bit-rate Digital Subscriber Line) and FTTH (Fiber to the Home), it offers differentiated services at the best prices to the customer.

In October 2011, GVT announced a new shift in its broadband portfolio by repositioning the 35Mbps speed offer. The offer started to be marketed at BRL99.90 in the triple play offer – a 50% decrease in the original price that was of BRL 199.90. The objective is to reinforce the broadband gap and stimulate Pay TV sales. This is part of a strategy to lead the broadband multiservice in Brazil, delivering content, interactivity, and managed services over broadband. The company is aware that it is necessary to deliver ultra-high speed internet to enable the customer to have a truly connected home, with many devices operating over the same broadband access.

GVT is ahead of the market in terms of innovation concerning content and entertainment over the internet. Since 2010, it has enjoyed a successful partnership with Universal Music Group to offer an exclusive portal of news, music and video in streaming for broadband customers – Power Music Club. The service already has 120 thousand active users and, since December 2011, it can also be accessed via smartphones and tablets. In February 2012, GVT announced a strategic partnership with Blizzard Entertainment to offer exclusive benefits to broadband customers that subscribe the Portuguese version of the on-line game *World of Warcraft*. The goal for the next year is to enhance these and other new partnerships to offer unprecedented differentials and innovative services to the customers in the digital world.

2.5.2. Retail/Small and Medium Enterprise (SME) Segment

GVT's Retail/SME segment offers local and long distance fixed-line-telephony and broadband services to high-end and high-margin residential customers and SMEs with a significant last mile network. GVT also offers long distance services to customers holding lines supplied by other operators in cities in which it does not have a local presence. In addition, GVT's Retail/SME segment offers Internet services through POP, its ISP, which includes dial-up and broadband connections.

GVT also offers content, e-mail and other multimedia services such as blogs, photoblogs and hosting services to its customers, regardless of whether these customers also purchase Internet access services from GVT. In addition, it offers VoIP services through VONO to residential and SME customers in Brazil, as well outside of Brazil, who have a broadband connection with any operator.

In 2011, Pay TV was the main launch to residential customers and is operating not only as a new service in the GVT portfolio but also as a new business. In September 2011, it was announced to the market and it is available to all customers based on a non-precedent offer including innovative services and the basic bundles.

In May 2011, GVT launched a new SOHO and small business solution, called Max GVT. Aimed at the self-employed and small companies, it offers four different packages, from 1,000 to 15,000 minutes, which can be chosen according to a customer's consumption profile and used in up to 10 addresses in different cities in the same state.

In July 2011, VONO, GVT's national provider of IP telephony solutions, announced its Free Virtual PBX service that allows small and medium enterprises to have all the facilities of a conventional PBX. In December, VONO announced a new feature on their Free Virtual PBX service: the URA – Audible Recognition Unit. With this virtual solution, which allows the customer to manage all the facilities through an online management portal, no investment is required for the purchase and maintenance of equipment.

2.5.3. Corporate Segment

GVT's Corporate segment focuses on middle-to-large companies that are underserved by the Incumbents. It provides superior and innovative products and services of the highest quality. It offers high-quality integrated solutions and managed services that include conventional telephony, Internet services, private-data networks, hosting and VoIP services.

GVT benefits from having the most advanced NGN (Next Generation Network) architecture to provide customized solutions based on conventional telephony and IP technology. It offers unique value propositions to customers through greater functionality and substantially lower operation costs and capital expenditure.

In May 2011, GVT began operations as a provider of Information Technology. It announced the launch of three Data Centers in Brazil, located at Rio de Janeiro, São Paulo and Curitiba. With a total of 2,400 square meters and 300 racks, it is able to provide services such as Collocation, Server Monitoring and Moving.

2.5.4. Network

GVT's network is the most modern in Brazil. It includes one of the most extensive local access networks and long distance fiber infrastructures in the country, which supports its leading position in the NGS market and allows GVT to expand its presence nationwide.

GVT has designed its network using state-of-the-art technology that is feature-rich and capable of supporting the growing market demand for a wide range of telecommunications, high-speed broadband and multimedia services.

The core network is conceived around a NGN architecture, a hybrid ATM (Asynchronous Transfer Mode) and IP infrastructure, which provides GVT with unique, more flexible, faster time-to-market integrated services including telephony, voice, data, VoIP and video. Moreover, in operational terms, this packet-based core

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infrastructure is highly cost effective. GVT's access network solution is unique in the Brazilian market, since it is based on a FTTN (Fiber-to-the-Node) network, which combines metropolitan fiber optic rings and short copper lines, with a maximum length of 1.5 kilometers and an average length of 400 meters. In newer cities, such as São Paulo and Rio de Janeiro, GVT is building an even shorter copper network with 200 meters between the street cabinets and the households. The proximity of this network to customer premises enables superior quality and higher bandwidth services of up to 20Mbps with the current ADSL2+, 50Mbps with VDSL2 technology (limited to 800 meters) and 100Mbps with EFM (Ethernet First Mile, which is Active Ethernet using fiber drop directly from a street cabinet to the customer's premises).

GVT has 55,166 thousand kilometers of cables (fiber + copper network) in metropolitan areas and 7,207,241 thousand buildings connected. In addition, GVT's long distance fiber network has 22,017 thousand route kilometers, which covers 75% of its traffic demand as of December 31, 2011.

2.5.5. Seasonality

GVT's business is based on subscription contracts made-up of a monthly fee for fixed-line telephony and broadband services which represent 69% of its total revenue. The remaining 31% results from the use of services charged by the minute, which decrease during holidays and the summer season.

2.5.6. Regulatory Environment

GVT's business is subject to comprehensive regulation under Brazilian law. The adoption of new telecommunications service regulations and the privatization of Telebras' Subsidiaries (the Brazilian government-owned telecommunications operating companies) in 1998 led to broad changes in the operating, regulatory and competitive environment for Brazilian telecommunications. The Brazilian telecommunications regulatory framework is constantly evolving.

The General Grant Plan (*Plano Geral de Outorgas* – PGO), approved by Decree No. 2,534 on April 2, 1998, organizes the Brazilian territory into four Regions for providing fixed-line telephony services (*Serviço Telefônico Fixo Comutado* – STFC) as follows:

- Local Telephony Service – 3 Regions:
  - Region I, composed of states in the Southeast (except São Paulo), Northeast and part of the Northern regions;
  - Region II, composed of states in the South and Center-North and part of the Northern regions; and
  - Region III, composed solely of the state of São Paulo.
- Long-Distance Telephony Service – 1 Region:
  - Region IV, composed of national and international long distance operations.

Concessions to provide telecommunications services are solely granted by ANATEL under a public service regime, while authorizations are granted only under private law.

Under the public service regime, concessionaires are subject to obligations relating to quality, continuity of services, universal services, network expansion, and are under the supervision of ANATEL with respect to the fees they charge. Under this regime, all the properties, including network, systems or equipment, used to provide STFC may be appropriated by the Brazilian Government at the end of the concession period, so that the State may continue to provide the relevant services. Under the private regime, authorized providers are not subject to the universal service and continuity of service obligations. Therefore, if an authorized company ceases to provide services, the federal government shall not be under any obligation to provide such services. There are no restrictions on prices under the private law regime, and providers are only subject to the general laws and principles that prohibit anti-competitive cartel conduct. Under the private regime, the State is not permitted to appropriate assets used for the provision of services.

However, telecom service providers under the public and the private regimes are subject to obligations related to the quality of services, the interconnection and compensation for the use of networks. GVT started its operations in Region II where it was the first company under the private regime to be authorized by ANATEL and to compete with the already privatized Incumbent, thereby transforming the existing monopoly into a duopoly. In 2002 and 2003, GVT obtained STFC licenses to operate in São Paulo, Rio de Janeiro and Belo Horizonte capitals. In November 2006, it received STFC licenses for Regions I and III, resulting in nationwide coverage for all of Brazil. In December 2010, GVT received a DTH (Direct to Home) license to broadcast TV by satellite technology. This enabled GVT to launch its Pay TV service in September 2011 combining satellite to broadcasting and IPTV technology to interactive and managed services.

One of GVT's competitive advantages is its ability to obtain favorable license terms. Unlike that of the Incumbents, GVT's license terms are not subject to price caps or universal service obligations, thereby enabling it to focus on network coverage and marketing efforts within the most profitable geographic areas and towards the most lucrative businesses and retail customers. GVT's license terms also allow it to manage its cash flow in an efficient manner as it is able to target its expansion only in areas and cities that meet its very strict financial criteria for return on investment and cash flow metrics and to adjust its capital expenditure accordingly.

GVT currently operates under the following licenses, each covering all of Brazil:

- local Telephony Authorization License;
- national Long Distance Authorization License;
- international Long Distance Authorization License;
- Multimedia Communication Services Authorization License ("Serviço de Comunicação Multimídia – SCM"); and
- Direct to Home License (DTH) for Pay TV.

In 2008, ANATEL implemented new rules regulating phone number portability, whereby customers can keep their phone numbers when changing carriers, provided that, in the case of fixed-line phone services, the change is made within the same local area, and, in the case of mobile phone services, the change is made within the same area of registration (i.e., within the same area code). In fact, this development benefits GVT as it eliminates a barrier it had formerly experienced when acquiring customers.

ANATEL approved regulation for Mobile Virtual Network Operators ("MVNO") for public consultation. According to the proposed regulation, there will be two alternative models: Reseller or Virtual Operator. The latter requires investment in commercial infrastructure to be able to operate the mobile phone service. This will provide an opportunity for GVT to continue exploring the possibility of entering into partnerships with other major mobile phone companies that could act as an MVNO company. This would enable GVT to increase the scope of its current customer base.

In August 2011, the Brazilian Senate approved the proposed law (PLC 116) regarding Pay TV services offered via cable. The proposed law was sanctioned by the President of Brazil in September 2011. It will allow telecom operators to offer Pay TV services over their own networks and also eliminate the law that does not allow foreign controlled companies to provide Pay TV via cable.

The consequent regulatory revision by the sector regulator (ANATEL) is still in progress and it is difficult to predict when it will be effective. However, GVT did not wait for the law and already launched its Pay TV services based on a hybrid model (linear broadcasting via satellite and interactive services via the broadband network). GVT believes that, despite the regulatory issue, this is the best solution possible to deliver state-of-the-art quality services to Pay TV customers lined up with the best innovative services enabled by IP network.

2.5.7. Competition

GVT faces different forms of competition based on the various markets in which it operates.

2.5.7.1. Retail/SME Segment

Local Telephony Market

Throughout Region II, its main competition in the local telephony retail market is from the Region II Incumbents, Brasil Telecom (and Sercomtel in the city of Londrina) and NET Serviços de Comunicações S.A. (NET), the largest cable TV operator in Brazil.

As part of its cable television package aimed primarily at the residential market, NET offers broadband access and a VoIP line that includes a local phone number. NET has a foothold in all major cities in Brazil and in all three regions. NET is partially owned by Telmex, the controlling shareholder of Embratel and Claro. Since GVT launched its operations in the cities outside Region II, it also competes with the local Incumbent in these areas, including Telemar/Oi, the Incumbent of Region I. At the beginning of 2009, Telemar/Oi acquired Brazil Telecom's operations, consolidating both companies under the brand "Oi." Oi's networks cover all cities in Regions I and II and almost the entire population due to their universal obligation.

Telefonica is a multi-service company offering fixed-line telephony, mobile telephony, broadband Internet and TV services.

Long Distance Telephony Market

The long distance market is fragmented among numerous companies and is based on the call-by-call carrier selection method, making it the most competitive market sector. The local Incumbent for each respective region holds the leading position in the long distance market within its relevant customer base, primarily due to the competitive advantages of having a physical interconnection, billing and collection with its customer base.

GVT competes in the long distance market in two ways: acting as a local carrier when serving its customer base and as a long distance provider for non-GVT customers. As of December 31, 2011, its long distance market share within its customer base was 82.9%. This market share is calculated by dividing the aggregate minute usage of its long distance code by the total long distance minutes used by its customers. GVT does not intend to actively compete with the Incumbents in providing long distance services to their local customer base due to the low margins generated by this service.

Broadband/ISP Market

In the broadband and Internet services market, there are a number of other competitors in addition to the Incumbents. GVT's primary competitor, after Oi and Telefonica, is NET. In addition, mobile phone companies offer mobile broadband for fixed-line usage, although they are not able to offer competitive services in terms of price and speed compared to GVT's fixed-line broadband. However, as the Incumbents do not offer broadband services in many areas and offer low-quality broadband services in some areas, mobile broadband is rapidly increasing in the country.

Pay TV

With the Pay TV operation, GVT started to compete with SKY pay television broadcasting service in Brazil, which is based on DTH only. Together with NET, it leads the Brazilian Pay TV market and both companies are the main competitors of GVT in this business.

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2.5.7.2. Corporate Segment

In the Corporate segment, GVT operates in 119 cities, including the metropolitan area of São Paulo, Rio de Janeiro, Belo Horizonte, Campinas, Santos, Salvador, Vitória and Recife. GVT's main competitors in that segment are the three Incumbents: Oi, Telefonica and Embratel (Telmex). In each of the three regions, the strongest competitors are the local Incumbent for that region and Embratel. In addition, there are other niche players, such as Diveo, Global Crossing, Transit, CTBC and Intelig (TIM).

2.5.8. Raw Materials

The raw materials used in GVT's business are copper used to enable customer access as well as for access to equipment and fiber optics used to build long-distance networks and subway rings.

2.5.9. Research and Development

GVT is recognized as an innovative telecommunications company offering its customers high quality services and a broad portfolio of superior and innovative products and services. In 2011, however, GVT did not have a Research and Development department nor did it have any research expenses.

2.6. Canal+ Group

2.6.1. Pay TV in France

Canal+ Group is the largest Pay TV group in France. It is a leading producer of premium and specialty channels. It is also a major player in the collection and distribution of Pay TV offerings, with 11.2 million subscriptions to its packages. With its international operations, particularly in Poland, the Group's portfolio totals 12.9 million subscriptions. A pioneer in the development of new television services and a major player in the production and distribution of feature films, Canal+ Group also announced development projects in free television.

2.6.1.1. Programming Activities

Canal+ Channels

Canal+ Group offers five premium channels with exclusive, original and innovative programming. Launched in 1984, Canal+ has a unique format of general channels, including films, sports, news, drama, documentaries and entertainment programs. In addition to Canal+, Canal+ Group has created four high value-added channels with their own programming and identity: Canal+Cinéma, Canal+Sport, Canal+Family and Canal+Décalé (together known as "*Les Chaînes Canal+*").

In 2011, the *Chaînes Canal+* broadcast more than 500 films, including approximately 360 films on Canal+ alone. This channel offers subscribers all genres of films, as well as exclusive coverage of all the major events of the film world (the Cannes Film Festival, the Césars and the Oscars).

Canal+ Group has developed widely recognized expertise in sports coverage. Its coverage is characterized by exclusive programs, accurate and relevant commentary with prestigious experts, as well as internationally recognized technical expertise. The *Chaînes Canal+* channels cover more than 60 of the most important sports contests in France, including: League 1 soccer, the major foreign championships (including the British *Premier League*, the Spanish Liga and the Italian Series A, the *Ligue des Champions*, the *Europa League* and the Top 14, rugby in the southern hemisphere, tennis (including Wimbledon and the US Open), golf (the Vivendi Seve Trophy), boxing, track and field. The *Chaînes Canal+* channels offer an average of over 5,500 hours of sports each year, most of which are live.

The TPS Star channel was acquired by Canal+ Group following its merger with the TPS group in 2006. This is a general content premium television channel that broadcasts both free-to-air and encrypted programs. It is marketed by the unit as part of the offerings of Canal+ Group or other distributors. It primarily broadcasts films (150 exclusive premières in 2011), sports (with three European live championship matches each week), as well as new series and news items.

A strategic partnership with Orange provides for Canal+ Group to acquire a minority stake of 33.33% in Orange Cinéma Séries. Within this framework, the commercial partnership to distribute the services and products of Canal+ and CanalSat in the Orange network will be expanded.

Specialty Channels

Canal+ Group produces 21 channels. They offer specific programming covering the most popular themes on television: movies (seven Ciné + channels), sports (Sport +, Infosport +), news (i>Télé), documentaries (four Planète + channels), lifestyle (Cuisine TV, Seasons), series (Jimmy, Comédie +) and children's programming (Piwi +, télétoon + and télétoon +1).

2.6.1.2. Programming Activities

Canal+ Group is the leader in the bundling of pay TV channels in France. This activity consists of combining and collecting channels produced by the Canal+ Group or by third parties in specialty packages or packages that form coherent and attractive premium and multi-channel television offerings. The Canal+ Group offers a package of premium channels that includes Canal+ in its various formats, grouped together within *les Chaînes Canal+* offer. It also offers a package of channels, CanalSat, covering the genres most appreciated by subscribers (including film, sports, children, music, discovery and news).

CanalSat consists of over 200 channels. Seventeen "+" channels are produced and broadcast by the Canal+ Group, while the other channels are produced and broadcast by third parties. About 20 of those third party providers are exclusive to this package. They represent the most well-known brands in the world of specialty channels (e.g., Disney Cinemagic, National Geographic Channel, Nickelodeon, 13th Street and MTV).

These channels are selected on the basis of the quality of their programming and their performance in terms of audience and subscriber satisfaction, particularly those which are broadcast on an exclusive basis.

CanalSat is present on all media and broadcast networks compatible with the distribution of a multi-channel offer: satellite, ADSL and cable. A mini-pack of 5 specialty channels and 19 national free channels is also available on DVB.

CanalSat is also accessible over the Internet on a PC, with more than 100 direct broadcast or on demand channels, as well as on mobile phone using the CanalTouch mobile TV application which provides access to more than 40 channels.

2.6.1.3. Distribution Operations

Canal+ Group distributes its premium (*les Chaînes Canal+*) and multi-channel (CanalSat) offerings through specific subscriptions over all the broadcast platforms: DVB, satellite, ADSL, cable (only *les Chaînes Canal+*), mobile and the Internet. The average price of *les Chaînes Canal+* and Canalsat is at comparable levels of approximately 47 euros per month on average. The ADSL offers are also available on the market in the form of prepaid cards valid for one week.

The offers are marketed directly by the Canal+ Group via its call centers and websites. They are also offered through sales partners in distribution networks (big-box stores, specialized stores, telephone operator boutiques, representing a total of nearly 7,000 points of sale) or the distribution platforms of the Internet Service Providers.

Regardless of the marketing method, Canal+ Group retains an exclusive relationship with the subscribers to *les Chaînes Canal+* and CanalSat, from activation of the rights until termination, using a self-distribution model. This unique model guarantees a close relationship with its subscribers.

With 9.7 million subscribers in Metropolitan France as of December 31, 2011, the Canal+ Group holds the largest subscriber base for a Pay TV offering. Since the elimination of the analog broadcast signal, which occurred on November 24, 2010 for the Canal+ channel (one year before the complete end to analog broadcasting in France that was scheduled for year-end 2011), this subscriber base has also been 100% digital. This opens new prospects for enhancing the offer (particularly via service or content options) and will both increase subscriber loyalty and attract new customers.

In the context of its distribution activities, the Canal+ Group also markets some of its specialty channels and TPS Star through third-party distributors, particularly the cable operator Numericable and all the Internet Service Providers. They integrate those channels in their own multi-channel Pay TV offers.

In the French Overseas territories (*collectivités*), in Africa and internationally (Poland and Vietnam), the Canal+ Group is adjusting its distribution channels to the specificities of each of its markets.

2.6.1.4. New Services

Canal+ Group is a digital pioneer in Europe and in new television practices. It is a leader in television on demand, high definition and multi-screen distribution.

High Definition Television (HD)
Canal+ Group is the first to have initiated a high definition (HD) offer by satellite in France in the spring of 2006. It broadcasts the five *Chaînes Canal+* channels in HD on all the enabling platforms: satellite, cable and ADSL (on DVB, only the Canal+ channel is currently broadcast in HD because of technical limitations related to this platform). CanalSat offers 24 specialty channels in HD on satellite and ADSL.

VoD and Catch-up TV
Since 2005, Canal+ Group has offered a video-on-demand (VoD) service: CanalPlay. It is available without subscription directly on the television via cable, satellite (connected set-top boxes) and ADSL, and also on computers through the website www.canalplay.fr. CanalPlay is also available from gaming consoles (PSP and Xbox 360) and on certain televisions and Blu-ray readers. It offers one of the largest VoD catalogs in France with nearly 8,500 titles available, including more than 4,000 movies. In 2011, the service recorded more than 6 million orders.

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In November 2011, Canal+ Group launched its unlimited subscription VoD offer (SVoD), CanalPlay Infinity. CanalPlay Infinity is accessible without a commitment and independently of any subscription to Canal+ and/or CanalSat, it offers a catalog of several thousand titles for streaming, primarily films and TV series. Available on SFR and Free, the service is designed to be available from all operators and on all fixed-line or mobile connected screens (televisions, computers, tablets and game consoles). The CanalPlay Infinity platform will also be available on the set-top boxes of Canal+ Group satellite subscribers in 2012.

Canal+ and CanalSat on-demand services (more than 40 specialty channels) are offered free to subscribers. They give access to a catalog of programs that can be viewed for a certain period after their initial release, on television, computer and mobile devices (smartphones and tablets). These catch-up television services are an important factor in subscriber retention. More than 5 million programs are viewed in this manner each month using Canal+ on demand.

Set-top Boxes

In November 2008, Canal+ Group launched +Le Cube. This high-end HD box in an innovative design with an Internet connection and hard drive gives access to exclusive services (offering previews of certain series before their first broadcast on Canal+). Since September 2010, the Canal+ Group has distributed an upgraded version, equipped with Wi-Fi. By year-end 2012, it is anticipated that 80% of the satellite customers will be equipped with this new hybrid set-top box. A similar box will be offered to DVB customers in the first half of 2012. The objective is for all subscribers to eventually benefit from the new services related to the connected terminals, including VoD, catch-up television and recommendation engine. At year-end 2011, the Internet connection rate was already 30% out of a total number of connectible set-top boxes representing 50% of total subscribers.

Mobile and Web TV Offers

To take into consideration the new TV consumption methods, Canal+ Group offers customers of *les Chaînes Canal+* or CanalSat additional services on mobile media equipped with 3G or Wi-Fi (smartphones and tablets). Thus, subscribers can access *les Chaînes Canal+* channels and CanalSat, as well as the catch-up TV services of Canal+ and CanalSat on demand, using the CanalTouch application available on Apple's iPhone, iPod Touch, Pad and other operating systems like Android. Since its launch in December 2009, the application downloads have exceeded 2 million. Every month, it records more than one million connections to Canal+ live flows, with an equivalent number of downloads of on demand programs.

In November 2010, the Canal+ Group also launched a computer television service (Web TV). This service gives access to *les Chaînes Canal+* and CanalSat, and to the catch-up TV services of Canal+ and CanalSat on demand via a high-speed Internet connection to a desktop or portable computer.

Initially offered within a pay package, Web TV and mobility are now included in the new Canal+ and/or Canalsat offers which have been marketed since November 8, 2011.

Access via Game Consoles

In June 2009, the Canal+ Group and Microsoft entered into a strategic partnership to combine the Canal+ Group's content and Microsoft's products and innovations. As a result, all the live and on-demand offers and services of Canal+ Group are available on the Microsoft Xbox 360 game console. In the summer of 2011, Canal+ became the first channel in France to benefit from the Kinect technology that allows navigation in programs with a simple gesture, pending the launch of the voice command in 2012.

2.6.2. International Pay TV

2.6.2.1. Overseas Departments and Territories and French-speaking Countries

Canal+ Group has expanded its international activities via its subsidiaries Canal+Overseas, the first French-speaking Pay TV operator in the French overseas territories and departments and in Africa.

Canal+Overseas offers Pay TV packages (Canal+ and CanalSat). They give access to over 200 channels, primarily in French, in the following overseas territories: the Caribbean (French West Indies and Guiana), the Indian Ocean (Réunion, Mayotte and Mauritius), and the Pacific (New Caledonia and French Polynesia).

It is also the leading Pay TV operator in French-speaking Africa, present in 30 countries of Central and West Africa and Madagascar. Under a commercial agreement entered into in 2009 with the operator Multichoice, the leader in Pay TV in English-speaking Africa, Canal+ Group expanded to several countries of Central Africa. These countries have large French-speaking minorities, including Burundi, Rwanda and the Democratic Republic of Congo.

2.6.2.2. Poland

Canal+ Group is a major player in pay television in Poland via its subsidiary Cyfra+ (75% owned). Cyfra+ publishes Canal+ premium channel package, which includes Canal+ HD, Canal+Film HD, Canal+Sport HD, Canal+Gol HD, Canal+Weekend HD and Canal+3D HD. It produces and broadcasts seven specialty channels. In addition, it assembles and distributes a package of more than 100 television and radio channels, including 63 in Polish, as well as about one hundred additional channels accessible with free-to-air satellite receivers.

In December 2011, the Canal+, ITI and TVN groups announced the finalization of a strategic partnership for the combination of their pay-channel packages in Poland and a significant stake for Canal+ Group in TVN, the leading media group in Poland.

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The combination of Cyfra+ and the "n" package from TVN will create a major satellite television platform with a total base of 2.5 million customers at year-end 2011. Canal+ Group will contribute the shares it holds in Cyfra+ to become the majority shareholder (51%) of the new platform. It will pay approximately 230 million euros to acquire 40% of N-Vision, the parent company of Polish Television Holding, which is the majority shareholder with a 51% stake in TVN. Canal+ Group will hold call options on TVN's interest in the new platform (32%). It will also have the option, over time, to increase its stake in TVN and assume operational control.

The transaction is expected to be finalized in the second half of 2012, following approvals by the competent regulatory authorities.

2.6.2.3. Vietnam

In January 2010, Canal+ Group launched K+ in Vietnam, a new package of satellite channels operated by its subsidiary VSTV. This launch was the result of a partnership between Canal+ Group and VTV, the Vietnamese public television group dated June 2009, and the formation of VSTV, a joint venture, which was charged with the development and marketing of this package.

At year-end 2011, the international Pay TV activities of Canal+ Group (excluding the Overseas Territories and Departments and Africa) had 1.7 million subscribers.

2.6.3. Other Businesses

Free TV

Canal+ Group operates in free TV via its continuous news channel i>Télé. In September 2011, it announced a planned strategic partnership involving the free channels of the Bolloré Group.

This agreement provides for a two-phase acquisition by Canal+ Group of the channels Direct 8 and Direct Star, and their advertising agency. The agreement also gives Canal+ group an option to acquire 100% of the channels in a single phase, in consideration for 22.4 million Vivendi shares.

In addition to presenting a natural opportunity for diversification, this partnership is in line with Canal+ Group's growth strategy in France. It is intended to offer its viewers and subscribers, over the long term, content of a very high quality in an increasingly competitive universe. As the leader in Pay TV in France, Canal+ Group aims to expand its operations with complementary offers in free TV. This enlarged presence, including both pay and free TV, should allow the Canal+ Group to expand its presence to all operating windows for audiovisual programs, thereby permanently ensuring quality financing in content services.

Currently, the employee representative bodies are being consulted about this project, which will subsequently be submitted for the approval of the competent authorities.

Canal+ Régie

Canal+ Régie, a wholly-owned subsidiary of Canal+ Group, is its exclusive advertising company. It sells advertising on the *Chaînes Canal+* channels (only the unscrambled programs), i>Télé and ten specialty channels produced by the Canal+ Group (Sport +, Infosport +, Planète +, Planète + No limit, Jimmy, Comédie +, Cuisine TV, Piwi +, Télétoon + and TPS Star).

Canal+ Régie holds a unique place among the TV entities in France. Its unique CSP+ positioning makes it unequaled in achieving the premium targets in television. Recognized for its sales and marketing innovations, it contributes to the Canal+ Group advertising revenues that have risen continuously for seven years, despite a hostile economic environment and in contrast to the trend for the major television channels.

Canal+ Régie also markets seven Canal+ Group Internet sites, including canalplus.fr. This site records 5 million unique visitors per month and more than 50 million viewed videos. As a result of the 2009 creation of the "Advertising Exposure Guarantee" (AEG), Canal+ Régie is the only agency in the world that is able to guarantee the visibility and exposure time of all the campaigns aired on its websites. Its expertise extend to the Canal+ and i>Télé applications on the mobile platforms (including iPhone, iPad, Android, Blackberry and Windows mobile).

StudioCanal

StudioCanal is a wholly-owned subsidiary of Canal+ Group. It is a major player in Europe in film co-production, acquisition and distribution. It operates directly in the three main European territories: France, the United Kingdom and Germany. Every year, approximately 50 films are distributed over the entire operating chain (in theatres, on video, television and video-on-demand). StudioCanal is also one of the world's leaders in international film sales.

It owns one of the largest catalogs in the world, with more than 5,000 French, British, Italian, German and American titles, which it preserves and restores. It also manages the sale of rights to these movies.

StudioCanal is developing an ambitious international production policy. It is the only studio in Europe to have signed a co-financing agreement (slate financing) with an investment fund (Anton Capital Entertainment) for 500 million euros over a period of three years. As a result, it has significantly increased its investment capacity, particularly in relation to foreign films.

In 2011, StudioCanal entirely financed *The Mole*. This film, produced by Tomas Alfredson and based on the novel by John le Carré, starring Gary Oldman, Colin Firth and Tom Hardy, remained the number one film at the British box office for three weeks. It generated over 14 million pounds sterling in receipts.

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In 2012, StudioCanal will entirely finance and manage the rights for the next film by the Coen brothers, *Inside Llewyn Davis*, starring Justin Timberlake, Oscar Isaac, Carey Mulligan and John Goodman, and filming for which began in February 2012. The next two productions of nWave, a Belgian production company that is a leader in animation and 3D film in Europe, with which StudioCanal has signed exclusive agreements, will also be in theaters in 2012; these are the second chapter of the adventures of *Samy* the Turtle and the documentary *African Safari 3D*.

In January 2012, StudioCanal acquired a majority interest in Tandem Communications, one of the European leaders in the production and sale of international television series. Tandem Communications produced *The Pillars of the Earth*, *Dune* and *The Company* which were sold, broadcast and honored around the world. Two productions will mark 2012: *World without End*, based on a novel by Ken Follett and *Labyrinth*, a mini-series based on the successful books of Kate Mosse.

Canal+ Events

In 2008, Canal+ Group developed a new activity. It began to organize sports events and the sale of broadcast rights for sports competitions through Canal+ Events, a wholly-owned subsidiary. It aimed to complete and strengthen its presence in the value chain of sports events, from organization to broadcast, including all marketing operations, both in France and abroad.

Canal+ Events has become a recognized international player in these areas. It markets the international rights of the LFP, the Top 14, OM TV, the French Basketball Team, the French Basketball Championship, and the French Handball championship.

The sporting events it organizes include: The Open Sud de France (ATP 250) in Montpellier, the Winter X Games Europe in Tignes, the Vivendi Trophy and Vivendi Cup, the Metz marathon, the Saint François Golf Open, and the Mauritius Golf Masters. Canal+Events also performs the sales, advertising and marketing for the ASVEL basketball club.

2.6.4. Seasonality

The Pay TV business of Canal+ Group relies on subscription contracts. As a result of the duration of these contracts, the pay-Television business of Canal+ Group generates a predictable, recurring monthly revenue stream. However, the Canal+ Group's operations have still traditionally been affected by a seasonality factor, causing its most significant sales to occur at the start of the school year in the fall, following the summer holidays and at the year-end celebrations. In Africa, international or local sporting events, such as the Africa Nations Cup, may also influence sales volumes and hence seasonality, particularly for subscriptions without commitment.

2.6.5. Regulatory Environment

In Europe, the audiovisual communications industry is subject to national laws and regulations enforced by regulatory authorities such as the French Audiovisual Council (CSA). These authorities typically grant broadcast licenses for specific periods of time. In France, Canal+ has a license to broadcast the Canal+ channel via terrestrial networks as well as networks that do not use frequencies assigned by the CSA, such as satellite, cable and ADSL. This authorization was renewed in December 2000 for a period of five years. It was then extended for an additional five-year period pursuant to a decision of the CSA dated November 22, 2005. Thereafter, pursuant to Law of March 5, 2007 on the television of the future (see below), the Canal+ channel's network broadcasting license was renewed for an additional ten-year period, until December 6, 2020.

The European Union regularly adopts directives governing the operations of Canal+ Group and its effect on competition. The European Union has adopted a series of directives that have a direct impact on the communications industry, such as the "television without borders" directive, which became the "audiovisual media services directive," as well as directives on intellectual property, e-commerce, data protection and telecommunications.

Canal+ Group, through its subsidiary Canal+ France, holds a controlling interest in Société d'Edition de Canal Plus, a company listed on the Compartment B of NYSE Euronext Paris, which holds the Canal+ broadcast license. Pursuant to applicable rules and regulations, a non-EU national shareholder is not permitted to hold more than 20% of a company which holds a broadcast license.

Canal+ Group currently holds six DVB licenses: five for the pay channels (Canal+ HD – since July 22, 2008, Canal+ has been authorized to convert standard broadcasts to HD broadcasts – Canal+ Cinéma, Canal+ Sport, Planète and TPS Star) and one for a free channel (i>Télé). The number of licenses that a single company may hold, directly or indirectly, for a digital broadcast national television service is currently seven.

On May 27, 2008, following a call for tenders, the CSA selected both the Canal+ and i>Télé channels to provide personal mobile television ("MPT") broadcast.

Moreover, Canal+ Group has entered into an agreement for the acquisition of two free DBV channels, Direct 8 and Direct Star, owned by the Bolloré Group. This agreement must be approved by the French competition authority and the CSA.

Under its broadcast license in France, Canal+ SA must comply with the following requirements: 60% of the audiovisual works and films broadcast by the channel must be European works and 40% must be originally in French. In audiovisual matters, pursuant to Decree of October 21, 2009, which reiterates agreements entered into with producers and authors' organizations in the fall of 2008, Canal+ must each year allocate at least 3.6% of its aggregate net revenues from the previous year to

investments in national works (i.e., works of fiction, animation, creative documentaries, music videos and the recording or recreation of live events). A portion of these expenditures (representing at least 3.1% of the net revenues) is allocated to the development of independent production.

In the film segment, film industry organizations, including BLOC (which is composed of the ACP, SPI, DIRE, SDI and GNCR), UPF and ARP entered into an agreement on December 18, 2009. This agreement provides for the following increase in film financing: Canal+ must dedicate 12.5% of its annual revenues to the acquisition of European films (compared to 12% previously), including 9.5% for original French works (compared to 9% previously). This percentage includes a success premium, which was initially random and is now guaranteed at 0.5% of revenue. It benefits French films that have sold more than 500,000 tickets at the box office or French and European diversity pre-purchases that enjoy the greatest success. This agreement, which were confirmed through regulations, became effective in 2010.

Since 2006, Canal+ has offered full-length films to subscribers every evening of the week. The channel also contributes to the financing of a large variety of films. It operates in a balanced way on all budget segments of the market. As a result, Canal+ allocates 17% of its obligation to the acquisition of original French films to films with a budget of less than, or equal to, four million euros.

In addition, the Canal+ digital formats can broadcast one-third of their programs in programming different from the premium channel, which enhances the audiovisual offer.

The legal rules applicable to the catch-up television service (Canal+ on demand) was specified by the Law of March 5, 2009 governing audiovisual communication. This law provided for the pooling of the obligations to support the audiovisual productions of a catch-up television service with those of the television service to which it is attached. In relation to films, the film agreement entered into on December 18, 2009 provides that the price allocated to distribution rights on catch-up television be taken into consideration when determining Canal+'s obligations to contribute to film production.

Moreover, pursuant to Law no. 86-1067 of September 30, 1986 on Freedom of Communications, Canal+ Group is subject to the "must carry" rules. These rules require network service distributors that do not use the terrestrial frequencies assigned by the CSA (cable, satellite, ADSL) to:
- provide free access for their subscribers to the services of the channels of the France Télévisions group (France 2, France 3, France 5), Arte and TV5, as well as to the services specifically intended for viewers within Metropolitan France produced and broadcast by RFO, unless these producers believe that the service offer is clearly incompatible with their public service missions; the transmission and distribution costs are paid by the service distributors;
- provide free access for their subscribers in Overseas France to the services of the RFO company which are broadcast over the air in the community, unless this company believes that the service offer is clearly incompatible with its public service missions; the transmission and distribution costs are paid by the service distributors;
- broadcast free-to-air and at-their own expense, programs and interactive services associated with the *La Chaîne Parlementaire* (the French parliamentary channel), based on technical broadcast conditions equivalent to those of the national programming companies, unless this is opposed by the executive bodies of the programming companies of *La Chaîne Parlementaire*;
- broadcast free to the public services designed for the deaf and hearing-impaired associated with the television service programs that they offer; the technical measures required to implement these services are paid for by the distributors; and
- finally, as a service distributor through a network that does not use frequencies assigned by the CSA and other than satellite, make available to its subscribers the local public initiative services intended for information about local life, subject to the limits and conditions defined by Decree no. 2005-1355 of October 31, 2005 on notification requirements for distributors of audiovisual communication services.

The video-on-demand services (CanalPlay and CanalPlay Infinity) are governed by the on-demand audiovisual media services regulations, including Decree no. 2010-1379 of November 12, 2010 on investment requirements in the production of audiovisual and film works, specific requirements governing the offer and advertising, as well as CSA ruling no. 2010-57 of December 14, 2010 on the protection of children, ethics and program accessibility.

Pursuant to Law of June 12, 2009, the release and broadcast times for video-on-demand media were readjusted. Canal+ Group complies with the agreement entered into on July 6, 2009 and extended by order of July 9, 2009, which provides for the following required timeframes:
- for films available in pay-per-view video-on-demand (CanalPlay service primarily) and in DVD: a minimum of four months after their theater release and three months for films that sold fewer than 200 tickets in the fourth week in theatres;
- broadcasting time periods for film channels:
  - first window: 10 months for an original broadcast and if agreed with the film organizations; 12 months otherwise;
  - second window: 22 months if agreed with the film organizations; 24 months otherwise;
- broadcasting time periods on unscrambled television channels and on other pay television channels:
  - 22 months if the channel contributes at least 3.2% of its revenues in film production;
  - 30 months otherwise; and
- broadcasting time periods for on-demand video films by subscription (CanalPlay Infinity): 36 months.

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2.6.6. Piracy

Canal+ Group conducts an active battle against audiovisual piracy. It gives priority to innovation and technological watch and to the pursuit of violators in order to protect its commercial interests and those of its licensees.

The Group reacts effectively to piracy through dedicated teams and specialized consultants. They work both in the analysis and design of secure components and in the analysis of systems, set-top boxes and subscription sharing software or Internet content. This work is performed in close, permanent collaboration with set-top box manufacturers and suppliers of conditional access systems. At the group level, Canal+ Group initiates all preventive measures and actions against pirates, taking into consideration the change and sophistication of piracy technologies.

The Group also works in cooperation with the film industry. The objective is to limit Internet showings of promotional DVD copies prior to distribution to theaters.

2.6.7. Competition

On September 20, 2011, the French Competition Authority rendered its decision concerning compliance with the commitments provided for in the decision that authorized the acquisition of TPS and CanalSatellite by Vivendi and Canal+ Group. It ordered Canal+ Group to pay a fine of 30 million euros and requested that Canal+ Group and Vivendi re-notify the merger of CanalSat and TPS to the Competition Authority within one month.

On October 24, 2011, as required pursuant to the French Competition Authority decision, a new notification of this transaction was made to the Competition Authority.

On November 24, 2011, Canal+ Group filed an appeal against the September 20, 2011 decision of the Competition Authority with the French State Council.

In addition, Canal+ Group made several commitments concerning the pay TV market within the context of the merger of the operations of SFR and Neuf Cegetel, as approved pursuant to a decision of the Minister of the Economy of April 15, 2008. In particular, Canal+ Group agreed, for a period of five years, to supply to any distributor on xDsl or FTTX which requests it, two of the channels it produces: the series and fiction channel known as Jimmy and the family movie channel Ciné Cinéma Famiz. The opening of the intermediate market for the production and distribution of theme channels was also expanded with the elimination of the exclusive distribution rights of xDsl held by Canal+ Group to the channels produced by the M6 group. In addition, Canal+ Group reiterated the commitments it made as part of the merger of SFR and Tele 2, as authorized by the European Commission on July 18, 2007. Pursuant to these commitments, Canal+ Group cannot offer more favorable conditions to the Vivendi group and its subsidiaries (including SFR and Neuf Cegetel) for the distribution of theme channel packages, the Canal+ audiovisual service, and pay-per-view services.

On December 5, 2011, the acquisition of the Direct 8 and Direct Star channels by Canal+ Group was notified to the Competition Authority.

The Canal+, ITI and TVN groups entered into a strategic partnership agreement regarding the combination of their pay TV channel packages in Poland and a significant stake of Canal+ in TVN. In early 2012, this partnership was notified to the competent competition authorities.

The French pay TV market is changing rapidly. These changes include an increase in distribution platforms and technologies, particularly the development and enhancement of the offers proposed by Internet Service Providers. One of the providers, Orange, has positioned itself in the upstream market for the acquisition of audiovisual rights and in the intermediate market of channel production and distribution. Even though Orange's strategy is currently geared to "open partnerships", this operator represents some serious competition in the acquisition of premium quality sports and film content. Generally, the television offers of the Internet Service Providers are becoming increasingly attractive due to very popular channels (such as Disney Channel and Eurosport), which have decided to move to a non-exclusive distribution model. Finally, the television market is marked by the arrival of new players, such as Al Jazeera, that have significant financial capacity and have already acquired premium sports rights.

Competition is also increasingly structured around new, non-linear services that offer quality and premium content in VoD. These services are real growth areas for the ISPs. Without the editorial or regulatory constraints resulting from the production of a television service, they allow the providers to rapidly build pay television offers for viewers.

The growing consumer attraction for non-linear TV services (such as VoD and catch-up television) also encourages the entry of Internet service publishers into the market. These internet operators, which are often international, now have a very strong presence in the audiovisual creation economy. As a result, they are competing with traditional television players in their role as producer and distributor without being subject to the same constraints. In fact, they escape the very strict regulations that govern audiovisual players in France. There is a fear that this distortion in competition will intensify with the growth of connected television.

Along with the pressure exerted by the ISPs, the competitive pressure from the cable operator Numericable continues to be very strong, primarily because of the growth in fiber optic networks. This move toward very-high-speed allows this operator to diversify and expand the services it offers to its subscribers. It is also investing resources in the acquisition of rights to produce and broadcast sports theme channels.

Finally, the undisputed and growing success of DVB in France helps to drive the radical change in the audiovisual landscape. It opens the market to brand new competition from the producers of free television.

2.6.8. Raw Materials

The principal raw materials used in the Canal+ Group's businesses are polycarbonates for the production of DVDs and paper for the packaging of products. However, these raw materials do not experience price fluctuations that could have a material impact on the Canal+ Group's business. The Canal+ Group's business operations are not dependent on any raw material suppliers.

2.6.9. Research and Development

The Group's research and development (R&D) policy primarily focuses on innovations in new services, new uses and new technologies.

The Group has a cross-disciplinary team within the Channel Experience Department which manages its R&D policy. Its responsibilities are as follows:
- guiding a process to monitor emerging trends related to usages, services and technologies and the development of ideas for products or services;
- modeling and prototyping these services; testing these services internally, then with panels of subscribers to determine relevance; and
- planning roll-outs of these new services for all group products.

The conversion of an idea or concept from the monitoring phase into the prototyping phase, and then to deployment, is determined by a cross-disciplinary committee comprising a team of operational directors (Distribution, Programming, Technologies and Information Systems).

Some of the projects carried out within this framework benefit from research tax credits.

2.7. Other Operations

2.7.1. Vivendi Mobile Entertainment

Vivendi Mobile Entertainment ("VME"), formed in early 2007, is a wholly-owned subsidiary of Vivendi.

VME's role is to create a new, subscription-based digital distribution channel for music, films, TV series and games. It produces its own content and works with a number of independent producers and creators.

It operates in France and Germany under the zaOza brand, a mass-market digital service specifically designed to target the 15-35 year old age group. This monthly subscription-based commitment-free service offers downloading or streaming, at the customer's choice, from a large selection of hundreds of films, TV series, music, games and applications, which is updated daily.

After negotiating the "sharing rights" to the content it offers, zaOza has become the leading European community exchange and content sharing site; subscribers may, in effect, freely exchange content. ZaOza teams persuaded both designers and their legal beneficiaries in all sectors to achieve this outcome. To date, in a highly unstable legal context, they understood this initiative and are participating in the "shared rights" project, a major trend in the digital world.

Due to its unique and proprietary technological platform (developed in *cloud computing* from the beginning), zaOza subscribers can use its services and content from any of the following platforms: cell phone, smartphone, iPhone, PC, Mac, iPad, and connected television.

This unusual pay model has already attracted more than 1,500,000 subscribers since it was launched.

2.7.2. Digitick

At year-end 2010, Vivendi took over Digitick, which now has a share capital that is distributed between Vivendi (65.2%), SFR (27.1%) and Digitick executive management (7.7%).

Digitick is the French leader in electronic ticketing (e-ticket). It offers:
- to organizers of shows, cultural, sporting and other events, an innovative and complete way to manage their ticketing system in real time, allowing them to optimize their receipts; and
- to the public, a virtual ticket-sales service for shows, and sporting, culture and leisure events.

These tickets are available on the www.digitick.com website, and on organizer or affiliate websites, via mobile Internet and through partners with physical points of sale. Upon completing a transaction, customers may print or download their tickets onto a mobile phone device. In either case, they obtain a barcode that ensures the validity of their ticket.

Organizers benefit from a complete solution, allowing them to ensure control of access, simultaneously market their tickets on several channels, monitor changes in tickets sold in real time, and offer additional services (hosting, SMS positioning and hotline).

In addition, through its zePass subsidiary, Digitick combats the black market by offering a legal web solution for the purchase and resale of tickets between individuals.

2.7.3. Wengo

Wengo is the French leader in phone-based expert assistance.

Through its website, www.wengo.fr, it has built a customer-relations platform using independent experts to obtain responses to questions on various topics such as education, legal advice, business creation, computers, psychology, coaching, astrology, health and wellbeing.

This service is aimed at individuals as well as corporations. It allows customers to contact 2,000 experts available 7 days a week, 24 hours a day.

Wengo serves as an intermediary, offering guarantees in terms of security (payment by credit card), quality (certification of experts and evaluation by their users), and confidentiality.

2.7.4. See Tickets

In August 2011, Vivendi acquired 100% of See Tickets.

See Tickets is ranked second in the distribution of theater and event tickets in the United Kingdom. Its two primary businesses are ticketing for pop, rock and other music concerts and sports events, as well as ticketing for musical comedies and theater in London's West End. The first segment is managed by its unit in Nottingham, and the second by its unit in London.

See Tickets sells its tickets on-line and by telephone. It has a large affiliated sales network (including specialized papers and Internet sites).

Section 3 **Litigation**

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

As of December 31, 2011, provisions recorded by Vivendi for claims and litigations amounted to €479 million in 2011, compared to €443 million in 2010. Vivendi does not disclose details regarding these provisions (save for some exceptions), as it believes that any such disclosure could seriously harm its position.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including, to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had in the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described herein.

Trial of Vivendi's former officers in Paris

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001, following filing by the AMF of a report of its investigations with the Parquet de Paris on June 6, 2005. Vivendi joined the proceedings as a civil party.

On January 23, 2009, the Public Prosecutor transmitted to the judge and civil parties a final prosecutor's decision to dismiss the charges in respect of all matters under investigation. On October 16, 2009, the Judge ordered all parties to appear at trial before the Criminal Court.

The charges of disclosure and publication of untrue or inaccurate financial statements were rejected by the Judge. The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*). The Public Prosecutor asked the Court to drop the charges against the defendants.

On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean-Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Messier and Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi officers as well as some civil parties appealed the decision.

On January 7, 2010, Philippe Foiret summoned Vivendi and Veolia to appear before a Criminal Court in an attempt to hold them liable for the offences committed by their former managers. On January 27, 2012, the Criminal Court dismissed Mr. Foiret's application.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Messier and 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 under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements.

As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and $0.13 and $10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

Section 3 **Litigation**

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States."

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claim of purchasers who acquired their shares on the Paris stock exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the Morrison decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris stock exchange.

Vivendi believes that it has solid grounds for an appeal at the appropriate times. Vivendi intends to challenge, among other issues, the plaintiffs' theories of causation and damages and, more generally, certain decisions made by the judge during the conduct of the trial. Several aspects of the verdict will also be challenged.

On the basis of the verdict rendered on January 29, 2010, and following an assessment of the matters set forth above, together with support from studies conducted by companies specializing in the calculation of class action damages and in accordance with the accounting principles described in Notes 1.3.1 (Use of Estimates) and 1.3.8 (Provisions), Vivendi made a provision on December 31, 2009, in an amount of €550 million in respect of the damages that Vivendi might have to pay to plaintiffs. Vivendi re-examined the amount of the reserve related to the Securities class action litigation in the United States, given the District Court for the Southern District of New York decision on February 17, 2011, which followed the US Supreme Court's decision on June 24, 2010 in the Morrison case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.

Vivendi considers that this provision and the assumptions on which it is based may require further amendment as the proceedings progress and, consequently, the amount of damages that Vivendi might have to pay the plaintiffs could differ from the current estimate. As is permitted by current accounting standards, no details are given of the assumptions on which this estimate is based, because their disclosure at this stage of the proceedings could be prejudicial to Vivendi.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. Messier and Hannezo in the District Court for the Southern District of New York for claims arising out of a merger agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934. Liberty Media seeks rescission damages. The case had been consolidated with the securities class action for pre-trial purposes but was subsequently deconsolidated on March 2, 2009. In March, 2012, the judge granted Liberty Media's request that they be permitted to avail themselves of the verdict rendered by the class action jury with respect to Vivendi's liability (theory of "collateral estoppel"). The trial is currently scheduled to commence in May 2012.

LBBW et al against Vivendi

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxemburg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002.

Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a subsidiary of Vivendi) against FIG to obtain the release of part of a payment remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the annulment of the sale following a judgment of the Berlin Court of Appeal, which overruled a judgment rendered by the Berlin High Court. CGIS BIM was ordered to repurchase the buildings and to pay damages. Vivendi delivered a guarantee so as to pursue settlement negotiations. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the reasoning of the judgment of the Berlin Court of Appeal. On April 23, 2009, the Regional Berlin Court issued a decision setting aside the judgment of the Berlin Court of Appeal dated May 29, 2008. On June 12, 2009, FIG appealed that decision. On December 16, 2010, the Berlin Court of Appeal rejected FIG's appeal and confirmed the decision of the Regional Berlin Court in April 2009, which decided in CGIS's favor and confirmed the invalidity of the reasoning of the judgment and therefore overruled the order for CGIS BIM to repurchase the building and pay damages and interest. This decision is now final. In parallel, FIG filed a second claim for additional damages in the Berlin Regional Court which was served on CGIS on March 3, 2009. The Court, which had previously suspended this proceeding, has scheduled a hearing for the second half of 2012.

Vivendi's complaint against France Télécom before the European Commission for abuse of a dominant position

On March 2, 2009, Vivendi and Free jointly filed a complaint against France Télécom before the European Commission (the "Commission"), for abuse of a dominant position. Vivendi and Free allege that France Télécom imposes excessive tariffs on offers for access to its fixed network and on telephone subscriptions. In July 2009, Bouygues Telecom joined in this complaint. In a letter dated February 2, 2010, the Commission informed the parties of its intention to dismiss the complaint. On September 17, 2010, Vivendi filed an appeal before the Court of First Instance of the European Union in Luxemburg.

Section 3 **Litigation**

Complaint against France Télécom and Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against France Télécom and Orange for anti-competitive practices on the professional mobile market. This case is under investigation.

Tenor against Groupe SFR Cegetel, Groupe France Télécom and Bouygues Telecom

Tenor (a fixed operators association, which became ETNA) brought a claim before the French Competition Council alleging anti-competitive practices by France Télécom, Cegetel, SFR and Bouygues Telecom in the telecommunications sector. On October 14, 2004, the French Competition Council fined SFR, among others, for abuse of dominant position. On November 20, 2004, SFR filed an appeal. On April 12, 2004, the Court of Appeal overturned the decision of the Competition Council, having decided that the allegations were not proven. On April 29, 2005, ETNA appealed against that ruling before the French Supreme Court. On May 10, 2006, the Supreme Court overruled the decision of the Court of Appeal, stating that the Court of Appeal should have examined whether the alleged practices had an adverse impact on competition. On April 2, 2008, the second Court of Appeal denied the requests made by SFR. On April 30, 2008, SFR appealed to the Supreme Court. On March 3, 2009, the Supreme Court reversed the Court of Appeal's decision dated April 2, 2008, considering that "price scissoring" practices may not, as such, constitute anti-competitive practices. On January 27, 2011, the Court of Appeal overruled the decision of the Competition Council re-stating that the grievances against SFR and France Télécom have not been proven. The Court ordered the amount of the fine imposed by the Competition Council to be reimbursed. On February 24, 2011, the French Competition Authority appealed the decision to the French Supreme Court. This appeal was dismissed on January 17, 2012.

Complaint lodged with the French Competition Authority by Orange Réunion, Orange Mayotte and Outre Mer Telecom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion and Orange Mayotte filed a complaint against SRR (an SFR subsidiary) for alleged discriminatory practices. On September 15, 2009, the French Competition Authority imposed temporary protective measures on SRR, requiring it to propose to its subscribers offers which do not discriminate based on the network used, except where they reflect the differences in costs amongst the network operators. On August 18, 2011, the French Competition Authority provided SRR with a report stating that SRR had not complied with the order and, on January 24, 2012, the French Competition Authority ordered SRR to pay a fine of two million euros. The investigation is ongoing.

Complaint lodged with the French Competition Authority by Outremer Telecom against Société Réunionnaise du Radiotéléphone (SRR), France Télécom and Mauritius Telecom

On September 23, 2010, Outremer Telecom filed a complaint before the French Competition Authority and sought protective measures. It alleges that SRR, France Télécom and Mauritius Telecom have entered into an illegal agreement as part of the submarine cable project, LION, in the Indian Ocean. Outremer Telecom has since withdrawn its complaint.

Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices in the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority ("the Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Authority noted the existence of abusive price discrimination practices.

SFR against France Télécom

On August 10, 2011, France Télécom filed a claim against SFR before the Paris Commercial Court. France Télécom asked the Court to compel SFR to stop the overflow traffic at the point of interconnection of their respective networks.

Metro Goldwyn Mayer against Groupe Canal+ and others

In 1996, the TPS Group (TPS) entered into an output agreement with Metro Goldwyn Mayer Inc. (MGM), relating to the broadcasting rights for MGM's catalog. This agreement had an initial term of five years and was thereafter renewed for an additional five-year period before being terminated on December 31, 2006. The agreement provided MGM with the right to renew the contract for a new five-year period if TPS merged with another satellite operator before the termination of the agreement. Following the announcement of the merger between TPS and Canal+ France, MGM notified TPS in September 2006 that it would exercise its renewal option and extend the agreement through December 31, 2011. TPS challenged this renewal based on the fact that the merger effectively occurred in January 2007, after the termination of the agreement. In April 2007, MGM filed a complaint against Canal + France, Canal+ Distribution SAS, as successor to TPS, and Groupe Canal+, with the District Court of New York seeking, among other things, damages for breach of contract. On July 21, 2011, the parties entered into a settlement agreement.

Parabole Réunion matter

In July 2007, the group Parabole Réunion filed a legal action before the Paris Tribunal of First Instance following the termination of its rights to exclusively distribute the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius. Pursuant to a decision dated September 18, 2007, the Canal+ Group was prohibited, under fine, from allowing the broadcast of these channels by third parties, unless it offered to Parabole Réunion the replacement of these channels with other similarly attractive channels, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal reversed the judgment and dismissed Parabole Réunion's main claims against Groupe Canal+. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. On November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

Section 3 Litigation

In parallel with the foregoing proceedings, on October 21, 2008, Parabole Réunion and its shareholders filed a claim against Canal Réunion, Canal Overseas, CanalSatellite Réunion, Canal+ France, Groupe Canal+ and Canal+ Distribution, seeking the enforcement of the agreement entered into on May 30, 2008, pursuant to which the companies would combine their TV channel broadcasting activities in the Indian Ocean. The execution of this agreement was contingent upon the satisfaction of certain conditions precedent. As these conditions were not satisfied, the agreement became null and void. On June 15, 2009, the Commercial Court rejected Parabole Reunion's claim. Parabole Réunion appealed this decision and the appeal was denied. On May 23, 2011, Parabole Réunion appealed to the Supreme Court.

Parabole Réunion also brought various proceedings seeking to obtain a statement recognizing the maintenance of the TPS Foot channel, among others, before the High Court of Nanterre. On September 16, 2010, the Versailles Court of appeal rejected Parabole Réunion's application. Parabole Réunion appealed the decision before the French Supreme Court; this appeal was dismissed on January 6, 2012.

Action brought by the French Competition Authority regarding practices in the Pay TV sector

On January 9, 2009, further to its voluntary investigation and a complaint by France Télécom, the French Competition Authority sent Vivendi and Groupe Canal+ a notification of allegations. It alleges that Groupe Canal+ has abused its dominant position in certain Pay TV markets and that Vivendi and Groupe Canal+ colluded with TF1 and M6, on the one hand, and with Lagardère, on the other. Vivendi and Groupe Canal+ have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties, and certain other allegations, in respect of Groupe Canal+. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Groupe Canal+'s exclusive distribution rights on channels broadcast by the group and by independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On December 17, 2010, France Télécom appealed the decision before the Court of Appeal. Vivendi and Groupe Canal+ joined these appeal proceedings. On July 15, 2011, France Télécom withdrew its application for an annulment of the decision of the Competition Authority.

Inquiry into the implementation of certain undertakings given in connection with the combination of CanalSatellite and TPS

The French Competition Authority opened an inquiry regarding the implementation of certain undertakings given by Vivendi and Group Canal+ in connection with the combination of TPS and CanalSatellite.

On September 20, 2011, the French Competition Authority rendered a decision in which it established that Group Canal+ had not complied with certain undertakings – some it considered essential – on which depended the decision authorizing, in 2006, the acquisition of TPS and CanalSatellite by Vivendi and Group Canal+. As a consequence, the French Competition Authority withdrew the merger authorization, requiring Vivendi and Group Canal+ to re-notify the transaction to the French Competition Authority within one month. Furthermore, the Authority ordered Group Canal+ to pay a €30 million fine. On October 24, 2011, the operation was re-notified to the French Competition Authority. On February 21, 2012, the Authority acknowledged the completeness of the file.

On November 4, 2011, Vivendi and Group Canal+ filed a motion before the French Council of State (*Conseil d'Etat*), requesting the annulment of the decision.

Complaints against music industry majors in the United States

Several complaints have been filed before the Federal Courts in New York and California against Universal Music Group, Warner Music, EMI, Bertelsmann and Sony BMG, for alleged anti-competitive practices in the context of sales of CDs and Internet music downloads. These complaints have been consolidated before the Federal Court in New York. The motion to dismiss filed by the defendants was granted by the Federal Court, on October 9, 2008, but this decision was reversed by the Second Circuit Court of Appeals on January 13, 2010. Defendants filed a motion for rehearing which was denied. They filed a petition with the US Supreme Court which was rejected on January 10, 2011.

FBT & Eminem against UMG

On May 21, 2007, FBT (the label owned by Eminem) filed suit against UMG claiming breach of contract in connection with the production of an album and requesting that the court order additional payment of royalties for on-line sales of music downloads and ringtones.

On March 6, 2009, the Los Angeles Court dismissed FBT's claims and FBT appealed. The Court of Appeal overturned the lower court's decision. On March 21, 2011, the U.S. Supreme Court, without ruling on the merits of the case, refused to hear an appeal from UMG, which is within its judicial discretion. A trial relating to damages will be held in the first half of 2012.

Studio Infinity Ward, subsidiary of Activision Blizzard

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, Activision Blizzard terminated the employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against Activision Blizzard in the Los Angeles Superior Court for breach of contract and wrongful termination. On April 9, 2010, Activision Blizzard filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty. In addition, 38 current and former employees of Infinity Ward filed a complaint against Activision Blizzard in the Los Angeles Superior Court on April 27, 2010 for breach of contract and violation of the Labor Code of the State of California. On July 8, 2010, an amended complaint was filed which added a further seven plaintiffs. They claim that the company failed to pay bonuses and other compensation allegedly owed to them.

On December 21, 2010, Activision Blizzard filed a consolidated cross complaint to add Electronic Arts as a party, the discovery having shown the complicity of Electronic Arts in the case. The Los Angeles Court, following Activision Blizzard's request, agreed to transfer the case to the Complex Division. The trial is scheduled to take place on May 7, 2012.

Activision Blizzard does not expect these two lawsuits to have a material impact on the company.

Telefonica against Vivendi in Brazil

On May 2, 2011, TELESP, Telefonica's Brazilian subsidiary, filed a claim against Vivendi before the Civil Court of São Paulo (3ª Vara Cível do Foro Central da Comarca da Capital do Estado de São Paulo). The company is seeking damages for having been blocked from acquiring control of GVT and damages in the amount of 15 million Brazilian reals (approximately 6.7 million euros) corresponding to the expenses incurred by TELESP in connection with its offer for GVT. In its written defense, Vivendi refuted point by point each of TELESP's claims. At the beginning of September, 2011, Vivendi filed an objection to jurisdiction, challenging the jurisdiction of the courts of São Paulo to hear a case involving parties from Curitiba. This objection was dismissed on February 14, 2012.

Inquiries in Brazil

On July 19, 2011, the Public Prosecutor of the State of Paraná decided to close its inquiry into the acquisition of GVT by Vivendi in November 2009. In the decision, the Public Prosecutor particularly underlined that there was no element proving any loss for GVT's shareholders who obtained, on the contrary, a profit with the transaction. This decision was confirmed by the Federal Prosecutor on September 30, 2011.

Dynamo against Vivendi

On August 24, 2011, the Dynamo investment funds filed a complaint for damages against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange). According to Dynamo, a former shareholder of GVT that sold the vast majority of its stake in the company before November 13, 2009 (the date on which Vivendi took control of GVT), the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. Vivendi notes that this poison pill provision was waived by a GVT Shareholders' general meeting in the event of an acquisition by Vivendi or Telefonica.

Actions related to the ICMS tax

GVT is party, in various Brazilian States, to several proceedings concerning the recovery of the "ICMS" tax on its Internet and Broadband services. ICMS (Impostos Sobre Circulaçãos de Mercadorias e Prestaçãos de Serviços) is a tax on operations relating to the circulation of goods and the supply of transport, communication and electricity services.

To date, the court decisions rendered in several States have been favorable to GVT, but the Brazilian Federal Supreme Court (Superior Tribunal de Justiça) has not yet ruled on this issue.

On August 5, 2011, Confaz, the national council in charge of coordinating the tax policies of the Brazilian States, published a draft proposal that, if accepted by each State concerned, would allow companies (like GVT) that dispute the recovery of ICMS on Internet and Broadband services to enter into negotiations with the objective of settling the past disputes and clarifying the rules applicable to future operations. As of today, GVT has reached agreement with a dozen states including the States of Paraná, Rio Grande do Sul, the Federal District, Minas Gerais and Santa Catarina.

In addition, GVT is a party to litigation in various Brazilian States concerning the application of the ICMS tax on voice telecommunication services. GVT argues that the ICMS tax should not apply to monthly plans. Of the eighteen proceedings initiated by GVT, all have resulted in decisions favorable to GVT and nine are no longer subject to appeal.

Action related to the FUST and FUNTTEL taxes in Brazil

The Brazilian tax authorities argue that the assessment of the taxes known as "FUST" (Fundo da Universalizaçãos dos Serviços de Telecomunicaçõs), a federal tax to promote the supply of telecommunications services throughout the whole Brazilian territory, including in areas that are not economically viable, and "FUNTTEL" (Fundo para Desenvolvimento Tecnológioco das Telecomunicações), a federal tax to finance technological investments in Brazilian telecommunications services, should be based on the company's gross revenue without deduction for price reductions or interconnection expenses and other taxes, which would lead to part of that sum being subject to double taxation. GVT is challenging this interpretation and has secured a suspension of payment of the sums claimed by the tax authority from the federal judge.

Proceedings brought against telecommunications operators in Brazil regarding the application of the PIS and COFINS taxes

Several proceedings were initiated against all the telecommunications operators in Brazil, including GVT, with a view to preventing invoices from being increased by taxes known as "PIS" (Programa de Integrações Social) and "COFINS" (Contribuição para Financiamento da Seguridade Social), which are federal taxes that apply to revenue from the provision of telecommunications services. GVT believes that the arguments in its defense have a stronger basis than those of the historic operators insofar as GVT operates pursuant to a more flexible license that allows it to set its own tariffs.

Section 4 **Risk Factors**

Legal risks

Vivendi has performed a review of risk factors that may have a negative impact on its businesses or results. It has not identified any material risks other than those set out below.

The Risks Committee regularly assesses the potential risks that may have an impact on the businesses carried out by the Vivendi Group and the adequacy of the procedures that have been put in place to protect against such risks. It informs the Supervisory Board's Audit Committee of its main conclusions and decisions.

For a summary of the work performed by the Risks Committee, please refer to Chapter 3, Section 3.7 of this document.

Risks associated with regulations applicable to the Group's operations

In the ordinary course of business, Vivendi must comply with laws and regulations that are complex, restrictive and evolving, particularly those governing the telecommunications and broadcasting sectors.

Substantial changes in the nature, interpretation or enforcement of these laws and regulations by governmental, administrative, judicial or other authorities, including competition authorities, particularly with respect to competition, tax law and various taxes may result in Vivendi incurring additional costs or altering the products and services offered by the company, which may materially impact its business, financial position, results and development prospects.

In addition, certain operations of the Group are dependent upon obtaining or renewing licenses issued by regulatory authorities, both in France and abroad, and specifically: in France, the *Autorité de Régulation des Communications Electroniques et des Postes* ("ARCEP", the French Telecommunications and Posts Regulator) and the *Conseil Supérieur de l'Audiovisuel* ("CSA", the Superior Audiovisual Council); in Morocco the *Agence Nationale de Réglementation des Télécommunications* ("ANRT", the National Telecommunications Regulatory Agency) and in Brazil, the *Agência Nacional de Telecomunicações* ("ANATEL", the National Telecommunications Agency). The process of obtaining or renewing such licenses can be long, complex and costly. Vivendi's ability to achieve its strategic objectives may be impaired if it were unable to obtain or retain the licenses required to conduct, continue or expand its operations in a timely manner.

For a detailed description of the regulatory environment applicable to each of the Group's operations, please refer to Section 2 of this chapter.

Risks associated with litigation

The Group is, or is likely to become, involved in a number of contentious proceedings or investigations, filed against it by subscribers, consumer associations, competitors, shareholders or regulatory and tax authorities. When the Group fails to negotiate an amicable settlement, damages may be awarded against the Group or penalties may be imposed.

For a description of the main legal proceedings or investigations in which the Group is involved, please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011 and the "Litigation" section of this chapter.

Vivendi recognizes a provision for expenses that may result from a proceeding whenever a risk becomes likely to materialize and when it is possible to estimate the potential cost associated with such risk. With the exception of the main legal proceedings and investigations described in this section and in Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011 (Chapter 4), Vivendi considers it unlikely that current proceedings will have a material negative impact on the Group's financial position.

Risks associated with commitments given by Vivendi

Vivendi and its subsidiaries have entered into a number of conditional commitments, the most significant of which are described in Note 26 to the Consolidated Financial Statements for the year ended December 31, 2011. Certain of these commitments are unlimited in their duration or amount. If Vivendi were obliged to make a payment in respect of one or more of these contingent liabilities, such an obligation may have a negative impact on its financial results and financial position.

Risks Associated with the Group's Operations

Risks associated with piracy and counterfeiting

Over the past few years, the reduction in the cost of computer and electronic equipment and associated technologies has facilitated the unauthorized reproduction of music and audiovisual works and games. At the same time, increased access to high-speed Internet connections has enabled, and continues to enable, computer users to share such works more easily (and in greater number), without the copyright holder's authorization and without paying royalties.

Vivendi is dependent on the decisions of public or administrative authorities and their determination to find effective means to combat piracy. Persistent difficulties in passing and applying suitable legislation or in enforcing court rulings, particularly in certain regions of the world where piracy and website hacking are endemic, constitute a threat to Vivendi's businesses, which depend heavily on the intellectual property rights owned by or licensed to the Group.

Section 4 **Risk Factors**

The decline in the market for physical recorded music may therefore continue in the next few years and could continue to affect UMG's results if Vivendi does not succeed in finding ways to protect its businesses against piracy and counterfeiting. For the same reasons, in the absence of adequate means to prevent piracy and counterfeiting, Vivendi's operations related to the production and distribution of audiovisual content and video games publishing may suffer a significant decline in revenues.

Section 2 of this chapter contains a detailed analysis of piracy issues and measures taken by each of the Group's business units to combat it.

Risks associated with intensified commercial and technical competition

Vivendi's businesses face strong competition, which may intensify in the near future due to the trend towards industry concentration among existing companies or the entry of new competitors in the relevant markets. Growing competition exerts considerable pressure on Vivendi, which may lead to a loss in market share if Vivendi is no longer able to supply products and services that are sufficiently competitive in terms of price and quality.

In particular, Vivendi's development depends on its ability to adapt the products and services it offers to the requirements of increasingly demanding customers, in industries distinguished by rapid technological developments. The need for Vivendi to respond to such requirements and advances, or even in some cases to anticipate them, may lead to the Group making substantial investment without any assurance that the new products and services developed and offered will not become obsolete within a short period of time.

Risks associated with the lack of commercial success of recorded music, films and video games produced, published or distributed by the Group

The production and distribution of musical and audiovisual content and video games publishing represent a substantial proportion of Vivendi's revenues. The commercial success of these works is dependent upon the public's response, which may not always be predicted, the existence and success of competing entertainment offers, and general economic circumstances.

Finally, when these operations are based on content provided by third parties, no assurance can be given that such third parties will always agree to transfer their rights for various communication media, under financial and commercial terms acceptable to Vivendi.

Conducting operations in various countries is subject to additional risks

Vivendi conducts its business in various markets throughout the world. The main risks associated with business being conducted on an international scale are as follows:

- the local economic and political situation;
- exchange rate fluctuations;
- restrictions on capital repatriation;
- unexpected changes in the regulatory environment;
- the various tax systems that may have an adverse effect on Vivendi's operating results or cash flow, and in particular regulations relating to transfer costs and the withholding tax on the repatriation of funds; and
- tariff barriers, customs duties, export controls and other trade barriers.

Vivendi may not be able to protect itself against such risks without incurring additional costs.

Potential health risks posed by networks, mobile phones or Wi-Fi terminals

Over the past few years, concerns have been expressed on an international level as to the potential risks posed to human health by electromagnetic radiation from mobile phones and mobile transmission sites. Vivendi is not currently aware of any tangible evidence that demonstrates the existence of risks to human health associated with the use of mobile phones, the emission of radio waves or electromagnetic fields.

Nevertheless, the perception of such risks by the public may have a material negative impact on Vivendi's results or financial position, particularly if, as a consequence, the number of Vivendi customers decreased significantly, the consumption of its products and services fell, or legal claims were brought against the company.

For a detailed description of the risks and of actions being taken by each of the Group's businesses, please refer to the "Regulatory Environment" section of this chapter.

Section 4 Risk Factors

Industrial Risks or Risks Associated with the Environment

The Group's operations do not pose any major industrial or environmental risks. This is because the Group's operations are, by their very nature, largely non-manufacturing and a large proportion of the Group's assets are intangible. However, the Group remains alert to any environmental damage that may arise or be discovered in the future, and has set up programs intended to ensure the application of regulations relating to this area (please refer to the "Raw Materials" section of this chapter).

Risks Associated with the Current Economic and Financial Situation

The ongoing economic crisis has resulted in a severe contraction in credit markets, a high level of volatility in stock markets and a reduction in growth forecasts. The unfavorable circumstances of the economic recession, in particular the reduction in consumers' purchasing power and level of confidence, could result in customers postponing or reducing their expenditure on the products and services offered by the Group or affect their ability to pay for them, which in turn may have a negative impact on Vivendi's revenues and results.

Each year, Vivendi conducts impairment tests on goodwill and assets with definite or indefinite lives, to assess whether their book value exceeds their recoverable value. Current economic circumstances may cause Vivendi to recognize impairment losses for such assets.

To date, the Vivendi Group's resistance to the economic and financial crisis has confirmed the relevance and soundness of its economic model, which is based on subscriptions, and the strategy implemented over the last few years in order to strengthen and develop its core businesses in France and worldwide, particularly in emerging countries.

Market risks

For a detailed analysis of market risks (interest rates, foreign exchange rates, market liquidity and stock prices), please refer to Note 23 to the Consolidated Financial Statements for the year ended December 31, 2011, which contains a detailed analysis of market risks.

Section 1

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INFORMATION ABOUT THE COMPANY – CORPORATE GOVERNANCE

Section 1 General Information about the Company

1.1. Corporate and Commercial Name

Pursuant to Article 1 of Vivendi's by-laws, the corporate name of the company is Vivendi.

1.2. Place of Registration and Registration Number

The company is registered with the *Régistre du Commerce et des Sociétés de Paris* (Paris Commercial and Corporate Registry) under reference number 343 134 763. Its Siret number is 343 134 763 00048 and its APE code is 6420Z.

1.3. Date of Incorporation and Term

As set forth in Article 1 of Vivendi's by-laws, the company's term is 99 years beginning on December 18, 1987. It will therefore expire on December 17, 2086, except in the event of extension or early dissolution.

1.4. Registered Office, Legal Form and Legislation Applicable to Vivendi's Business

Pursuant to Article 3 of Vivendi's by-laws, the registered and principal executive offices of the company are located at 42, avenue de Friedland – 75380 Paris Cedex 08 – France.

Pursuant to Article 1 of Vivendi's by-laws, Vivendi is a limited liability company (*société anonyme*) with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de surveillance*). The company is governed by the French legislative and regulatory provisions on corporations and, in particular, by the provisions of the French Commercial Code (*Code de Commerce*).

1.5. Fiscal Year

Pursuant to Article 18 of Vivendi's by-laws, the company's fiscal year shall commence on January 1 and end on December 31 of each year.

1.6. Access to Legal Documents and Regulated Information

Legal documents regarding the company are available for review at the company's registered office. Permanent or ongoing regulated information may be found on the company's website (www.vivendi.com) under "Regulated Information".

Section 2 Additional Information about the Company

2.1. Memorandum and By-Laws

2.1.1. Corporate Purpose

Pursuant to Article 2 of Vivendi's by-laws, the main corporate purpose of the company, directly or indirectly, in France and in all other countries is as follows:

- to provide any communication and telecommunication activities, directly or indirectly, and any interactive services, to individual, business or public sector customers;
- to market any products and services related to the foregoing;
- to engage in any commercial, industrial, financial, share and real estate transactions, directly or indirectly, related to the aforementioned purpose or to any other similar or related purpose, or contributing to the achievement of such purpose; and
- more generally, the management and acquisition, either by subscription, purchase, contribution, exchange or through any other means, of shares, bonds and any other securities of companies already existing or yet to be formed, including the right to sell such securities.

2.1.2. Rights, Preferences and Restrictions Attached to the Company's Shares and to Each Class of Existing Shares, if Applicable

Pursuant to Articles 4 and 5 of Vivendi's by-laws, the shares are all of the same class and may be held in either registered form or bearer form, subject to applicable laws and regulations.

Pursuant to Article 6 of Vivendi's by-laws, each share carries a right of ownership of the company's assets and liquidation surplus, in a proportion equal to the portion of the share capital it represents. Whenever the accumulation of several shares is necessary to exercise any rights, shareholders may only exercise such rights if they combine the necessary shares. Subscription rights attached to shares belong to the usufruct holder ("*usufruitier*").

Section 2 **Additional Information about the Company**

2.1.3. Action Necessary to Change the Rights of Shareholders

Vivendi's by-laws do not contain any provisions that are more restrictive than those required by law in relation to any changes in the company's share capital or to the rights attached to the company's shares.

2.1.4. Shareholders' Meetings

Pursuant to Article 16 of Vivendi's by-laws, Shareholders' Meetings are convened and held in accordance with applicable law.

Shareholders' Meetings are held at the company's registered office or at any other place indicated in the meeting notice. When convening such a meeting, the Management Board may decide to publicly broadcast the Shareholders' Meeting in full, via videoconference or teletransmission. If applicable, this decision shall be published in the meeting notice.

Two members of the Workers' Committee, appointed by such Committee, may also attend Shareholders' Meetings. The Chairman of the Management Board or any other authorized person notifies the Workers' Committee of the date and location of Shareholders' Meetings by any means.

Each shareholder, without regard to the number of shares held, is entitled, upon proof of his/her identity and capacity as a shareholder, to participate in Shareholders' Meetings, subject to (i) the recording of his/her shares on the third business day preceding the Shareholders' Meeting (the "Record Date"), at 0:00 am (Paris time), whereby:

- registered shareholders shall be comprised of those shareholders identified in the registered share account on file with the company; and
- bearer shareholders shall be comprised of those shareholders identified as holders of record in the bearer share account held by their authorized intermediary; and

(ii) if necessary, the provision to the company of any documents required to prove such shareholders' identity, in accordance with applicable law.

The registration or recording of shares in the bearer share account held by the authorized intermediary is authenticated by a shareholding certificate ("*attestation de participation*") delivered by said intermediary in accordance with legal and statutory provisions.

Pursuant to Article 17 of Vivendi's by-laws, voting rights attached to shares belong to usufruct holders ("*usufruitiers*") in Ordinary Shareholders' Meetings and to legal owners of title ("*nu-propriétaires*") in Extraordinary Shareholders' Meetings, unless otherwise agreed by both parties, provided that the company is notified of such agreement by said parties.

Subject to applicable laws and regulations, shareholders may send their proxy and voting forms for any Shareholders' Meeting by mail, either in paper form or, where resolved by the Management Board and published in the notice of meeting, by teletransmission. Proxy and voting forms must be received by the company prior to 3:00 pm (Paris time) on the day prior to the Shareholders' Meeting.

The proxy or voting form may, if necessary, contain the shareholder's electronic signature, authenticated via a reliable security process, enabling the identification of the shareholder and his or her vote.

The Management Board may decide to permit shareholders to participate and vote in any Shareholders' Meetings by videoconference and/or teletransmission, subject to applicable laws and regulations. In such case, in accordance with applicable laws and regulations, shareholders participating in the Shareholders' Meeting by videoconference or by any other means of telecommunication will be deemed present at the meeting for purpose of calculating quorum and majority requirements.

Shareholders' Meetings are chaired by the Chairman of the Supervisory Board.

Each shareholder is entitled to a number of votes equal to the number of shares he/she owns or represents.

2.1.5. Fixation, Allocation and Distribution of Net Earnings

Pursuant to Article 19 of Vivendi's by-laws, the statement of income summarizes income and expenses for the fiscal year, showing statutory net income for the fiscal year as the difference between the two, after deducting amortization, depreciation and provisions.

At least 5% of the fiscal year's earnings, reduced, where applicable, by deferred losses, shall be withheld for allocation to the statutory reserve fund. This withholding ceases to be mandatory when the statutory reserve fund reaches an amount equal to 10% of the share capital. Such deductions shall resume if, for any reason, the legal reserve falls below this percentage.

The Shareholders' Meeting shall set aside such amounts as the Management Board deems appropriate for transfer to contingency funds, ordinary or extraordinary revenue reserves, retained earnings or for distribution.

Section 2 **Additional Information about the Company**

Distributable earnings are equal to the net income for the fiscal year, less losses carried forward and amounts allocated to reserves, pursuant to applicable law or the company's by-laws, plus earnings carried forward from previous fiscal years.

Dividends are first paid out of current earnings.

Except in the event of a reduction in share capital, no dividends shall be distributed to shareholders when shareholders' equity is, or would become as a result of such distribution, less than the amount of the share capital plus reserves which are not permitted to be distributed under applicable law or the company's by-laws.

Revaluation surpluses may not be distributed, but may be wholly or partially capitalized.

The Shareholders' Meeting may resolve to distribute funds from available reserves by specifically identifying the reserve line items from which such funds shall be distributed.

The terms of dividend payments are determined by the Shareholders' Meeting or, upon failing to make such determination, by the Management Board. Dividends must be paid out no later than nine months following the end of the fiscal year unless the period is extended by court order.

The Shareholders' Meeting has the right to grant each shareholder the option, with respect to all or part of the annual dividend or interim dividend distributed, to receive such dividend in the form of cash, shares or payment in kind.

Dividends remaining unclaimed after a five-year period from the dividend payment dates are no longer distributable under applicable statutory limitation rules.

2.1.6. Provisions Having the Effect of Delaying, Deferring or Preventing a Change in Control

Vivendi's by-laws do not contain any provision that would have the effect of delaying, deferring or preventing a change in control of the company.

2.1.7. Provisions Governing the Ownership Threshold Above Which Shareholder Ownership Must be Disclosed

Pursuant to Article 5 of Vivendi's by-laws, the company may, at any time, in accordance with applicable laws and regulations, use the procedure known as *titres au porteur identifiable* (TPI) and request the relevant central depository for financial instruments to provide it with information relating to company securities conferring a voting right (either immediately or in the future) at Shareholders' Meetings.

Personal data and information obtained are used solely for the purpose of identifying the owners of bearer shares and analyzing Vivendi's share ownership structure on any given date. In accordance with the provisions of the Law dated January 6, 1978, owners of securities have the right to access, amend and delete any personal information about themselves. To do so, a request must be submitted to Vivendi's Legal Department or to the following email address: tpi@vivendi.com.

Any person, acting alone or in concert, who directly or indirectly becomes the holder of a fraction of the share capital, voting rights or securities giving rights to the share capital of the company equivalent to, or in excess of, 0.5% or a multiple thereof, shall send a notice to the company, by registered letter with acknowledgment of receipt, within 15 calendar days of crossing any of these thresholds, specifying the aggregate number of shares, voting rights or securities giving rights to the share capital of the company which such person directly or indirectly holds, whether alone or in concert.

A person who fails to comply with this notification requirement is subject to penalties in accordance with applicable law, upon the request of one or more shareholders holding at least 0.5% of the company's share capital.

Any person, acting alone or in concert, shall inform the company within 15 calendar days if the percentage of share capital or voting rights held by such person falls below any of the above-mentioned thresholds.

Failure by shareholders or their intermediaries to disclose such information may lead to the suspension or suppression of dividends and/or voting rights.

2.1.8. Provisions Governing Changes in Share Capital Where Such Conditions are More Stringent than Required by Law

None.

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Section 2 Additional Information about the Company

2.2. Share Capital

2.2.1. Amount of Issued Share Capital

As of December 31, 2011, the company's share capital amounted to €6,859,946,830.00 divided into 1,247,263,060 shares, with a value of €5.50 per share.

All shares may be held in registered or bearer form and are freely negotiable. The shares are traded on Euronext Paris (Compartment A) (ISIN Code: FR0000127771).

2.2.2. Shares not Representing Capital

None.

2.2.3. Amount of Authorized but Non-Issued Capital

Details of delegations of authority and authorizations approved by the Combined Shareholders' Meeting of April 21, 2011 are set out below.

Issues of securities with preferential subscription rights

Transactions	Resolution number	Duration of the authorization (expiry date)	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and securities giving right to free shares)	14th - 2011	26 months (June 2013)	(a, c) €1.5 billion, i.e., 22.04% of the share capital
Capital increase by incorporation of reserves and grant of shares to shareholders	20th - 2011	26 months (June 2013)	(b, i) €1 billion, i.e., 14.69% of the share capital

Issues of securities without preferential subscription rights

Transactions	Resolution number	Duration of the authorization (expiry date)	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and any securities giving right to shares)	15th - 2011	26 months (June 2013)	(b, c) €1 billion i.e., 14.69% of the share capital
Contributions in kind to the company	17th - 2011	26 months (June 2013)	(d) 10% of the share capital

Issues reserved for employees of Vivendi

Transactions	Resolution number	Duration of the authorization (expiry date)	Main terms
Share capital increase through the Group's Savings Plan (PEG)	18th - 2011 19th - 2011	26 months (June 2013) 18 months (Oct 2012)	(b, e) Maximum of 2% of the share capital on the Management Board's decision date
Stock options (subscription options only) Exercise price fixed without discount	12th - 2011	38 months (June 2014)	(b, f) Maximum of 1% of the share capital on the Management Board's decision date
Allotment of existing or future bonus shares	13th - 2011	38 months (June 2014)	(b, g) Maximum of 1% of the share capital at grant date

Section 2 Additional Information about the Company

Share repurchase program

Transactions	Resolution number	Duration of the authorization (expiry date)	Main terms
Share repurchases			(h) 10% of the share capital
	10th - 2011	18 months (Oct 2012)	Maximum purchase price: €32
			10% of the share capital
	9th - 2012	18 months (Oct 2013)	Maximum purchase price: €25
Share cancellations	11th - 2011	18 months (Oct 2012)	10% of the share capital over a 24-month period

(a) Aggregate maximum amount for capital increases, all transactions included.
(b) This amount shall be deducted from the aggregate nominal amount of €1.5 billion set forth in the 14th resolution of the 2011 Combined Shareholders' Meeting.
(c) This amount may be increased to the upper limit of 15% of the share capital in the event that the issue is oversubscribed (16th resolution – 2011).
(d) This amount shall be deducted from the aggregate nominal amount of €800 million set forth in the 15th resolution of the 2011 Combined Shareholders' Meeting.
(e) Used in 2011 for 9.37 million shares, i.e., 0.75% of share capital.
(f) Used in 2012 for, 3 million shares, i.e., 0.24% of share capital.
(g) Used in 2012 for, 2.14 million shares, i.e., 0.17% of share capital.
(h) Used in 2011 for 1.759 million shares, i.e., 0.14% of share capital.
(i) Used on February 29, 2012, for 41.6 million shares, i.e., 3.33% of share capital.

2.2.4. Shares Held by the Company

2.2.4.1. Summary of the Previous Share Repurchase Program

At its meeting of January 25, 2011, the Management Board resolved to broaden the scope of the company's share repurchase program to cover bonus awards of performance shares, in accordance with the Supervisory Board's decision of December 16, 2010. The 2009 and 2010 plans, as adjusted and in the process of being acquired represent, respectively, 0.593 million and 1.166 million shares, for a total of 1.759 million shares. Under this share repurchase program, the maximum unit purchase price was set at €25, for a maximum aggregate amount of €43.97 million.

2.2.4.2. Aggregate number of purchases and sales/transfers of shares from January 1 to December 31, 2011 (other than shares purchased under the liquidity agreement)

	Purchases	Transfers/Sales
Number of shares	1,759,000	509,096
Average price per share (in euros)	21.27	19.79
Total weighting value (in euros)	37,421,845	10,075,009

Number of shares cancelled during the last 24 months: None.

2.2.4.3. Current Share Repurchase Program

The current share repurchase program of the company was put in place on November 15, 2011, pursuant to the tenth resolution of the Ordinary Shareholders' Meeting of April 21, 2011 and upon delegation by the Management Board dated November 15, 2011.

Under this program, the company may repurchase a maximum number of shares representing 10% of the share capital of the company, at a maximum purchase price of €25 per share, in accordance with the maximum amount approved by the Shareholders' Meeting.

The sole purpose of this repurchase program is the market making of Vivendi shares through a financial intermediary pursuant to a liquidity agreement established in compliance with the AMAFI professional Code of Ethics approved by the French *Autorité des Marchés Financiers* (AMF).

2.2.4.4. Treasury Shares (other than shares held pursuant to the Liquidity Agreement)

Position as of December 31, 2011

As of December 31, 2011, Vivendi held 1,329,018 of its own shares, each having a par value of €5.50, representing 0.11% of the share capital of the company. These shares have been allocated to the hedging of stock purchase plans. As of December 31, 2011, the book value of shares held by the company amounted to €28.4 million, representing a market value of €22.5 million as of that date. 79,114 shares held by the company have been allocated to cover bonus awards of performance shares in accordance with the Management Board's decision of November 15, 2011.

Section 2 Additional Information about the Company

2.2.4.5. Aggregate number of Purchases and Sales/Transfers of Shares from January 1, 2012 until February 29, 2012 (other than shares purchased under the liquidity agreement)

	Purchases	Transfers/Sales
Number of shares	None	None
Average price per share (in euros)	na	na
Total value (in euros)	na	na

na: not applicable.

As of February 29, 2012, Vivendi held 1,329,468 of its own shares, representing 0.11% of the share capital of the company.

2.2.4.6. Liquidity Agreement

Since January 3, 2005, Vivendi has entered into a liquidity agreement for the repurchase of its own shares, which is established in compliance with the AMAFI Code of Ethics. The term of this agreement is one year, renewable by tacit agreement.

In 2011, Vivendi repurchased a total of 8,356,419 shares pursuant to this liquidity agreement, representing 0.67% of the share capital of the company for €159.3 million and sold a total of 8,356,419 shares for €159.9 million.

As of December 31, 2011, the following sources of funding were held in a liquidity account maintained by the company pursuant to its liquidity agreement: 0 share and €51.3 million.

In 2011, the company recognized capital gains under this liquidity agreement in the amount of €0.6 million.

For 2011, the company's management fees for the liquidity agreement amounted to €180,000 (excluding VAT).

2.2.4.7. Cross-Shareholding

As of December 31, 2011, Vivendi's subsidiaries held 450 shares of the company.

2.2.4.8. Open Positions on Derivative Financial Instruments as of December 31, 2011

None.

2.2.5. Convertible Securities, Exchangeable Securities or Warrant Securities

2.2.5.1. Bonds Convertible into New Shares and/or Exchangeable into Existing Shares (OCEANEs)

No OCEANEs are outstanding.

2.2.5.2. Bonds Mandatorily Redeemable in Shares (ORAs)

No ORAs are outstanding.

2.2.5.3. Warrants (BSAs)

No BSAs are outstanding.

2.2.6. Stock Option Plans

2.2.6.1. Grant Criteria

Grants of purchase or subscription options are based on three criteria: (i) level of responsibility, (ii) individual performance, and (iii) rewarding the loyalty of high-potential managers.

Since 2002, the company has only put in place stock subscription plans. These plans have a duration of ten years.

Section 2 Additional Information about the Company

As of December 31, 2011, a total of 49,907,071 options were outstanding under all existing stock option plans (after deducting the number of stock options exercised or cancelled pursuant to the termination of employment of certain beneficiaries). These options represent a maximum nominal share capital increase of €274,488 million or 4.00% of the company's share capital.

As a result of the termination of Vivendi's ADR program and the delisting of the company's ADRs from the NYSE in 2006, stock options exercisable into ADRs granted to certain directors and employees of the Group residing in the United States were converted into Stock Appreciation Rights (SARs). SARs are instruments that settle in cash only and therefore create no dilution. The trading value of the SARs is the average of the high and low prices of Vivendi's ordinary shares as quoted on Euronext Paris on that trading day, converted from Euros to US dollars based on the daily Euro/US dollar exchange rate as published by the European Central Bank on the date of exercise of the SAR.

There are no longer any outstanding stock-purchase plans.

As of February 29, 2012, there were 4,933,731 SARs outstanding.

2.2.6.2. Key Features of the Plans

Stock options are fully acquired by the beneficiaries after a three-year period and may be exercised on one or more occasions. Shares received upon the exercise of the options can be freely transferred, subject, for beneficiaries who are French tax residents, to the expiration of the beneficial holding period applicable under French tax law (currently a four-year period).

From 2009 until 2010, pursuant to the Combined Shareholders' Meeting of April 24, 2008, the grant of options had been subject to the same performance criteria and quantitative methods of allocation as those used for performance shares (see paragraph 3.3). The performance conditions relied on three criteria as determined by the Supervisory Board, which were weighted as follows: adjusted net income (50%), cash flow from operations (30%) and the performance of Vivendi shares based on a comparison of three trading indices (20%): DJ Stoxx Media, DJ Stoxx Telco and CAC 40.

For 2011, the final grant of stock options is effective based on the achievement of new performance conditions, as assessed over a two-year period: adjusted net income (45%), cash flow from operations (25%) and the performance of Vivendi shares based on two external indicators (30%); the Stoxx Europe 600 Telecommunications index (60%) and a selected portfolio of media securities (40%); all options granted will vest if the weighted total of the three indicators reaches or exceeds 100%; 50% will vest if the weighted total of the three indicators reaches the applicable value thresholds, and no options will vest if the weighted total of the three indicators is lower than the applicable value thresholds.

For all of the plans, in the event of a tender offer for Vivendi shares, the options will immediately vest and become immediately exercisable.

2.2.7. Performance Shares

Since 2006, the company has granted performance shares subject to the satisfaction of certain financial milestones for the year in which they are awarded. These financial milestones were the Group's adjusted net income and operating cash flow. In addition, for performance shares granted since 2009, the performance of Vivendi shares against three trading indices (DJ Stoxx Media, DJ Stoxx Telco and CAC 40) is an additional milestone that has been used. All performance shares were definitively acquired if the weighted total of the three milestones reached or exceeded 100%; 50% of the performance shares were definitively acquired if the weighted total of the three milestones achieved the applicable value thresholds; and no shares were awarded if the weighted total of the three milestones was lower than the applicable value thresholds.

For 2012, the right to acquire performance shares vests at the end of a period of two years, subject to the satisfaction of presence and new performance conditions over a period of two years: adjusted net income (45%), cash flow from operations (25%) and the performance of Vivendi shares based on two external indicators (30%); the Stoxx Europe 600 Telecommunications index (60%) and a selected portfolio of media securities (40%); 100% of options granted will be definitively allocated if the weighted total of the three indicators reaches or exceeds 100%; 50% will be definitively allocated if the weighted total of the three indicators reaches the applicable value thresholds, and no options will be awarded if the weighted total of the three indicators is lower than the applicable value thresholds. Performance shares are registered in an account opened in the name of the beneficiaries at the end of two-year period from the grant date (at the end of a four-year period for shares granted to American, British or Brazilian residents).

Performance shares that are registered in an account opened in the name of the beneficiaries at the end of a two-year period must be retained by said beneficiaries for an additional two-year period.

In 2011, a total of 509,096 shares were issued at the end of the acquisition period in relation to performance shares awarded under the 2009 plans and 125,181 rights to performance shares were cancelled due to the termination of certain beneficiaries.

For more details, please refer to section 3.3 below and to the appendix of this section.

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Section 2 Additional Information about the Company

2.2.8. Acquisition Rights or Obligations in Respect of Authorized but Non-Issued Capital

None.

2.2.9. Conditional or Unconditional Options or Agreements on any Member of the Group

None.

2.2.10. Changes in Share Capital over the Last Five Years

	Amount				Share capital amounts	
Transactions	Date	Share Nominal value in euros	Premium per share (in euros)	Number of issued shares	In share	In euros
Share capital as of December 31, 2006					1,157,033,736	6,363,685,548.00
Stock option exercises	01/31/07	5.50	* 10.05	165,416	1,157,199,152	6,364,595,336.00
Stock option exercises	02/28/07	5.50	* 10.40	12,500	1,157,211,652	6,364,664,086.00
Stock option exercises	03/30/07	5.50	* 9.07	58,992	1,157,270,644	6,364,988,542.00
Cancellation	03/30/07	5.50	na	(1,300,389)	1,155,970,255	6,357,836,402.50
Stock option exercises	04/30/07	5.50	* 9.15	426,164	1,156,396,419	6,360,180,304.50
Stock option exercises	05/31/07	5.50	* 9.70	557,978	1,156,954,397	6,363,249,183.50
Stock option exercises	06/30/07	5.50	* 9.44	5,462,245	1,162,416,642	6,393,291,531.00
2007 Group Savings Plan	07/18/07	5.50	19.10	1,276,227	1,163,692,869	6,400,310,779.50
Stock option exercises	07/31/07	5.50	* 10.73	313,145	1,164,006,014	6,402,033,077.00
Stock option exercises	08/31/07	5.50	* 8.90	2,900	1,164,008,914	6,402,049,027.00
Stock option exercises	09/30/07	5.50	* 8.90	73,452	1,164,082,366	6,402,453,013.00
Stock option exercises	10/31/07	5.50	* 8.98	139,501	1,164,221,867	6,403,220,268.50
Stock option exercises	11/30/07	5.50	* 12.30	170,200	1,164,392,067	6,404,156,368.50
Stock option exercises	12/31/07	5.50	* 10.88	351,093	1,164,743,160	6,406,087,380.00
Grant of shares AGA 15 (December 2006)	12/31/07	5.50	na	60	1,164,743,220	6,406,087,710.00
Grant of performance shares (April 2006)	04/14/08	5.50	na	423,516	1,165,166,736	6,408,417,048.00
Stock option exercises	01/31/08	5.50	11.02	36,806	1,165,203,542	6,408,619,481.00
Stock option exercises	02/29/08	5.50	8.90	6,800	1,165,210,342	6,408,656,881.00
Stock option exercises	03/31/08	5.50	13.06	11,100	1,165,221,442	6,408,717,931.00
Stock option exercises	04/16/08	5.50	9.90	62,500	1,165,283,942	6,409,061,681.00
Stock option exercises	05/31/08	5.50	13.94	34,580	1,165,318,522	6,409,251,871.00
Stock option exercises	06/30/08	5.50	11.54	61,600	1,165,380,122	6,409,590,671.00
2008 Group Savings Plan	07/24/08	5.50	15.58	4,361,052	1,169,741,174	6,433,576,457.00
2008 Group Savings Plan	07/24/08	5.50	18.215	132,541	1,169,873,715	6,434,305,432.50
Stock option exercises	07/31/08	5.50	* 13.36	19,900	1,169,893,615	6,434,414,882.50
Stock option exercises	08/31/08	5.50	* 8.90	5,000	1,169,898,615	6,434,442,382.50
Grant of performance shares (September 2006)	09/22/08	5.50	na	3,295	1,169,901,910	6,434,460,505.00
Stock option exercises	09/30/08	5.50	* 13.36	23,166	1,169,925,076	6,434,587,918.00
Stock option exercises	10/31/08	5.50	* 8.90	53,650	1,169,978,726	6,434,882,993.00
Stock option exercises	11/30/08	5.50	* 8.90	2,000	1,169,980,726	6,434,893,993.00
Stock option exercises	12/10/08	5.50	* 8.90	6,850	1,169,987,576	6,434,931,668.00
Grant of shares AGA 15 (December 2006)	12/15/08	5.50	na	184,245	1,170,171,821	6,435,945,015.50
Grant of performance shares (December 2006)	12/15/08	5.50	na	1,067	1,170,172,888	6,435,950,884.00
Stock option exercises	12/31/08	5.50	* 10.02	24,550	1,170,197,438	6,436,085,909.00
Grant of shares AGA 15 (January 2007)	01/26/09	5.50	na	8,595	1,170,206,033	6,436,133,181.50
Stock option exercises	01/31/09	5.50	* 8.90	4,500	1,170,210,533	6,436,157,931.50
Stock option exercises	03/31/09	5.50	* 8.60	70,450	1,170,280,983	6,436,545,406.50
Grant of performance shares (April 2007)	04/24/09	5.50	na	444,028	1,170,725,011	6,438,987,560.50
Stock option exercises	04/30/09	5.50	* 8.90	41,270	1,170,766,281	6,439,214,545.50
Payment of dividend in shares	06/04/09	5.50	* 11.50	53,184,521	1,223,950,802	6,731,729,411.00
2009 Group Savings Plan	07/30/09	5.50	* 9.106	4,721,216	1,228,672,018	6,757,696,099.00

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

Section 2 Additional Information about the Company

Continued from previous page.

Transactions	Date	Amount			Share capital amounts	
		Share Nominal value in euros	Premium per share (in euros)	Number of issued shares	In share	In euros
2009 Group Savings Plan	07/30/09	5.50	* 10.109	141,063	1,228,813,081	6,758,471,945.50
Grant of performance shares (September 2007)	09/18/09	5.50	na	2,869	1,228,815,950	6,758,487,725.00
Stock option exercises	09/30/09	5.50	* 8.90	27,833	1,228,843,783	6,758,640,806.50
Grant of performance shares (October 2007)	10/26/09	5.50	na	3,933	1,228,847,716	6,758,662,438.00
Stock option exercises	10/31/09	5.50	* 8.90	1,800	1,228,849,516	6,758,672,338.00
Stock option exercises	12/31/09	5.50	* 9.96	9,975	1,228,859,491	6,758,727,200.50
Stock option exercises	01/31/10	5.50	8.90	2,000	1,228,861,491	6,758,738,200.50
Stock option exercises	02/28/10	5.50	8.90	200	1,228,861,691	6,758,739,300.50
Stock option exercises	03/31/10	5.50	8.90	42,000	1,228,903,691	6,758,970,300.50
Grant of performance shares (April 2008)	04/19/10	5.50	na	429,078	1,229,288,569	6,761,087,129.50
Stock option exercises	04/28/10	5.50	7.91	14,000	1,229,346,769	6,761,407,229.50
Stock option exercises	07/31/10	5.50	7.89	8,963	1,229,355,732	6,761,456,526.00
2010 Group Savings Plan	07/29/10	5.50	8.281	7,141,109	1,236,496,841	6,800,732,625.50
Stock option exercises	09/30/10	5.50	9.16	418,729	1,236,915,570	6,803,035,635.00
Stock option exercises	10/31/10	5.50	9.68	60,235	1,236,975,805	6,803,366,927.50
Stock option exercises	11/30/10	5.50	10.18	39,703	1,237,015,508	6,803,585,294.00
Stock option exercises	12/31/10	5.50	8.84	321,010	1,237,336,518	6,805,350,849.00
Grant of performance shares (April 2010)	12/31/10	5.50	na	590	1,237 337,108	6,805,354,094.00
Stock option exercises	01/31/11	5.50	9.26	207,991	1,237,545,099	6,806,498,044.50
Stock option exercises	02/28/11	5.50	7.89	3,657	1,237,548,756	6,806,518,158.00
Stock option exercises	03/31/11	5.50	7.89	13,971	1,237,562,727	6,806,594,998.50
Stock option exercises	04/20/11	5.50	7.89	82,111	1,237,644,838	6,807,046,609.00
Stock option exercises	05/31/11	5.50	7.89	1,736	1,237,646,574	6,807,056,157.00
Stock option exercises	06/30/11	5.50	7.89	216,086	1,237,862,660	6,808,244,630.00
2011 Group Savings Plan	07/21/11	5.50	9.77	9,371,605	1,247,234,265	6,859,788,457.50
Stock option exercises	08/31/11	5.50	7.89	2,689	1,247,236,954	6,859,803,247.00
Stock option exercises	12/31/11	5.50	7.89	26,106	1,247,263,060	6,859,946,830.00

na: not applicable.
* Weighted-average premium in euros.

As of December 31, 2011, the share capital of the company, calculated on a fully-diluted basis after taking into account the potential issuance of 49,907,071 shares from 49,907,071 outstanding stock options, amounted to €7,134,435,720.50, divided into 1,297,170,131 shares.

Section 2 Additional Information about the Company

2.2.11. Market Information

2.2.11.1. Places of Listing – Stock Exchange Quotation

Source: Euronext Paris.

Stock exchange quotation for Vivendi ordinary shares – Euronext Paris

Compartment A (code FR0000127771) (in euros)	Average quotation	High	Low	Number of shares traded	Transactions
2010					
January	20.30	21.47	18.76	108,688,326	2,199,283,315
February	18.30	18.94	17.83	114,895,825	2,105,879,281
March	19.41	19.98	18.65	112,756,996	2,185,176,362
April	20.00	20.81	19.26	119,091,852	2,383,479,252
May	17.79	20.18	16.17	202,044,686	3,605,984,579
June	17.36	18.20	16.35	140,801,501	2,451,952,475
July	17.51	18.77	16.24	105,563,514	1,847,601,047
August	18.12	18.95	17.08	100,513,509	1,822,304,019
September	19.69	20.34	18.78	119,390,397	2,342,917,457
October	20.31	20.84	19.39	85,040,494	1,723,984,562
November	20.10	20.93	18.74	105,458,096	2,113,738,988
December	20.42	21.22	18.91	93,526,996	1,887,112,124
2011					
January	21.0698	22.0700	20.1650	94,338,818	1,992,943,984
February	20.7913	21.6750	20.0100	101,502,573	2,107,441,030
March	19.7185	20.9400	18.5000	143,469,229	2,815,001,414
April	20.5363	21.2450	19.7700	96,767,070	1,981,575,572
May	19.3905	21.3700	18.8100	167,151,580	3,265,303,636
June	18.7250	19.5700	18.0700	125,044,203	2,340,277,124
July	17.6090	19.2300	16.5000	130,450,739	2,287,918,203
August	15.7174	16.9900	14.1000	193,371,406	3,029,630,132
September	15.6520	17.4750	14.4000	172,159,259	2,710,012,605
October	16.1038	17.2600	14.7400	100,549,045	1,621,216,343
November	15.8502	17.1200	15.1050	119,808,909	1,909,896,002
December	16.6014	17.4000	15.9100	94,254,143	1,584,558,996
2012					
January	16.2536	17.6250	15.5800	113,216,629	1,831,299,797
February	16.3074	16.6650	15.9450	90,980,121	1,482,634,200

2.2.11.2. Financial Securities Intermediary

BNP Paribas Securities Services
GCT – Service Emetteurs
Les Grands Moulins de Pantin
9, rue du Débarcadère
93761 Pantin Cedex – France

Section 2 Additional Information about the Company

2.2.12. ADR (American Depositary Receipt) Program

On January 10, 2011, the level 1 sponsored ADR program, which had been maintained with Deutsche Bank since December 15, 2008, terminated.

As of the date of this report, Vivendi does not sponsor any American Depositary Receipt (ADR) program for its shares. Any existing ADR program is "unsponsored" and is not connected in any way to Vivendi. Vivendi denies any responsibility or liability regarding any such program.

2.3. Major Shareholders

2.3.1. Share Ownership and Voting Rights

As of December 31, 2011, the company's share capital amounted to €6,859,946,830.00, divided into 1,247,263,060 shares.

The corresponding number of voting rights, considering that treasury shares have no voting rights, amounted to 1,245,686,975 as of December 31, 2011 and 1,245,933,592 as of February 29, 2012. As of December 31, 2011, a total of 92.90% of the share capital was held by institutional investors and 7.10% was held by individual shareholders, including 2.59% held by employees.

To the Management Board's knowledge, as of February 29 2012, the major shareholders holding shares in registered form or having sent a share ownership notice to the company were as follows:

Owners	% of share capital	% of voting rights	Number of shares	Number of voting rights
BlackRock, Inc.	4.90	4.91	61,103,280	61,103,280
Groupe Société Générale	4.37	4.37	54,479,111	54,479,111
CDC/ FSI (Caisse des Dépôts et Consignations)	3.74	3.74	46,636,819	46,636,819
Amundi (Crédit Agricole AM/Société Générale AM)	2.91	2.91	36,322,430	36,322,430
Vivendi Group Savings Plan	2.58	2.58	32,121,732	32,121,732
Natixis Asset Management	2.13	2.13	26,579,444	26,579,444
The Baupost Group, LLC	2.04	2.04	25,500,000	25,500,000
NBIM (Norges Bank Investment Management)	2.01	2.01	25,028,160	25,028,160
Qatar Holding	2.00	2.00	24,957,733	24,957,733
Bank of America/Merrill Lynch	1.50	1.50	18,697,470	18,697,470
Credit Suisse Securities (Europe) Limited	1.40	1.40	17,415,451	17,415,451
UBS Investment Bank	1.38	1.39	17,253,929	17,253,929
Group Bolloré	1.09	1.09	13,568,772	13,568,772
HSBC Holdings plc	1.07	1.07	13,366,247	13,366,247
BNP PARIBAS AM	1.01	1.01	12,548,742	12,548,742
Treasury shares	0.11	0.00	1,329,468	0
Other shareholders	65.76	65.86	820,354,272	820,354,272
Total	**100.00**	**100.00**	**1,247,263,060**	**1,245,933,592**

2.3.2. Pledge of Company Shares

As of December 31, 2011, pledges on shares of the company held in registered form by individual shareholders amounted to 276,555 shares, representing 0.02% of the share capital of the company.

2.3.3. Control of the Company – Shareholders' Agreements

To the company's knowledge, as of December 31, 2011, no shareholder other than those listed in the table above held 5% or more of the company's share capital or voting rights, and there were no shareholders' agreements, whether publicly disclosed or not, relating to Vivendi's securities.

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Section 2 Additional Information about the Company

2.3.4. Notices made to the Company regarding the Crossing of Shareholding Thresholds

In 2011, the company received several notices in respect of the crossing of statutory thresholds: Black Rock, Inc. (February, March and May), Amundi (April) and Groupe Société Générale (May). The company also received notices in respect of the crossing, upwards or downwards, of shareholding thresholds as required pursuant to the company's by-laws (0.5% or any multiple of this percentage), including notices from Natixis Asset Management, UBS Investment Bank, Crédit Suisse Securities (Europe) Limited, BNP Paribas Asset Management, Hermès Equity, Macquarie Group, Alliance Bernstein, Dimensional Fund Advisors LP, Emirates International Investment Company LLC., HSBC Holdings plc, NBIM (Norges Bank Investment Management), Groupe Bolloré and Qatar Holding, details of which are contained in the table below.

2.3.5. Changes in Share Ownership and Voting Rights over the Last Three Years (as of December 31, 2011)

	2011			2010			2009		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
BlackRock, Inc.	61,103,280	4.90	4.91	62,035,490	5.02	5.02			
Capital Research and Management	-	-	-	57,398,503	4.64	4.64	57,398,503	4.67	4.67
Groupe Société Générale	54,479,111	4.37	4.37	49,556,305	4.01	4.01	-	-	-
CDC/ FSI (Caisse des Dépôts et Consignations)	46,636,819	3.74	3.74	46,636,819	3.77	3.77	46,636,819	3.80	3.80
Amundi	36,744,968	2.95	2.95	50,050,447	4.05	4.05	43,539,038	3.54	3.54
Vivendi Group savings plan	32,240,556	2.59	2.59	24,821,769	2.01	2.01	19,014,132	1.55	1.55
NBIM (Norges Bank Investment Management)	25,028,160	2.01	2.01	-	-	-	-	-	-
Natixis Asset Management	23,188,464	1.86	1.86	24,118,458	1.95	1.95	30,465,692	2.48	2.48
Qatar Holding	19,328,754	1.55	1.55	-	-	-	-	-	-
Bank of America/Merrill Lynch	18,697,470	1.50	1.50	18,697,470	1.51	1.51	18,697,470	1.52	1.52
UBS Investment Bank	17,253,929	1.39	1.39						
Groupe Bolloré	13,568,772	1.09	1.09	-	-	-	-	-	-
HSBC Holding plc.	13,366,247	1.07	1.07	-	-	-	-	-	-
BNP Paribas	12,502,116	1.00	1.00	15,372,179	1.24	1.24	12,846,514	1.05	1.05
Crédit Suisse Securities (Europe) Limited	12,420.615	1.00	1.00	12,258,330	0.99	0.99	13,824,286	1.13	1.13
Treasury shares	1,329,468	0.11	0.00	79,564	0.01	0.00	79,564	0.01	0.00
Other shareholders	857,398,821	68.87	68.87	876,311,774	70.80	70.81	986,357,473	80.25	80.26
Total	**1,247,263,060**	**100.00**	**100.00**	**1,237,337,108**	**100.00**	**100.00**	**1,228,859,491**	**100.00**	**100.00**

Section 2 Additional Information about the Company

Appendix

The following tables present details of stock option plans (purchase and subscription plans) as well as performance share plans.

Stock purchase plans

As of December 31, 2011, there are no longer any stock purchase plans.

Stock Subscription plans (in Euros)

Date of the Share-holders' Meeting	Date of the Board of Directors', Supervisory Board's or Management Board's Meeting	Grant date	Number of options granted: Total number: of benefi-ciaries	of options	Of which, number granted to members of governing bodies: Number of benefi-ciaries	Number of options	Vesting date for options	Expiration date	Exercise price in euros	Adjusted number of options (a): Exercised in 2011	Cancelled in 2011	Outstanding as of December 31, 2011
09/21/00	01/29/03	01/29/03	34	1,610,000	8	1,175,000	01/30/05	01/29/11	14.78	89,021		0
04/29/03	05/28/03	05/28/03	414	10,547,000	9	3,000,000	05/29/05	05/28/13	13.39	437,496		3,320,932
04/29/03	12/09/03	12/09/03	29	310,000	0	0	12/10/05	12/09/13	17.73			98,595
04/29/03	05/06/04	05/21/04	425	8,267,200	8	2,320,000	05/22/06	05/21/14	19.22	27,830	4,302	7,679,490
04/29/03	03/09/05	04/26/05	472	7,284,600	11	2,595,000	04/27/07	04/26/15	21.98		8,605	7,160,234
04/28/05	02/28/06	04/13/06	11	2,008,000	10	1,880,000	04/14/08	04/13/16	26.54			2,159,325
04/28/05	03/21/06	04/13/06	495	3,473,520	0	0	04/14/08	04/13/16	26.54		7,744	3,324,753
04/28/05	09/22/06	09/22/06	33	58,400	0	0	09/23/08	09/22/16	26.54		1,721	47,901
04/28/05	12/12/06	12/12/06	3	24,000	0	0	12/13/08	12/12/16	27.35			17,206
04/28/05	03/06/07	04/23/07	6	1,304,000	6	1,304,000	04/24/10	04/23/17	28.63			1,402,383
04/28/05	02/27/07	04/23/07	570	4,414,220	5	528,000	04/24/10	04/23/17	28.63		7,744	4,179,332
04/28/05	09/17/07	09/17/07	7	42,400	0	0	09/18/10	09/17/17	28.63			36,998
04/28/05	10/25/07	10/25/07	4	63,200	0	0	10/26/10	10/25/17	28.63			50,762
04/28/05	02/26/08	04/16/08	646	4,839,200	3	304,000	04/17/11	04/16/18	23.37		202,426	4,528,722
04/28/05	02/28/08	04/16/08	7	732,000	7	732,000	04/17/11	04/16/18	23.37			787,129
04/28/05	02/28/08	04/16/08	7	732,000	7	732,000	04/17/11	04/16/18	23.37			787,129
04/24/08	02/26/09	04/16/09	6	1,240,000	6	1,240,000	04/17/12	04/16/19	18.62			1,333,238
04/24/08	02/24/09	04/16/09	707	5,321,120	4	368,000	04/17/12	04/16/19	18.62		479,995	4,992,999
04/24/08	10/23/09	10/23/09	12	40,000	0	0	10/24/12	10/23/19	19.25			43,019
04/24/08	02/25/10	04/15/10	5	1,148,000	5	1,148,000	04/16/13	04/15/20	18.33			1,234,431
04/24/08	02/24/10	04/15/10	775	4,149,200	4	368,000	04/16/13	04/15/20	18.33		286,264	4,133,193
04/24/08	04/28/10	06/04/10	11	40,000	0	0	06/05/13	06/04/20	19.71			40,000
04/24/08	09/21/10	09/21/10	1	5,000	0	0	09/22/13	09/21/20	18.95			5,000
04/24/08	11/15/10	11/15/10	2	6,000	0	0	11/16/13	11/15/20	20.40		3,000	3,000
04/24/08	02/28/11	04/13/11	5	717,500	5	717,500	04/14/14	04/13/21	19.93			717,500
04/24/08	02/22/11	04/13/11	556	1,809,200	5	270,000	04/14/14	04/13/21	19.93		24,000	1,785,200
04/21/11	08/30/11	08/30/11	3	36,600	0	0	08/31/14	08/30/21	19.93			36,600
04/21/11	10/25/11	10/25/11	2	2,000	0	0	10/26/14	10/25/21	19.93			2,000
									Total	**554,347**	**1,025,801**	**49,907,071**

(a) Adjustment following the payment of the dividend for fiscal year 2009 by withdrawal from the reserves.

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Section 2 Additional Information about the Company

Performance share plans

Date of the Share-holders' Meeting	Date of the Supervisory Board's or the Management Board's Meeting	Grant date	Number of rights to performance shares				Acquisition date (a)	Date of disposal	Adjusted number of rights to performance shares*		
			Total number		of which, number granted to members of governing bodies						
			of benefi-ciaries	of perform-ance shares	Number of benefi-ciaries	Number of rights to performance shares			Number of rights cancelled in 2011	Number of issued shares at the end of the acquisition period	Number of rights outstanding as of December 31, 2011
04/28/05	02/26/08	04/16/08	646	403,493	3	25,335	04/19/10	04/19/12			(b) 55,224
04/28/05	02/28/08	04/16/08	7	122,003	7	122,003	04/19/10	04/19/12			(c) 9,334
04/24/08	02/26/09	04/16/09	6	123,336	6	123,336	04/18/11	04/19/13		132,662	0
04/24/08	02/26/09	04/16/09	6	123,336	6	123,336	04/18/11	04/19/13	19,241	372,839	(d) 64,824
04/24/08	02/24/09	04/16/09	707	443,665	4	30,669	04/18/11	04/19/13		3,595	0
04/24/08	10/23/09	10/23/09	12	3,336	0	0	10/24/11	10/25/13			102,859
04/24/08	02/25/10	04/15/10	5	95,668	5	95,668	04/16/12	04/17/14	73,050		(e) 976,010
04/24/08	02/24/10	04/15/10	775	988,504	4	30,669	04/16/12	04/17/14			(f) 13,334
04/24/08	04/28/10	06/04/10	11	13,334	0	0	06/05/12	06/06/14			(g) 1,667
04/24/08	09/21/10	09/21/10	1	1,667	0	0	09/24/12	09/25/14	1,000		1,000
04/24/08	11/15/10	11/15/10	2	2,000	0	0	11/16/12	11/17/14			(h) 225,000
04/24/08	02/28/11	04/13/11	6	225,000	6	225,000	04/15/13	04/16/15	31,890		(i) 1,422,310
04/24/08	02/22/11	04/13/11	787	1,454,200	5	75,900	04/15/13	04/16/15			(j) 75,000
04/24/08	04/21/11	04/21/11	1	75,000	1	75,000	04/22/13	04/23/15			11,780
04/21/11	08/30/11	08/30/11	3	11,780	0	0	09/02/13	09/03/15			2,220
04/21/11	10/25/11	10/25/11	2	2,220	0	0	10/28/13	10/29/15			
								Total	**125,181**	**509,096**	**2,960,562**

* Subsequently adjusted for the payment of the 2009 dividend by withdrawal from the reserves.
(a) First day of quotation at the end of a 2-year acquisition period.
(b) Includes 55,224 rights to performance shares granted to US beneficiaries to be registered in an account in 2012.
(c) Includes 9,334 rights to performance shares granted to an US beneficiary to be registered in an account in 2012.
(d) Includes 64,824 rights to performance shares, after adjustment, granted to US beneficiaries to be registered in an account in 2013.
(e) Includes 163 740 rights to performance shares, after adjustment, granted to US and Brazilian beneficiaries to be registered in an account in 2014.
(f) Includes 1,000 rights to performance shares granted to a Brazilian beneficiary to be registered in an account in 2014.
(g) Includes 1,000 rights to performance shares granted to Brazilian beneficiaries to be registered in an account in 2014.
(h) Includes 25,000 rights to performance shares granted to a US tax resident to be registered in an account in 2015.
(i) Includes 294,100 rights to performance shares granted to US, British and Brazilian residents to be registered in an account in 2015.
(j) Includes 75,000 rights to performance shares granted to a US tax resident to be registered in an account in 2015.

Section 2 Additional Information about the Company

SAR plans (including ex-ADS plans)

Date of the Shareholders' Meeting	Date of the Board of Directors, Supervisory Board or Management Board Meeting	Grant date	Number of SAR granted – Total number – of beneficiaries	Number of SAR granted – Total number – of SAR	Number of SAR granted – of which, number granted to members of governing bodies – Number of beneficiaries	Number of SAR granted – of which, number granted to members of governing bodies – Number of SAR	Vesting date for SAR	Expiration date	Adjusted exercise price (in US dollars)	Adjusted number of SAR (a) – Exercised in 2011	Adjusted number of SAR (a) – Rights cancelled or withdrawn in 2011	Adjusted number of SAR (a) – Outstanding as of December 31, 2011
04/29/03	05/28/03	05/28/03	75	752,000	1	180,000	05/29/05	05/28/13	15.29	4,765		173,274
04/29/03	12/09/03	12/09/03	51	705,000	0	0	12/10/05	12/09/13	21.01			254,119
04/29/03	05/06/04	05/21/04	138	1,012,400	0	0	05/22/06	05/21/14	22.89			614,536
04/29/03	03/09/05	04/26/05	184	1,786,400	1	125,000	04/27/07	04/26/15	28.49			1,409,623
04/28/05	02/28/06	04/13/06	2	192,000	1	112,000	04/14/08	04/13/16	32.16			206,448
04/28/05	03/21/06	04/13/06	154	1,058,320	0	0	04/14/08	04/13/16	32.16			971,310
04/28/05	09/22/06	09/22/06	1	24,000	0	0	09/23/08	09/22/16	32.16			25,806
04/28/05	03/06/07	04/23/07	1	112,000	1	112,000	04/24/10	04/23/17	38.45			120,419
04/28/05	02/27/07	04/23/07	177	1,168,660	0	0	04/24/10	04/23/17	38.45			1,158,196
									Total	**4,765**	**0**	**4,933,731**

(a) Adjustment following the payment of the dividend for fiscal year 2009 by withdrawal from the reserves.

SAR plans (ex-ADS Seagram, ex-ADS MP3 and ex-ADS USA Networks)

As of February 29, 2012, there were no outstanding SAR plans.

RSU plans in US$

As of December 31, 2011, there were no outstanding Restricted Stock Unit (RSU) plans.

Section 3 Corporate Governance

3.1. Directors, Senior Management and Supervisory Bodies

3.1.1. Supervisory Board

3.1.1.1. General Provisions

The Supervisory Board may be comprised of a maximum of eighteen members. Each member of the Supervisory Board serves for a four-year term (Article 7 of Vivendi's by-laws).

Each member of the Supervisory Board must own at least one thousand company shares during his/her term of office (Article 7-2 of Vivendi's by-laws). At its meeting of February 28, 2008, the Supervisory Board resolved that each of the members must own a number of Vivendi shares equivalent in value to one year's paid director's fees.

At the end of each annual Shareholders' Meeting approving the financial statements for the previous fiscal year, the number of members of the Supervisory Board over the age of 70, as of the closing date of the previous fiscal year, must not exceed one-third of the acting members currently in office. In the event that this limit is exceeded, the oldest members are deemed to have resigned at the end of the Shareholders' Meeting (Article 7-3 of Vivendi's by-laws).

The Supervisory Board is comprised of a majority of independent members. Each year the Corporate Governance and Nominating Committee evaluates the presence of independent members and reports to the Supervisory Board accordingly. A member is deemed independent when he/she has no direct or indirect relationship of any kind, other than a non-substantial shareholding in the company, with the company, its group or its management which could interfere with the exercise of his/her independent judgment (as defined in the AFEP/MEDEF code for publicly traded companies to which the company adheres).

Section 3 Corporate Governance

The independent director classification and the criteria used to determine whether a director meets such classification are reviewed by the Corporate Governance and Nominating Committee when it considers and discusses the appointment of candidates to the Supervisory Board. The Corporate Governance and Nominating Committee reviews, as necessary, any change in the situation of a member of the Board during his/her term of office.

Each member of the Supervisory Board undertakes to attend Supervisory Board meetings and annual Shareholders' Meetings regularly. Members of the Supervisory Board may attend meetings via videoconference or other forms of telecommunication (Article 10 of Vivendi's by-laws).

3.1.1.2. Composition of the Supervisory Board

On the date of publication of this report, the Supervisory Board has twelve members, ten of whom are independent directors. Three members are non-French nationals, two are citizens of European Union member states other than France and the other is an American citizen.

Detailed information about the members of the Supervisory Board is provided below in the "Main Activities of Current Members of the Supervisory Board" section.

In 2011, the Supervisory Board met ten times. The attendance rate at Supervisory Board meetings was 83%.

List of current Supervisory Board Members, including date of appointment and number of shares held

Full Name	Position	Age	Date of initial appointment and latest renewal to the Supervisory Board	Committee Member	End of term	Number of shares held
Jean-René Fourtou (a)	Chairman of the Supervisory Board	72	04/28/05 04/24/08		AG 2012	786,599*
Claude Bébéar	(b) Member of the Supervisory Board	76	04/28/05 04/24/08	A and D	AG 2012	5,879
Daniel Camus	(b) Member of the Supervisory Board	59	04/29/10	B	AG 2014	6,500
Jean-Yves Charlier	(b, c) Member of the Supervisory Board	48	04/24/08 04/21/11	A and B	AG 2015	7,250
Maureen Chiquet	(b, c) Member of the Supervisory Board	49	04/30/09	C	AG 2013	5,200
Philippe Donnet (a)	(b) Member of the Supervisory Board	51	04/24/08	A	AG 2012	5,000
Dominique Hériard Dubreuil	(b) Member of the Supervisory Board	65	04/29/10	D	AG 2014	6,900
Aliza Jabès	(b) Member of the Supervisory Board	49	04/29/10	A and B	AG 2014	6,700
Henri Lachmann	Vice-Chairman and Member of the Supervisory Board	73	04/28/05 04/24/08	B, C and D	AG 2015	10,877
Christophe de Margerie	(b) Member of the Supervisory Board	60	04/30/09	D	AG 2013	4,000
Pierre Rodocanachi	(b) Member of the Supervisory Board	73	04/28/05 04/24/08	B and C	AG 2015	42,218
Jacqueline Tammenons Bakker	(b, c) Member of the Supervisory Board	58	04/29/10	A and C	AG 2014	7,550

* Includes 143,872 shares held in beneficial ownership.
(a) Renewal term to be proposed at the Shareholders' Meeting of April 19, 2012.
(b) Independent member.
(c) Non-French citizen.
A: Strategy Committee.
B: Audit Committee.
C: Human Resources Committee.
D: Corporate Governance and Nominating Committee.

Section 3 Corporate Governance

Main activities of current members of the Supervisory Board

Jean-René Fourtou, Chairman of the Supervisory Board

French citizen.

Business address

Vivendi – 42, avenue de Friedland, 75008 Paris.

Expertise and experience

Mr. Jean-René Fourtou was born in Libourne on June 20, 1939 and is a graduate of the École Polytechnique. In 1963, he joined Bossard & Michel as a consultant. In 1972, he became Chief Operating Officer of Bossard Consultants and Chairman and Chief Executive Officer of the Bossard group in 1977. In 1986, he was appointed Chairman and Chief Executive 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 the Chairman of the Bordeaux University Foundation. From 2002 to 2005, he was Chairman-Chief Executive Officer of Vivendi before becoming the Chairman of the Supervisory Board in April 2005.

Positions currently held

Vivendi Group

Maroc Telecom (Morocco), Member of the Supervisory Board

Other positions and functions

Sanofi Aventis, Director
Nestlé (Switzerland), Director until April 2012
Chairman of the Bordeaux University Foundation

Positions previously held that expired during the last five years

Groupe Canal+, Chairman of the Supervisory Board
Axa, Vice Chairman of the Supervisory Board
Axa, Member of the Ethics and Governance Committee
Cap Gemini, Director
NBC Universal (United States), Director
ICC, International Chamber of Commerce, Honorary Chairman
Axa Millésimes, Member of the Supervisory Board

Henri Lachmann, Vice Chairman and Member of the Supervisory Board

French citizen.

Business address

Schneider Electric – 35, rue Joseph Monier, 92500 Rueil-Malmaison.

Expertise and experience

Mr. Henri Lachmann was born on September 13, 1938 and is a graduate of the Ecole des Hautes Etudes Commerciales (HEC) and holds an accounting degree. In 1963, he joined Arthur Andersen, the international accounting management and auditing firm, where he successively held the positions of auditor, then manager of the Auditing Department. In 1970, he joined the Strafor Facom Group, where he held various general management positions until June 1981, when he was appointed Chairman of the group. Since 1996, Mr. Henri Lachmann has held the position of Director of Schneider Electric and, in 1999, he became Chairman and Chief Executive Officer of the group. Since 2006, he has been the Chairman of the Schneider Electric Supervisory Board.

Positions currently held

Schneider Electric SA, Chairman of the Supervisory Board
Carmat, Director
Norbert Dentressangle Group, Member of the Supervisory Board

Other positions and functions

Marie Lannelongue Surgical Center, Chairman of the Board of Directors
Fimalac, Censor (non-voting Director)
Tajan, Censor (non-voting Director)
Foundation for Continental Law, Chairman
Orientation Committee of the Institut de l'Entreprise, Member
ANSA, Director

Section 3 **Corporate Governance**

Positions previously held that expired during the last five years
Schneider Electric SA, Chairman and Chief Executive Officer
Finaxa, Director
CNRS, Director
Fimalac Investissements, Director
Axa Courtage Assurance Mutuelle, Director
Axa Assurances Vie Mutuelle, Director
Axa ONA (Morocco), Director
Axa, Member of the Supervisory Board
Axa IARD Mutuelles, Director
Conseil des Prélèvements Obligatoires, Member

Claude Bébéar, Member of the Supervisory Board
French citizen.
Business address
Axa – 25, avenue Matignon, 75008 Paris.

Expertise and experience
Mr. Claude Bébéar was born on July 29, 1935 and is a graduate of the École Polytechnique. He has spent his entire career in the insurance sector beginning in 1958. From 1975 to 2000, as Chairman and Chief Executive Officer, he headed a group of insurance companies which became Axa in 1984. He served as Chairman of the Supervisory Board until 2008 and is currently the Honorary Chairman of the Axa group. Mr. Bébéar established and chairs the Institut du Mécénat de Solidarité, a humanitarian and social welfare organization, as well as the Institut Montaigne, an independent political think tank.

Positions currently held
Axa Group
Axa Assurances IARD Mutuelle, Director
Axa Assurances Vie Mutuelle, Director

Other positions and functions
BNP Paribas, Director
Schneider Electric SA, Censor (non-voting Director)
Institut du Mécénat de Solidarité, Chairman
Institut Montaigne, Chairman

Positions previously held that expired during the last five years
Axa, Chairman of the Supervisory Board
Finaxa, Chairman and Chief Executive Officer
Axa Group, Director of various Axa companies
Schneider Electric SA, Director
Axa Courtage Assurance Mutuelle, Director

Daniel Camus, Member of the Supervisory Board
French citizen.
Business address
151 boulevard Haussmann, 75008 Paris.

Expertise and experience
Mr. Daniel Camus was born on April 14, 1952, and graduated from the Institut d'Etudes Politiques in Paris with a Doctorate in Economics and Management Sciences. He spent most of his career in the chemical and pharmaceutical industry, primarily outside of France. During his more than 25 years with the Hoechst and Aventis groups, he spent the majority of his career in North America before returning to Europe, where he held the position of Group Chief Financial Officer for over 15 years, first as a member of the Management Board of the Roussel Uclaf SA group in Paris, then successively as group Chief Financial Officer of Hoechst Marion Roussel in Bridgewater (USA) and Frankfurt/Main (Germany) and as Chief Financial Officer and member of the Management Board of Aventis Pharma AG, following the merger of Hoechst and Rhône Poulenc. In 2002, he joined the EDF Group where, as Chief Financial Officer, he directed the financial transformation that led to the admission of new shareholders to the company in 2005. Until late 2010, he was Executive Director of the EDF Group in charge of strategy and international activities. Since June 2011, he has been a Senior Advisor at Roland Berger Strategy Consultants in Paris and Dusseldorf.

Section 3 **Corporate Governance**

Positions currently held
Valeo SA, Director

Other positions and functions
Cameco Corp. (Canada), Director
Morphosy AG (Germany), Member of the Supervisory Board
SGL Carbon AG (Germany), Member of the Supervisory Board

Positions previously held that expired during the last five years
EDF International SA, Chairman of the Board of Directors
EDF Energy UK Ltd (United Kingdom), Director
EnBW AG (Germany), Member of the Supervisory Board
Dalkia SAS, Member of the Supervisory Board

Jean-Yves Charlier, Member of the Supervisory Board
Belgian citizen.
Business address
Promethean Inc – 1165 Sanctuary Parway, Suite 400, Alpharetta, GA 30009, United States.

Expertise and experience
Mr. Jean-Yves Charlier, born on November 29, 1963 in Belgium, holds a Masters of Business Administration (MBA) in strategy and marketing from Wharton Business School. In 1987, Mr Charlier joined the Wang group in France where he served in several different sales and marketing management positions. From 1993 to 1995, he was responsible for the integration services division in Europe based in London, before becoming Vice President of Wang International in 1995. In 1996, he was appointed President of the Equant group, first for the integration services division, and then for all worldwide group marketing, sales and services operations. In 2002, Jean-Yves Charlier joined the BT group, with responsibility for Europe and operations within the Global Services division. In 2004, he joined the Fidelity International group as Vice President and was appointed Chairman and CEO of Colt Telecom Group with responsibility for restructuring the European telecommunications operator. Since 2007, Jean-Yves Charlier has served as Chief Executive Officer of Promethean, a company that specializes in interactive educational products and media for teachers.

Positions currently held
Promethean Inc. (United Kingdom), Chief Executive Officer

Positions previously held that expired during the last five years
Colt Telecom Group (Luxembourg), Chairman-Chief Executive Officer

Maureen Chiquet, Member of the Supervisory Board
US citizen.
Business address
Chanel Inc. – 9 West 57th Street, 44th Floor, New York, NY 10019, USA.

Expertise and experience
Mrs. Maureen Chiquet, born on March 9, 1963 in Saint Louis (United States), graduated summa cum laude from Yale University with a Bachelor of Arts (B.A.) in comparative literature. Mrs. Chiquet began her career at L'Oreal Paris in 1985 as a Product Manager. In 1988, she moved to San Francisco to join Gap as an Assistant Merchandiser in the Accessories Division. She spent six years there, working in various merchandising positions. In 1994, she moved to Old Navy as a Divisional Merchandise Manager. After eight years, she became Executive Vice President of Merchandising, Planning and Production, growing the brand from 35 to 850 stores. In 2002, she was named President of Banana Republic where she was responsible for overseeing the entire organization, including all stores and operations in the US and Canada. Maureen Chiquet joined Chanel in 2003 and in October 2004 was named President of Chanel, Inc. in the United States. During those two years as President and Chief Operating Officer of Chanel, Inc., Mrs. Chiquet directed all US operations for Fragrance & Beauté, Fashion, Watches and Fine Jewelry. She has worked to ensure the consistency of the global brand and reinforce its luxury positioning and timeless modernity within the United States. Maureen Chiquet has acted as Chairwoman and CEO of Chanel since January 2007.

Positions currently held
Chanel, Chairwoman and Chief Executive Officer
Peek aren't you curious (children's apparel), Director

Section 3 **Corporate Governance**

Philippe Donnet, Member of the Supervisory Board
French citizen.
Business address
41-43, rue Saint Dominique, 75007 Paris, France.

Expertise and experience
Mr. Philippe Donnet, born on July 26, 1960 in France, is a graduate of the École Polytechnique and a certified member of the Institut des actuaires français (IFA). In 1985, he joined Axa in France. From 1997 to 1999, he served as Deputy Managing Director of Axa Conseil (France), before becoming Deputy Director of Axa Assicurazioni in Italy in 1999, and joining the Axa Executive Committee as Senior Vice President for the Mediterranean region, Latin America and Canada in 2001. In March 2002, he was also appointed as Chairman-CEO of Axa Re and President of Axa Corporate Solutions. In March 2003, Philippe Donnet was appointed Chief Executive Officer of Axa Japan where he successfully led a recovery by implementing new management and launching innovative and very profitable products. In October 2006, Philippe Donnet was appointed Chairman of Axa Japan and Chief Executive for the Asia-Pacific region. In April 2007, he joined the Wendel Group, where he formed investment operations in the Asia Pacific region. He currently acts as a consultant for French businesses that want to grow in Asia.

Positions currently held
Gecina, Director

Other positions and functions
La Financière Miro (Albingia), Member of the Supervisory Board
Pastel et Associés, Director

Positions previously held that expired during the last five years
Wendel, Chief Executive Officer for Asia-Pacific
Axa Japan Holding, Chairman and Chief Executive Officer
Axa Insurance Life, Chairman and Chief Executive Officer
Axa Direct Japan, Chairman
Axa Asia Pacific Holding, Director
Winvest Conseil (Luxembourg SARL), Manager
Winvest International SA SICAR (Luxembourg company), Director

Dominique Hériard Dubreuil, Member of the Supervisory Board
French citizen.
Business address
Rémy Cointreau – 21 boulevard Haussmann, 75008 Paris, France.

Expertise and experience
Mrs. Dominique Hériard Dubreuil, born on July 6, 1946, was involved in international public relations between 1970 and 1988, successively with Havas Conseil, Ogilvy & Mather, Hill & Knowlton and McCann-Erickson, before creating her own agency, Infoplan, in 1978. In 1990, she became Chairwoman and Chief Executive Officer of Rémy Martin, and then in 1998 Chairwoman and Chief Executive Officer of Rémy Cointreau, of which she is currently the Chairwoman of the Board of Directors.

Positions currently held
Rémy Cointreau SA, Chairwoman of the Board of Directors
Remy Cointreau United States Inc., Chairwoman
Orpar SA, Director
Andromède SAS, Director and Chief Executive Officer
E. Rémy Cointreau & Co. SAS, Chairwoman
Cointreau SAS, Chairwoman

Other positions and functions
Vinexpo Overseas SAS, Chairwoman of the Supervisory Board
Vinexpo SAS, Member of the Supervisory Board
Wendel, Member of the Supervisory Board
Medef, Member of the Executive Committee
INRA, Director
AFEP, Director
Fondation 2e Chance, Director
Fondation de France, Director

Section 3 **Corporate Governance**

Positions previously held that expired during the last five years
Stora Enso OYJ, Director
Botapol Holding BV, Director
CEDC, Director
Baccarat, Director
Unipol BV, Director
Vinexpo Americas SA, Chairwoman and Chief Executive Officer

Aliza Jabès, Member of the Supervisory Board
French citizen.
Business address
Groupe Nuxe – 19, rue Péclet, 75015 Paris, France.

Expertise and experience
Mrs. Aliza Jabès, born on July 20, 1962, is a graduate of the Paris Institut d'Études Politiques and holds an MBA from New York University. Between 1986 and 1988, she was a financial analyst for the Eli Lilly laboratory in Indianapolis. In 1989, she decided to go into business and took over the Nuxe laboratory, a small traditional laboratory set up by a Parisian chemist 30 years earlier. Under her influence, the Nuxe brand very quickly became a major player in the natural beauty market in pharmacies. In 2009, she created the Nuxe group and distributed the brand on an international scale. In 2012, Nuxe is available in 58 countries, through nine subsidiaries.

Positions currently held
Nuxe group, Chairwoman
Nuxe Spa, Chairwoman

Other positions and functions
Federation of Beauty Companies (FEBEA), Director
Pharmaceutical Council of the French Syndicate of Cosmetic Products (PCF), Chairwoman

Positions previously held that expired during the last five years
French National Institute of Industrial Property (INPI), Director

Christophe de Margerie, Member of the Supervisory Board
French citizen.
Business address
Total S.A. – 2 place Jean Millier, 92078 Paris La Défense Cedex, France.

Expertise and experience
Born on August 6, 1951, Mr. Christophe de Margerie is a graduate of the Ecole Supérieure de Commerce in Paris. He joined the financial department of Total in 1974, and was initially responsible for budgeting and, later, the financing of the company's exploration and production subsidiaries. In 1987, he became group Treasurer. In May 1990, he moved to Total Trading and the Middle East, where he was successively CFO, Vice President for the Middle East, President for the Middle East and then Senior Executive Vice President in March 1992, at which time he also joined the Group's Management Committee. In June 1995, he was appointed President of Total Middle East and in May 1999, President of Exploration & Production of TotalFina. In March 2000, following the merger with Elf, he was appointed Senior Executive Vice President and in January 2002, President of Exploration and Production of TotalFinaElf which became Total SA on May 6, 2003. He has been a member of Total's Executive Committee since May 1999 and a Director of Total since May 2006. In February 2007, Christophe de Margerie was appointed Chief Executive Officer of Total and Chairman of the Executive Committee. Since May 21, 2010, he has served as Chairman and Chief Executive Officer of Total.

Positions currently held
Groupe Total SA
Total SA, Chairman and Chief Executive Officer
Total E&P (Indonesia), Chairman

Other positions and functions
Shtokman Development AG (Switzerland), Director
CDM Patrimonial SARL, Manager
Institut du Monde Arabe, Director

Section 3 **Corporate Governance**

Positions previously held that expired during the last five years
Total E&P (Russia), Director
Total E&P (Azerbaïdjan), Director
Total E&P (Kazakhstan), Director
Total Profils Pétroliers, Director
Abu Dhabi Petroleum Company Ltd, Director
Abu Dhabi Marine Areas Ltd, Director
Iraq Petroleum Company Ltd, Director
Total E&P Norge A.S., Director
Total Upstream UK Ltd, Director
Innovarex, Director
Total Abu al Bukhoosh, Permanent Representative of Total SA to the Board of Directors
Elf Aquitaine, Chairman and Chief Executive Officer

Pierre Rodocanachi, Member of the Supervisory Board
French citizen.
Business address
MP Conseil – 40, rue La Pérouse, 75116 Paris, France.

Expertise and experience
Mr. Pierre Rodocanachi, born on October 2, 1938, holds a graduate degree in physics from the Faculté des Sciences of the University of Paris. He began his career as a researcher in a solid physics laboratory at the CNRS, then managed the planning department at the Bureau for Scientific and Technical Research for five years. Between 1969 and 1971, he served as Technical Consultant on Scientific Matters for the French Minister of Industry and was later Deputy Director of the National Agency for Research Valuation (ANVAR). He was also a Director of the CNRS throughout this period. Pierre Rodocanachi currently chairs the Advisory Board of Booz & Co., an international strategy and management consulting firm in Paris, which he joined in 1973. He was chief executive officer of its French subsidiary and, in 1987, was appointed as a Director of Booz & Co., as a member of its Strategic Committee and its Operations Committee, and as Senior Vice President responsible for Southern Europe for all group activities. Pierre Rodocanachi is also a Director of several non-profit organizations, including the US Chamber of Commerce in France, where he was Chairman from 1997 to 2000, the Institut du Mécénat de Solidarité, of which he was both founder and treasurer, and the French review for corporate governance. In 2003, Pierre Rodocanachi founded the financial consulting firm Management Patrimonial Conseil, which provides consulting services to approximately 12 family industrial groups. Pierre Rodocanachi is a member of the French Association of Olympic Medal Holders.

Positions currently held
Management Patrimonial Conseil, Chief Operating Officer

Other positions and functions
ProLogis European Properties, Director and member of the Audit Committee
ENABLON, Director

Positions previously held that expired during the last five years
DMC (Dollfus Mieg & Cie), Director and Chairman of the Executive Compensation Commission
Carrefour, Director and Chairman of the Audit Committee
OBC (Odier Bungener Courvoisier) Bank, Director and Chairman of the Audit Committee
"Commentaire" (a journal of political economics), Director
LPCR, Chairman of the Supervisory Board

Jacqueline Tammenoms Bakker
Dutch citizen.
Business address
Duinweg 85, 2585 JV The Hague, Netherlands.

Expertise and experience
Mrs. Jacqueline Tammenoms Bakker, born on December 17, 1953, holds a BA degree in History and in French from Oxford University and a MA degree in International Relations from the Johns Hopkins School for Advanced International Studies in Washington D.C. She joined Shell International in 1977 and held a variety of positions in the Netherlands, the U.K. and Turkey. In 1989, she joined McKinsey & Co where she worked as a consultant. From 1995 to 1998, she was Vice-President Foods (Europe) for Quest International (a Unilever subsidiary). In 1999, Jacqueline Tammenoms Bakker moved to the public sector. From 1999 to 2001, she was director of Gigaport, an initiative to accelerate the introduction of broadband Internet in the Netherlands, and then from 2001 to 2007, she was a Director General at the Ministry of Transport in the Netherlands, responsible for Civil Aviation and Freight Transport. From 2006 to 2007, she was Chairwoman of the High Level Group for the future of aviation regulation in Europe, reporting to the EU Commissioner for Transport.

Section 3 **Corporate Governance**

Positions currently held
Tesco PLC (UK), Member of the Supervisory Board

Other positions and functions
Land Registry Ordinance Survey (the Netherlands), Member of the Supervisory Board
Van Leer Group Foundation (the Netherlands), Member of the Supervisory Board
Rotterdam School of Management, Member of the Advisory Board

Positions previously held that expired during the last five years
National Council for Environment and Infrastructure (the Netherlands), Chairwoman

Members of the Supervisory Board whose term of office is proposed for renewal at the Shareholders' Meeting to be held on April 19, 2012

The renewal for a four-year term of Mr. Jean-René Fourtou and Mr. Philippe Donnet will be proposed at the Shareholders' Meeting to be held on April 19, 2012.

Mr. Claude Bébéar has not asked for his term to be renewed.

3.1.1.3. Stock trading ethics

In accordance with the AFEP and MEDEF joint recommendations published in the corporate governance code of publicly traded companies, hedging transactions by means of short selling or using derivative financial instruments or optional contracts of any nature is prohibited for all principals and employees.

Throughout the periods defined below as well as those communicated to the members of the Supervisory Board by the General Counsel of the company ("blackout periods"), direct or indirect sale and purchase transactions in the company's securities by members of the Supervisory Board, whether on the open market or in off-market block trading, are forbidden during the period:
- from the date on which members of the Supervisory Board become aware of specific market information regarding the company's day-to-day business or prospects which, if made public, would be likely to have a material impact on the company's share price, up to the date on which this information is made public; and
- of 30 calendar days preceding and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements.

The Chairman of the Corporate Governance and Nominating Committee shall be informed as soon as possible by members of the Supervisory Board of any material purchase, subscription, sale or swap transaction relating to securities issued by the company which, while not falling within the scope of the above paragraph, are entered into by any relative of, or entities connected with such a member or his/her relatives, and where such transaction has been recommended by such member or such member has been informed of its existence. The company's General Counsel shall also inform the Chairman of the Corporate Governance and Nominating Committee of any transactions that are declared pursuant to the above paragraph.

3.1.1.4. Family Relationships

To the company's knowledge, there exist no family ties between the members of the Supervisory Board or between any of them and any member of the Management Board.

3.1.1.5. Absence of Conflicts of Interest

To the company's knowledge, there are no actual or potential conflicts of interest between Vivendi and any member of the Supervisory Board with regard to their personal interests or other responsibilities.

The internal rules of the Supervisory Board stipulate that its members have a duty to inform the Board of any actual or potential conflict of interest, that they have encountered or might encounter in the future. When the Supervisory Board discusses a subject that relates directly or indirectly to one of its members, that member may be asked to leave the Board meeting during the debate and voting process.

3.1.1.6. Absence of any Sentence for Fraud, Liability Associated with a Business Failure or Public Incrimination and/or Sanction

To the company's knowledge, over the last five years:
- no member of the Supervisory Board has been convicted of any fraud-related matter;
- no member of the Supervisory Board has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body;
- no official public incrimination and/or sanction has been delivered against any member of the Supervisory Board; and
- no member of the Supervisory Board has been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in the management of a public issuer.

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Section 3 **Corporate Governance**

3.1.1.7. Agreements between the Company and Members of the Supervisory Board – Service Contracts

There is no service agreement or contract between any member of the Supervisory Board and the company or one of its subsidiaries which grants benefits under the terms of such contract.

3.1.1.8. Loans and Guarantees Granted to Members of the Supervisory Board

The company has not granted any loans or issued any guarantees to any member of the Supervisory Board.

3.1.1.9. Internal Regulations and Jurisdiction of the Supervisory Board

Role and powers of the Supervisory Board under applicable law and the company's by-laws
As required by law, the Supervisory Board continuously monitors the management of the company by the Management Board. It may proceed with any verification or control it deems appropriate and is provided with all documents it deems useful in connection with the fulfillment of its purpose and functions.

Internal Regulations
The Internal Regulations of the Supervisory Board is an internal document intended to supplement the company's by-laws by setting forth the Supervisory Board's operational procedures and the rights and duties of its members.

Role and Powers of the Supervisory Board under the Internal Regulations
The following transactions require the approval of the Supervisory Board prior to their implementation:

- disposals of real estate properties and sale of all or part of investments in companies, whenever any individual transaction exceeds €300 million;
- issues of securities which, directly or indirectly, give right to the share capital of the company and issues of convertible bonds in excess of €100 million;
- issues of non-convertible bonds in excess of €500 million, except for transactions for the purpose of renewing debt obligations on more favorable terms than those initially granted to the company;
- share repurchase programs proposed to the Ordinary General Shareholders' Meeting and financings that are material or that may substantially alter the financial structure of the company, with the exception of financings used to manage the debt of the company in order to optimize it within the previously approved thresholds;
- acquisitions, in any form, over €300 million;
- granting of sureties, endorsements and guarantees by the Management Board in favor of third parties provided that each individual obligation does not exceed €100 million and that all obligations do not exceed €1 billion. This authorization, which is given to the Management Board for 12 months, is reviewed every year;
- substantial internal restructuring transactions together with transactions falling outside the publicly disclosed strategy of the company and strategic partnership agreements;
- setting up stock option plans or performance share plans or any other mechanisms with a similar purpose or effect;
- granting of stock options or performance shares to members of the Management Board and establishing the terms and conditions applicable to each member of the Management Board with respect to shares remitted upon the exercise of stock options and the number which they must own during their terms of office; and
- submission of proposals to the Shareholders' Meeting to amend the company's by-laws, to allocate profits and to set the dividend.

3.1.1.10. Information Provided to the Supervisory Board

Members of the Supervisory Board receive all information necessary to perform their duties. Before any meeting, they may request any documents which they consider useful. The right of members of the Supervisory Board to obtain information is subject to the practical terms and conditions set out below.

Information provided prior to meetings of the Supervisory Board
The Chairman of the Supervisory Board, with the assistance of the Secretary of the Board, sends the appropriate information to the other members of the Board depending on the matters on the agenda.

Information provided to the Supervisory Board on a regular basis
Members of the Supervisory Board are kept informed by either the Management Board or its Chairman of the financial position, cash flows and obligations of the company on a regular basis, as well as of any major events and transactions relating to the company. The Management Board provides a quarterly report to the Supervisory Board on its activities and the group's operations.

Requests for information from members of the Supervisory Board relating to specific matters are sent to the Chairman and to the Secretary of the Board who, in coordination with the Chairman of the Management Board, is responsible for responding to such requests as soon as is reasonably practicable. To supplement the information provided to them, members of the Supervisory Board are entitled to meet with board members and the senior managers of the company, with or without the presence of the members of the Management Board, after notice has been given to the Chairman of the Supervisory Board.

Section 3 Corporate Governance

Collective nature of the Supervisory Board's deliberations and confidentiality of information

The Supervisory Board is a collegial body. Its deliberations are the responsibility of all of its members. Members of the Supervisory Board and any person attending meetings of the Supervisory Board are bound by confidentiality obligations with respect to confidential information they receive in the context of meetings of the Board and any of its Committees or information that is identified as confidential and which is presented by the Chairman of the Supervisory Board or the Management Board.

If the Supervisory Board is aware of confidential information of a precise nature which, if made public, could have a material impact on the share price of the company or of the companies under its control, as such term is defined by Article L.233-3 of the French Commercial Code, members of the Supervisory Board must refrain from both disclosing such information to any third party and from dealing in the company's securities until such information has been made public.

3.1.1.11. Activities of the Supervisory Board in 2011

In 2011, the Supervisory Board met ten times. The average rate of attendance at Board meetings was 83%. The Supervisory Board considered, among others, the following matters:

- the review of the consolidated and statutory financial statements for fiscal year 2010, the 2011 budget, information contained in the half-year 2011 consolidated financial statements prepared by the Management Board and the 2012 preliminary budget;
- the review of the resolutions drafted by the Management Board and submitted to the General Shareholders' Meeting of April 21, 2011;
- the review of the quarterly reports prepared by the Management Board;
- the assessment of the quality and structure of the Group's balance sheet;
- refinancing of the company's debt;
- operational progress of the Group's main operations;
- the Group's internal and external growth prospects, principal strategic initiatives and opportunities and the 5-year strategic plan;
- the strategy and communication regarding the position of the Group's main business units;
- innovation and synergies within the Group;
- the repurchase of Vodafone's equity interest in SFR;
- the purchase of the recorded music division of EMI;
- the strategic partnership relating to the free channels, Direct 8 and Direct Star;
- the partnership involving Polish television with ITI and TVN;
- the review of potential acquisitions of equity stakes in certain emerging countries;
- the monitoring of current investigations and legal proceedings, in particular the "Securities class action" and the Liberty Media dispute in the United States;
- the review of the balanced representation of women on the Supervisory Board and its Committees;
- the review of the company's policy with regard to equal opportunities;
- the review of succession plans;
- the evaluation of the Supervisory Board and its Committees;
- the compensation for the Chairman of the Supervisory Board;
- the composition of the members of the Management Board;
- the evaluation of the Management Board and its Chairman; the determination of compensation for the members of the Management Board;
- the grant, subject to performance conditions, of stock options and performance shares to the members of the Management Board; and
- the employee shareholding policy.

3.1.1.12. Assessment of the Supervisory Board's Performance and Corporate Governance

On a regular basis, and at least once every three years, the Supervisory Board performs a formal assessment of its performance under the direction of the Corporate Governance and Nominating Committee.

This formal assessment was most recently completed in January 2012. The assessment was based on a questionnaire given to each member of the Supervisory Board and one-on-one interviews organized by the General Counsel. The report was presented to the Corporate Governance and Nominating Committee on February 27, 2012 and will be reviewed by the Supervisory Board at its next meeting. The results of this assessment found that the performance of the Supervisory Board and the decision-making practices within the company were satisfactory and consistent with French and international corporate governance best practices. The Supervisory Board will examine any additional measures to be implemented to improve the quality of its work.

In addition, every year one item on the agenda is dedicated to a discussion of the performance of the Supervisory Board.

Section 3 **Corporate Governance**

3.1.1.13. Recommendations of the AFEP and MEDEF

Vivendi applies the Consolidated Code of Recommendations of the AFEP and the MEDEF to corporate governance.

3.1.1.14. Committees of the Supervisory Board

Organization and operating procedures of the Committees

The Supervisory Board has established the following four specialized Committees and has approved their respective composition and the powers conferred upon them: the Strategy Committee, the Audit Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee.

The purpose and functions of each Committee may not have the effect of delegating to a Committee powers granted to the Supervisory Board by law or pursuant to the company's by-laws, or reducing or limiting the powers of the Management Board. Within the scope of the powers granted to it, each Committee issues proposals, recommendations and/or advice.

The Supervisory Board has appointed a Chairman for each Committee. The four Committees of the Supervisory Board are comprised of Supervisory Board members, appointed by the Supervisory Board. The members are appointed on a personal basis and cannot be represented by a delegate. Each Committee determines the frequency of its meetings which are held at the registered office of the company or in any other place that may be agreed by the Chairman of the Committee. Committee meetings can also be held using videoconference or other telecommunications technology.

The Chairman of each Committee sets the agenda for the meetings after consultation with the Chairman of the Supervisory Board. Minutes of each Committee meeting are drafted by the Secretary of the Board, under the authority of the Chairman of the relevant Committee, and are transmitted to the members of the relevant Committee and to all the other members of the Supervisory Board. Information about the Committee's work is included in this annual report.

Each Committee may request from the Management Board any document it deems useful for the fulfillment of its purpose and functions. The Committee may carry out or commission surveys to provide information for the Supervisory Board's discussions and may request external consulting expertise as required.

The Chairman of a Committee may invite the members of the Supervisory Board, as well as any other person, to attend a meeting of such Committee. However, only members of the Committee can take part in its deliberations.

In addition to the permanent Committees, the Supervisory Board may establish ad hoc committees comprised of all or some of its members, each for a limited term and for specific purposes which are exceptional by virtue of their importance or nature.

Strategy Committee

Composition

The Strategy Committee is currently comprised of five members, all of whom are independent. Its members are: Claude Bébéar (Chairman), Jean-Yves Charlier, Philippe Donnet, Aliza Jabès and Jacqueline Tammenoms Bakker.

Activities

The Strategy Committee met three times in 2011, including a three-day seminar. The attendance rate was 100%. The committee's activities mainly related to the following matters:

- the growth prospects of the Group, major strategic initiatives and opportunities and the five-year strategic plan;
- the company's share ownership;
- the financial position of the Group;
- a competitive analysis of the Group's businesses;
- a review of changes in the telecommunications markets in France;
- a review of the economic, market and financial environments;
- investment prospects and projects;
- development of the Group's operations in emerging countries; and
- innovation and synergies within the Group.

Audit Committee

Composition

The Audit Committee is comprised of five members, four of whom are independent and all of whom have finance or accounting expertise. Its members are: Henri Lachmann (Chairman), Daniel Camus, Jean-Yves Charlier, Aliza Jabès and Pierre Rodocanachi.

Activities

Following their appointment, members of the Committee are, as required, informed of the accounting, financial and operational standards used within the company and the Group.

Section 3 Corporate Governance

In 2011, the Audit Committee met three times in the presence of the Statutory Auditors of the company. The attendance rate was 100%. The Audit Committee received information from, among others, the Statutory Auditors of the company, the Chief Financial Officer, the Deputy Chief Financial Officers, the General Counsel, the Senior Vice President Head of Legal Department and the Senior Vice President Audit and Special Projects.

Its activities primarily comprised the review of:
- the financial statements for fiscal year 2010, the 2011 half-year financial statements and the Statutory Auditors' reports;
- the report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures;
- the financial position of the Group, its debt and liquid assets;
- the process for monitoring the return on capital employed (ROCE);
- the internal audit of the headquarters and subsidiaries and internal control procedures within the Group;
- the analysis of risks and associated key audits;
- the activities of the Risks Committee;
- the fees to be paid to Statutory Auditors;
- the Statutory Auditors' 2012 draft audit;
- the renewal of a Statutory Auditor for 2012;
- the implementation and follow-up of compliance procedures as applied within each business unit;
- the protection of data within the Group;
- the main changes in the commitments given by the Group;
- the main legal proceedings, in particular the "Securities Class Action" and Liberty Media dispute in the United States; and
- changes in France's tax laws and regulations.

Human Resources Committee

Composition

The Human Resources Committee has four members, three of whom are independent. Its members are: Pierre Rodocanachi (Chairman), Maureen Chiquet, Henri Lachmann, and Jacqueline Tammenoms Bakker.

Activities

In 2011, the Human Resources Committee met four times. The attendance rate was 93.75%. It considered, among others, the following matters:
- the fixed and variable compensation, representation allowance and travel expenses of the members of the Management Board and its Chairman;
- the compensation of the Chairman of the Supervisory Board;
- the stock option plans and performance share plans for corporate officers and employees of the Group and the allocation policy for such plans;
- the review and definition of the performance conditions applicable to stock option plans and performance share plans to be granted;
- a review of the employment contracts of certain executives of the Group and business units;
- the review of the succession plans within the Group;
- the development and retention of key employees;
- the review of the company's equal opportunities policy; and
- the annual capital increase and the leveraged share purchase plans reserved for employees of the Group.

Corporate Governance and Nominating Committee

Composition

The Corporate Governance and Nominating Committee is composed of four members, three of whom are independent. Its members are: Dominique Hériard Dubreuil (Chairwoman), Claude Bébéar, Henri Lachmann and Christophe de Margerie.
Since January 20, 2012, the Committee has been chaired by Mrs. Dominique Hériard Dubreuil.

Activities

The Corporate Governance and Nominating Committee met twice in 2011. The attendance rate was 80%. Its activities primarily focused on the following matters:
- the early re-election of specific members of the Supervisory Board;
- the composition of the Supervisory Board and its Committees, particularly the ratio of men to women;
- the evaluation of the functioning of the Supervisory Board and the Management Board and its Chairman; and
- the prevention of insider trading having regard to the AMF recommendation of November 3, 2010.

3.1.2. Management Board

3.1.2.1. General Provisions

In accordance with Vivendi's by-laws (Article 12), the Management Board is comprised of a minimum of two members and a maximum of seven members. Members of the Management Board are appointed by the Supervisory Board to serve four-year terms. The mandatory retirement age for members of the Management Board is 68 years of age. However, when a member of the Management Board reaches the age of 68, the Supervisory Board may prolong his or her term, on one or more occasions, for a period not exceeding two years in total (Article 12 of Vivendi's by-laws).

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3.1.2.2. Composition of the Management Board

The Management Board is currently comprised of seven members, including three French citizens, one German citizen, one Moroccan citizen, one British citizen and one Israeli citizen. At its meeting held on February 26, 2009, the Supervisory Board renewed the terms of office of the members of the Management Board and its Chairman for a four-year period, until April 26, 2013. Mr. Lucian Grainge and Mr. Amos Genish were appointed as new members of the Management Board by the Supervisory Board at its meetings held on April 29, 2010 and June 19, 2011, respectively, for a period expiring on the same date as the terms of the other Management Board members.

In 2011, the Management Board met a total of eighteen times. The attendance rate at Management Board meetings was 96%. In accordance with Article 14 of Vivendi's by-laws, a member of the Management Board may attend meetings by videoconference or teleconference.

Detailed information about individual members of the Management Board is provided below in the "Main activities of current members of the Management Board" section.

List of the Management Board Members

Full Name	Primary Position	Number of shares held directly or through the PEG*
Jean-Bernard Lévy	Chairman	(a) 326,329
Abdeslam Ahizoune	Chairman of the Management Board of Maroc Telecom	72,500
Philippe Capron	Chief Financial Officer of Vivendi	90,036
Frank Esser	Chairman and Chief Executive Officer of SFR	237,848
Amos Genish	Vice-Chairman and Chief Executive Officer of GVT	10,569
Lucian Grainge	Chairman and Chief Executive Officer of UMG	15,738
Bertrand Meheut	Chairman of the Management Board of Groupe Canal+	(b) 251,509

(a) Does not include 3,197 shares held by his minor-age daughter and 1,000 held by his spouse.
(b) Does not include 373 shares held by his spouse.
* Shares held in the Group Savings Plan (PEG) are valued on the basis of Vivendi's share price at the close of business on December 30, 2011, i.e., €16.92.

Main activities of current members of the Management Board

Jean-Bernard Lévy, Chairman of the Management Board

French citizen.

Business address

Vivendi – 42, avenue de Friedland, 75008 Paris, France.

Expertise and experience

Born on March 18, 1955, Mr. Jean-Bernard Lévy is an alumnus of the Ecole Polytechnique and Telecom ParisTech. On April 28, 2005, Jean-Bernard Lévy was appointed Chairman of the Vivendi Management Board. In August 2002, he joined Vivendi as Chief Executive Officer. From 1998 to 2002, Mr. Lévy was Chief Executive Officer then Managing Partner, Corporate Finance at Oddo & Cie. From 1995 to 1998, he was Chairman and Chief Executive Officer of Matra Communication. From 1993 to 1994, Mr. Lévy was Chief of Staff to Mr. Gérard Longuet, the French Minister for Industry, Postal Services, Telecommunications and Foreign Trade. From 1988 to 1993, he was General Manager, Communication Satellites of Matra Marconi Space. From 1986 to 1988, Mr. Lévy acted as Technical Adviser to Mr. Gérard Lonquet, the French Minister for Postal and Telecommunications Services, and from 1978 to 1986, he was an engineer with France Télécom.

Positions currently held

Vivendi Group

Activision Blizzard, Inc. (United States), Chairman
GVT Holding SA (Brazil), Chairman of the Board of Directors
Maroc Telecom (Morocco), Vice Chairman of the Supervisory Board
SFR, Director
Groupe Canal+, Chairman of the Supervisory Board
Canal+ France, Chairman of the Supervisory Board

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Other positions and functions
Société Générale, Director
Vinci, Director
Institut Pasteur, Director
Viroxis, Chairman of the Supervisory Board
Institut Télécom, Chairman of the Board of Directors
Paris Europlace, Member of the Steering Committee

Positions previously held that expired during the last five years
NBC Universal, Inc. (United States), Director
Vivendi Games, Inc. (United States), Director

Abdeslam Ahizoune, Member of the Management Board
Moroccan citizen.
Business address
Maroc Telecom – Avenue Annakhil, Hay Riad, Rabat, Morocco.

Expertise and experience
Born on April 20, 1955, Mr. Abdeslam Ahizoune holds an engineering degree from Telecom ParisTech (1977). He has been Chairman of the Maroc Telecom Management Board since February 2001 and was appointed as a member of the Vivendi Management Board on April 28, 2005. Since late 2008, he has been Chairman of the Moroccan Association of Telecom Professionals (MATI). Mr. Ahizoune served as Chairman and Chief Executive Officer of Maroc Telecom from 1998 to 2001. He held the positions of Minister of Telecommunications from 1997 to 1998 and Managing Director of the Office National des Postes et Télécommunications (ONPT) from February 1995 to August 1997, Minister of Postal and Telecommunications Services and Managing Director of the ONPT from August 1992 to February 1995 and Director of Telecommunications in the Ministry of Postal and Telecommunications Services from 1983 to 1992. Since late 2006, he has been President of the Royal Moroccan Athletic Federation.

Positions currently held
Maroc Telecom Group
Maroc Telecom (Morocco), Chairman of the Management Board

Other positions and functions
Holcim SA (Morocco), Director
Royal Moroccan Federation of Athletics (Morocco), Chairman
Lalla Salma Association Against Cancer (Morocco), Member of the Board of Directors
Mohammed V Foundation for Solidarity (Morocco), Member of the Board of Directors
Mohammed VI Foundation for the Environment (Morocco), Member of the Board of Directors
Al Akhawayne University (Morocco), Director
Moroccan Association of Telecom Professionals (MATI), Chairman

Positions previously held that expired during the last five years
Axa Assurance Maroc (Morocco), Director
CMC SA (Mauritania), Chairman of the Board of Directors
Mauritel SA (Mauritania), Permanent representative of Maroc Telecom, Director
Mauritel Mobiles (Mauritania), Director
Onatel (Burkina Faso), Director
Mobisud SA (France), Chairman of the Board of Directors
Gabon Telecom (Gabon), Director
Medi1 TV (ex Medi1Sat (Morocco), Chairman of the Board of Directors and Chief Executive Officer
Association du Club Entreprendre, Chairman

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Section 3 **Corporate Governance**

Philippe Capron, Member of the Management Board

French citizen.

Business address

Vivendi – 42, avenue de Friedland, 75008 Paris, France.

Expertise and experience

Mr. Philippe Capron was born on May 25, 1958 in Paris and is a graduate of the Ecole des Hautes Etudes Commerciales and of the Paris Institut d'Etudes Politiques. From 1979 to 1981 he was an assistant to the Chairman and Secretary of the Board of Directors of Sacilor. After leaving the Ecole Nationale d'Administration (ENA) in 1985, he became an Inspector of Finance. From 1990 to 1992, he was Advisor to the Chairman and CEO of Duménil Leblé (the Cérus group), and he then became a Partner in the strategy consulting firm, Bain & Company from 1992 to 1994. From 1994 to 1997 he was the director of international development and a member of the Executive Committee of the Euler group, and then was Chairman and CEO of Euler-SFAC from 1998 to 2000. In November 2000, he joined the Usinor group as Chief Financial Officer and was also a member of the Executive Committee until 2002 when he was appointed Executive Vice President of the Arcelor group, responsible for the packaging steel division and then the distribution and international trading businesses. At the beginning of 2006, he became Chief Financial Officer and a member of the Management Committee of Arcelor. In January 2007, Mr. Philippe Capron joined Vivendi as Chief Administrative Officer. He was appointed to the Management Board and as Chief Financial Officer in April 2007.

Positions currently held

Vivendi Group

Activision Blizzard, Inc. (United States), Director
Maroc Telecom (Morocco), Member of the Supervisory Board and Chairman of the Audit Committee
SFR, Director and Chairman of the Audit Committee
GVT Holding SA (Brazil), Director
Groupe Canal+, Member of the Supervisory Board
Canal+ France, Member of the Supervisory Board and Chairman of the Audit Committee

Other positions and functions

Groupe Virbac, Member of the Supervisory Board and Chairman of the Audit Committee
Member of the Société d'Economie Politique

Positions previously held that expired during the last five years

NBC Universal, Inc. (United States), Director
Vivendi Games, Inc. (United States), Director
Tinibu Square, Director

Frank Esser, Member of the Management Board

German citizen.

Business address

SFR – Tour Séquoia, 1, place Carpeaux, 92915 Paris La Défense Cedex, France.

Expertise and experience

Mr. Frank Esser was born on September 5, 1958 and holds a doctorate in economics from the University of Cologne. Mr. Esser was appointed Chairman of SFR in December 2002 and has been with the SFR group since September 2000, when he was appointed Chief Executive Officer. He was appointed to Vivendi's Management Board on April 28, 2005. He is also President of the French Telecommunications Federation. Prior to joining SFR, Mr. Esser was Executive Vice President at Mannesmann, in charge of international business and business development.

Positions currently held

SFR, Chairman and Chief Executive Officer

Other positions and functions

Fédération Française des Télécoms et des communications électroniques, President
MEDEF, Member of the Executive Committee
Vodafone D2 GmbH and Arcor (Germany), Director
Arcor, Director
SHD, Director
National Digital Council, Member
LTB-R, Permanent Representative of SFR on the Board of Directors

Section 3 Corporate Governance

Positions previously held that expired during the last five years
Neuf Cegetel, Chairman and Chief Executive Officer
SHD, Chairman and Chief Executive Officer
Vizzavi France, Chairman
Maroc Telecom (Morocco), Member of the Supervisory Board
Société Financière de Communication et du Multimédia, Member of the Supervisory Board
Vivendi Telecom International, Director
Faurecia, Director

Amos Genish, Member of the Management Board
Israeli citizen.
Business address
GVT – Rua Lourenço Pinto, 299, Centro, Curitiba, PR Brazil 80.010-160.

Expertise and experience
Born on October 26, 1960, Mr. Amos Genish holds a degree in Economics and Accounting from Tel Aviv University (1985). He has been Chief Executive Officer of GVT since it was founded in September 1999. He was appointed to Vivendi's Management Board on June 19, 2011. Prior to such appointment, he served as a director of various companies in the high-tech and telecom industries. In particular, he was Chief Executive Officer of Edunetics, a software systems developer that was listed on NASDAQ. Since June 4, 2008, he has also been a director of SindiTelebrasil, an association representing landline and mobile telecommunications companies in Brazil.

Positions currently held
GVT Holding SA (Brazil,) Vice-Chairman of the Board of Directors and Chief Executive Officer

Other positions and functions
SindiTelebrasil, Director

Positions previously held that expired during the last five years
None

Lucian Grainge, Member of the Management Board
British citizen.
Business address
Universal Music Group – 2220 Colorado Avenue, Santa Monica 90404, Los Angeles, USA.

Expertise and experience
Born on February 29, 1960, Mr. Lucian Grainge has spent his entire professional career in the music sector. He joined Universal Music in 1986 to launch PolyGram Music Publishing UK. He was then appointed Vice Chairman of Universal Music UK, of which he became Chairman in 2001. On July 1, 2010, he became Co-Chief Executive Officer of Universal Music Group, on January 1, 2011, he became Chief Executive Officer and, on March 9, 2011, he was appointed Chairman and Chief Executive Officer of Universal Music Group.
Lucian Grainge spearheaded the international expansion of Universal Music, especially in the digital field, and its investments in such sectors as entertainment products, live event production and artist services, including the management of classical musicians and performers. He contributed to the development of technological partnerships and worked with lyricists and artist at every stage of his career, notably U2, Elton John, Abba and Amy Winehouse. In 2008, he was awarded the prestigious Music Industry Trusts Award Prize and was recognized as one of the most accomplished managers in the world of music.

Positions currently held
Universal Music Group, Inc. (USA), Chairman and Chief Executive Officer and Director of various subsidiaries
Universal Music Group International (UK), Chairman and Chief Executive Officer
Activision Blizzard Inc. (United States), Director

Other positions and functions
The American Friends of the Foundation of Prince William and Prince Harry, Director
VEVO, Director

Section 3 **Corporate Governance**

Positions previously held that expired during the last five years
Globe Productions Limited (UK), Director
Go! Discs Limited (England), Director
Go! Records Limited (England), Director
Mercury Records Limited (England), Director
Polydor Limited (England), Director
Serious Records Limited (England and Wales), Director
Systemtactic Limited (England), Director
Universal Music Operations Limited (England), Director
Universal Music UK Limited, Chairman
Universal-Island Records Limited (England), Director
The Roundhouse Trust (UK), Director
The British Phonographic industry Limited (UK), Director
British Record Industry Trust Limited (UK), Director

Bertrand Meheut, Member of the Management Board
French citizen.
Business address
Groupe Canal+ – 1, place du Spectacle, 92263 Issy-les-Moulineaux Cedex 9, France.

Expertise and experience
Mr. Bertrand Meheut was born on September 22, 1951 and graduated from l'Ecole des Mines in France. He joined Groupe Canal+ in October 2002 as Vice Chairman and Chief Operating Officer. He was appointed Chairman of the Management Board of Groupe Canal+ on February 7, 2003, and Chairman and Chief Executive Officer of Canal+ SA on February 20, 2003. Mr. Meheut was appointed to Vivendi's Management Board on April 28, 2005. Before he joined the Canal+ Group, Mr. Meheut spent most of his career in various positions in the chemicals industry, primarily in the life sciences sector. He held a number of top executive positions at Rhône-Poulenc, which became Aventis after merging with Germany's Hoechst. He served as Chairman and Chief Executive Officer of Aventis CropScience, an Aventis and Schering subsidiary, running agrichemicals and biotechnologies operations.

Positions currently held
Société d'Edition de Canal+, Chairman of the Board of Directors
Groupe Canal+, Chairman of the Management Board
Canal+ France, Chairman of the Management Board
Canal+ Régie, Chairman
StudioCanal, Chairman of the Supervisory Board
Kiosque, Permanent Representative of Canal+ France and Managing Partner
Canal+ Overseas, Member of the Management Board
Canal+ Editions, Permanent representative of Groupe Canal+ and Co-Manager
Sport+, Permanent Representative of Groupe Canal+ on the Board of Directors

Other positions and functions
Accor, Director
Aquarelle, Director
Edenred (formerly Accor Services), Director
Cinémathèque, Director

Positions previously held that expired during the last five years
Canal+, Chairman and Chief Executive Officer
Canal+ Distribution, Chairman of the Board of Directors
Kiosque Sport, Chairman of the Board of Directors
StudioCanal, Chairman of the Board of Directors
Holding Sports & Evénements, Chairman of the Board of Directors
NPA Production, Permanent Representative of Canal+ and Manager
CanalSatellite, Director
Canal+ Active, Chairman
SFR, Director
Canal+ International Développement, Chairman of the Board of Directors
Canal+ Finance, Permanent Representative of Canal+ on the Board of Directors
Kiosque, Permanent Representative of Groupe Canal+
Canal+ Régie, Chairman of the Supervisory Board

3.1.2.3. Family Relationships

To the company's knowledge, no family relationships exist between any of the members of the Management Board or between any of them and any member of the Supervisory Board.

3.1.2.4. Absence of Conflicts of Interest

To the company's knowledge, there are no actual or potential conflicts of interest between Vivendi and the members of the Management Board with regard to their personal interests or other responsibilities.

3.1.2.5. Absence of any Sentence for Fraud, Liability Associated with a Business Failure or Public Incrimination and/or Sanction

To the company's knowledge, over the past five years, no member of the Management Board has been convicted of any fraud-related matter, no official public incrimination and/or sanction has been delivered against any member of the Management Board, no member of the Management Board has been associated with a bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body of a public company nor has been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in the management of a public issuer.

On May 9, 2011, the dispute between Mr. Philippe Capron, in his capacity as former permanent representative of Arcelor Packaging International on the board of directors of SAFET, and the court-appointed receiver of SAFET, ended.

3.1.2.6. Agreements between the Company and Members of the Management Board – Service Contracts

Members of the Management Board benefit from an employment contract with the company, except for Mr. Jean-Bernard Lévy, Chairman of the Management Board, whose employment contract has been suspended since April 28, 2005, the date of his appointment as Chairman. Upon renewal of his term on the Management Board and as Chairman of the Management Board, in April 2009, Mr. Lévy extended the suspension of his employment contract, in compliance with the AFEP and MEDEF recommendations of October 2008 on the compensation of corporate officers of publicly traded companies.

No member of the Management Board is party to a service agreement entered into with Vivendi or any of its subsidiaries, pursuant to which such member may be entitled to receive any benefits.

3.1.2.7. Loans and Guarantees granted to Members of the Management Board

The company has not granted any loans or issued any guarantees to any member of the Management Board.

3.1.2.8. Jurisdiction and Internal Regulations of the Management Board

Authority and functions of the Management Board under applicable law and the company's by-laws
With respect to third parties, the Management Board is granted the broadest powers to act in any circumstance on behalf of the company, subject to the scope of the company's corporate purpose and to those situations where such power is expressly granted by law to the Supervisory Board and/or the Shareholders' Meetings and to matters that require the prior approval of the Supervisory Board.

Internal Rules
The Internal Rules of the Management Board is an internal document that aims to ensure that the company's Management Board functions properly and adheres to the most recent rules and regulations in furtherance of good corporate governance. Third parties cannot rely on the Internal Rules when pursuing any claim against members of the Management Board.

The Management Board is responsible for the day-to-day management of the company and for the conduct of its business. Pursuant to applicable law, the company's by-laws and the Supervisory Board's internal rules, it must obtain prior authorization from the Supervisory Board in certain circumstances.

3.1.2.9. Activities of the Management Board in 2011

In 2011, the Management Board met a total of eighteen times. It considered, among others, the following matters:
- the review and approval of the statutory and consolidated financial statements for fiscal year 2010, the 2011 budget, the quarterly and half-year 2011 financial statements and the 2012 preliminary budget;
- the preparation of quarterly reports for the Supervisory Board;
- the financial position of the Group;
- the Group's financial communications;
- the assessment of the quality and structure of the Group's balance sheet;
- changes in France's tax laws and regulations;

- refinancing of the company's debt;
- the renewal of the Euro Medium Term Notes (EMTN) program and the issue of bonds;
- the work of the Group's Internal Audit department and conclusions on the work of the Risks Committee;
- growth forecasts for the Group, principal strategic initiatives and opportunities as well as the 5-year strategic plan;
- innovation and synergies within the Group;
- the market position of the Group's main business units;
- the purchase of Vodafone's equity interest in SFR;
- the purchase of the recorded music division of EMI;
- the strategic partnership relating to the free channels Direct 8 and Direct Star;
- the partnership involving Polish television with ITI and TVN;
- the review of the telecommunications market in France;
- the review of the acquisition of holdings in emerging markets;
- calling of the General Shareholders' Meeting of April 21, 2011;
- the grant of stock options and performance shares and the setting of the corresponding performance conditions;
- development and retention of key employees;
- gender equality within the Group;
- capital increases reserved to group employees;
- the monitoring of legal investigations and proceedings, including the Securities class action and Liberty Media dispute in the United States;
- the review of the sustainable development report;
- the review of the business report and the environmental and employee data report; and
- the review of the compliance program.

3.2. Compensation of Directors and Officers

3.2.1. Compensation of the Members of the Supervisory Board and its Chairman

3.2.1.1. Compensation of the Chairman of the Supervisory Board

Upon the recommendation of the Human Resources Committee, at its meeting held on February 24, 2010, and at the Chairman's request, the Supervisory Board, at its meeting held on February 25, 2010, resolved to set the compensation of the Chairman of the Supervisory Board at €700,000 beginning May 1, 2010. The Chairman of the Supervisory Board has use of a company car and the availability of a part-time driver. His travel expenses and other expenditures incurred in connection with his duties are paid for by the company. The Chairman does not receive any compensation for attendance at meetings of Vivendi or any of its subsidiaries.

Compensation paid to the Chairman of the Supervisory Board (in euros)	2009	2010*	2011
Fixed remuneration	1,000,000	800,000	700,000

**Prorated.*

3.2.1.2. Director's Fees

Within the limitations set forth by the Combined Shareholders' Meeting of April 24, 2008 (i.e., €1.5 million per year), the payment of director's fees to members of the Supervisory Board is based on actual attendance at meetings and depends on the number of meetings held by the Supervisory Board and the Committees. The Supervisory Board, at its meeting of March 6, 2007, resolved that, from 2007, director's fees would be paid on a half-yearly basis. The gross amount of director's fees paid in 2011 was €1,175,500. Details of director's fees paid on an individual basis are set out below.

The director's fees are allocated as follows: each member of the Supervisory Board receives a fixed director's fee of €23,000 for a full year of service and a variable amount of €4,100 for each meeting attended. Each member of the Audit Committee receives a fixed director's fee of €20,000 for a full year of service, this amount is doubled for the Chairman of the Committee, and a variable amount of €3,900 for each meeting attended. Each member of the Strategy Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee receives a fixed director's fee of €16,100 for a full year of service, which is doubled for the Chairman of each of the Committees, and a variable amount of €3,300 for each meeting attended. A fee of €1,500 per meeting is paid to members of the Supervisory Board who attend meetings of Committees of which they are not members. Members of the Supervisory Board do not receive any other compensation from the company.

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Individual amounts of director's fees and other compensation received by members of the Supervisory Board (Table 3 of the AMF recommendations)

In euros – rounded	Amounts paid for 2010	Amounts paid for 2011
Jean-René Fourtou (a)	None	None
Claude Bébéar	109,100	109,100
Gérard Brémond (d)	33,645	na
Daniel Camus (c)	60,243	100,200
Jean-Yves Charlier	110,200	117,600
Maureen Chiquet	75,900	75,100
Mehdi Dazi (b)	9,363	na
Philippe Donnet	88,300	81,800
Fernando Falcó y Fernández de Córdova (d)	28,382	na
Gabriel Hawawini (d)	37,020	na
Dominique Hériard Dubreuil (c)	53,118	91,200
Aliza Jabès (c)	74,680	109,400
Henri Lachmann	157,700	154,300
Christophe de Margerie	75,900	68,500
Pierre Rodocanachi	135,600	144,500
Jacqueline Tammenoms Bakker (c)	72,355	123,800
Total	**1,121,506**	**1,175,500**

na: not applicable.
(a) Mr Fourtou waived his rights to receive director's fees payable to board members of the company and its subsidiaries.
(b) Members of the Supervisory Board until February 18, 2010.
(c) Members of the Supervisory Board since April 29, 2010.
(d) Members of the Supervisory Board until April 29, 2010.

3.2.2. Compensation of Members and Chairman of the Management Board

Compensation of the members and chairman of the Management Board is determined by the Supervisory Board upon recommendation of the Human Resources Committee. Compensation is comprised of both a fixed component and a variable component.

For the year 2011, the Supervisory Board at its meeting of February 28, 2011, and following a recommendation of the Human Resources Committee, set the variable component of compensation based on the following criteria:

- for corporate officers at the corporate head offices:
  - financial milestones: 60% (calculated on the basis of the group's adjusted net income (40%) and operating cash flow (20%)); and
  - completion of the General Management's priority measures: 40% (successful execution of the strategy of purchasing minority interests, in particular at SFR, under satisfactory financial conditions, or identifying alternatives that are relevant from a strategic and financial standpoint; launch innovative projects and partnerships in adjacent businesses; show concrete improvements in cooperation among businesses, and develop and arrange for the certification of actions in relation to the group's social challenges, including cultural diversity, knowledge sharing and protection of youth
- for subsidiary corporate officers and chairpersons:
  - (a) group financial milestones: 15% to 20% (Adjusted net income, operating cash flow);
  - (b) financial milestones for their entity: 55% to 60% (EBITA, operating cash flow and ROCE); and
  - (c) priority measures for their entity: 25% to 30%, of which 5% for priority sustainable development and social responsibility measures within their entity.

The Supervisory Board, at its meeting of February 29, 2012, and following a recommendation of the Human Resources Committee, reviewed each of the objectives achieved by each member of the Management Board and set the amount of each person's variable component for 2011, as shown in the summary table in section 3.2.2.3 of this chapter, and resolved, for 2012, to set new criteria for determining the variable component of compensation as follows:

- for corporate officers at the corporate head offices:
  - financial milestones: 60% (calculated on the basis of the group's adjusted net income (40%) and operating cash flow (20%)); and
  - completion of the General Management's priority measures: 40% (distributed between several quantitative criteria according to different percentages)
- for subsidiary corporate officers and chairpersons:
  - (a) group financial milestones: 15% (adjusted net income, operating cash flow);
  - (b) financial milestones for their entity: 55% to 60% (EBITA, EBITDA / EBITA, operating cash-flow and ROCE);
  - (c) priority measures for their entity: 25% to 30%, of which 5% is for priority sustainable development and social responsibility measures within their entity.

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Summary of the compensation, stock options and shares granted to members of the Management Board (AMF recommendations, table 1)

In euros	FY 2010 (a, b)	FY 2011 (b, c)	2011 with options and performance shares' valorization on March 13, 2012
Jean-Bernard Lévy **Chairman of the Management Board**			
Compensation for the year	2,834,998	2,922,432	2,922,432
Book value of options granted	716,400	486,000	159,750
Book value of performance shares granted	490,800	1,052,500	770,000
Total	**4,042,198**	**4,460,932**	**3,852,182**
Abdeslam Ahizoune **Member of the Management Board and Chairman of the Management Board of Maroc Telecom**			
Compensation for the year	1,724,163	1,451,414	1,451,414
Book value of options granted	358,200	243,000	79,875
Book value of performance shares granted	245,400	530,460	388,080
Total	**2,327,763**	**2,224,874**	**1,919,369**
Philippe Capron **Member of the Management Board and Chief Financial Officer of Vivendi**			
Compensation for the year	980,337	1,011,178	1,011,178
Book value of options granted	318,400	216,000	71,000
Book value of performance shares granted	218,144	471,520	344,960
Total	**1,516,881**	**1,698,698**	**1,427,138**
Frank Esser **Member of the Management Board and Chairman and Chief Executive Officer of SFR**			
Compensation for the year	1,920,417	1,963,009	1,963,009
Book value of options granted	445,760	302,400	99,400
Book value of performance shares granted	305,392	656,760	480,480
Total	**2,671,569**	**2,922,169**	**2,542,889**
Amos Genish * **Member of the Management Board and Vice-Chairman and Chief Executive Officer of GVT**			
Compensation for the year	-	2,254,635	2,254,635
Book value of options granted	-	162,000	53,250
Book value of performance shares granted	-	353,640	258,720
Total		**2,770,275**	**2,566,605**
Lucian Grainge ** **Member of the Management Board and Chairman and Chief Executive Officer of Universal Music Group**			
Compensation for the year	5,401,746	10,614,713	10,614,713
Book value of options granted	175,120	-	-
Book value of performance shares granted	119,984	1,680,250	1,232,000
Total	**5,696,850**	**12,294,963**	**11,846,713**
Bertrand Meheut **Member of the Management Board and Chairman of the Management Board of Groupe Canal+**			
Compensation for the year	1,912,699	2,333,291	2,333,291
Book value of options granted	445,760	302,400	99,400
Book value of performance shares granted	305,392	656,760	480,480
Total	**2,663,851**	**3,292,451**	**2,913,171**

* Member of the Management Board since June 19, 2011. ** Member of the Management Board since April 29, 2010.

(a) The book value is calculated based on the number of options and performance shares initially granted. In 2010, the number of "equivalent shares" granted was equivalent to 80% in options and 20% in performance shares.

(b) In 2011, Vivendi refined its calculation of the cost of non-transferability of performance shares, as contemplated by IFRS, to base it on the period of retention and non-transferability of the shares within a two-year period (previously a four-year period calculated over the period as from the grant date until the date on which the performance shares become available). The valuation takes this calculation into account.

(c) In 2011, the number of "equivalent measures" granted was equivalent to 50% in stock options and 50% in performance shares.

Please see Note 21 to the Consolidated Financial Statements contained in Chapter 4, which describes the valuation of instruments that are settled by issuing shares.

3.2.2.1. Position and Compensation of the Chairman of the Management Board

Mr. Jean-Bernard Lévy waived his employment contract (which has been suspended since April 28, 2005, the date of his appointment as Chairman of the Management Board) upon the renewal of his term of office on April 27, 2009, in accordance with the AFEP and MEDEF recommendations in relation to the compensation of corporate officers of publicly traded companies.

At its meeting of February 28, 2011, upon the recommendation of the Human Resources Committee, the Supervisory Board approved the following components of Mr. Jean-Bernard Lévy's compensation and benefits in kind for 2011, including:

- fixed compensation for 2011: €1,000,000;
- variable compensation with target bonus of 140% and maximum bonus of 240%. This compensation is subject to the satisfaction of the financial milestones and the Group's priority measures mentioned in paragraph 3.2.2;
- eligibility to receive stock option and performance share grants, both subject to the satisfaction of performance conditions set by the Supervisory Board and to the relevant plan rules governing their acquisition and exercise;
- benefit of a car and a driver;
- payment of traveling expenses and expenses incurred during the exercise of his functions,
- eligibility to participate in the basic Social Security, AGIRC and ARRCO schemes;
- eligibility to participate in the additional pension plan of December 2005 as approved by the Combined Shareholders' Meeting of April 20, 2006; and
- eligibility to participate in the company's insurance schemes (mutual and life-illness policies) subscribed for its employees, under similar conditions.

At its meeting of February 29, 2012, upon the recommendation of the Human Resources Committee, the Supervisory Board resolved not to increase both the fixed and variable components of the Chairman of the Management Board's compensation for 2012, and reduced his stock options and performance share grants by 5% compared to 2011.

3.2.2.2. Compensation upon Termination of Employment of the Chairman of the Management Board

Pursuant to the AFEP and MEDEF recommendations on the compensation of corporate officers of publicly traded companies, the Supervisory Board at its meeting held on February 26, 2009, upon recommendations of both the Human Resources and the Corporate Governance and Nominating Committees, reviewed the situation of Mr. Jean-Bernard Lévy, Chairman of the Management Board.

At its meeting held on February 26, 2009, the Supervisory Board resolved that, subject to a positive vote at the Shareholders' Meeting to be held on April 30, 2009, Mr. Jean-Bernard Lévy would, save in the case of serious misconduct and subject to performance conditions, receive compensation upon termination of his term of office in accordance with the AFEP and MEDEF recommendations. The Combined Shareholders' Meeting of April 30, 2009, approved this compensation in its sixth resolution.

The compensation of Mr. Jean-Bernard Lévy will be calculated using a formula linked to his seniority and will amount to six months' pay plus one additional month's pay for each year of service within the Group after 2002. It will be subject to the satisfaction of the following minimum performance conditions: the compensation will not be payable if the Group's financial results (adjusted net income and cash flow from operations) are less than 2/3 of the Group's budget for two consecutive years and if the performance of Vivendi shares is lower than 2/3 of the average performance of a composite index (1/3 CAC 40, 1/3 DJ Stoxx Telco and 1/3 DJ Stoxx Media) for two consecutive years. Compensation will not be payable if Mr. Jean-Bernard Lévy leaves the company after the age of 62 years, at which time he will be entitled to assert his pension rights, or if he decided, on his own initiative, to leave the company. Given the age of Mr. Jean-Bernard Lévy, the compensation to be paid will, by definition, be equal to 21 months or less.

In addition, at the same meeting, the Supervisory Board resolved that if Mr. Jean-Bernard Lévy leaves the company under the conditions set forth above and is entitled to receive compensation, his rights to stock options and performance shares not yet acquired by him on the date of his departure will be maintained, subject to the satisfaction of the relevant performance conditions and subject to the relevant plan's rules in relation to the conditions governing their acquisition and exercise.

Section 3 Corporate Governance

3.2.2.3. Compensation of Members of the Management Board

Summary of the compensation of each member of the Management Board (AMF recommendations, table 2)

In euros	2010		2011	
	Amounts paid	Amounts due	Amounts paid	Amounts due
Jean-Bernard Lévy **Chairman**				
Fixed compensation	912,400	912,400	1,000,000	1,000,000
2009 Variable compensation	1,578,452	-	-	-
2010 Variable compensation	-	1,916,040	1,916,040	-
2011 Variable compensation	-	-	-	1,916,000
Exceptional compensation	na	na	na	na
Director's Fees	na	na	na	na
Benefits in kind*	6,558	6,558	6,432	6,432
Total	**2,497,410**	**2,834,998**	**2,922,472**	**2,922,432**
Abdeslam Ahizoune **Member of the Management Board**				
Fixed compensation	612,894	612,894	645,766	645,766
2009 Variable compensation	856,861	-	-	-
2010 Variable compensation	-	1,103,209	-1,096,023	-
2011 Variable compensation			-	697,427
Exceptional compensation	na	na	na	100,000
Director's Fees	na	na	na	na
Benefits in kind*	8,060	8,060	8,221	8,221
Total	**1,477,815**	**1,724,163**	**1,750,010**	**1,451,414**
Philippe Capron **Member of the Management Board**				
Fixed compensation	344,800	344,800	390,000	390,000
2009 Variable compensation	504,787	-	-	-
2010 Variable compensation		606,848	606,848	-
2011 Variable compensation	-	-	-	591,800
Exceptional compensation	na	na	na	na
Director's Fees	na	na	na	na
Benefits in kind*	28,689	28,689	29,378	29,378
Total	**878,276**	**980,337**	**1,026,226**	**1,011,178**
Frank Esser **Member of the Management Board**				
Fixed compensation	726,700	726,700	770,000	770,000
2009 Variable compensation	1,046,448	-	-	-
2010 Variable compensation	-	1,162,720	1,162,720	-
2011 Variable compensation	-	-	-	1,162,000
Exceptional compensation	na	na	na	na
Director's Fees	na	na	na	na
Benefits in kind*	30,997	30,997	31,009	31,009
Total	**1,804,145**	**1,920,417**	**1,963,729**	**1,963,009**
Amos Genish (a) **Member of the Management Board**				
Fixed compensation	na	na	849,250	849,250
2010 Variable compensation	-	-	867,648	-
2011 Variable compensation	na	na	-	1,186,532
Exceptional compensation	na	na	na	na
Director's Fees	na	na	na	na
Benefits in kind*	na	na	218,852	218,852
Total			**1,935,750**	**2,254,635**

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

Section 3 Corporate Governance

Continued from previous page.

In euros	2010		2011	
	Amounts paid	Amounts due	Amounts paid	Amounts due
Lucian Grainge (b) **Member of the Management Board**				
Fixed compensation	2,989,559	2,989,559	4,662,562	4,662,562
2009 Variable compensation	na	-	-	-
2010 Variable compensation	na	1,576,227	1,574,885	-
2011 Variable compensation	-	-	-	5,021,221
Exceptional compensation	na	na	na	229,542
Director's Fees	na	na	na	na
Benefits in kind*	835,960	835,960	701,388	701,388
Total	**3,825,519**	**5,401,746**	**6,938,835**	**10,614,713**
Bertrand Meheut **Member of the Management Board**				
Fixed compensation	726,700	726,700	770,000	770,000
2009 Variable compensation	1,162,720	-	-	-
2010 Variable compensation	-	1,162,720	1,162,720	-
2011 Variable compensation	-	-	-	1,540,000
Exceptional compensation	na	na	na	na
Director's Fees	na	na	na	na
Benefits in kind*	23,279	23,279	23,291	23,291
Total	**1,912,699**	**1,912,699**	**1,956,011**	**2,333,291**

na: not applicable.

(a) Member of the Management Board since June 19, 2011 – annual basis.

(b) Member of the Management Board since April 29, 2010 – annual basis.

* The amount of benefits in kind takes in to account employer retirement and contributions under supplementary provident schemes that exceed the legal deductible threshold, which are included in the taxable wages, use of a company car, profit-sharing plans and rellocation allowances.

Pursuant to a decision of the Supervisory Board dated September 29, 2011, Mr. Abdeslam Ahizoune has the benefit of a long-term incentive plan, subject to presence and performance conditions, which expires in 2015. An annual installment is paid to him by Vivendi each year.

Under the amendment to his employment contract dated February 28, 2011, Mr. Amos Genish has the benefit of a long-term incentive plan granted to the main management team of GVT. Subject to his presence on March 1, 2014, and the achievement of the plan objectives, he will receive the appropriate amount in March 2014.

Mr. Lucian Grainge does not benefit from any pension scheme under his employment agreement with UMG, but will instead receive, pursuant to an amendment to that employment agreement dated as of January 9, 2012, additional compensation amounting to $320,000 per year.

3.2.3. Summary of the Commitments Issued in Favor of the Chairman and the Members of the Management Board (AMF Recommendations, table 10)

	Employment Contract		Supplemental pension plan		Compensation or other benefits due or to be due in connection with the termination/change of function		Compensation under a non-compete clause	
Corporate officers as defined pursuant to the AMF Recommendations	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Bernard Lévy Chairman of the Management Board Beginning of term: April 28, 2005 Renewal: April 27, 2009 End of term: April 26, 2013		X	X		X			X

Section 3 **Corporate Governance**

Employment Contract

As corporate officers, members of the Management Board hold an employment contract, except for Mr. Jean-Bernard Lévy, Chairman of the Management Board, who, in April 2009, extended the suspension of his employment contract, which had already been suspended since April 28, 2005, upon renewal of his term of office as both a member and Chairman of the Management Board, in accordance with the AFEP and MEDEF recommendations on the compensation for corporate officers of publicly traded companies.

Pension plans

The Chairman, and the members of the Management Board, who hold an employment contract with Vivendi SA, are eligible, along with certain high-level managers, to participate in the supplemental pension plan put into place in December 2005 and approved by the Combined Shareholders' Meeting of April 20, 2006. The main terms of the plan are as follows: a minimum of three years in office; gradual acquisition of rights based on seniority (over a 20-year period); reference salary for calculation of retirement: average of the three most recent years; double maximum limit: reference salary, capped at 60 times the French social security upper limit, being in 2011 €2,121,120; acquisition of rights capped at 30% of reference salary; application of the Fillon Law: rights maintained in the event of departure at the employer's initiative after the age of 55 years; reverts to 60% in the event of death. Plan benefits are forfeited in the event of departure from the company, for whatever reason, before the age of 55.

For 2011, the company recorded a provision of €3,500,000 for obligations under the pension plan for members of the Management Board. In 2011, members of the Management Board acquired pension rights under the supplemental pension plan, which were calculated on the basis of the fixed salary paid in 2011 together with the amount of the variable portion for 2010, which was paid in 2011; this amount is capped at 60 times the French social security upper limit which was €2,121,120 for 2011. For the Chairman of the Management Board, the acquisition of rights is calculated based on a rate of 1% of the capped reference salary and represented 0.73% of his gross salary (fixed + variable), i.e., €21,211 in 2011.

Compensation or other benefits in connection with termination/change of function

The Chairman of the Management Board benefits from the severance agreement described in section 3.2.2.2. of this report.

The members of the Management Board do not receive any compensation other than in accordance with their respective employment contract.

No member of the Management Board may claim payment of any compensation or indemnity for the termination of his or her position as a Vivendi corporate officer.

Under their respective employment contracts, the members of the Management Board are entitled, unless terminated for serious misconduct or gross negligence, to gross indemnification upon departure as follows:

- Mr. Abdeslam Ahizoune (employment contract with the Vivendi Group dated December 2000, as amended on July 8, 2004): 24 months' fixed salary and target bonus paid by Vivendi SA and Maroc Telecom, including contractual indemnification;
- Mr. Philippe Capron (employment contract dated November 16, 2006): no contractual compensation;
- Mr. Frank Esser (employment contract dated May 22, 2000, as amended on October 4, 2002): 24 months' fixed salary and target bonus in addition to contractual indemnification;
- Mr. Amos Genish (employment contract with GVT dated April 8, 2010): 18 months' fixed salary and target bonus equivalent to one month per year of service, capped at 24 months' salary and target bonus;
- Mr. Lucian Grainge (Universal Music Group employment contract dated April 10, 2009): 24 months' fixed salary and target bonus; and
- Mr. Bertrand Meheut (employment contract dated September 20, 2002): two million euros, including contractual indemnification.

Compensation under a Non-Compete Clause:

Members of the Management Board do not receive any compensation other than in accordance with their employment contract.

No member of the Management Board benefits from a non-compete clause.

3.2.4. Compensation paid to Group Senior Executives

The aggregate gross amount of the top ten compensation paid by Vivendi SA in 2011, including benefits in kind, was 12.271 million euros. In 2011, the aggregate gross amount of the top ten compensation packages paid to senior executives for the whole group, including benefits in kind, was 64.717 million euros.

In accordance with Vivendi's internal governance rules, all senior executives waived their rights to receive director's fees as compensation for serving as board members or permanent representatives within controlled subsidiaries, within the meaning of Article L.233-16 of the French Commercial Code.

Section 3 Corporate Governance

3.3. Grants of Stock Options and Performance Shares

The Management Board, at its meeting of February 22, 2011, and the Supervisory Board, at its meeting of February 28, 2011, approved a stock option plan with performance conditions consisting of 2.5 million shares representing 0.20% of the share capital and an award of 1.68 million performance shares representing 0.13% of the company's share capital, as detailed below. In 2011, stock options granted to members of the Management Board and its Chairman represented 717,500 stock options or 28.39% of the total grant and 0.057% of the company's share capital. In 2011, performance shares granted to members of the Management Board represented 225,000 shares or 13.39% of the total grant and 0.018% of the share capital. Awards granted to the Chairman of the Management Board totaled 225,000 options and 62,500 performance shares, or 6.83% of the total grant of stock options and performance shares.

In respect of grants to members of the Management Board, the Supervisory Board set the maximum percentage of stock options to be granted at 30% and the maximum percentage of performance shares to be granted at 15% of the total stock options and performance shares granted to all beneficiaries of the group. The Chairman of the Management Board cannot be granted more than 7.5% of the combined total stock options and performance shares granted to all beneficiaries of the group in any given year. The acquisition of performance shares and stock options become definitive subject to the satisfaction of certain performance conditions which, since 2009, have included a performance benchmark external to the Group in accordance with the AFEP and MEDEF recommendations.

Method for assessing performance criteria for stock options and performance shares:

Criteria

- Internal indicators (70%): the Group's adjusted net income (45%) and operating cash flow (25%).
- External indicators (30%): the performance of Vivendi's shares in relation to a basket of trading indices: Stoxx Europe 600 Telecommunications (60%) and a selected portfolio of Media securities (40%).

Method

Every year, the Supervisory Board, after a review conducted by the Human Resources Committee, performs a detailed analysis of the budget forecasts prepared by the Management Board and the management committees of each business (prepared in December of the previous year), and sets the limits (threshold, target and cap) for the calculation of performance.

Calculation

Satisfaction of milestones over two years: performance shares and stock options.

Every year, 50% of shares and options become eligible for vesting and 100% of shares and options are acquired if the weighted average of earnings per criterion is achieved over two years:

- 100% of shares and options are definitively acquired if the weighted total of the three indicators (adjusted net income, operating cash flow and external indices) reaches or exceeds 100%;
- 50% are definitively acquired if the weighted total of the three indicators achieves the value relating to the thresholds (50%);
- none is definitively acquired if the weighted total of the three indicators is lower than the value relating to the thresholds (50%); and
- arithmetic calculation for intermediate results.

The criteria and method of calculation from 2012 onwards

At the meetings of the Management Board and the Supervisory Board on February 29, 2012, following a recommendation by the Human Resources Committee, it was agreed that the following criteria for the calculation of performance be applied for 2012, in accordance with what was presented at the combined General Meeting on April 21, 2011:

Regarding stock options and performance shares, achievement of the objectives underlying the performance criteria, are assessed once on a cumulative basis at the expiry of a two-year period. To differentiate between the criteria for bonuses and the criteria for stock options and performance shares, it was decided to adopt an alternative internal criteria from that used in past years:

- For the internal indicator (weight: 70%), the EBITA margin recorded as of December 31, 2013 on a cumulative basis for 2012 and 2013;
- For external indicators (weight: 30%), the performance of Vivendi shares between January 1, 2012 and December 31, 2013 compared to a basket of indices: Europe Stoxx 600 Telecommunications (70%) and a range of Media values (30%);
- 100% of the performance shares and stock options vest at the end of two years, if the weighted sum of internal and external indicators reaches or exceeds 100%;
- 50% permanently vest if the weighted sum of the internal and external indicators reaches a value corresponding to the threshold (50%);
- none permanently vest if the weighted sum of the internal and external indicators is lower than the value corresponding to the threshold (50%); and
- arithmetic calculation is used for intermediate results.

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3.3.1. Stock Options Granted

3.3.1.1. Performance Conditions

The stock options vest at the end of a three-year period from the date of grant, subject to the satisfaction of new presence and performance conditions over two years.

Assessment of performance criteria with respect to 2010 and 2011 earnings

At its meetings of February 28, 2011 and February 29, 2012, and after a review conducted by the Human Resources Committee, the Supervisory Board assessed the satisfaction in 2010 and 2011 of the internal and external objectives underlying the performance criteria and confirmed an achievement rate of greater than 100%.

2010				Result
Weight	**Indicators (internal and external)**	**Objective (100 %)**	**Earned**	
80%	**GROUP objectives** (in millions of €)			
50%	Adjusted net income	2,605	**2,698**	**96.5**
30%	Cash Flow from Operations	4,490	**5,212**	**60.0**
20 %	**Stock market performance of indices (2010) (reinvested dividends)**		**Vivendi**	
6.67%	CAC 40	+0.4%	**+5%**	**13.3**
6.67%	Media index	+18.0%	**+5%**	**0**
6.67%	Telecom index	+9.8%	**+5%**	**0**

2011				Result
Weight	**Indicators (internal and external)**	**Objective (100 %)**	**Earned**	
70%	**GROUP objectives** (in millions of €)			
45%	Adjusted net income (a)	2,650	**2,745**	**74**
25%	Cash Flow from Operations (b)	4,326	**4,844**	**50**
30%	**Stock market performance of indices (2011) (reinvested dividends)**		**Vivendi**	
21%	Dow Jones Stoxx Telecom Index	+0.4%	**-10.1%**	**0**
9%	Vivendi Media Index	-19.6%	**-10.1%**	**18**

(a) Excludes NBCU and the acquisition of a 44% stake in SFR, on the basis of applicable tax rules as of January 1, 2011.
(b) Excludes acquisition of 4G frequencies by SFR.

3.3.1.2. Stock option awards to members of the Management Board on April 13, 2011 at an exercise price of €19.93 per option – Plan 2011 – 4, exercise period: April 2014 to April 2021 (AMF Recommendations, table 4)

	Value of the options under the method used for the consolidated financial statements (in euros)	Number of options granted during the year
Jean-Bernard Lévy	486,000	225,000
Abdeslam Ahizoune	243,000	112,500
Philippe Capron	216,000	100,000
Frank Esser	302,400	140,000
Amos Genish	162,000	75,000
Lucian Grainge	-	-
Bertrand Meheut	302,400	140,000
Total	**1,711,800**	**792,500**

The unit value is identical to the value reported in the financial statements in accordance with IFRS, i.e., €2.16 per unit.

Assessment of performance criteria with regard to 2011 earnings

The Supervisory Board, after a review conducted by the Human Resources Committee, acknowledged that performance criteria set for 2011 had been satisfied, and half the number of stock options granted in 2011 were definitively granted. The grant of the other half will be reviewed in 2013.

Section 3 Corporate Governance

3.3.1.3. History of Stock Option and Stock Appreciation Right (SAR) Awards to Members of the Management Board (AMF Recommendations, table 8)

	2011	2010	2009	2008	2007
Date of the Shareholders' Meeting approving option grant	EGM of 04/24/08	EGM of 04/24/08	EGM of 04/24/08	EGM of 04/28/05	EGM of 04/28/05
Date of the Supervisory Board meeting	02/28/11	02/25/10	02/26/09	02/28/08	03/06/07
Grant date	04/13/11	04/15/10	04/16/09	04/16/08	04/23/07
Maximum number of options that may be granted under the Shareholders' Meeting approval	30,933,427	30,721,487	29,255,150	29,129,168	28,893,333
Maximum number of options that may be granted during the year, taking into account options already granted	10,269,897	10,199,533	9,712,710	9,670,883	9,592,586
Number of options granted	2,526,700	5,297,200	6,561,120	6,303,200	5,718,220
Number of SAR granted	-	-	-	-	1,280,660
Number of options cancelled due to the departure of beneficiaries	24,000	39,641	78,000	120,000	75,680
Number of SAR cancelled due to the departure of beneficiaries	-	-	-	-	44,280
Total number of options that may be granted at December 31	16,453,100	18,972,107	24,108,367	29,242,936	17,691,840
Number of options granted to members of the Management Board					
Jean-Bernard Lévy – Chairman	225,000	387,103	387,068	387,112	387,161
Abdeslam Ahizoune	112,500	193,552	172,031	172,050	146,261
Philippe Capron	100,000	172,046	172,031	172,050	120,450
Frank Esser	140,000	240,865	240,843	240,870	240,900
Amos Genish (a)	75,000				
Lucian Grainge (b)	-	94,626	68,813	-	-
Bertrand Meheut	140,000	240,865	240,843	240,870	240,900
Total	**792,500**	**1,329,057**	**1,281,629**	**1,212,954**	**1,135,672**
Exercise price per stock option (in euros)	19.93	18.33	18.62	23.37	28.63
Expiration date	04/13/2021	04/15/20	04/16/19	04/16/18	04/23/17

All stock option grants were made below the 0.88% annual share capital threshold as of the Shareholders' Meeting on April 24, 2008.

(a) Member of the Management Board since June 19, 2011.

(b) Member of the Management Board since April 29, 2010. No stock options were granted by Vivendi to Lucian Grainge, as, pursuant to his employment contract, he was granted 425,058 SARs (Stock Appreciation Rights) in UMG on January 1, 2011. This grant will vest on December 31, 2015, subject to Mr Grainge's presence, and if, according to an expert, the value of a SAR in 2015 exceeds that of January 1, 2011.

3.3.2. Grant of performance shares

3.3.2.1. Performance Conditions

The right to acquire performance shares vests at the end of a period of two years from the date of grant (the "Acquisition Period") and is subject to satisfaction of presence and the achievement of new objectives assessed over a two-year period. Shares granted to American, British or Brazilian citizens are registered in an account at the end of a period of four years from the grant date.

For plans whose share registration occurs at the end of a two-year period, the shares must then be retained by the beneficiaries for an additional two-year period following the acquisition date.

In 2011, a total of 509,096 shares were granted to beneficiaries at the end of the Acquisition Period in relation to performance shares awarded under the 2009 plans and 125,181 rights to performance shares were cancelled due to the departure of certain beneficiaries.

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3.3.2.2. Performance Share Awards to Members of the Management Board on April 13, 2011 – Plan 2011 – 4 – (AMF Recommendations, table 6)

The numbers set forth in the table below relate to the number of performance shares definitively granted. One half of the 2011 performance share award is therefore definitively granted. The definitive grant of the other half awarded will be reviewed in 2013.

	Number of rights to shares awarded during the year	Value of rights under the method used for consolidated financial statements (in euros)	Vesting date of the rights	Date of disposal of the shares	Performance conditions
Jean-Bernard Lévy	62,500	1,052,500	04/15/13	04/16/15	Yes
Abdeslam Ahizoune	31,500	530,460	04/15/13	04/16/15	Yes
Philippe Capron	28,000	471,520	04/15/13	04/16/15	Yes
Frank Esser	39,000	656,760	04/15/13	04/16/15	Yes
Amos Genish	21,000	353,640	na	04/14/15	Yes
Lucian Grainge (a)	100,000	1,680,250	na	04/14/15	Yes
Bertrand Meheut	39,000	656,760	04/15/13	04/16/15	Yes
Total	**321,000**	**5,401,890**			

The value used for each Vivendi performance share awarded in 2011 is identical to the value reported in the financial statements pursuant to IFRS, i.e., €16.84 per unit.
na: not applicable.
(a) Of which 75,000 performance shares granted on April 21, 2011 subject to satisfaction of the cost reduction targets at UMG by the end of 2012. The value used for each share is €16.79.

3.3.2.3. History of Performance Share and Restricted Stock Unit (RSU) Awards to Members of the Management Board

	2011	2010 (adjusted)	2009 (adjusted)	2008	2007
Date of the Shareholders' Meeting approving the share grant	EGM of 04/24/08	EGM of 04/24/08	EGM of 04/24/08	EGM of 04/28/05	EGM of 04/28/05
Date of the Supervisory Board meeting	02/28/11	02/25/10	02/26/09	02/28/08	03/06/07
Grant date	04/13/11	04/15/10	04/16/09	04/16/08	04/23/07
Maximum number of shares that may be granted pursuant to the Shareholders' Meeting authorization	6,186,685	6,144,297	5,851,030	5,825,833	5,785,169
Maximum number of shares that may be granted during the year based on allotments already made	4,514,175	5,572,960	5,850,030	4,506,989	4,951,844
Total number of shares granted in April	1,679,200	1,084,172	567,001	525,496	476,717
Total number of RSU granted in April	None	None	None	None	106,778
Number of rights cancelled due to the departure of beneficiaries	31,890	13,223	6,602	10,208	5,180
Number of RSU cancelled due to the departure of beneficiaries	-	-	-	-	3,692
Total number of shares that may be granted as of December 31	2,761,514	4,514,175	5,572,960	5,849,987	4,504,872
Number of shares granted to members of the Management Board:					
Jean-Bernard Lévy – Chairman	62,500	32,255	32,268	30,000	30,000
Abdeslam Ahizoune	31,500	16,128	14,342	13,334	11,334
Philippe Capron	28,000	14,336	14,342	13,334	9,334
Frank Esser	39,000	20,070	20,079	18,667	18,667
Amos Genish	21,000				
Lucian Grainge	100,000	7,886	5,738	-	-
Bertrand Meheut	39,000	20,070	20,079	18,667	18,667
Total	**321,000**	**110,745**	**106,848**	**94,002**	**88,002**
Vesting date	04/15/13	04/16/12	04/18/11	04/17/10	04/24/09
Date of disposal	04/16/15	04/17/14	04/19/13	04/19/12	04/24/11

3.3.2.4. Performance Shares that became available in 2011 (AMF Recommendations, table 7)

Performance shares that became available for each Management Board Member	Plan No. and date	Number of shares that became available during the year	Acquisition conditions
Jean-Bernard Lévy	2007/04 -1 04/23/2007	30,000	yes
Abdeslam Ahizoune	2007/04 -1 04/23/2007	11,334	yes
Philippe Capron	2007/04 -2 04/23/2007	9,334	yes
Frank Esser	2007/04 -1 04/23/2007	18,667	yes
Amos Genish	-	-	-
Lucian Grainge	-	-	-
Bertrand Meheut	2007/04 -1 04/23/2007	18,667	yes

3.3.3. Options Exercised in 2011 by Corporate Officers (AMF Recommendations, table 5)

No options were exercised in 2011 by corporate officers.

3.3.4. Major option awards and Options Exercised in 2011 (AMF Recommendations, table 9)

Ten senior executives and other employees of the Group, who are not directors, received an aggregate of 527,500 stock options representing 20.87% of the total number of options awarded in 2011 and 0.04% of the share capital as of December 31, 2011.

The exercise price per share underlying these stock options is €19.93.

Ten senior executives and other employees of the Group, who are not corporate officers, exercised a total of 205,164 stock options at a weighted average price per share of €13.74.

3.3.5. Conditions under which Corporate Officers Hold Shares Pursuant to the Exercise of Stock Options and Grants of Performance Shares

Pursuant to Articles L.225-185 and L.225-197-1 of the French Commercial Code, the Supervisory Board, at its meeting held on March 6, 2007, established rules for the members of the Management Board in relation to the retention of shares received from the exercise of stock options and performance shares awarded since 2007.

Members of the Management Board must hold in a registered account a number of shares received pursuant to the exercise of stock options and performance shares granted since the implementation of the 2007 plan equal to at least 20% of the net acquisition value recognized each year, if any, from the date of exercise of the options or sale of the performance shares, until the end of their term of office.

3.3.6. Conditions Specific to Vivendi

From January 1, 2007, the Chairman of the Management Board, the members of the Management Board, and the General Management and senior executives of the business units (31 beneficiaries) must, within a period of five years, each set up a portfolio of Vivendi shares relating respectively to three years, two years and one year of gross compensation (fixed compensation and target bonus) and they must each hold them continuously until the end of their respective terms of office. In February 2012, the Supervisory Board reported on the application of this program and acknowledged its proper implementation.

3.4. Trading in Company Securities

Vivendi complies with the General Regulations of the AMF and the recommendations of the AFEP and MEDEF. Consequently, purchase and sale transactions involving company securities are prohibited during the period from the date on which a member of the Supervisory Board or the Management Board becomes aware of precise market information concerning the company's day-to-day business or prospects which, if made public, would be likely to have a material impact on the company's share price, up to the date on which this information is made public. In addition, such transactions are prohibited for a period of 30 calendar days preceding and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements. Vivendi distributes a schedule setting out the periods during which transactions involving company's shares are prohibited ("blackout periods"). This schedule also indicates that the periods mentioned do not

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preclude the existence of other blackout periods that may apply due to the awareness of precise market information concerning the day-to-day business or prospects of Vivendi or one of its listed subsidiaries which, if made public, would be likely to have a material impact on the company's share price.

Finally, pursuant to AFEP and MEDEF recommendations published on January 9, 2007, Vivendi's Management Board, at its meeting held on January 24, 2007, prohibited the use of any and all hedge transactions on company's securities following the exercise of stock options

3.4.1. Trading in securities by members of the Supervisory Board and the Management Board

Pursuant to Article 223-26 of the General Regulations of the AMF, the table below sets out transactions performed by directors of Vivendi involving the company's securities in 2011 up until the date of registration of the official French version of this Annual Report (*Document de Référence*) that were notified to the company and to the AMF:

	Purchase			Sale		
Full Name	**Date**	**Quantity**	**Unit price (in euros)**	**Date**	**Quantity**	**Unit price (in euros)**
Jean-René Fourtou	12/21/11	72,800	16,4548		None	
Daniel Camus	03/02/11	1,000	20.27			
	12/29/11	1,210	16.540			
	12/29/11	790	16.525		None	
Total		**3,000**				
Jean-Yves Charlier	01/27/12	1,942	15.92605		None	
Dominique Hériard Dubreuil	03/02/11	200	20.1025			
	03/03/11	200	20.0300			
	03/04/11	400	20.0125			
	03/07/11	200	19.9500			
	03/08/11	300	19.8533			
	03/10/11	350	19.9071			
	03/11/11	350	19.8979			
	07/12/11	100	16.9400			
	07/15/11	150	16.9550			
	12/21/11	200	16.2550			
	12/22/11	200	16.2750			
	12/27/11	350	16.6214			
	12/28/11	350	16.5157			
	12/29/11	350	16.4229			
	12/30/11	300	16.7233			
	01/03/12	100	17.2500			
	01/04/12	200	17.1500			
	01/09/12	100	16.6000			
	01/10/12	100	16.0000			
	03/01/12	400	14.6625			
	03/02/12	100	14.4050			
	03/05/12	100	14.1050			
	03/06/12	300	13.8750		None	
Total		**5,400**				
Aliza Jabès	01/24/11	600	21.975			
	01/25/11	600	21.85			
	03/04/11	2,450	20.17			
	03/04/11	50	20.24			
	12/23/11	1,700	16.57		None	
Total		**5,400**				
Pierre Rodocanachi	12/20/11	10,000	16.353			
	03/05/11	20,000	14.2112		None	
Total		**30,000**				
Jacqueline Tammenoms Bakker	03/07/11	2,500	19.85			
	01/16/12	2,200	16.00		None	
Total		**4 700**				
Lucian Grainge	03/16/11	10,000	19.0529		None	

3.5. Compliance Program

The purpose of the Compliance Program is to make employees aware of their professional responsibilities and to provide them with a guide to which they can refer and that will assist them in determining the most appropriate conduct.

It establishes rules of conduct based on general principles of international law (OECD, ILO and European law) as well as prevailing regulation in various countries (mainly France and the United States).

It sets forth the general ethical rules applicable within the Group. These rules are applied in each operational business unit in all territories where the group is present, adapted to address the specificities of subsidiary activities as well as the particularities of local legislation.

At its meeting held on March 16, 2004, the Board of Directors of Vivendi, upon recommendation of its Audit Committee, approved a Financial Code of Ethics. This code was maintained following the change in the company's organizational structure. It applies to the senior executives of Vivendi SA responsible for communications and financial and accounting reporting.

The legal department of the company and the Compliance Officers of the business units work to ensure the overall consistency of the Financial Code of Ethics by coordinating with the General Counsel's office. An annual progress report is prepared and presented to the Audit Committee, which then reports to the Supervisory Board and forwards the report to the Management Board.

3.5.1. Reasons for the Program

The Compliance Program addresses the following main issues:
- the new national and international standards under which companies must report on how they comply with their societal responsibilities; and
- the introduction of new rating criteria aimed at assessing the policies that companies have set up to assume these responsibilities.

3.5.2. Objectives

The Compliance Program has two major purposes:
- to raise the awareness of the Group's employees and to provide them with a reference tool which gives them guidance, as necessary, in determining appropriate courses of action; and
- to reduce the risks of civil and criminal liability by both the Group's employees and subsidiaries.

3.6. Financial Information and Communication Procedures Committee

This Committee, set up in 2002, is responsible for the regular assessment of the company's procedures for preparing and publishing financial data and for reviewing financial information which is published quarterly.

3.6.1. Composition

The Committee Members are nominated by the Chairman of the Management Board. At a minimum, the Committee is comprised of those Vivendi executives holding the following positions:
- the General Counsel (Chairman of the Committee);
- the Group's Chief Financial Officer, member of the Management Board;
- the Executive Vice President, Communications;
- the Deputy Chief Financial Officers;
- the Senior Vice President, Head of the Legal Department;
- the Senior Vice President, Audit and Special Projects; and
- the Executive Vice President, Investor Relations.

Members of the Committee may appoint additional members as their substitutes, who are executives from the aforementioned departments. The Committee is currently comprised of 15 regular attendees.

3.6.2. Powers

The Committee assists the Chairman of the Management Board and the Group's Chief Financial Officer in ensuring that Vivendi fulfills its disclosure requirements with respect to investors, the public and the regulatory and market authorities, in particular the *Autorité des Marchés Financiers* (AMF) and Euronext Paris in France.

In performing its duties and objectives, the Committee ensures that Vivendi has set up adequate controls and procedures so that:

- any financial information that must be disclosed to investors, the public or the regulatory authorities is reported within the deadlines set forth by applicable laws and regulations;
- all corporate communications are subject to appropriate verification in accordance with the procedures set up by the Committee;
- all information requiring a release to investors and/or appearing in the documents recorded or filed with any regulatory authority is communicated to the company's senior management, including the Chairman of the Management Board and the Group's Chief Financial Officer, prior to release so that decisions regarding such information can be made in a timely manner;
- oversight is provided to assess Vivendi's procedures and those of the business units for controlling information as well as over internal control procedures, under the supervision of the Chairman of the Management Board and the Group's Chief Financial Officer;
- the Chairman of the Management Board and the Group's Chief Financial Officer are advised of any major procedural issues about which the Committee should be informed and which are likely to affect Vivendi's procedures for controlling information and its internal control procedures. The Committee issues recommendations, where necessary, for changes to be made to these controls and procedures. The Committee monitors the implementation of changes approved by the Chairman of the Management Board and the Group's Chief Financial Officer; and
- more generally, the Chairman of the Management Board and the Group's Chief Financial Officer are assured that they will receive all information they may request.

3.6.3. Activity in 2011

The Committee meets at the request of the Chairman of the Management Board, the Chief Financial Officer, the Committee Chairman or of one of its members. Meetings are held at least every quarter in accordance with the schedule for releasing financial information on the Group's results and before each Audit Committee meeting. In 2011, the Committee met six times. Its proceedings primarily involved the review of:

- the annual and half-year certification letters signed by the Chairman and Chief Financial Officer of each of the Group's business units;
- progress questionnaires for assessing internal controls within the Business Units;
- the financial information published in the annual, half-year and quarterly financial reports and published in the annual report;
- the sustainable development report; and
- the business report and the environmental, employee and societal data report.

The Committee reports to the Chairman of the Management Board and to the Audit Committee, as necessary.

3.7. Risks Committee

The Risks Committee was set up in January 2007. Its purpose is to make recommendations or issue opinions to the Management Board in the following areas:

- the identification and assessment of potential risks that may arise from operations performed within the Vivendi group;
- the review of the adequacy of risk coverage and the level of residual risk;
- the formulation of recommendations with a view to improving risk coverage;
- the review of insurance programs; and
- the list of risk factors and forward-looking statements as disclosed in the documents published by the company.

3.7.1. Composition

The Committee is chaired by the Chairman of Vivendi's Management Board. It is comprised of at least four members including its Chairman, and:

- the Group's Chief Financial Officer, member of the Management Board;
- the General Counsel; and
- the Director of Internal Audit and Special Projects.

3.7.2. Powers

The Committee aims to promote the exchange of best practices within the Group within the area of risk prevention and management and to provide support to subsidiaries in their ongoing efforts to improve risk management. This objective is dependent upon designated contacts within the business units who are responsible for implementing the risk prevention policy and for monitoring the progress of preventive or corrective action plans.

The Risks Committee passes its principal conclusions and recommendations on to the Audit Committee of Vivendi's Supervisory Board.

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3.7.3. Activity in 2011

In 2011, this committee met three times and once during the first quarter of 2012. Its works primarily focused on:
- the review of risk mapping for GVT;
- Revenue Assurance programs at GVT;
- personal data protection at SFR and Groupe Canal+;
- the risks and issues involved in customer relations at SFR, Groupe Canal+ and Maroc Telecom;
- cyber risk insurance coverage for Vivendi;
- challenges and risks associated with the use of social networking at Universal Music Group, SFR and Groupe Canal+; and
- the follow-up to previous meetings of the Risks Committee.

3.8. General Management

Chairman of the Management Board, Chairman of Activision Blizzard and Chairman of GVT Holding SA	Jean-Bernard Lévy
Member of the Management Board and Chief Financial Officer	Philippe Capron
Senior Executive Vice President, General Counsel and Secretary of the Management and Supervisory Boards	Jean-François Dubos
Director of Innovation and Deputy Chief Financial Officer	Sandrine Dufour
Senior Executive Vice President, Communications and Sustainable Development	Simon Gillham
Senior Executive Vice President, Human Resources	Stéphane Roussel
Senior Executive Vice President, Strategy and Development	Régis Turrini

Section 4 Report by the Chairman of Vivendi's Supervisory Board on Corporate Governance, Internal Audits and Risk Management – Fiscal Year Ended December 31, 2011

This report will be presented at the General Meeting of Vivendi's shareholders to be held on April 19, 2012, pursuant to Article L.225-68 of the French Commercial Code and the joint recommendations of the AFEP and MEDEF published in the Corporate Governance Code for publicly traded companies. This report was prepared with the assistance of the General Management, the General Counsel and the Internal Audit and Special Projects Department. It was presented to the Audit Committee prior to its approval by the Supervisory Board on February 29, 2012.

Since 2005, Vivendi has been operating as a French corporation (société anonyme) with a two-tier structure made up of a Management Board and a Supervisory Board. As a result, the functions of management and control are segregated, allowing the principal officers of the company's business units to be fully incorporated into the Group's administration and management.

In addition, throughout the year, as part of rigorous internal review procedures implemented by the company's Management Committees, the Group's principal business units make the following reports to their respective management teams: an analysis of their operational and strategic positioning; their target figures as established during the budget preparation and updates, their action plans as well as other matters of significant interest.

The Consolidated Code of AFEP and MEDEF recommendations constitute the corporate governance code to which Vivendi voluntarily adheres in the preparation of this report.

4.1. Corporate Governance

4.1.1. Conditions Governing the Preparation and Organization of the Work of the Supervisory Board

The composition as well as the conditions governing the preparation and organization of the work of the Supervisory Board and its Committees is presented in Chapter 3, sections 3.1.1.2 to 3.1.1.14 of this Annual Report.

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4.1.2. 2011 Assessment of Governance by Stakeholders

Vivendi was awarded the Forum for Socially Responsible Investment (FIR) – Vigeo prize, in the "CAC 40 Companies" category, for its effort to integrate sustainable development issues (including principles, targets, risks) into its corporate governance policy.

In the area of governance, Vivendi was given an excellent rating by Proxinvest, the French advisor on governance and voting policy issues, and was ranked first not only among CAC 40 Companies but also among the top 100 largest European listed companies.

Vivendi's legal department was awarded the Golden Trophy (*Trophée d'Or*) in the best legal department of an international corporation category at the 11th Trophées du Droit (legal awards) ceremony held in Paris and organized by the Leaders League group. Since 2002, the Trophées du Droit has been the only French corporate awards ceremony to include all members of the legal profession, with the assistance of French lawyers' associations as well as bar and professional associations.

Following a survey in the French financial newspaper "*Le Revenu*", Vivendi's investor relations department was ranked at the top of its class, particularly for its relationships with shareholders and the quality and clarity with which it responds to their needs.

4.1.3. Setting the deferred compensation and benefits granted to the members of the Management Board and its Chairman

Following the proposal of the Corporate Governance and Nominating Committee and the Human Resources Committee, the Supervisory Board resolved to comply with all the AFEP and MEDEF recommendations regarding the compensation for directors and corporate officers of listed companies.

Compensation of members of the Management Board and of the company's senior managers is determined by the Supervisory Board based on the basis of information received from the Human Resources Committee. In gathering relevant information, the Human Resources Committee relies on comparative studies of external and independent advisers who take into account the compensation of company officers in a range of French, European and international companies operating in business sectors identical or similar to those of Vivendi and its subsidiaries. The compensation of Management Board members is made of both fixed and variable components and is subject to the satisfaction of certain performance conditions.

Since 2010, Vivendi's Supervisory Board has been using sustainable development and social responsibility criteria to assess the variable portion of the compensation of the Management Board members and the Group's senior executives. Criteria that are relevant, measurable and verifiable by a specialized firm have been established for each business unit based on their respective skills and positioning. Accordingly, the calculation of bonuses for the persons in question requires assessing their personal contribution to the sustainable development strategies of the Group, such as protecting and empowering young people in their media practices, promoting cultural diversity and reducing the digital divide. Vivendi is one of the first companies in the CAC 40 index that uses performance objectives tied to social responsibility criteria to determine the variable portion of the compensation of its executive officers. Vigeo, an extra-financial ratings agency, assists the Group in assessing its strategies.

All principles and rules established by the Supervisory Board concerning deferred compensation and benefits of the Management Board members, its Chairman and the corporate officers of the principal Group subsidiaries are described in Chapter 3, sections 3.2 and 3.3 of this Annual Report.

The criteria related to the award of stock options and performance shares, which were implemented in 2011 and 2012, are set forth in section 3.3 of Chapter 3 of this Annual Report.

4.1.4. Holding Periods for Shares Obtained upon the Exercise of Stock Options and Performance Shares held by Board Members and Corporate Officers

For a description of these transfer restrictions, see Chapter 3, section 3.3.5 of this Annual Report.

4.1.5. Terms and Conditions Governing Shareholders' Attendance at General Meetings

Each shareholder is entitled to a number of votes equal to the number of shares he/she owns or represents.

For a description of the terms and conditions governing shareholders' attendance at general meetings, see Chapter 3, section 2.1.4 of this Annual Report.

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4.2. Vivendi's equal opportunities policy

Pursuant to Law n°2011-103 of 27 January 2011 on balanced representation of woman and men on boards of directors and supervisory boards, the Supervisory Board at its meeting of December 14, 2011, discussed gender equality within the Group, after having examined the report of the Human Resources Committee on this issue.

The employment rate of women within the Group is 36%, with the lowest levels at Activision Blizzard (21%) and Maroc Telecom (24%), the highest level being at Vivendi's corporate headquarters (53%). The proportion of women managers is 35%, in line with their employment rate, which ranked Vivendi thirteenth among CAC 40 companies. The percentage of women on the Supervisory Board is 33%, with four female members, placing Vivendi fifth among CAC 40 companies. The percentage of women participating in the "High Potential" program in partnership with INSEAD is 30%. The percentage of women on executive committees (corporate headquarters and business units) is 11% placing Vivendi fifteenth among CAC 40 companies.

The Supervisory Board found that Vivendi is already applying most of the market's best practices in all Group businesses. Specifically, it noted that Vivendi has:
- established a comprehensive set of measures, well beyond those required pursuant to the March 23, 2006 Law on flexible working hours and equal opportunities for men and women;
- made changes to human resources processes, not only at the company level but also at the individual level, specifically in the areas of recruitment, mobility, promotion, the performance evaluation system, flexible working hours and flexible careers (sabbaticals);
- developed leadership programs aimed at talented young men and women, tailored to future strategic challenges and designed to introduce a new style of leadership. This involves collective intelligence, collaborative decision making, intellectual stimulation, inspiration, and personal development; and
- ensured that Vivendi's Supervisory Board, Management Board and Senior Management are actively involved.

The Supervisory Board concluded that it was worth researching specific best practices to facilitate Vivendi's progress in this area. To improve gender equality within the Group, the Supervisory Board approved the implementation of a two-fold initiative: mentoring and networking. The first initiative involves providing a mentor for each of the seven female members of the Group's executive committees and the 17 women who have participated or are currently participating in the Vivendi-INSEAD program and extending this initiative to male employees with high potential. The second initiative involves encouraging the women in the Group to participate in internal and potential external networks. An internal network will be established and steered by selected women who are interested in this approach. They will then present their recommendations to management.

4.3. Internal control procedures

Vivendi strives to maintain the highest standards of internal control and financial disclosure. To this end, the Financial Information and Communication Procedures Committee meets on a regular basis (six times in 2011).

This Committee assists the Chairman of the Management Board and the Chief Financial Officer in their task of ensuring that Vivendi fully complies with its obligations to disclose information to investors, the public, and the regulatory and market authorities. It is chaired by the General Counsel and is comprised of representatives from the company's operational departments.

Disclosure of information within the scope of the Committees work includes periodic documents disclosed to investors and financial markets in compliance with French financial market regulations, press releases related to the quarterly, semi-annual and annual financial results and presentation materials provided to investors and financial analysts.

A Risks Committee chaired by the Chairman of the Management Board is responsible for strengthening management and risk prevention measures within the Group. It met three times in 2011.

The functions and activities of these two committees in 2011 are set forth in Chapter 3, Sections 3.6 and 3.7 of this Annual Report.

4.3.1. Definition and Objectives of Internal Control

The company views internal control as a set of procedures established by Vivendi's Management Board and implemented by its employees to ensure that the following objectives are achieved:
- compliance with laws and regulations as well as the Group's corporate values;
- implementation of guidelines and strategies established by the Management Board;
- prevention and control of operational and financial risks as well as managing the risk of fraud and error;
- optimization of internal processes to ensure the effectiveness of operations and the efficient use of resources; and
- completeness and accuracy of accounting and financial disclosure as well as management information.

To achieve each of these objectives, Vivendi has set out and implemented general principles of internal control based to a large degree on the framework established by the report of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published in 1992, the reference framework of internal control process, and the recommendations published by the French Autorité des Marchés Financiers ("AMF").

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These principles are based upon:

- a policy that contributes to the promotion of a culture of internal control and integrity principles;
- the identification and analysis of risk factors that may adversely impact the achievement of the Group's objectives;
- a system to support the implementation of the goals set by the Management Board;
- the periodic review of control measures and the continuing search for areas of improvement; and
- the process of distributing information relating to internal control.

However, as with any system of control, these principles, when applied, may not provide an absolute guarantee that all risks will be fully eliminated or controlled.

4.3.2. Scope of Internal Control

Vivendi is organized into six business units (Activision Blizzard, Universal Music Group, SFR, Maroc Telecom, GVT and Groupe Canal+) and holding activities. Each of them must implement the strategies determined by the Management Board, including objectives in the area of internal control. Each entity has a set of tailored internal control measures that include both the implementation of the Group's procedures and the definition and implementation of procedures specific to each business unit according to its organization, culture, identified risk factors and operational specificities. As the parent company, Vivendi ensures that such internal control measures exist and are adequate, in particular with respect to the accounting and financial procedures applied by the entities of the Group that are fully consolidated.

Activision Blizzard, a US company whose shares are listed on the NASDAQ, complies with all applicable laws and regulations in the United States and also has its own internal control system.

4.3.3. Internal Control Components

4.3.3.1. Control Environment

Rules of conduct and ethics applicable to all employees

Vivendi ensures that all aspects of corporate responsibility are taken into account. Vivendi has therefore adopted a charter of the Group's values which includes consumer focus, creativity, ethics, cultural diversity and social responsibility.

A Compliance Program contains general rules of ethics applicable to all employees of the Group regardless of their seniority and position. These rules, available at www.vivendi.com, cover the following areas: employees' rights, integrity and protection of information and personal data, prevention of conflicts of interest, commercial and financial ethics, protection of the Group's assets and resources and respect of the environment.

The Compliance Program has three major purposes:

- to raise awareness for Group's employees and provide them with a reference tool that gives them guidance in determining appropriate courses of action;
- to reduce the risks of triggering civil and criminal liability for both the Group's employees and companies; and
- to discuss a cross-disciplinary theme each year in depth. For this purpose, over the past three years, the following themes have been addressed: conflicts of interest, protection of personal data, preservation of tangible and intangible data and anti-corruption.

It establishes rules of conduct based on general principles of international law (OECD, ILO and European law) as well as prevailing legislation in various countries (primarily France and common law countries). Following this approach, each business unit has established an additional code of ethics.

Consistency of the whole program is ensured by the legal teams and Compliance Officers of the principal business units, which is coordinated by the headquarters' General Counsel. An annual activity report prepared by Vivendi's General Counsel is sent to the Audit Committee, which provides a report on it to the Supervisory Board.

The protection of personal data remains a major issue for Vivendi. Accordingly, the general counsels of the various business units of the Group are currently reviewing the European Commission's proposed new data protection regulation so that they can update the data and content protection charters and best practices guide to protect sensitive data within the Group.

Responsibilities and commitments of each business unit's General Management

Every six months, the Chairman and Chief Financial Officer of each business unit must sign a representation letter in which they certify compliance with the internal control procedures relating to the preparation of financial statements and financial, industry-based and operational information items to insure the accuracy, integrity and reliability of financial disclosure.

Upon proposal of the Audit Committee, Vivendi has established a code of financial ethics. This code was maintained following the change in the company's governance structure. It applies to the senior executives who are responsible for communication as well as financial and accounting reporting.

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Rules on market ethics

Vivendi complies with the General Regulations of the AMF and the recommendations of the AFEP and MEDEF. Consequently, purchase and sale transactions involving company securities are prohibited during the period from the date on which a member of the Supervisory Board or the Management Board becomes aware of precise market information concerning the company's day-to-day business or prospects which, if made public, would be likely to have a material impact on the company's share price, up to the date on which this information is made public. In addition, such transactions are prohibited for a period of 30 calendar days preceding and including the day of publication of the company's quarterly, half-yearly and annual consolidated financial statements. Vivendi distributes a schedule setting out the periods during which transactions involving company's shares are prohibited ("blackout periods"). This schedule also indicates that the periods mentioned do not preclude the existence of other blackout periods that may apply due to the awareness of precise market information concerning the day-to-day business or prospects of Vivendi or one of its listed subsidiaries which, if made public, would be likely to have a material impact on the company's share price.

Pursuant to AFEP and MEDEF recommendations published on January 9, 2007, all hedging transactions on company's securities following the exercise of stock options are prohibited.

Blackout periods are the subject of individual reminders sent via email where necessary and, in any event, before each identified financial reporting period.

Delegation of powers

The delegation of operational powers, whether on a single occasion or on a recurring basis, is one of the responsibilities of the General Management of Vivendi and of the General Management of each of its business units. These delegated powers are updated and formalized on a regular basis according to the evolving role and responsibilities of the relevant delegate.

4.4. Risk Monitoring and Management

Vivendi's Risks Committee is in charge of identifying and managing risks likely to affect the fulfillment of the Group's objectives. It is chaired by the Chairman of the Management Board and includes as permanent members: the Chief Financial Officer, the General Counsel and the Internal Audit Director. The business units are invited to attend meetings depending on the agenda. The Committee provides its principal conclusions and recommendations to the Audit Committee of the Supervisory Board at each of its meetings.

The Risks Committee is responsible for making recommendations to the Management Board in the following areas:

- the identification and assessment of risks that may arise from the conduct of operations within the Vivendi Group, including risks relating to tax, employment and environmental matters, risks in terms of compliance with laws and regulations, risks relating to ethics, competition and conflicts of interest and risks associated with the security of information systems;
- the review of the adequacy of risk coverage and the level of residual risk;
- the review of insurable risks and of insurance programs; and
- the list of risk factors and forward-looking statements as publicly disclosed by the Group.

The assessment of the risks at the Group level is based on a qualitative and quantitative approach taking into account its contribution to the Group's principal financial benchmarks.

In 2011, this Committee met three times and, as of the date of this Annual Report, once during the first quarter of 2012. The main topics addressed were, in particular:

- the review of risk mapping for GVT;
- the protection of personal data at SFR and Groupe Canal+;
- risks and challenges related to customer relations at SFR, Groupe Canal+ and Maroc Telecom;
- Vivendi's cyber risk insurance coverage; and
- challenges and risks associated with the use of social networking at Universal Music Group, SFR and Groupe Canal+..

The major risks faced by the company are described in Chapter 2 of this Annual Report, in the risk factors section, and in Chapter 4, Note 23, to the Consolidated Financial Statements relating to risk management and financial derivative instruments.

The General Counsel's office provides for the prevention and management of risks related to ethics, competition and conflicts of interest. The management of financial risks (liquidity, interest and exchange rates) is monitored by Vivendi's Finance and Treasury Department through a centralized organization at the corporate headquarters.

Operational risks are managed by the business units taking into account the specificities of their operations (e.g., risks associated with the infringement of intellectual property rights for the music business; risks associated with piracy and counterfeiting for the film and music businesses).

Coverage of insurable risks (damage and operating losses from a disaster, third-party liabilities) is monitored by the Risk Management Department of Vivendi in collaboration with the Finance and Legal Departments. Current insurance programs are described in Chapter 2 of this Annual Report.

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In 2011, all the documentation presented to the Risks Committee was also presented to the Statutory Auditors of the company. In addition, the Statutory Auditors receive, at each meeting of the Audit Committee, a report on the work performed by the Risks Committee.

4.4.1. Control Activities

Control activities are primarily performed by the functional and operational management teams in accordance with existing reference procedures.

The following bodies ensure the monitoring of internal control measures that are implemented under the responsibility of Vivendi's Management Board:

The Audit Committee

The Audit Committee is comprised of a majority of independent members of the Supervisory Board. Within the powers conferred upon it, the Audit Committee prepares the decisions of the Supervisory Board and provides recommendations or issues opinions to it on a wide range of matters, including:

- the review of the annual and half-year consolidated financial reports and the annual unconsolidated financial statements of the company, prepared by the Management Board;
- the monitoring of the company's cash and alerting the board to potential issues relating thereto;
- the review of the assessment and coverage of operational and financial risks, and of insurance programs;
- the appointment of external auditors and fees to be paid to them;
- the application of accounting methods and principles, the scope of the company's consolidation, off-balance sheet commitments;
- the monitoring of the consistency and effectiveness of internal control measures, the review of this report;
- the review of material internal control weaknesses and, when applicable, the review of corruption and fraud cases;
- the review of ethics compliance; and
- the review of the annual report on the Compliance Program, the proposal of any measure likely to improve its effectiveness, and, if necessary, the formulation of an opinion on its review.

A report is regularly presented by its Chairman to the Vivendi Supervisory Board and sent to every member of the Committee and the Supervisory Board.

Vivendi chairs the Audit Committees of the following subsidiaries: SFR, Maroc Telecom, GVT, Canal+ France and Universal Music Group, and participates, subject to the agenda, in meetings of Activision Blizzard's Audit Committee.

In 2011, the Vivendi Audit Committee met three times with a 100% attendance rate. A description of it work is presented in Chapter 3, section 3.1.1.14 of this Annual Report.

The Internal Audit and Special Projects Department

The Internal Audit and Special Projects Department (made up of 18 internal auditors for financial audit and external auditors for IT audits) reports to the Chairman of the Management Board and is responsible for assessing, in an independent manner, the quality of internal controls at every level of the organization. Its operations are governed by a Charter approved by the Audit Committee.

The Internal Audit Departments of SFR (11 Auditors), Canal+ France (7 auditors), Activision Blizzard (6 auditors), GVT (5 auditors) and Maroc Telecom's Financial Audit Department (9 Auditors) currently reinforce the resources dedicated to internal control assessment at the business unit level. The annual audit plan approved by the Management Board provides that on average 34% of the missions will be conducted jointly by the respective auditing teams of the business units and the headquarters.

The Internal Audit Department is responsible for performing an independent assessment of the effectiveness of the internal control processes, based on an annual audit plan which is prepared by the Management Board, the Finance department and the office of the General Counsel of the Group and presented to the Audit Committee. This plan is developed from both an independent analysis of the operational, IT and financial risks of each business unit and the consultation with the General Management of each entity. Reports on the audit work carried out are communicated to Vivendi's General Management, and to operational and functional management and their superiors. A summary of these reports is presented at each Audit Committee meeting along with any observations made by the Group's external auditors. Follow-up audits are generally performed within twelve months to ensure that recommended action plans and agreed corrective measures have been implemented. A quarterly report is presented to the Management Board and the Supervisory Board.

In connection with its operations, the Group may encounter cases of fraud which are systematically reported to the Audit Committee and which may be the subject of special investigations which may result in of the imposition of penalties, where applicable.

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Self-assessment questionnaires

A self-assessment questionnaire on internal control, dealing with the five main components of internal control as defined by the COSO report, is sent out jointly to business units by the General Counsel's office and the Financial Department every year. This questionnaire covers the following topics:

- ethics and human resources: the existence and dissemination of a specific code of ethics, reference checking procedures upon hiring, procedures for granting exceptions to the Compliance Program, measures for protecting personal data;
- financial reporting: the dissemination of Group procedures, particularly accounting procedures and the systematic referral to the Vivendi financial consolidation and reporting team of specific accounting adjustments;
- organizational: the regular update of powers of attorney and the review of the principles of separation of tasks, procedures for the assessment and monitoring of risks of the business lines and the existence and update of a backup and continuity plan;
- information technologies: computer security procedures and regular data backup, the protection of customer data during marketing campaigns and social networking; and
- control and monitoring activities: description of the resources allocated to internal control, closing accounts and budget monitoring..

No major action plan was postponed by the business units. A certain number of initiatives have been put forward, such as the continued adaptation of the control environment of businesses recently incorporated into the Group, strengthened documentation of processes and periodic updates of delegations of powers within subsidiaries, the updating of data protection charters and guides and the strengthening of procedures regarding the use of social networks.

A summary of the responses to these questionnaires were presented and reviewed by the Group's Financial Information and Communication Procedures Committee. The documentation containing the answers to the questionnaires and the conclusions relating thereto are also reviewed by the business units' external auditors.

4.4.2. Internal Control Monitoring

The work performed by the Statutory Auditors in relation to the review and assessment of internal control is summarized in a detailed presentation to the General Management and the Internal Audit of the business units concerned. A summary of their conclusions is presented to Vivendi's Audit Committee.

4.5. Key Processes for Financial and Accounting Information

The processes listed below help reinforce internal controls concerning the treatment of financial and accounting information disclosed by Vivendi. The provisions of a guide on applying internal control procedures in relation to financial disclosures contained in internal control reference materials published by the AMF were taken into account during the update of these procedures.

- *Consolidation and financial reports:* the consolidated financial statements of the Group and its financial reporting are prepared in accordance with international accounting standards (IFRS) based on accounting data prepared under the responsibility of management for each business unit. The IFRS standards and the IFRIC (International Financial Reporting Interpretations Committee) interpretations used are those adopted by the European Union with a mandatory application as of December 31, 2010. The main topics addressed in the financial report must comply with specific requirements. These requirements include, in particular, an impairment test on assets held by the company during the fourth quarter of each fiscal year, an assessment of the liquidity risk, the valuation of employee benefits, duties and taxes (see below) and off-balance sheet commitments. The consolidated financial statements are closed by the Management Board quarterly. The annual and half-year financial statements are reviewed by the Supervisory Board, in reliance on the observations of the Audit Committee. The Group's consolidated financial statements are published quarterly. They are subject to an annual audit and limited semi-annual reviews by the Group's Statutory Auditors.

- *Budget and management control:* every year, each business unit must present its strategy and its annual budget for the following year to the Group's General Management. Following approval by Vivendi's Management Board, a summary is then presented to the Supervisory Board. Quantitative and qualitative targets used as a basis to assess performance are then set for each business unit's management. The budgets are reviewed each month and updated three times a year.

- *Investments/divestments:* all investment and divestment transactions exceeding €15 million must receive prior approval from the Investment Committee chaired by the Chairman of the Management Board. This procedure applies to all equity transactions (including the acquisition of equity interests and the launch of new businesses), whatever the amount, and to any other financial commitment (including the purchase of rights and property contracts) that was not provided for in the annual budget. The Investment Committee meets as often as necessary. The analysis, documents and reports used in their deliberations are prepared by the Group's Strategy and Development Department. Any transaction involving amounts greater than €100 million and €300 million must receive prior approval of the Management Board and the Supervisory Board, respectively, pursuant to their Internal Regulations. In the case of Activision Blizzard, whose rules of governance are defined in its by-laws, any investment decision involving a sum greater than US$30 million not provided for in the budget must be approved by its Board of Directors, consisting of a majority of members appointed by Vivendi.

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- *Follow-up of investment transactions:* in connection with the regular follow-up of value creation, Vivendi's Management Board strengthened the process of reviewing the "ex post" integration of investment operations, supplementing the existing budgetary reviews and quarterly financial reporting. The analysis aims to validate the implementation of controls and initiatives as well as the actual financial performance pursuant to the business plan which was approved for the acquisition. It takes into account both the progressive integration of companies acquired by the business units and the impact of changing market conditions following the acquisition date. Conclusions are reviewed by Vivendi's Internal Audit Department and presented to Vivendi's General Management and, for major issues, to the Management Board.

- *Monitoring of financial commitments:* as part of the financial reporting process, the business units compile a list of the commitments given and received on a quarterly basis. These commitments are presented by the business units' legal and finance officers at meetings held with Vivendi's Management which take place as part of the closing process for the annual financial statements.

- *Sureties, endorsements and guarantees:* pursuant to the provisions of the company's by-laws and the Internal Regulations of the Supervisory Board, the granting of sureties, endorsements and guarantees by the company to its subsidiaries is subject to prior approval in accordance with the following dual limitations:
  - any commitment under €100 million where the cumulative amount of commitments is under €1 billion is subject to the approval of the Management Board which may delegate such power. The approval decision requires the signatures of both the Chief Financial Officer and the General Counsel; and
  - any commitment over €100 million and any commitment, regardless of the amount, where the cumulative amount of commitments is over €1 billion are subject to the approval of the Supervisory Board. The approval decision requires the Chairman of the Management Board's signature.

- *Treasury, financing and liquidity:* the management of cash flows and hedging transactions (including foreign exchange and interest rates) is centralized at the headquarters of Vivendi SA. SFR manages its treasury function itself, under the supervision of Vivendi SA. GVT and Maroc Telecom's treasury functions are managed independently and are tailored to the Group's policies and procedures. At Activision Blizzard, a cash management agreement defines the services to be performed by the company on behalf and under the responsibility of Activision Blizzard. Liquidity position at the business unit level, as well as exposure to foreign exchange and interest rate risks are monitored on a bi-monthly basis by a treasury committee. The majority of short and long-term financing activities take place at the head office and are subject to the prior approval of the Management Board and Supervisory Board, in accordance with the provisions of their Internal Regulations. However, financings that are part of the management of Company debt, whenever they are being optimized within the ceilings already authorized by the Supervisory Board, only require a notification to the Board.

- *Duties and taxes:* Vivendi SA's Tax Department provides advice to the Group's subsidiaries and guarantees the defense of their tax audits by local tax authorities, with the exception of the companies within the Activision Blizzard and GVT business units, for which it participates in the review and auditing of the Duties and taxes line as part of the preparation of the Vivendi Group's consolidated financial statements.

- *Litigation:* major disputes and investigations are monitored directly or coordinated by the General Counsel's office and the Legal Department. The preparation of a report relating to litigation involving Vivendi and its business units is monitored by the General Counsel and the Legal Department of the Group in collaboration with the general counsels and heads of the legal departments of the main business units. A summary report is provided to the Management Board on a monthly basis. A table of current litigation matters, investigations and disputes is updated for each quarterly closing date based on information provided by each business unit; a summary of this table is included in the Management Board's quarterly business report to the Supervisory Board. In addition, the Supervisory Board and the Management Board are kept informed of material ongoing litigation matters by the General Counsel on a regular basis.

4.6. Information and Communication

The Group's values, the Compliance Program and the data protection and privacy charter are made available to employees and to the public at www.vivendi.com.

Group procedures designed to assist with the preparation of financial and accounting information are updated at least once a year, and are available in French and English on the Group's intranet site. These procedures, which must be applied by each of the Group's business units and holding companies, include: the IFRS accounting principles and chart of accounts of the Vivendi Group; the principles and procedures applicable to treasury transactions (banking relationships, foreign exchange, finance and investment); the procedures applicable to investment transactions, sales of assets, short and long-term financing transactions and the monitoring of disputes; the monitoring of sureties, endorsements and guarantees, as well as the rules relating to advance approval for non-audit engagements to be performed by the Statutory Auditors of the company.

Training materials relating to the application of IFRS standards within the Group are available online and accessible to all employees. Training is organized every year by the Vivendi SA's Finance Department.

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4.7. Sustainable development and social responsibility

Vivendi applies a rigorous sustainable development policy, which takes into consideration the economic, social, societal and environmental responsibilities related to its operations and its geographic presence.

Vivendi's sustainable development policy is defined based on the features of a group that produces and distributes content as part of the technological developments made possible by broadband and mobile Internet based on a subscription model that conquers new markets in countries with high-growth markets.

The first of these features implies that the Group evaluates the opportunities and risks that its content or services could pose to its various customers. This is why, since 2003, Vivendi has identified three specific sustainable development objectives: protecting and empowering young people when they use multimedia services, promoting cultural diversity and sharing knowledge.

The second feature relates to the ability that Vivendi must develop to reconcile its need to keep pace with the digital revolution with the needs of its key stakeholders (including employees, consumers, artists, suppliers and society at large) and regulatory requirements. Managing and valuing content, paying attention to suppliers and communicating with its partners are also among the Group's sustainable development objectives.

The third feature relates to collecting and processing the personal data of subscribers and clients of the Group's different business units. In every country where Vivendi operates, the company seeks to meet subscriber expectations in relation to the content and service offerings while simultaneously maintaining a rigorous and ethical policy for managing personal data.

The fourth feature relates to implementing an assessment of Vivendi's contribution to the local development of emerging countries in which the Group operates. This would take into account employment, capital investment, development of local talent and access to new information and communication technologies.

A solidarity program called Create Joy was launched in September 2008, and it forms part of the Group's civic responsibility initiative. Vivendi helps disadvantaged young people fulfill their potential by providing them with entertainment and skills related to its businesses: video games, music, telecommunications and Internet, television and film. This program is deployed in France, the UK, the United States, Brazil, Morocco, Mali and Burkina Faso, countries in which Vivendi is present. In 2011, it made possible the financing of over 25 projects by associations that work with youth in hospitals, or disabled or disadvantaged youth. Training and sharing of skills occupy a major place in the selection of the projects supported by Create Joy.

Promoting knowledge sharing to strengthen both a spirit of openness with others and a mutual understanding is a specific objective of Vivendi's social responsibility. Through its international position, the Group can exercise a certain influence over the representation of cultures and through this it can promote mutual understanding. It must ensure content quality, encourage dialog between cultures, make the public aware of the challenges of sustainable development and facilitate access to new technologies. Vivendi contributes to reducing the digital divide by enabling students to benefit from advantageous service offers and by conducting training and educative activities for disadvantaged and deprived individuals using new communication technologies.

The Vivendi Management Board and Risks Committee regularly review the Group's sustainable development and social responsibility challenges. Sustainable development risk mapping has been established and a Compliance Program for environmental standards, health and workplace safety has been approved by Vivendi.

Vivendi is part of the Dow Jones Sustainability World Enlarged Index (DJSI World Enlarged) produced by Dow Jones in late November 2010. The Group is also referenced in the FTSE4 Good Global sustainable-development international stock market index produced by the FTSE, the ASPI Eurozone index produced by the rating agency Vigeo, the Ethibel Sustainability Index (ESI) produced by Ethibel, and the ECPI Ethical Indices (ECPI Ethical Index Global, ECPI Ethical Index EMU, ECPI Ethical Index Europe) produced by E-capital Partners. In addition, each year Vivendi contributes to the Carbon Disclosure Project (CDP, an international program that publishes a report on the carbon footprint and climate change strategies of the world's 500 largest companies).

4.8. Prospects

For 2012, Vivendi intends to continue its campaign aimed at promoting and encouraging its business units and increasing their responsibility in relation to internal monitoring and data protection. Particular efforts will be made in sustainable development by continuing the work already begun in anticipation of the implementation of the recommendations of the Grenelle II Law on environmental and societal standards.

Paris, Monday, February 29, 2012
Jean-René Fourtou
Chairman of the Supervisory Board

Section 5 Statutory Auditors' Report, prepared in accordance with Article L.225-235 of the French Commercial Code, on the Report Prepared by the Chairman of the Supervisory Board of Vivendi SA

To the Shareholders,

In our capacity as Statutory Auditors of Vivendi S.A. and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of the Company in accordance with Article L.225-68 of the French Commercial Code (*Code de commerce*) for the year ended 31 December, 2011.

It is the Chairman's responsibility to prepare and submit to the Supervisory Board's approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L.225-68 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:
- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to confirm that the report also includes the other information required by Article L.225-68 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:
- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L.225-68 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by Article L.225-68 of the French Commercial Code (*Code de commerce*).

Paris-La Défense, March 1, 2012

French original signed by

KPMG Audit *Département de KPMG S.A.*	Ernst & Young et Autres
Frédéric Quélin	Jean-Yves Jégourel

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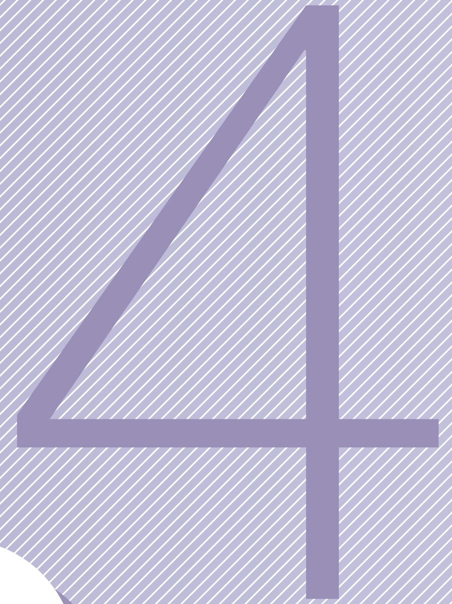

Nota

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

- 2010 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2010, prepared under IFRS and the related Statutory Auditors' Report presented in pages 126 to 270 of the "*Document de Référence*" No. D.11-0155, filed on March 21, 2011 with the French *Autorité des Marchés Financiers* (AMF), and in pages 126 to 270 of the English translation of this "*Document de Référence*"; and
- 2009 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2009, prepared under IFRS and the related Statutory Auditors' Report presented in pages 136 to 292 of the "*Document de Référence*" No. D.10-0118, filed on March 17, 2010 with the French *Autorité des Marchés Financiers* (AMF), and in pages 136 to 288 of the English translation of this "*Document de Référence*".

FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS – STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – VIVENDI SA STATUTORY FINANCIAL STATEMENTS

Selected key consolidated financial data

Consolidated data	Year ended December 31,				
	2011	2010	2009	2008	2007
Revenues (a)	28,813	28,878	27,132	25,392	21,657
EBITA (a, b)	5,860	5,726	5,390	4,953	4,721
Earnings attributable to Vivendi SA shareowners	2,681	2,198	830	2,603	2,625
Adjusted net income (b)	2,952	2,698	2,585	2,735	2,832
Financial Net Debt (b, c)	12,027	8,073	9,566	8,349	5,186
Total equity (d)	22,070	28,173	25,988	26,626	22,242
of which Vivendi SA shareowners' equity (d)	19,447	24,058	22,017	22,515	20,342
Cash flow from operations, before capital expenditures, net (CFFO before capex, net)	8,034	8,569	7,799	7,056	6,507
Capital expenditures, net (capex, net) (e)	(3,340)	(3,357)	(2,562)	(2,001)	(1,626)
Cash flow from operations (CFFO) (b)	4,694	5,212	5,237	5,055	4,881
Financial investments	(636)	(1,397)	(3,050)	(3,947)	(846)
Financial divestments	4,701	1,982	97	352	456
Dividends paid with respect to previous fiscal year	1,731	1,721	(f) 1,639	1,515	1,387
Per share amounts					
Weighted average number of shares outstanding	1,239.9	1,232.3	1,203.2	1,167.1	1,160.2
Adjusted net income per share	**2.38**	**2.19**	**2.15**	**2.34**	**2.44**
Number of shares outstanding at the end of the period (excluding treasury shares)	1,245.9	1,237.3	1,228.8	1,170.1	1,164.7
Equity per share, attributable to Vivendi SA shareowners	15.61	19.44	17.92	19.24	17.47
Dividends per share paid with respect to previous fiscal year	**1.40**	**1.40**	**1.40**	**1.30**	**1.20**

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

(a) An analysis of revenues and EBITA by operating segment is presented in Section 4.1 of this Financial Report and in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2011.

(b) Vivendi considers that the non-GAAP measures of EBITA, Adjusted net income, Financial Net Debt, and Cash flow from operations (CFFO) are relevant indicators of the group's operating and financial performance. Each of these indicators is defined in the appropriate section of this Financial Report or in the notes to the Consolidated Financial Statements for the year ended December 31, 2011. These indicators should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance as disclosed in the Consolidated Financial Statements and the related notes, or as described in this Financial Report. It should be noted that other companies may define and calculate these indicators differently from Vivendi thereby affecting comparability.

(c) As of December 31, 2009, Vivendi revised its definition of Financial Net Debt to include certain cash management financial assets whose features do not strictly comply with the definition of cash equivalents as defined by AMF Recommendations and by IAS 7 (in particular, these financial assets may have a maturity of up to 12 months). Considering that no investment in such assets was made prior to 2009, the retroactive application of this change in presentation would have no impact on Financial Net Debt for the relevant periods and the information presented in respect of the 2007 and 2008 fiscal years is therefore consistent.

(d) With effect from January 1, 2009, Vivendi voluntarily opted for early application of the revised IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). As a result, certain reclassifications have been made to the 2008 consolidated statement of changes in equity to conform to the 2009 financial statements presentation, as prescribed by revised IAS 27.

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

(f) The dividend distribution with respect to fiscal year 2008 totaled €1,639 million, of which €904 million was paid in Vivendi shares (which had no impact on cash) and €735 million was paid in cash.

I- 2011 Financial Report

Preliminary comments:

On February 28, 2012, during a meeting held at the headquarters of the company, the Management Board approved the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2011. Having considered the Audit Committee's recommendation given at its meeting held on February 23, 2012, the Supervisory Board, at its meeting held on February 29, 2012, reviewed the Annual Financial Report and the Consolidated Financial Statements for the year ended December 31, 2011, as approved by the Management Board on February 28, 2012.

The Consolidated Financial Statements for the year ended December 31, 2011 have been audited and certified by the Statutory Auditors with no qualified opinion. The Statutory Auditors' Report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

Summary of the 2011, 2010 and 2009 major events

Vivendi's 2012 outlook is described in Section 6 of this Financial Report.

2011

- In January, SFR paid a €1 billion dividend (of which €440 million was paid to Vodafone) with respect to fiscal year 2010.
- On January 14, Vivendi collected €1,254 million following the agreements concluded to settle litigation over the share ownership of PTC in Poland.
- On January 25, Vivendi sold a 12.34% interest in NBC Universal to General Electric for $3.8 billion.
- In May, Vivendi paid a cash dividend of €1.40 per share with respect to fiscal year 2010, representing a total distribution of €1,731 million.
- On May 11, Activision Blizzard paid a $192 million dividend (of which $119 million was paid to Vivendi) with respect to fiscal year 2010.
- On May 16, Vivendi entered into three bank credit facilities for a total amount of €5 billion.
- On May 23, SFR commercially launched La Poste Mobile, a MVNO owned at 49%.
- On June 16, Vivendi acquired a 44% interest in SFR from Vodafone for €7.75 billion.
- On June 16, SFR paid an interim dividend of €454 million (of which €200 million was paid to Vodafone).
- On June 23, Canal+ Group was awarded the four lots that it bid for out of the lots offered for League 1 broadcasting rights by the French Professional Soccer League (for the 2012-2013 to 2015-2016 seasons).
- On July 4, Vivendi raised €1,750 million through a bond issue.
- On August 23, Vivendi acquired a 100% interest in See Tickets, a British ticketing company.
- On October 11, SFR acquired 4G mobile spectrum, in the 2.6 GHz band, for €150 million.
- On November 11, Vivendi and Universal Music Group announced the acquisition of EMI Recorded Music for £1.2 billion.
- On November 15, Vivendi sold 35 million shares of Activision Blizzard for €314 million.
- On November 22, Vivendi raised €1 billion through a bond issue.
- In November, Canal+ Group finalized the acquisition of a 33% interest in Orange Cinema Series.
- On December 2, Canal+ Group announced the signing of a definitive agreement regarding the acquisition of Bolloré Group's free-to-air channels.
- On December 9, Canal+ Group was awarded the broadcasting rights for first choice of Champions League matches (from the 2012-2013 to 2014-2015 seasons).
- On December 19, the Canal+, ITI and TVN groups entered into a strategic partnership agreement involving pay-TV in Poland.
- On December 21, Vivendi entered into a new €1.1 billion bank credit facility, set up in January 2012.
- On December 22, the Arcep announced the grant to SFR of two 4G mobile spectrum in the 800 MHz band for €1,065 million, paid in January 2012.

2010

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

2009

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

Section 1 Major events

1.1. Major events in 2011

1.1.1. Acquisition of Vodafone's 44% interest in SFR

In accordance with the agreement entered into on April 3, 2011, Vivendi acquired on June 16, 2011, a 44% interest in SFR from Vodafone for a total amount of €7,950 million, which was paid entirely in cash. This transaction valued the 44% interest in SFR at €7,750 million as of January 1, 2011 to which was added a lump sum of €200 million related to the amount of cash generated by SFR between January 1 and June 30, 2011, paid as an interim dividend by SFR. In addition, SFR and Vodafone have agreed to extend their commercial cooperation for an additional 3-year period.

In accordance with IAS 27 revised, this transaction was accounted for as a purchase of non-controlling interests and accordingly the consideration paid was fully recognized as a deduction from equity. The difference between the consideration paid and the carrying value of non-controlling interests acquired as of June 16, 2011, *i.e.*, a net amount of €6,049 million, has been recorded as a deduction from equity attributable to Vivendi SA shareowners.

1.1.2. New financings

Between May 2011 and January 2012, Vivendi issued bonds for a total amount of €4 billion and renegotiated bank credit facilities for €6 billion. For a detailed description of each of these financings, please refer to Section 5.4 of this Financial Report.

1.1.3. Sale of the 20% interest in NBC Universal

Beginning in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE under an agreement (as amended, the "2009 Agreement"), entered into in connection with GE's concurrent agreement with Comcast Corporation ("Comcast") to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the "Comcast Transaction"). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for $5.8 billion, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction:

- On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for $2.0 billion. The remainder of Vivendi's interest, or 12.34% of NBC Universal, was sold to GE on January 25, 2011 for $3.8 billion, in advance of the closing of the Comcast Transaction; and
- In addition, Vivendi received its pro rata share of dividends for the period from January 1, 2010 to January 25, 2011 (the date of sale), totaling $408 million, of which $95 million was paid by GE to Vivendi on January 25, 2011.

For a detailed description of the sale of Vivendi's interest in NBC Universal and of its accounting treatment, please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2011.

1.1.4. Agreements to settle litigation over the share ownership of PTC in Poland

On December 14, 2010, Vivendi, Deutsche Telekom, Mr. Solorz-Zak (Elektrim's main shareholder) and Elektrim's creditors, including the Polish State and Elektrim's bondholders, entered into various agreements to put an end to the litigation surrounding the share capital ownership of Polska Telefonia Cyfrowa (PTC), a mobile telecommunication operator. Due to the litigation proceedings which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim, the legal uncertainty surrounding the ownership of Telco's interest in PTC, prevented Telco from exercising joint control over PTC, in accordance with PTC's by-laws. As a result, Vivendi did not consolidate its interest in PTC, whose carrying value was decreased to zero as from the year ended December 31, 2006.

On January 14, 2011, upon satisfaction of the conditions precedent set forth in these agreements, Vivendi received €1,254 million and waived its rights to the shares of PTC, consequently settling all litigation surrounding PTC's share capital ownership.

1.1.5. Launch of La Poste Mobile by SFR

Following approval of the French Competition Authority on January 28, 2011, SFR and La Poste formed a joint venture, La Poste Telecom, held at 49% and 51%, respectively. This joint venture, a new mobile virtual network operator on the mobile retail market, offers a full set of mobile telephony services, which have been sold since May 23, 2011 under the "La Poste Mobile" brand, benefiting from La Poste's sales point network.

1.1.6. Acquisition project of EMI Recorded Music by Vivendi and Universal Music Group (UMG)

On November 11, 2011, Vivendi and Universal Music Group (UMG) signed an agreement with Citigroup Inc (Citi) to purchase 100% of the recorded music businesses of EMI Group Global Limited (EMI). The expected gross purchase price (enterprise value) will be £1,200 million (approximately €1,400 million). Including certain debt-like items (£150 million), the adjusted purchase price is £1,050 million (approximately €1,250 million). Closing of the agreement remains subject to a number of conditions, including approvals from regulatory authorities in the countries and continents concerned.

Section 1 Major events

Vivendi will finance this transaction from its existing credit lines and from the proceeds of the sale of €500 million worth of non-core UMG assets. Besides, UMG is expected to generate above £100 million per annum in synergies primarily through overhead efficiencies.
For a detailed description of this transaction, please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2011.

1.1.7. Acquisition project of Bolloré Group's channels by Canal+ Group

On December 2, 2011, Bolloré Group and Canal+ Group announced the entry into a definitive agreement regarding the acquisition by Canal+ Group Bolloré Group's free-to-air channels, Direct 8 and Direct Star, financed in Vivendi shares. This agreement is currently being submitted to the Competition Authority and media authorities for approval. For a detailed description of this transaction, please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2011.

1.1.8. Strategic partnership among the Canal+, ITI, and TVN groups in Poland

On December 19, 2011, the Canal+, ITI and TVN groups announced that they entered into a strategic partnership to combine their Polish pay-TV businesses (Cyfra+ and "n") and for Canal+ Group to become a key shareholder in TVN. Canal+ Group will contribute its interest in Cyfra+ and become the controlling shareholder of the newly-created pay-TV platform with a 51% interest (TVN and UPC owning 32% and 17%, respectively). In addition, Canal+ Group will pay a total cash consideration of approximately €230 million to acquire a 40% minority interest in N-Vision, the parent Company of Polish Television Holding, which in turn owns a 51% majority interest in TVN. ITI Group will continue to own the remaining 60% controlling interest in N-Vision. The closing of this transaction, which is expected to take place during the second half of 2012, remains subject to approval from the relevant regulatory authorities. For a detailed description of this transaction, please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2011.

1.1.9. Acquisition of 4G spectrum by SFR

Following calls for bids of the tender offer for 4G mobile spectrum (very-high-speed Internet – LTE) carried out in 2011 by the "*Autorité de Régulation des Communications Electroniques et des Postes*" or "Arcep" (the French Telecommunications Regulatory Body), SFR acquired the following spectrum:

- a 15 MHz duplex spectrum in the 2.6 GHz band for €150 million, which was granted and paid in October 2011; and
- two 5 MHz duplex spectrum in the 800 MHz band for €1,065 million, which was announced by the Arcep in December 2011. These two bands of spectrum were granted and paid for in January 2012.

1.1.10. Acquisition of football broadcasting rights by Canal+ Group

In June 2011, after having completed a bidding process, Canal+ Group was awarded the four lots that it bid for out of the nine television lots offered for League 1 broadcasting rights by the French Professional Soccer League (from 2012-2013 to 2015-2016). Canal+ Group will pay €420 million per season for these rights, representing a total commitment of €1,680 million for the four seasons. As a reminder, in 2008, Canal+ Group was awarded nine out of the ten television lots offered for the four seasons 2008-2009 to 2011-2012 at €465 million per season.

In addition, in December 2011, Canal+ Group was awarded the broadcasting rights for first-choice Champions League matches, from the 2012-2013 to 2014-2015 seasons, for a total amount of €150 million.

1.1.11. Other events in 2011

UMG – Sale of a 51% interest in Beats Electronics, LLC

In August 2011, HTC Corporation committed to acquire for $300 million (approximately €222 million) a 51% interest in Beats Electronics LLC, 21.1% of which is held by Universal Music Group (UMG). In October 2011, this transaction was approved by the Competition Authority.

Canal+ Group

Acquisition of a non-controlling interest in Orange Cinema Series

In November 2011, Multithématiques and Orange Cinema Series entered into a memorandum of agreement under which Canal+ Group, through its subsidiary Multithématiques, would acquire a 33% interest in a new company that would hold the commercial property of Orange Cinema Series and Canal+ Distribution would distribute the channels included in the Orange Cinema Series package through CanalSat.

Acquisition of a 51% interest in Tandem Communications by StudioCanal

In December 2011, StudioCanal acquired a 51% interest in Tandem Communications, a German company which produces and distributes television series worldwide, for a cash consideration of €11 million.

Inquiry into the implementation of certain undertakings given in connection with the combination of Canal Satellite and TPS

On September 20, 2011, the French Competition Authority issued a decision considering that Canal+ Group did not satisfy several undertakings – some of them essential – that were mandatory pursuant to the decision issued in 2006, authorizing Vivendi and Canal+ Group to complete the combination of TPS and Canal Satellite. As a result, the French Competition Authority withdrew its decision approving the transaction and required Vivendi and Canal+ Group to re-notify the transaction to the French Competition Authority. In addition, the Authority imposed a fine of €30 million on Canal+ Group.

On October 24, 2011, the combination of Canal Satellite and TPS was re-notified to the Competition Authority, and on November 4, 2011, Vivendi and Group Canal+ filed a motion before the French Council of State (*Conseil d'Etat*), requesting the annulment of the Authority's decision.

Acquisition of See Tickets

On August 23, 2011, Vivendi acquired a 100% interest in See Tickets, a British ticketing company for a purchase price of €95 million (£83 million) on the basis of an enterprise value of €75 million and a net cash acquired of €20 million.

Dividend paid by Vivendi SA to its shareholders with respect to fiscal year 2010

At the Annual Shareholders' Meeting of April 21, 2011, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2010. As a result, the dividend payment was set at €1.40 per share, representing a total distribution of €1,731 million, which was paid in cash on May 10, 2011.

Dividends paid by SFR

At SFR's Shareholders' Meeting, held on March 30, 2011, the shareholders approved the payment of a €1 billion dividend with respect to fiscal year 2010 (of which €440 million was paid to Vodafone), paid as an interim dividend in January 2011. As part of Vivendi's acquisition of Vodafone's interest in SFR (please refer to Section 1.1.1 above), on June 16, 2011, SFR paid an interim dividend of €454 million (of which €200 million was paid to Vodafone). The total amount of dividends paid by SFR to Vodafone in 2011 therefore amounted to €640 million.

Activision Blizzard

Change in Vivendi's ownership interest in Activision Blizzard

On November 15, 2011, Vivendi sold 35 million Activision Blizzard shares into the market for $422 million (or €314 million). As a result, considering the stock repurchase program of Activision Blizzard (61 million shares acquired in 2011), Vivendi held an approximate 60% non-diluted interest in Activision Blizzard as of December 31, 2011 (compared to approximately 61% as of December 31, 2010). For further detail, please refer to Note 18 to the Consolidated Financial Statements for the year ended December 31, 2011.

Dividends paid

On May 11, 2011, Activision Blizzard paid a cash dividend of $0.165 per common share to its shareholders with respect to fiscal year 2010, representing $119 million (€87 million) for Vivendi. On February 9, 2012, Activision Blizzard also announced that its Board of Directors declared a cash dividend of $0.18 per common share to shareholders. This dividend will be paid in cash on May 16, 2012.

1.2. Major events since December 31, 2011

The main events that occurred between December 31, 2011 and February 28, 2012, the date of the Management Board meeting that approved the Financial Statements for the fiscal year 2011 are as follows:

- On January 10, 2012, Vivendi raised €1,250 million through a bond issue (please refer to Section 5.4); and
- In a ruling dated January 27, 2012, and issued on February 1, 2012, the United States District Court for the Southern District of New York dismissed claims by individual shareholders who had purchased ordinary shares of Vivendi on the Paris Stock Exchange (please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011).

Section 2 Earnings analysis

2.1. Consolidated statement of earnings and adjusted statement of earnings

Consolidated statement of earnings			Adjusted statement of earnings		
	Year ended December 31,		Year ended December 31,		
(in millions of euros, except per share amounts)	2011	2010	2011	2010	
Revenues	**28,813**	**28,878**	**28,813**	**28,878**	**Revenues**
Cost of revenues	(14,391)	(14,561)	(14,391)	(14,561)	Cost of revenues
Margin from operations	**14,422**	**14,317**	**14,422**	**14,317**	**Margin from operations**
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(8,401)	(8,456)	(8,401)	(8,456)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations
Restructuring charges and other operating charges and income	(161)	(135)	(161)	(135)	Restructuring charges and other operating charges and income
Amortization of intangible assets acquired through business combinations	(510)	(603)			
Impairment losses on intangible assets acquired through business combinations	(397)	(252)			
Reversal of reserve regarding the Securities Class Action in the United States	-	450			
Other income	1,385	53			
Other charges	(656)	(358)			
EBIT	**5,682**	**5,016**	**5,860**	**5,726**	**EBITA**
Income from equity affiliates	(18)	195	(18)	195	Income from equity affiliates
Interest	(481)	(492)	(481)	(492)	Interest
Income from investments	75	7	75	7	Income from investments
Other financial income	14	16			
Other financial charges	(167)	(178)			
Earnings from continuing operations before provision for income taxes	**5,105**	**4,564**	**5,436**	**5,436**	**Adjusted earnings from continuing operations before provision for income taxes**
Provision for income taxes	(1,378)	(1,042)	(1,408)	(1,257)	Provision for income taxes
Earnings from continuing operations	**3,727**	**3,522**			
Earnings from discontinued operations	-	-			
Earnings	**3,727**	**3,522**	**4,028**	**4,179**	**Adjuste net income before non-controlling interests**
of which					*of which*
Earnings attributable to Vivendi SA shareowners	**2,681**	**2,198**	**2,952**	**2,698**	**Adjusted net income**
Non-controlling interests	1,046	1,324	1,076	1,481	Non-controlling interests
Earnings attributable to Vivendi SA shareowners per share – basic (in euros)	**2.16**	**1.78**	**2.38**	**2.19**	**Adjusted net income per share – basic** (in euros)
Earnings attributable to Vivendi SA shareowners per share – diluted (in euros)	**2.16**	**1.78**	**2.37**	**2.18**	**Adjusted net income per share – diluted** (in euros)

Note: In view of the practice of other French groups that adopted IFRS 3 and IAS 27 revised in 2010 (early adopted by Vivendi in 2009), Vivendi made a change in presentation of its consolidated statement of earnings as of January 1, 2011. Please refer to Appendix 1 of the Financial Statements for a detailed description of the change in presentation and for the reconciliation with the previously published elements.

Section 2 Earnings analysis

2.2. Earnings review

Adjusted net income amounted to €2,952 million (or €2.38 per share[1]) in 2011, compared to €2,698 million (or €2.19 per share) in 2010. The €254 million increase (+9.4%) in adjusted net income resulted primarily from:

- a €134 million increase in EBITA to a total of €5,860 million. This increase mainly reflected the operating performance of Activision Blizzard (+€319 million), GVT (+€119 million), Universal Music Group (+€36 million), and Canal+ Group (+€11 million), which was offset by a decline in the performance of SFR (-€194 million) and Maroc Telecom Group (-€195 million);
- a €213 million decrease in income from equity affiliates following the sale to General Electric (GE) of the interest in NBC Universal from which Vivendi's share of income was €201 million in 2010;
- a €68 million increase primarily attributable to the balance of the contractual dividend paid by GE to Vivendi as part of the completion of the sale by Vivendi of its interest in NBC Universal;
- a €11 million decrease in interest expense;
- a €151 million increase in income tax expense; and
- a €405 million decrease in adjusted net income attributable to non-controlling interests, mainly attributable to the acquisition of Vodafone's non-controlling interest in SFR (€279 million).

Breakdown of the main items from the statement of earnings

Revenues were €28,813 million, compared to €28,878 million in 2010 (-0.2%, or +0.5% at constant currency). For a breakdown of revenues by business segment, please refer to Section 4 of this Financial Report.

Costs of revenues amounted to €14,391 million, compared to €14,561 million in 2010, a €170 million decrease (-1.2%).

Margin from operations increased by €105 million to €14,422 million, compared to €14,317 million in 2010 (+0.7%).

Selling, general and administrative expenses, excluding the amortization of intangible assets acquired through business combinations, amounted to €8,401 million, compared to €8,456 million in 2010, a €55 million decrease (-0.7%).

Depreciation and amortization of tangible and intangible assets are included either in the cost of revenues or in selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, amounted to €2,534 million (compared to €2,483 million in 2010), an additional €51 million charge (+2.1%). This change primarily resulted from the increase in the depreciation of telecommunication network assets at SFR, Maroc Telecom Group and GVT, which was partially offset by a decrease in the depreciation of content assets related to Activision Blizzard's games.

Restructuring charges and other operating charges and income amounted to a net charge of €161 million, compared to a net charge of €135 million in 2010, a €26 million increase. This change notably resulted from the increase in restructuring charges incurred by Activision Blizzard (€19 million, compared to €2 million in 2010) and UMG (€67 million, compared to €60 million in 2010), as well as from the €30 million fine imposed in September 2011 by the French Competition Authority on Canal+ Group as part of the compliance audit relating to commitments undertaken in January 2007 by Canal+ Group in connection with the combination of Canal Satellite and TPS.

EBITA was €5,860 million, compared to €5,726 million in 2010, a €134 million increase (+2.3%, or +3.3% at constant currency). For a breakdown of EBITA by business segment, please refer to Section 4 of this Financial Report.

Amortization of intangible assets acquired through business combinations was €510 million, compared to €603 million in 2010, a €93 million decrease (-15.4%). This change notably resulted from a decrease in amortization of Activision Blizzard's and UMG's intangible assets following impairment losses recorded in 2010 (see below) and of SFR's intangible assets; the customer base of Tele2 France acquired in July 2007 was fully amortized at year-end 2010.

Impairment losses on intangible assets acquired through business combinations were €397 million, compared to €252 million in 2010. In 2011, they mainly related to Canal+ France goodwill (€380 million). In 2010, they related to internally developed franchises and certain licenses (€217 million) acquired from Activision in July 2008, as well as certain UMG catalogs (€27 million).

The reserve regarding the Securities Class Action in the United States was unchanged as of December 31, 2011, at €100 million. As of December 31, 2010, given the decision rendered by the US District Court for the Southern District of New-York on February 17, 2011, Vivendi re-examined the amount of the reserve, using the same methodology and the same valuation experts as in 2009, and set it at €100 million, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.
Please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011.

1. For the details of adjusted net income per share, please refer to Appendix 2 of this Financial Report.

Section 2 **Earnings analysis**

Other income amounted to €1,385 million, compared to €53 million in 2010. In 2011, it primarily included the impacts of the final settlement on January 14, 2011 of the litigation over the share ownership of PTC in Poland (€1,255 million) and the sale in October 2011 of UMG's interest in Beats Electronics (€89 million).

Other charges amounted to €656 million, compared to €358 million in 2010. In 2011, they mainly included the capital loss incurred in January 2011 on the sale of Vivendi's remaining 12.34% interest in NBC Universal (€421 million, of which €477 million related to a foreign exchange loss attributable to the decline in value of the US dollar since January 1, 2004) and the settlement of the past disputes between GVT and various Brazilian States regarding the application of ICMS tax on Internet and Broadband services (€165 million; please refer to Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011). In 2010, other charges included the €67 million cost incurred as part of the settlement reached with the Brazilian *Comissão de Valores Mobiliãrios* (CVM) and the capital loss incurred in September 2010 in connection with the first step in the sale of Vivendi's interest in NBC Universal (€232 million, of which €281 million related to a foreign exchange loss).

EBIT was €5,682 million, compared to €5,016 million in 2010, a €666 million increase (+13.3%).

Income from equity affiliates was a €18 million charge, compared to a €195 million income in 2010. This change was primarily due to the sale of interest in NBC Universal. In 2010, Vivendi's share of income earned by NBC Universal was €201 million.

Interest was an expense of €481 million, compared to €492 million in 2010, an €11 million decrease (-2.2%), notably resulting from the impact on the average outstanding Financial Net Debt of the cash proceeds of $5.8 billion received from the sale of the interest in NBC Universal, which was finalized on January 25, 2011 for $3.8 billion (in addition to $2.0 billion received on September 26, 2010), and €1.25 billion received on January 14, 2011 in order to end the litigation over the share ownership of PTC in Poland. By contrast, the acquisition by Vivendi of Vodafone's non-controlling interest in SFR in June 2011 for a total amount of €7.75 billion only impacted the average outstanding Financial Net Debt in the second half of 2011.
In 2011, interest expense on borrowings amounted to €529 million, compared to €521 million in 2010, a €8 million increase (+1.5%). This change was attributable to the increase in average outstanding borrowings to €13.7 billion (compared to €12.7 billion in 2010), primarily resulting from the financing of the acquisition of the 44% interest in SFR (€7.75 billion), offset by the decrease in the average interest rate on borrowings to 3.87% in 2011 (compared to 4.09% in 2010).
Interest income earned on cash and cash equivalents amounted to €48 million, compared to €29 million in 2010, a €19 million increase. This change was attributable to the increase in average cash and cash equivalents to €4.1 billion (compared to €3.3 billion in 2010) and to the increase in the average income rate to 1.16% (compared to 0.88% in 2010).
For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2011.

Income from investments amounted to €75 million, compared to €7 million in 2010, and was attributable to the balance of the contractual dividend paid on January 25, 2011 by GE to Vivendi for €70 million following the sale of Vivendi's remaining interest in NBC Universal to GE.

Other financial income and charges amounted to a net charge of €153 million, compared to a net charge of €162 million in 2010. For more information, please refer to Note 5 to the Consolidated Financial Statements for the year ended December 31, 2011.

Income taxes reported to adjusted net income was a net charge of €1,408 million, compared to a net charge of €1,257 million in 2010, a €151 million increase. Current tax savings related to the Consolidated Global Profit Tax System and Vivendi SA's tax group amounted to €565 million (compared to €586 million in 2010) since the favorable impact (€306 million) in the acquisition of Vodafone's 44% interest in SFR was offset by the impact of the changes in French Tax Law for the year 2011: the deduction for tax losses carried forward capped at 60% of taxable income (-€288 million) and the change in the Consolidated Global Profit Tax System (-€97 million). The effective tax rate reported to adjusted net income was 25.8% in 2011, compared to 24.0% in 2010, an increase of 1.8 percentage points. This change was mainly due to certain non-recurring items (-€253 million, compared to -€54 million in 2010), which notably reflected the impact over the period of risks related to prior years' income taxes. Excluding this impact, the effective tax rate reported to adjusted net income was at 21.2%, compared to 23.0% in 2010.

In addition, **provision for income taxes** was a net charge of €1,378 million, compared to a net charge of €1,042 million in 2010, a €336 million increase. In addition to items that explained the €151 million increase in income taxes reported to adjusted net income, this increase included the change in deferred tax savings related to the Consolidated Global Profit Tax System and Vivendi SA's tax group, which amounted to €372 million in 2011 (compared to €501 million in 2010), a €129 million decrease.

Earnings attributable to non-controlling interests amounted to €1,046 million, compared to €1,324 million in 2010. The €278 million decrease was primarily attributable to the impact of the acquisition of Vodafone's 44% interest in SFR (-€256 million) as well as to the impact of the decrease in the performance of Maroc Telecom Group, partially offset by the improvement of Activision Blizzard's results.

Adjusted net income attributable to non-controlling interests amounted to €1,076 million, compared to €1,481 million in 2010, a €405 million decrease. This change primarily reflected the impact of the acquisition of Vodafone's 44% interest in SFR (-€279 million) as well as the impact of the decrease in the performance of Maroc Telecom Group, partially offset by the improvement in Activision Blizzard's results.

Earnings attributable to Vivendi SA shareowners amounted to €2,681 million (or €2.16 per share), compared to €2,198 million (or €1.78 per share) in 2010, a €483 million increase (+22.0%).

Section 2 **Earnings analysis**

The reconciliation of earnings attributable to Vivendi SA shareowners with adjusted net income is further described in Appendix 2 of this Financial Report. In 2011, this reconciliation primarily included the impacts of the final settlement on January 14, 2011 of the litigation over the share ownership of PTC in Poland (+€1,255 million) and the sale in October 2011 of UMG's interest in Beats Electronics (+€89 million), partially offset by the capital loss incurred on the sale of Vivendi's remaining 12.34% interest in NBC Universal, which was completed on January 25, 2011 (-€421 million, of which -€477 million related to a foreign currency translation adjustment reclassified to earnings, which represented a foreign exchange loss attributable to the decline in value of the US dollar since January 1, 2004) and the settlement of the past disputes between GVT and various Brazilian States regarding the application of ICMS tax on Internet and Broadband services (€165 million). The reconciliation also included the amortization and impairment losses on intangible assets acquired through business combinations (-€716 million, after taxes and non-controlling interests). In 2010, this reconciliation primarily included the reversal of the reserve recorded with respect to the Securities Class Action Litigation in the United States (+€450 million), the amortization and impairment losses on intangible assets acquired through business combinations (-€451 million, after taxes and non-controlling interests), the capital loss incurred on the sale of 7.66% of Vivendi's interest in NBC Universal completed on September 26, 2010 (-€232 million, of which -€281 million related to a foreign currency translation adjustment reclassified to earnings, which represented a foreign exchange loss primarily attributable to the decline in value of the US dollar since January 1, 2004), the cost (-€67 million) incurred as part of the settlement reached by Vivendi with the Brazilian Stock Exchange regulators, the Comissão de Valores Mobiliãrios (CVM), and the impact of reversing the deferred tax asset (-€76 million) related to the utilization by SFR of Neuf Cegetel's prior years' ordinary tax losses carried forward.

Section 3 Cash flow from operations analysis

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

In 2011, **cash flow from operations (CFFO)** generated by business segments amounted to €4,694 million (compared to €5,212 million in 2010), a €518 million decrease (-9.9%). This amount included cash flow from operations before capital expenditures (CFFO before capex, net) generated by business segments for €8,034 million (compared to €8,569 million in 2010), a €535 million decrease (-6.2%). This change reflected the unfavorable change in Activision Blizzard's net working capital due to the absence of game releases at Blizzard in the fourth quarter of 2011 (compared to the releases of *World of Warcraft: Cataclysm* and *StarCraft II* in 2010), and the decrease in Maroc Telecom Group's EBITDA. This change also reflected the lower dividend amount received from NBC Universal: €70 million received on January 25, 2011 with respect to the balance of the contractual dividend paid by GE as part of the completion of the sale of Vivendi's interest in NBC Universal, compared to €233 million received from NBC Universal in 2010.

In 2011, **capital expenditures, net** remained stable, at €3,340 million (compared to €3,357 million in 2010). The capital expenditures notably included the acquisition by SFR of bands of mobile spectrum: €150 million for 4G spectrum in October 2011 and €300 million for additional 3G spectrum in June 2010. Excluding these impacts, capital expenditures, net increased by €133 million (+4.4%): the increase in capital expenditures of GVT due to acceleration of network rollout (+€223 million) was partially offset by the reduction in Maroc Telecom Group's capital expenditures (-€90 million).

In 2011, **cash flow from operations after interest and income taxes paid (CFAIT)** amounted to €2,884 million (compared to €3,108 million in 2010), a €224 million decrease (-7.2%). The €518 million decrease in CFFO was partially offset by a €275 million reduction in income taxes paid, which amounted to €1,090 million (compared to €1,365 million in 2010). The change in income taxes paid mainly reflected the €409 million increase in the payment received by Vivendi as part of the Consolidated Global Profit Tax System: €591 million received in 2011 with respect to 2010, compared to €182 million received in 2010 with respect to 2009; the lower refund amount received in 2010 was due to the utilization by SFR in 2009 of Neuf Cegetel's prior years' ordinary tax losses, partially offset by theincrease in income taxes paid by subsidiaries.

Section 3 **Cash flow from operations analysis**

	Year ended December 31,			
(in millions of euros)	**2011**	**2010**	**€ Change**	**% Change**
Revenues	28,813	28,878	-65	-0.2%
Operating expenses excluding depreciation and amortization	(20,320)	(20,569)	+249	+1.2%
***EBITDA* (a)**	***8,493***	***8,309***	***+184***	***+2.2%***
Restructuring charges paid	(114)	(93)	-21	-22.6%
Content investments, net	(13)	(137)	+124	+90.5%
of which internally developed franchises and other games content assets at Activision Blizzard	*(49)*	*(83)*	*+34*	*+41.0%*
of which payments to artists and repertoire owners, net at UMG				
payments to artists and repertoire owners	*(589)*	*(578)*	*-11*	*-1.9%*
recoupment of advances and other movements	*581*	*624*	*-43*	*-6.9%*
	(8)	*46*	*-54*	*na*
of which film and television rights, net at Canal+ Group				
acquisition of film and television rights	*(724)*	*(753)*	*+29*	*+3.9%*
consumption of film and television rights	*706*	*671*	*+35*	*+5.2%*
	(18)	*(82)*	*+64*	*+78.0%*
of which sports rights, net at Canal+ Group				
acquisition of sports rights	*(662)*	*(646)*	*-16*	*-2.5%*
consumption of sports rights	*695*	*676*	*+19*	*+2.8%*
	33	*30*	*+3*	*+10.0%*
Neutralization of change in provisions included in EBITDA	(100)	(125)	+25	+20.0%
Other cash operating items excluded from EBITDA	(7)	(10)	+3	+30.0%
Other changes in net working capital	(307)	387	-694	na
***Net cash provided by operating activities before income tax paid* (b)**	***7,952***	***8,331***	***-379***	***-4.5%***
Dividends received from equity affiliates (c)	79	235	-156	-66.4%
of which NBC Universal	*-*	*233*	*-233*	*-100.0%*
Balance of the contractual dividend paid by GE	*70*	*-*	*+70*	*na*
Dividends received from unconsolidated companies (c)	3	3	-	-
Cash flow from operations, before capital expenditures, net (CFFO before capex, net)	**8,034**	**8,569**	**-535**	**-6.2%**
Capital expenditures, net (capex, net) (d)	(3,340)	(3,357)	+17	+0.5%
of which SFR (f)	*(1,809)*	*(1,974)*	*+165*	*+8.4%*
Maroc Telecom Group	*(466)*	*(556)*	*+90*	*+16.2%*
GVT	*(705)*	*(482)*	*-223*	*-46.3%*
Cash flow from operations (CFFO)	**4,694**	**5,212**	**-518**	**-9.9%**
Interest paid, net (e)	(481)	(492)	+11	+2.2%
Other cash items related to financial activities (e)	(239)	(247)	+8	+3.2%
Financial activities cash payments	***(720)***	***(739)***	***+19***	***+2.6%***
Payment received from the French State Treasury as part of the Consolidated Global Profit Tax System	591	182	+409	x 3.2
Other taxes paid	(1,681)	(1,547)	-134	-8.7%
***Income tax (paid)/received, net* (b)**	***(1,090)***	***(1,365)***	***+275***	***+20.1%***
Cash flow from operations after interest and income tax paid (CFAIT)	**2,884**	**3,108**	**-224**	**-7.2%**

na: not applicable.

(a) EBITDA, a non-GAAP measure, is described in Section 4.2 of this Financial Report.

(b) As presented in operating activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).

(c) As presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).

(d) Relates to cash used for capital expenditures, net of proceeds from property, plant and equipment, and intangible assets as presented in investing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).

(e) As presented in financing activities of Vivendi's Statement of Cash Flows (please refer to Section 5.3).

(f) SFR's capital expenditures notably included the acquisition of 4G spectrum for €150 million in 2011 and of 3G spectrum for €300 million in 2010.

Section 4 Business segment performance analysis

4.1. Revenues, EBITA, and cash flow from operations by business segment

(in millions of euros)	Year ended December 31, 2011	2010	% Change	% Change at constant rate
Revenues				
Activision Blizzard	3,432	3,330	+3.1%	+7.0%
Universal Music Group	4,197	4,449	-5.7%	-4.6%
SFR	12,183	12,577	-3.1%	-3.1%
Maroc Telecom Group	2,739	2,835	-3.4%	-2.5%
GVT	1,446	1,029	+40.5%	+39.0%
Canal+ Group	4,857	4,712	+3.1%	+3.3%
Non-core operations and others, and elimination of intersegment transactions	(41)	(54)	na	na
Total Vivendi	**28,813**	**28,878**	**-0.2%**	**+0.5%**
EBITA				
Activision Blizzard	1,011	692	+46.1%	+52.8%
Universal Music Group	507	471	+7.6%	+8.2%
SFR	2,278	2,472	-7.8%	-7.8%
Maroc Telecom Group	1,089	1,284	-15.2%	-14.4%
GVT	396	277	+43.0%	+41.4%
Canal+ Group	701	690	+1.6%	+1.4%
Holding & Corporate	(100)	(127)	+21.3%	+21.3%
Non-core operations and others	(22)	(33)	na	na
Total Vivendi	**5,860**	**5,726**	**+2.3%**	**+3.3%**

(in millions of euros)	Year ended December 31, 2011	2010	% Change
Cash flow from operations, before capital expenditures, net (CFFO before capex, net)			
Activision Blizzard	929	1,248	-25.6%
Universal Music Group	495	508	-2.6%
SFR	3,841	3,952	-2.8%
Maroc Telecom Group	1,501	1,706	-12.0%
GVT	558	413	+35.1%
Canal+ Group	735	639	+15.0%
NBC Universal dividends	70	233	-70.0%
Holding & Corporate	(83)	(99)	+16.2%
Non-core operations and others	(12)	(31)	na
Total Vivendi	**8,034**	**8,569**	**-6.2%**
Cash flow from operations (CFFO)			
Activision Blizzard	877	1,173	-25.2%
Universal Music Group	443	470	-5.7%
SFR	2,032	1,978	+2.7%
Maroc Telecom Group	1,035	1,150	-10.0%
GVT	(147)	(69)	x 2.1
Canal+ Group	484	410	+18.0%
NBC Universal dividends	70	233	-70.0%
Holding & Corporate	(84)	(100)	+16.0%
Non-core operations and others	(16)	(33)	na
Total Vivendi	**4,694**	**5,212**	**-9.9%**

na: not applicable.

Section 4 Business segment performance analysis

4.2. Comments on the operating performance of business segments

Preliminary comments:

Vivendi Management evaluates the performance of Vivendi's business segments and allocates the necessary resources to them based on certain operating performance indicators, notably non-GAAP measures EBITA (Adjusted Earnings Before Interest and Income Taxes) and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):

- *The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, the impairment of goodwill and other intangibles acquired through business combinations and "other charges" and "other income" as defined in Appendix 1 of this Financial Report, and that are included in EBIT.*
- *As defined by Vivendi, EBITDA is calculated as EBITA as presented in the Adjusted Statement of Earnings, before depreciation and amortization of tangible and intangible assets, restructuring charges, gains/(losses) on the sale of tangible and intangible assets and other non-recurring items (as presented in the Consolidated Statement of Earnings by each operating segment – Please refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2011).*

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

As a reminder, the Vivendi group operates through six businesses at the heart of the worlds of content, platforms and interactive networks. As of December 31, 2011, Vivendi's ownership interest in each of these businesses was as follows:

- *Activision Blizzard: 60%;*
- *Universal Music Group (UMG): 100%;*
- *SFR: 100% (please refer to section 1.1 related to the acquisition of Vodafone's 44% interest in SFR, completed in June 2011);*
- *Maroc Telecom Group: 53%;*
- *GVT: 100%; and*
- *Canal+ Group: 100% (Canal+ Group holds an 80% interest in Canal+ France).*

Section 4 Business segment performance analysis

4.2.1. Activision Blizzard

IFRS measures, as published by Vivendi

(in millions of euros, except for margins)	Year ended December 31,			
	2011	2010	% Change	% Change at constant rate
Activision	2,047	2,002	+2.2%	+5.7%
Blizzard	1,082	1,046	+3.4%	+8.6%
Distribution	303	282	+7.4%	+10.9%
Total Revenues	**3,432**	**3,330**	**+3.1%**	**+7.0%**
EBITDA	**1,174**	**901**	**+30.3%**	**+36.2%**
Activision	520	187	x 2.8	x 2.9
Blizzard	483	498	-3.0%	+2.7%
Distribution	8	7	+14.3%	+8.5%
Total EBITA	**1,011**	**692**	**+46.1%**	**+52.8%**
EBITA margin rate (%)	*29.5%*	*20.8%*	*+8.7 pts*	
Cash flow from operations (CFFO)	**877**	**1,173**	**-25.2%**	

Non-GAAP and US GAAP measures, as published by Activision Blizzard[2]

(in millions of US dollars)	Year ended December 31,		
	2011	2010	% Change
Activision	2,828	2,769	+2.1%
Blizzard	1,243	1,656	-24.9%
Distribution	418	378	+10.6%
Total non-GAAP net revenues	**4,489**	**4,803**	**-6.5%**
Eliminate non-GAAP adjustments:	*266*	*(356)*	*na*
US GAAP net revenues	**4,755**	**4,447**	**+6.9%**
Activision	851	511	+66.5%
Blizzard	496	850	-41.6%
Distribution	11	10	+10.0%
Total non-GAAP operating income	**1,358**	**1,371**	**-0.9%**
Operating margin rate (%)	*30.3%*	*28.5%*	*+1.8 pt*
Eliminate non-GAAP adjustments:	*(30)*	*(902)*	
US GAAP operating income	**1,328**	**469**	**x 2.8**
Net revenues by distribution channel			
Retail channels	2,512	2,880	-12.8%
Digital online channels (a)	1,559	1,545	+0.9%
Sub-total Activision and Blizzard	4,071	4,425	-8.0%
Distribution	418	378	+10.6%
Total non-GAAP net revenues	**4,489**	**4,803**	**-6.5%**
Net revenues by platform mix			
Online subscriptions (b)	1,155	1,421	-18.7%
PC and other	299	406	-26.4%
Console	2,452	2,406	+1.9%
Hand-held	165	192	-14.1%
Sub-total Activision and Blizzard	4,071	4,425	-8.0%
Distribution	418	378	+10.6%
Total non-GAAP net revenues	**4,489**	**4,803**	**-6.5%**
Net revenues by geographic region			
North America	2,251	2,575	-12.6%
Europe	1,886	1,902	-0.8%
Asia Pacific	352	326	+8.0%
Total non-GAAP net revenues	**4,489**	**4,803**	**-6.5%**

Please refer to the next page for the notes.

2. The reconciliation of US GAAP and non-GAAP data published by Activision Blizzard (net revenues and EBITA) to data relating to Activision Blizzard prepared by Vivendi in accordance with IFRS standards is described in appendix 3 to this Financial Report.

Section 4 **Business segment performance analysis**

na: not applicable.

(a) Includes revenues from subscriptions and memberships, licensing royalties, value-added services, downloadable content, digitally distributed products and wireless devices.

(b) Includes all revenues generated by *World of Warcraft* products, including subscriptions, boxed software, expansion packs, licensing royalties and value-added services. It also includes revenues from *Call of Duty Elite* memberships.

Revenues and EBITA

Activision Blizzard delivered excellent results in 2011. Revenues were €3,432 million, a 3.1% increase (+7.0% at constant currency) compared to 2010, driven by the increase in revenues from digital channels and by the success of *Call of Duty®: Modern Warfare® 3*, *Skylanders Spyro's Adventure*™ and *World of Warcraft®*. EBITA was €1,011 million, a 46.1% increase (+52.8% at constant currency) compared to 2010[3]. As of December 31, 2011, the balance of the deferred operating margin was €913 million, compared to €1,024 million as of December 31, 2010.

In 2011, *Call of Duty®: Modern Warfare® 3* was the number one selling game in Europe and the U.S[4] and the *Call of Duty Elite* platform registered more than 7 million gamers as of January 31, 2012 (including 1.5+ million annual premium members). Including accessory packs and figures, *Skylanders* was the number one selling kids' title for 2011 in North America and Europe[4], with over 20 million toys being sold. *World of Warcraft®* remains the number one subscription-based MMORPG with approximately 10.2 million subscribers as of December 31, 2011.

In 2012, Activision Blizzard plans to release multiple highly-anticipated titles, including *Diablo® III*, a new *Call of Duty* game and *Skylanders Giants*™, and expects to continue to grow its *Call of Duty Elite* online service.

Cash flow from operations (CFFO)

Activision Blizzard's cash flow from operations amounted to €877 million, a €296 million decrease compared to 2010. This decrease reflected the unfavorable change in net working capital, mainly due to the absence of game releases at Blizzard in the fourth quarter of 2011 (compared to the releases of *World of Warcraft: Cataclysm* and *StarCraft II* in 2010).

3. These results benefited from the accounting principles requiring that revenues and related cost of sales associated with games with an online component be deferred over the estimated customer service period.
4. According to The NPD Group, Charttrack and GfK.

Section 4 Business segment performance analysis

4.2.2. Universal Music Group (UMG)

	Year ended December 31,			
(in millions of euros, except for margins)	**2011**	**2010**	**% Change**	**% Change at constant rate**
Physical sales	*1,789*	*2,128*	*-15.9%*	*-15.6%*
Digital music sales	*1,132*	*1,033*	*+9.6%*	*+11.3%*
License and others	*446*	*415*	*+7.5%*	*+9.8%*
Recorded music	3,367	3,576	-5.8%	-4.9%
Music publishing	638	662	-3.6%	-2.1%
Merchandising and other	227	252	-9.9%	-7.1%
Intercompany elimination	(35)	(41)	na	na
Total revenues	**4,197**	**4,449**	**-5.7%**	**-4.6%**
EBITDA	**623**	**571**	**+9.1%**	**+10.1%**
Recorded music	304	266	+14.3%	+13.4%
Music publishing	183	199	-8.0%	-6.2%
Merchandising and other	20	6	x 3.3	x 3.5
Total EBITA	**507**	**471**	**+7.6%**	**+8.2%**
EBITA margin rate (%)	*12.1%*	*10.6%*	*+1.5 pt*	
Restructuring charges	(67)	(60)	-11.7%	
EBITA excluding restructuring charges	574	531	+8.1%	
Cash flow from operations (CFFO)	**443**	**470**	**-5.7%**	
Breakdown of recorded music revenues by geographical area				
Europe	41%	41%		
North America	36%	40%		
Asia	15%	13%		
Rest of the world	8%	6%		
	100%	**100%**		

Recorded music: sales of physical and digital albums, in millions of units

Artist – Title	2011	Artist – Title	2010
Lady Gaga – Born this way	6.8	Eminem – Recovery	6.0
Justin Bieber – Under The Mistletoe	2.8	Lady Gaga – The Fame Monster	4.8
Rihanna – Loud	2.7	Taylor Swift – Speak Now	4.3
Rihanna – Talk That Talk	2.6	Rihanna – Loud	3.0
Lil Wayne – Tha Carter IV	2.4	Justin Bieber – My Worlds	3.0
Amy Winehouse – Lioness: Hidden Treasures	2.4	Justin Bieber – My World 2.0	2.9
Drake – Take Care	1.9	Take That – Progress	2.8
Kanye West & Jay Z – Watch The Throne	1.7	Black Eyed Peas – The E.N.D. (The Energy Never Dies)	2.6
Amy Winehouse – Back to Black	1.7	Bon Jovi – Greatest Hits – The Ultimate Collection	2.4
LMFAO – Sorry for Party Rocking	1.7	Black Eyed Peas – The Beginning	2.1
Total	**26.7**	**Total**	**33.9**

na: not applicable.

Section 4 Business segment performance analysis

Revenues and EBITA

Universal Music Group's (UMG) revenues were €4,197 million, a 5.7% decrease compared to 2010 (-4.6% at constant currency). The 9.6% growth in digital music sales (+11.3% at constant currency) and increased income from new business activities partially offset the falling demand for physical product. Digital music sales represented 33.6% of recorded music revenues.

Major recorded music sellers included Lady Gaga, Rihanna, Lil Wayne, Amy Winehouse, Justin Bieber, and LMFAO. National best sellers included Nolwenn Leroy (in France), Kara (in Japan), Girls' Generation (in Japan), as well as Rammstein (in Germany).

The EBITA margin increased to 12.1% in 2011, compared to 10.6% in 2010. EBITA was €507 million, a 7.6% increase compared to 2010 (+8.2% at constant currency) due to cost optimization including savings resulting from the reorganization plan launched last year. Cost reduction measures of €100 million have been implemented in 2011 and UMG plans further cost savings of €50 million.

As the recorded music market is approaching an inflection point in the US and the group believes in the potential of this business, Vivendi and UMG announced the acquisition project of EMI Music's recorded music activities for a total consideration of £1.2 billion on November 11, 2011. For a detailed description of this transaction, please refer to Note 2.5 to the Consolidated Financial Statements for the year ended December 31, 2011.

Cash flow from operations (CFFO)

UMG's cash flow from operations amounted to €443 million, a €27 million decrease compared to 2010. This change was primarily due to the increase in capital expenditures and restructuring charges associated with the reorganization plan.

Section 4 **Business segment performance analysis**

4.2.3. SFR

(in millions of euros, except for margins)	Year ended December 31,		
	2011	**2010**	**% Change**
Mobile service revenues	7,885	8,420	-6.4%
of which data revenues from mobile services	*2,765*	*2,335*	*+18.4%*
Equipment sales, net	567	510	+11.2%
Mobile	8,452	8,930	-5.4%
Broadband Internet and Fixed	4,000	3,944	+1.4%
Intercompany elimination	(269)	(297)	+9.4%
Total Revenues	**12,183**	**12,577**	**-3.1%**
Mobile	2,988	3,197	-6.5%
Broadband Internet and Fixed	812	776	+4.6%
Total EBITDA	**3,800**	**3,973**	**-4.4%**
EBITA	**2,278**	**2,472**	**-7.8%**
EBITA margin rate (%)	*18.7%*	*19.7%*	*-1.0 pt*
Capital expenditures, net (capex net) (a)	**1,809**	**1,974**	**-8.4%**
of which acquisitions of mobile spectrum	*150*	*300*	*-50.0%*
capital expenditures, net excluding acquisitions of mobile spectrum	*1,659*	*1,674*	*-0.9%*
Cash flow from operations (CFFO)	**2,032**	**1,978**	**+2.7%**
of which acquisitions of mobile spectrum	*(150)*	*(300)*	*+50.0%*
cash flow from operations excluding acquisitions of mobile spectrum	*2,182*	*2,278*	*-4.2%*
Mobile			
Number of customers (in thousands)			
Postpaid (b, c)	*16,566*	*16,095*	*+2.9%*
Prepaid	*4,897*	*5,208*	*-6.0%*
Total SFR Group	21,463	21,303	+0.8%
Wholesale customer base (c)	2,431	1,256	+93.6%
Total SFR Group network	**23,894**	**22,559**	**+5.9%**
Mobile customer base market share (d)	31.3%	33.1%	-1.8 pt
Network market share (d)	34.9%	35.0%	-0.1 pt
12-month rolling ARPU (in euros/year) (e)			
Postpaid	462	506	-8.7%
Prepaid	136	155	-12.3%
Blended ARPU	378	410	-7.8%
Cost of acquisition compared to total mobile service revenues (in %)	7.6%	7.0%	+0.6 pt
Cost of retention compared to total mobile service revenues (in %)	8.2%	8.7%	-0.5 pt
Residential broadband Internet and Fixed			
Number of broadband Internet customers (in thousands)	5,042	4,887	+3.2%
Broadband Internet customer base market share (f)	23.5%	24.3%	-0.8 pt

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

(b) Includes M2M (Machine to Machine) customers.

(c) In connection with the joint venture formed with La Poste in 2011, Débitel customers (290,000 customers at the end of February 2011) have been reclassified within the wholesale customer base.

(d) Source: Arcep.

(e) Includes mobile terminations. ARPU (Average Revenue Per User) is defined as revenues net of promotions and net of third-party content provider revenues excluding roaming in revenues and equipment sales divided by the average Arcep total customer base for the last twelve months. ARPU excludes M2M (Machine to Machine) data and Debitel.

(f) SFR estimates for 2011.

Section 4 Business segment performance analysis

Revenues and EBITA

SFR revenues[5] were €12,183 million for 2011, a 3.1% decrease compared to 2010, adversely impacted by the new VAT rules and termination price cuts imposed by the regulators[6]. Excluding the impact of these regulatory decisions, revenues increased by 1.9%.

Mobile revenues[7] decreased by 5.4% to €8,452 million compared to 2010. Mobile service revenues[8] decreased by 6.4% to €7,885 million; excluding the impact of the new VAT rules and regulated price cuts, mobile service revenues increased by 0.8%.
During 2011, SFR added 744,000 net new mobile postpaid customers. The success of the Carrées offers was confirmed with more than 3 million customers at year-end 2011. 41% of SFR customers were equipped with a *smartphone* by year-end 2011 (28% at year-end 2010), resulting in an 18.4% increase in data mobile revenue compared to 2010. At year-end 2011, SFR's postpaid mobile customer base5 reached 16.566 million, improving the customer mix by 1.6 percentage points year-on-year to 77.2%. SFR's total mobile customer base5 reached 21.463 million.
La Poste Mobile (a MVNO owned at 49% by SFR) was successfully launched with 646,000 customers at year-end 2011. In addition, SFR strengthened its distribution network especially with the opening of the first SFR dedicated area in some Fnac stores in December. This partnership complements its own network of 840 stores ensuring a relationship of close proximity and quality to all its customers.

Broadband Internet and fixed revenues[7] were €4,000 million, a 1.4% increase compared to 2010. Excluding the impact of the new VAT rules and regulated price cuts, broadband Internet and fixed revenues increased by 2.4%, of which 4.3% on the broadband Internet mass market. At year-end 2011, the active broadband Internet residential customer base totaled 5.042 million, a 3.2% increase year-on-year. At year-end 2011, the new NeufBox Evolution offer had attracted 589,000 customers. The convergent multi-packs offer (quadruple play) was also a success, attracting 1,174,000 customers.

The new VAT rules impacted SFR's EBITDA, which was €3,800 million, a 4.4% decrease compared to 2010. EBITDA included €93 million of non-recurring items for 2011 (€61 million for mobile and €32 million for broadband Internet and fixed), compared to €58 million in 2010. Excluding non-recurring items, EBITDA decreased by 5.3%: the 8.6% increase in broadband Internet and fixed EDITDA partially offset the 8.4% decrease in mobile EBITDA.

SFR's EBITA was €2,278 million, a 7.8% decrease compared to 2010 and a 9.5% decrease excluding non-recurring items.

SFR continues to invest in networks in order to strengthen its leadership position and to come up with the best offers and services working as growth drivers. While SFR already offers 3G+ coverage to over 98% of the French population, in December 2011, following calls for bids for 4G mobile spectrum, it won two 5 MHz duplex spectrum in the 800 MHz band. These "golden spectrum" are in addition to those granted in September and will enable SFR to cover the whole French territory through a very-high-speed 4G mobile network. The investment in spectrum totaled over €1.2 billion.

The commercial launch of a fourth mobile operator has resulted in a significant revision of tariffs offers (Carrées and Red), which will impact SFR's revenues and margins. In order to minimize this impact, SFR is implementing a reengineering process program. SFR has a technical network which it fully controls, commercial services ensuring proximity with its customers and its call centers. It has the required assets to keep the loyalty of the vast majority of its customers.

Cash flow from operations (CFFO)

SFR's cash flow from operations amounted to €2,032 million, a 2.7% increase compared to 2010. This change notably included the decrease in the acquisition of mobile spectrum for €150 million in 2011, compared to €300 million in 2010. Excluding this impact, cash flow from operations amounted to €2,182 million, compared to €2,278 million in 2010, a €96 million decrease (-4.2%), primarily due to the EBITDA decrease (-4.4%).

5. Following the disposal of 100% of Débitel France SA to La Poste Télécom SAS, Débitel France SA has been excluded from the consolidation perimeter as of March 1, 2011, with a customer base of 290,000.
6. Tariff cuts imposed by regulatory decision:
i) 33% decrease in mobile voice termination regulated price on July 1, 2010 and a 33% additional decrease on July 1, 2011;
ii) 33% decrease in SMS termination regulated price on February 1, 2010 and a 25% decrease on July 1, 2011;
iii) roaming tariff cuts; and
iv) 28% decrease in fixed voice termination regulated price on October 1, 2010 and 40% decrease on October 1, 2011.
7. Mobile revenues, broadband Internet and fixed revenues are determined as revenues before elimination of intersegment operations within SFR.
8. Mobile service revenues are determined as mobile revenues excluding revenues from equipment sales.

4.2.4. Maroc Telecom Group

	Year ended December 31,			
(in millions of euros, except for margins)	**2011**	**2010**	**% Change**	**% Change at constant rate**
Mobile service revenues	*1,615*	*1,658*	*-2.6%*	*-1.8%*
Equipment sales, net	*67*	*102*	*-34.3%*	*-33.8%*
Mobile	1,682	1,760	-4.4%	-3.6%
Broadband Internet and fixed	660	764	-13.6%	-12.9%
Intercompany elimination	(119)	(179)	+33.5%	+32.8%
Morocco	2,223	2,345	-5.2%	-4.4%
International	539	502	+7.4%	+8.8%
Intercompany elimination	(23)	(12)	na	na
Total revenues	**2,739**	**2,835**	**-3.4%**	**-2.5%**
Total EBITDA	**1,500**	**1,667**	**-10.0%**	**-9.2%**
Morocco	1,000	1,183	-15.5%	-14.7%
International	89	101	-11.9%	-9.8%
Total EBITA	**1,089**	**1,284**	**-15.2%**	**-14.4%**
EBITA margin rate (%)	*39.8%*	*45.3%*	*-5.5 pts*	
Capital expenditures, net (capex net)	**466**	**556**	**-16.2%**	
Cash flow from operations (CFFO)	**1,035**	**1,150**	**-10.0%**	
Morocco				
Number of mobile customers (in thousands)				
Prepaid	16,106	16,073	+0.2%	
Postpaid	1,019	817	+24.7%	
Total	17,126	16,890	+1.4%	
ARPU (in MAD/month)	87	93	-6.2%	
Churn rate (in %/year)	23.3%	29.0%	-5.7 pts	
Number of fixed lines (in thousands)	1,241	1,231	+0.8%	
Number of Broadband Internet customers (in thousands)	591	497	+18.9%	
International				
Number of customers (in thousands)				
Mobile	9,626	6,834	+40.9%	
Fixed	299	291	+2.7%	
Broadband Internet	99	77	+28.6%	

na: not applicable.

Section 4 **Business segment performance analysis**

Revenues and EBITA

Maroc Telecom Group recorded a 12.2% growth of its customer base, reaching 28.982 million, primarily driven by its activities outside of Morocco, where the customer base grew by 39.2% year-on-year. This good dynamic enabled Maroc Telecom Group to limit the decline in its revenues year-on-year to 3.4% (-2.5% at constant currency). Revenues were €2,739 million, in a context of a 25% mobile price cut in Morocco and a particularly unfavorable regulatory and competitive environment.

In Morocco, revenues decreased by 5.2% (-4.4% at constant currency). Mobile revenues from outgoing services were nearly stable at constant currency thanks to a strong increase in usage of 27% and the steady growth in the postpaid customer base (+25%). The increase in bandwidth and the enhanced offerings lead to a 19% increase in the Broadband Internet customer base.

Revenues outside of Morocco increased by 7.4% (+8.8% at constant currency), driven by the sharp increase in the mobile customer base (+41%), notably in Mali where revenues rose by 33.7%.

Maroc Telecom Group's EBITDA amounted to €1,500 million, a 10.0% decline year-on-year (-9.2% at constant currency). However, the EBITDA margin of the Maroc Telecom group remained high, at approximately 55%.

Maroc Telecom Group's EBITA amounted to €1,089 million, a 15.2% decrease year-on-year (-14.4% at constant currency), due to the decrease in EBITDA and higher amortization expenses.

Cash flow from operations (CFFO)

Maroc Telecom Group's cash flow from operations amounted to €1,035 million, a 10.0% decrease compared to 2010, primarily due to the decrease in EBITDA (-10.0%) which was partially offset by the significant reduction in capital expenditures, net (-€90 million, representing -16.2%).

Section 4 Business segment performance analysis

4.2.5. GVT

(in millions of euros, except for margins)	Year ended December 31,			
	2011	2010	% Change	% Change at constant rate
Telecoms	1,444	1,029	+40.3%	+38.8%
Pay-TV (a)	2	-	na	na
Total Revenues	**1,446**	**1,029**	**+40.5%**	**+39.0%**
Telecoms	616	431	+42.9%	+41.5%
Pay-TV (a)	(15)	-	na	na
Total EBITDA	**601**	**431**	**+39.4%**	**+37.9%**
EBITA	**396**	**277**	**+43.0%**	**+41.4%**
EBITA margin rate (%)	*27.4%*	*26.9%*	*+0.5 pt*	
Capital expenditures, net (capex net)	**705**	**482**	**+46.3%**	**+44.2%**
Cash flow from operations (CFFO)	**(147)**	**(69)**	**x 2.1**	
Net Revenues (IFRS, in millions of BRL)				
Voice	2,081	1,567	+32.8%	
Pay-TV (a)	4	-	na	
Next Generation Services	1,269	846	+50.0%	
Corporate	*235*	*177*	*+32.8%*	
Broadband Internet	*972*	*622*	*+56.3%*	
VoIP	*62*	*47*	*+31.9%*	
Total	3,354	2,413	+39.0%	
Number of covered cities	**119**	**97**	**+22**	
Region II	63%	71%	-8 pts	
Regions I & III	37%	29%	+8 pts	
Total homes passed (in thousands of lines)	7,207	5,065	+42.3%	
Number of lines in service (in thousands)				
Retail and SME	4,372	3,035	+44.1%	
Voice	*2,709*	*1,940*	*+39.6%*	
Broadband Internet	*1,663*	*1,095*	*+51.9%*	
Proportion of offers ≥ 10 Mbps	*75%*	*64%*	*+11 pts*	
Corporate	1,954	1,197	+63.2%	
Total	6,326	4,232	+49.5%	
Net New Additions (in thousands of lines)				
Retail and SME	1,337	950	+40.7%	
Voice	*769*	*544*	*+41.4%*	
Broadband Internet	*568*	*406*	*+39.9%*	
Corporate	757	466	+62.4%	
Total	2,094	1,416	+47.9%	
ARPU by line – Retail and SME (BRL/month)				
Voice	66.9	67.8	-1.3%	
Broadband Internet	58.0	57.6	+0.7%	

na: not applicable.

(a) GVT launched its pay-TV offer in October 2011.

Section 4 Business segment performance analysis

Revenues and EBITA

GVT's revenues reached €1,446 million, a 40.5% increase compared to 2010 (+39.0% at constant currency). Broadband Internet service revenues increased by 57.7% (+56.2% at constant currency) and Voice service revenues increased by 34.2% (+32.8% at constant currency).

During 2011, GVT expanded its coverage to 22 additional cities and now operates in 119 cities. As a result of GVT's geographical network expansion and its excellent commercial performance, its customer base reached 6.326 million lines in service (LIS)[9] a 49.5% increase year-on-year. In addition, the sale of offers with speed equal to or higher than 15 Mbps reached 57%, compared to 15% last year.

GVT launched in October its pay-TV service in all cities where it operates. This innovative service is based on a hybrid model combining DTH (Direct-To-Home) for linear broadcasting via satellite and IPTV (Internet Protocol TV) for all interactive services. It provides a wide variety of HD channels at competitive prices as well an extensive video-on-demand catalog and a catch-up TV service, both available in all packages offered. Premium offers to GVT subscribers have also been designed with UMG music and Activision Blizzard video games.

GVT's EBITDA was €601 million, a 39.4% increase compared to 2010 (+37.9% at constant currency). GVT's EBITA was €396 million, a 43.0% increase compared to 2010 (+41.4% at constant currency). The EBITDA margin was 41.6%. Excluding the costs related to the launch of the pay-TV service, telecom EBITDA margin reached 42.7%, representing a 0.8 percentage point increase year-on-year.

GVT's excellent commercial dynamism combined with Vivendi's operational and financial support has enabled the company to accelerate the deployment of its network and to develop its pay-TV platform. GVT's capital expenditures[10] amounted to €705 million, a 44.2% increase, at constant currency, compared to 2010.

Cash flow from operations (CFFO)

GVT's cash flow from operations amounted to -€147 million, compared to -€69 million in 2010. This change reflected the increase in GVT's capital expenditures, net to €705 million in 2011, compared to €482 million in 2010, which were primarily related to investments in networks in order to increase coverage in regions I and III, as well as initial investments relating to the pay-TV operations. However, cash flow from operations before capital expenditures (CFFO before capex, net) increased by 35.1% in 2011, to €558 million due to GVT's good operating performance.

9. Excluding pay-TV.

10. Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

Section 4 Business segment performance analysis

4.2.6. Canal+ Group

	Year ended December 31,			
(in millions of euros, except for margins)	**2011**	**2010**	**% Change**	**% Change at constant rate**
Canal+ France (a)	4,049	3,956	+2.4%	+2.4%
Other operations and elimination of intersegment transactions (b)	808	756	+6.9%	+8.3%
Total revenues	**4,857**	**4,712**	**+3.1%**	**+3.3%**
EBITDA	**913**	**920**	**-0.8%**	**-0.8%**
Canal+ France	617	616	+0.2%	+0.2%
Other operations	84	74	+13.5%	+12.0%
Total EBITA	**701**	**690**	**+1.6%**	**+1.4%**
EBITA margin rate (%)	*14.4%*	*14.6%*	*-0.2 pt*	
Cash flow from operations (CFFO)	**484**	**410**	**+18.0%**	
Subscriptions (in thousands)				
Pay TV France	*9,760*	*9,720*	*+0.4%*	
Canal+ Overseas (c)	*1,456*	*1,338*	*+8.8%*	
Canal+ France	11,216	11,058	+1.4%	
International (b)	1,730	1,651	+4.8%	
Total Canal+ Group	**12,946**	**12,709**	**+1.9%**	
Churn, per subscriber (Mainland France)	12.1%	11.0%	+1.1 pt	
ARPU, in euros per individual subscriber (Mainland France)	47.5	46.3	+2.6%	

(a) Canal+ France's revenues are presented before the elimination of intersegment transactions within Canal+ Group. Canal+ France notably owns and consolidates Société d'Edition de Canal Plus (SECP), Multithematiques, Canal+ Distribution, Kiosque and Canal+ Overseas.

(b) Includes Poland and Vietnam.

(c) Includes overseas territories and Africa.

Section 4 **Business segment performance analysis**

Revenues and EBITA

Canal+ Group's revenues reached €4,857 million, a 3.1% increase compared to 2010.

Canal+ France's revenues increased by 2.4% to €4,049 million, notably driven by increases in the subscription portfolio, revenue per subscriber (ARPU) and advertising revenues.

At the end of December 2011, Canal+ France had 11.216 million subscriptions, a net increase of 158,000 year-on-year. In mainland France, the subscription portfolio increased and reached 9.760 million, mainly due to an increase in gross additions. Average revenue per individual subscriber was up €1.2 year-on-year, reaching €47.5, thanks to improved cross-selling between Canal+ and CanalSat offerings, and a higher penetration of service and program options. Canal+ France's subscriber base in regions operated by Canal+ Overseas (French overseas territories and Africa) reached 1.456 million due to strong market dynamics, particularly in Africa. Overall, including Poland and Vietnam, Canal+ Group's portfolio at the end of 2011 had 12.946 million subscriptions.

Revenues from other Canal+ Group operations also increased strongly, driven by an overall positive impact from operations, particularly StudioCanal, Cyfra+ in Poland and i>Télé.

Canal+ Group's EBITA was €701 million, a 1.6% increase year-on-year. Excluding the €30 million fine imposed in September 2011 by the French Competition Authority on Canal+ Group as part of the audit relating to the compliance with the commitments undertaken by Canal+ Group in connection with the combination of CanalSatellite and TPS in January 2007, EBITA increased by 5.9%.

Canal+ France's EBITA reached €617 million, a slight increase compared to 2010, mainly impacted by the fine imposed by the French Competition Authority. Operations in regions covered by Canal+ Overseas reported strong EBITA growth, driven by an overall portfolio growth. StudioCanal posted strong EBITA growth notably driven by its operations in the UK and in Germany, as well as by improved catalog sales in all territories. i>Télé benefited from increased advertising revenues and posted positive results for the first time.

Canal+ Group announced several important strategic developments in 2011. In French free-to-air television, Canal+ Group is planning to create a free-to-air department that will include the Direct 8 and Direct Star channels, pending approval from the relevant authorities. Canal+ Group also announced a partnership with the Polish group ITI/TVN, the country's leading private television group, to merge their respective pay-TV operations and create a platform that Canal+ Group will control. As part of the transaction, Canal+ Group will also take a significant stake in TVN. This transaction is subject to the approval of the relevant regulatory authorities. Finally, StudioCanal strengthened its position in TV production with the acquisition in December 2011 of Tandem Communications, a European leader in TV series and drama production, based in Germany.

Cash flow from operations (CFFO)

Canal+ Group's cash flow from operations amounted to €484 million, compared to €410 million in 2010. The €74 million increase reflected the favorable movements in results and in changes in net working capital.

Section 4 Business segment performance analysis

4.2.7. Holding & Corporate

(in millions of euros)	Year ended December 31,	
	2011	**2010**
EBITA	(100)	(127)
Cash flow from operations (CFFO)	(84)	(100)

EBITA

Holding & Corporate's EBITA was -€100 million, compared to -€127 million in 2010, due notably to lower litigation costs and several one-time items.

Cash flow from operations (CFFO)

Holding & Corporate's cash flow from operations amounted to -€84 million, compared to -€100 million in 2010. The increase in cash flow from operations between 2010 and 2011 was mainly attributable to the change in EBITA.

4.2.8. Non-core operations and others

(in millions of euros)	Year ended December 31,	
	2011	**2010**
Non-core operations and others	41	19
Elimination of intersegment transactions	(82)	(73)
Total Revenues	**(41)**	**(54)**
EBITA	(22)	(33)
Cash flow from operations (CFFO)	(16)	(33)

Revenues and EBITA

Revenues from non-core operations amounted to €41 million, a €22 million increase, following the 2011 contribution of Digitick (€9 million) acquired on December 30, 2010 and of See Tickets (€12 million) acquired on August 23, 2011.

EBITA from non-core operations amounted to -€22 million, an €11 million increase, due to EBITA improvement attributable to overall operations and the contribution of See Tickets (€4 million).

Cash flow from operations (CFFO)

Cash flow from operations from non-core operations amounted to -€16 million, compared to -€33 million in 2010. This change was mainly related to the change in EBITA.

Section 5 **Treasury and capital resources**

Preliminary comments:

- *Vivendi considers Financial Net Debt, a non-GAAP measure, to be a relevant indicator in measuring Vivendi's indebtedness. Financial Net Debt is calculated as the sum of long-term and short-term borrowings and other long-term and short-term financial liabilities as reported on the Consolidated Statement of Financial Position, less cash and cash equivalents as reported on the Consolidated Statement of Financial Position as well as derivative financial instruments in assets, cash deposits backing borrowings, and certain cash management financial assets (included in the Consolidated Statement of Financial Position under "financial assets"). Financial Net Debt should be considered in addition to, and not as a substitute for, other GAAP measures reported on the Consolidated Statement of Financial Position, as well as other measures of indebtedness reported in accordance with GAAP. Vivendi Management uses Financial Net Debt for reporting and planning purposes, as well as to comply with certain debt covenants of Vivendi.*
- *In addition, cash and cash equivalents are not fully available for debt repayments since they are used for several purposes, including but not limited to, acquisitions of businesses, capital expenditures, dividends, contractual obligations and working capital.*

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

Vivendi's financing policy consists of incurring long-term debt, mainly in bond and banking markets, at a variable rate or fixed rate, in euros, or, depending on general corporate needs, in US dollars.
In 2011, Vivendi applied a constant policy of increasing its debt's average duration and of disintermediation by having recourse in priority to the bond market.
Non-current debts are primarily raised by Vivendi SA, which centralizes the group's financing management, except for Activision Blizzard and Maroc Telecom Group.
In relation to bond financings, Vivendi has a Euro Medium Term Notes program on the Luxembourg Stock Exchange to take advantage of every euro bond market opportunity. Vivendi's bank counterparties must meet certain criteria of financial soundness, reflected in their credit rating with Standard & Poor's and Moody's.
In addition, to comply with the rating agencies' new prudential regulations regarding liquidity management, Vivendi arranges the refinancing of all expiring bank credit facilities or bonds one year in advance.

In order to maintain significant cash reserves, Vivendi has confirmed credit facilities which amounted to €12,081 million as of December 31, 2011 (compared to €10,116 million as of December 31, 2010), of which €7,164 million was undrawn (compared to €7,943 million as of December 31, 2010). As of December 31, 2011, Vivendi SA's confirmed credit facilities amounted to €9,000 million (compared to €6,000 million as of December 31, 2010), of which €4,975 million was undrawn (compared to €5,250 million undrawn as of December 31, 2010).

Contractual agreements for credit facilities granted to Vivendi SA do not include provisions that tie the conditions of the loan to its financial ratings from specialized agencies. They contain customary provisions related to events of default and at the end of each half-year, Vivendi SA is notably required to comply with a financial covenant (please refer to Note 22.2 to the Consolidated Financial Statements for the year ended December 31, 2011). The credit facilities granted to group companies other than Vivendi SA are intended to finance either the general needs of the borrowing subsidiary or specific projects. As of December 31, 2011, there was no restriction on the use of the capital received by the group's companies (including Vivendi SA) which could have a direct or indirect material impact on the group's operations.

Vivendi's long-term credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's); Vivendi's objective is to maintain such credit rating. As of December 31, 2011, the "economic" average term of the group's debt was 4.0 years (unchanged compared to December 31, 2010); it amounted to 4.2 years when taking into account the €1.1 billion bank credit facility set up in January 2012.

In 2011, investments, working capital, and dividend payments were financed by the cash flow from operations, net, asset disposals, and borrowings, if any. For the foreseeable future and based on the current capital market conditions, Vivendi intends to maintain this financing policy for its investments and operations.

Section 5 Treasury and capital resources

5.2. Financial Net Debt changes

As of December 31, 2011, Vivendi's Financial Net Debt amounted to €12,027 million, compared to €8,073 million as of December 31, 2010, a €3,954 million increase. This change notably reflected:

- the cash outflows related to the acquisition by Vivendi of Vodafone's non-controlling interest in SFR (€7,750 million on June 16, 2011) and Activision Blizzard's stock repurchase program (€502 million), partially offset by the cash inflow from the sale of the remaining interest in NBC Universal ($3,800 million or €2,883 million, on January 25, 2011), the amounts received to end the litigation over the share ownership of PTC in Poland (€1,254 million on January 14, 2011) and the cash inflow from the sale of 35 million Activision Blizzard shares into the market ($422 million or €314 million);
- the dividends paid (€2,885 million) notably to Vivendi SA shareowners (€1,731 million) as well as to minority shareowners of SFR SA (€640 million, of which €200 million paid to Vodafone on June 16, 2011 pursuant to the completion of the acquisition of Vodafone's 44% interest in SFR), of Maroc Telecom SA (€384 million), and of Activision Blizzard (€55 million); and
- the cash inflow from the employees' subscription in connection with Vivendi SA's employee stock purchase plan (€143 million); and
- the impact of cash flow from operations after interest and income taxes paid (CFAIT), which amounted to €2,884 million in 2011.

(in millions of euros)	**Refer to Notes to the Consolidated Financial Statements**	**December 31, 2011**	**December 31, 2010**
Borrowings and other financial liabilities		15,710	12,003
of which long-term (a)	22	*12,409*	*8,573*
short-term (a)	22	*3,301*	*3,430*
Cash management financial assets (b, c)	15	(266)	(508)
Derivative financial instruments in assets (b)	15	(101)	(91)
Cash deposits backing borrowings (b)	15	(12)	(21)
		15,331	**11,383**
Cash and cash equivalents (a)	17	(3,304)	(3,310)
of which Activision Blizzard		*(2,448)*	*(2,124)*
Financial Net Debt		**12,027**	**8,073**

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

(in millions of euros)	**Cash and cash equivalents**	**Borrowings and other financial items (a)**	**Impact on Financial Net Debt**
Financial Net Debt as of December 31, 2010	**(3,310)**	**11,383**	**8,073**
Outflows/(Inflows) generated by:			
Operating activities	(6,862)	-	(6,862)
Investing activities	(807)	305	(502)
Financing activities	7,661	3,647	11,308
Foreign currency translation adjustments	14	(4)	10
Change in Financial Net Debt over the period	**6**	**3,948**	**3,954**
Financial Net Debt of December 31, 2011	**(3,304)**	**15,331**	**12,027**

(a) "Other financial items" include commitments to purchase non-controlling interests, derivative financial instruments (assets and liabilities), cash deposits backed on borrowings, as well as cash management financial assets.

Section 5 Treasury and capital resources

5.3. Analysis of Financial Net Debt changes

		Year ended December 31, 2011		
(in millions of euros)	Refer to section	Impact on cash and cash equivalents	Impact on borrowings and other financial items	Impact on Financial Net Debt
EBIT	2	**(5,682)**	**-**	**(5,682)**
Adjustments		(2,590)	-	(2,590)
Content investments, net		13	-	13
Gross cash provided by operating activities before income tax paid		***(8,259)***	***-***	***(8,259)***
Other changes in net working capital		307	-	307
Net cash provided by operating activities before income tax paid	3	***(7,952)***	***-***	***(7,952)***
Income tax paid, net	3	1,090	-	1,090
Operating activities A		**(6,862)**	**-**	**(6,862)**
Financial investments				
Purchases of consolidated companies, after acquired cash		210	61	271
of which acquisition of See Tickets		*75*	-	*75*
acquisition of Tandem Communications by StudioCanal		*(26)*	*73*	*47*
Investments in equity affiliates		49	-	49
Increase in financial assets		377	(213)	164
Total financial investments		***636***	***(152)***	***484***
Financial divestments				
Proceeds from sales of consolidated companies, after divested cash		(30)	-	(30)
Disposal of equity affiliates		(2,920)	-	(2,920)
of which sale of the remaining 12.34% interest in NBC Universal for $3.8 billion	1.1.3	*(2,883)*	-	*(2,883)*
Decrease in financial assets		(1,751)	457	(1,294)
of which cash consideration received related to the final settlement of the litigation over the share ownership of PTC in Poland	1.1.4	*(1,254)*	-	*(1,254)*
Total financial divestments		***(4,701)***	***457***	***(4,244)***
Financial investment activities		**(4,065)**	**305**	**(3,760)**
Dividends received from equity affiliates	3	(79)	-	(79)
Dividends received from unconsolidated companies		(3)	-	(3)
Investing activities excluding capital expenditures and proceeds from sales of property, plant, equipment and intangible assets, net		**(4,147)**	**305**	**(3,842)**
Capital expenditures		3,367	-	3,367
Proceeds from sales of property, plant, equipment and intangible assets		(27)	-	(27)
Capital expenditures, net	3	***3,340***	***-***	***3,340***
Investing activities B		**(807)**	**305**	**(502)**

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

Section 5 Treasury and capital resources

Continued from previous page.

(in millions of euros)	Refer to section	Year ended December 31, 2011 Impact on cash and cash equivalents	Impact on borrowings and other financial items	Impact on Financial Net Debt
Transactions with shareowners				
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans		(151)	-	(151)
of which capital increase subscribed by employees in connection with the stock purchase plan		*(143)*	-	*(143)*
(Sales)/purchases of Vivendi SA's treasury shares		37	-	37
Dividends paid by Vivendi SA (€1.40 per share)		1,731	-	1,731
Other transactions with shareowners		7,909	(3)	7,906
of which acquisition of Vodafone's non-controlling interest in SFR	1.1.1	*7,750*	-	*7,750*
stock repurchase program of Activision Blizzard		*502*	-	*502*
sale of Activision Blizzard shares		*(314)*	-	*(314)*
Dividends paid by consolidated companies to their non-controlling interests		1,154	-	1,154
of which SFR SA (a)	1.1.1	*640*	-	*640*
Maroc Telecom SA		*384*	-	*384*
Activision Blizzard		*55*	-	*55*
Total transactions with shareowners		***10,680***	***(3)***	***10,677***
Transactions on borrowings and other financial liabilities				
Setting up of long-term borrowings and increase in other long-term financial liabilities		(6,045)	6,045	-
of which bonds	5.4	*(2,750)*	*2,750*	-
bank credit facilities	5.4	*(3,253)*	*3,253*	-
Principal payments on long-term borrowings and decrease in other long-term financial liabilities		452	(452)	-
of which bank credit facilities		*430*	*(430)*	-
Principal payments on short-term borrowings		2,451	(2,451)	-
of which bonds		*700*	*(700)*	-
bank credit facilities		*305*	*(305)*	-
commercial paper		*1,168*	*(1,168)*	-
Other changes in short-term borrowings and other financial liabilities		(597)	597	-
of which bank credit facilities		*(271)*	*271*	-
Non-cash transactions		-	(89)	(89)
Interest paid, net	3	481	-	481
Other cash items related to financial activities	3	239	-	239
Total transactions on borrowings and other financial liabilities		***(3,019)***	***3,650***	***631***
Financing activities C		**7,661**	**3,647**	**11,308**
Foreign currency translation adjustments D		14	(4)	10
Change in Financial Net Debt A+B+C+D		**6**	**3,948**	**3,954**

(a) Includes €200 million paid as an interim dividend to Vodafone pursuant to the acquisition of its non-controlling interest in SFR.

5.4. New financings

In 2011, Vivendi applied a constant policy of increasing its debt's average duration and of disintermediation by having recourse in priority to the bond market.

Bank credit facilities

- In May 2011, Vivendi set up a €5 billion new syndicated bank credit facility, negotiated in April 2011. This new facility consists of the following three tranches:
  - tranche A: €1.5 billion, maturing in December 2012, available since the satisfaction of the conditions precedent to the acquisition by Vivendi of Vodafone's 44% interest in SFR;
  - tranche B: €1.5 billion, maturing in May 2014, available since the satisfaction of the conditions precedent to the acquisition by Vivendi of Vodafone's 44% interest in SFR and the cancellation of SFR's revolving facilities for €450 million with an initial scheduled maturity of November 2012 and for €850 million with an initial scheduled maturity of May 2013; and
  - tranche C: €2.0 billion, maturing in May 2016, available since the cancellation of Vivendi SA's revolving facility for €2.0 billion with an initial scheduled maturity of April 2012.

  The other main terms (excluding tariffs) are similar to those of the €1 billion credit facility that was set up in September 2010.

Section 5 Treasury and capital resources

- In January 2012, Vivendi set up a new €1.1 billion bank credit facility with a 5-year maturity, negotiated in December 2011, which early refinanced the €1.5 billion credit facility with an initial scheduled maturity in December 2012 (Tranche A above) and SFR's €492 million syndicated loan with an initial scheduled maturity in March 2012. SFR's €100 million revolving facility, which was reduced to €50 million as of December 31, 2011, was also transferred in the amount of €40 million to Vivendi SA, with a 3-year maturity.

Bonds

- On July 4, 2011, Vivendi raised €1,750 million through a bond issue comprised of two tranches:
  - a first tranche, in the amount of €1,000 million, with a 4-year maturity and a 3.500% coupon; with an effective rate of 3.68%; and
  - a second tranche, in the amount of €750 million, with a 10-year maturity, a 4.750% coupon; with an effective rate of 4.90%.
- On November 22, 2011, Vivendi raised €1,000 million through a bond issue comprised of two tranches:
  - a first tranche, in the amount of €500 million, with a 4-year maturity and a 3.875% coupon; with an effective rate of 4.04%; and
  - a second tranche, in the amount of €500 million, with a 7-year maturity and a 4.875 % coupon; with an effective rate of 5.00%.
- On January 10, 2012, Vivendi raised €1,250 million through a bond issue, with a 5.5-year maturity and a 4.125% coupon; with an effective rate of 4.31%.

Other financings

In November 2011, GVT entered into a new credit facility with the BNDES (National Bank for Economic and Social Development) for BRL 1,184 million (€486 million), maturing in 2020 at the latest, thereby increasing to €664 million the maximum amount of GVT's credit facilities with the BNDES to be used to finance its capital expenditures. As of December 31, 2011, these facilities were available up to €363 million.

5.5. Financing of subsidiaries

Excluding primarily Activision Blizzard and Maroc Telecom, Vivendi SA centralizes daily cash surpluses (cash pooling) of all controlled entities (a) that are not subject to local regulations restricting the transfer of financial assets or (b) that are not subject to other contractual agreements. In particular, the increase to a 100% ownership interest in SFR on June 16, 2011, has enabled Vivendi SA to centralize all of SFR's cash surpluses on a daily basis from July 1, 2011 through a cash pooling account.

Alternatively, in particular at Activision Blizzard and Maroc Telecom, cash surpluses are not pooled by Vivendi SA but rather, as the case may be, distributed as dividends when they are not used to finance investments of the relevant subsidiaries, as common stock repurchases or to reimburse borrowings used to finance their investments. Regarding Activision Blizzard, up until July 9, 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's Financial Net Debt, after giving effect to such dividend, exceeds $400 million.

Activision Blizzard's net cash position amounted to €2,714 million (€2,632 million as of December 31, 2010). This amount notably includes US treasuries and government agency securities with a maturity exceeding three months for $344 million (compared to $672 million as of December 31, 2010), classified as short-term financial assets in the Consolidated Statement of Financial Position. In addition, cash and cash equivalents also include cash held outside the United States by Activision Blizzard's non-American subsidiaries for €1,266 million (compared to €901 million as of December 31, 2010). The funds held by foreign subsidiaries are generally subject to US income taxation on repatriation to the United States.

Maroc Telecom Group's Financial Net Debt amounted to €617 million (€388 million as of December 31, 2010).

5.6. Available bank credit facilities as of February 28, 2012

As of February 28, 2012, the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2011, the group had available committed bank credit facilities in the amount of €11.2 billion, of which €3.0 billion were drawn. Considering the amount of commercial paper issued at this date, and backed on credit facilities for €2.7 billion, these facilities were available for an aggregate amount of €5.5 billion.

For a detailed analysis of these bank credit facilities as of December 31, 2011 and December 31, 2010, please refer to Note 22.2 to the Consolidated Financial Statements for the year ended December 31, 2011.

Section 6 **Outlook**

Preliminary comments:
The 2012 outlook presented below regarding revenues, EBITA, EBITA margin rates, EBITDA and adjusted net income (ANI), as well as regarding cash flow from operations (CFFO) and capital expenditures is based on data, assumptions and estimates considered as reasonable by Vivendi Management. They are subject to change or modification due to uncertainties related in particular to the economic, financial, competitive and/or regulatory environment. Moreover, the materialization of certain risks described in Note 27 to the Consolidated Financial Statements for the year ended December 31, 2011 could have an impact on the group's operations and its capacity to achieve its forecasts for 2012. Finally, Vivendi considers that the non-GAAP measures, EBITA, EBITDA, ANI as well as CFFO and capital expenditures are relevant indicators of the group's operating and financial performance.

Vivendi's strategy is focused on fast-growing economies, innovation as well as intra-group synergies and organic growth. In 2012, Vivendi will face stronger competition in France and Morocco in addition to the very significant increase of tax charges in France in 2011. In France in particular, the sharp price pressure induced by the fourth entrant in the French mobile sector has led SFR to reconsider very carefully its commercial offers and its cost base. These efforts to adapt itself will place increased pressure on Vivendi's results in 2012 and 2013. The strength and resilience of the group's other activities should help lessen the impact of this new situation. Profit growth should resume in 2014 thanks to the positive and significant effects of the strategy focused on innovation, the synergy-driven acquisitions made in 2010 and 2011, and the strengthening of the group's positions in emerging countries. As a result, Vivendi intends to maintain its profitable growth strategy by focusing on organic growth initiatives, with emphasis on GVT, and maintaining a high group operating margin (above 20% in 2011 and high teens going forward) due to growth initiatives and significant cost reduction plans across all businesses.

For 2012, Vivendi expects adjusted net income to be above €2.5 billion, before the impact of the transactions announced in the second half of 2011 (see below). As a result, Vivendi expects to propose a dividend with respect to fiscal year 2012 representing around 45% to 55% of adjusted net income, payable in cash in 2013. In addition, Vivendi expects Financial Net Debt to be below €14 billion at year end 2012, assuming closing by end of 2012 of the transactions announced in the second half of 2011 (see below). Vivendi intends to pursue the optimization of its financial structure and preserve its long term debt rating at BBB stable (Standard & Poor's/ Fitch) and Baa2 stable (Moody's).

These forecasts are based on an assumed exchange rate of €1 for $1.35 and on each business's financial objectives, which are described below.

Activision Blizzard

In 2011, Activision Blizzard exceeded its guidance with a €1,011 million EBITA, driven by the growth in high-margin digital revenue, the success of its major franchises and the continuing initiatives at streamlining Activision Publishing. For 2012, Activision Blizzard expects to report EBITA around €750 million, as the deferred margin will increase in 2012, unlike the previous year.

Universal Music Group (UMG)

In 2011, in line with its guidance, UMG achieved a double digit EBITA margin (12.1% compared to 10.6% in 2010), notably thanks to an increased participation in a broader range of music revenue streams and benefited from cost optimization including savings resulting from the reorganization plan launched in 2010. For 2012, UMG expects to report a double digit EBITA margin at constant perimeter (before the impact of EMI Recorded Music acquisition announced on November 11, 2011 and subject to approvals from regulatory authorities).

SFR

In 2011, considering the impact of tariff cuts resulting from regulatory decisions and of new VAT rules, in line with its guidance and excluding non-recurring positive items, SFR's Mobile EBITDA decreased by 8.4%, while SFR's Broadband Internet and Fixed EBITDA increased by 8.6%. For 2012, SFR expects a 12% to 15% decrease in EBITDA (excluding non-recurring positive items, EBITDA amounted to €3,707 million in 2011) and cash flow from operations close to €1.7 billion (excluding the impact of 4G spectrum acquisition in January 2012 for €1,065 million).

Maroc Telecom Group

In 2011, in a context of a 25% mobile price cut in Morocco and a particularly unfavorable regulatory and competitive environment, revenues of Maroc Telecom group decreased by 2.5% and EBITA decreased by 14.4% at constant currency. For 2012, Maroc Telecom group expects an EBITA margin around 38% and a stable cash flow from operations compared to 2011, in Dirhams.

GVT

In 2011, in line with its guidance, GVT reported a 40.5% increase in revenues and an EBITDA margin of 41.6%, despite the impact of pay-TV business launched in October 2011. For 2012, GVT expects to report a growth in revenues in the mid-30's at constant currency and an EBITDA margin around 40% (including the impact of pay-TV business launch). In addition, capital expenditures would amount to close to €1 billion (or BRL 2.3 billion, including variable capital expenditures related to pay-TV).

Canal+ Group

In 2011, in line with its guidance, Canal+ France reported a 1.6% increase in EBITA, despite exceptional items, including the €30 million fine decided by the French Competition Authority. For 2012, Canal+ Group expects to report a slight increase in EBITA at constant perimeter (before the impact of the transactions announced in the second half of 2011: free-to-air TV diversification in France through the acquisition of Direct 8 and Direct Star channels and consolidation of Polish pay TV market with the combination of Cyfra+ and "n"; these transactions are subject to approvals from regulatory authorities).

Section 7 **Forward looking statements**

This Financial Report contains forward-looking statements with respect to Vivendi's financial condition, results of operations, business, strategy, plans and outlook of Vivendi, including projections regarding the payment of dividends as well as the impact of certain transactions. Although Vivendi believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Vivendi's control, including, but not limited to, the risks related to antitrust and other regulatory approvals in connection with certain transactions as well as the risks described in the documents of the group filed with the Autorité des Marchés Financiers (AMF) (the French securities regulator) and which are also available in English on Vivendi's website (www.vivendi.com). These forward-looking statements are made as of the date of this Financial Report. Vivendi disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Section 8 **Other disclaimers**

Unsponsored ADRs

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

Translation

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

II – Appendices to the Financial Report: Unaudited supplementary financial data

1. Change in presentation of the Consolidated Statement of Earnings

In view of the practice of other French groups that adopted IFRS 3 and IAS 27 revised in 2010 (early adopted by Vivendi in 2009), Vivendi made the following change in presentation of the Consolidated Statement of Earnings as of January 1, 2011:

- the impacts related to financial investing transactions, which were previously reported in "other financial charges and income" are reclassified to other charges and income in "Earnings Before Interest and Income Taxes" (EBIT). They include losses and gains recognized through business combinations, capital gains or losses related to divestitures or the depreciation of equity affiliates and other financial investments, as well as consolidation gains or losses incurred from the gain or loss of control in a business. The reclassified amounts represented a net charge of €52 million and €305 million for the fourth quarter of 2010 and the 2010 fiscal year, respectively;
- the impacts related to transactions with shareowners (except if directly recognized in equity), which were previously reported in "other financial charges and income" are similarly reclassified to "EBIT", in particular the €450 million reversal of reserve recognized as of December 31, 2010 as part of the Securities Class Action in the United States; and
- moreover, both charges and income related to financial investing transactions as well as other financial charges and income are presented as separate single lines and are no longer offset on the face of the Consolidated Statement of Earnings.

In accordance with IAS 1, Vivendi has applied this change in presentation to all periods previously published:

	2011	2010						
(in millions of euros)	**Three months ended March 31,**	**Three months ended March 31,**	**Three months ended June 30,**	**Six months ended June 30,**	**Three months ended September 30,**	**Nine months ended September 30,**	**Three months ended December 31,**	**Year ended December 31,**
Earnings before interest and income taxes (EBIT) (as previously published)	**1,582**	**1,456**	**1,507**	**2,963**	**1,278**	**4,241**	**630**	**4,871**
Reclassification								
Reversal of reserve regarding the Securities Class Action in the United States	-	-	-	-	-	-	450	450
Other income	1,289	2	6	8	13	21	32	53
Other charges	(449)	(18)	(23)	(41)	(233)	(274)	(84)	(358)
Earnings before interest and income taxes (EBIT) (new definition)	**2,422**	**1,440**	**1,490**	**2,930**	**1,058**	**3,988**	**1,028**	**5,016**

II – Appendices to the Financial Report: Unaudited supplementary financial data

2. Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant indicator of the group's operating and financial performance. Vivendi Management uses adjusted net income because it illustrates the underlying performance of continuing operations more effectively by excluding most non-recurring and non-operating items. Adjusted net income is defined in Note 1.2.3 to the Consolidated Financial Statements for the year ended December 31, 2011.

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

	Year ended December 31,	
(in millions of euros)	**2011**	**2010**
Earnings attributable to Vivendi SA shareowners (a)	**2,681**	**2,198**
Adjustments		
Amortization of intangible assets acquired through business combinations	510	603
Impairment losses on intangible assets acquired through business combinations (a)	397	252
Reversal of reserve regarding the Securities Class Action in the United States (a)	-	(450)
Other income (a)	(1,385)	(53)
Other charges (a)	656	358
Other financial income (a)	(14)	(16)
Other financial charges (a)	167	178
Change in deferred tax asset related to the Consolidated Global Profit Tax System and to Vivendi SA's French Tax Group System	129	3
Non-recurring items related to provision for income taxes	41	(b) 102
Provision for income taxes on adjustments	(200)	(320)
Non-controlling interests on adjustments	(30)	(157)
Adjusted net income	**2,952**	**2,698**

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

Adjusted net income per share

	Year ended December 31,			
	2011		2010	
	Basic	**Diluted**	**Basic**	**Diluted**
Adjusted net income (in millions of euros)	**2,952**	(a) **2,949**	**2,698**	(a) **2,695**
Number of shares (in millions)				
Weighted average number of shares outstanding restated (b)	1,239.9	1,239.9	1,232.3	1,232.3
Potential dilutive effects related to share-based compensation (c)	-	2.4	-	2.2
Adjusted weighted average number of shares	**1,239.9**	**1,242.3**	**1,232.3**	**1,234.5**
Adjusted net income per share (in euros)	**2.38**	**2.37**	**2.19**	**2.18**

(a) Includes only the potential dilutive effect related to employee stock option plans and restricted stock plans for Activision Blizzard in a non-significant amount.
(b) Net of treasury shares (please refer to Note 18 to the Consolidated Financial Statements for the year ended December 31, 2011).
(c) Does not include accretive instruments as of December 31, 2011 and December 31, 2010 which could potentially become dilutive. The balance of common shares in connection with Vivendi SA's share based compensation plan is presented in Note 21.2.2 to the Consolidated Financial Statements for the year ended December 31, 2011.

II – Appendices to the Financial Report: Unaudited supplementary financial data

3. Reconciliation of Activision Blizzard's revenues and EBITA[1]

As reported below, the reconciliation of Activision Blizzard's revenues and EBITA to IFRS as of December 31, 2011 and December 31, 2010 is based on:

- Activision Blizzard's data prepared in compliance with U.S. GAAP standards, in US dollars, contained in its Form 10-K for the year ended December 31, 2011 and non-GAAP measures filed by Activision Blizzard on February 28, 2012; and
- data relating to Activision Blizzard established in accordance with IFRS standards, in euros, as published by Vivendi in its Audited Consolidated Financial Statements for the year ended December 31, 2011.

Non-GAAP measures of Activision Blizzard

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

i. the change in deferred income and related costs of sales resulting from the deferral of net revenues associated with the company's significant online-enabled games (please refer to Note 1.3.4.1 to the Consolidated Financial Statements for the year ended December 31, 2011);
ii. expenses related to equity-based compensation;
iii. restructuring charges;
iv. impairment of intangibles acquired through business combinations;
v. the amortization of intangibles and the associated changes in cost of sales resulting from purchase price accounting adjustments; and
vi. the associated tax benefits.

Revenues reconciliation:

	Year ended December 31,	
	2011	**2010**
Non-GAAP Measurement (U.S. GAAP basis):		
Non-GAAP Net Revenues (in millions of dollars)	**4,489**	**4,803**
Eliminate non-GAAP adjustments:		
Changes in deferred net revenues (a)	266	(356)
U.S. GAAP Measurement:		
Net Revenues in U.S. GAAP (in millions of dollars)**, as published by Activision Blizzard**	**4,755**	**4,447**
Eliminate U.S. GAAP vs. IFRS differences:	*na*	*na*
IFRS Measurement:		
Net Revenues in IFRS (in millions of dollars)	**4,755**	**4,447**
Translate from dollars to euros:		
Net Revenues in IFRS (in millions of euros)**, as published by Vivendi**	**3,432**	**3,330**
of which Activision	2,047	2,002
Blizzard	1,082	1,046
Distribution	303	282

Please refer to the next page for the notes.

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

II – Appendices to the Financial Report: Unaudited supplementary financial data

EBITA reconciliation:

	Year ended December 31,	
	2011	**2010**
Non-GAAP Measurement (U.S. GAAP basis):		
Non-GAAP Operating Income/(Loss) (in millions of dollars)	**1,358**	**1,371**
Eliminate non-GAAP adjustments:		
Changes in deferred net revenues and related cost of sales (a)	183	(319)
Equity-based compensation expense	(103)	(131)
Restructuring charges	(26)	(3)
Impairment of intangibles acquired through business combinations	(12)	(326)
Amortization of intangibles acquired through business combinations and purchase price accounting related adjustments	(72)	(123)
U.S. GAAP Measurement:		
Operating Income/(Loss) in U.S. GAAP (in millions of dollars)**, as published by Activision Blizzard**	**1,328**	**469**
Eliminate U.S. GAAP vs. IFRS differences:		
Equity-based compensation expense	1	7
Impairment of intangibles acquired through business combinations	7	31
Amortization of intangibles acquired through business combinations	-	6
Other	(1)	(6)
IFRS Measurement:		
Operating Income/(Loss) in IFRS (in millions of dollars)	**1,335**	**507**
Eliminate items excluded from EBITA:		
Impairment of intangible assets acquired through business combinations	5	295
Amortization of intangible assets acquired through business combinations	72	123
Other	(3)	-
EBITA in IFRS (in millions of dollars)	**1,409**	**925**
Translate from dollars to euros:		
EBITA in IFRS (in millions of euros)**, as published by Vivendi**	**1,011**	**692**
of which Activision	520	187
Blizzard	483	498
Distribution	8	7

na: not applicable.

(a) Relates to the impact of the change in deferred net revenues, and related costs of sales associated with the company's significant online-enabled games. As of December 31, 2011, both in U.S. GAAP and IFRS:

- the change in deferred net revenues resulted in the recognition of net revenues for $266 million (€166 million) and, after taking into account related costs of sales, the recognition of margin from operations for $183 million (€113 million); and
- the deferred net revenues balance in the Statement of Financial Position amounted to $1,472 million (€1,139 million), compared to $1,726 million (€1,303 million) as of December 31, 2010. After taking into account related costs of sales, the deferred margin balance in the Statement of Financial Position amounted to $1,181 million (€913 million), compared to $1,356 million (€1,024 million) as of December 31, 2010.

II – Appendices to the Financial Report: Unaudited supplementary financial data

4. Revenues and EBITA by business segment – 2011 and 2010 quarterly data

	2011			
(in millions of euros)	**1st Quarter ended March 31,**	**2nd Quarter ended June 30,**	**3rd Quarter ended Sept. 30,**	**4th Quarter ended Dec. 31,**
Revenues				
Activision Blizzard	1,061	796	533	1,042
Universal Music Group	881	982	979	1,355
SFR	3,056	3,064	3,017	3,046
Maroc Telecom Group	672	689	698	680
GVT	329	353	395	369
Canal+ Group	1,192	1,200	1,171	1,294
Non-core operations and others, and elimination of intersegment transactions	(7)	(15)	(16)	(3)
Total Vivendi	**7,184**	**7,069**	**6,777**	**7,783**
EBITA				
Activision Blizzard	502	331	118	60
Universal Music Group	46	86	112	263
SFR	566	675	644	393
Maroc Telecom Group	266	265	302	256
GVT	90	97	112	97
Canal+ Group	265	230	237	(31)
Holding & Corporate	(20)	(22)	(17)	(41)
Non-core operations and others	(10)	(4)	(5)	(3)
Total Vivendi	**1,705**	**1,658**	**1,503**	**994**

	2010			
(in millions of euros)	**1st Quarter ended March 31,**	**2nd Quarter ended June 30,**	**3rd Quarter ended Sept. 30,**	**4th Quarter ended Dec. 31,**
Revenues				
Activision Blizzard	945	758	577	1,050
Universal Music Group	889	1,011	1,027	1,522
SFR	3,085	3,163	3,131	3,198
Maroc Telecom Group	660	722	744	709
GVT	214	230	288	297
Canal+ Group	1,145	1,182	1,137	1,248
Non-core operations and others, and elimination of intersegment transactions	(14)	(8)	(17)	(15)
Total Vivendi	**6,924**	**7,058**	**6,887**	**8,009**
EBITA				
Activision Blizzard	377	243	66	6
Universal Music Group	68	91	85	227
SFR	634	734	614	490
Maroc Telecom Group	284	312	346	342
GVT	43	55	71	108
Canal+ Group	230	256	274	(70)
Holding & Corporate	(38)	(27)	(22)	(40)
Non-core operations and others	(8)	(11)	(7)	(7)
Total Vivendi	**1,590**	**1,653**	**1,427**	**1,056**

III- Consolidated Financial Statements for the year ended December 31, 2011

Statutory Auditors' report on the Consolidated Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meetings, we hereby report to you for the year ended December 31, 2011 on:
- the audit of the accompanying Consolidated Financial Statements of Vivendi SA, hereinafter referred to as "the Company";
- the justification of our assessments; and
- the specific verifications required by law.

These Consolidated Financial Statements have been approved by your Management Board. Our role is to express an opinion on the financial statements, based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2.1 to the financial statements, which explains the change in the presentation in the Consolidated Statements of Earnings as of January 1, 2011.

2. Justification of our assessments

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

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

Our assessments were made as part of our audit of the Consolidated Financial Statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications

We have also verified, in accordance with professional standards applicable in France, the information provided in the group management report, as required by law.

We have no matters to report as to its fair presentation and its consistency with the Consolidated Financial Statements.

Paris-La Défense, March 1, 2012

The Statutory Auditors

KPMG Audit *Département de KPMG S.A.*	Ernst & Young et Autres
Frédéric Quélin	Jean-Yves Jégourel

Consolidated Statement of Earnings

	Note	Year ended December 31,	
		2011	2010
Revenues	4	**28,813**	**28,878**
Cost of revenues	4	(14,391)	(14,561)
Selling, general and administrative expenses		(8,911)	(9,059)
Restructuring charges and other operating charges and income		(161)	(135)
Impairment losses on intangible assets acquired through business combinations	4	(397)	(252)
Reversal of reserve regarding the Securities Class Action in the United States	27	-	450
Other income	4	1,385	53
Other charges	4	(656)	(358)
Earnings before interest and income taxes (EBIT)	3	**5,682**	**5,016**
Income from equity affiliates	14	(18)	195
Interest	5	(481)	(492)
Income from investments		75	7
Other financial income	5	14	16
Other financial charges	5	(167)	(178)
Earnings from continuing operations before provision for income taxes		**5,105**	**4,564**
Provision for income taxes	6.2	(1,378)	(1,042)
Earnings from continuing operations		**3,727**	**3,522**
Earnings from discontinued operations		-	-
Earnings		**3,727**	**3,522**
Of which			
Earnings attributable to Vivendi SA shareowners		**2,681**	**2,198**
Non-controlling interests		1,046	1,324
Earnings from continuing operations attributable to Vivendi SA shareowners per share – basic	7	2.16	1.78
Earnings from continuing operations attributable to Vivendi SA shareowners per share – diluted	7	2.16	1.78
Earnings attributable to Vivendi SA shareowners per share – basic	7	**2.16**	**1.78**
Earnings attributable to Vivendi SA shareowners per share – diluted	7	2.16	1.78

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

Note: In view of the practice of other French groups that adopted IFRS 3 and IAS 27 revised in 2010 (early adopted by Vivendi in 2009), Vivendi made a change in presentation of its consolidated statement of earnings as of January 1, 2011. Please refer to Note 1.2.

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

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Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2011	2010
Earnings		**3,727**	**3,522**
Foreign currency translation adjustments		**182**	**1,794**
Assets available for sale		15	2
Cash flow hedge instruments		78	41
Net investment hedge instruments		21	(20)
Tax		(24)	(9)
Unrealized gains/(losses)		**90**	**14**
Other impacts, net		**12**	**(6)**
Charges and income directly recognized in equity	8	**284**	**1,802**
Total comprehensive income		**4,011**	**5,324**
Of which			
Total comprehensive income attributable to Vivendi SA shareowners		**2,948**	**3,880**
Total comprehensive income attributable to non-controlling interests		1,063	1,444

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

Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2011	December 31, 2010
ASSETS			
Goodwill	9	25,029	25,345
Non-current content assets	10	2,485	2,784
Other intangible assets	11	4,329	4,408
Property, plant and equipment	12	9,001	8,217
Investments in equity affiliates	14	135	2,906
Non-current financial assets	15	394	496
Deferred tax assets	6	1,421	1,836
Non-current assets		**42,794**	**45,992**
Inventories	16	805	750
Current tax receivables	6	542	576
Current content assets	10	1,066	1,032
Trade accounts receivable and other	16	6,730	6,711
Current financial assets	15	478	622
Cash and cash equivalents	17	3,304	3,310
Current assets		**12,925**	**13,001**
TOTAL ASSETS		**55,719**	**58,993**
EQUITY AND LIABILITIES			
Share capital		6,860	6,805
Additional paid-in capital		8,225	8,128
Treasury shares		(28)	(2)
Retained earnings and other		4,390	9,127
Vivendi SA shareowners' equity		**19,447**	**24,058**
Non-controlling interests		2,623	4,115
Total equity	18	**22,070**	**28,173**
Non-current provisions	19	1,569	1,477
Long-term borrowings and other financial liabilities	22	12,409	8,573
Deferred tax liabilities	6	728	956
Other non-current liabilities	16	864	1,074
Non-current liabilities		**15,570**	**12,080**
Current provisions	19	586	552
Short-term borrowings and other financial liabilities	22	3,301	3,430
Trade accounts payable and other	16	13,987	14,451
Current tax payables	6	205	307
Current liabilities		**18,079**	**18,740**
Total liabilities		**33,649**	**30,820**
TOTAL EQUITY AND LIABILITIES		**55,719**	**58,993**

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

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Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2011	2010
Operating activities			
EBIT		5,682	5,016
Adjustments	24.1	2,590	3,065
Content investments, net	10	(13)	(137)
Gross cash provided by operating activities before income tax paid		***8,259***	***7,944***
Other changes in net working capital	16	(307)	387
Net cash provided by operating activities before income tax paid		***7,952***	***8,331***
Income tax paid, net		(1,090)	(1,365)
Net cash provided by operating activities		**6,862**	**6,966**
Investing activities			
Capital expenditures		(3,367)	(3,437)
Purchases of consolidated companies, after acquired cash	2	(210)	(742)
Investments in equity affiliates	14	(49)	(15)
Increase in financial assets	15	(377)	(640)
Investments		***(4,003)***	***(4,834)***
Proceeds from sales of property, plant, equipment and intangible assets		27	80
Proceeds from sales of consolidated companies, after divested cash		30	(43)
Disposal of equity affiliates	14	2,920	1,458
Decrease in financial assets	4	1,751	567
Divestitures		***4,728***	***2,062***
Dividends received from equity affiliates	14	79	235
Dividends received from unconsolidated companies		3	3
Net cash provided by/(used for) investing activities		**807**	**(2,534)**
Financing activities			
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	21	151	112
Sales/(purchases) of Vivendi SA's treasury shares		(37)	-
Dividends paid by Vivendi SA to its shareowners	18	(1,731)	(1,721)
Other transactions with shareowners	2	(7,909)	(1,082)
Dividends and reimbursements of contribution of capital paid by consolidated companies to their non-controlling interests		(1,154)	(953)
Transactions with shareowners		***(10,680)***	***(3,644)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	22	6,045	2,102
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	22	(452)	(879)
Principal payment on short-term borrowings	22	(2,451)	(1,911)
Other changes in short-term borrowings and other financial liabilities	22	597	310
Interest paid, net	5	(481)	(492)
Other cash items related to financial activities		(239)	(247)
Transactions on borrowings and other financial liabilities		***3,019***	***(1,117)***
Net cash provided by/(used for) financing activities		**(7,661)**	**(4,761)**
Foreign currency translation adjustments		(14)	293
Change in cash and cash equivalents		**(6)**	**(36)**
Cash and cash equivalents			
At beginning of the period	17	**3,310**	**3,346**
At end of the period	17	**3,304**	**3,310**

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

Consolidated Statements of Changes in Equity

Year ended December 31, 2011

		Capital					Retained earnings and other				
		Common shares									
(in millions of euros, except number of shares)	Note	Number of shares (in thousands)	Amounts	Additional paid-in capital	Treasury shares	Sub-total	Retained earnings	Net unrealized gains/ (losses)	Foreign currency translation adjustments	Sub-total	Total equity
BALANCE AS OF DECEMBER 31, 2010		**1,237,337**	**6,805**	**8,128**	**(2)**	**14,931**	**13,595**	**(67)**	**(286)**	**13,242**	**28,173**
Attributable to Vivendi SA shareowners		*1,237,337*	*6,805*	*8,128*	*(2)*	*14,931*	*9,620*	*(47)*	*(446)*	*9,127*	*24,058*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*3,975*	*(20)*	*160*	*4,115*	*4 115*
Contributions by/distributions to Vivendi SA shareowners		**9,926**	**55**	**97**	**(26)**	**126**	**(1,690)**	**-**	**-**	**(1,690)**	**(1,564)**
Vivendi SA's stock repurchase program	18	-	-	-	(37)	(37)	-	-	-	-	(37)
Dividends paid by Vivendi SA (€1.40 per share)	18	-	-	-	-	-	(1,731)	-	-	(1,731)	(1,731)
Capital increase related to Vivendi SA's share-based compensation plans	21	9,926	55	97	11	163	41	-	-	41	204
of which Vivendi Employee Stock Purchase Plans (July 21, 2011)		*9,372*	*52*	*91*	*-*	*143*	*-*	*-*	*-*	*-*	*143*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**(5,983)**	**(12)**	**-**	**(5,995)**	**(5,995)**
of which acquisition of Vodafone's non-controlling interest in SFR	2.1	-	-	-	-	-	(6,037)	(12)	-	(6,049)	(6,049)
Activision Blizzard's stock repurchase program	18	-	-	-	-	-	(231)	-	-	(231)	(231)
sale of Activision Blizzard shares	18	-	-	-	-	-	236	-	-	236	236
Changes in equity attributable to Vivendi SA shareowners (A)		**9,926**	**55**	**97**	**(26)**	**126**	**(7,673)**	**(12)**	**-**	**(7,685)**	**(7,559)**
Contributions by/distributions to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(721)**	**-**	**-**	**(721)**	**(721)**
of which dividends paid by subsidiaries to non-controlling interests	18	-	-	-	-	-	(521)	-	-	(521)	(521)
interim dividend to Vodafone pursuant to the acquisition of its non-controlling interest in SFR	2.1	-	-	-	-	-	(200)	-	-	(200)	(200)
Changes in non-controlling interests that result in a gain/(loss) of control		**-**	**-**	**-**	**-**	**-**	**10**	**-**	**-**	**10**	**10**
Changes in non-controlling interests that do not result in a gain/(loss) of control		**-**	**-**	**-**	**-**	**-**	**(1,856)**	**12**	**-**	**(1,844)**	**(1,844)**
of which acquisition of Vodafone's non-controlling interest in SFR	2.1	-	-	-	-	-	(1,713)	12	-	(1,701)	(1,701)
Activision Blizzard's stock repurchase program	18	-	-	-	-	-	(271)	-	-	(271)	(271)
sale of Activision Blizzard shares	18	-	-	-	-	-	78	-	-	78	78
Changes in equity attributable to non-controlling interests (B)		**-**	**-**	**-**	**-**	**-**	**(2,567)**	**12**	**-**	**(2,555)**	**(2,555)**
Earnings		**-**	**-**	**-**	**-**	**-**	**3,727**	**-**	**-**	**3,727**	**3,727**
Charges and income directly recognized in equity	8	**-**	**-**	**-**	**-**	**-**	**12**	**90**	**182**	**284**	**284**
Total comprehensive income (C)		**-**	**-**	**-**	**-**	**-**	**3,739**	**90**	**182**	**4,011**	**4,011**
Total changes over the period (A+B+C)		***9,926***	***55***	***97***	***(26)***	***126***	***(6,501)***	***90***	***182***	***(6,229)***	***(6,103)***
Attributable to Vivendi SA shareowners		*9,926*	*55*	*97*	*(26)*	*126*	*(4,979)*	*70*	*172*	*(4,737)*	*(4,611)*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*(1,522)*	*20*	*10*	*(1,492)*	*(1,492)*
BALANCE AS OF DECEMBER 31, 2011		**1,247,263**	**6,860**	**8,225**	**(28)**	**15,057**	**7,094**	**23**	**(104)**	**7,013**	**22,070**
Attributable to Vivendi SA shareowners		*1,247,263*	*6,860*	*8,225*	*(28)*	*15,057*	*4,641*	*23*	*(274)*	*4,390*	*19,447*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*2,453*	*-*	*170*	*2,623*	*2,623*

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

Consolidated Statements of Changes in Equity

Year ended December 31, 2010

		Capital					Retained earnings and other				
		Common shares									
(in millions of euros, except number of shares)	Note	Number of shares (in thousands)	Amounts	Additional paid-in capital	Treasury shares	Sub-total	Retained earnings	Net unrealized gain/(losses)	Foreign currency translation	Sub-total	Total equity
BALANCE AS OF DECEMBER 31, 2009		**1,228,859**	**6,759**	**8,059**	**(2)**	**14,816**	**13,333**	**(81)**	**(2,080)**	**11,172**	**25,988**
Attributable to Vivendi SA shareowners		*1,228,859*	*6,759*	*8,059*	*(2)*	*14,816*	*9,379*	*(55)*	*(2,123)*	*7,201*	*22,017*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*3,954*	*(26)*	*43*	*3,971*	*3,971*
Contributions by/distributions to Vivendi SA shareowners		**8,478**	**46**	**69**	**-**	**115**	**(1,682)**	**-**	**-**	**(1,682)**	**(1,567)**
Dividends paid by Vivendi SA (€1.40 per share)	18	-	-	-	-	-	(1,721)	-	-	(1,721)	(1,721)
Capital increase related to Vivendi SA's share-based compensation plans	21	8,478	46	69	-	115	39	-	-	39	154
of which Vivendi Employee Stock Purchase Plans (July 29, 2010)		*7,141*	*39*	*59*	*-*	*98*	*-*	*-*	*-*	*-*	*98*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**(272)**	**-**	**-**	**(272)**	**(272)**
of which Activision Blizzard's stock repurchase program	18	-	-	-	-	-	(318)	-	-	(318)	(318)
Changes in equity attributable to Vivendi SA shareowners (A)		**8,478**	**46**	**69**	**-**	**115**	**(1,954)**	**-**	**-**	**(1,954)**	**(1,839)**
Contributions by/distributions to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(952)**	**-**	**-**	**(952)**	**(952)**
of which dividends paid by subsidiaries to non-controlling interests	18	-	-	-	-	-	(952)	-	-	(952)	(952)
Changes in non-controlling interests that result in a gain/(loss) of control		**-**	**-**	**-**	**-**	**-**	**3**	**-**	**-**	**3**	**3**
Changes in non-controlling interests that do not result in a gain/(loss) of control		**-**	**-**	**-**	**-**	**-**	**(351)**	**-**	**-**	**(351)**	**(351)**
of which Activision Blizzard's stock repurchase program	18	-	-	-	-	-	(409)	-	-	(409)	(409)
Changes in equity attributable to non-controlling interests (B)		**-**	**-**	**-**	**-**	**-**	**(1,300)**	**-**	**-**	**(1,300)**	**(1,300)**
Earnings		**-**	**-**	**-**	**-**	**-**	**3,522**	**-**	**-**	**3,522**	**3,522**
Charges and income directly recognized in equity	8	**-**	**-**	**-**	**-**	**-**	**(6)**	**14**	**1,794**	**1,802**	**1,802**
Total comprehensive income (C)		**-**	**-**	**-**	**-**	**-**	**3,516**	**14**	**1,794**	**5,324**	**5,324**
Total changes over the period (A+B+C)		***8,478***	***46***	***69***	***-***	***115***	***262***	***14***	***1,794***	***2,070***	***2,185***
Attributable to Vivendi SA shareowners		*8,478*	*46*	*69*	*-*	*115*	*241*	*8*	*1,677*	*1,926*	*2,041*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*21*	*6*	*117*	*144*	*144*
BALANCE AS OF DECEMBER 31, 2010		**1,237,337**	**6,805**	**8,128**	**(2)**	**14,931**	**13,595**	**(67)**	**(286)**	**13,242**	**28,173**
Attributable to Vivendi SA shareowners		*1,237,337*	*6,805*	*8,128*	*(2)*	*14,931*	*9,620*	*(47)*	*(446)*	*9,127*	*24,058*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*3,975*	*(20)*	*160*	*4,115*	*4,115*

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

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Notes to the Consolidated Financial Statements

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

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

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

On February 28, 2012, during a meeting held at the headquarters of the company, the Management Board approved the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2011. Having considered the Audit Committee's recommendation given at its meeting held on February 23, 2012, the Supervisory Board, at its meeting held on February 29, 2012, reviewed the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2011, as approved by the Management Board on February 28, 2012.

On April 19, 2012, the Consolidated Financial Statements for the year ended December 31, 2011 will be submitted for approval at Vivendi's Annual General Shareholders' meeting.

Note 1. Accounting policies and valuation methods

1.1. Compliance with accounting standards

The 2011 Consolidated Financial Statements of Vivendi SA have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and in accordance with IFRS published by the International Accounting Standards Board (IASB) with mandatory application as of December 31, 2011.

1.2. Presentation of the Consolidated Financial Statements

1.2.1. Consolidated Statement of Earnings

Change in the presentation of the Consolidated Statement of Earnings as of January 1, 2011

In view of the practice of other French companies that adopted IFRS 3 and IAS 27 revised in 2010 (early adopted by Vivendi in 2009), Vivendi made the following change in the presentation of its Consolidated Statement of Earnings as of January 1, 2011:

- the impacts related to financial investing transactions, which were previously reported in "other financial charges and income" are reclassified to other charges and income in "Earnings Before Interest and Income Taxes" (EBIT). They include losses and gains recognized in business combinations, capital gains or losses related to divestitures or the depreciation of equity affiliates and other financial investments, as well as consolidation gains or losses incurred from the gain or loss of control in a business. The reclassified amounts represented a net charge of €52 million and €305 million for the fourth quarter of 2010 and fiscal year 2010, respectively;
- the impacts related to transactions with shareowners (except if directly recognized in equity), which were previously reported in "other financial charges and income" are similarly reclassified to "EBIT", in particular the €450 million reversal of reserve recognized as of December 31, 2010 as part of the Securities Class Action in the United States; and
- moreover, both charges and income related to financial investing transactions as well as other financial charges and income are presented as separate single lines and are no longer offset on the face of the Consolidated Statement of Earnings.

In accordance with IAS 1, Vivendi has applied this change in presentation to all periods previously published. Given these reclassifications, "EBIT" for the fourth quarter of 2010 and fiscal year 2010 was €1,028 million (compared to €630 million as published in 2010) and €5,016 million (compared to €4,871 million, as published in 2010), respectively.

1.2.2. Consolidated Statement of Cash Flows

Net cash provided from operating activities

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

Notes to the Consolidated Financial Statements

Net cash used for investing activities

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

Net cash used for financing activities

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

1.2.3. Operating performance of each operating segment and of the group

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

EBITA

Vivendi considers EBITA, a non-GAAP measure, to be a relevant measure to assess its operating segments performance as reported in the segment data. The method used in calculating EBITA excludes the accounting impact of the amortization of intangible assets acquired through business combinations, impairment losses on goodwill and other intangibles acquired through business combinations, and other financial income and charges related to financial investing transactions and to transactions with shareowners. This enables Vivendi to measure and compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or acquisitions.

The difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, impairment losses on goodwill and other intangibles acquired through business combinations, as well as other financial income and charges related to financial investing transactions and to transactions with shareowners that are included in EBIT.

Adjusted net income

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

- EBITA (**);
- income from equity affiliates (*) (**);
- interest (*) (**), corresponding to interest expense on borrowings net of interest income earned on cash and cash equivalents;
- income from investments (*) (**), including dividends and interest received from unconsolidated companies; and
- taxes and non-controlling interests related to these items.

It does not include the following items:

- amortization of intangibles acquired through business combinations (**) as well as impairment losses on goodwill and other intangibles acquired through business combinations (*) (**);
- other income and charges related to financial investing transactions and to transactions with shareowners (*), as defined above, in paragraph 1.2.1;
- other financial charges and income (*) (**), corresponding to the profit and loss related to the change in value of financial assets and the termination or change in value of financial liabilities, which primarily include changes in fair value of derivative instruments, premiums in connection with the early redemption of borrowings, the early unwinding of derivative instruments, the cost of issuing or cancelling credit facilities, the cash impact of foreign exchange transactions (other than those related to operating activities, included in the EBIT), as well as the effect of undiscounting assets and liabilities, and the financial components of employee benefits (interest cost and expected return on plan assets);
- earnings from discontinued operations (*) (**); and
- provisions for income taxes and adjustments attributable to non-controlling interests and non-recurring tax items (notably the changes in deferred tax assets pursuant to the Consolidated Global Profit Tax System and Vivendi SA's tax group, and the reversal of tax liabilities relating to risks extinguished over the period).

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

Notes to the Consolidated Financial Statements

Cash Flow From Operations (CFFO)

Vivendi considers cash flow from operations (CFFO), a non-GAAP measure, to be a relevant measure to assess the group's operating and financial performance. The CFFO includes net cash provided by operating activities, before income tax paid, as presented in the Statement of Cash Flows, as well as dividends received from equity affiliates and unconsolidated companies. It also includes capital expenditures, net that relate to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

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

1.2.4. Consolidated Statement of Financial Position

Assets and liabilities that are expected to be realized, or intended for sale or consumption, within the entity's normal operating cycle (generally 12 months), are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities. Moreover, certain reclassifications have been made to the 2010 and 2009 Consolidated Financial Statements to conform to the presentation of the 2011 and 2010 Consolidated Financial Statements.

1.3. Principles governing the preparation of the Consolidated Financial Statements

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

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

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

1.3.1. Use of estimates

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

The main estimates and assumptions relate to the measurement of:

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

Given the current economic crises Vivendi has fully reviewed the valuation of its financial assets and liabilities. This review did not have any significant impact on the 2011 Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1.3.2. Principles of consolidation

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

Consolidation

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

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

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

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

Equity accounting

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

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

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

1.3.3. Foreign currency translation

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

Foreign currency transactions

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

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro are translated into euros as follows: the Consolidated Statement of Financial Position is translated at the exchange rate at the end of the period, and the Consolidated Statement of Earnings and the Consolidated Statement of Cash Flow are translated using average monthly exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in charges and income directly recognized in equity. In accordance with IFRS 1, Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences resulted from the translation into euro of the financial statements of subsidiaries having foreign currencies as their functional currencies. Consequently, these adjustments are not applied to earnings on the subsequent divestiture of subsidiaries, joint ventures or associates, whose functional currency is not the euro.

Notes to the Consolidated Financial Statements

1.3.4. Revenues from operations and associated costs

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

1.3.4.1. Activision Blizzard

Video games

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

Deferral of Activision Blizzard revenues

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

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

Deferral of Blizzard's MMORPG revenues

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

Other revenues

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

Costs of revenues

Costs of revenues include manufacturing, warehousing, shipping and handling costs, royalty, research and development expenses, and the amortization of capitalized software development costs. Costs of sales associated with revenues from the sale of boxes for video games with significant online functionality are recorded ratably according to the same method for revenues.

1.3.4.2. Universal Music Group (UMG)

Recorded music

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

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

Music publishing

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

Costs of revenues

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

Notes to the Consolidated Financial Statements

1.3.4.3. SFR, Maroc Telecom Group, and GVT

Separable components of bundled offers

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

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

Equipment rentals

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

Content sales

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

Custom contracts

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

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

In the case of IRU agreements and certain lease or service contracts, services are paid in advance the first year. Where the contract is not qualified as a finance lease, these non-refundable advance payments are recorded as deferred income and recognized ratably over the contract term. The deferral period is thus between 10 and 25 years for IRU agreements and between 1 and 25 years for leases or service contracts.

Costs of revenues

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

1.3.4.4. Canal+ Group

Pay television

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

Equipment rentals

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

Film and television programming

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

Notes to the Consolidated Financial Statements

1.3.4.5. Other

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

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

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

Advertising costs are expensed as incurred.

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

1.3.5. Assets

1.3.5.1. Capitalized financial interest

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

1.3.5.2. Goodwill and business combinations

Business combinations from January 1, 2009

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

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

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

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

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

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

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

Business combinations prior to January 1, 2009

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

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

1.3.5.3. Content assets

Activision Blizzard

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

UMG

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

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

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

Canal+ Group

Film, television or sports broadcasting rights

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

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

Theatrical film and television rights produced or acquired to be sold

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

Film and television rights catalogs

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

Notes to the Consolidated Financial Statements

1.3.5.4. Research and development costs

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

Cost of software for rental, sale or commercialization

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

Cost of internal use software

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

1.3.5.5. Other intangible assets

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

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

SFR, Maroc Telecom Group and GVT

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

1.3.5.6. Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

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

1.3.5.7. Asset impairment

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

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

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method (DCF)) by using cash flow projections consistent with the 2012 budget and the most recent forecasts prepared by the operating segments. The applied discount rates reflect the current assessment by the market of the time value of money and risks specific to each asset or group of assets. In particular, the perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets for each CGU or group of CGUs, and beyond the period covered, are consistent with growth rates estimated by the company by extrapolating growth rates used in the budgets, without exceeding the long-term average growth rate for the markets in which the group operates.

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

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

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

Notes to the Consolidated Financial Statements

1.3.5.8. Financial assets

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

Financial assets at fair value

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

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

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

Financial assets at amortized cost

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

1.3.5.9. Inventories

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

1.3.5.10. Trade account receivables

Trade accounts receivable are initially recognized at fair value, which generally equals the nominal value. Provisions for impairment of receivables are specifically evaluated in each business unit, generally using a default percentage based on the unpaid amounts during one reference period related to revenues for this same period. Thus, for the group's businesses which are based partly or fully on subscription (Activision Blizzard, SFR, GVT and Canal+ Group), the depreciation rate of trade account receivables is assessed on the basis of historical account receivables from former customers, primarily on a statistical basis. In addition, account receivables from customers subject to insolvency proceedings or customers with whom Vivendi is involved in litigation or a dispute are generally impaired in full.

1.3.5.11. Cash and cash equivalents

The "cash and cash equivalents" category consists of cash in banks, monetary UCITS, which satisfy AMF position No. 2011-13, and other highly liquid investments with initial maturities of generally three months or less. Investments in securities, investments with initial maturities of more than three months without the possibility of early termination and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets. Moreover, the historical performance of the investments is monitored regularly to confirm their cash equivalents accounting classification.

Notes to the Consolidated Financial Statements

1.3.6. Assets held for sale and discontinued operations

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

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

1.3.7. Financial liabilities

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

Borrowings

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

Commitments to purchase non-controlling interests

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

The following accounting treatment has been adopted for commitments granted on or after January 1, 2009:
- upon initial recognition, the commitment to purchase non-controlling interests is recognized as a financial liability for the present value of the purchase consideration under the put option or forward purchase contract, mainly offset through book value of non-controlling interests and the remaining balance through equity attributable to Vivendi SA shareowners;
- subsequent changes in the value of the commitment are recognized as a financial liability by an adjustment to equity attributable to Vivendi SA shareowners; and
- on maturity of the commitment, if the non-controlling interests are not purchased, the entries previously recognized are reversed; if the non-controlling interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the non-controlling interests.

Derivative financial instruments

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

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

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

1.3.8. Other liabilities

Provisions

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

Employee benefit plans

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

Defined contribution plans

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

Defined benefit plans

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

Pension expenses are determined by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2010 and 2011, and the means of determining these assumptions, are presented in Note 20. As such, the group recognizes pension-related assets and liabilities and the related net expense.

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

Notes to the Consolidated Financial Statements

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

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

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

1.3.9. Deferred taxes

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

1.3.10. Share-based compensation

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

In addition, Activision Blizzard maintains several share-based compensation plans (restricted shares) or other equity instruments based on the value of the share price (stock options), which are settled in equity instruments. Grants under these plans are approved by the Board of Directors of Activision Blizzard. The final grant of these rights is contingent upon the achievement of specific performance objectives set by the Board of Directors.

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

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

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

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

However, depending on whether the equity instruments granted are equity-settled or cash-settled, the valuation and recognition of the expense will differ:

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

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

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

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

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

Notes to the Consolidated Financial Statements

1.4. Related parties

Group-related parties are those companies over which the group exercises an exclusive control, joint control or significant influence, shareholders exercising joint control over group joint ventures, non-controlling interests exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise an exclusive control, joint control, or significant influence.

The transactions realized with the subsidiaries on which the group exercises a control are eliminated in the intersegment operations (a list of the principal consolidated subsidiaries is presented in Note 28). Moreover, commercial relationships among subsidiaries of the group, aggregated in operating segments, are conducted on an arm's length basis under terms and conditions similar to those which would be offered by third parties. The cost of Vivendi SA's headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the group's businesses, are included in the Holding and Corporate operating segment. (Please refer to Note 3 for a detailed description of transactions between the parent company and the subsidiaries of the group, aggregated by operating segments).

1.5. Contractual obligations and contingent assets and liabilities

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

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

1.6. New IFRS standards and IFRIC interpretations that have been published but are not yet effective

The IFRS accounting standards and IFRIC interpretations issued by IASB / IFRIC and adopted in the EU at the date of approval of the Consolidated Financial Statements, but which are not yet effective, for which Vivendi has not elected for an early application, and which are likely to have an impact on Vivendi, should not materially affect the Statement of Earnings, the Statement of Financial Position, the Statement of Cash Flows, and the content of the notes to the Consolidated Financial Statements starting January 1, 2012.

Notes to the Consolidated Financial Statements

Note 2. Major changes in the scope of consolidation

2.1. Acquisition of Vodafone's 44% interest in SFR

In accordance with the agreement entered into on April 3, 2011, Vivendi acquired on June 16, 2011, a 44% interest in SFR from Vodafone for a total amount of €7,950 million, which was paid entirely in cash. This transaction valued the 44% interest in SFR at €7,750 million as of January 1, 2011 to which was added a lump sum of €200 million related to the amount of cash generated by SFR between January 1 and June 30, 2011, paid as an interim dividend by SFR. In addition, SFR and Vodafone have agreed to extend their commercial cooperation for an additional 3-year period.

In accordance with IAS 27 revised, this transaction was accounted for as a purchase of non-controlling interests and accordingly the consideration paid was fully recognized as a deduction from equity. The difference between the consideration paid and the carrying value of non-controlling interests acquired as of June 16, 2011, i.e., a net amount of €6,049 million, has been recorded as a deduction from equity attributable to Vivendi SA shareowners.

2.2. Sale of the 20% interest in NBC Universal

At the conclusion of the NBC Universal transaction completed in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. Pursuant to the agreements entered into between Vivendi and GE, Vivendi and GE shared governance rights and each had a right to receive any dividends paid by NBC Universal pro rata to its then-current interest. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE under an agreement (as amended, the "2009 Agreement"), entered into in connection with GE's concurrent agreement with Comcast Corporation ("Comcast") to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the "Comcast Transaction"). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for $5.8 billion, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction and the accounting treatment was as follows:

- On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for $2.0 billion (with an additional $222 million remaining to be paid upon the sale of the remaining interest). This sale resulted in a capital loss of €232 million, mostly comprised of foreign currency translation adjustments reclassified to earnings for €281 million, representing the foreign exchange loss attributable to the decline of the US dollar since January 1, 2004.
- The remainder of Vivendi's interest, or 12.34% of NBC Universal, was sold to GE on January 25, 2011 for $3.8 billion (which includes an additional $222 million received in relation to the previously sold 7.66% interest). This sale resulted in a capital loss of €421 million, mostly comprised of foreign currency translation adjustment reclassified to earnings for €477 million.
- In parallel, starting in December 2009, Vivendi gradually hedged its investment in NBC Universal using currency forward sales contracts denominated in US dollars, at an average exchange rate of 1.33 US dollar/Euro. From an accounting perspective, these forward contracts were qualified as net investment hedges in NBC Universal. On September 26, 2010, forward sales contracts for a nominal value of $2,000 million were unwound for €1,425 million. On January 25, 2011, forward sales contracts for a nominal value of $3,800 million were unwound for €2,921 million, of which €2,883 million was received at this date and €38 million was received during 2010.

In total, Vivendi sold its 20% interest in NBC Universal for $5,800 million, which was exchanged for €4,346 million according to hedging transactions, and recognized a capital loss of €653 million, mostly comprised of foreign currency translation adjustments reclassified to earnings for €758 million, representing a foreign exchange loss primarily attributable to the decline of the US dollar since January 1, 2004.

In addition, Vivendi received its pro rata share of dividends for the period from January 1, 2010 to January 25, 2011 (the date of sale), totaling $408 million. This amount included the balance of the contractual dividend paid by GE to Vivendi on January 25, 2011 as part of the completion of the sale by Vivendi of its interest in NBC Universal for $95 million, recognized as income from financial investments.

2.3. Agreements to settle litigation over the share ownership of PTC in Poland

On December 14, 2010, Vivendi, Deutsche Telekom, Mr. Solorz-Zak (Elektrim's main shareholder) and Elektrim's creditors, including the Polish State and Elektrim's bondholders, entered into various agreements to put an end to the litigation surrounding the share capital ownership of Polska Telefonia Cyfrowa (PTC), a mobile telecommunication operator. Due to the litigation proceedings which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim, the legal uncertainty surrounding the ownership of Telco's interest in PTC prevented Telco from exercising joint control over PTC, in accordance with PTC's by-laws. As a result, Vivendi did not consolidate its interest in PTC, whose carrying value was decreased to zero as from the year ended December 31, 2006.

On January 14, 2011, upon satisfaction of the conditions precedent set forth in these agreements, Vivendi received €1,254 million and waived its rights to the shares of PTC, consequently settling all litigation surrounding PTC's share capital ownership.

Notes to the Consolidated Financial Statements

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

- Vivendi granted to Deutsche Telekom a guarantee over Carcom that was capped at an amount of €600 million maturing in August 2013;
- Vivendi committed to compensate Elektrim SA (Elektrim) for the tax consequences of the transaction, with a cap at an amount of €20 million. This commitment expired in July 2011 but the claims have not yet been settled;
- Vivendi committed to compensate Law Debenture Trust Company (LDTC) against any recourse for damages that could be brought against LDTC in connection with the completed transaction, for an amount up to 18.4% for the first €125 million, 46% between €125 million and €288 million, and 50% thereafter; and
- Vivendi committed to compensate Elektrim's administrator for the consequences of any action for damages that may be taken against it, in connection with the decisions that were taken to end certain procedures.

2.4. Other changes in the scope of consolidation

SFR – Launch of La Poste Mobile

Following approval of the French Competition Authority on January 28, 2011, SFR and La Poste formed a joint venture, La Poste Telecom, held at 49% and 51%, respectively. This joint venture, a new mobile virtual network operator on the mobile retail market, offers a full set of mobile telephony services, which have been sold since May 23, 2011 under the "La Poste Mobile" brand, benefiting from La Poste's sales point network.

UMG – Sale of a 51% interest in Beats Electronics, LLC

In August 2011, HTC Corporation committed to acquire for $300 million (approximately €222 million) a 51% interest in Beats Electronics LLC, 21.1% of which is held by Universal Music Group (UMG). In October 2011, this transaction was approved by the Competition Authority and UMG recorded a €89 million gain, corresponding to the share of capital gain incurred on the sale and to the remeasurement of its remaining 10.4% interest at market value.

Canal+ Group – Acquisition of a 51% interest in Tandem Communications by StudioCanal

In December 2011, StudioCanal acquired a 51% interest in Tandem Communications, a German company which produces and distributes television series worldwide, for a cash consideration of €11 million.

Acquisition of See Tickets

On August 23, 2011, Vivendi acquired a 100% interest in See Tickets, a British ticketing company for a purchase price of €95 million (£83 million) on the basis of a €75 million enterprise value and a €20 million net cash acquired.

2.5. Transactions underway as of December 31, 2011

Acquisition project of EMI Recorded Music by Vivendi and Universal Music Group (UMG)

On November 11, 2011, Vivendi and Universal Music Group (UMG) signed an agreement with Citigroup Inc (Citi) to purchase 100% of the recorded music businesses of EMI Group Global Limited (EMI). The expected gross purchase price (enterprise value) will be £1,200 million (approximately €1,400 million). Including certain debt-like items (£150 million), the adjusted purchase price is £1,050 million (approximately €1,250 million). Closing of the agreement remains subject to a number of conditions, including approvals from regulatory authorities in the countries and continents concerned. Regulatory approval is required in at least the European Union, the United States, Japan, and Australia; the agreement provides for Vivendi to assume full regulatory risk. As part of the acquisition, Citi agreed to assume the full pension commitments in the United Kingdom, and UMG also received commitments customary for this type of transaction. In addition, Citi undertook to indemnify UMG against losses stemming from taxes and litigation claims.

Of the above mentioned adjusted purchase price, approximately £1,036 million (approximately €1,200 million), which includes an interest element calculated from the date of signing the agreement to the date of payment, is payable at the earliest at expiry of any relevant waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 of the United States and at the latest in September 2012. The remaining amount is payable on closing. The final purchase consideration will be adjusted for cash generated by EMI since July 1, 2011 as well as certain other costs incurred during the regulatory period.

Vivendi will finance this transaction from its existing credit lines and from the proceeds of the sale of €500 million worth of non-core UMG assets. Besides, UMG is expected to generate above £100 million per annum in synergies primarily through overhead efficiencies.

Acquisition project of Bolloré Group's channels by Canal+ Group

On December 2, 2011, Bolloré Group and Canal+ Group announced the entry into a definitive agreement regarding the acquisition by Canal+ Group in Bolloré Group's free-to-air channels, Direct 8 and Direct Star. This agreement is currently being submitted to the Competition Authority and media authorities for approval.
This agreement provided for the acquisition of a 60% interest in Bolloré Group's television business at the closing of the transaction, financed in shares by an issue of 16.2 million Vivendi shares.

This agreement included put and call options that Bolloré Group and Canal+ Group would grant, respectively, relating to the remaining 40% interest in the channels exercisable within 3 years and payable in cash (for €186 million).
In addition, Canal+ Group had the option to acquire 100% in Bolloré Group's television business in one time, in exchange for an issue of 22.4 million Vivendi shares. This option was exercised in February 2012.

Notes to the Consolidated Financial Statements

Moreover, Bolloré Group undertook to retain the received Vivendi shares with respect to the transaction completion for a minimum period of six months after closing of the transaction.

Strategic partnership among the Canal+, ITI, and TVN groups in Poland

On December 19, 2011, the Canal+, ITI and TVN groups announced that they entered into a strategic partnership to combine their Polish pay-TV businesses (Cyfra+ and "n") and for Canal+ Group to become a key shareholder in TVN.

Canal+ Group will contribute its interest in Cyfra+ to become the controlling shareholder of the newly-created pay-TV platform with 51% interest (TVN and UPC owning 32% and 17%, respectively). In addition, Canal+ Group will pay a total cash consideration of approximately €230 million to acquire a 40% minority interest stake in N-Vision, the parent Company of Polish Television Holding, which in turn owns a 51% majority interest in TVN. ITI Group will continue to own the remaining 60% controlling interest in N-Vision.

The key liquidity rights under the agreements are as follows:

- At the pay-TV level:
  - Canal+ Group has a call option on TVN's 32% interest in the newly created pay-TV Company, that may be exercised either three or four years after closing;
  - In the event that Canal+ Group does not exercise its call option, TVN has liquidity rights in the form of an IPO, exercisable starting four years after closing; and
  - The combined DTH platform will be fully consolidated by Canal+ Group.

  The combination of the pay-TV operations has also been approved by UPC, which will remain a minority shareholder with a 17% stake in the newly created pay-TV Company.
- At the N-Vision level (TVN holding Company):
  - Canal+ Group has granted a €120 million loan to ITI Group as an advance payment to be reimbursed by compensation against the acquisition price upon closing of the transaction. The funds are to be used by ITI Group for the buy-out of a 33% interest in ITI Group held by members of the Wejchert family;
  - ITI Group has a put option on an additional 9% interest in N-Vision to Canal+ Group, that may be exercised in two years after the signing of these agreements;
  - Canal+ Group has the option to acquire ITI Group's remaining interest in N-Vision, three or four years after closing; and
  - Both Canal+ Group and ITI Group benefit from effective liquidity rights (sale of N-Vision) allowing for a full exit in the event that Canal+ Group does not exercise its call option over ITI Group's interest in TVN.

The closing of this transaction, which is expected to take place during the second half of 2012, remains subject to approval from the relevant regulatory authorities.

Acquisition of a non-controlling interest in Orange Cinema Series

In November 2011, Multithématiques and Orange Cinema Series entered into a memorandum of agreement under which Canal+ Group, through its subsidiary Multithématiques, would acquire a 33% interest in a new company that would hold the commercial property of Orange Cinema Series and Canal+ Distribution would distribute the channels included in the Orange Cinema Series package through CanalSat.

Notes to the Consolidated Financial Statements

Note 3. Segment data

3.1. Operating segment data

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

- **Activision Blizzard**: development, publishing and distribution of interactive entertainment software, online or on other media (such as console and PC);
- **Universal Music Group**: sale of recorded music (physical and digital media), exploitation of music publishing rights as well as artist services and merchandising;
- **SFR**: a telecommunication operator (mobile, broadband Internet and fixed telecommunications) in France;
- **Maroc Telecom Group**: a telecommunication operator (mobile, fixed telecommunications and Internet) in Africa, predominantly in Morocco as well as in Mauritania, Burkina Faso, Gabon, and Mali;
- **GVT**: a Brazilian fixed telecommunication and broadband Internet operator and, since October 2011, Brazilian pay-TV provider; and
- **Canal+ Group**: publishing and distribution of premium and thematic pay-TV channels in metropolitan France, Poland, Africa, French overseas territories and Vietnam as well as cinema film production and distribution in Europe, and the organization of sporting events.

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

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

- the operating segment "**Holding & Corporate**" includes the cost of Vivendi SA's headquarters in Paris and of its New York City office, after the allocation of a portion of these costs to each of the businesses;
- the operating segment "**Non-core operations and others**" includes notably Vivendi Mobile Entertainment (which operates a service selling digital content on the Internet and on mobile phones under the "zaOza" brand), Wengo (the French leader in expert advisory services by phone), Digitick (the French leader in web ticketing), and See Tickets (a British ticketing company);
- intersegment commercial relations are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties;
- information on the operating segments presented hereunder is strictly identical to the information given to Vivendi's Management Board; and
- in addition, the VTI/SFR merger had no impact on the Group's internal reporting; SFR and Maroc Telecom's operational performance are still separately reported to Vivendi's Management.

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

Notes to the Consolidated Financial Statements

Consolidated Statements of Earnings

	Year ended December 31, 2011									
(in millions of euros)	**Activision Blizzard**	**Universal Music Group**	**SFR**	**Maroc Telecom Group**	**GVT**	**Canal+ Group**	**Holding & Corporate**	**Non-core operations and others**	**Elimina-tions**	**Total Vivendi**
External revenues	3,432	4,188	12,170	2,701	1,446	4,840	-	36	-	28,813
Intersegment revenues	-	9	13	38	-	17	-	5	(82)	-
Revenues	**3,432**	**4,197**	**12,183**	**2,739**	**1,446**	**4,857**	**-**	**41**	**(82)**	**28,813**
Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans	(2,185)	(3,563)	(8,360)	(1,237)	(842)	(3,934)	(95)	(57)	82	(20,191)
Charges related to stock options and other share-based compensation plans	(73)	(11)	(23)	(2)	(3)	(10)	(6)	(1)	-	(129)
EBITDA	**1,174**	**623**	**3,800**	**1,500**	**601**	**913**	**(101)**	**(17)**	**-**	**8,493**
Restructuring charges	(19)	(67)	(12)	-	-	-	(2)	-	-	(100)
Gains/(losses) on sales of tangible and intangible assets	(3)	-	(2)	-	(2)	(1)	-	-	-	(8)
Other non-recurring items	-	-	5	1	-	-	4	(1)	-	9
Depreciation of tangible assets	(52)	(49)	(919)	(318)	(181)	(141)	(1)	(1)	-	(1,662)
Amortization of intangible assets excluding those acquired through business combinations	(89)	-	(594)	(94)	(22)	(70)	-	(3)	-	(872)
Adjusted earnings before interest and income taxes (EBITA)	**1,011**	**507**	**2,278**	**1,089**	**396**	**701**	**(100)**	**(22)**	**-**	**5,860**
Amortization of intangible assets acquired through business combinations	(53)	(272)	(67)	(27)	(59)	(32)	-	-	-	(510)
Impairment losses on intangible assets acquired through business combinations	(4)	(7)	-	-	-	(386)	-	-	-	(397)
Reversal of reserve regarding the Securities Class Action in the United States										-
Other income										1,385
Other charges										(656)
Earnings before interest and income taxes (EBIT)										**5,682**
Income from equity affiliates										(18)
Interest										(481)
Income from investments										75
Other financial income										14
Other financial charges										(167)
Provision for income taxes										(1,378)
Earnings from discontinued operations										-
Earnings										**3,727**
Of which										
Earnings attributable to Vivendi SA shareowners										**2,681**
Non-controlling interests										1,046

Notes to the Consolidated Financial Statements

(in millions of euros)	Year ended December 31, 2010									
	Activision Blizzard	Universal Music Group	SFR	Maroc Telecom Group	GVT	Canal+ Group	Holding & Corporate	Non-core operations and others	Elimina-tions	Total Vivendi
External revenues	3,330	4,437	12,571	2,796	1,029	4,699	-	16	-	28,878
Intersegment revenues	-	12	6	39	-	13	-	3	(73)	-
Revenues	**3,330**	**4,449**	**12,577**	**2,835**	**1,029**	**4,712**	**-**	**19**	**(73)**	**28,878**
Operating expenses excluding amortization and depreciation as well as charges related to share-based compensation plans	(2,336)	(3,867)	(8,587)	(1 166)	(597)	(3,784)	(117)	(49)	73	(20,430)
Charges related to stock options and other share-based compensation plans	(93)	(11)	(17)	(2)	(1)	(8)	(6)	(1)	-	(139)
EBITDA	**901**	**571**	**3,973**	**1,667**	**431**	**920**	**(123)**	**(31)**	**-**	**8,309**
Restructuring charges	(2)	(60)	(26)	-	-	-	(2)	-	-	(90)
Gains/(losses) on sales of tangible and intangible assets	(1)	-	(15)	8	-	(1)	-	-	-	(9)
Other non-recurring items	-	-	-	(1)	-	-	(1)	1	-	(1)
Depreciation of tangible assets	(51)	(40)	(856)	(294)	(134)	(150)	(1)	(1)	-	(1,527)
Amortization of intangible assets excluding those acquired through business combinations	(155)	-	(604)	(96)	(20)	(79)	-	(2)	-	(956)
Adjusted earnings before interest and income taxes (EBITA)	**692**	**471**	**2,472**	**1,284**	**277**	**690**	**(127)**	**(33)**	**-**	**5,726**
Amortization of intangible assets acquired through business combinations	(92)	(296)	(98)	(28)	(57)	(32)	-	-	-	(603)
Impairment losses on intangible assets acquired through business combinations	(217)	(35)	-	-	-	-	-	-	-	(252)
Reversal of reserve regarding the Securities Class Action in the United States										450
Other income										53
Other charges										(358)
Earnings before interest and income taxes (EBIT)										**5,016**
Income from equity affiliates										195
Interest										(492)
Income from investments										7
Other financial income										16
Other financial charges										(178)
Provision for income taxes										(1,042)
Earnings from discontinued operations										-
Earnings										**3,522**
Of which										
Earnings attributable to Vivendi SA shareowners										**2,198**
Non-controlling interests										1,324

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

Notes to the Consolidated Financial Statements

Consolidated Statements of Financial Position

(in millions of euros)	Activision Blizzard	Universal Music Group	SFR	Maroc Telecom Group	GVT	Canal+ Group	Holding & Corporate	Non-core operations and others	Total Vivendi
December 31, 2011									
Segment assets (a)	4,117	7,594	20,065	6,134	4,759	7,424	150	209	50,452
incl. investments in equity affiliates	-	*85*	*45*	-	-	*5*	-	-	*135*
Unallocated assets (b)									5,267
Total Assets									**55,719**
Segment liabilities (c)	1,998	2,764	4,077	1,690	618	2,829	2,980	50	17,006
Unallocated liabilities (d)									16,643
Total Liabilities									**33,649**
Increase in tangible and intangible assets	32	55	1,845	515	748	261	1	4	3,461
Net industrial investments (capex, net) (e)	52	52	1,809	466	705	251	1	4	3,340
December 31, 2010									
Segment assets (a)	4,372	7,679	20,029	6,060	4,501	7,537	2,976	117	53,271
incl. investments in equity affiliates	*2*	*96*	*18*	-	-	*11*	*2,779*	-	*2,906*
Unallocated assets (b)									5,722
Total Assets									**58,993**
Segment liabilities (c)	2,206	2,494	7,606	1,607	452	2,881	302	6	17,554
Unallocated liabilities (d)									13,266
Total Liabilities									**30,820**
Increase in tangible and intangible assets	80	42	1,956	585	535	219	1	2	3,420
Net industrial investments (capex, net) (e)	75	38	1,974	556	482	229	1	2	3,357

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

(a) Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade account receivables, and other.

(b) Unallocated assets include deferred tax assets, current tax receivables as well as cash and cash equivalents.

(c) Segment liabilities include provisions, other non-current liabilities, and trade accounts payable.

(d) Unallocated liabilities include borrowings and other financial liabilities, deferred tax liabilities, and current tax payables.

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

Notes to the Consolidated Financial Statements

3.2. Geographical information

Revenues are broken down by the customers' location.

(in millions of euros)	Year ended December 31, 2011		2010	
Revenues				
France	16,800	*58%*	17,097	*59%*
Rest of Europe	3,173	*11%*	3,061	*10%*
United States	3,085	*11%*	3,375	*12%*
Morocco	2,166	*8%*	2,296	*8%*
Brazil	1,527	*5%*	1,084	*4%*
Rest of the World	2,062	*7%*	1,965	*7%*
	28,813	***100%***	**28,878**	***100%***

(in millions of euros)	December 31, 2011		December 31, 2010	
Segment assets				
France	27,339	*54%*	27,543	*52%*
Rest of Europe	1,958	*4%*	1,747	*3%*
United States	9,772	*19%*	12,936	*24%*
Morocco	4,620	*9%*	4,610	*9%*
Brazil	4,791	*10%*	4,533	*9%*
Rest of the World	1,972	*4%*	1,902	*3%*
	50,452	***100%***	**53,271**	***100%***

In 2011 and 2010, capital expenditures were mainly realized in France by SFR and Canal+ Group, in Morocco by Maroc Telecom SA, and in Brazil by GVT.

Notes to the Consolidated Financial Statements

Note 4. EBIT

Breakdown of revenues and cost of revenues

(in millions of euros)	Year ended December 31, 2011	2010
Product sales, net	7,598	7,683
Services revenues	21,175	21,169
Other	40	26
Revenues	**28,813**	**28,878**
Cost of products sold, net	(4,811)	(5,342)
Cost of service revenues	(9,585)	(9,220)
Other	5	1
Cost of revenues	**(14,391)**	**(14,561)**

Personnel costs and average employee numbers

(in millions of euros except number of employees)	Note	Year ended December 31, 2011	2010
Annual average number of full-time equivalent employees (in thousands)		**58.4**	**54.6**
Salaries		2,396	2,325
Social security and other employment charges		654	622
Capitalized personnel costs		(211)	(218)
Wages and expenses		**2,839**	**2,729**
Share-based compensation plans	21.1	129	139
Employee benefit plans	20.1	71	71
Other		266	286
Personnel costs		**3,305**	**3,225**

Additional information on operating expenses

Research and development expenditures amounted to -€722 million in 2011 (compared to -€835 million in 2010) and comprised all internal or external net costs brought to earnings for the periods reported.

Advertising costs amounted to -€877 million in 2011 (compared to -€874 million in 2010).

Amortization and depreciation of intangible and tangible assets

(in millions of euros)	Note	Year ended December 31, 2011	2010
Amortization (excluding intangible assets acquired through business combinations)		2,534	2,483
of which property, plant and equipment	12	*1,662*	*1,527*
content assets	10	*117*	*187*
other intangible assets	11	*755*	*769*
Amortization of intangible assets acquired through business combinations		510	603
of which content assets	10	*320*	*379*
other intangible assets	11	*190*	*224*
Impairment losses on intangible assets acquired through business combinations (a)	9-10	397	252
Amortization and depreciation of intangible and tangible assets		**3,441**	**3,338**

(a) Mainly relates to the impairment of Canal+ France's goodwill (€380 million) in 2011, and to the impairment of certain content assets of UMG (€35 million) and Activision Blizzard (€217 million) in 2010.

Notes to the Consolidated Financial Statements

Other income and other charges

(in millions of euros)	Note	Year ended December 31, 2011	2010
Net gain related to the final settlement of the litigation over PTC share capital ownership in Poland	2	1,255	-
Capital gain on the divestiture of businesses		14	3
Capital gain on financial investments		93	45
of which the sale of UMG's interest in Beats Electronics	2	*89*	-
Other		23	5
Other income		**1,385**	**53**
Downside adjustment on the divestiture of businesses		(5)	(9)
Downside adjustment on financial investments		(421)	(242)
of which the capital loss on the sale of 12.34% interest in NBC Universal	2	*(421)*	-
the capital loss on the sale of 7.66% interest in NBC Universal	2	-	*(232)*
Other		(230)	(107)
of which settlements with the Brazilian Authorities	27	*(165)*	*(67)*
Other charges		**(656)**	**(358)**
Net total		**729**	**(305)**

Note 5. Financial charges and income

Interest

(in millions of euros)	Year ended December 31, 2011	2010
Interest expense on borrowings	529	521
Interest income from cash and cash equivalents	(48)	(29)
Interest	**481**	**492**
Fees and premium on borrowings and credit facilities issued/redeemed and early unwinding of hedging derivative instruments	*52*	*43*
	533	***535***

Other financial income and charges

(in millions of euros)	Note	Year ended December 31, 2011	2010
Expected return on plan assets related to employee benefit plans	20.2	9	9
Foreign exchange gain		-	7
Other		5	-
Other financial income		**14**	**16**
Effect of undiscounting liabilities (a)		(33)	(47)
Interest cost related to employee benefit plans	20.2	(35)	(36)
Fees and premium on borrowings and credit facilities issued/redeemed and early unwinding of hedging derivative instruments		(52)	(43)
Foreign exchange loss		(27)	(12)
Change in value of derivative instruments		(10)	(13)
Other		(10)	(27)
Other financial charges		**(167)**	**(178)**
Net total		**(153)**	**(162)**

(a) In accordance with accounting principles, when the effect of the time value of money is material, liabilities (mainly trade accounts payable and provisions) are recorded on the Statement of Financial Position in an amount corresponding to the present value of the expected expenses. At the end of each subsequent period, the present value of such liabilities is adjusted to account for the passage of time.

Notes to the Consolidated Financial Statements

Note 6. Income taxes

6.1. Consolidated Global Profit Tax System and French Tax Group System

On May 19, 2008, Vivendi applied to the French Ministry of Finance for the renewal of its authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code. Authorization was granted by an order dated March 13, 2009, for a three-year period beginning with the taxable year 2009 and ending with the taxable year 2011. On July 6, 2011, Vivendi applied to the French Ministry of Finance for the renewal of its authorization to use the Consolidated Global Profit System for a three-year period from 2012 to 2014. However, the changes in French Tax Law for the year 2011 terminated the Consolidated Global Profit Tax System as from September 6, 2011. In addition, it capped the deduction for tax losses carried forward at 60% of taxable income.

Under the Consolidated Global Profit Tax System, Vivendi was entitled to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that are at least 50% directly or indirectly owned by it, and that are located in France or abroad. Subsidiaries, in which Vivendi directly or indirectly owns at least 50% of the outstanding shares, either French or abroad, as well as Société d'Edition de Canal Plus (SECP) fall within the scope of the Consolidated Global Profit Tax System (Activision Blizzard, Universal Music Group, SFR, GVT, and Canal+ Group). Under the French Tax Group System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that are at least 95% directly or indirectly owned by it, and that are located in France: Universal Music, SFR (now 100% owned by Vivendi), and Canal+ Group (excluding Canal+ France and its subsidiaries, in which Vivendi directly or indirectly owns at most 80% of the outstanding shares). Under the French Tax Group System, Vivendi is entitled to use ordinary losses carried forward, albeit capped at 60% of the taxable income of the tax group.

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

- As of December 31, 2010, after taking into account the known consequences of the ongoing tax audits (please refer to Note 6.6 below), Vivendi carried forward losses of €7,945 million. On February 28, 2012, the date when the Management Board approves the Financial Statements for the year ended December 31, 2011, the 2011 tax results as of December 31, 2011 was determined as an estimate, and, as a consequence, the amount of ordinary tax losses available for carry forward at such date cannot be determined with certainty;
- Therefore, before the impact of (i) 2011 tax results and (ii) the potential consequences of the ongoing tax audits (please refer to Note 6.6 below) on the amount of ordinary tax losses carried forward, Vivendi SA is expected to achieve tax savings of €2,868 million (undiscounted value based on the current income tax rate of 36.10%); and
- As of December 31, 2011, Vivendi SA valued its tax losses carried forward under the French Tax Group System based on one year's forecast results, taken from the following year's budget. On this basis, Vivendi would benefit from the French Tax Group System tax savings in an amount of €372 million (undiscounted value based on the current income tax rate of 36.10%).

Notes to the Consolidated Financial Statements

6.2. Provision for income taxes

(in millions of euros)	Note	Year ended December 31, 2011	2010
(Charge)/Income			
Current			
Use of tax losses:			
Tax savings related to the Consolidated Global Profit Tax System and to Vivendi SA's French Tax Group System	6.1	565	586
Tax savings related to the US tax group		40	-
Adjustments to prior year's tax expense		11	3
Consideration of risks related to previous years' income taxes		(253)	(54)
Other income taxes items		(1,584)	(1,683)
		(1,221)	**(1,148)**
Deferred			
Impact of the Consolidated Global Profit Tax System and to Vivendi SA's French Tax Group System	6.1	(129)	(3)
Impact of the US tax group		-	-
Tax savings related to the utilization of Neuf Cegetel's ordinary losses carried forward		-	(76)
Other changes in deferred tax assets		43	(41)
Impact of the change(s) in tax rates		6	(16)
Reversal of tax liabilities relating to risks extinguished over the period		-	5
Other deferred tax income/(expenses)		(77)	237
		(157)	**106**
Provision for income taxes		**(1,378)**	**(1,042)**

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

(in millions of euros)	Year ended December 31, 2011	2010
(Change)/Income		
Current		
France	(549)	(382)
United States	(112)	(244)
Morocco	(313)	(344)
Brazil	(45)	(64)
Other jurisdictions	(202)	(114)
	(1,221)	**(1,148)**
Deferred		
France	(217)	(109)
United States	(83)	99
Morocco	3	6
Brazil	90	33
Other jurisdictions	50	77
	(157)	**106**
Provision for income taxes	**(1,378)**	**(1,042)**
Income tax (paid)/collected		
France	(322)	(792)
of which SFR	*(583)*	*(593)*
United States	(207)	(167)
Morocco	(338)	(301)
Brazil	(61)	(59)
Other jurisdictions	(162)	(46)
Income tax paid	**(1,090)**	**(1,365)**

Notes to the Consolidated Financial Statements

6.4. Effective tax rate

(in millions of euros, except %)	Note	Year ended December 31, 2011	2010
Earnings from continuing operations before provision for income taxes		**5,105**	**4,564**
Elimination:			
Income from equity affiliates		18	(195)
Earnings before provision for income taxes		**5,123**	**4,369**
French statutory tax rate		**36.10%**	**33.33%**
Theoretical provision for income taxes based on French statutory tax rate		**(1,849)**	**(1,456)**
Reconciliation of the theoretical and effective provision for income taxes			
Permanent differences		**133**	**(23)**
of which other differences from tax rates		*88*	*14*
impacts of the changes in tax rates		*6*	*(16)*
Consolidated Global Profit Tax System and Vivendi SA's French Tax Group System	6.1	**436**	**583**
of which current tax savings		*565*	*586*
changes in related deferred tax assets		*(129)*	*(3)*
Other tax losses		**(11)**	**(104)**
of which use of current losses of the period		*-*	*3*
use of unrecognized ordinary losses		*56*	*85*
unrecognized tax losses		*(67)*	*(192)*
Other		**(87)**	**(42)**
Effective provision for income taxes		**(1,378)**	**(1,042)**
Effective tax rate		**26.9%**	**23.8%**

6.5. Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2011	2010
Opening balance of deferred tax assets/(liabilities)	**880**	**739**
Provision for income taxes	(157)	106
Charges and income directly recorded in equity (a)	(25)	(5)
Business combinations	(1)	5
Changes in foreign currency translation adjustments and other	(4)	35
Closing balance of deferred tax assets/(liabilities)	**693**	**880**

(a) Includes -€24 million recognized in other items of charges and income directly recognized in equity for the year ended December 31, 2011 (compared to -€9 million as of December 31, 2010).

Notes to the Consolidated Financial Statements

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2011	December 31, 2010
Deferred tax assets		
Deferred taxes, gross		
Ordinary tax losses and tax credits carried forward (a)	3,742	3,328
of which Vivendi SA (b)	*2,653*	*2,332*
Vivendi Holding I Corp. (c)	*601*	*500*
SFR	*61*	*55*
Temporary differences (d)	1,404	1,605
Netting	(414)	(441)
Deferred taxes, gross	**4,732**	**4,492**
Deferred taxes, unrecognized		
Ordinary tax losses and tax credits carried forward (a)	(3,175)	(2,535)
of which Vivendi SA (b)	*(2,281)*	*(1,831)*
Vivendi Holding I Corp. (c)	*(601)*	*(500)*
SFR	*(51)*	*(42)*
Temporary differences (d)	(136)	(121)
Deferred taxes, unrecognized	**(3,311)**	**(2,656)**
Recorded deferred tax assets	**1,421**	**1,836**
Deferred tax liabilities		
Purchase accounting asset revaluations (e)	742	926
Other	400	471
Netting	(414)	(441)
Recorded deferred tax liabilities	**728**	**956**
Deferred tax assets/(liabilities), net	**693**	**880**

(a) The amounts of ordinary tax losses and tax credits carried forward, as reported in this table, were estimated at the end of the relevant fiscal years. In jurisdictions which are material to Vivendi, mainly France and the United States, tax returns are filed at the latest on May 15 and September 15 of the following year, respectively. Thus, the amounts of tax losses and tax credits carried forward reported in this table and the amounts reported to the tax authorities may differ significantly, and if necessary, may be adjusted at the end of the following year in the table above.

(b) Includes deferred tax assets recognizable in respect of ordinary tax losses and tax credits carried forward by Vivendi SA as head of the French Tax Group, representing €3,125 million as of December 31, 2010, of which €2,868 million related to ordinary tax losses (please refer to Note 6.1 above) and €257 million related to tax credits, after taking into account the estimated impact (-€472 million) of 2011 activities (taxable income and use or expiration of tax credits), and prior to taking into account the potential consequences of ongoing tax audits (please refer to Note 6.6 below).

(c) Includes deferred tax assets recognizable in respect of ordinary tax losses, capital losses, and tax credits carried forward by Vivendi Holding I Corp. in the United States as head of the US tax group, representing $744 million as of December 31, 2010, after taking into account the estimated impact (€32 million) of 2011 activities (taxable income, capital losses, and tax credits that expired, as well as capital losses and tax credits generated), and prior to taking into account the potential consequences of ongoing tax audits (please refer to Note 6.6 below).

(d) Mainly includes the deferred tax assets related to non-deducted provisions upon recognition, including provisions relating to employee benefit plans, and share-based compensation plans.

(e) These tax liabilities, generated by asset revaluations following the purchase price allocation of company acquisition costs, are terminated upon the amortization or divestiture of the underlying asset and generate no current tax charge.

Notes to the Consolidated Financial Statements

Maturity of ordinary tax losses carried forward

Due to the timing of tax return filings, the ordinary tax losses carried forward reported for fiscal year 2010 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: ordinary tax losses carried forward amounted to €7,945 million and can be carried forward indefinitely; and
- United States: ordinary tax losses carried forward amounted to $1,697 million and can be carried forward for a period of up to twenty-years. No ordinary tax loss will mature prior to June 30, 2021.

Maturity of tax credits carried forward

Due to the timing of tax return filings, the tax credit carried forward reported for fiscal year ended December 31, 2010 in jurisdictions which are material to Vivendi are described below together with their respective maturity periods:

- France: tax credits carried forward amounted to €257 million and can be carried forward for a five-year period, of which €27 million matured as of December 31, 2011; and
- United States: tax credits carried forward amounted to $150 million and can be carried forward for a maximum period of ten years, of which $21 million matured on December 31, 2011.

6.6. Tax audits

The fiscal year ended December 31, 2011 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has or had operations. Various tax authorities have proposed or levied assessments for additional tax in respect of prior years. Vivendi Management believes that the settlement of any or all of these assessments will not have a material and unfavorable impact on the results of operations, financial position or liquidity of Vivendi.

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

Vivendi's US tax group has been under tax audit for the fiscal years ended December 31, 2005, 2006, and 2007. This tax audit started in October 2009 and is currently in progress as of the date of this Annual Report. In addition, Vivendi's US tax group is under tax audit for the fiscal years ended December 31, 2008, 2009, and 2010. This tax audit started at the end of February 2012.

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

Note 7. Earnings per share

	Year ended December 31,			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Earnings attributable to Vivendi SA shareowners (in millions of euros)	**2,681**	(a) **2,678**	**2,198**	(a) **2,196**
Number of shares (in millions)				
Weighted average number of shares outstanding restated (b)	1,239.9	1,239.9	1,232.3	1,232.3
Potential dilutive effects related to share-based compensation (c)	-	2.4	-	2.2
Adjusted weighted average number of shares	**1,239.9**	**1,242.3**	**1,232.3**	**1,234.5**
Earnings attributable to Vivendi SA shareowners per share(in euros)	**2.16**	**2.16**	**1.78**	**1.78**

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

(a) Only includes the potential dilutive effect related to stock option plans and restricted stock rights of Activision Blizzard for a non-material amount (please refer to Note 21.3).
(b) Net of treasury shares (please refer to Note 18).
(c) Does not include accretive instruments as of December 31, 2011 and December 31, 2010 which could potentially become dilutive. The balance of common shares in connection with Vivendi SA's share-based compensation plan is presented in Note 21.2.2.

Notes to the Consolidated Financial Statements

Note 8. Charges and income directly recognized in equity

(in millions of euros)	Note	Year ended December 31, 2011		
		Gross	Tax	Net
Foreign currency translation adjustments (a)		182	-	182
Transferred to profit or loss as part of the sale of NBC Universal interest	2.2	*477*	-	*477*
Assets available for sale		15	-	15
Valuation gains/(losses) taken to equity		*15*	-	*15*
Transferred to profit or loss of the period		-	-	-
Cash flow hedge instruments	23	78	(24)	54
Valuation gains/(losses) taken to equity		*(5)*	*2*	*(3)*
Transferred to profit or loss of the period		*83*	*(26)*	*57*
Net investment hedge instruments	23	21	-	21
Valuation gains/(losses) taken to equity		-	-	-
Transferred to profit or loss of the period		*21*	-	*21*
Other impacts		12	-	12
Charges and income directly recognized in equity		**308**	**(24)**	**284**

(in millions of euros)	Note	Year ended December 31, 2010		
		Gross	Tax	Net
Foreign currency translation adjustments (a)		1,794	-	1,794
Transferred to profit or loss as part of the sale of NBC Universal interest	2.2	*281*	-	*281*
Assets available for sale		2	-	2
Valuation gains/(losses) taken to equity		*2*	-	*2*
Transferred to profit or loss of the period		-	-	-
Cash flow hedge instruments	23	41	(9)	32
Valuation gains/(losses) taken to equity		*(37)*	*12*	*(25)*
Transferred to profit or loss of the period		*78*	*(21)*	*57*
Net investment hedge instruments	23	(20)	-	(20)
Valuation gains/(losses) taken to equity		*(20)*	-	*(20)*
Transferred to profit or loss of the period		-	-	-
Other impacts		(6)	-	(6)
Charges and income directly recognized in equity		**1,811**	**(9)**	**1,802**

(a) The change in foreign currency translation adjustments primarily resulted from fluctuations in the euro/dollar exchange rate (mainly at Activision Blizzard and Universal Music Group) and in the euro/Brazilian Real exchange rate (at GVT).

Notes to the Consolidated Financial Statements

Note 9. Goodwill

(in millions of euros)	December 31, 2011	December 31, 2010
Goodwill, gross	37,776	37,518
Impairment losses	(12,747)	(12,173)
Goodwill	**25,029**	**25,345**

Changes in goodwill

(in millions of euros)	December 31, 2010	Impairment losses	Business combinations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
Activision Blizzard	2,257	(4)	2	54	2,309
of which Activision	*2,209*	-	*2*	*54*	*2,265*
Blizzard	*44*	-	-	-	*44*
Distribution	*4*	*(4)*	-	-	-
Universal Music Group	4,011	-	5	98	4,114
SFR	9,170	-	-	(18)	9,152
Maroc Telecom Group	2,409	-	1	3	2,413
of which Maroc Telecom SA	*1,792*	-	-	*3*	*1,795*
subsidiaries	*617*	-	*1*	-	*618*
GVT	2,423	-	-	(201)	2,222
Canal+ Group	4,992	(386)	42	-	4,648
of which Canal+ France	*4,689*	*(380)*	-	-	*4,309*
StudioCanal	*149*	-	*42*	*1*	*192*
Non-core operations and others	83	-	(a) 88	-	171
Total	**25,345**	**(390)**	**138**	**(64)**	**25,029**

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

(a) Mainly relates to goodwill attributable to Vivendi's acquisition of See Tickets (please refer to Note 2.4).

(b) As of November 13, 2009, goodwill attributable to 100% of the share capital of GVT amounted to €2,116 million based on an estimated purchase price as calculated pursuant to the purchase commitment relating to non-controlling interests as of this date (17.55%). In 2010, the purchase price was adjusted downwards by -€17 million to include the decrease in purchase price of non-controlling interests over the period. Since June 11, 2010, Vivendi has been holding a 100% controlling interest in GVT.

Notes to the Consolidated Financial Statements

Goodwill impairment test

In 2011, Vivendi tested the value of goodwill allocated to its cash-generating units (CGUs) or groups of CGUs applying valuation methods consistent with previous years. Vivendi ensured that the recoverable amount of CGU or groups of CGU exceeded their carrying value (including goodwill). The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (discounted cash flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent transactions). For a description of the methods used for the impairment test, please refer to Note 1.3.5.7.

As of June 30, 2011, Vivendi tested the value of goodwill allocated to GVT, on the basis of an internal valuation of the recoverable amount of GVT. As a result, Vivendi Management concluded that the recoverable amount of GVT exceeded its carrying value as of June 30, 2011. As from June 30, 2011, no triggering event occurred that would require performing an impairment test regarding GVT as of December 31, 2011. As a reminder, no goodwill impairment test of GVT was undertaken as of December 31, 2010, given that the purchase price allocation date was close to the closing date, and taking into consideration that no triggering event had occurred between these dates.

For the other CGUs or groups of CGUs, during the fourth quarter of 2011, Vivendi performed such test on the basis of an internal valuation of recoverable amounts, except in the case of Activision Blizzard and Universal Music Group (UMG), for which Vivendi required the assistance of third-party appraisers. As a result, Vivendi Management concluded that, except for Canal+ France, the recoverable amount of each cash generating unit (CGU) or group of CGUs tested exceeded their carrying value as of December 31, 2011.

Canal+ France's recoverable amount was determined upon the basis of the usual valuation methods (DCF) using the most recent cash flow forecasts approved by the Management of the group, as well as financial assumptions consistent with previous years: a discount rate of 9.00% (compared to 8.50% at year-end 2010) and a perpetual growth rate of 1.50% (unchanged) – please refer to the table below. On this basis, Vivendi Management concluded that the carrying value of Canal+ France exceeded the recoverable amount as of December 31, 2011, and consequently recorded an impairment loss of €380 million.

Presentation of CGU or groups of CGUs tested

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

(a) Due to the increased convergence of SFR's Mobile, and Broadband Internet and fixed services, Vivendi Management adjusted, in 2011, the level at which SFR's return on investments is monitored. Consequently, as of December 31, 2011, Vivendi performed a goodwill impairment test by combining SFR's Mobile CGU and Broadband Internet and fixed CGU.

Notes to the Consolidated Financial Statements

Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each CGU or group of CGU is determined as the discounted value of future cash flows by using cash flow projections consistent with the 2012 budget and the most recent forecasts prepared by the operating segments. These forecasts are prepared for each operating segment on the basis of the financial targets as well as the following main key assumptions: discount rate, perpetual growth rate, and EBITA as defined in Note 1.2.3, capital expenditures, competitive environment, regulatory environment, technological development and level of commercial expenses.

The Annual Report contains a detailed description of the 2012 operating performance projections for each of the group's businesses.

Operating segments	CGU or groups of CGU tested	Valuation Method		Discount Rate (a)		Perpetual Growth Rate	
		2011	2010	2011	2010	2011	2010
Activision Blizzard	Activision	DCF, stock market price & comparables model	DCF, stock market price & comparables model	10.00%	11.00%	4.00%	4.00%
	Blizzard	DCF, stock market price & comparables model	DCF, stock market price & comparables model	10.00%	11.00%	4.00%	4.00%
	Distribution	DCF & comparables model	DCF & comparables model	13.00%	13.50%	-4.00%	2.00%
Universal Music Group	Universal Music Group	DCF & comparables model	DCF & comparables model	9.25%	9.50%	1.00%	1.00%
SFR	SFR/Mobile (b)	DCF	DCF	7.00%	7.00%	1.00%	0.50%
	SFR/Broadband Internet and fixed (b)		DCF		8.00%		0.50%
Maroc Telecom Group	Maroc Telecom	Stock market price	Stock market price	na	na	na	na
	Onatel	DCF	DCF	13.70%	14.00%	3.00%	4.50%
	Gabon Telecom	DCF	DCF	11.70%	15.50%	3.00%	2.50%
	Mauritel	DCF	DCF	19.00%	14.00%	3.00%	2.00%
	Sotelma	DCF	DCF	13.50%	14.00%	3.00%	4.50%
GVT	GVT	DCF & comparables model	(c)	11.54%	(c)	4.00%	(c)
Canal+ Group	Canal+ France	DCF	DCF	9.00%	8.50%	1.50%	1.50%
	StudioCanal	DCF	DCF	8.50% – 9.00%	8.50% – 9.00%	0.00% – 1.00%	0.00% – 1.00%

na: not applicable.

DCF: Discounted Cash Flows.

(a) The determination of recoverable amounts using a post-tax discount rate applied to post-tax cash flows provides recoverable amounts consistent with the ones that would have been obtained using a pre-tax discount rate applied to pre-tax cash flows.

(b) Due to the increased convergence of SFR's Mobile, and Broadband Internet and fixed services, Vivendi Management adjusted, in 2011, the level at which SFR's return on investments is monitored. Consequently, as of December 31, 2011, Vivendi performed a goodwill impairment test by combining SFR's Mobile CGU and Broadband Internet and fixed CGU. Besides, on the basis of the respective weights of the Mobile CGU and Broadband Internet and fixed CGU within SFR, and applying the same methodology, the discount rate of the combined CGU would have been 7.1% as of December 31, 2010.

(c) As of December 31, 2010, no goodwill impairment test regarding GVT was undertaken given that the purchase price allocation date was close to the closing date and that no triggering event had occurred between those dates (see above).

Notes to the Consolidated Financial Statements

Sensitivity of recoverable amounts

	December 31, 2011				
	Discount Rate		Perpetual Growth Rate		Cash Flows
	Applied Rate (in %)	**Change in the discount rate in order for the recoverable amount to be equal to the carrying amount** (in number of points)	**Applied Rate** (in %)	**Change in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount** (in number of points)	**Change in cash flows in order for the recoverable amount to be equal to the carrying amount** (in %)
Activision Blizzard					
Activision	10.00%	(a)	4.00%	(a)	(a)
Blizzard	10.00%	(a)	4.00%	(a)	(a)
Universal Music Group	9.25%	+1.25 pt	1.00%	-1.86 pt	-13%
SFR	7.00%	+2.49 pts	1.00%	-4.74 pts	-32%
Maroc Telecom Group	(b)	(b)	(b)	(b)	(b)
GVT	11.54%	+1.64 pt	4.00%	-3.41 pts	-25%
Canal+ Group					
Canal+ France (c)	9.00%	(c)	1.50%	(c)	(c)
StudioCanal	9.00%	+1.99 pt	0.00%	-3.31 pts	-17%

	December 31, 2010			
	Discount Rate		Perpetual Growth Rate	
	Applied Rate (in %)	**Change in the discount rate in order for the recoverable amount to be equal to the carrying amount** (in number of points)	**Applied Rate** (in %)	**Change in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount** (in number of points)
Activision Blizzard				
Activision	11.00%	+9.56 pts	4.00%	-22.70 pts
Blizzard	11.00%	(a)	4.00%	(a)
Universal Music Group	9.50%	(d)	1.00%	(d)
SFR				
Mobile	7.00%	+5.01 pts	0.50%	-13.12 pts
Broadband Internet and fixed	8.00%	+1.14 pt	0.50%	-1.80 pt
Maroc Telecom Group	(b)	(b)	(b)	(b)
GVT	(e)	(e)	(e)	(e)
Canal+ Group				
Canal+ France	8.50%	+0.37 pt	1.50%	-0.46 pt
StudioCanal	9.00%	+1.63 pt	0.00%	-2.05 pts

(a) As of December 31, 2011, Activision's and Blizzard's recoverable amount significantly exceeded their carrying value. As a result, the increase in the discount rate or the decrease in the perpetual growth rate, respectively, that would have been required for Activision's and Blizzard's recoverable amount to equal their carrying value, were not relevant.
(b) As of December 31, 2011, and December 31, 2010, Maroc Telecom was valued based on its stock market price.
(c) As of December 31, 2011, Canal+ France's carrying value equaled its recoverable amount, due to the recognition of a goodwill impairment loss of €380 million as of this date (see above). Consequently, a significant decrease in the recoverable amount would generate an additional goodwill impairment loss, if any.
(d) As of December 31, 2010, UMG's carrying value was at least equal to the recoverable amount. A significant decrease in the recoverable amount would generate an additional goodwill impairment loss, if any.
(e) As of December 31, 2010, no goodwill impairment test regarding GVT was undertaken, given the recent purchase price allocation date, and considering that no triggering event had occurred between those dates.

Notes to the Consolidated Financial Statements

Note 10. Content assets and commitments

10.1. Content assets

(in millions of euros)	December 31, 2011		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Internally developed franchises and other games content assets	471	(315)	156
Games advances	91	-	91
Music catalogs and publishing rights	6,420	(4,743)	1,677
Advances to artists and repertoire owners	515	-	515
Merchandising contracts and artists services	25	(12)	13
Film and television costs	5,129	(4,409)	720
Sports rights	379	-	379
Content assets	**13,030**	**(9,479)**	**3,551**
Deduction of current content assets	(1,096)	30	(1,066)
Non-current content assets	**11,934**	**(9,449)**	**2,485**

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

Changes in main content assets

(in millions of euros)	Year ended December 31, 2011	2010
Opening balance	**3,816**	**4,200**
Amortization of content assets excluding those acquired through business combinations	(117)	(187)
Amortization of content assets acquired through business combinations	(320)	(379)
Impairment losses on content assets acquired through business combinations	(7)	(a) (250)
Increase	2,277	2,310
Decrease	(2,251)	(2,229)
Business combinations	38	-
Changes in foreign currency translation adjustments and other	115	351
Closing balance	**3,551**	**3,816**

(a) Notably relates to the impairment loss recognized on the content assets relating to Activision Blizzard's games for €215 million, of which, the full impairment of the *Guitar Hero* franchise.

Notes to the Consolidated Financial Statements

10.2. Contractual content commitments

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

Content liabilities are mainly part of "Trade accounts payable and other" or part of "Other non-current liabilities" whether they are current or non-current, as applicable (please refer to Note 16).

(in millions of euros)	Minimum future payments as of December 31, 2011				Total – minimum future payments as of December 31, 2010
		Due in			
	Total	2012	2013-2016	After 2016	
Games royalties	28	28	-	-	43
Music royalties to artists and repertoire owners	1,398	1,375	23	-	1,417
Film and television rights (a)	235	235	-	-	229
Sports rights	438	438	-	-	379
Creative talent, employment agreements and others	49	16	29	4	56
Total content liabilities	**2,148**	**2,092**	**52**	**4**	**2,124**

Off balance sheet commitments given/(received)

(in millions of euros)	Minimum future payments as of December 31, 2011				Total – minimum future payments as of December 31, 2010
		Due in			
	Total	2012	2013-2016	After 2016	
Film and television rights (a)	2,143	1,015	1,057	71	2,011
Sports rights	(b) 2,052	551	1,499	2	730
Creative talent, employment agreements and others (c)	1,009	481	500	28	918
Total given	**5,204**	**2,047**	**3,056**	**101**	**3,659**
Film and television rights (a)	(85)	(59)	(26)	-	(70)
Sports rights	(15)	(10)	(5)	-	(22)
Creative talent, employment agreements and others (c)		not available			
Other	(63)	(49)	(14)	-	(131)
Total received	**(163)**	**(118)**	**(45)**	**-**	**(223)**
Total net	**5,041**	**1,929**	**3,011**	**101**	**3,436**

(a) Primarily includes contracts valid over several years for the broadcast of future film and TV productions and co-productions (mainly exclusivity contracts with major US studios and pre-purchases in the French movie industry), StudioCanal film production and coproduction commitments (given and received) and broadcasting rights of CanalSat and Cyfra+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release. As of December 31, 2011, provisions recorded relating to film and television rights amounted to €153 million, compared to €184 million as of December 31, 2010.
In addition, this amount does not include commitments given in relation to channel right contracts for which Canal+ Group and GVT (following the launch of its pay-TV offer in October 2011) did not grant minimum guarantees. The variable amount of these commitments cannot be reliably determined and is not reported in the balance sheet or in commitments given and is instead recorded as an expense of the period when incurred.
Based on the estimation of the future subscriber number at Canal+ France, commitments in relation to channel right contracts would have increased by €103 million as of December 31, 2011, compared to €174 million as of December 31, 2010.
Moreover, according to the agreement entered into with cinema professional organizations on December 18, 2009, Société d'Edition de Canal Plus (SECP) has to invest, every year for a five-year period (2010-2014), 12.5% of its annual revenues in the financing of European films. With respect to audiovisual, in accordance with the agreements with producers and authors' organizations, Canal+ France has to invest a percentage of its revenues in the financing of heritage work every year.
Agreements with cinema organizations and with producers and authors' organizations are not recorded as off balance sheet commitments as the future estimate of these commitments cannot be reliably determined.

(b) Notably includes the rights to broadcast the French professional Soccer League 1 awarded to Canal+ Group for the 2012-2013 to 2015-2016 seasons. The price paid by Canal+ Group will represent €420 million per season, or a €1,680 commitment for the four seasons. These commitments will be recognized in the Statement of Financial Position upon the start of every season or upon initial payment.

(c) Mainly relates to UMG which routinely commits to artists and other parties to pay agreed amounts upon delivery of content or other products ("Creative talent and employment agreements"). Until the artist or the other party has delivered his or her content or the repayment of an advance, UMG discloses its obligation as an off balance sheet commitment. While the artist or the other party is obligated to deliver his or her content or other product to UMG (these arrangements are generally exclusive), UMG does not report these obligations (or the likelihood of the other party's failure to meet its obligations) as an offset to its off balance sheet commitments.

Notes to the Consolidated Financial Statements

Note 11. Other intangible assets

(in millions of euros)	December 31, 2011		
	Other intangible assets, gross	Accumulated amortization and impairment losses	Other intangible assets
Software	5,015	(3,652)	1,363
Telecom licenses	1,848	(705)	1,143
Customer bases	986	(616)	370
Trade names	481	(52)	429
Other	1,956	(932)	1,024
	10,286	**(5,957)**	**4,329**

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

Software includes acquired software, net for €636 million as of December 31, 2011 (€676 million as of December 31, 2010), amortized over 4 years as well as SFR's internally developed software.
Trade names relate to trade names acquired from GVT in 2009 and Activision in 2008.
Other intangible assets notably include indefeasible rights of use (IRU) and other long-term occupational rights, net for €328 million as of December 31, 2011 (€335 million as of December 31, 2010).

Changes in other intangible assets

(in millions of euros)	Year ended December 31, 2011	2010
Opening balance	**4,408**	**4,342**
Depreciation	(945)	(993)
Impairment losses	-	(2)
Acquisitions (a)	581	805
Increase related to internal developments	276	276
Divestitures/Decrease	(11)	(19)
Business combinations	14	27
Changes in foreign currency translation adjustments	(11)	83
Other	17	(111)
Closing balance	**4,329**	**4,408**

(a) Includes the acquisition by SFR of 4G licenses (very-high-speed Internet – LTE) for €150 million in 2011 and additional 3G spectrum for €300 million in 2010.

Depreciation is recognized as cost of revenues and in selling, general and administrative expenses. It mainly consists of SFR's telecom licenses (-€72 million in 2011, compared to -€66 million in 2010), internally developed software (-€199 million in 2011, compared to -€210 million in 2010), and acquired software (-€273 million in 2011, compared to -€269 million in 2010).

Notes to the Consolidated Financial Statements

Note 12. Property, plant and equipment

	December 31, 2011		
(in millions of euros)	**Property, plant and equipment, gross**	**Accumulated depreciation and impairment losses**	**Property, plant and equipment**
Land	227	(2)	225
Buildings	2,790	(1,616)	1,174
Equipment and machinery	13,443	(7,770)	5,673
Construction-in-progress	323	-	323
Other	4,380	(2,774)	1,606
	21,163	**(12,162)**	**9,001**

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

As of December 31, 2011, other property, plant and equipment, net, notably included set-top boxes, for €807 million, compared to €669 million as of December 31, 2010. In addition, property, plant and equipment financed pursuant to finance leases amounted to €60 million, compared to €68 million as of December 31, 2010.

Changes in property, plant and equipment

	Year ended December 31,	
(in millions of euros)	**2011**	**2010**
Opening balance	**8,217**	**7,264**
Depreciation	(1,662)	(1,527)
Acquisitions/Increase	2,604	2,339
Divestitures/Decrease	(29)	(67)
Business combinations	7	2
Changes in foreign currency translation adjustments	(140)	169
Other	4	37
Closing balance	**9,001**	**8,217**

The depreciation is recognized as cost of revenues and in selling, general and administrative expenses. It mainly consists of the depreciation of buildings (-€151 million in 2011, compared to -€128 million in 2010) and equipment and machinery (-€1,100 million in 2011, compared to -€1,007 million in 2010).

Notes to the Consolidated Financial Statements

Note 13. Intangible and tangible assets of telecom operations

	December 31, 2011			
(in millions of euros)	SFR	Maroc Telecom Group	GVT	Total
Other intangible assets, net				
Software	1,052	206	54	1,312
Telecom licenses	(a) 963	180	-	1,143
Customer bases	218	2	135	355
Trade names	-	1	129	130
Other	885	39	16	940
	3,118	**428**	**334**	**3,880**
Property, plant and equipment, net				
Land	83	131	-	214
Buildings	855	264	15	1,134
Equipment and machinery	2,271	1,730	1,532	5,533
Construction-in-progress	285	-	-	285
Other	750	115	167	1,032
	4,244	**2,240**	**1,714**	**8,198**
Intangible and tangible assets of telecom operations, net	**7,362**	**2,668**	**2,048**	**12,078**

	December 31, 2010			
(in millions of euros)	SFR	Maroc Telecom Group	GVT	Total
Other intangible assets, net				
Software	1,008	213	39	1,260
Telecom licenses	(a) 885	214	-	1,099
Customer bases	287	3	208	498
Trade names	-	1	141	142
Other	897	54	14	965
	3,077	**485**	**402**	**3,964**
Property, plant and equipment, net				
Land	47	128	-	175
Buildings	809	221	13	1,043
Equipment and machinery	2,286	1,639	1,213	5,138
Construction-in-progress	220	-	-	220
Other	679	117	97	893
	4,041	**2,105**	**1,323**	**7,469**
Intangible and tangible assets of telecom operations, net	**7,118**	**2,590**	**1,725**	**11,433**

(a) SFR holds licenses for its networks and for the supply of its telecommunications services in France, for a 15-year period for GSM (between March 2006 and March 2021) and a 20-year period for both UMTS (between August 2001 and August 2021) and LTE (between January 2012 and January 2032), with the following financial conditions:
- for the GSM license, an annual payment over 15 years comprised of a (i) fixed portion in an amount of €25 million for each year (capitalized over the period based on a present value of €278 million in 2006) and (ii) a variable portion equal to 1% of the yearly revenues generated by the 2G technology;
- for the UMTS license, the fixed amount paid in 2001 (€619 million) was recorded as an intangible asset and the variable part of the fee is equal to 1% of the yearly revenues generated by this activity. Moreover, as part of this license, SFR acquired new spectrum for €300 million in June 2010, over a 20-year period; and
- for the LTE licenses, the fixed amounts paid in October 2011 (€150 million) and January 2012 (€1,065 million), respectively, were recorded as intangible assets at the grant date of spectrum band in October 2011, and in January 2012, and the variable portion of the fee is equal to 1% of the yearly revenues generated by this activity.

The variable portions of the fees that cannot be reliably determined are not recorded in the Statement of Financial Position. They are recorded as an expense, when incurred.

Notes to the Consolidated Financial Statements

SFR's network coverage commitments related to telecommunication licenses

- On November 30, 2009, the "*Autorité de Régulation des Communications Electroniques et des Postes*" or "Arcep" (the French Telecommunications Regulatory Agency) addressed a notice to SFR regarding its compliance in the UMTS network coverage of the French metropolitan population: 84% by June 30, 2010, 88% by December 31, 2010, 98% by December 31, 2011, and 99.3% by December 31, 2013. As of December 31, 2011, with 98.4% of the French metropolitan population covered, SFR was in compliance with its coverage commitments.
- As part of the grant of the first band of LTE spectrum in October 2011, SFR has committed itself to ensure a specific coverage rate for the French metropolitan population: 25% by October 11, 2015, 60% by October 11, 2019, and 75% by October 11, 2023.
- As part of the grant of the second band of LTE spectrum in January 2012, SFR has committed itself to comply with the following obligations :
  - **i.** SFR is required to provide the following very high-speed mobile network coverage:
    - coverage of 98% of the French metropolitan population by January 2024 and 99.6% by January 2027;
    - coverage in the priority zone (approximately 18% of the French metropolitan population and 63% of the territory): within this zone, SFR is required to cover 40% of the population by January 2017 and 90% of the population by January 2022;
    - coverage obligations at a departmental level: SFR has to cover 90% of the population of each French department by January 2024, and 95% of the population of each French department by January 2027;
  - **ii.** SFR and Bouygues Telecom have a mutual network sharing or spectrum pooling obligation in the priority zone;
  - **iii.** SFR has an obligation to offer national roaming to Free Mobile within the priority zone upon building of its own 2.6 GHz network covering at least 25% of the French population provided that it has not signed a national roaming agreement with another operator; and
  - **iv.** SFR has a joint coverage obligation with the other 800 MHz license holders to cover the hot-spots that have been identified by the French administration within the framework of the "white zones" program (beyond 98% of the population) within 15 years.

Note 14. Investments in equity affiliates

	Voting interest		Value of equity affiliates	
(in millions of euros)	**December 31, 2011**	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
NBC Universal (a)	-	12.34%	-	2,779
Other	na	na	135	127
			135	**2,906**

na: not applicable.

Changes in value of equity affiliates

(in millions of euros)	December 31, 2010	Changes in scope of consolidation	Impairment losses	Income from equity affiliates	Dividends received	Changes in foreign currency translation adjustments and other	December 31, 2011
NBC Universal (a)	2,779	(2,771)	-	-	-	(8)	-
Other	127	42	(2)	(18)	(9)	(5)	135
	2,906	**(2,729)**	**(2)**	**(18)**	**(9)**	**(13)**	**135**

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

(a) A detailed description of the sale of Vivendi's interest in NBC Universal and its accounting treatment is described in Note 2.2.
(b) Included changes in foreign currency translation adjustments (€318 million).

Notes to the Consolidated Financial Statements

Note 15. Financial assets

(in millions of euros)	Note	December 31, 2011	December 31, 2010
Cash management financial assets (a)		266	508
Other loans and receivables (b)		340	412
Derivative financial instruments		101	91
Available-for-sale securities (c)		125	50
Cash deposits backing borrowings		12	21
Other financial assets		28	36
Financial assets	23	**872**	**1,118**
Deduction of current financial assets		(478)	(622)
Non-current financial assets		**394**	**496**

(a) Relates to US treasuries and government agency securities with a maturity exceeding three months held by Activision Blizzard for $344 million as of≈December 31, 2011 (compared to $672 million as of December 31, 2010).

(b) Other loans and receivables notably include cash deposits relating to Qualified Technological Equipment (QTE) operations by SFR (€53 million as of December 31, 2011 and €237 million as of December 31, 2010) as well as a €120 million loan granted by Canal+ Group to ITI Group in December 2011 in connection with the strategic partnership involving Polish pay-TV (please refer to Note 2.5).

(c) The available-for-sale securities do not include significant publicly quoted securities as of December 31, 2011 and as of December 31, 2010 and were not the subject of significant impairment with respect to fiscal years 2011 and 2010.

Note 16. Net working capital

Changes in net working capital

(in millions of euros)	December 31, 2010	Changes in operating working capital (a)	Changes in foreign currency translation adjustments	Other (b)	December 31, 2011
Inventories	750	53	5	(3)	805
Trade accounts receivable and other	6,711	95	(30)	(46)	6,730
Working capital assets	**7,461**	**148**	**(25)**	**(49)**	**7,535**
Trade accounts payable and other	14,451	(101)	6	(c) (369)	13,987
Other non-current liabilities	1,074	(58)	(7)	(145)	864
Working capital liabilities	**15,525**	**(159)**	**(1)**	**(514)**	**14,851**
Net working capital	**(8,064)**	**307**	**(24)**	**465**	**(7,316)**

(in millions of euros)	December 31, 2009	Changes in operating working capital (a)	Changes in foreign currency translation adjustments	Other (b)	December 31, 2010
Inventories	777	(39)	31	(19)	750
Trade accounts receivable and other	6,467	51	134	59	6,711
Working capital assets	**7,244**	**12**	**165**	**40**	**7,461**
Trade accounts payable and other	13,567	581	324	(21)	14,451
Other non-current liabilities	1,311	(182)	21	(76)	1,074
Working capital liabilities	**14,878**	**399**	**345**	**(97)**	**15,525**
Net working capital	**(7,634)**	**(387)**	**(180)**	**137**	**(8,064)**

(a) Excludes the acquisitions of content by Activision Blizzard, UMG, and Canal+ Group.

(b) Mainly includes the change in net working capital relating to the acquisition of content, capital expenditures, and other investments.

(c) Notably includes the interim dividend due as of December 31, 2010 by SFR to Vodafone, paid in January 2011 (€440 million).

Notes to the Consolidated Financial Statements

Trade accounts receivable and other

(in millions of euros)	December 31, 2011	December 31, 2010
Trade accounts receivable	5,684	5,753
Trade accounts receivable write-offs	(1,202)	(1,231)
Trade accounts receivable, net	**4,482**	**4,522**
of which net past due receivables	*1,502*	*1,418*
Other	2,248	2,189
Trade accounts receivable and other	**6,730**	**6,711**

Vivendi considers that there is not a significant risk of non-recovery of non-impaired past due receivables. Vivendi's trade receivables do not represent a significant concentration of credit risk due to its broad customer base, the broad variety of customers and markets, as well as the subscription-based business model of most of its business segments (Activision Blizzard, SFR, GVT, and Canal+ Group) as well as the geographic diversity of its business operations (please refer to Note 3.2). Please also refer to Note 1.3.5.10 for a description of the method used to evaluate trade account receivable provisions.

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2011	December 31, 2010
Trade accounts payable		6,684	6,586
Music royalties to artists and repertoire owners	10.2	1,375	1,391
Game deferred revenues (a)		1,139	1,303
Prepaid telecommunication revenues (b)		900	921
Other		3,889	(c) 4,250
Trade accounts payable and other		**13,987**	**14,451**

(a) Relates to the impact of the change in deferred net revenues at Activision Blizzard and related costs of sales associated with the sale of boxes for certain games with significant online functionality (please refer to Note 1.3.4.1).

(b) Mainly includes subscriptions that are not past due and prepaid cards sold but not consumed, mobile phones held by distributors, roll-over minutes of SFR's mobile operations and the current portion of SFR's deferred revenues of fixed operations.

(c) Notably includes debt incurred in connection with the interim dividend paid to Vodafone by SFR for €440 million at the end of January 2011.

Other non-current liabilities

(in millions of euros)	Note	December 31, 2011	December 31, 2010
Advance lease payments in respect of Qualified Technological Equipment operations	15	53	244
Liabilities related to SFR GSM license (a)	13	172	190
Prepaid revenues from indefeasible rights of use (IRU) and other long-term occupational rights (b)		365	376
Non-current content liabilities	10.2	56	61
Other		218	203
Total other non-current liabilities		**864**	**1,074**

(a) Relates to the discounted value of the liability. The nominal value amounted to €231 million as of December 31, 2011, compared to €256 million as of December 31, 2010.

(b) Relates to deferred revenues associated with indefeasible right of use (IRU) agreements, leases or services contracts.

Notes to the Consolidated Financial Statements

Note 17. Cash and cash equivalents

(in millions of euros)	December 31, 2011	December 31, 2010
Cash	667	461
Cash equivalents	2,637	2,849
of which UCITS	*2,484*	*1,986*
certificates of deposit and term deposits	*153*	*863*
Cash and cash equivalents (a)	**3,304**	**3,310**

(a) Mainly includes Activision Blizzard's cash and cash equivalents for €2,448 million as of December 31, 2011 (compared to €2,124 million as of December 31, 2010), invested, if any, in money market funds with initial maturity dates not exceeding 90 days.

Note 18. Equity

Share capital of Vivendi SA

(in thousands)	December 31, 2011	December 31, 2010
Common shares outstanding (nominal value: €5.5 per share)	**1,247,263**	**1,237,337**
Treasury shares	(1,329)	(80)
Voting rights	**1,245,934**	**1,237,257**

As of December 31, 2011, Vivendi held 1.3 million treasury shares, or 0.11% of its share capital. These shares were allocated to the hedging of matured stock subscription plans. The carrying value of the portfolio amounted to €28 million as of December 31, 2011 and its market value amounted to €23 million as of December 31, 2011. The 79,114 shares previously held were backed by the hedging of performance share plans granted pursuant to a decision of the Management Board dated November 15, 2011.

In addition, as of December 31, 2011, approximately 50 million options were outstanding (compared to 49 million as of December 31, 2010), representing a maximum nominal share capital increase of €274 million or 4.00% of the company's share capital (compared to €269 million or 3.95% as of December 31, 2010).

Non-controlling interests

(in millions of euros)	December 31, 2011	December 31, 2010
SFR	(a) 4	1,612
Maroc Telecom Group	1,131	1,207
Activision Blizzard	1,009	895
Other	479	401
Total	**2,623**	**4,115**

(a) A description of the acquisition of SFR's non-controlling interests and its accounting treatment is presented in Note 2.1.

Distributions to shareowners of Vivendi SA and its subsidiaries

Dividend proposed by Vivendi SA with respect to fiscal year 2011

On February 28, 2012, the date of Vivendi's Management Board's meeting which approved its Consolidated Financial Statements as of December 31, 2011 and the appropriation of earnings for fiscal year then ended, Vivendi's Management Board decided to propose to shareowners a dividend distribution of €1 per share, which would represent a total distribution of approximately €1.25 billion to be paid in cash on May 9, 2012, following the coupon detachment on May 4, 2012. This proposal was presented to and approved by Vivendi's Supervisory Board at its meeting held on February 29, 2012.

Bonus shares granted to Vivendi SA shareowners

At its meeting held on February 29, 2012 and following the Supervisory Board's advice, Vivendi's Management Board decided to grant to shareowners as from May 9, 2012 one bonus share per 30 shares held, by a withdrawal from reserves.

Dividend paid by Vivendi SA with respect to fiscal year 2010

On April 21, 2011, at the Annual Shareholders' Meeting, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2010. As a result, the dividend payment was set at €1.40 per share, representing a total distribution of €1,731 million, which was paid in cash on May 10, 2011.

Notes to the Consolidated Financial Statements

Dividend distributed by the subsidiaries

On February 9, 2012, Activision Blizzard announced that its Board of Directors had declared a dividend of $0.18 per common share to shareholders.
On February 27, 2012, Maroc Telecom Group announced that its Supervisory Board will propose at its annual shareholders' meeting the payment of an ordinary dividend of MAD 9.26 per share.

In addition, dividend payments to subsidiaries' non-controlling interests amounted to €721 million in 2011 (€952 million in 2010) and mainly include:

- SFR: paid an interim dividend of €200 million to Vodafone at completion of the acquisition of its 44% interest in SFR (compared to €440 million in 2010);
- Maroc Telecom Group: €421 million in 2011 (compared to €410 million in 2010); and
- Activision Blizzard: €55 million in 2011 (compared to €58 million in 2010).

Activision Blizzard

Stock repurchase program of Activision Blizzard

On February 3, 2011, Activision Blizzard announced that its Board of Directors had authorized a stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of $1.5 billion. This program will end on March 31, 2012. In 2011, Activision Blizzard repurchased approximately 60 million shares of its common stock in connection with this program, for a total amount of $682 million, of which 59 million shares were effectively paid in 2011 ($670 million) and 1 million shares were paid in January 2012 ($12 million). In addition, in January 2011, Activision Blizzard settled a $22 million purchase of 2 million shares of its common stock that it had agreed to repurchase in December 2010 pursuant to the previous $1 billion stock repurchase program, thereby completing that program. In total, Activision Blizzard repurchased approximately 61 million shares of its common stock in 2011, for a total amount of $692 million, or €502 million (compared to $959 million or €726 million in 2010).
In addition, on February 9, 2012, Activision Blizzard announced that its Board of Directors had authorized a new stock repurchase program under which Activision Blizzard can repurchase shares of its outstanding common stock up to an amount of $1 billion, starting April 1, 2012. This program will end at the earliest on March 31, 2013 or on the date of the Board of Directors' decision to discontinue it.

Vivendi's ownership interest in Activision Blizzard

As of December 31, 2010, out of the 1,183 million shares (net of treasury shares) composing Activision Blizzard's share capital, Vivendi held approximately 719 million shares or an approximate 61% interest in Activision Blizzard. On November 15, 2011, Vivendi sold 35 million Activision Blizzard shares into the market for $422 million (€314 million). As of December 31, 2011, following this sale, the stock repurchase and the cancellation of the shares repurchased by Activision Blizzard, as well as the exercise of stock options and restricted share plans by Activision Blizzard's employees, Vivendi held approximately 684 million shares out of a total of 1,133 million Activision Blizzard shares (or approximately 60% interest).
Moreover, as of December 31, 2011, the outstanding Activision Blizzard stock instruments represented 70 million new shares to be issued in favor of their beneficiaries (53 million shares due to stock options and 17 million restricted shares, compared to 61 million and 17 million shares, respectively, as of December 31, 2010; please refer to Note 21.3.2), and the stock repurchase program authorized in February 2012 for up to $1 billion, representing approximately 91 million potential treasury shares (under the assumption of a stock price of $11 per share) resulting in such cases, in Vivendi holding an approximate 62% interest in Activision Blizzard.

Notes to the Consolidated Financial Statements

Note 19. Provisions

(in millions of euros)	Note	December 31, 2010	Addition	Utilization	Reversal	Business combinations	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2011
Employee benefits (a)		511	40	(78)	(3)	-	37	507
Restructuring costs		42	87	(90)	(6)	1	14	48
Litigations	27	443	262	(198)	(46)	12	6	479
Losses on onerous contracts		394	72	(165)	(61)	2	(5)	237
Contingent liabilities due to disposal	26.4	50	-	(3)	-	-	(6)	41
Cost of dismantling and restoring sites (b)		63	-	(2)	-	-	9	70
Other		526	351	(64)	(66)	-	26	773
Provisions		**2,029**	**812**	**(600)**	**(182)**	**15**	**81**	**2,155**
Deduction of current provisions		(552)	(299)	290	48	-	(73)	(586)
Non-current provisions		**1,477**	**513**	**(310)**	**(134)**	**15**	**8**	**1,569**

(in millions of euros)	Note	December 31, 2009	Addition	Utilization	Reversal	Business combinations	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2010
Employee benefits (a)		558	48	(143)	(7)	-	55	511
Restructuring costs		39	62	(63)	-	-	4	42
Litigations	27	890	91	(28)	(503)	-	(7)	443
Losses on onerous contracts		505	90	(177)	(33)	-	9	394
Contingent liabilities due to disposal	26.4	129	8	(59)	(10)	-	(18)	50
Cost of dismantling and restoring sites (b)		125	10	(2)	(7)	-	(63)	63
Other		407	171	(37)	(56)	2	39	526
Provisions		**2,653**	**480**	**(509)**	**(616)**	**2**	**19**	**2,029**
Deduction of current provisions		(563)	(220)	170	87	-	(26)	(552)
Non-current provisions		**2,090**	**260**	**(339)**	**(529)**	**2**	**(7)**	**1,477**

(a) Includes employee deferred compensation as well as provisions for defined employee benefit plans (€446 million as of December 31, 2011 and €432 million as of December 31, 2010; please refer to Note 20.2), but excludes employee termination reserves recorded under restructuring costs.

(b) SFR and GVT are required to dismantle and restore each telephony antenna site following termination of a site lease.

Note 20. Employee benefits

20.1. Analysis of expenses related to employee benefit plans

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

		Year ended December 31,	
(in millions of euros)	Note	2011	2010
Employee defined contribution plans		55	39
Employee defined benefit plans	20.2.2	16	32
Employee benefit plans		**71**	**71**

20.2. Employee defined benefit plans

20.2.1. Assumptions used in the evaluation and sensitivity analysis

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

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

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

	Pension benefits		Post-retirement benefits	
	2011	2010	2011	2010
Discount rate (a)	4.6%	4.6%	4.3%	4.8%
Expected return on plan assets (b)	3.7%	3.9%	na	na
Rate of compensation increase	1.9%	1.8%	3.0%	3.0%
Expected average working life (in years)	9.8	10.8	5.3	6.3

na: not applicable.

(a) A 50 basis point increase (or a 50 basis point decrease, respectively) in the 2011 discount rate would have led to an increase of €2 million in pre-tax expense (or a decrease of €1 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €51 million (or an increase of €56 million, respectively).

(b) A 50 basis point increase (or a 50 basis point decrease, respectively) in the expected return on plan assets for 2011 would have led to a decrease of≈€1 million in pre-tax expense (or an increase of €1 million, respectively).

Assumptions used in accounting for the pension benefits, by country

	United States		United Kingdom		Germany		France	
	2011	2010	2011	2010	2011	2010	2011	2010
Discount rate	4.25%	4.75%	5.00%	5.00%	4.50%	4.25%	4.50%	4.25%
Expected return on plan assets	4.25%	4.75%	3.36%	3.53%	na	na	4.55%	4.62%
Rate of compensation increase	na	na	5.00%	4.50%	2.00%	1.75%	3.47%	3.30%

na: not applicable.

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

	United States		Canada	
	2011	2010	2011	2010
Discount rate	4.25%	4.75%	4.75%	5.00%
Rate of compensation increase	3.50%	3.50%	na	na

na: not applicable.

Notes to the Consolidated Financial Statements

Pension plan assets

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

	Minimum	Maximum
Equity securities	6%	7%
Real estate	1%	1%
Debt securities	82%	82%
Cash	10%	10%

Allocation of pension plan assets

	December 31, 2011	December 31, 2010
Equity securities	6%	4%
Real estate	1%	2%
Debt securities	82%	93%
Cash	11%	1%
Total	**100%**	**100%**

Pension plan assets which were not transferred have a limited exposure to stock market fluctuations. These assets do not include occupied buildings or assets used by Vivendi nor shares or debt instruments of Vivendi.

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the annual growth in the per capita cost of covered health care benefits would slow down from 7.4% for categories under 65 years old and 65 years old and over in 2011, to 4.7% in 2020 for these categories. In 2011, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €11 million and the pre-tax expense by €1 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €10 million and the pre-tax expense by less than €1 million.

20.2.2. Analysis of the expense recorded and benefits paid

	Pension benefits		Post-retirement benefits		Total	
(in millions of euros)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Current service cost	16	14	-	-	16	14
Amortization of actuarial (gains)/losses	7	15	-	2	7	17
Amortization of past service cost	(7)	1	-	-	(7)	1
Effect of curtailments/settlements	-	-	-	-	-	-
Adjustment related to asset ceiling	-	-	-	-	-	-
Impact on selling, administrative and general expenses	**16**	**30**	**-**	**2**	**16**	**32**
Interest cost	28	28	7	8	35	36
Expected return on plan assets	(9)	(9)	-	-	(9)	(9)
Impact on other financial charges and income	**19**	**19**	**7**	**8**	**26**	**27**
Net benefit cost	**35**	**49**	**7**	**10**	**42**	**59**

In 2011, benefits paid amounted to (i) €27 million (€36 million in 2010) with respect to pensions, of which €5 million (€9 million in 2010) was paid by pension funds, and (ii) €12 million (€13 million in 2010) with respect to post-retirement benefits.

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

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

	Pension benefits					Post-retirement benefits				
	December 31,					December 31,				
(in millions of euros)	**2011**	**2010**	**2009**	**2008**	**2007**	**2011**	**2010**	**2009**	**2008**	**2007**
Benefit obligation	668	625	539	482	780	158	159	142	135	144
Fair value of plan assets	272	240	203	189	443	-	-	-	-	-
Underfunded obligation	**(396)**	**(385)**	**(336)**	**(293)**	**(337)**	**(158)**	**(159)**	**(142)**	**(135)**	**(144)**

Notes to the Consolidated Financial Statements

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

(in millions of euros)	Note	Pension benefits 2011	Pension benefits 2010	Post-retirement benefits 2011	Post-retirement benefits 2010	Total 2011	Total 2010
Changes in benefit obligation							
Benefit obligation at the beginning of the year		625	539	159	142	784	681
Current service cost		16	14	-	-	16	14
Interest cost		28	28	7	8	35	36
Contributions by plan participants		-	-	1	2	1	2
Business combinations		-	-	-	-	-	-
Divestitures		-	-	-	-	-	-
Curtailments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Transfers		-	-	-	-	-	-
Plan amendments		(2)	-	-	-	(2)	-
Experience (gains)/losses (a)		2	(2)	(1)	(2)	1	(4)
Actuarial (gains)/losses related to changes in actuarial assumptions		6	58	1	10	7	68
Benefits paid		(27)	(36)	(12)	(13)	(39)	(49)
Other (foreign currency translation adjustments)		20	24	3	12	23	36
Benefit obligation at the end of the year		**668**	**625**	**158**	**159**	**826**	**784**
of which wholly or partly funded benefits		*389*	*361*	*-*	*-*	*389*	*361*
wholly unfunded benefits (b)		*279*	*264*	*158*	*159*	*437*	*423*
Changes in fair value of plan assets							
Fair value of plan assets at the beginning of the year		240	203	-	-	240	203
Expected return on plan assets		9	9	-	-	9	9
Experience gains/(losses) (c)		-	9	-	-	-	9
Contributions by employers		38	43	11	12	49	55
Contributions by plan participants		-	-	1	1	1	1
Business combinations		-	-	-	-	-	-
Divestitures		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Transfers		-	-	-	-	-	-
Benefits paid		(27)	(36)	(12)	(13)	(39)	(49)
Other (foreign currency translation adjustments)		12	12	-	-	12	12
Fair value of plan assets at the end of the year		**272**	**240**	**-**	**-**	**272**	**240**
Funded status							
Underfunded obligation		(396)	(385)	(158)	(159)	(554)	(544)
Unrecognized actuarial (gains)/losses		120	117	(1)	(1)	119	116
Unrecognized past service cost		7	1	-	-	7	1
(Provision)/asset before asset ceiling		**(269)**	**(267)**	**(159)**	**(160)**	**(428)**	**(427)**
Adjustment related to asset ceiling		-	-	-	-	-	-
Net (provision)/asset recorded in the statement of financial position		**(269)**	**(267)**	**(159)**	**(160)**	**(428)**	**(427)**
of which assets related to employee benefit plans		*18*	*5*	*-*	*-*	*18*	*5*
provisions for employee benefit plans (d)	19	*(287)*	*(272)*	*(159)*	*(160)*	*(446)*	*(432)*

(a) Includes the impact on the benefit obligation resulting from the difference between benefits estimated at the previous year-end and benefits paid during the year. As a reminder, in 2009, 2008 and 2007, (gains)/losses that result from actual experience in respect of benefit obligations amounted to €1 million, €1 million, and -€1 million, respectively.

(b) In accordance with local laws and practices, certain plans are not covered by pension funds. As of December 31, 2011, they principally comprise supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

(c) Includes the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year. As a reminder, in 2009, 2008, and 2007 gains/(losses) that result from actual experience in respect of plan assets amounted to €3 million, -€43 million, and -€24 million, respectively.

(d) Includes a current liability of €37 million as of December 31, 2011 (compared to €34 million as of December 31, 2010).

Notes to the Consolidated Financial Statements

Benefit obligation and fair value of plan assets detailed by country

(in millions of euros)	Pension benefits		Post-retirement benefits	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Benefit obligation				
US companies	121	120	139	139
UK companies	205	178	-	-
German companies	108	110	-	-
French companies	171	162	-	-
Other	63	55	19	20
	668	**625**	**158**	**159**
Fair value of plan assets				
US companies	56	58	-	-
UK companies	154	127	-	-
French companies	51	45	-	-
Other	11	10	-	-
	272	**240**	**-**	**-**

In 2011, Vivendi took into account the impact of the change in the legislation regarding the indexation of retirement plans in the United Kingdom, which resulted in a non-significant decrease of its commitments.

20.2.4. Additional information on pension benefits in France

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

	Equity securities	Real estate	Debt securities	Cash	Total
Corporate Supplementary Plan	14.4%	5.2%	80.4%	-	100%
Corporate Management Supplementary Plan	17.1%	4.8%	78.1%	-	100%
SFR Supplementary Plan	11.8%	6.1%	81.5%	0.6%	100%
Canal+ Group IDR* Plan	9.9%	8.1%	82.0%	-	100%

IDR (*Indemnités de départ en retraite*)*: indemnities payable on retirement.
The asset allocation remains fairly stable over time. Contributions to the four plans amounted to €4 million in 2011 (compared to €5 million in 2010), and are estimated to be €5 million for 2012.
Payments to all ten pension plans in France amounted to €5 million in 2011 (compared to €5 million in 2010), and are estimated to be €8 million in 2012.

20.2.5. Benefits estimation and future payments

For 2012, pension fund contributions and benefit payments to retirees by Vivendi are estimated at €35 million in respect of pensions, of which €14 million to pension funds and €12 million to post-retirement benefits.
Estimates of future benefit payments to beneficiaries by the relevant pension funds or by Vivendi (in nominal value) are as follows:

(in millions of euros)	Pension benefits	Post-retirement benefits
2012	23	13
2013	19	12
2014	38	12
2015	21	12
2016	22	12
2017-2021	172	55

Note 21. Share-based compensation plans

21.1. Impact on the Consolidated Statement of Earnings

		Year ended December 31,	
(in millions of euros)	**Note**	**2011**	**2010**
Charge/(Income)			
Stock options and performance shares		*28*	*27*
"Stock appreciation rights" and "restricted stock units"		*(5)*	*(5)*
Employee stock purchase plans		*25*	*15*
Vivendi stock instruments	21.2	48	37
Activision Blizzard stock instruments	21.3	67	(a) 69
UMG employee equity unit plan	21.4	7	7
Subtotal (including Activision Blizzard's capitalized costs)		**122**	**113**
equity-settled instruments		*120*	*110*
cash-settled instruments		*2*	*3*
(-) Activision Blizzard's capitalized costs (b)		7	26
Charges/(Income) related to stock options and other share-based compensation plans	3	**129**	**139**

(a) Included the Blizzard Equity Plan (BEP) implemented in 2006 for certain key Blizzard Entertainment Inc. executives and employees. In July 2008, following the creation of Activision Blizzard, the outstanding unvested rights were immediately vested, cancelled and extinguished and were converted into new rights to receive payment in cash on January 9, 2010. The compensation cost was recognized on a straight-line basis over an 18 month period from July 9, 2008 to January 9, 2010. As of December 31, 2009, a provision of $86 million (€60 million) was recognized. In January 2010, $88 million (€61 million) was paid out as the final distribution under the Plan, and there are no payment obligations remaining under this Plan.

(b) Share-based compensation costs directly attributable to games development are capitalized in compliance with the accounting principles described in Note 1.3.5.4. In 2011, €19 million were capitalized (€41 million in 2010) and €26 million were amortized (€67 million in 2010), representing a net impact of -€7 million (-€26 million in 2010).

21.2. Plans granted by Vivendi

21.2.1. Information on plans granted by Vivendi

Vivendi has granted several share-based compensation plans to its employees. During 2011 and 2010, Vivendi granted equity-settled stock option plans and performance share plans, wherever the fiscal residence of the beneficiaries, as well as stock purchase plans for its employees and retirees (employee stock purchase plan and leveraged plan).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.10.
More specifically, the volatility applied in valuing the plans granted by Vivendi in 2011 is calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5-year period (5-year period as of December 31, 2010) and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.
The risk-free interest rate used is the rate of French "*Obligations Assimilables du Trésor*" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date.
The expected dividend yield at grant date is based on Vivendi's dividend distribution policy, which is an expected dividend of at least 50% of adjusted net income.

Notes to the Consolidated Financial Statements

Equity-settled instruments

The definitive grant of stock options and performance shares is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee. In 2011, the assessment period for the stock option performance criteria was aligned with the performance share criteria, i.e., two years (compared to one year in 2010).

The value of the granted equity-settled instruments is estimated and set at grant date. For the main stock option and performance share plans granted in 2011 and 2010, the applied assumptions were as follows:

	2011	2010
Grant date	April 13,	April 15,
Data at grant date:		
Option strike price (in euros)	19.93	(a) 19.71
Share price (in euros)	20.56	19.89
Expected volatility	25%	25%
Expected dividend yield	7.30%	7.04%
Performance conditions achievement rate	100%	100%

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

Stock option plans

Stock options granted in 2011 and 2010 vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period.

On April 13, 2011, 2,527 thousand stock options were granted, compared to 5,297 thousand granted on April 15, 2010. After taking into account a 3.21% risk-free interest rate (2.75% in 2010), the fair value of each option granted was €2.16, compared to €1.99 per option on April 15, 2010.

In 2011, the definitive grant of stock options was effective upon to satisfaction of performance conditions: adjusted net income (45% compared to 50% in 2010), cash flow from operations (CFFO) (25% compared to 30% in 2010) and performance of Vivendi shares compared to two trading indices (30%): Stoxx Europe 600 Telecommunications index (60%) and a panel of companies involved in the media (40%); in 2010, there were three trading indices (20%): DJ Stoxx Media, DJ Stoxx Telco and CAC 40.
As the performance conditions related to the 2010 plan were satisfied at year-end 2010, the definitive grant of stock options from April 15, 2010 became effective as of December 31, 2010.

Performance share plans

Performance shares granted in 2011 and 2010 vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares composing the share capital of the company, employee shareholders are entitled to dividends and voting rights attached to these shares at the end of the two-year vesting period. The compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On April 13, 2011, 1,679 thousand performance shares were granted, compared to 1,084 thousand granted on April 15, 2010. After taking into account a discount for non-transferability of 4.50% of the share price on April 13, 2011 (17.50% on April 15, 2010), the fair value of each granted performance share was €16.84, compared to €13.80 per share on April 15, 2010.

In 2011 and 2010, the definitive grant of stock options was effective upon to satisfaction of performance conditions: adjusted net income (50%), cash flow from operations (CFFO) (25%) and performance of Vivendi shares compared to three trading indices (20%): DJ Stoxx Media, DJ Stoxx Telco and CAC 40.
As the performance conditions related to the 2010 plan were satisfied at year-end of 2010 and year-end of 2011, the definitive grant of performance shares from≈April 15, 2010 became effective as of December 31, 2011.

Notes to the Consolidated Financial Statements

Cash-settled instruments

In 2006 and 2007, Vivendi granted specific instruments to its US resident managers and employees, with economic characteristics similar to those granted to non-US resident managers and employees, and these equity instruments are settled in cash only. The value of the cash-settled instruments granted is initially estimated as of the grant date and is then re-estimated at each reporting date until the payment date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date. All the rights for these plans were definitively vested as of April 2010.

Stock appreciation right plans

When the instruments entitle the beneficiaries thereof to receive the appreciation in the value of Vivendi share, they are known as "stock appreciation rights" (SAR) which are the economic equivalent of stock options. Under a SAR plan, the beneficiaries will receive a cash payment upon exercise of their rights based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SAR and their strike price as set at the grant date. SAR expire at the end of a ten-year period. The following table presents the value of outstanding stock appreciation right plan measured as of December 31, 2011:

	2007		2006
Grant date	April 23,	September 22,	April 13,
Data at grant date:			
Strike price (in US dollars)	41.34	34.58	34.58
Number of instruments granted (in thousands)	1,281	24	1,250
Data at the valuation date (December 31, 2011) :			
Expected term (in years)	2.6	2.3	2.1
Share price (in US dollars)	21.71	21.71	21.71
Expected volatility	28%	28%	28%
Risk-free interest rate	0.98%	0.83%	0.67%
Expected dividend yield	8.64%	8.64%	8.64%
Fair value of the granted option as of December 31, 2011 (in US dollars)	**0.14**	**0.29**	**0.26**

Restricted stock unit plans

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

In accordance with the description above, the beneficiaries of the RSU plan granted in 2007 received in 2011 a cash payment based on 99 thousand RSU held as of December 31, 2010 for a total consideration of €2 million (compared to €4 million paid in 2010 for the RSU plans granted in 2006). As of December 31, 2011, there are no more RSU plans at Vivendi.

Notes to the Consolidated Financial Statements

Employee stock purchase and leveraged plans

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

For the employee stock purchase and leveraged plans subscribed in 2011 and 2010, the applied assumptions were as follows:

	2011	**2010**
Grant date	June 23,	July 5,
Subscription price (in euros)	15.27	13.78
Data at grant date:		
Share price (in euros)	18.39	16.46
Discount to face value	16.97%	16.28%
Expected dividend yield	8.16%	8.50%
Risk-free interest rate	2.44%	1.78%
5-year interest rate	6.15%	6.20%
Repo rate	0.36%	0.36%

Under the **employee stock purchase plans**, 1,841 thousand shares were subscribed in 2011 (1,577 thousand shares subscribed in 2010). After taking into account a discount for non-transferability of 10.0% of the share price on the date of grant (11.3% in 2010), the fair value per subscribed share was €1.3 on June 23, 2011, compared to €0.8 per subscribed share on July 5, 2010.

Under the **leveraged plans** implemented in 2011 and 2010, virtually all employees and retirees of Vivendi and its French and foreign subsidiaries were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2011, 7,320 thousand shares were subscribed under the leveraged plans (compared to 5,413 subscribed shares in 2010). After taking into account the discount for non-transferability following the leveraged impact of 1.0% (1.1% in 2010), the fair value per subscribed share on June 23, 2011 was €2.9, compared to €2.5 per subscribed share on July 5, 2010.

Given the amount of subscriptions made through the employee stock purchase plans and the leveraged plans, the share capital (including issue premium) increased by €143 million on July 21, 2011 and €98 million on July 29, 2010.

Notes to the Consolidated Financial Statements

21.2.2. Information on outstanding Vivendi plans since January 1, 2010

Equity-settled instruments

	Stock options		Performance shares
	Number of stock options outstanding (in thousands)	**Weighted average strike price of stock options outstanding** (in euros)	**Number of performance shares outstanding** (in thousands)
Balance as of December 31, 2009	**41,667**	**23.5**	**1,062**
Granted	5,348	19.7	1,101
Exercised	(907)	14.6	(430)
Forfeited	(327)	47.8	-
Cancelled	(360)	22.4	(30)
Adjusted	3,501	21.3	124
Balance as of December 31, 2010	**48,922**	**21.4**	**1,827**
Granted	2 565	19.9	1,768
Exercised	(a) (554)	13.9	(509)
Cancelled	(1,026)	19.7	(125)
Balance as of December 31, 2011	(b) **49,907**	**21.5**	(c) **2,961**
Exercisable as of December 31, 2011	**35,719**	**22.6**	**-**
Acquired as of December 31, 2011	**35,931**	**22.5**	**142**

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €19.99 (compared to €19.96 for stock options exercised in 2010).
(b) The total intrinsic value of outstanding stock options was €12 million.
(c) The weighted-average remaining period before issuing shares under performance shares was 1.3 years.

Please refer to Note 18 for the potential impact on the share capital of Vivendi SA of the outstanding stock options and the performance shares.

Information on stock options as of December 31, 2011 is as follows:

Range of strike prices	**Number outstanding** (in thousands)	**Weighted average strike price** (in euros)	**Weighted average remaining contractual life** (in years)	**Number vested** (in thousands)	**Weighted average strike price** (in euros)
Under €17	3,321	13.4	1.4	3,321	13.4
€17-€19	11,797	18.5	7.7	449	18.4
€19-€21	10,307	19.4	4.1	7,679	19.2
€21-€23	7,160	22.0	3.3	7,160	22.0
€23-€25	6,103	23.4	6.3	6,103	23.4
€25-€27	5,532	26.5	4.3	5,532	26.5
€27-€29	5,687	28.6	5.3	5,687	28.6
€29 and more	-	-	-	-	-
	49,907	**21.5**	**5.1**	**35,931**	**22.5**

Cash-settled instruments

As of December 31, 2011, the remaining outstanding SAR amounted to 5,057 thousand (compared to 5,102 thousand as of December 31, 2010). In 2011, 42 thousand SAR were exercised and 3 thousand were forfeited. All rights related to SAR were vested and their total intrinsic value amounted to $1 million.
As of December 31, 2011, the amount accrued for these instruments was €2 million (compared to €8 million as of December 31, 2010).

Notes to the Consolidated Financial Statements

21.3. Plans granted by Activision Blizzard

21.3.1. Information on plans granted by Activision Blizzard

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

The accounting methods applied to value these granted plans are described in Note 1.3.10. More precisely, the volatility applied in valuing the plans granted by Activision Blizzard consists of the historical volatility of Activision Blizzard shares and the implied volatility based on traded put and call options. The risk-free interest rate used was a forward rate and the expected dividend yield assumption was based on the company's historical and expected future amount of dividend payouts.

On July 28, 2008, the Board of Directors of Activision Blizzard adopted the Activision Blizzard Inc. 2008 Incentive Plan, further amended and restated by the Board of Directors and the Compensation Committee of this Board with stockholder approval (as so amended and restated, the "2008 Plan"). The 2008 Plan authorizes the Compensation Committee of the Board of Directors to provide Activision Blizzard's stock-based compensation in the form of stock options, share appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other performance or value-based awards. The stock-based compensation program of Activision Blizzard for the most part currently utilizes a combination of options and restricted stock units. Under the terms of the 2008 Plan, the exercise price for the options, must be equal to or greater than the closing price per share of the common stock of Activision Blizzard on the date the award is granted, as reported on NASDAQ.

Stock option plans

Stock options have time-based vesting schedules, generally vesting annually over a period of three to five years.
The characteristics of the stock option plans granted in 2011 and 2010 are presented below:

	2011	2010
Number of instruments granted (in thousands)	4,052	11,276
Maturity (in years)	10	10
Weighted-average data at grant date: (a)		
Option strike price (in US dollars)	12.54	11.52
Expected term (in years)	6.58	5.79
Share price (in US dollars)	12.54	11.52
Expected volatility	44%	46%
Risk-free interest rate	1.91%	2.97%
Expected dividend yield	1.34%	1.33%
Performance conditions achievement rate	na	na
Weighted-average fair value of the option at grant date (in US dollars) (a)	**4.17**	**3.98**

na: not applicable.
(a) Relates to the weighted-average by number of instruments for each grant per fiscal year.

Restricted stock units and restricted stock awards

Restricted stock units either have time-based vesting schedules, generally vesting in their entirety on the third anniversary of the date of grant or vesting annually over a period of three to five years, or vest only if certain performance measures are met. The characteristics of the restricted stock units and restricted stocks granted in 2011 and 2010 are presented below:

	2011	2010
Number of instruments granted (in thousands)	4,918	10,364
Weighted-average data at grant date: (a)		
Vesting period (in years)	3	3
Share price (in US dollars)	12.54	11.52
Expected dividend yield	1.34%	1.33%
Performance conditions achievement rate	na	na
Weighted-average fair value of the instrument at grant date (in US dollars) (a)	**12.30**	**11.54**

na: not applicable.
(a) Relates to the weighted-average by number of instruments for each attribution per fiscal year.

In addition, in connection with the consummation of the Activision and Vivendi Games business combination on July 9, 2008, the Chief Executive Officer of Activision Blizzard received a grant of 2,500,000 market performance-based restricted shares, which vest in 20% increments on each of the first, second, third, and fourth anniversaries of the date of grant, with another 20% vesting on December 31, 2012, the expiration date of the Chief Executive Officer's employment agreement with Activision Blizzard.

21.3.2. Information on outstanding Activision Blizzard plans since January 1, 2010

	Stock options		Restricted stocks
	Number of stock options outstanding (in thousands)	**Weighted average strike price of stock options outstanding** (in US dollars)	**Number of restricted stocks outstanding** (in thousands)
Balance as of December 31, 2009	**71,818**	**9.0**	**11,303**
Granted	11,276	11.5	10,364
Exercised	(16,210)	5.0	(2,557)
Forfeited	(4,330)	10.4	(2,538)
Expired	(1,379)	9.4	-
Balance as of December 31, 2010	**61,175**	**10.5**	**16,572**
Granted	4,052	12.5	4,918
Exercised	(a) (9,605)	7.2	(3,125)
Forfeited	(1,719)	11.1	(1,226)
Expired	(741)	15.1	-
Balance as of December 31, 2011	(b) **53,162**	**11.1**	(c) **17,139**
Exercisable as of December 31, 2011	**36,273**	**10.6**	**-**
Acquired as of December 31, 2011	**36,273**	**10.6**	**-**

(a) The weighted average share price for the shares of Activision Blizzard on the date the options were exercised was $12.06 (compared to $11.40 in 2010).
(b) The total intrinsic value of outstanding stock options was $101 million.
(c) For restricted stocks, the weighted average remaining period before issuing shares was 1.8 years.

Please refer to Note 18 for the potential impact on Vivendi's ownership interest in Activision Blizzard of the outstanding stock options and the restricted stock plans.

Information concerning stock options as of December 31, 2011 is as follows:

Range of strike prices	**Number outstanding** (in thousands)	**Weighted average strike price** (in US dollars)	**Weighted average remaining contractual life** (in years)	**Number vested** (in thousands)	**Weighted average strike price** (in US dollars)
Under $2	256	1.8	1.2	256	1.8
$2-$4	1,566	3.1	1.0	1,566	3.1
$4-$6	2,232	5.5	3.1	2,232	5.5
$6-$8	5,718	7.0	4.1	5,718	7.0
$8-$10	6,372	9.3	5.5	6,115	9.3
$10-$12	19,697	11.4	7.9	9,415	11.2
$12-$14	8,807	13.0	7.6	4,208	13.1
$14-$16	3,540	15.0	6.5	2,419	15.0
$16-$17	4,914	16.5	6.3	4,284	16.5
$17 and more	60	18.4	6.6	60	18.4
	53,162	**11.1**	**6.5**	**36,273**	**10.6**

Notes to the Consolidated Financial Statements

21.4. UMG long-term incentive plan

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

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

As of December 31, 2011, the amount accrued under these arrangements was €14 million (€7 million as of December 31, 2010). There have been no payments made to date.

21.5. Neuf Cegetel restricted stock plans

Following Neuf Cegetel's consolidation by SFR in April 2008, Vivendi assumed the residual plans of Neuf Cegetel, including restricted shares granted between 2005 and 2007 to employees and/or corporate officers. The acquisition of shares only became final after the expiration of a two-year vesting period, with a minimum holding period of two years.
The shares owned (but currently in a holding period) by corporate officers and employees of Ex-Neuf Cegetel are subject to reciprocal put and call option agreements with SFR, with a 2011 maturity at the latest.

As of December 31, 2009, all restricted shares granted under these plans were definitely vested and as of December 31, 2011, there is no longer any accrual (compared to €38 million as of December 31, 2010) pursuant to the remaining buyout by SFR in 2011.

Notes to the Consolidated Financial Statements

Note 22. Borrowings and other financial liabilities

		December 31, 2011			December 31, 2010		
(in millions of euros)	**Note**	**Total**	**Long-term**	**Short-term**	**Total**	**Long-term**	**Short-term**
Bonds	22.1	9,276	7,676	1,600	7,202	6,502	700
Bank credit facilities (drawn confirmed)	22.2	4,917	4,558	359	2,173	1,813	360
Commercial paper issued	22.2	529	-	529	1,697	-	1,697
Bank overdrafts		163	-	163	276	-	276
Accrued interest to be paid		200	-	200	161	-	161
Other		621	173	448	399	202	197
Nominal value of borrowings		**15,706**	**12,407**	**3,299**	**11,908**	**8,517**	**3,391**
Cumulative effect of amortized cost and reevaluation due to hedge accounting		(12)	(8)	(4)	(6)	(6)	-
Commitments to purchase non-controlling interests		11	10	1	6	1	5
Derivative financial instruments	23	5	-	5	95	61	34
Borrowings and other financial liabilities		**15,710**	**12,409**	**3,301**	**12,003**	**8,573**	**3,430**

22.1. Bonds

	Interest rate (%)				Maturing during the following periods						
(in millions of euros)	**nominal**	**effective**	**Maturity**	**December 31, 2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**After 2016**	**December 31, 2010**
€500 million (November 2011)	3.875%	4.04%	Nov-15	500				500			-
€500 million (November 2011)	4.875%	5.00%	Nov-18	500						500	-
€1,000 million (July 2011)	3.500%	3.68%	Jul-15	1,000				1,000			-
€750 million (July 2011)	4.750%	4.90%	Jul-21	750						750	-
€750 million (March 2010)	4.000%	4.15%	Mar-17	750						750	750
€700 million (December 2009)	4.875%	4.95%	Dec-19	700						700	700
€500 million (December 2009)	4.250%	4.39%	Dec-16	500					500		500
€300 million – SFR (July 2009)	5.000%	5.05%	Jul-14	300			300				300
€1,120 million (January 2009)	7.750%	7.69%	Jan-14	894			894				894
$700 million (April 2008)	6.625%	6.85%	Apr-18	541						541	529
$700 million (April 2008)	5.750%	6.06%	Apr-13	541		541					529
€700 million (October 2006)	4.500%	5.47%	Oct-13	700		700					700
€700 million (October 2006)	Eur. 3 months +0.50%		Oct-11	-							700
€1,000 million – SFR (July 2005)	3.375%	4.14%	Jul-12	1,000	1,000						1,000
€600 million (February 2005)	3.875%	3.94%	Feb-12	600	600						600
Nominal value of bonds				**9,276**	**1,600**	**1,241**	**1,194**	**1,500**	**500**	**3,241**	**7,202**

The euro denominated bonds listed on the Luxembourg Stock Exchange are subject to customary *pari-passu*, negative pledge, and event of default provisions.

The nominal value of the dollar denominated bonds issued was calculated based on the closing rate, i.e., 1.29 euro/dollar as of December 31, 2011 (compared to 1.32 euro/dollar as of December 31, 2010).

Bonds issued by the group contain customary provisions related to default, negative pledge and, rights of payment (*pari-passu* ranking). In addition, bonds issued by Vivendi SA contain a change in control trigger if the long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-) as a result of any such event.

Moreover, on January 10, 2012, Vivendi raised €1,250 million through a bond issue, with a 5.5-year maturity and a 4.125% coupon, and with an effective rate of 4.31%.

Notes to the Consolidated Financial Statements

22.2. Bank credit facilities

(in million of euros)	Maturity	Maximum amount	December 31, 2011	Maturing during the following periods						December 31, 2010
				2012	2013	2014	2015	2016	After 2016	
€5.0 billion revolving facility (May 2011) (a)										
tranche A: €1.5 billion	(b)	1,500	-							-
tranche B: €1.5 billion	May-14	1,500	725			725				-
tranche C: €2.0 billion	May-16	2,000	410					410		-
Securitization program - SFR (March 2011)	(c) Mar-16	500	422					422		310
€1.0 billion revolving facility (September 2010)	Sep-15	1,000	-							-
€1.2 billion revolving facility - SFR (June 2010)	Jun-15	1,200	-							-
€100 million revolving facility - SFR(November 2008)	(b)	50	-							-
€850 million revolving facility - SFR (May 2008)	(a)	-	-							-
€2 billion revolving facility (February 2008)	Feb-13	1,000	890		890					-
€2 billion revolving facility (August 2006)										
- initial credit line	Aug-12	271	271	271						-
- extended credit line	Aug-13	1,729	1,729		1,729					750
Securitization program - SFR (March 2006)	Mar-11	-	-							283
€450 million revolving facility - SFR (November 2005)	(a)	-	-							430
Syndicated loan ("Club Deal") tranche B - SFR (July 2005)	(b)	492	-							-
€2 billion revolving facility (April 2005)	(a)	-	-							-
GVT – BNDES (d)	-	664	299	33	33	40	53	53	87	186
Maroc Telecom - MAD 3 billion loan	Jul-14	149	149	55	54	40				202
Canal+ Group - Vietnam	Feb-14	26	22		6	16				12
Drawn confirmed bank credit facilities			**4,917**	**359**	**2,712**	**821**	**53**	**885**	**87**	**2,173**
Undrawn confirmed bank credit facilities			7,164	2,044	110	799	2,261	1,730	220	7,943
Total of group's bank credit facilities			**12,081**	**2,403**	**2,822**	**1,620**	**2,314**	**2,615**	**307**	**10,116**
Commercial paper issued (e)			529	529						1,697

(a) On May 16, 2011, Vivendi completed a €5 billion new syndicated bank credit facility with 3 tranches, including (i) tranche B, which replaced SFR's revolving facilities of €450 million initially maturing in November 2012 and €850 million initially maturing in May 2013; and (ii) tranche C, which refinanced Vivendi SA's revolving facility of €2 billion, initially maturing in April 2012.

(b) In January 2012, Vivendi set up a new €1.1 billion bank credit facility with a 5-year maturity, negotiated in December 2011, which early refinanced the €1.5 billion credit facility initially maturing in December 2012 and SFR's €492 million syndicated loan initially maturing in March 2012. SFR's €100 million revolving facility, which was reduced to €50 million as of December 31, 2011, was also transferred in the amount of €40 million to Vivendi SA, with a 3-year maturity.

(c) In March 2011, SFR refinanced its €310 million securitization program initially maturing in January 2015 by a €500 million securitization program maturing in March 2016.

(d) Relates to GVT's loan with BNDES (National Bank for Economic and Social Development) which has an average interest rate of 10% as of December 31, 2011.

(e) The short-term commercial papers are backed to confirmed bank credit facilities, which can no longer be drawn for these amounts. The commercial paper program of Vivendi SA amounted to €3 billion.

Drawn bank credit facilities of Vivendi SA and SFR were based on floating rate.

Vivendi SA's syndicated bank credit facilities (€9 billion as of December 31, 2011) contain customary provisions related to events of default and covenants relating to negative pledge, divestiture and merger transactions. In addition, at the end of each half year, Vivendi SA is required to comply with a financial covenant of Proportionate Financial Net Debt[1] to Proportionate EBITDA[2] over a twelve-month rolling period not exceeding 3 for the duration of the loans. Non-compliance with this covenant could result in the early repayment of the facilities if they were drawn, or their cancellation. As of December 31, 2011, Vivendi SA complied with these financial covenants.

1. *Defined as Vivendi's Financial Net Debt excluding cash management financial assets relating to loans issued before December 31, 2009, less the share of Financial Net Debt excluding cash management financial assets relating to loans issued before December 31, 2009, attributable to non-controlling interests of Activision Blizzard and Maroc Telecom Group.*
2. *Defined as Vivendi's modified EBITDA less modified EBITDA attributable to non-controlling interests of Activision Blizzard and Maroc Telecom Group plus the dividends received from the entities that are not consolidated.*

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SFR's bank credit facilities (€2.2 billion as of December 31, 2011) contain customary default, negative pledge, and merger and divestiture covenants. In addition, these facilities are subject to a change in control provision. In addition, at the end of each half year, SFR must comply with the following two financial covenants: (i) a ratio of Financial Net Debt to consolidated EBITDA over a twelve-month rolling period not exceeding 3.5; and (ii) a ratio of consolidated earnings from operations (*consolidated EFO*) to consolidated net financing costs (interest) equal to or greater than 3. Non-compliance with these financial covenants could constitute an event of default that could among other things result in the cancellation or the early repayment of the various loans. As of December 31, 2011, SFR complied with these financial covenants.

The renewal of Vivendi SA's and SFR's confirmed bank credit facilities when they are drawn and the launch of securitization programs are contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations with respect to loan contracts.

The credit facilities granted to GVT by the BNDES (BRL 1,800 million as of December 31, 2011) contain a change in control trigger and are subject to certain financial covenants pursuant to which GVT is required to comply at the end of each half year with at least three of the following financial covenants: (i) a ratio of equity to total asset equal to or higher than 0.40 (0.35 for the credit facilities granted in November 2011); (ii) a ratio of Financial Net Debt to EBITDA not exceeding 2.50; (iii) a ratio of current financial liabilities to EBITDA not exceeding 0.45; and (iv) a ratio of EBITDA to net financial expenses of at least 4.00 (3.50 for the credit facilities granted in November 2011). As of December 31, 2011, GVT was in compliance with its covenants.

22.3. Breakdown of the nominal value of borrowings by maturity, nature of the interest rate, and currency

Breakdown by maturity

(in millions of euros)	December 31, 2011		December 31, 2010	
Maturity				
< 1 year	3,299	*21%*	3,391	*28%*
Between 1 and 2 years	4,017	*26%*	2,165	*18%*
Between 2 and 3 years	2,037	*13%*	2,107	*18%*
Between 3 and 4 years	1,603	*10%*	1,321	*11%*
Between 4 and 5 years	1,391	*9%*	366	*3%*
> 5 years	3,359	*21%*	2,558	*22%*
Nominal value of borrowings	**15,706**	***100%***	**11,908**	***100%***

As of December 31, 2011, the average "economic" term of the group's financial debt, pursuant to which all undrawn amounts on available medium-term credit lines may be used to reimburse group borrowings with the shortest term was 4.0 years, unchanged compared to year-end 2010.

Breakdown by nature of interest rate

(in millions of euros)	Note	December 31, 2011		December 31, 2010	
Fixed interest rate		9,993	*64%*	7,016	*59%*
Floating interest rate		5,713	*36%*	4,892	*41%*
Nominal value of borrowings before hedging		**15,706**	***100%***	**11,908**	***100%***
Pay-fixed interest rate swaps		*1,000*		*2,335*	
Pay-floating interest rate swaps		*(1,750)*		*(3,107)*	
Net position at fixed interest rate	23.2	***(750)***		***(772)***	
Fixed interest rate		9,243	*59%*	6,244	*52%*
Floating interest rate		6,463	*41%*	5,664	*48%*
Nominal value of borrowings after hedging		**15,706**	***100%***	**11,908**	***100%***

Please refer to Note 23.2.1 for a description of the group's interest rate risk management instruments.

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Breakdown by currency

(in millions of euros)	Note	December 31, 2011		December 31, 2010	
Euro – EUR		13,751	*88%*	10,253	*86%*
US dollar – USD		1,084	*7%*	1,069	*9%*
Other (of which MAD, BRL, PLN and FCFA)		871	*5%*	586	*5%*
Nominal value of borrowings before hedging		**15,706**	***100%***	**11,908**	***100%***
Currency swaps USD		*563*		(a) (2,824)	
Other currency swaps		*(78)*		*124*	
Net total of hedging instruments	23.2	***485***		***(2,700)***	
Euro – EUR		14,236	*91%*	7,553	*63%*
US dollar – USD		521	*3%*	3,893	*33%*
Other (of which MAD, BRL, PLN and FCFA)		949	*6%*	462	*4%*
Nominal value of borrowings after hedging		**15,706**	***100%***	**11,908**	***100%***

(a) Included €2,883 million forward sales contracts denominated in US dollars related to the NBC Universal transaction (please refer to Note 2.2).

Please refer to Note 23.2.2 for a description of the group's foreign currency risk management.

22.4. Credit ratings

As of February 28, 2012, the date of the Management Board meeting that approved the Financial Statements for the year ended December 31, 2011, the credit ratings of Vivendi were as follows:

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

In addition, SFR's credit rating was aligned to that of Vivendi, following the announcement of the acquisition of Vodafone's 44% interest in SFR.

Note 23. Financial instruments and management of financial risks

23.1. Fair value of financial instruments

Financial instruments classified as liabilities under Vivendi's Statement of Financial Position include bonds and bank credit facilities, other financial liabilities (including commitments to purchase non-controlling interests), as well as trade accounts payable and other non-current liabilities. As assets under Vivendi's Statement of Financial Position, they include financial assets measured at fair value and at historical cost, trade accounts receivable and other, as well as cash and cash equivalents. In addition, financial instruments include derivative instruments (assets or liabilities) and assets available for sale, if any.

Accounting category and fair value of financial instruments

(in millions of euros)	Note	December 31, 2011		December 31, 2010	
		Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash management financial assets		*266*	*266*	*508*	*508*
Available-for-sale securities		*125*	*125*	*50*	*50*
Derivative financial instruments		*101*	*101*	*91*	*91*
Other financial assets at fair value through profit or loss		*28*	*28*	*36*	*36*
Financial assets at amortized cost		*352*	*352*	*433*	*433*
Financial assets	15	872	872	1,118	1,118
Trade accounts receivable and other, at amortized cost	16	6,730	6,730	6,711	6,711
Cash and cash equivalents	17	3,304	3,304	3,310	3,310
Liabilities					
Borrowings, at amortized cost		*15,694*	*16,079*	*11,902*	*12,263*
Derivative financial instruments		*5*	*5*	*95*	*95*
Commitments to purchase non-controlling interests, at fair value through profit or loss		*11*	*11*	*6*	*6*
Borrowings and other financial liabilities	22	15,710	16,095	12,003	12,364
Other non-current liabilities, at amortized cost	16	864	864	1,074	1,074
Trade accounts payable and other, at amortized cost	16	13,987	13,987	14,451	14,451

The carrying value of trade accounts receivable and other, cash and cash equivalents, and trade accounts payable is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings listed above includes the market value at the date of the closing of the bonds, listed on the Luxembourg Stock Exchange.

Valuation method for financial instruments at fair value

The following tables present the fair value method of financial instruments according to the three following levels:

- Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value measurement based on observable market data (other than quoted prices included within Level 1); and
- Level 3: fair value measurement based on valuation techniques that use inputs for the asset or liability that are not based on observable market data.

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As a reminder, the other financial instruments at amortized cost are not included in the following tables.

(in millions of euros)	Note	December 31, 2011 Total	Level 1	Level 2	Level 3
Assets					
Cash management financial assets	15	266	266	-	-
Available-for-sale securities	15	125	1	77	47
Derivative financial instruments	23.2	101	-	101	-
Other financial assets at fair value through profit or loss		28	15	-	13
Cash and cash equivalents	17	3,304	3,304	-	-
Liabilities					
Commitments to purchase non-controlling interests		11	-	2	9
Derivative financial instruments	23.2	5	-	5	-

(in millions of euros)	Note	December 31, 2010 Total	Level 1	Level 2	Level 3
Assets					
Cash management financial assets	15	508	508	-	-
Available-for-sale securities	15	50	1	-	49
Derivative financial instruments	23.2	91	-	91	-
Other financial assets at fair value through profit or loss		36	18	-	18
Cash and cash equivalents	17	3,310	3, 310	-	-
Liabilities					
Commitments to purchase non-controlling interests		6	-	2	4
Derivative financial instruments	23.2	95	-	95	-

In 2011 and 2010, there was no significant transfer of financial instruments measured at fair value between level 1 and level 2. In addition, as of December 31, 2011 and December 31, 2010, financial instruments measured at level 3 fair value did not include any significant amount.

23.2. Management of financial risks and financial derivative instruments

As part of its business, Vivendi is exposed to several types of financial risks: market risk, credit (or counterparty) risk, as well as liquidity risk. Market risks are defined as the risks of fluctuation in future cash flows of financial instruments (receivables and payables, as described in Note 23.1 above) that depend on the evolution of financial markets. For Vivendi, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investments in the markets for stocks and bonds. Vivendi's Financing and Treasury Department centrally manages significant market risks, as well as its liquidity risk within the group, reporting directly to Vivendi's chief financial officer, a member of the Management Board. The Department has the necessary expertise, resources (notably technical resources), and information systems for this purpose. However, Maroc Telecom Group's and Activision Blizzard's cash is managed independently. The Finance Committee monitors the liquidity positions in all business units and the exposure to interest rate risk and foreign currency exchange rate risk on a bi-monthly basis. Short and long term financing activities are mainly performed at the group's headquarters and are subject to the prior agreement of the Management and Supervisory Board, in accordance with the Internal Regulations. However, in terms of optimizing financing operations within the group's debt management framework within the limits already approved by the Supervisory Board, a simple notification is required.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. All derivative financial instruments are used for hedging purposes and speculative hedging is forbidden.

Financial derivative instrument values on the Statement of Financial Position

(in millions of euros)	December 31, 2011 Assets	Liabilities	December 31, 2010 Assets	Liabilities
Interest rate risk management	**60**	**-**	**69**	**(87)**
Pay-fixed interest rate swaps	-	-	-	(87)
Pay-floating interest rate swaps	60	-	69	-
Foreign currency risk management	**41**	**(5)**	**22**	**(8)**
Derivative financial instruments	**101**	**(5)**	**91**	**(95)**
Deduction of current derivative financial instruments	(39)	5	(22)	34
Non-current derivative financial instruments	**62**	**-**	**69**	**(61)**

23.2.1. Interest rate risk management

Interest rate risk management instruments are used by Vivendi to reduce net exposure to interest rate fluctuations, to adjust the respective proportion of fixed and floating interest rates in the total debt and to lower average net financing costs. In addition, Vivendi's internal procedures prohibit all speculative transactions.

Average gross borrowings and average cost of borrowings

In 2011, average gross borrowings amounted to €13.7 billion (compared to €12.7 billion in 2010), of which €7.2 billion was at fixed-rates and €6.5 billion at floating rates (compared to €7.2 and €5.5 billion in 2010, respectively). After management, the average cost of borrowings was 3.87%, with a fixed rate ratio of 53% (compared to 4.09%, with a fixed-rate ratio of 61% in 2010).

Interest rate hedges

Interest rate risk management instruments used by Vivendi include pay-floating and pay-fixed interest rate swaps. Pay-floating swaps effectively convert fixed rate borrowings to LIBOR and EURIBOR indexed ones. Pay-fixed interest rate swaps convert floating rate borrowings into fixed rate borrowings. These instruments enable the group to manage and reduce volatility in future cash flows required for interest payments on borrowings.

The tables below show the notional amounts of interest rate risk management instruments used by Vivendi:

	December 31, 2011								
	Notional amounts							Fair value	
(in millions of euros)	**Total**	**2012**	**2013**	**2014**	**2015**	**2016**	**After 2016**	**Assets**	**Liabilities**
Pay-fixed interest rate swaps	1,000	1,000						-	-
Pay-floating interest rate swaps	(1,750)					(1,000)	(750)	60	-
Net position at fixed interest rate	**(750)**	**1,000**				**(1,000)**	**(750)**	**60**	**-**
Breakdown by accounting category of rate hedging instruments									
Cash Flow Hedge	-							-	-
Fair Value Hedge	(1,750)					(1,000)	(750)	60	-
Economic Hedging (a)	1,000	1,000						-	-

	December 31, 2010								
	Notional amounts							Fair value	
(in millions of euros)	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**After 2015**	**Assets**	**Liabilities**
Pay-fixed interest rate swaps	2,335	1,200	900	235				-	(87)
Pay-floating interest rate swaps	(3,107)	(50)	(1,250)	(1,057)			(750)	69	-
Net position at fixed interest rate	**(772)**	**1,150**	**(350)**	**(822)**			**(750)**	**69**	**(87)**
Breakdown by accounting category of rate hedging instruments									
Cash Flow Hedge	2,335	1,200	900	235				-	(87)
Fair Value Hedge	(3,007)		(1,200)	(1,057)			(750)	67	-
Economic Hedging (a)	(100)	(50)	(50)					2	-

(a) The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.

As of December 31, 2010, amongst the pay-fixed interest rate swaps, the €700 million notional swap was backed to the bond issue of same amount and maturing in October 2011. The pay-floating interest rate swaps were backed to bonds issued for a total notional amount of €3,007 million: €1,200 million backed to the bond issued in December 2009 (maturing in 2012), $1,400 million backed to the bond issued in April 2008 (maturing in 2013), and €750 million backed to the bond issued in March 2010 (maturing in 2017).

During the second quarter of 2011, Vivendi partially hedged in advance ("pre-hedge swaps") the interest rate risk associated with its 2011 bond refinancing program for a notional amount of €1 billion. The cost of this hedging amounted to €36 million.

During 2011, Vivendi early unwound certain interest rate hedging derivative instruments, including the pay-fixed swaps with a notional amount of €1,135 million and initial maturities of 2012 and 2013, and the pay-floating swaps backed to bonds with notional amounts of €1,200 million and $1,400 million, respectively. The net cost of early unwinding of these interest rate swaps was €11 million.

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Finally, as of December 31, 2011, Vivendi contracted new swaps, including:
- pay-fixed interest rate swaps for a notional amount of €1,000 million, maturing in 2012; and
- pay-floating interest rate swaps backed to bonds issued in December 2009: €1,000 million (maturing in 2016).

Outstanding and average income from investments

As of December 31, 2011, average cash and cash equivalents amounted to €4.1 billion in 2011 (compared to €3.3 billion in 2010), bearing interest at a floating rate. The average interest income rate amounted to 1.16% in 2011 (compared to 0.88% in 2010).

Sensitivity to changes in interest rates

Given the relative weighting of the group's fixed-rate and floating-rate positions, an increase of 100 basis points in short-term interest rates (or a decrease of 100 basis points) would have resulted in a €29 million increase in interest expense (or a decrease of €29 million).

23.2.2. Foreign currency risk management

The group's foreign currency risk management is centralized by Vivendi SA's Financing Department and primarily seeks to hedge budget exposures (80%) resulting from monetary flows generated by activities performed in currencies other than the euro as well as from external firm commitments (100%), primarily relating to the acquisition of editorial content (including sports, audiovisual and film rights) and certain capital expenditures (set-top boxes for example), realized in currencies other than the euro. Most of the hedging instruments are foreign currency swaps or forward contracts that mature in less than one year. Considering the foreign currency hedging set up, an unfavorable and uniform euro change of 1% against all foreign currencies in position as of December 31, 2011, would have a cumulative impact of less than €1 million on net income (approximately €1 million as of December 31, 2010). In addition, the group may also hedge foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities. Nevertheless, due to their non-significant nature, net exposures to subsidiaries net working capital (internal flows of royalties as well as external purchases) are generally not hedged. The relevant risks are realized at the end of each month by translating the sum into the functional currency of the relevant operating entities.

The principal currency hedged by the group is the US dollar. Notably from December 2009 to January 2011, following the agreement to sell the 20% interest in NBC Universal to GE for a total amount of $5,800 million, Vivendi gradually hedged its investment in NBC Universal using currency forward sales contracts denominated in US dollars, at an average exchange rate of 1.33 dollar/Euro. From an accounting perspective, these forward contracts were qualified as net investment hedges in NBC Universal. On September 26, 2010, forward sales contracts for a nominal value of $2,000 million were unwound for €1,425 million. On January 25, 2011, forward sales contracts for a nominal value of $3,800 million were unwound for €2,921 million (as of December 31, 2010 they were unwound for €2,883 million).

In addition, the intercompany loan for a five-year period granted by Vivendi to GVT under market terms for €720 million (drawn for €540 million as of December 31, 2011) is not subject to any foreign currency hedging in the GVT's Statement of Financial Position. This intercompany loan is mainly aimed at financing the significant increase in GVT's capital expenditures program related to the geographic expansion of its telecommunication network.

Finally, at the beginning of 2012, in anticipation of the acquisition of EMI Recorded Music announced on November 11, 2011, Vivendi decided to progressively set up EUR-GBP foreign currency hedging to partially hedge this transaction in GBP according to EUR-GBP exchange rate fluctuations. This foreign currency contract qualifies as a cash flow hedge for accounting purposes, and will be settled upon acquisition of EMI Recorded Music (please refer to Note 2.5).

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The following tables present the notional amount of foreign currency risk management instruments used by the group:

	December 31, 2011						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	**USD**	**PLN**	**GBP**	**Other**	**Assets**	**Liabilities**
Sales against the euro	(338)	(53)	(112)	(80)	(93)	5	(5)
Purchases against the euro	823	606	40	7	170	36	-
Other	-	10	-	(10)	-	-	-
	485	**563**	**(72)**	**(83)**	**77**	**41**	**(5)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(97)	-	(65)	(9)	(23)	-	(2)
Purchases against the euro	70	69	-	1	-	5	-
Other	-	-	-	-	-	-	-
	(27)	69	(65)	(8)	(23)	5	(2)
Fair Value Hedge							
Sales against the euro	(54)	(6)	(47)	(1)	-	5	-
Purchases against the euro	476	476	-	-	-	28	-
Other	-	21	(11)	(10)	-	-	-
	422	491	(58)	(11)	-	33	-
Economic Hedging (a)							
Sales against the euro	(187)	(47)	-	(70)	(70)	-	(3)
Purchases against the euro	277	61	40	6	170	3	-
Other	-	(11)	11	-	-	-	-
	90	3	51	(64)	100	3	(3)

	December 31, 2010						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	**USD**	**PLN**	**GBP**	**Other**	**Assets**	**Liabilities**
Sales against the euro	(3,379)	(3,119)	(140)	(32)	(88)	14	(5)
Purchases against the euro	679	280	38	151	210	7	(3)
Other	-	15	(13)	-	(2)	1	-
	(2,700)	**(2,824)**	**(115)**	**119**	**120**	**22**	**(8)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(110)	(5)	(73)	(20)	(12)	-	(1)
Purchases against the euro	127	114	-	9	4	4	(1)
Other	-	2	-	-	(2)	-	-
	17	111	(73)	(11)	(10)	4	(2)
Fair Value Hedge							
Sales against the euro	(79)	(9)	(67)	(3)	-	-	(3)
Purchases against the euro	166	166	-	-	-	2	(1)
Other	-	13	(13)	-	-	1	-
	87	170	(80)	(3)	-	3	(4)
Net Investment Hedge							
Sales against the euro	(2,883)	(b) (2,883)	-	-	-	13	-
	(2,883)	(2,883)	-	-	-	13	-
Economic Hedging (a)							
Sales against the euro	(307)	(222)	-	(9)	(76)	1	(1)
Purchases against the euro	386	-	38	142	206	1	(1)
	79	(222)	38	133	130	2	(2)

(a) The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.
(b) Related to net investment hedge in NBC Universal.

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23.2.3. Liquidity risk management

Contractual maturity of the group's Financial Net Debt future cash flows

The table below presents the carrying value and the future undiscounted cash flows, as defined in the contractual maturity schedules, of assets and liabilities that constitute Vivendi's Financial Net Debt:

	December 31, 2011							
	Carrying value	Contractual maturity of cash outflows/(inflows)						
(in millions of euros)		Total	2012	2013	2014	2015	2016	After 2016
Nominal value of borrowings (a)	*15,706*	*15,706*	*3,299*	*4,017*	*2,037*	*1,603*	*1,391*	*3,359*
Cumulative effect of amortized cost and reevaluation due to hedge accounting	*(12)*	-						
Interest to be paid (b)	-	*2,230*	*544*	*436*	*360*	*266*	*196*	*428*
Borrowings	15,694	17,936	3,843	4,453	2,397	1,869	1,587	3,787
Commitments to purchase non-controlling interests	11	11	1				4	6
Derivative financial instruments	5	5	5					
Borrowings and other financial liabilities	**15,710**	**17,952**	**3,849**	**4,453**	**2,397**	**1,869**	**1,591**	**3,793**
Cash management financial assets	(266)	(266)	(266)					
Derivative financial instruments	(101)	(101)	(39)	(1)	(1)	(1)	(4)	(55)
Cash deposits backing borrowings	(12)	(12)	(12)					
Cash and cash equivalents (c)	(3,304)	(3,304)	(3,304)					
Financial Net Debt	**12,027**	**14,269**	**228**	**4,452**	**2,396**	**1,868**	**1,587**	**3,738**
Undrawn confirmed bank credit facilities		**7,164**	**2,044**	**110**	**799**	**2,261**	**1,730**	**220**

	December 31, 2010							
	Carrying value	Contractual maturity of cash outflows/(inflows)						
(in millions of euros)		Total	2011	2012	2013	2014	2015	After 2015
Nominal value of borrowings (a)	*11,908*	*11,908*	*3,391*	*2,165*	*2,107*	*1,321*	*366*	*2,558*
Cumulative effect of amortized cost and reevaluation due to hedge accounting	*(6)*	-						
Interest to be paid (b)	-	*1,677*	*382*	*362*	*278*	*220*	*127*	*308*
Borrowings	11,902	13,585	3,773	2,527	2,385	1,541	493	2,866
Commitments to purchase non-controlling interests	6	6	5					1
Derivative financial instruments	95	102	68	32	2			
Borrowings and other financial liabilities	**12,003**	**13,693**	**3,846**	**2,559**	**2,387**	**1,541**	**493**	**2,867**
Cash management financial assets	(508)	(508)	(508)					
Derivative financial instruments	(91)	(91)	(22)	(14)	(30)			(25)
Cash deposits backing borrowings	(21)	(21)	(10)	(11)				
Cash and cash equivalents (c)	(3,310)	(3,310)	(3,310)					
Financial Net Debt	**8,073**	**9,763**	**(4)**	**2,534**	**2,357**	**1,541**	**493**	**2,842**
Undrawn confirmed bank credit facilities		**7,943**	**117**	**2,797**	**2,829**		**2,200**	

(a) Future contractual undiscounted cash flows related to the nominal value of currency borrowings are estimated based on the applicable exchange rate as of December 31, 2011 and December 31, 2010, respectively.

(b) Interest to be paid on floating rate borrowings is estimated based on floating rates as of December 31, 2011 and December 31, 2010, respectively.

(c) Cash and cash equivalents include cash held outside the United States by the Activision Blizzard's non-American subsidiaries for €1,266 million (compared to €901 million as of December 31, 2010). If these funds are needed in the future to finance American transactions, Activision Blizzard would accrue and pay the required US taxes to repatriate these funds. However, Activision Blizzard's intent is to permanently reinvest these funds outside of the United States and their current business plans do not demonstrate a need to repatriate them to fund their activities in the United States.

Notes to the Consolidated Financial Statements

Group financing policy

Vivendi's financing policy consists of incurring long-term debt, mainly in bond and banking markets, at a variable rate or fixed rate, in euros, or, depending on general corporate needs, in US dollars.
In 2011, Vivendi applied a constant policy of increasing its debt's average duration and of disintermediation by having recourse in priority to the bond market.
Non-current debts are primarily raised by Vivendi SA, which centralizes the group's financing management, except for Activision Blizzard and Maroc Telecom Group.
In relation to bond financings, Vivendi has a Euro Medium Term Notes program on the Luxembourg Stock Exchange to take advantage of every euro bond market opportunity. Vivendi's bank counterparties must met certain criteria of financial soundness, reflected in their credit rating with Standard & Poor's and Moody's.
In addition, to comply with the rating agencies' new prudential regulations regarding liquidity management, Vivendi arranges the refinancing of all expiring bank credit facilities or bonds one year in advance.

In order to maintain significant cash reserves, Vivendi has confirmed credit facilities which amounted to €12,081 million as of December 31, 2011 (compared to €10,116 million as of December 31, 2010), of which €7,164 million was undrawn (compared to €7,943 million as of December 31, 2010). As of December 31, 2011, Vivendi SA's confirmed credit facilities amounted to €9,000 million (compared to €6,000 million as of December 31, 2010), of which €4,975 million was undrawn (compared to €5,250 million undrawn as of December 31, 2010).

Contractual agreements for credit facilities granted to Vivendi SA do not include provisions that tie the conditions of the loan to its financial ratings from specialized agencies. They contain customary provisions related to events of default and at the end of each half-year, Vivendi SA is notably required to comply with a financial covenant (please refer to Note 22.2). The credit facilities granted to group companies other than Vivendi SA are intended to finance either the general needs of the borrowing subsidiary or specific projects. As of December 31, 2011, there was no restriction on the use of the capital received by the group's companies (including Vivendi SA) which could have a direct or indirect material impact on the group's operations.

Vivendi's long-term credit rating is BBB Stable (Standard & Poor's and Fitch) and Baa2 Stable (Moody's); Vivendi's objective is to maintain such credit rating. As of December 31, 2011, the "economic" average term of the group's debt was 4.0 years (unchanged compared to December 31, 2010); it amounted to 4.2 years when taking into account the €1.1 billion bank credit facility set up in January 2012.

In 2011, investments, working capital, and dividend payments were financed by the cash flow from operations, net, asset disposals, and borrowings, if any. For the foreseeable future and based on the current capital market conditions, Vivendi intends to maintain this financing policy for its investments and operations.

Group financing organization

Excluding primarily Activision Blizzard and Maroc Telecom, Vivendi SA centralizes daily cash surpluses (cash pooling) of all controlled entities (a) that are not subject to local regulations restricting the transfer of financial assets or (b) that are not subject to other contractual agreements. In particular, the increase to a 100% ownership interest in SFR on June 16, 2011, has enabled Vivendi SA to centralize all of SFR's cash surpluses on a daily basis from July 1, 2011 through a cash pooling account.

Alternatively, in particular at Activision Blizzard and Maroc Telecom, cash surpluses are not pooled by Vivendi SA but rather, as the case may be, distributed as dividends when they are not used to finance investments of the relevant subsidiaries, as common stock repurchases or to reimburse borrowings used to finance their investments. Regarding Activision Blizzard, up until July 9, 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's Financial Net Debt, after giving effect to such dividend, exceeds $400 million.

Taking into account the foregoing, Vivendi considers that the cash flows generated by its operating activities, its cash and cash equivalents and amounts available through its current bank credit facilities will be sufficient to cover its operating expenses and capital expenditures, to service its debt, pay its dividends, as well as finance its investment projects, if any, for the next twelve months.

Notes to the Consolidated Financial Statements

23.3. Credit and investment concentration risk and counterparty risk management

Vivendi's risk management policy aims at minimizing the concentration of its credit (bank credit facilities, bonds, derivatives) and investment risks as well as counterparty risk, as regards the setting-up of bank credit facilities, derivatives or investments, by entering into transactions with highly rated commercial banks only. Moreover, regarding bond issues, Vivendi distributes its transactions among selected financial investors.
In addition, Vivendi's trade receivables do not represent a significant concentration of credit risk due to its broad customer base, the broad variety of customers and markets, and the geographic diversity of its business operations.

23.4. Equity market risk management

As of December 31, 2011 and as of December 31, 2010, Vivendi's exposure to equity market risk is non significant (approximately €1 million as of December 31, 2011 and December 31, 2010).

Note 24. Consolidated Cash Flow Statement

24.1. Adjustments

		Year ended December 31,	
(in millions of euros)	**Note**	**2011**	**2010**
Items related to operating activities with no cash impact			
Amortization and depreciation of intangible and tangible assets	4	3,441	3,338
Change in provision, net		(130)	(136)
Other non-cash items from EBIT		-	(1)
Other			
Reversal of reserve regarding the Securities Class Action in the United States	27	-	(450)
Other income	4	(1,385)	(53)
Other charges	4	656	358
Proceeds from sales of property, plant, equipment and intangible assets	3	8	9
Adjustments		**2,590**	**3,065**

24.2. Investing and financing activities with no cash impact

In 2011 and 2010, there were no significant investing and financing activities having a cash impact.

Notes to the Consolidated Financial Statements

Note 25. Transactions with related parties

25.1. Compensation of corporate officers

The compensation of Vivendi's corporate officers is as follows:

- The total gross compensation, including benefits in kind, that the group paid for the full year to the members of the Management Board amounted to €18 million in 2011 (compared to €12 million in 2010), of which €8 million were paid in 2011 with respect to the variable compensation component relating to 2010 (compared to €5 million paid in 2010, with respect to the variable compensation component relating to 2009). This change was notably due to the appointment of Messrs. Lucian Grainge and Amos Genish as members of Vivendi's Management Board as of April 29, 2010 and June 19, 2011, respectively.
- The total charge recorded by the group with respect to share-based compensation plans (stock options and performance shares) granted to the members of the Management Board amounted to €6 million in 2011 (compared to €5 million in 2010).
- The Chairman of the Management Board extended the suspension of his employment contract (which has been suspended since April 28, 2005, the date he was appointed) upon the renewal of his term of office on April 27, 2009 and, at its meeting of February 26, 2009, the Supervisory Board approved the various elements of compensation payable upon the termination of his term of office. These elements were approved at the Annual Shareholders' Meeting of April 30, 2009. The other members of the Management Board hold an employment contract and do not benefit from any contractual severance payments of any kind with respect to their service on the board, even upon the expiration of their term of office within Vivendi SA. Under their respective employment contracts, members of the Management Board are entitled to receive, unless terminated for serious misconduct, severance payments.
  The total estimated amount of these severance payments to be made to Management Board members, if appropriate, was €33 million as of December 31, 2011 (compared to €31 million as of December 31, 2010).
- The total amount of net pension plan obligations to the members of the Management Board amounted to €30 million as of December 31, 2011 and provisions amounted to €13 million (compared to €31 million and €9 million of provisions, respectively, as of December 31, 2010).
- The fixed compensation paid to the Chairman of the Supervisory Board amounted to €700,000 in 2011 (compared to €800,000 prorata in 2010) and the total amount of fees paid to the other members of the Supervisory Board amounted to €1.2 million in 2011 (compared to €1.1 million in 2010).

A detailed description of the compensation and benefits of corporate officers of the group is presented in the Annual Report.

25.2. Other related parties

During 2011, Vivendi acquired Vodafone's 44% interest in SFR and completed the sale of its 20% interest in NBC Universal (please refer to Note 2 for further details regarding these transactions): in 2011, Vodafone and NBC Universal were no longer considered as related parties.
As of December 31, 2011, excluding corporate officers, Vivendi's main related parties were those companies over which the group exercises an exclusive or joint control, and companies over which Vivendi exercises a significant influence (please refer to Note 28 for a list of its main subsidiaries, fully consolidated or accounted for under the equity method), and non-controlling interests that exercise significant influence on group affiliates i.e. the Kingdom of Morocco, which owns 30% of Maroc Telecom Group, and Lagardère, which owns 20% of Canal+ France. Agreements entered into in 2006 with Lagardère which give Canal+ France the right to broadcast their theme channels on its multi-channel offer for a period of five years have been extended through June 30, 2013.

Note 26. Contractual obligations and other commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- contracts entered into, which relate to the group's business operations, such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including finance leases (please refer to Note 12), off-balance sheet operating leases and subleases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to the group's scope contracted through acquisitions or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets;
- commitments related to the group's financing: borrowings issued as well as management of interest rate, foreign currency and liquidity risks (please refer to Notes 22 and 23); and
- contingent assets and liabilities related to litigations in which Vivendi and/or its subsidiaries are either plaintiff or defendant (please refer to Note 27).

Notes to the Consolidated Financial Statements

26.1. Contractual obligations and commercial commitments

(in millions of euros)	Note	As of December 31, 2011				Total as of December 31, 2010
			Payments due in			
		Total	2012	2013-2016	After 2016	
Borrowings and other financial liabilities	23.2.3	17,952	3,849	10,310	3,793	13,693
Content liabilities	10.2	2,148	2,092	52	4	2,124
Subtotal – future minimum payments related to the consolidated statement of financial position items		**20,100**	**5,941**	**10,362**	**3,797**	**15,817**
Contractual content commitments	10.2	5,041	1,929	3,011	101	3,436
Commercial commitments	26.1.1	3,568	2,201	970	397	2,411
Operating leases and subleases	26.1.2	2,589	479	1,271	839	2,620
Subtotal – not recorded in the consolidated statement of financial position		**11,198**	**4,609**	**5,252**	**1,337**	**8,467**
Total contractual obligations and commercial commitments		**31,298**	**10,550**	**15,614**	**5,134**	**24,284**

26.1.1. Off balance sheet commercial commitments

(in millions of euros)	Minimum future payments as of December 31, 2011				Total – minimum future payments as of December 31, 2010
		Payments due in			
	Total	2012	2013-2016	After 2016	
Satellite transponders	824	144	475	205	839
Investment commitments (a)	2,522	2,004	338	180	1,373
Other	467	195	260	12	376
Given commitments	**3,813**	**2,343**	**1,073**	**397**	**2,588**
Satellite transponders	(144)	(54)	(90)	-	(79)
Other (b)	(101)	(88)	(13)	-	(98)
Received commitments	**(245)**	**(142)**	**(103)**	**-**	**(177)**
Net total	**3,568**	**2,201**	**970**	**397**	**2,411**

(a) Mainly relates to SFR and Maroc Telecom Group:
- SFR: €1,065 million related to the 4G license which was granted by the Arcep on December 22, 2011 and paid in January 2012 (please refer to Note 13). The total amount also includes €337 million as of December 31, 2011 (compared to €362 million as of December 31, 2010) related to public service delegations. Businesses related to these delegations of public service consist of setting up and operating telecommunication facilities in certain areas of France for local or regional authorities, as delegates.
- Maroc Telecom SA and its capital expenditure program: on May 21, 2009, Maroc Telecom and the Moroccan State entered into a third capital expenditure agreement pursuant to which Maroc Telecom had committed to carrying out a capital expenditure program for a total amount of MAD 10.5 billion (approximately €930 million) over the period May 2009 – May 2012. As of December 31, 2011, the capital expenditure program expired (compared to a capital expenditure program remaining to be spent for approximately €236 million as of December 31, 2010). These investments, aimed at expanding and modernizing infrastructures, notably included investments dedicated to the coverage of isolated rural and mountainous regions as part of the PACTE universal telecommunications service program. Over 7,300 cities are covered at year-end 2011.

(b) Mainly relates to commitments received from Bouygues Telecom to SFR in connection with the agreement to share their investments and fiber-optic horizontal networks in very high density areas.

In 2011, the expense recorded in the Statement of Earnings with respect to service contracts related to satellite transponders amounted to €94 million (compared to €110 million in 2010).

Notes to the Consolidated Financial Statements

26.1.2. Off balance sheet operating leases and subleases

(in millions of euros)	Minimum future leases as of December 31, 2011				Total – minimum future leases as of December 31, 2010
		Due in			
	Total	2012	2013-2016	After 2016	
Buildings (a)	2,409	440	1,183	786	2,379
Other	221	55	107	59	289
Leases	**2,630**	**495**	**1,290**	**845**	**2,668**
Buildings (a)	(41)	(16)	(19)	(6)	(48)
Subleases	**(41)**	**(16)**	**(19)**	**(6)**	**(48)**
Net total	**2,589**	**479**	**1,271**	**839**	**2,620**

(a) Mainly relates to offices and technical premises.

As of December 31, 2011, provisions of €17 million were recorded in the Statement of Financial Position with respect to operating leases (compared to €10 million as of December 31, 2010). These provisions mainly related to unoccupied buildings.
In 2011, the net expense recorded in the Statement of Earnings with respect to operating leases amounted to €576 million (compared to €539 million in 2010).

26.2. Other commitments given or received relating to operations

Ref.	Context	Characteristics (nature and amount)	Expiry
	Given commitments		
(a)	Obligations related to the permission to use the Consolidated Global Profit System	Payment of approximately €5 million annually.	2011
	Individual rights to training for French employees	Approximately 1.3 million hours (approximately 1.5 million hours as of December 31, 2010).	-
	SFR's network coverage commitments related to telecom licenses	Please refer to Note 13.	-
(b)	GSM-R commitments	Bank guarantee, joint and several guarantees with Synérail for a total amount of €66 million (compared to €39 million as of December 31, 2010).	-
	Obligations in connection with pension plans and post-retirement benefits	Please refer to Note 20.	-
(c)	Commitment to contribute to the VUPS pension fund	Guarantee expired in January 2011 (approximately £5 million as of December 31, 2010).	2011
(d)	Other commitments given	Cumulated amount of €216 million (€152 million as of December 31, 2010).	-
	Received commitments		
	Various commitments received	Cumulated amount of €241 million (€209 million as of December 31, 2010).	-

(a) By an order dated March 13, 2009, an authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code was renewed for the period beginning on January 1, 2009 and ending on December 31, 2011. Under the terms of the permission to use the Consolidated Global Profit Tax System, Vivendi undertook to continue to perform its previous years' commitments, in particular with regard to job creation (Please refer to Note 6.1).
(b) On February 18, 2010, a group comprised of SFR, Vinci and AXA (30% each) and TDF (10%) entered into a contract with Réseau Ferré de France regarding the public-private partnership GSM-R. This 15-year contract, valued at approximately €1 billion, covers the financing, building, operation and maintenance of the digital telecommunications network that enables conference mode communications (voice and data) between train drivers and teams on the ground. It will be rolled out gradually until 2015 over 14,000 km of conventional and high-speed railway lines in France.
(c) This guarantee, which expired in January 2011, generated no additional financial commitment compared to those described in Note 20.
(d) Vivendi grants guarantees in various forms to financial institutions on behalf of its subsidiaries in the course of their operations.

26.3. Share purchase and sale commitments

In connection with the purchase or sale of operations and financial assets, Vivendi has granted or received commitments to purchase or sell securities (please refer to Note 2.5). In addition, Lagardère's liquidity right regarding its 20% interest in Canal+ France is detailed in Note 26.5 below.
Furthermore, Vivendi and its subsidiaries have granted or received purchase or sale options related to shares in equity affiliates and unconsolidated investments.

Notes to the Consolidated Financial Statements

26.4. Contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares

Ref.	Context	Characteristics (nature and amount)	Expiry
	Contingent liabilities		
(a)	NBC Universal transaction (May 2004) and subsequent amendments (2005 – 2010)	- Breaches of tax representations; - Obligation to cover the Most Favored Nation provisions; and - Remedial actions.	- 2014
	Creation of Activision Blizzard (July 2008)	Tax sharing and indemnity agreements.	-
	Divestiture of UMG manufacturing and distribution operations (May 2005)	Various commitments for manufacturing and distribution services.	2015
(b)	Takeover of Neuf Cegetel by SFR (April 2008)	Commitments undertaken in connection with the authorization of the take over by the French Minister of the Economy, Industry and Employment.	2012
(c)	Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)	- Commitments in connection with the authorization of the combination pursuant to the merger control regulations; and - Tax and social guarantees with a €162 million cap, expired on January 4, 2011.	2012 2011
(d)	Divestiture of Canal+ Nordic (October 2003)	Specific guarantee capped at €50 million, expired in April 2010	2010
(e)	Divestiture of NC Numéricâble (March 2005)	Specific guarantees capped at €241 million (including tax and social risks).	2014
	Divestiture of PSG (June 2006)	Unlimited specific guarantees.	2018
(f)	Divestiture of Sithe (December 2000)	Specific guarantees capped at $480 million.	-
(g)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees capped at €150 million in total (tax and decennial guarantees).	2017
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	Guarantees of rental payments obligations of the companies sold in the transaction in the amount of €277 million (€304 million as of December 31, 2010).	2026
	Disposal of PTC shares	Commitments undertaken in order to end litigation over the share ownership of PTC in Poland (please refer to Note 2.3).	-
	Other contingent liabilities	Cumulated amount of €39 million (€48 million as of December 31, 2010).	-
	Contingent assets		
(c)	Combination of the Canal+ Group and TPS pay-TV activities in France (January 2007)	Vendor warranties received from TF1 and M6 capped at €112 million, expired in 2010.	2010
(e)	Divestiture of NC Numéricâble (March 2005)	€151 million counter-guaranteed by France Telecom.	2014
(h)	Early settlement of rental guarantees related to the last three buildings in Germany (November 2007)	- Pledge over the cash of the divested companie sold : €40 million (€56 million as of December 31, 2010); - Counter-guarantee provided by the purchaser in the amount of €200 million; and - Additional purchase price for up to €10 million under certain conditions.	-
(i)	Acquisition of Tele2 France by SFR (July 2007)	Commitments on the handling and distribution of audio-visual content (for any claims arising with respect to tax and social matters)	2012
	Acquisition of Kinowelt (April 2008)	- General and specific guarantees regarding movie rights property given by the sellers to EuroMedien Babelsberg GmbH expired in 2011; and - Specific guarantees, notably on film rights were granted by the sellers.	2011 -
(j)	Divestiture of Xfera (2003)	Guarantees amount to €71 million.	-
	Other contingent assets	Cumulated amount of €47 million (€33 million as of December 31, 2010).	-

Please refer to the next page for the notes.

Notes to the Consolidated Financial Statements

The accompanying notes are an integral part of the contingent assets and liabilities described above.

(a) As part of the NBC Universal transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction, and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses resulting from, among other things, any breach of their respective representations, warranties and covenants.

Neither party will have any indemnification obligations for losses arising as a result of any breach of representations and warranties (i) for any individual item where the loss is less than $10 million and (ii) in respect of each individual item where the loss is equal to or greater than $10 million except where the aggregate amount of all losses exceeds $325 million. In that event, the liable party will be required to pay the amount of losses which exceeds $325 million, but in no event will the aggregate indemnification payable exceed $2,088 million.

In addition, Vivendi will have indemnification obligations for 50% of every U.S. dollar of loss up to $50 million and for all losses in excess of $50 million relating to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of IACI's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of $10 million and a payment basket of $325 million.

The representations and warranties other than those regarding authorization, capitalization and tax representations terminated on August 11, 2005. Notices of environmental claims related to remediation must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations.

The sale of Vivendi's interest in NBC Universal to GE completed on January 25, 2011 did not modify these commitments (please refer to Note 2.2).

(b) Approval from the Ministry of Economy, Industry and Employment, dated April 15, 2008, resulted in additional commitments from Vivendi and its subsidiaries. They address competitor access and new market entrants to wholesale markets on SFR's fixed and mobile networks, acceptance on the fixed network of an independent television distributor if such a player appears, as well as the availability, on a non-exclusive basis, of ADSL on eight new channels which are leaders in their particular field (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV). A detailed summary of the commitments undertaken by the Vivendi group and SFR is available on Vivendi's website.

In addition, following successful completion of the tender offer pursuant to which SFR obtained a 96.41% equity interest in Neuf Cegetel, SFR launched a squeeze-out for the remaining outstanding Neuf Cegetel shares. The funds relating to compensation for the Neuf Cegetel shares which are not claimed by depository institutions on behalf of beneficiaries, shall be held by CACEIS Corporate Trust for a period of 10 years commencing on the effective date of the squeeze-out (June 24, 2008) and then paid to the Caisse des Dépôts et Consignations upon expiration of this deadline. These funds may be claimed by beneficiaries at any time subject to a thirty-year statute of limitations period, after which time the funds shall be paid to the French State.

Finally, the shares owned in 2011 (in a holding period) by corporate officers and employees of Ex-Neuf Cegetel were subject to reciprocal put and call option agreements with SFR. As of December 31, 2011, SFR had repurchased almost all of these shares (please refer to Note 21.5).

(c) On August 30, 2006, the TPS/Canal+ Group merger was authorized, in accordance with the merger control regulations, pursuant to a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Canal+ Group complying with certain undertakings. Without questioning the pay-TV economic model, or the industrial rationale behind the transaction and the benefits to the consumer, these commitments satisfy, more specifically, the following objectives:

- facilitate the television and video-on-demand (VOD) operators' access to attractive audiovisual content rights and, in particular, French and U.S. films and sporting events. To this end, the Canal+ Group undertook, notably, to restrict to a maximum term of three years the duration of future framework agreements with major US studios, not to seek exclusive VOD rights, to guarantee non-discriminatory access to the StudioCanal catalogue, to restrict the proportion of films taken from this catalogue in the acquisition of films by the future entity and to cease soliciting combined offers for different categories of cinematographic and sporting rights.

  In addition, the Canal+ Group undertook to retrocede, within the framework of competition requirements, free-to-air audiovisuals rights to TV series and sporting events that the new entity may hold and does not use, more specifically to;
- make available several high-quality channels to all pay-TV distributors upon request, enabling these distributors to develop attractive products. Third parties will be provided access to TPS Star, three cinema channels (CinéStar, CinéCulte, CinéToile), Sport+ and the children's channels Piwi and Teletoon. In addition, Canal+ will be available in digital (self distribution) to all operators wishing to include this channel in their product range; and enable French-language independent licensed channels to be included in the satellite offerings of the new group. The current proportion of theme channels in the group's offerings that are neither controlled by the Canal+ Group or one of the minority shareholders in the new entity will be retained at the current level as a minimum, including in the basic offering. This guarantee applies in terms of both the number of channels and revenue.

These commitments were given by Vivendi and the Canal+ Group for a maximum period of six years, with the exception of those commitments concerning the availability of channels and VOD, which cannot exceed five years.

In addition, as part of the sale of a 20% interest in Canal+ France to Lagardère Active as of January 4, 2007, Canal+ Group made tax and social representations and warranties to Lagardère Active with a €162 million cap on the entities held by Canal+ France, excluding Canal Satellite, MultiThématiques and the TPS entities. The tax and social guarantees expired on January 4, 2011.

On October 28, 2009, the French Competition Authority opened an inquiry regarding the implementation of certain undertakings given by Canal+ Group in connection with the combination of TPS Group and Canal Satellite. On September 20, 2011, the Authority issued its decision by withdrawing its decision to approve the transaction and imposing a fine of €30 million on Canal+ Group (the fine was paid in the fourth quarter of 2011). On October 24, 2011, the transaction was re-notified to the Authority and, on November 4, 2011, Vivendi and Group Canal+ filed a motion before the Council of State, requesting the annulment of the Authority's decision.

Moreover, Vivendi granted a counter-guarantee, which will expire on January 4, 2013, in favor of TF1 and M6 to assume commitments and guarantees made by TF1 and M6 in connection with some of the contractual content commitments and other long term obligations of TPS and other obligations recognized in the Statement of Financial Position of TPS. As of December 31, 2011, the remaining amount of these commitments was not significant.

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(d) In connection with the divestiture of Canal+ Nordic in October 2003, Canal+ Group granted a specific guarantee with a cap of €50 million which expired in April 2010. Canal+ Group has also retained distribution guarantees given in favor of Canal Digital and Telenor Broadcast Holding by a former subsidiary which guarantees are covered by a counter-guarantee given by the buyers.

(e) As part of the divestiture of NC Numéricâble on March 31, 2005, the Canal+ Group granted specific guarantees with a €241 million cap (including tax and social risks). Specific risks relating to cable networks used by NC Numéricâble are included in this maximum amount and are counter-guaranteed by France Telecom up to €151 million.

(f) In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted customary representations and guarantees. Claims, other than those made in relation to foreign subsidiary commitments, are capped at $480 million. In addition, claims must exceed $15 million, except if they relate to foreign subsidiaries or the divestiture of certain electrical stations to Reliant in February 2000. Some environmental commitments still exist and any potential liabilities related to contamination risks will survive for an indefinite period of time.

(g) In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million, to several subsidiaries of Nexity (Nexim 1 to 6). The guarantees are effective until June 30, 2017.

(h) As part of the early settlement of rental guarantees relating to the three remaining buildings owned in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark) at the end of November 2007, Vivendi agreed to continue to guarantee certain lease payment obligations (i.e., €277 million, compared to €304 million as of December 31, 2010) of the companies it sold in the transaction until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In return for such guarantee, Vivendi received a pledge over the cash of the divested companies for €40 million (compared to €56 million as of December 31, 2010) and a counter-guarantee provided by the purchaser in the amount of €200 million. In addition, as part of a new agreement entered into with the acquiror in 2009, Vivendi received a €40 million payment, and may receive another payment of €10 million depending on the conditions of the reorganization of the structure. In exchange, the lease transactions are set to terminate at the latest, respectively, on December 31, 2012 (Anthropolis/Grindenwaldweg), on March 31, 2016 (Dianapark) and on December 31, 2016 (Lindencorso).

(i) The Share Purchase Agreement dated October 2, 2006 between Tele2 Europe SA and SFR contains representations and warranties which expired on January 20, 2009 except for those relating to claims arising with respect to tax and social matters for which the expiration period is three months following the expiration of the applicable statute of limitations. On July 18, 2007, by way of implementation of the European Union antitrust regulation, the European Commission approved the purchase of the fixed and internet activities of Tele2 France by SFR, subject to commitments on the handling and distribution of audio-visual content for a five-year period. A detailed summary of the commitments undertaken by the Vivendi group and SFR is available on Vivendi's website.

(j) Vivendi received guarantees in respect of the repayment of amounts paid in July 2007 (€71 million), in the event of a favourable decision of the Spanish Courts concerning Xfera's tax litigation seeking to cancel the 2001, 2002 and 2003 radio spectrum fees. These guarantees include a first demand bank guarantee relating to 2001 fees for an amount of €57 million.

Several guarantees given in 2011 and during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations of certain guarantees relating, among other things, to employees, environment and tax liabilities, in consideration of share ownership, or given in connection with the dissolution or winding-up of certain businesses are still active. To the best of Vivendi's knowledge, no material claims for indemnification against such liabilities have been made to date.

In addition, Vivendi regularly delivers, at the settlement of disputes and litigations, commitments for damages to third parties, which are typical in such transactions.

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26.5. Shareholders' agreements

Under existing shareholders' or investors' agreements (including those relating to Activision Blizzard, Maroc Telecom Group and Canal+ France), Vivendi holds certain rights (such as pre-emptive rights, priority rights) which give it control over the capital structure of consolidated companies partially owned by minority shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders' agreements or the bylaws of consolidated entities, equity affiliates or unconsolidated interests, Vivendi and its subsidiaries have given or received certain rights (pre-emptive and other rights) entitling them to maintain their shareholder's rights.

Strategic agreements among Vivendi, Canal+ Group, Lagardère, and Lagardère Active

Pursuant to the Canal+ France strategic agreements entered into on January 4, 2007, Lagardère was granted rights to maintain its economic interest in Canal+ France, with varying rights according to the level of its participation in Canal+ France. Under no circumstances will Lagardère have any joint control of Canal+ France.
The main provisions of these strategic agreements are as follows:

- The Chairman and all the members of the management board of Canal+ France are appointed by Canal+ Group. Lagardère is represented by two members out of the ten members of the supervisory board.
- Lagardère has certain veto rights over Canal+ France and, in certain cases, over its major subsidiaries including in the event of a change in the by-laws, a major permanent change in the business, its transformation into a company in which the partners would have unlimited liability, a single investment representing more than a third of revenues, a tender offer for the company's shares, in certain circumstances the entry of a third party as a shareholder, and certain other rights (including a tag-along right, an anti-dilution right, and certain bidding rights in the event of the sale of Canal+ France) intended to protect its economic interest. Vivendi has a pre-emptive right in the event of a sale of Lagardère's equity interest.
- Between 2008 and 2014, Lagardère will have a liquidity right exercisable between March 15 and April 15 of each calendar year, provided, however, that Lagardère owns at least 10% but no more than 20% of the capital and voting rights of Canal+ France, (and taking into account the fact that Lagardère waived its right to exercise its call option enabling it to own 34% of the capital of Canal+ France). Pursuant to this liquidity right, Lagardère is entitled to request a public offering of Canal+ France shares.
  On April 15, 2010, Lagardère decided to exercise this liquidity right. As Lagardère and Vivendi had not reached an agreement regarding the sale of its interest, Lagardère decided on July 2, 2010, to launch the Initial Public Offering (IPO) process. On March 16, 2011, Lagardère decided to postpone the IPO relating to its interest in Canal+ France and on the same date reasserted its intention to sell such interest.
  On April 14, 2011, Lagardère informed Vivendi of its intention to exercise its liquidity right for 2011 regarding its 20% interest in Canal+ France.
  On May 31, 2011, Lagardère confirmed the exercise of its liquidity right in accordance with Article 12.21 of the shareholders agreement. As no agreement was reached with respect to the selling price in the pre-specified timeframe, a new IPO process has been initiated although the schedule for the IPO has yet to be determined.
- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of guarantees with respect to Canal+ France's obligations. Pursuant to this mechanism, Lagardère has the option to participate in such financing and guarantee arrangements *pro rata* its level of ownership in the share capital of the company.

In addition, in compliance with Article L.225-100-3 of the French Commercial Code, it is stated that some rights and obligations of Vivendi resulting from shareholders' agreements (Maroc Telecom Group, and Cyfra+) may be amended or terminated in the event of a change in control of Vivendi or a tender offer being made for Vivendi. These shareholders' agreements are subject to confidentiality provisions.

26.6. Collaterals and pledges

As of December 31, 2011, the amount of the group's assets that were pledged or mortgaged for the benefit of third parties was €203 million (compared to €151 million as of December 31, 2010). This amount primarily includes GVT's pledged assets with respect to judicial guarantees for various litigations.

(in millions of euros)	December 31, 2011	December 31, 2010
On intangible assets	12	21
On tangible assets	52	57
On financial assets	131	65
On cash	8	8
Total	**203**	**151**

Moreover, Vivendi has no guarantees from third parties in respect of any of its receivables outstanding as of December 31, 2011 nor did it have any as of December 31, 2010.

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Note 27. Litigation

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can reasonably be quantified or estimated, in which case, the amount of the provision represents Vivendi's best estimate of the risk, provided that Vivendi may, at any time, reassess such risk if events occur during such proceedings. As of December 31, 2011, provisions recorded by Vivendi for all claims and litigations amounted to €479 million in 2011, compared to €443 million in 2010 (please refer to Note 19).

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including, to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had in the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 28, 2012, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2011.

Trial of Vivendi's former officers in Paris

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001, following filing by the AMF of a report of its investigations with the *Parquet de Paris* on June 6, 2005. Vivendi joined the proceedings as a civil party.

On January 23, 2009, the Public Prosecutor transmitted to the judge and civil parties a final prosecutor's decision to dismiss the charges in respect of all matters under investigation. On October 16, 2009, the Judge ordered all parties to appear at trial before the Criminal Court. The charges of disclosure and publication of untrue or inaccurate financial statements were rejected by the Judge. The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*). The Public Prosecutor asked the Court to drop the charges against the defendants.

On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean-Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Messier and Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi officers as well as some civil parties appealed the decision.

On January 7, 2010, Philippe Foiret summoned Vivendi and Veolia to appear before a Criminal Court in an attempt to hold them liable for the offences committed by their former managers. On January 27, 2012, the Criminal Court dismissed Mr. Foiret's application.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Messier and 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 under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

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On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements.

As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and $0.13 and $10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States."

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claim of purchasers who acquired their shares on the Paris stock exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the Morrison decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris stock exchange.

Vivendi believes that it has solid grounds for an appeal at the appropriate times. Vivendi intends to challenge, among other issues, the plaintiffs' theories of causation and damages and, more generally, certain decisions made by the judge during the conduct of the trial. Several aspects of the verdict will also be challenged.

On the basis of the verdict rendered on January 29, 2010, and following an assessment of the matters set forth above, together with support from studies conducted by companies specializing in the calculation of class action damages and in accordance with the accounting principles described in Notes 1.3.1 (Use of Estimates) and 1.3.8 (Provisions), Vivendi made a provision on December 31, 2009, in an amount of €550 million in respect of the damages that Vivendi might have to pay to plaintiffs. Vivendi re-examined the amount of the reserve related to the Securities class action litigation in the United States, given the District Court for the Southern District of New York decision on February 17, 2011, which followed the US Supreme Court's decision on June 24, 2010 in the Morrison case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.

Vivendi considers that this provision and the assumptions on which it is based may require further amendment as the proceedings progress and, consequently, the amount of damages that Vivendi might have to pay the plaintiffs could differ from the current estimate. As is permitted by current accounting standards, no details are given of the assumptions on which this estimate is based, because their disclosure at this stage of the proceedings could be prejudicial to Vivendi.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. Messier and Hannezo in the District Court for the Southern District of New York for claims arising out of a merger agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934. Liberty Media seeks rescission damages. The case had been consolidated with the securities class action for pre-trial purposes but was subsequently deconsolidated on March 2, 2009. Pre-trial hearings will be held on March 6 and March 13, 2012, during which the judge will rule on several motions, including one on the question of whether the plaintiff may take advantage of the verdict rendered by the class action jury with respect to Vivendi's liability (theory of "collateral estoppel"). The trial is currently scheduled to commence on May 8, 2012.

LBBW et al against Vivendi

On March 4, 2011, twenty-six institutional investors from Germany, Canada, Luxemburg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002.

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Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a subsidiary of Vivendi) against FIG to obtain the release of part of a payment remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the annulment of the sale following a judgment of the Berlin Court of Appeal, which overruled a judgment rendered by the Berlin High Court. CGIS BIM was ordered to repurchase the buildings and to pay damages. Vivendi delivered a guarantee so as to pursue settlement negotiations. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the reasoning of the judgment. On April 23, 2009, the Regional Berlin Court issued a decision setting aside the judgment of the Berlin Court of Appeal dated May 29, 2008. On June 12, 2009, FIG appealed that decision. On December 16, 2010, the Berlin Court of Appeal rejected FIG's appeal and confirmed the decision of the Regional Berlin Court in April 2009, which decided in CGIS's favor and confirmed the invalidity of the reasoning of the judgment and therefore overruled the order for CGIS BIM to repurchase the building and pay damages and interest. This decision is now final. In parallel, FIG filed a second claim for additional damages in the Berlin Regional Court which was served on CGIS on March 3, 2009. The Court, which had previously suspended this proceeding, has scheduled a hearing for the second half of 2012.

Vivendi's complaint against France Télécom before the European Commission for abuse of a dominant position

On March 2, 2009, Vivendi and Free jointly filed a complaint against France Télécom before the European Commission (the "Commission"), for abuse of a dominant position. Vivendi and Free allege that France Télécom imposes excessive tariffs on offers for access to its fixed network and on telephone subscriptions. In July 2009, Bouygues Telecom joined in this complaint. In a letter dated February 2, 2010, the Commission informed the parties of its intention to dismiss the complaint. On September 17, 2010, Vivendi filed an appeal before the Court of First Instance of the European Union in Luxemburg.

Complaint against France Télécom and Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against France Télécom and Orange for anti-competitive practices on the professional mobile market. This case is under investigation.

Tenor against Groupe SFR Cegetel, Groupe France Telecom and Bouygues Télécom

Tenor (a fixed operators association, which became ETNA) brought a claim before the French Competition Council alleging anti-competitive practices by France Télécom, Cegetel, SFR and Bouygues Telecom in the telecommunications sector. On October 14, 2004, the French Competition Council fined SFR, among others, for abuse of dominant position. On November 20, 2004, SFR filed an appeal. On April 12, 2004, the Court of Appeal overturned the decision of the Competition Council, having decided that the allegations were not proven. On April 29, 2005, ETNA appealed against that ruling before the French Supreme Court. On May 10, 2006, the Supreme Court overruled the decision of the Court of Appeal stating that the Court of Appeal should have examined whether the alleged practices had an adverse impact on competition. On April 2, 2008, the second Court of Appeal denied the requests made by SFR. On April 30, 2008, SFR appealed to the Supreme Court. On March 3, 2009, the Supreme Court reversed the Court of Appeal's decision dated April 2, 2008, considering that "price scissoring" practices may not, as such, constitute anti-competitive practices. On January 27, 2011, the Court of Appeal overruled the decision of the Competition Council stating that the grievances against SFR and France Telecom have not been proven. The Court ordered the amount of the fine imposed by the Competition Council to be reimbursed. On February 24, 2011, the French Competition Authority appealed the decision to the French Supreme Court. This appeal was dismissed on January 17, 2012.

Complaint lodged with the French Competition Authority by Orange Réunion, Orange Mayotte and Outre Mer Telecom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion and Orange Mayotte filed a complaint against SRR (an SFR subsidiary) for alleged discriminatory practices. On September 15, 2009, the French Competition Authority imposed temporary protective measures on SRR, requiring it to propose to its subscribers offers which do not discriminate based on the network used, except where they reflect the differences in costs amongst the network operators. On August 18, 2011, the French Competition Authority provided SRR with a report stating that SRR had not complied with the order and, on January 24, 2012, the French Competition Authority ordered SRR to pay a fine of two million euros. The investigation is ongoing.

Complaint lodged with the French Competition Authority by Outremer Telecom against Société Réunionnaise du Radiotéléphone (SRR), France Télécom and Mauritius Telecom

On September 23, 2010, Outremer Telecom filed a complaint before the French Competition Authority and sought protective measures. It alleges that SRR, France Télécom and Mauritius Telecom have entered into an illegal agreement as part of the submarine cable project, LION, in the Indian Ocean. Outremer Telecom has since withdrawn its complaint.

Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices in the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority ("the Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Authority noted the existence of abusive price discrimination practices.

SFR against France Télécom

On August 10, 2011, France Télécom filed a claim against SFR before the Paris Commercial Court. France Télécom asked the Court to compel SFR to stop the overflow traffic at the point of interconnection of their respective networks.

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Metro Goldwyn Mayer against Groupe Canal+ and others

In 1996, the TPS Group (TPS) entered into an output agreement with Metro Goldwyn Mayer Inc. (MGM), relating to the broadcasting rights for MGM's catalog. This agreement had an initial term of five years and was thereafter renewed for an additional five-year period before being terminated on December 31, 2006. The agreement provided MGM with the right to renew the contract for a new five-year period if TPS merged with another satellite operator before the termination of the agreement. Following the announcement of the merger between TPS and Canal+ France, MGM notified TPS in September 2006 that it would exercise its renewal option and extend the agreement through December 31, 2011. TPS challenged this renewal based on the fact that the merger effectively occurred in January 2007, after the termination of the agreement. In April 2007, MGM filed a complaint against Canal+ France, Canal+ Distribution SAS, as successor to TPS, and Groupe Canal+, with the District Court of New York seeking, among other things, damages for breach of contract. On July 21, 2011, the parties entered into asettlement agreement.

Parabole Réunion matter

In July 2007, the group Parabole Réunion filed a legal action before the Paris Tribunal of First Instance following the termination of its rights to exclusively distribute the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius. Pursuant to a decision dated September 18, 2007, the Canal+ Group was prohibited, under fine, from allowing the broadcast of these channels by third parties, unless it offered to Parabole Réunion the replacement of these channels with other similarly attractive channels, to be distributed on an exclusive basis. Groupe Canal+ appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal reversed the judgment and dismissed Parabole Réunion's main claims against Groupe Canal+. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. On November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

In parallel with the foregoing proceedings, on October 21, 2008, Parabole Réunion and its shareholders filed a claim against Canal Réunion, Canal Overseas, CanalSatellite Réunion, Canal+ France, Groupe Canal+ and Canal+ Distribution, seeking the enforcement of the agreement entered into on May 30, 2008, pursuant to which the companies would combine their TV channel broadcasting activities in the Indian Ocean. The execution of this agreement was contingent upon the satisfaction of certain conditions precedent. As these conditions were not satisfied, the agreement became null and void. On June 15, 2009, the Commercial Court rejected Parabole Reunion's claim. Parabole Réunion appealed this decision and the appeal was denied. On May 23, 2011, Parabole Réunion appealed to the Supreme Court.

Parabole Réunion also brought various proceedings seeking to obtain a statement recognizing the maintaining of the TPS Foot channel, among others, before the High Court of Nanterre. On September 16, 2010, the Versailles Court of appeal rejected Parabole Réunion's application. Parabole Réunion appealed the decision before the French Supreme Court and this appeal was dismissed on January 6, 2012.

Action brought by the French Competition Authority regarding practices in the pay-TV sector

On January 9, 2009, further to its voluntary investigation and a complaint by France Télécom, the French Competition Authority sent Vivendi and Groupe Canal+ a notification of allegations. It alleges that Groupe Canal+ has abused its dominant position in certain pay-TV markets and that Vivendi and Groupe Canal+ colluded with TF1 and M6, on the one hand, and with Lagardère, on the other. Vivendi and Groupe Canal+ have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties and certain other allegations in respect of Groupe Canal+. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Groupe Canal+'s exclusive distribution rights on channels broadcast by the group and by independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On December 17, 2010, France Télécom appealed the decision before the Court of Appeal. Vivendi and Groupe Canal+ joined these appeal proceedings. On July 15, 2011, France Télécom withdrew its application for an annulment of the decision of the Competition Authority.

Inquiry into the implementation of certain undertakings given in connection with the combination of Canal Satellite and TPS

The French Competition Authority opened an inquiry regarding the implementation of certain undertakings given by Vivendi and Group Canal+ in connection with the combination of TPS and CanalSatellite.

On September 20, 2011, the French Competition Authority rendered a decision in which it established that Group Canal+ had not complied with certain undertakings – some it considered essential – on which depended the decision authorizing in 2006 the acquisition of TPS and CanalSatellite by Vivendi and Group Canal+.
As a consequence, the French Competition Authority withdrew the merger authorization, requiring Vivendi and Group Canal+ to re-notify the transaction to the French Competition Authority within one month. Furthermore, the Authority ordered Group Canal+ to pay a €30 million fine.
On October 24, 2011, the operation was re-notified to the French Competition Authority.

On November 4, 2011, Vivendi and Group Canal+ filed a motion before the French Council of State (*Conseil d'Etat*), requesting the annulment of the decision.

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Complaints against music industry majors in the United States

Several complaints have been filed before the Federal Courts in New York and California against Universal Music Group, Warner Music, EMI, Bertelsmann and Sony BMG, for alleged anti-competitive practices in the context of sales of CDs and Internet music downloads. These complaints have been consolidated before the Federal Court in New York. The motion to dismiss filed by the defendants was granted by the Federal Court, on October 9, 2008, but this decision was reversed by the Second Circuit Court of Appeals on January 13, 2010. Defendants filed a motion for rehearing which was denied. They filed a petition with the US Supreme Court which was rejected on January 10, 2011.

FBT & Eminem against UMG

On May 21, 2007, FBT (the label owned by Eminem) filed suit against UMG claiming breach of contract in connection with the production of an album and requesting that the court order additional payment of royalties for on-line sales of music downloads and ringtones.

On March 6, 2009, the Los Angeles Court dismissed FBT's claims and FBT appealed. The Court of Appeal overturned the lower court's decision. On March 21, 2011, the U.S. Supreme Court, without ruling on the merits of the case, refused to hear an appeal from UMG, which is within its judicial discretion. A trial relating to damages will be held in the first half of 2012.

Studio Infinity Ward, subsidiary of Activision Blizzard

After concluding an internal human resources inquiry into breaches of contract and insubordination by two senior employees at Infinity Ward, Activision Blizzard terminated the employment of Jason West and Vince Zampella on March 1, 2010. On March 3, 2010, West and Zampella filed a complaint against Activision Blizzard in the Los Angeles Superior Court for breach of contract and wrongful termination. On April 9, 2010, Activision Blizzard filed a cross complaint against West and Zampella, asserting claims for breach of contract and fiduciary duty. In addition, 38 current and former employees of Infinity Ward filed a complaint against Activision Blizzard in the Los Angeles Superior Court on April 27, 2010 for breach of contract and violation of the Labor Code of the State of California. On July 8, 2010, an amended complaint was filed which added a further seven plaintiffs. They claim that the company failed to pay bonuses and other compensation allegedly owed to them.

On December 21, 2010, Activision Blizzard filed a consolidated cross complaint to add Electronic Arts as a party, the discovery having shown the complicity of Electronic Arts in the case. The Los Angeles Court, following Activision Blizzard's request, agreed to transfer the case to the Complex Division. The trial is scheduled to take place on May 7, 2012.

Activision Blizzard does not expect these two lawsuits to have a material impact on the company.

Telefonica against Vivendi in Brazil

On May 2, 2011, TELESP, Telefonica's Brazilian subsidiary, filed a claim against Vivendi before the Civil Court of São Paulo (*3ª Vara Cível do Foro Central da Comarca da Capital do Estado de São Paulo*). The company is seeking damages for having been blocked from acquiring control of GVT and damages in the amount of 15 million Brazilian reais (approximately €6.7 million) corresponding to the expenses incurred by TELESP in connection with its offer for GVT. In its written defense, Vivendi refuted point by point each of TELESP's claims. At the beginning of September, 2011, Vivendi filed an objection to jurisdiction, challenging the jurisdiction of the courts of São Paulo to hear a case involving parties from Curitiba. This objection was dismissed on February 14, 2012.

Inquiries in Brazil

On July 19, 2011, the Public Prosecutor of the State of Paraná decided to close its inquiry into the acquisition of GVT by Vivendi in November 2009. In the decision, the Public Prosecutor particularly underlined that there was no element proving any loss for GVT's shareholders who obtained, on the contrary, a profit with the transaction. This decision was confirmed by the Federal Prosecutor on September 30, 2011.

Dynamo against Vivendi

On August 24, 2011, the Dynamo investment funds filed a complaint for damages against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange). According to Dynamo, a former shareholder of GVT that sold the vast majority of its stake in the company before November 13, 2009 (the date on which Vivendi took control of GVT), the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. Vivendi notes that this poison pill provision was waived by a GVT Shareholders' general meeting in the event of an acquisition by Vivendi or Telefonica.

Actions related to the ICMS tax

GVT is party in various Brazilian States to several proceedings concerning the recovery of the "ICMS" tax on its Internet and Broadband services. ICMS (*Impostos Sobre Circulações de Mercadorias e Prestações de Serviços*) is a tax on operations relating to the circulation of goods and the supply of transport, communication and electricity services.

To date, the court decisions rendered in several States have been favorable to GVT, but the Brazilian Federal Supreme Court (*Superior Tribunal de Justiça*) has not yet ruled on this issue.

Notes to the Consolidated Financial Statements

On August 5, 2011, Confaz, the national council in charge of coordinating the tax policies of the Brazilian States, published a draft proposal that, if accepted by each State concerned, would allow companies (like GVT) that dispute the recovery of ICMS on Internet and Broadband services to enter into negotiations with the objective of settling the past disputes and clarifying the rules applicable to future operations. As of today, GVT has reached agreement with a dozen states including the States of Paraná, Rio Grande do Sul, the Federal District, Minas Gerais and Santa Catarina.

In addition, GVT is a party to litigation in various Brazilian States concerning the application of the ICMS tax on voice telecommunication services. GVT argues that the ICMS tax should not apply to monthly plans. Of the eighteen proceedings initiated by GVT, all have resulted in decisions favorable to GVT and nine are no longer subject to appeal.

Action related to the FUST and FUNTTEL taxes in Brazil

The Brazilian tax authorities argue that the assessment of the taxes known as "FUST" (*Fundo da Universalizaçãos dos Serviços de Telecomunicaçõs*), a federal tax to promote the supply of telecommunications services throughout the whole Brazilian territory, including in areas that are not economically viable and "FUNTTEL" (*Fundo para Desenvolvimento Tecnológioco das Telecomunicações*), a federal tax to finance technological investments in Brazilian telecommunications services should be based on the company's gross revenue without deduction for price reductions or interconnection expenses and other taxes, which would lead to part of that sum being subject to double taxation. GVT is challenging this interpretation and has secured a suspension of payment of the sums claimed by the tax authority from the federal judge.

Proceedings brought against telecommunications operators in Brazil regarding the application of the PIS and COFINS taxes

Several proceedings were initiated against all the telecommunications operators in Brazil, including GVT, with a view to preventing invoices from being increased by taxes known as "PIS" (*Programa de Integraçãos Social*) and "COFINS" (*Contribuição para Financiamento da Seguridade Social*), which are federal taxes that apply to revenue from the provision of telecommunications services. GVT believes that the arguments in its defense have a stronger basis than those of the historic operators insofar as GVT operates pursuant to a more flexible license that allows it to set its own tariffs.

Notes to the Consolidated Financial Statements

Note 28. Major consolidated entities or entities accounted under equity method

As of December 31, 2011, approximately 590 entities were consolidated or accounted for using the equity method (compared to approximately 530 entities as of December 31, 2010).

			December 31, 2011			December 31, 2010		
	Note	Country	Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi S.A.		**France**	Parent company			Parent company		
Activision Blizzard, Inc. (a)	18	**United States**	**C**	**60%**	***60%***	**C**	**52%**	***61%***
Activision Publishing, Inc		United States	C	100%	*60%*	C	100%	*61%*
Infinity Ward Inc.		United States	C	100%	*60%*	C	100%	*61%*
Sledgehammer Games Inc		United States	C	100%	*60%*	C	100%	*61%*
Blizzard Entertainment, Inc.		United States	C	100%	*60%*	C	100%	*61%*
ATVI C.V.		Netherlands	C	100%	*60%*	C	100%	*61%*
Coöperatie Activision Blizzard International U.A.		Netherlands	C	100%	*60%*	C	100%	*61%*
Blizzard Entertainment S.A.S.		France	C	100%	*60%*	C	100%	*61%*
Activision Blizzard UK Limited		United Kingdom	C	100%	*60%*	C	100%	*61%*
Universal Music Group, Inc.		**United States**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
PolyGram Holding, Inc.		United States	C	100%	*100%*	C	100%	*100%*
UMG Recordings, Inc.		United States	C	100%	*100%*	C	100%	*100%*
Vevo		United States	E	50%	*50%*	E	50%	*50%*
SIG 104 (b)		France	C	100%	*100%*	C	100%	*100%*
Centenary Holding B.V.		Netherlands	C	100%	*100%*	C	100%	*100%*
Universal International Music B.V.		Netherlands	C	100%	*100%*	C	100%	*100%*
Universal Entertainment GmbH		Germany	C	100%	*100%*	C	100%	*100%*
Universal Music LLC		Japan	C	100%	*100%*	C	100%	*100%*
Universal Music France S.A.S.		France	C	100%	*100%*	C	100%	*100%*
Universal Music Holdings Limited		United Kingdom	C	100%	*100%*	C	100%	*100%*
SFR Société Française du Radiotéléphone S.A.	2.1	**France**	**C**	**100%**	***100%***	**C**	**56%**	***56%***
Société Réunionnaise du Radiotéléphone S.C.S.		France	C	100%	*100%*	C	100%	*56%*
Société Financière de Distribution S.A.		France	C	100%	*100%*	C	100%	*56%*
5 sur 5 S.A.		France	C	100%	*100%*	C	100%	*56%*
La Poste Telecom	2.4	France	E	49%	*49%*	-	-	-
Maroc Telecom S.A.		**Morocco**	**C**	**53%**	***53%***	**C**	**53%**	***53%***
Mauritel S.A.		Mauritania	C	51%	*22%*	C	51%	*22%*
Onatel S.A.		Burkina Faso	C	51%	*27%*	C	51%	*27%*
Gabon Telecom S.A.		Gabon	C	51%	*27%*	C	51%	*27%*
Sotelma S.A.		Mali	C	51%	*27%*	C	51%	*27%*
Global Village Telecom (Holding) S.A.		**Brazil**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Global Village Telecom Ltda		Brazil	C	100%	*100%*	C	100%	*100%*
POP Internet Ltda		Brazil	C	100%	*100%*	C	100%	*100%*
Innoweb Ltda		Brazil	C	100%	*100%*	C	100%	*100%*
Canal+ Group S.A.		**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Canal+ France S.A.		France	C	80%	*80%*	C	80%	*80%*
Société d'Edition de Canal Plus (c)		France	C	49%	*39%*	C	49%	*39%*
MultiThématiques S.A.S.		France	C	100%	*80%*	C	100%	*80%*
TPS Star S.N.C.		France	C	100%	*80%*	C	100%	*80%*
Canal+ Overseas S.A.S.		France	C	100%	*80%*	C	100%	*80%*
Canal+ Distribution S.A.S.		France	C	100%	*80%*	C	100%	*80%*
StudioCanal S.A.		France	C	100%	*100%*	C	100%	*100%*
N'Wave Studios S.A.		Belgium	C	100%	*50%*	E	25%	*25%*
Tandem Communications	2.4	Germany	C	100%	*51%*	-	-	-
Cyfra+		Poland	C	75%	*75%*	C	75%	*75%*
Vietnam (d)		Vietnam	C	49%	*49%*	C	49%	*49%*

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

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Notes to the Consolidated Financial Statements

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	Note	Country	December 31, 2011			December 31, 2010		
			Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
NBC Universal	2.2	**United States**	**-**	**-**	**-**	**E**	**12%**	***12%***
Other								
See Tickets	2.4	United Kingdom	C	100%	*100%*	-	-	-
Digitick		France	C	92%	*92%*	C	92%	*80%*
Vivendi Mobile Entertainment		France	C	100%	*100%*	C	100%	*100%*
Wengo		France	C	100%	*100%*	C	100%	*100%*
Elektrim Telekomunikacja	2.3	Poland	C	100%	*100%*	C	51%	*51%*
Polska Telefonia Cyfrowa (PTC)	2.3	Poland	-	-	-	-	-	-

C: Consolidated; E: Equity.

(a) Vivendi consolidates Activision Blizzard and its subsidiaries because it holds the right to appoint a majority of members to Activision Blizzard's board of directors and thus has the power to govern Activision Blizzard's financial and operational policies in order to obtain benefits from its operations. Until 2013, the approval of certain matters by the Activision Blizzard board of directors requires the affirmative vote of a majority of the votes present or otherwise able to be cast by the board and at least a majority of the independent directors of the board. However, until 2013, the distribution of any dividend by Activision Blizzard requires the affirmative vote of a majority of the independent directors if Activision Blizzard's pro forma net debt, after giving effect to such dividend, exceeds $400 million. Moreover, due to Activision Blizzard's stock repurchase program, the exercise of stock options, restricted stocks, and other dilutive instruments by Activision's employees, Vivendi's ownership interest in Activision Blizzard may fluctuate from time to time.

(b) In October 2010, SIG 104 acquired Centenary Holding BV, in connection with an intergroup transfer of UMG's non-American subsidiaries.

(c) In 2011, Canal+ SA was renamed Société d'Edition de Canal Plus. This company is consolidated because (i) Vivendi has majority control over the board of directors, (ii) no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi and (iii) Vivendi assumes the majority of risks and benefits pursuant to an agreement with this company via Canal+ Distribution S.A.S. Indeed, Canal+ Distribution, wholly-owned by Vivendi, guarantees this company's results in return for exclusive commercial rights to its subscriber base.

(d) This company is held 49% by Canal+ Group and 51% by VCTV, a VTV subsidiary (the Vietnamese public television company). This company has been consolidated by Vivendi given that Canal+ Group has both operational and financial control over it due to a general delegation that was granted by the majority shareholder and to the company's bylaws.

Notes to the Consolidated Financial Statements

Note 29. Statutory auditors fees

Fees paid by Vivendi SA to its statutory auditors and members of their firms in 2011 and 2010 were as follows:

	KPMG S.A.				Ernst & Young et Autres				Total	
	Amount		Percentage		Amount		Percentage			
(in millions of euros)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Statutory audit, certification, consolidated and individual financial statements audit										
Issuer	0.7	0.9	14%	14%	0.9	1.2	11%	15%	1.6	2.1
Fully consolidated subsidiaries	3.5	3.4	68%	53%	5.0	5.6	64%	72%	8.5	9.0
Other work and services directly related to the statutory audit										
Issuer	0.1	0.1	2%	2%	0.6	0.1	8%	1%	0.7	0.2
Fully consolidated subsidiaries	0.6	1.2	12%	19%	1.0	0.7	13%	9%	1.6	1.9
Subtotal	**4.9**	**5.6**	**96%**	**88%**	**7.5**	**7.6**	**96%**	**97%**	**12.4**	**13.2**
Other services provided by the network to fully consolidated subsidiaries										
Legal, tax and social matters	0.1	0.2	2%	3%	0.1	-	1%	-	0.2	0.2
Other	0.1	0.6	2%	9%	0.2	0.2	3%	3%	0.3	0.8
Subtotal	**0.2**	**0.8**	**4%**	**12%**	**0.3**	**0.2**	**4%**	**3%**	**0.5**	**1.0**
Total	**5.1**	**6.4**	**100%**	**100%**	**7.8**	**7.8**	**100%**	**100%**	**12.9**	**14.2**

Note 30. Subsequent events

The main events that occurred between December 31, 2011 and February 28, 2012, the date of the Management Board meeting that approved the financial statements for the fiscal year 2011 are as follows:

- On January 10, 2012, Vivendi raised €1,250 million through a bond issue (please refer to Note 22); and
- In a ruling dated January 27, 2012, and issued on February 1, 2012, the United States District Court for the Southern District of New York dismissed claims by individual shareholders who had purchased ordinary shares of Vivendi on the Paris Stock Exchange (please refer to Note 27).

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Section 1 **2011 Statutory Financial Statements**

1. Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2011.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general shareholders' meetings, we hereby report to you, for the year ended December 31, 2011, on:
- the audit of the accompanying financial statements of Vivendi S.A., hereinafter referred to as "the Company";
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by your management board. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Accounting principles and policies

Note 1 to the financial statements sets out the accounting policies and methods used to recognize equity interests and provisions. As part of our assessment of the accounting principles and policies implemented by your Company, we verified that the information presented in the notes to the financial statements was appropriate and consistently applied.

Accounting estimates

Interests in equity affiliates

Note 1 to the financial statements states that your Company recognizes impairment losses when the carrying amount of its financial assets exceeds their book value. Based on the information available at the date of this report, we assessed the approach adopted by your Company to determine book value of the financial assets and ensured that the assumptions made and ensuing valuations were reasonable.

Provisions for litigation

Note 24 to the financial statements describes the methods used to evaluate and recognize provisions for litigation. We assessed the methods used by your group to list, calculate and account for such provisions. We also assessed the data and assumptions underlying the estimates made by the Company and obtained, where appropriate, the estimates of independent experts commissioned by the Company. We also ensured that any uncertainties regarding estimates of provisions for litigation were disclosed in Note 24 to the financial statements. Such disclosures were limited, in compliance with accounting standards, as they concern information that might be detrimental to the Company. Finally, as stated in Note 1 to the financial statements, some facts and circumstances may lead to changes in estimates and assumptions which could have an impact upon the reported amount of the provisions.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Section 1 **2011 Statutory Financial Statements**

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report section of the "2011 Annual Report – Registration Statement" and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French commercial code (*Code de commerce*) relating to remunerations and benefits received by directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the "2011 Annual Report – Registration Statement".

Paris-La Défense, March 1, 2012

The Statutory Auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

Frédéric Quélin

Ernst & Young et Autres

Jean-Yves Jégourel

2. 2011 Statutory Financial Statements

Statement of Earnings

(in millions of euros)	Note	2011	2010
Operating income			
Total revenues		100.3	92.0
Reversal of provisions and expense reclassifications		22.4	5.7
Other income		0.1	1.0
Total I		**122.8**	**98.7**
Operating expenses			
Other purchases and external charges		122.0	104.9
Duties and taxes other than income tax		4.2	5.2
Wages and salaries and social security contributions		56.5	52.6
Depreciation, amortization and charges to provisions		15.7	10.2
Other expenses		7.0	1.1
Total II		**205.4**	**174.0**
Loss from operations (I-II)	2	**(82.6)**	**(75.3)**
Financial income			
From subsidiaries and affiliates		276.4	828.6
From other securities and long-term receivables		221.3	178.7
Other interest and similar income		127.7	230.7
Reversal of provisions and expense reclassifications		1,170.5	640.9
Foreign exchange gains		1,047.2	1,715.2
Net proceeds from the sale of marketable securities		6.3	0.4
Total III		**2,849.4**	**3,594.5**
Financial expenses			
Amortization and charges to financial provisions		431.1	54.4
Interest and similar charges		441.2	383.5
Foreign exchange losses		978.4	1,696.8
Total IV		**1,850.7**	**2,134.7**
Net financial income / (loss) (III-IV)	3	**998.7**	**1,459.8**
Earnings/(Loss) from ordinary operations before tax (I-II + III-IV)		**916.1**	**1,384.5**
Exceptional income			
From non-capital transactions		8.5	20.1
From capital transactions		3,915.2	182.3
Reversal of provisions and expense reclassifications		1,409.1	1,551.4
Total V		**5,332.8**	**1,753.8**
Exceptional expenses			
Related to non-capital transactions		29.9	176.5
Related to capital transactions		5,111.6	1,340.7
Exceptional depreciation, amortization and charges to provisions		37.5	3.3
Total VI		**5,179.0**	**1,520.5**
Net exceptional items (V-VI)	4	**153.8**	**233.3**
Income tax credit (VII)	5	**418.5**	**658.9**
Total income (I + III + V + VII)		**8,723.5**	**6,105.9**
Total expenses (II + IV + VI)		**7,235.1**	**3,829.2**
Earnings for the year		**1,488.4**	**2,276.7**

Section 1 2011 Statutory Financial Statements

Statement of Financial Position

ASSETS (in millions of euros)	Note	Gross	Depreciation, amortization and provisions	Net	
				December 31, 2011	December 31, 2010
Non-current assets					
Intangible assets	6	**14.8**	**14.2**	**0.6**	**0.7**
Property, plant and equipment	6	**59.3**	**56.7**	**2.6**	**2.7**
Long-term investments (a)	7	**45,953.3**	**1,735.1**	**44,218.2**	**39,182.2**
Investments in affiliates and Long-term portfolio securities		40,051.5	643.4	39,408.1	34,351.7
Loans to subsidiaries and affiliates		5,893.6	1,091.5	4,802.1	4,822.2
Other long-term investment securities		0.7	0.2	0.5	0.4
Loans				0.0	0.0
Other		7.5		7.5	7.3
Total I		**46,027.4**	**1,806.0**	**44,221.4**	**39,185.6**
Current assets	9				
Inventories and WIP					
Receivables (b)		**3,118.0**	**103.6**	**3,014.4**	**3,830.9**
Trade accounts receivable and related accounts		17.4		17.4	13.8
Other receivables		3,100.6	103.6	2,997.0	3,817.1
Marketable securities		**87.9**	**0.7**	**87.2**	**571.1**
Treasury shares	8	28.3	0.7	27.6	1.9
Other securities		59.6		59.6	569.2
Cash at bank and in hand		**21.0**		**21.0**	**226.5**
Prepayments (b)		**100.2**		**100.2**	**78.0**
Total II		**3,327.1**	**104.3**	**3,222.8**	**4,706.5**
Deferred charges (III)	11	**29.4**		**29.4**	**14.9**
Unrealized foreign exchange losses (IV)	12	**187.0**		**187.0**	**161.6**
Total assets (I + II + III + IV)		**49,570.9**	**1,910.3**	**47,660.6**	**44,068.6**
(a) *Portion due in less than one year*				*1,030.7*	*33.6*
(b) *Portion due in more than one year*				*88.5*	*20.2*

Section 1 **2011 Statutory Financial Statements**

EQUITY AND LIABILITIES (in millions of euros)	**Note**	**December 31, 2011**	**December 31, 2010**
Equity	13		
Share capital		6,859.9	6,805.4
Additional paid-in capital		13,038.5	12,942.1
Reserves			
Legal reserve		680.5	640.6
Other reserves		9,480.2	9,480.2
Retained earnings		506.0	
Earnings/(Loss) for the year		1,488.4	2,276.7
Net equity		**32,053.5**	**32,145.0**
Tax-driven provisions			
Total I		**32,053.5**	**32,145.0**
Provisions	15	232.5	191.3
Total II		**232.5**	**191.3**
Liabilities (a)			
Convertible and other bond issues	16	8,127.5	6,017.3
Bank borrowings (b)	16	4,550.2	1,735.6
Other borrowings	16	2,170.7	3,650.5
Trade accounts payable and related accounts		23.3	27.8
Tax and employee-related liabilities		278.5	29.8
Amounts payable in respect of PP&E and related accounts		0.4	1.8
Other liabilities		12.1	76.8
Deferred income		28.2	6.2
Total III		**15,190.9**	**11,545.8**
Unrealized foreign exchange gains (IV)	12	**183.7**	**186.5**
Total equity and liabilities (I + II + III + IV)		**47,660.6**	**44,068.6**
(a) *Portion due in more than one year*		*11,152.4*	*7,225.6*
Portion due in less than one year		*4,038.5*	*4,320.2*
(b) *Includes current bank facilities and overdrafts*		*21.2*	*128.5*

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Section 1 2011 Statutory Financial Statements

Statement of Cash Flows

(in millions of euros)	2011	2010
Earnings for the year	1,488.4	2,276.7
Elimination of non-cash income and expenses:		
Charges to depreciation and amortization	8.4	6.1
Charges to provisions net of (reversals)		
Operating	7.3	3.9
Financial	(739.4)	(583.8)
Exceptional	(1,371.6)	(1,548.1)
Capital (gains) & losses	1,206.8	1,166.6
Other income and charges without cash impact	14.2	21.2
Operating cash flows before changes in working capital	**614.1**	**1,342.6**
Changes in working capital	927.9	(527.9)
Net cash provided by operating activities	**1,542.0**	**814.7**
Capital expenditure	(0.6)	(0.9)
Purchases of investments in affiliates and securities	(7,950.0)	(3,175.1)
Increase in loans to subsidiaries and affiliates	(1,311.8)	(2,120.8)
Receivables related to the sale of non-current assets and other financial receivables	1.3	54.1
Proceeds from sales of intangible assets and PP&E		0.1
Proceeds from sales of investments in affiliates and securities	5,791.1	3,622.0
Decrease in loans to subsidiaries and affiliates	1,271.9	1,000.0
Increase in deferred charges relating to financial instruments	(22.2)	(5.6)
Net cash provided by/(used in) investing activities	**(2,220.3)**	**(626.2)**
Net proceeds from issuance of shares	150.9	112.3
Dividends paid	(1,730.7)	(1,721.0)
New long-term borrowings secured	11,613.9	2,761.6
Principal payments on long-term borrowings	(7,558.0)	(1,386.5)
Increase (decrease) in short-term borrowings	(433.8)	70.5
Change in net current accounts	(2,042.3)	457.8
Treasury shares	(36.8)	
Net cash provided by/(used in) financing activities	**(36.8)**	**294.7**
Change in cash	(715.1)	483.2
Opening net cash (a)	795.7	312.5
Closing net cash (a)	**80.6**	**795.7**

(a) Cash and marketable securities net of impairment (excluding treasury shares).

Section 1 **2011 Statutory Financial Statements**

3. Notes to the 2011 Statutory Financial Statements

Preliminary Note: dollar amounts are expressed in US dollars.

Major Events in 2011

In 2011, the major transactions were as follows:

Acquisition of Vodafone's 44% interest in SFR

On June 16, 2011, Vivendi acquired a 44 % interest in SFR from Vodafone for a total consideration of €7,750 million, which was paid entirely in cash. In addition, SFR and Vodafone have agreed to extend their commercial cooperation for an additional three-year period.

Sale of the 20% interest in NBC Universal

Beginning in May 2004, Vivendi held an equity interest in NBC Universal of 20%, and General Electric (GE) owned the remaining 80%. In December 2009, Vivendi agreed that it would sell its 20% interest in NBC Universal to GE under an agreement (as amended, the "2009 Agreement"), entered into in connection with GE's concurrent agreement with Comcast Corporation ("Comcast") to form a new joint venture that would own 100% of NBC Universal and certain Comcast assets (the "Comcast Transaction"). Pursuant to the 2009 Agreement, Vivendi agreed to sell its 20% interest in NBC Universal to GE for $5.8 billion, in two transactions, the second of which was contingent upon the completion of the Comcast Transaction.

On September 26, 2010, Vivendi sold a 7.66% interest in NBC Universal to GE for $2.0 billion. The remainder of Vivendi's interest, or 12.34 % of NBC Universal, was sold to GE on January 25, 2011 for $3.8 billion, in advance of the closing of the Comcast Transaction. Please refer to Note 4, Net Exceptional Items and Note 7, Long-term Investments.

Agreements to settle litigation over the share ownership of PTC in Poland

On December 14, 2010, Vivendi, Deutsche Telekom, Mr. Solorz-Zak (Elektrim's main shareholder) and Elektrim's creditors, including the Polish State and Elektrim's bondholders, entered into various agreements to put an end to the litigation surrounding the share capital ownership of Polska Telefonia Cyfrowa (PTC), a mobile telecommunication operator. Due to the litigation proceedings which opposed Vivendi and its subsidiary Elektrim Telekomunikacja (Telco) against Deutsche Telekom and Elektrim, the legal uncertainty surrounding the ownership of Telco's interest in PTC, prevented Telco from exercising joint control over PTC, in accordance with PTC's by-laws. As a result, Vivendi decreased the carrying value of Telco to nil as from year-end 2006.
On January 14, 2011, upon satisfaction of the conditions precedent set forth in these agreements, Vivendi, Telco and VTI received €1,254 million (of which €1,195 million were allocated to Vivendi SA) and waived their rights to the shares of PTC, consequently settling all litigation surrounding PTC's share ownership (see Note 3, Net Financial Income, Note 7, Long-term Investments and Note 23, Financial Commitments and Contingent Liabilities).

Acquisition of EMI Recorded Music by Vivendi and Universal Music Group (UMG)

On November 11, 2011, Vivendi and Universal Music Group (UMG) entered into an agreement with Citigroup, Inc. (Citi) to purchase 100% of the recorded music businesses of EMI Group Global Limited (EMI). The expected gross purchase price (enterprise value) is £1,200 million (approximately €1,400 million). Closing of the transaction remains subject to a number of conditions, including approvals from regulatory authorities in the countries and continents concerned.

Vivendi intends to finance this transaction from its existing credit lines and from the proceeds of the sale of €500 million worth of non-core UMG assets.

New borrowings and credit facilities put in place/reimbursed by Vivendi SA

Please refer to Note 16, Borrowings.

Dividend paid with respect to fiscal year 2010

At the Annual Shareholders' Meeting of April 21, 2011, Vivendi's shareholders approved the Management Board's recommendations relating to the allocation of distributable earnings for fiscal year 2010. As a result, the dividend payment was set at €1.40 per share, representing an aggregate distribution of €1,730.7 million, which was paid in cash on May 10, 2011.

Section 1 2011 Statutory Financial Statements

Note 1. Accounting Rules and Methods

General principles and change in accounting methods

The statutory financial statements for the year ended December 31, 2011 have been prepared and presented in accordance with applicable French laws and regulations.

The accounting rules and methods that were applied in the preparation of these financial statements are identical to those applied in the preparation of the 2010 statutory financial statements.

Vivendi Management makes certain estimates and assumptions that it considers reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past or anticipated achievements, facts and circumstances may lead to changes in these estimates and assumptions which may have an impact the amount of assets, liabilities, equity or earnings recognized by the Company. In particular, these estimates and assumptions relate to the measuring of asset impairment (please refer to Note 7) and provisions (please refer to Note 15) as well as to employee benefits (please refer to Note 1, Employee benefit plans).

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at acquisition cost.

Depreciation and amortization are calculated using the straight-line method and, where appropriate, the declining balance method over the useful lives of the relevant assets.

Long-term investments

Investments in affiliates and long-term portfolio securities

Investments in affiliates consist of investments in Vivendi Group affiliates in which Vivendi holds a significant interest, in principle more than 10%.

Long-term portfolio securities consist of securities held by Vivendi in companies which it expects will generate a reasonable medium- and long-term return, without involvement in their day-to-day management.

Investments in affiliates and long-term portfolio securities are valued at acquisition cost, including any potential impact resulting from related hedging transactions. If this value exceeds the value in use, an impairment loss is recorded for the difference between the two.

Value in use is defined as the value of the future economic benefits expected to be derived from the use of an asset. This is generally calculated by discounting the future cash flows, although a more suitable method may be used where appropriate, such as market comparables, transaction valuations, trading comparables for listed entities or proportionate share of net equity.

Vivendi expenses investment and security acquisition costs in the period during which they are incurred.

Loans to subsidiaries and affiliates

Loans to subsidiaries and affiliates consist of medium and long-term loans to Group companies. They do not include current account agreements with Group subsidiaries used for the day-to-day management of cash surpluses and shortfalls. A provision is recorded to reflect the risk of non-recovery.

Treasury shares

All treasury shares held by Vivendi which are either (i) in process of cancellation or (ii) acquired pursuant to the liquidity contract, are recorded as Long-term Investments. Impairment losses are recorded on the latter shares if, based on the average share price during the month of December, their net book value is less than their stock market value.

All remaining treasury shares held by Vivendi are recorded in Marketable securities (please see ‘Marketable securities’ below).

Operating receivables

Operating receivables are recorded at nominal value. A provision is, as applicable, recorded to reflect the risk of non-recovery.

Marketable securities

Treasury shares

Treasury shares purchased either for sale to Group employees upon exercise of stock purchase options or for allotment to employees as performance shares are recorded as Marketable securities.

At year-end, the shares allocated to specific plans are not depreciated but are subject to a provision (please see 'Provisions' below). For those shares not allocated to specific plans, an impairment loss is recognized, as applicable, to reduce the net value of those unallocated shares to their stock market value, based on of the average share price during the month of closing.

Other marketable securities

All other marketable securities are recorded at acquisition cost. A provision is recorded if the estimated trading value at the end of the period is less than the acquisition cost.

Deferred charges relating to financial instruments

Issue costs relating to bonds and lines of credit are amortized equally over the term of such instruments.

Provisions

A provision is recorded where Vivendi has an obligation to a third party and it is probable or certain that an outflow of resources will be necessary to settle this obligation, without receipt of an equivalent consideration from the third party.

The provision is equal to the best estimate, taken at period-end, of the outflow of resources necessary to settle the obligation, where the risk exists at the end of the period.

The assumptions underlying the provision are regularly reviewed and any necessary adjustments are recorded.

Where it is not possible to provide a reliable estimate for the amount of the obligation, a provision is not recorded and disclosure is made in the notes to the financial statements (please refer to Note 24, Litigation).

Stock option plans and performance share plans

When the Company grants performance shares or establishes a stock purchase option plan that is settled by the delivery of treasury shares, a provision is recognized. This provision is calculated based on the market price of Vivendi shares at grant date or the estimated share purchase price at year-end. In the case of stock purchase option plans, the entry cost or estimated share purchase price is reduced by the exercise price that is likely to be paid by employees.

Under PCG (the *Plan Comptable Général* (French GAAP)), expenses, charges and reversals relating to the grant of stock options and performance shares to Company employees, are recorded as personnel costs.

Employee benefit plans

The provision recorded for obligations relating to employee benefit plans includes all Vivendi employee benefit plans, i.e., retirement termination payments, pensions and supplemental pensions. It is calculated as the difference between the value of actuarial obligations and that of plan assets, net of actuarial gains and losses and unrecognized past service costs.

The actuarial obligation is calculated using the projected unit credit method (each activity period generates additional entitlement). Actuarial gains and losses are recognized using the corridor method. This consists of recording, in the profit or loss account for the relevant period, the amortization calculated by dividing the portion of actuarial gains and losses which exceeds the greater of 10% of (i) the obligation or (ii) the fair value of the assets of the plans as of the beginning of the fiscal year, by the average remaining working life expectancy of the beneficiaries.

Foreign currency-denominated transactions

Foreign currency-denominated income and expense items are translated using average monthly rates.

Foreign currency-denominated receivables, payables, marketable securities and cash balances are translated at the exchange rates applicable on the closing date.

Unrealized gains and losses on translation of foreign currency receivables and payables, using exchange rates at year-end, are recorded in the Statement of Financial Position in Unrealized foreign exchange gains and losses. A provision for foreign exchange losses is recorded in respect of unhedged and unrealized exchange losses.

Foreign exchange gains and/or losses on cash balances and foreign currency current accounts are recorded immediately as foreign exchange gains and/or losses.

Section 1 2011 Statutory Financial Statements

Financial instruments

Vivendi uses derivative financial instruments to (i) reduce its exposure to market risks associated with interest and foreign exchange rate fluctuations, and (ii) secure the value of certain financial assets.

Where Vivendi has entered into hedging arrangements, income and expenses relating to the financial derivatives are recorded in Net Financial Income/(loss) and offset against the income and expenses generated by the hedged items.

Unrealized capital gains on derivative instruments that do not qualify for hedge accounting are not recorded. Conversely, a provision is recorded in respect of unrealized capital losses on these derivative instruments.

Individual training entitlement

Pursuant to Opinion 2004 F of the Emergency Committee of the French National Accounting Board (CNC), Vivendi did not record a provision for individual training entitlement at year-end 2011.

The company-wide agreement entered into in May 2006 provides for the allocation of 14 training hours in 2004 and 20 training hours each year thereafter (up to a maximum of 120 hours) to each employee. At year-end 2011, a total of 20,530 training hours remained unused.

Note 2. Operating Earnings/(Loss)

Revenues

Revenues consist of revenues generated from services provided by Vivendi to its subsidiaries for an amount of €100.3 million.

Operating expenses and expense reclassifications

In 2011, operating expenses amounted to €205.4 million, compared to €174.0 million in 2010.

Within this total, “other purchases and external charges” represent €122.0 million in 2011, compared to €104.9 million in 2010.

Other purchases and external charges, net of re-invoicing, insurance repayments and expense reclassifications, are broken-down as follows:

(in millions of euros)	2011	2010
Purchases consumed	0.6	0.7
Rent	7.7	7.6
Insurance	12.1	10.5
Service providers, temporary staff and sub-contracting	7.0	8.5
Commissions and professional fees	51.6	52.8
Bank services	23.0	5.8
Other external services	20.0	19.0
Sub-total other purchases and external charges	**122.0**	**104.9**
Amounts rebilled to subsidiaries (other income)	(9.7)	(6.3)
Insurance repayments and expense reclassifications	(22.3)	(5.6)
Total net of rebilled expenses, insurance repayments and expense reclassifications	**90.0**	**93.0**

Note 3. Net Financial Income

Net financial income/(loss) is broken-down as follows:

(in millions of euros)	2011	2010
Net financing costs	(73.2)	(41.9)
Dividends received	276.4	828.6
Foreign exchange gains & losses	68.8	18.4
Other financial income and expenses	(12.7)	68.3
Movements in financial provisions	739.4	586.4
Total	**998.7**	**1,459.8**

The increase in the net financing costs from €41.9 million in 2010 to €73.2 million in 2011 is due to:

- an increase in external net financing costs (€336.7 million in 2011, compared to €296.8 million in 2010), primarily as a result of an increase in interest rates applicable to the variable portion of the debt; and
- conversely, an increase in internal net financing income from €254.9 million in 2010 to €263.5 million in 2011.

In 2011, the aggregate amount of dividends booked totaled €276.4 million (primarily from SFR in the amount of €254 million with respect to fiscal year 2011), compared to €828.6 million in 2010 (which included an interim dividend received from SFR in the amount of €559.3 million, as well as €205.0 million of dividends from NBC Universal and €52.9 million from Vivendi Finance Company).

Aggregate dividends received in 2011 totaled €835.6 million, of which €559.3 million was received from SFR.

The changes to financial provisions and impairments resulted in a net reversal of €739.4 million, including:

- a €910.0 million reversal on the Telco shares related to the reduction of their acquisition cost (see Note 7, Long-term Investments);
- a €259.1 million reversal of impairment on the shares of Vivendi Holding I Corp. (VH1), the company that holds the Group's interests in Activision Blizzard and Universal Music Group (UMG); and
- a €350.0 million impairment loss on Groupe Canal+ SA shares, corresponding to the revised carrying value following impairment testing.

Note 4. Net Exceptional Items

In 2011, net exceptional income was €153.8 million, compared to a €233.3 million income in 2010. It comprises the following main items:

- a gain on the sale of and a reversal of impairment on Carcom shares for €285.1 million, as part of the settlement of litigation over the share ownership of PTC in Poland (please refer to Major Events of the Year);
- a capital loss of €1,295.0 million on the sale of NBC Universal shares, offset by the reversal of impairment of €1,246.0 (relating to the impairment recognized between 2006 and 2008);
- a capital loss of €30 million on the sale of UMGII SAS as part of the reorganization of the music finance companies; and
- a charge of €32.2 million related to the allotment of performance shares.

Note 5. Income Tax Expense/(Credit)

On May 19, 2008, Vivendi applied to the French Ministry of Finance for the renewal of its authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code. Authorization was granted by an order dated March 13, 2009, for a three-year period beginning with the tax year 2009 and ending with the 2011 tax year. On July 6, 2011, Vivendi applied to the French Ministry of Finance for the renewal of its authorization to use the Consolidated Global Profit System for a further three-year period from 2012 to 2014. However, the changes in French Tax Law for the year 2011 terminated the Consolidated Global Profit Tax System as from September 6, 2011. In addition, it capped the deduction for tax losses carried forward at 60% of taxable income.

Under the Consolidated Global Profit Tax System, Vivendi was entitled to consolidate its own tax profits and losses with the tax profits and losses of its subsidiaries that are at least 50% directly or indirectly owned by it, and that are located in France or abroad. Subsidiaries, in which Vivendi directly or indirectly owns at least 50% of the outstanding shares, either French or abroad, as well as Société d'Edition de Canal Plus (SECP) fall within the scope of the Consolidated Global Profit Tax System (Activision Blizzard, Universal Music Group, SFR, GVT, and Canal+ Group). Under the French Tax Group System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that are at least 95% directly or indirectly owned by it, and that are located in France: Universal Music, SFR (now 100% owned by Vivendi), and Canal+ Group (excluding Canal+ France and its subsidiaries, in which Vivendi directly or indirectly owns at most 80% of the outstanding shares). Under the French Tax Group System, Vivendi is entitled to use ordinary losses carried forward, albeit capped at 60% of the taxable income of the tax group.

The income tax credit of €418.5 million recorded in 2011 mainly reflects consolidated income tax credit of €673 million, which, as a result of the 60% cap, was reduced by €266.5 million (income tax expense and tax liability as of December 31, 2011). The tax group headed by Vivendi SA includes 37 companies (compared to 29 at year-end 2010).

In 2010, Vivendi SA recorded a tax credit of € 579.3 million in respect of the Consolidated Global Profit Tax System for fiscal year 2010 and a tax credit of €81.1million from the French Tax Group System.

As of December 31, 2010, after accounting for the known consequences of the ongoing tax audits, Vivendi carried forward losses of €7,945 million; these losses can be carried forward indefinitely. Tax credits carried forward amounted to €257 million and can be carried forward for a five-year period, of which €27 million had matured as of December 31, 2011.

In respect of the Consolidated Global Profit Tax System, the consolidated income reported for fiscal years 2006, 2007, and 2008 is currently under audit by the French tax authorities. This tax audit commenced in January 2010. In addition, in January 2011, the French tax authorities began a tax audit on the consolidated income reported for fiscal year 2009. Lastly, the results of the tax audit for fiscal years 2004 and 2005 did not materially impact the amount of losses carried forward as reported above.

Note 6. Intangible Assets and Property, Plant and Equipment

Gross values

(in millions of euros)	Opening gross value	Additions	Disposals	Closing gross value
Intangible assets	14.6	0.2	-	14.8
Property, plant and equipment	58.8	0.5	-	59.3
Total	**73.4**	**0.7**	**(0.0)**	**74.1**

Depreciation and amortization

(in millions of euros)	Opening accumulated dep'n/ amortization	Charge	Reversal	Closing accumulated dep'n/ amortization
Intangible assets	13.9	0.3	-	14.2
Property, plant and equipment	56.0	0.7	-	56.7
Total	**69.9**	**1.0**	**(0.0)**	**70.9**

Note 7. Long-term Investments

Long-term investments

(in millions of euros)	Opening gross value	Additions	Disposals	Foreign currency translation adjustments	Closing gross value
Investments in affiliates and Long-term portfolio securities (a)	37,116.5	37,777.8	(34,842.8)		40,051.5
Loans to subsidiaries and affiliates	5,856.5	1,349.6	(1,309.6)	(2.9)	5,893.6
Other long-term investment securities	94.7		(94.0)		0.7
Loans and other long-term investments	7.3	0.2			7.5
Total	**43,075.0**	**39,127.6**	**(36,246.4)**	**(2.9)**	**45,953.3**
(a) includes movements relating to internal reorganisations (see below)		29,589.3	(29,780.8)		

Investments in affiliates and Long-term portfolio securities

The main changes during the year were:

- Vivendi's acquisition, on June 16, 2011, of a 44% interest in SFR from Vodafone for €7,750.0 million, raising Vivendi's interest in SFR to over 99.99% (see above, Major Events);
- the decrease of €910.0 million on the acquisition price of the Telco shares and the sale of shares of Carcom for €61.1 million, following entry into the agreements to end the litigation over the ownership of PTC shares in Poland (see above, Major Events);
- Vivendi's sale, on January 25, 2011, of its remaining interest in NBC Universal, which had a book value of €4,089.9 million (see above, Major Events and Note 4, Net Exceptional Items);
- the merger of SFR and Vivendi Telecom International (VTI): the book value of the shares of the merged entity, renamed SFR, was equal to the sum of the respective book values of SFR and VTI before the merger, i.e., €18,747.9 million;
- the simplification of the ownership structure of the Group's telecommunications assets in Brazil, which was implemented through three successive capital contribution transactions that grouped all of the relevant assets under SIG 108, a wholly-owned subsidiary of Vivendi whose gross value consequently increased by €2,984.6 million (equivalent to the amount of the direct participations previously held in the Brazilian companies, GVT Holding and VTB Participaçoes Ltda); and
- the ongoing reorganization of the music financing companies, which involved, firstly, the acquisition by Vivendi Holding I Corp. of a portion of its shares held by Vivendi in exchange for shares held by Vivendi Holding I Corp. in the finance company, UMGII SAS, for €1,830.0 million; secondly, a subscription to the share capital increase of SIG 104 for €1,640.0 million; and finally, the transfer of UMGII SAS to SIG 104.

Loans to subsidiaries and affiliates

The net value of loans to subsidiaries and affiliates, including accrued interest, was €4,802.1 million at year-end 2011 (compared to €4,822.8 million at year-end 2010). It included:

- loans to SFR for €3,700 million, compared to €2,450 million as of December 31, 2010, in the form of the following three credit facilities which were fully drawn as of December 31, 2011:
  - a credit facility granted for an initial amount of €3.0 billion in 2008 that was subject to two partial reimbursements of €1 billion each in July 2009 and July 2010 respectively; this line has a maturity date of December 31, 2012;
  - a second credit facility granted for €1.5 billion in 2009, with a maturity date of June 15, 2013; and
  - a third credit facility granted in December 2011 for €1.2 billion, with a maturity date of June 17, 2015;
- a loan granted to Vivendi Holding I Corp. in 2008, for $1,400 million (representing €1,082.8 million) to partially finance the integration of Vivendi Games and Activision, in two tranches of $700 million each with a maturity date of April 2013 and April 2018 respectively; and
- advances aggregating to €1,268.8 million in foreign currencies to UMIF as of December 31, 2010, which were reimbursed in June 2011 as part of the reorganization of the music financing structure; this reorganization also included the repayment by Vivendi of its €1,258 million borrowing from UMIF (please refer to Note 16, Borrowings).

Loans and other long-term investments

In 2011, amounts paid by Vivendi under the liquidity agreement totaled €5.0 million as of December 31, 2011 (out of an available balance of €50 million) and are recorded in other financial assets. This amount remains unchanged compared to December 31, 2010. In addition, purchases and sales of shares were settled immediately. As of December 31, 2011, Vivendi did not hold any shares under this liquidity agreement nor did it hold any shares for this purpose at year-end 2010 (see Note 8, Treasury Shares).

Impairment

(in millions of euros)	Opening accumulated deprec./amort.	Charge	Reversal recorded in financial income	Reversal recorded in exceptional income	Closing accumulated deprec./amort.
Investments in affiliates and Long-term portfolio securities	2,764.9	355.8	(1,169.2)	(1,308.1)	643.4
Loans to subsidiaries and affiliates	1,033.7	57.8			1,091.5
Other long-term investment securities	94.3			(94.1)	0.2
Loans and other long-term investments	0.0				0.0
Total	**3,892.9**	**413.6**	**(1,169.2)**	**(1,402.2)**	**1,735.1**

Depreciation and impairment of long-term investments relating to Groupe Canal+ SA were recorded for €350 million (please see Note 3, Net Financial Income). A reversal of impairment of long-term investments amounting to €2,571.4 million was recorded, including (i) a €1,402.2 million reversal of impairment recognized on divested assets (of which €1.246 million related to the NBCU shares sold and € 61.1 million related to the Carcom shares), (ii) a €910 million reversal of impairment recognized on the Telco shares (see above), and (iii) a €259.1 million reversal of remaining impairment recognized on Vivendi Holding 1.

Note 8. Treasury Shares

Changes in impairment

	As of December 31, 2010		Purchases		Reclassifying		Sales		As of December 31, 2011	
(in millions of euros)	No. Shares	Gross value	No. Shares	Gross value	No. Shares	Gross value	No. Shares	comptable	No. Shares	Gross value
Long-term investment securities										
Liquidity contract			8,356,419	159.3			8,356,419	159.3		
Marketable securities										
Shares backing stock options	79,114	1.9			(79,114)	(1.9)				
Shares backing performance shares			1,759,000	37.4	79,114	1.9	509,096	11.0	1,329,018	28.3
Total Treasury shares	**79,114**	**1.9**	**10,115,419**	**196.7**	**0**	**0.0**	**8,865,515**	**170.3**	**1,329,018**	**28.3**

In 2011, the Company acquired treasury shares for an amount of €37.4 million to hedge the allotment of performance shares in 2009 and 2010. In April and October, 2011, 509,096 of these shares were delivered to beneficiaries, officers and employees of Vivendi SA and its subsidiaries under the 2009 plan.
In addition, 79,114 shares previously backing stock options granted in April and May, 2002 and that expired in 2010, have been allocated to cover performance share plans granted pursuant to the decision of the Management Board dated November 15, 2011.

Note 9. Current Assets

Receivables

Receivables mainly include:

- trade accounts receivable and related accounts net of impairment totaling €17.4 million, compared to €13.8 million at year-end 2010; and
- other accounts receivable, net of impairment, totaling €2,997.0 million, compared to €3,817.1 million at year-end 2010), which comprise the following items:
  - current account advances by Vivendi to its subsidiaries in the amount of €2,451.1 million (including €1,757.8 million for SFR, €295.0 million for Groupe Canal+ and €115.0 million for SIG 109), compared to €2,462.0 million at year-end 2010 (including €1,268.0 million for Vivendi Telecom International, €376.7 million for Groupe Canal+ and €180.7 million for Vivendi Holding I); and
  - a tax receivable of €509.1 million in respect of the impact of the French Tax Group System in 2011.

Marketable securities

Marketable securities excluding treasury shares (please refer to Note 8, Treasury shares) have a net book value of €59.6 million (compared to €569.2 million at year-end 2010) and primarily include bank deposits.

Prepaid expenses

(in millions of euros)	2011	2010
Expenses relating to the following period	2.2	0.4
Discount paid to subscribers of bonds (a)	32.7	35.3
Amount paid as settlement of swap (b)	65.3	42.3
Total	**100.2**	**78.0**

(a) Includes, in 2011, discounts in the amount of €14.0 million granted in July 2011 to subscribers of the two tranches of the original bond issue of €1,750 million and, in November 2011, to the subscribers of the two tranches (of €500 million each) of the €1.0 billion bond issue.

(b) Includes €27 million paid at the settlement of interest rate swaps (pre-hedges) with a notional amount of €750 million qualifying for hedge accounting, related to the tranche of the 10-year bond issued in July 2011. Compensation is amortized on a straight-line basis over the remaining period of the tranche until July 13, 2021.

Note 10. Receivables Maturity Schedule

(in millions of euros)	Gross value	Maturing in less than one year	Maturing in more than one year
Non-current assets			
Loans to subsidiaries and affiliates	5,893.6	1,030.7	4,862.9
Other long-term investments	7.5	5.0	2.5
Current assets			
Trade accounts receivable and related accounts	17.4	17.4	
Other receivables	3,100.6	3,086.8	13.8
Total	**9,019.1**	**4,139.9**	**4,879.2**

Note 11. Deferred Charges

Deferred charges relating to financial instruments

(in millions of euros)	Opening balance	Increase (a)	Amortization	Closing balance
Deferred charges relating to credit lines	5.4	14.5	(5.0)	14.9
Issue costs of bonds	9.5	7.7	(2.7)	14.5
Total	**14.9**	**22.2**	**(7.7)**	**29.4**

(a) New credit lines and bonds issues for 2011 are detailed in Note 16, Borrowings.

Note 12. Unrealized Foreign Exchange Gains and Losses

At year-end 2011, Vivendi recorded unrealized foreign exchange losses of €187.0 million, valued at year-end exchange rates, relating to two long-term borrowings of $700 million each (excluding accrued interest) which were put in place in April 2008.These unrealized losses were essentially offset by unrealized gains of €183.7 million, which were recorded as unrealized foreign exchange gains, on the $1.4 billion loan, of equal maturity, granted to Vivendi Holding I in July 2008. The net loss of €3.3 million is covered by a provision for foreign exchange losses recorded at year-end 2008 (please refer to Note 15, Provisions).

Note 13. Equity

Changes in equity

(in millions of euros)	Number of shares (a)	Share capital	Additional paid-in capital	Reserves and retained earnings	Earnings	Total
As of 12/31/10	1,237,337,108	6,805.4	12,942.1	10,120.8	2,276.7	32,145.0
Allocation of earnings/(loss) and dividends				546.0	(2,276.7)	(1,730.7)
Group Savings Plans	9,371,605	51.5	91.6			143.0
Stock options	554,347	3.0	4.8			7.8
Earnings (loss) for the year					1,488.4	1,488.4
As of 12/31/11	**1,247,263,060**	**6,859.9**	**13,038.5**	**10,666.8**	**1,488.4**	**32,053.5**

(a) Par value of €5.50 per share.

The potential number of shares that may be issued is 52,867,633 and includes:
(i) 49,907,071 shares to be issued upon the exercise of stock subscription options; and
(ii) 2,960,562 shares under the performance share plans granted to directors of Vivendi and employees of Vivendi and its subsidiaries.

Allocation of earnings

The allocation of earnings to be proposed at the Annual Shareholders' Meeting to be held on April 19, 2012, is as follows:

(in euros)	Total
Distributable earnings	
Retained earnings	506,039,826.46
Earnings for the year	1,488,402,737.40
Total	**1,994,442,563.86**
Allocation	
Legal reserve	5,459,273.60
Other reserves	
Dividends (a)	1,245,934,042.00
Retained earnings	743,049,248.26
Total	**1,994,442,563.86**

(a) Dividends of €1.00 per share, based on the number of treasury shares held as of December 31, 2011. This amount will be adjusted to reflect the actual number of treasury shares held on the dividend payment date and the number of stock subscription options exercised by beneficiaries up to the Annual Shareholders' Meeting.

Dividends per share distributed in respect of the last three fiscal years were as follows:

Year	2010	2009	2008
Number of shares (a)	1,236,237,225	1,229,267,655	1,170,687,167
Dividend per share (in euros) (b)	1.40	1.40	1.40
Total distribution (in millions of euros)	**1,730.7**	**1,721.0**	**1,639.0**

(a) Number of shares entitled to dividend as of January 1, after elimination of treasury shares held at the dividend payment date.
(b) Pursuant to Art. 158-32e of the French General Tax Code, except where an election has been made for the deduction of flat-rate withholding tax, this dividend entitles private individuals tax resident in France to a tax deduction of 40%.

Note 14. Stock Option Plans and Performance Share Plans

The main features of the plans granted during the current and prior fiscal years are as follows (please refer to CRC Regulation 2008-15 in relation to stock purchase and subscription option plans and performance share plans granted to employees):

Stock subscription option plans

	Number of options granted								Number of options		
	Total number of		of which granted to members of governing bodies								
Grant date	beneficiaries	options	Number of beneficiaries	Number of options	Option exercise start date	Expiry date	Exercise price in euros after adjustment	Value of shares for the calculation of the social contribution	exercised in 2011	cancelled in 2011	outstanding at December 31, 2011
04/15/10	780	5,297,200	9	1,516,000	04/16/13	04/15/20	(a) 18.33	1.99		286,264	5,367,624
06/04/10	11	40,000			06/05/12	06/04/20	19.71	1.33			40,000
09/21/10	1	5,000			09/22/13	09/21/20	18.95	2.41			5,000
11/15/10	2	6,000			11/16/13	11/15/20	20.40	2.07		3,000	3,000
04/13/11	561	2,526,700	10	987,500	04/14/14	04/13/21	19.93	2.16		24,000	2,502,700
08/30/11	3	36,600			08/31/14	08/30/21	19.93	2.16			36,600
10/25/11	2	2,000			10/26/14	10/25/21	19.93	2.16			2,000
							Total			**313,264**	**7,956,924**

(a) Adjustment following the payment of the dividend for fiscal year 2009 by withdrawal from the reserves.

For 2011, stock options were granted subject to the achievement of the following performance conditions: adjusted net income (45%); cash flow from operations (25%); and the performance of Vivendi shares based on two external indicators (30%): (i) the Stoxx Europe 600 Telecommunications index (60%) and (ii) a selected portfolio of media securities (40%).

The final grant of stock options will be effective upon achievement of the performance conditions, as assessed over a two-year period, as follows: for each year, 100% of one-half of the option grant will vest if the weighted total of the three indicators reaches or exceeds 100%; 50% of one-half of the option grant will vest if the weighted total of the indicators reaches the applicable value thresholds; and no options will vest if the weighted total of the three indicators is lower than the applicable value thresholds.

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Performance Share Plans

	Number of performance share rights granted							Number of performance share rights		
	Total number of		of which granted to members of governing bodies							
Grant date	beneficiaries	performance share rights	Number of beneficiaries	Number of performance share rights	Vesting date (1)	Availability date	Value of shares for the calculation of the social contribution	Number of performance share rights cancelled in 2011	Number of shares created at the end of the vesting period	Number of performance share rights outstanding at December 31, 2011 after adjustments
04/15/10	780	1,084,172	9	126,337	04/16/12	04/17/14	13.80	73,050		(a) 1,078,869
06/04/10	11	13,334			06/05/12	06/06/14	11.71			(b) 13,334
09/21/10	1	1,667			09/24/12	09/25/14	13.70			1,667
11/15/10	2	2,000			11/16/12	11/17/14	13.83	1,000		(c) 1,000
04/13/11	793	1,679,200	11	300,900	04/15/13	04/16/15	16.84	31,890		(d, e) 1,647,310
04/21/11	1	75,000	1	75,000	04/22/13	04/23/15	16.79			(f) 75,000
08/30/11	3	11,780			09/02/13	09/03/15	12.91			11,780
10/25/11	2	2,220			10/28/13	10/29/15	13.90			2,220
						Total		**105,940**	**0**	**2,831,180**

(1) First day of quotation at the end of a 2-year acquisition period.
(a) Includes 163,740 rights to performance shares granted to US and Brazilian beneficiaries to be registered in an account in 2014.
(b) Includes 1,000 rights to performance shares granted to a Brazilian beneficiaries to be registered in an account in 2014.
(c) Includes 1,000 rights to performance shares granted to Brazilian beneficiary to be registered in an account in 2014.
(d) Includes 25,000 rights to performance shares granted to a US tax resident to be registered in an account in 2015.
(e) Includes 294,100 rights to performance shares granted to US, British and Brazilian residents to be registered in an account in 2015.
(f) Includes 75,000 rights to performance shares granted to a US tax resident to be registered in an account in 2015.

For 2011, performance shares were granted subject to the satisfaction of the following three performance conditions as set forth in the performance share plans: adjusted net income (45%), cash flow from operations (25%) and the performance of Vivendi shares based on two external indicators (30%): (i) the Stoxx Europe 600 Telecommunications index (60%) and (ii) a selected portfolio of media securities (40%).

The final grant of performance shares will be effective upon achievement of the performance conditions, as assessed over a two-year period, as follows: for each year, 100% of one-half of the performance share grant will be definitively granted if the weighted total of the three indicators reaches or exceeds 100%; 50% of one-half of the performance share grant will be definitely granted if the weighted total of the indicators reaches the applicable values thresholds; and no shares will be granted if the weighted total of the three indicators is lower than the applicable value thresholds. Performance shares must be retained by their holders for an additional two-year period following the final grant date.

Note 15. Provisions

Summary table

Nature of provisions (in millions of euros)	Opening balance	Charge	Reversal	Utilization	Closing balance
Provision for real estate contingencies and losses	54.4		(3.3)	(4.4)	46.7
Foreign exchange losses	3.3				3.3
Employee benefits	19.6	7.3		(0.1)	26.8
Other provisions	114.0	42.3		(0.7)	155.7
Total - Provisions	**191.3**	**49.6**	**(3.3)**	**(5.1)**	**232.5**
Charges and reversals:					
- operating		*12.1*		*(0.1)*	
- financial				*(0.3)*	
- exceptional		*37.5*	*(3.3)*	*(4.7)*	

As of December 31, 2011, the provision for real estate contingencies and losses amounted to €46.7 million and covered various risks, in particular those assumed directly by Vivendi prior to the effective disposal in 2008 of SIG 35, the Group's residual real estate division holding company.

As of December 31, 2011, "other provisions" amounted to €155.7 million and primarily included a provision relating to the securities class action in the United States for €100 million (see Note 24, Litigation), and a provision valued at €26.0 million relating to rights which are in the process of being acquired by employees and corporate officers of Vivendi and its subsidiaries in respect of the allotment of free performance shares which will be provided for by the use of existing shares (see Note 8, Treasury Shares and Note 14, Stock Option Plans and Performance Share Plans).

As of December 31, 2011, the provision for employee benefits amounted to €26.8 million (Please refer to Note 1, Accounting rules and Methods; Employee benefit plans). Related obligations are valued on the basis of the following assumptions: a 3.00% to 4.00% increase in wage rates; a 4.50% discount rate for the general statutory scheme and "Article 39" schemes; and an assumed retirement age of between 60 and 65 years.

Supplemental pension obligations, other than retirement termination payments, are partially funded by external insurance policies, the updated value of which is deducted from the actuarial obligation. The expected rate of return on plan assets is 4.50%.

Note 16. Borrowings

At year-end 2011, the aggregate amount of borrowings totaled €14,910.6 million, compared to €11,403.3 million at year-end 2010.

Bond issues (excluding accrued interest)

As of December 31, 2011, bond issues were €7,976.8 million, compared to €5,901.4 million as of December 31, 2010 (see table below), to which accrued interests of €150.7 million and €115.9 million are added in relation to the bond issues and the hedging swaps, respectively.

During fiscal-year 2011, the €700 million bonds issued in October 2006 was repaid and Vivendi issued two new bonds for an aggregate amount of €2,750 million.

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(in millions of euros)	Issue date	Maturity date	Nominal rate	Hedging rate
750.0	03/2010	03/31/2017	4.00%	swapped at a floating rate of Euribor 3 months + 1.30%
700.0	12/2009	12/02/2019	4.88%	swapped at a floating rate of Euribor 3 months + 2.92% until its early termination on 09/16/2011 and 09/19/2011 €500 million swapped at a floating rate of Euribor 3 months + 2.97% until 12/01/2016
500.0	12/2009	12/01/2016	4.25%	swapped at a floating rate of Euribor 3 months + 2.33% until its early termination on 09/15/2011 swapped since October 2011 at a floating rate of Euribor 3 months + 2.39% until 12/01/2016
541.4	04/2008	04/04/2013	$700 million at 5.75%	swapped at a floating rate of Libor USD 3 months + 3.64% until its early termination on 09/20/2011
541.4	04/2008	04/04/2018	$700 million at 6.63%	swapped at a floating rate of Libor USD 3 months + 4.60% until its early termination on 09/19/2011
894.0	01/2009	01/23/2014	7.75%	
700.0	10/2006	10/03/2013	4.5%	
600.0	02/2005	02/15/2012	3.88%	
1,000.0	07/2011	07/13/2015	3.50%	
750.0	07/2011	07/13/2021	4.75%	
500.0	11/2011	11/30/2015	3.88%	
500.0	11/2011	11/30/2018	4.88%	
7,976.8				

Bank borrowings

As of December 31, 2011, the aggregate amount of loans and borrowings from credit institutions was €4,550.2 million, compared to €1,735.6 million at year-end 2010, and was mainly comprised of various long-term credit facilities drawn for €4,025 million (see below) and short-term commercial paper backed on credit facilities for €496.8 million.

As of February 28, 2012, the date on which the Vivendi Management Board approved the 2011 Financial Statements, Vivendi SA had available committed credit facilities totaling €8.6 billion (€9.0 billion as of December 31, 2011), including:

- A new €5 billion syndicated bank credit facility, put in place in May 2011, consisting of three tranches (Tranche A for €1.5 billion with a maturity date of December 2012; Tranche B for €1.5 billion with a maturity date of May 2014; and Tranche C for €2.0 billion with a maturity date of May 2016) which was drawn at year-end 2011 in the amounts of €0 million, €725 million and €410 million respectively.
- A simultaneous early cancellation of Vivendi's revolving credit facility of €2.0 billion, put in place in April 2005 with a maturity date of April 2012.
- A credit facility of €2 billion put in place in August 2006, of which €271 million has a maturity date of August 2012; the maturity date of the remaining €1,729 million was extended to August 2013. This credit line was fully drawn at year-end 2011.
- A credit facility of €1 billion put in place in February 2008, with a maturity date of February 2013, which was drawn up to €890 million at year-end 2011.
- A credit facility of €1 billion put in place in September 2010, with a maturity date of September 2015, which remains undrawn at year-end 2011.
- A bank credit facility of €1.1 billion, with a maturity date of July 2017, which Vivendi negotiated in December 2011 and which was put in place in January 25, 2012; on that same day, this credit facility resulted in the anticipated early cancellation of Tranche A of the credit facility of €5.0 billion put in place in May 2011 (see above).

Other borrowings

As of December 31, 2011, other borrowings amounted to $2.2 billion, compared to $2.3 billion as of December 31, 2010, and comprised current accounts deposits made by subsidiaries (including Universal Music Group for $1.9 billion).

In June 2011, as part of the reorganization of the financing structure of Universal Music Group (see supra Note 7, Investments, receivables from subsidiaries), Vivendi reimbursed the €1,258 million loan put in place in 2010 with UMIF.

Borrowings Maturity

As of December 31, 2011, the average "economic" term of the group's financial debt, pursuant to which all undrawn amounts available on medium-term credit lines may be used to reimburse group borrowings with the shortest term, was 4.0 years; this maturity remains unchanged compared to year-end 2010. The average maturity would increase to 4.2 years if account was taken of the new €1.1 billion credit facility put in place on January 25, 2012 (see above).

Note 17. Debt Maturity Schedule

Liabilities (including accrued interest) (in millions of euros)	Gross value	Due in less than one year	Due in one to five years	Due within more than five years
Bond issues	8,127.5	750.7	4,135.4	3,241.4
Bank borrowings	4,550.2	796.3	3,753.9	
Other borrowings	2,170.7	2,165.3	5.4	
Trade accounts payable and related accounts	23.3	23.3		
Tax and employee-related liabilities	278.5	277.0	1.5	
Amounts payable in respect of PP&E and related accounts	0.4	0.1	0.3	
Other liabilities	12.1	3.8	8.3	
Total	**15,162.7**	**4,016.5**	**7,904.8**	**3,241.4**

Note 18. Items Impacting Several Items of the Statement of Financial Position

In the table below, the "Related parties" column shows amounts comprising various items included in the Statement of Financial Position regarding transactions entered into with subsidiaries fully consolidated in the Group's Consolidated Statement of Financial Position. The assets in the table are presented at gross value.

ASSETS (in millions of euros)	Accrued income	Related parties
Investments in affiliates		39,983.7
Loans to subsidiaries and affiliates	30.7	5,854.8
Other long-term investment securities		
Loans		
Other long-term investments		
Trade accounts receivable and related accounts	0.5	16.9
Other receivables	1.9	3,064.8
Deferred charges		
Prepaid expenses		
Unrealized foreign exchange losses		
Total	**33.1**	**48,920.2**

LIABILITIES (in millions of euros)	Accrued expenses	Related parties
Other bond issues	150.7	
Bank borrowings	7.3	
Other borrowings		2,155.7
Trade accounts payable and related accounts	22.7	
Tax and employee-related liabilities	15.6	
Amounts payable in respect of PP&E and related accounts		
Other liabilities		
Deferred income		
Unrealized foreign exchange gains		183.7
Total	**196.3**	**2,339.4**

Note 19. Financial Income and Expenses Concerning Related Parties

In 2011, financial expenses and income concerning related parties amounted to €55.0 million and €591.3 million, respectively, including dividends of €254.1 million received from SFR.

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Note 20. Compensation of Directors and Officers

In 2011, gross compensation (including benefits in kind) paid by Vivendi SA to members of the Management Board totaled €8.2 million (compared to €7.4 million in 2010), of which €3.5 million were re-invoiced to subsidiaries (compared to €3.4 million in 2010).

Members of the Management Board who are paid by Vivendi SA also benefit from a supplemental pension plan, which generated an expense of €3.5 million in 2011 (compared to €2.5 million in 2010).

In 2011, cumulative gross directors' fees paid to members of the Supervisory Board and compensation paid to the Chairman of the Supervisory Board totaled €1.1 million and €0.7 million, respectively.

Note 21. Management Share Ownership

As of December 31, 2011, members of the Management Board, the Supervisory Board and executive management held an aggregate of 0.26% of the share capital of the Company.

Note 22. Number of Employees

In 2011, the annual average number of employees, weighted by effective presence, including temporary workers and employees under fixed-term contracts, was 219, compared to 214 in 2010.

The breakdown of employees by category, i.e., 221 employees as of December 31, 2011, compared to 215 employees as of December 31, 2010, is as follows:

	12/31/2011	12/31/2010
Engineers and executives	171	167
Supervisors	24	23
Other employees	26	25
Total	**221**	**215**

Note 23. Financial Commitments and Contingent Liabilities

Universal Music Group

- On November 11, 2011, Vivendi and Universal Music Group (UMG) entered into an agreement with Citigroup, Inc. (Citi) to purchase 100% of the recorded music businesses of EMI Group Global Limited (EMI). The expected gross purchase price (enterprise value) is £1,200 million (approximately €1,400 million). Closing of the transaction remains subject to the satisfaction of a number of conditions precedent, including obtaining approvals from regulatory authorities in the countries and continents concerned. Regulatory approval is required in at least the European Union, the United States, Japan and Australia; the agreement provides for Vivendi to assume full regulatory risk.
- As of December 31, 2011, the guarantee given to Commonwealth Atlantic Properties assumed by Vivendi pursuant to the merger with Seagram, covering rent payable by UMG and expiring on May 1, 2015, had a residual value of $26 million.
- As of December 31, 2011, in addition to standard comfort letters, Vivendi provided guarantees of an aggregate value of approximately €5 million to several banks which granted credit facilities to certain UMG subsidiaries to cover working capital requirements.
- Vivendi provided certain UMG companies in the Netherlands with guarantees to cover their third party commitments.
- Vivendi provided financial guarantees of up to £13 million to the London Organizing Committee of the Olympic Games and Paralympic Games Ltd. (Locog), to cover service commitments on behalf of two British subsidiaries.

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Canal+ Group

- On August 30, 2006, the French Minister of Economy, Finance and Industry, authorized the merger between the French pay-TV operations of Canal+ Group and those of TPS. The merger took effect in accordance with applicable merger control regulations, subject to Vivendi and Canal+ Group complying with certain undertakings. The pay-TV economic model and the commercial rationale behind the transaction, and the benefits to the consumer, were not questioned and these undertakings were more specifically made with the following specific objectives: (i) improving the access of television and video-on-demand (VOD) operators to attractive audiovisual content, including French and US films and sport events; (ii) providing several high-quality channels on demand to all pay-TV distributors, enabling them to develop attractive products; and (iii) including independent French-language channels in the satellite packages offered by the new group. These undertakings were given by Vivendi and Canal+ Group for a maximum period of six years, with the exception of the undertaking regarding the availability of channels and VOD which was given for a maximum period of five years.

  On October 28, 2009, the French Competition Authority opened an inquiry into the implementation of certain undertakings given by Canal+ Group in connection with the merger between TPS Group and CanalSatellite. On September 20, 2011, the Authority issued its decision, which withdrew the Authority's previous decision to approve the transaction and imposed a fine of €30 million on Canal+ Group (the fine was paid in the fourth quarter of 2011). On October 24, 2011, the transaction was re-notified to the Authority and, on November 4, 2011, Vivendi and Group Canal+ filed a motion before the French Council of State (*Conseil d'Etat*), requesting the annulment of the Authority's decision.
- Vivendi also granted TF1 and M6 a counter-guarantee, with an expiry date of January 4, 2013, to assume certain commitments undertaken and guarantees granted by TF1 and M6. In particular, this related to TPS's contractual obligations regarding content and other long-term contractual obligations. As of December 31, 2011, the remaining amount of these commitments was not significant.

SFR

- Pursuant to the authorization granted by the French Minister of Economy, Finance and Industry to SFR on April 15, 2008 for the acquisition of Neuf Cegetel, the undertakings given by Vivendi and SFR address the following: (i) access for competitors and new market entrants to SFR's fixed and mobile networks wholesale markets; (ii) the acceptance of an independent television distributor on the fixed network if such a player appears; and (iii) the addition of eight new channels to the broadband network on a non-exclusive basis. These new channels shall be leaders in their respective sectors (Paris Première, Teva, Jimmy, Ciné Cinéma Famiz, three M6 Music channels and Fun TV).

GVT

- Vivendi provided a financial guarantee for an amount of $31 million and expiring on November 18, 2020, in connection with the liquidation of Brazil Holdings LLC in November 2010.

NBC Universal

- As part of the NBC-Universal (VUE) transaction which occurred in May 2004, Vivendi and General Electric (GE) gave certain reciprocal commitments customary for this type of transaction and Vivendi retained certain liabilities relating to taxes and excluded assets. Vivendi and GE undertook to indemnify each other against losses stemming from among other things any breach of their respective representations, warranties and covenants.
  Neither party will have any indemnification obligations for losses arising as a result of any breach of any representations and warranties in respect of (i) any individual item where the loss is less than $10 million and (ii) 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 any losses in excess of $325 million, but in no event will the aggregate indemnification payable by the liable party exceed $2,088 million.

  In addition, Vivendi will be subject to indemnification liabilities for 50% of every US dollar for all losses up to $50 million and for any additional losses in excess of $50 million which relate to liabilities arising out of the Most Favored Nation provisions set forth in certain contracts. As part of the unwinding of InterActiveCorp's interest in VUE on June 7, 2005, Vivendi's commitments with regard to environmental matters were amended and Vivendi's liability is now subject to a de minimis exception of $10 million and a payment basket threshold of $325 million.

  The representations and warranties, other than those regarding authorization, capitalization and tax representations, terminated on August 11, 2005. Notices of environmental related to remediation must be brought by May 11, 2014. Other claims, including those related to taxes, will be subject to applicable statutes of limitations. The sale by Vivendi to GE of its interest in NBC Universal, finalized on January 25, 2011, has not modified these representations and warranties (see above, Major Events in 2011).

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Holdings and others

- As of December 31, 2011, Vivendi continued to guarantee commitments undertaken by certain subsidiaries of Veolia Environnement for an aggregate amount of approximately €7 million, mainly in relation to a performance bond given to a local US authority. All of these guarantees have been counter-guaranteed by Veolia Environnement.
- Vivendi provided counter-guarantees to US financial institutions which issued a certain number of surety bonds in favor of certain US operating subsidiaries for an aggregate amount of €6 million.
- By an order dated March 13, 2009, authorization to use the Consolidated Global Profit Tax System under Article 209 quinquies of the French tax code was renewed for the period beginning on January 1, 2009 and ending on December 31, 2011. Pursuant to the terms and conditions of the permission to use the Consolidated Global Profit Tax System, Vivendi undertook to continue to perform its previous years' commitments, in particular with regard to job creation.
- Vivendi has given a certain number of real estate lease commitments for a total net amount of approximately €62 million.
- In connection with the sale, in June 2002, of real estate assets to Nexity, Vivendi 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). These guarantees expire on June 30, 2017. As of December 31, 2011, €1.8 million had been called under these guarantees.
- As part of the early settlement of rental guarantees at the end of November 2007 in relation to the three buildings that remained owned by the Group in Germany (Lindencorso, Anthropolis/Grindelwaldweg and Dianapark), Vivendi agreed to continue to guarantee certain lease payment obligations of the companies it sold in the transaction for €277 million (compared to €304 million as of December 31, 2010) until December 31, 2026. Vivendi also granted standard guarantees, including tax indemnities. In return for theses guarantees, Vivendi received a pledge over the cash of the divested companies for €40 million (compared to €56 million as of December 31, 2010) and a counter guarantee provided by the purchaser in the amount of €200 million.
- In connection with the sale of its 49.9% interest in Sithe to Exelon in December 2000, Vivendi granted certain customary representations and guarantees. Claims, other than those made in relation to foreign subsidiary commitments, are capped at $480 million. In addition, all 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 environmental commitments remain outstanding and any potential liabilities related to contamination risks will survive for an indefinite period of time.
- Vivendi received guarantees in respect of the repayment of amounts paid in July 2007 (€71 million), in the event of a favorable decision of the Spanish Courts regarding Xfera's tax litigation to cancel the 2001, 2002 and 2003 radio spectrum fees. Similarly, Vivendi undertook to transfer all amounts repaid to its subsidiary SFR (ex-VTI, which held the Group's interest in Xfera).
- Under existing shareholders' or investors' agreements (primarily SFR, Maroc Telecom, Canal+ France and Activision Blizzard), Vivendi holds certain rights (such as preemptive rights and rights of first offer) which enable it to control the share ownership of consolidated companies owned partially by other shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.
  In addition, pursuant to Article L.225-100-3 of the Commercial Code, it is stated that certain rights and obligations of Vivendi under existing shareholders' agreements (i.e., Morocco Telecom Group and Cyfra +) can be modified or terminated upon a change of control of Vivendi or upon a tender offer for Vivendi. These covenants are subject to confidentiality clauses.
- Under the terms and conditions of certain bank borrowings, Vivendi is subject to certain financial covenants:
  The syndicated loan facilities (€9 billion at year-end 2011) contain customary provisions related to events of default and covenants relating to negative pledge, divestiture and merger transactions. In addition, at the end of each half-year, Vivendi SA is required to comply with a specific ratio, based on consolidated data, for the duration of the loans. Non-compliance with this ratio could result in the early repayment of the facilities if they were drawn or cancellation of such facilities. On December 31, 2011, Vivendi SA was in compliance with this ratio.
  The renewal of credit facilities when they are drawn is contingent upon the issuer reiterating certain representations regarding its ability to comply with its obligations under the loan agreements.
  Bonds issued by Vivendi SA (totaling €8.0 billion as of December 31, 2011) contain customary provisions related to default, negative pledge and rights of payment (pari-passu ranking) as well as a change in control trigger if the long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-) as a result of such an event.
- In connection with the reorganization of the USH English pension plan for certain current and former employees based in the United Kingdom and the transfer of pension commitments under this plan to Metlife, Vivendi SA guaranteed, on behalf of its subsidiary, Centenary Holding Limited, the liabilities under the plan for an estimated amount of £7 million as of December 31, 2011, which does not represent an additional financial commitment for the Group.
- Several guarantees given in 2011 and during prior years in connection with certain asset acquisitions or disposals have expired. However, the contractual term or statutory limitation periods for certain guarantees relating, among other things, to employees, the environment and tax liabilities, in consideration of share ownership, or given in connection with the dissolution or winding-up of certain businesses, remain outstanding. To the Company's knowledge, no material claims for indemnification against such liabilities have been made to date. Vivendi routinely grants guarantees and indemnities to third parties in settlement of litigation or disputes that are customary to such settlements.

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Agreement to end litigation over telecommunications assets in Poland

- With respect to the agreements to end the litigation regarding ownership of telecommunications assets in Poland (please refer to Major Events of the year), Vivendi entered into the following commitments:
  - Vivendi granted to Deutsche Telekom a guarantee over Carcom that was capped at €600 million and which will expire in August 2013;
  - Vivendi committed to compensate Elektrim SA (Elektrim) for the tax consequences of the transaction for a maximum amount of €20 million. This commitment expired in July 2011 but the claims have not yet been settled;
  - Vivendi committed to compensate Law Debenture Trust Company (LDTC) against any recourse for damages that could be brought against LDTC in connection with the completed transaction. This commitment was capped at 18.4% for the first €125 million, 46% for amounts between €125 million and €288 million, and 50% for amounts thereafter; and
  - Vivendi also committed to compensate Elektrim's administrator for the consequences of any action for damages that may be taken against it in connection with the decisions that were taken to end certain proceedings.

Note 24. Litigation

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they become likely to be incurred and when the obligation can either be quantified or estimated on a reasonable basis. In the latter case, the amount of the provision represents Vivendi's best estimate of the risk, bearing in mind that events that occur during the proceedings may lead, at any time, to a reappraisal of the risk.

To the Company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including, to the Company's knowledge, any pending or threatened proceedings in which it is a defendant) which may have, or have had in the previous twelve months a material effect on the Company and on its group's financial position, profits, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 28, 2012, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2011.

Trial of Vivendi's former officers in Paris

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001, following filing by the AMF of a report of its investigations with the Parquet de Paris on June 6, 2005. Vivendi joined the proceedings as a civil party.

On January 23, 2009, the Public Prosecutor transmitted to the judge and civil parties a final prosecutor's decision to dismiss the charges in respect of all matters under investigation. On October 16, 2009, the Judge ordered all parties to appear at trial before the Criminal Court. The charges of disclosure and publication of untrue or inaccurate financial statements were rejected by the Judge. The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*). The Public Prosecutor asked the Court to drop the charges against the defendants.

On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean-Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Messier and Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi officers as well as some civil parties appealed the decision.

On January 7, 2010, Philippe Foiret summoned Vivendi and Veolia to appear before a Criminal Court in an attempt to hold them liable for the offences committed by their former managers. On January 27, 2012, the Criminal Court dismissed Mr. Foiret's application.

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi, Messrs. Messier and 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 under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

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On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements.

As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and $0.13 and $10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States."

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris Stock Exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claim of purchasers who acquired their shares on the Paris Stock Exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the Morrison decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris Stock Exchange.

Vivendi believes that it has solid grounds for an appeal at the appropriate times. Vivendi intends to challenge, among other issues, the plaintiffs' theories of causation and damages and, more generally, certain decisions made by the judge during the conduct of the trial. Several aspects of the verdict will also be challenged.

On the basis of the verdict rendered on January 29, 2010, and following an assessment of the matters set forth above, together with support from studies conducted by companies specializing in the calculation of class action damages and in accordance with the accounting principles described in Notes 1.3.1, Use of Estimates, and 1.3.8, Provisions, Vivendi made a provision on December 31, 2009, in an amount of €550 million in respect of the damages that Vivendi might have to pay to plaintiffs. Vivendi re-examined the amount of the reserve related to the Securities class action litigation in the United States, given the District Court for the Southern District of New York decision on February 17, 2011, which followed the US Supreme Court's decision on June 24, 2010 in the Morrison case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve, compared to an accrual of €550 million as of December 31, 2009.

Vivendi considers that this provision and the assumptions on which it is based may require further amendment as the proceedings progress and, consequently, the amount of damages that Vivendi might have to pay the plaintiffs could differ from the current estimate. As is permitted by current accounting standards, no details are given of the assumptions on which this estimate is based, because their disclosure at this stage of the proceedings could be prejudicial to Vivendi.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi, Messrs. Messier and Hannezo in the District Court for the Southern District of New York for claims arising out of a merger agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. The plaintiffs allege that the defendants violated certain provisions of the US Securities Act of 1933 and US Exchange Act of 1934. Liberty Media seeks rescission damages. The case had been consolidated with the securities class action for pre-trial purposes but was subsequently deconsolidated on March 2, 2009. Pre-trial hearings will be held on March 6 and March 13, 2012, during which the judge will rule on several motions, including one on the question of whether the plaintiff may take advantage of the verdict rendered by the class action jury with respect to Vivendi's liability (based on the theory of "collateral estoppel"). The trial is currently scheduled to commence on May 8, 2012.

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LBBW et al against Vivendi

On March 4, 2011, twenty-six institutional investors from Germany, Canada, Luxemburg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002.

Vivendi's complaint against France Télécom before the European Commission for abuse of a dominant position

On March 2, 2009, Vivendi and Free jointly filed a complaint against France Télécom before the European Commission (the "Commission"), for abuse of a dominant position. Vivendi and Free allege that France Télécom imposes excessive tariffs on offers for access to its fixed network and on telephone subscriptions. In July 2009, Bouygues Telecom joined in this complaint. In a letter dated February 2, 2010, the Commission informed the parties of its intention to dismiss the complaint. On September 17, 2010, Vivendi filed an appeal before the Court of First Instance of the European Union in Luxemburg.

Action brought by the French Competition Authority regarding practices in the pay-TV sector

On January 9, 2009, further to its voluntary investigation and a complaint by France Télécom, the French Competition Authority sent Vivendi and Groupe Canal+ a notification of allegations. It alleges that Groupe Canal+ has abused its dominant position in certain pay-TV markets and that Vivendi and Groupe Canal+ colluded with TF1 and M6, on the one hand, and with Lagardère, on the other. Vivendi and Groupe Canal+ have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties and certain other allegations in respect of Groupe Canal+. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Groupe Canal+'s exclusive distribution rights on channels broadcast by the group and by independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On December 17, 2010, France Télécom appealed the decision before the Court of Appeal. Vivendi and Groupe Canal+ joined these appeal proceedings. On July 15, 2011, France Télécom withdrew its application for an annulment of the decision of the French Competition Authority.

Inquiry into the implementation of certain undertakings given in connection with the combination of CanalSatellite and TPS

The French Competition Authority opened an inquiry regarding the implementation of certain undertakings given by Vivendi and Group Canal+ in connection with the combination of TPS and CanalSatellite.

On September 20, 2011, the French Competition Authority rendered a decision in which it established that Group Canal+ had not complied with certain undertakings – some it considered essential – on which depended the decision authorizing in 2006 the acquisition of TPS and CanalSatellite by Vivendi and Group Canal+. As a consequence, the French Competition Authority withdrew the merger authorization, requiring Vivendi and Group Canal+ to re-notify the transaction to the French Competition Authority within one month. Furthermore, the Authority ordered Group Canal+ to pay a €30 million fine. On October 24, 2011, the operation was re-notified to the French Competition Authority.

On November 4, 2011, Vivendi and Group Canal+ filed a motion before the French Council of State (*Conseil d'Etat*), requesting the annulment of the decision.

Telefonica against Vivendi in Brazil

On May 2, 2011, TELESP, Telefonica's Brazilian subsidiary, filed a claim against Vivendi before the Civil Court of São Paulo (*3ª Vara Cível do Foro Central da Comarca da Capital do Estado de São Paulo*). The company is seeking damages for having been blocked from acquiring control of GVT and damages in the amount of 15 million Brazilian reals (approximately 6.7 million euros) corresponding to the expenses incurred by TELESP in connection with its offer for GVT. In its written defense, Vivendi refuted point by point each of TELESP's claims. At the beginning of September, 2011, Vivendi filed an objection to jurisdiction, challenging the jurisdiction of the courts of São Paulo to hear a case involving parties from Curitiba. This objection was dismissed on February 14, 2012.

Inquiries in Brazil

On July 19, 2011, the Public Prosecutor of the State of Paraná decided to close its inquiry into the acquisition of GVT by Vivendi in November 2009. In the decision, the Public Prosecutor particularly underlined that there was no element proving any loss for GVT's shareholders who obtained, on the contrary, a profit with the transaction. This decision was confirmed by the Federal Prosecutor on September 30, 2011.

Dynamo against Vivendi

On August 24, 2011, the Dynamo investment funds filed a complaint for damages against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange). According to Dynamo, a former shareholder of GVT that sold the vast majority of its stake in the company before November 13, 2009 (the date on which Vivendi took control of GVT), the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. Vivendi notes that this poison pill provision was waived by a GVT Shareholders' general meeting in the event of an acquisition by Vivendi or Telefonica.

Note 25. Instruments Used to Manage Borrowings

Vivendi manages its financial liquidity, interest rate and foreign currency exchange rate risks centrally. Vivendi's Financing and Treasury Department conducts these operations, reporting directly to the chief financial officer of Vivendi, a member of the Management Board. The Department has the necessary expertise, resources (in particular, technical resources) and information systems for this purpose.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties.

The majority of Group financing is secured directly by Vivendi SA, which provides financing to its subsidiaries as and when necessary.

As of December 31, 2011, Vivendi SA's open swaps, which qualify for hedge accounting, totaled €1.75 billion of fixed-rate receiver swaps with an average duration of 5.1 years. Swaps which do not qualify for hedge accounting totaled €1.0 billion of 1.08% fixed-rate payer swaps with an average duration of 0.25 year.

Instruments held by Vivendi SA to hedge borrowings are broken-down as follows:

Vivendi SA External Hedging Arrangements (in millions of euros)	As of 12/31/2011	Average rate	Maturing within < 1 year	Maturing within 1 to 5 years	Maturing within > 5 years	Counterparty
Fixed-rate receiver swaps	1,750	4.32%		1,000	750	Banks
Fixed-rate payer swaps						
Total	**1,750**		**0**	**1,000**	**750**	

As of December 31, 2011, there is no internal hedging between Vivendi SA and its subsidiaries.

Note 26. Foreign Currency Risk Management

Vivendi's foreign currency risk management seeks to hedge highly probable budget exposures, resulting primarily from monetary flows generated by operations performed in currencies other than the euro and from firm commitment contracts, essentially relating to the acquisition by subsidiaries of editorial content including sports, audiovisual and film rights, realized in foreign currencies. Note that:

- Vivendi SA is the sole counterparty for foreign currency transactions within the Group, unless specific regulatory or operational restrictions require otherwise;
- all foreign currency hedging transactions are backed, in amount and by maturity, by an identified underlying economic item; and
- all identified exposures are hedged at a minimum of 80% for exposures related to forecasted transactions and 100% for firm commitment contracts.

In addition, Vivendi may also hedge foreign currency exposure resulting from foreign currency-denominated financial assets and liabilities by entering into currency swaps and forward contracts enabling the refinancing or investment of cash balances in euros or other local currencies, and use monetary or derivative instruments, if applicable, to manage its foreign currency exposure to inter-company current accounts denominated in foreign currencies (which qualify for hedge accounting pursuant to the French PCG).

The following table presents the notional amount of currency to be delivered or received under currency instruments (currency swaps and forward contracts). Positive amounts indicate currency receivable and negative amounts currency deliverable.

	December 31, 2011				
(in millions of euros)	**EUR**	**GBP**	**PLN**	**USD**	**Other currency**
Sales against the euro	338	(80)	(112)	(53)	(93)
Sales against other currencies			11	(11)	
Purchases against the euro	(823)	7	40	606	170
Purchases against other currencies		(10)	(11)	21	
	(485)	**(83)**	**(72)**	**563**	**77**

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Note 27. Fair Value of Derivative Instruments

As of December 31, 2011, the market value of derivative instrument portfolios classified as interest rate and currency hedges, pursuant to Article 372 of the French General Accounting Code, was €59.7 million and €36.7 million, respectively (theoretical cost of unwinding). As of December 31, 2010, the fair values of these hedging portfolios were €50.9 million and -€1.9 million, respectively.

As of December 31, 2011, aggregate derivative financial instruments which did not qualify for hedge accounting totaled -€0.3 million (theoretical cost of unwinding) compared to €13.2 million as of December 31, 2010.

	As of December 31, 2011		As of December 31, 2010	
	Derivative financial instruments		Derivative financial instruments	
(in millions of euros)	**qualifying for hedge accounting**	**not qualifying for hedge accounting**	**qualifying for hedge accounting**	**not qualifying for hedge accounting**
Interest rate risk management	**59.7**	**(0.3)**	**50.9**	
fixed-rate payer swaps		(0.3)	(18.5)	
floating-rate payer swaps	59.7		69.4	
Foreign currency risk management	**36.7**		**(1.9)**	**13.2**

Note 28. Deferred Deductions for Taxes

In addition to tax losses carried forward which qualify for relief at the standard rate and foreign tax credits (please refer to Note 5, Income tax expense/credit), timing differences between the tax and accounting treatment of income and expense items would generate a future reduction in tax liabilities (including contributions) of €22.1 million due to the deferred deduction for tax purposes of certain expenses.

Note 29. Subsequent Events

The main events that occurred between December 31, 2011 and February 28, 2012, the date on which the 2011 statutory financial statements were approved by the Management Board, were as follows:

- On January 10, 2012, Vivendi raised €1,250 million through a bond issue with a term of 5.5 years and at a rate of 4.125%;
- On January 25, 2012, the putting in place of a new credit facility in the amount of €1.1 billion (see Note 16, Borrowings); and
- In a ruling dated January 27, 2012, and issued on February 1, 2012, the United States District Court for the Southern District of New York dismissed claims by individual shareholders who had purchased ordinary shares of Vivendi on the Paris Stock Exchange (see Note 24, Litigation).

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4. Subsidiaries and Affiliates

				Book value of investments									
(in millions of euros, unless otherwise stated)	**Share capital**	**Equity excl. share capital (a)**	**% share capital held**	**Gross**	**Net**	**Outstanding loans and advances granted by Vivendi (b)**	**Guarantees and endorsements granted by Vivendi**	**2010 Revenues**	**2011 Revenues**	**2010 Earnings**	**2011 Earnings**	**Dividends received by Vivendi during 2011**	**Comments**
Vivendi Holding I Corporation* (c) 800 Third Avenue New York, New York 10022	73.5 million dollars	11,760.6 million dollars	100.00	7,806.1	7,806.1	(d) 1,126.4	-	5.5 million dollars	3.7 million dollars	(125.6) million dollars	(18.6) million dollars	-	-
Societe Française du Radiotéléphone - SFR (e) 42, avenue de Friedland 75008 PARIS	3,423.3	3,092.2	99.99	18,747.9	18,747.9	5,457.8	-	12,327.5	11,997.7	1,461.2	1,813.8	813.4	-
Groupe Canal+ SA* (f) 1, place du Spectacle 92130 Issy les Moulineaux	100.0	800.6	100.00	5,198.1	4,848.1	295.0	1.7	27.0	26.4	(4.2)	46.2	-	-
SIG 104* (g) 59 bis, avenue Hoche 75008 Paris	4,232.0	29.6	100.00	4,232.0	4,232.0	-	-	-	-	0.3	29.3	-	-
SIG 108* (h) 59 bis, avenue Hoche 75008 Paris	2,984.6	-	100.00	2,984.6	2,984.6	-	-	-	-	-	-	-	
SIG 109 59 bis, avenue Hoche 75008 Paris	430.7	(2.0)	100.00	430.7	430.7	115.0	-	-	-	(1.5)	(0.5)	-	-
Société Nouvelle d'Etudes et de Gestion (SNEGE)* 59 bis, avenue Hoche 75008 Paris	210.0	3.8	100.00	205.6	205.6	28.0	-	-	-	0.9	1.3	0.8	-
Elektrim Telekomunikacja* (i) Rynkowa 22 08-110 Siedlce Pologne	(j) 10,008.1 million zlotys	(j) (14,614.3) million zlotys	100.00	207.1	0.0	1,072.4	-	-	-	(4,866.0) million zlotys	nd	-	impairment of advances 1,072.4
Other Subsidiaries and Affiliates (Global Information)	-	-	-	239.4	153.1	221.5	-	-	-	-	-	21.4	impairment of advances 110.3
TOTAL	**-**	**-**	**-**	**40,051.5**	**39,408.1**	**8,316.1**	**1.7**	**-**	**-**	**-**	**-**	**835.6**	

Please refer to the next page for the notes.

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(a) Includes earnings of the year.
(b) Includes current account advances, excluding accrued interest.
(c) Head of the U.S. tax group which holds the Group's US assets (UMG Inc. and Activision Blizzard).
(d) Includes $1.4 billion loan secured to finance the merger of Vivendi Games and Activision in 2008.
(e) SFR holds 98% of the Group's stake in Maroc Telecom following the merger of VTI and SFR.
(f) The entity holding of the Canal+ group.
(g) Company holding UMG's entities apart from United States, Canada and Mexico (entities held by UMG Inc.)
(h) Company holding the Group's Brazilian assets.
(i) Elektrim Telekomunikacja (please refer to Major Events of the Year, agreement to settle litigation over the share ownership of PTC in Poland).
(j) Financial information as of December 31, 2010 ; as of December 31, 2011, €1 = 4.4612 zlotys.
* This company is primarily a holding company. The amounts presented in the «Revenues» columns comprise operating income and financial income from investments.

Section 2 Maturity of Trade Accounts payable

As of December 31, 2011, pursuant to Article L.441-6-1 of the French Commercial Code, the trade accounts payable balance of €0.7 million (compared to €0.9 million at year-end 2010) by maturity, is broken-down as follows:

- payment within 30 days: €0.7 million (compared to €0.2 million at year-end 2010); and
- payment between 30 to 60 days: €0.0 million (compared to €0.7 million at year-end 2010).

Section 3 Financial Results of the Last Five Years

(in millions of euros)	2011	2010	2009	2008	2007
Share capital at the end of the year					
Share capital	6,859.9	6,805.4	6,758.7	6,436.1	6,406.1
Number of shares outstanding	(a) 1,247,263,060	1,237,337,108	1,228,859,491	1,170,197,438	1,164,743,220
Potential number of shares created by:					
Exercise of stock subscription options	49,907,071	48,921,919	41,345,499	35,464,547	29,899,235
Grant of restricted stock units for no consideration or performance shares	(b) 2,960,562	(b) 1,826,639	(b) 1,061,511	(b) 986,827	(c) 1,276,893
Results of operations:					
Revenues	100.3	92.0	93.1	113.8	91.6
Earnings/(loss) before tax, depreciation, amortization and provisions	(1,030.0)	(506.7)	917.8	(405.6)	1,518.5
Income tax expense/(credit) (d)	(418.5)	(658.9)	(199.0)	(512.3)	(579.0)
Earnings/(loss) after tax, depreciation, amortization and provisions	1,488.4	2,276.7	(124.7)	(428.1)	1,504.4
Earnings distributed	(e) 1,245.9	(g) 1,730.7	(g) 1,721.0	(g) 1,639.0	(g) 1,514.8
Per share data (in euros)					
Earnings/(loss) after tax but before depreciation, amortization and provisions	(f) (0.49)	0.12	0.91	0.09	1.80
Earnings/(loss) after tax, depreciation, amortization and provisions	1.19	1.84	(0.10)	(0.37)	1.29
Dividend per share	(e) 1.00	(g) 1.40	(g) 1.40	(g) 1.40	(g) 1.30
Employees					
Number of employees (annual average)	219	214	220	214	223
Payroll	35.7	36.4	35.1	34.1	35.4
Employee benefits (social security contributions, social works, etc.)	16.0	16.2	14.8	13.7	13.1

(a) Includes account movements up to December 31, 2011: issues of (i) 9,371,605 shares in respect of Group Savings Plans; and (ii) 554,347 shares following the exercise of stock subscription options by beneficiaries.

(b) Performance shares granted to directors of Vivendi SA and employees holding an employment contract with Vivendi SA or one of its majority-owned subsidiaries. No restricted stock units have been granted since 2008 (please refer to (c) below).

(c) Performance shares granted to employees holding an employment contract with Vivendi SA or one of its majority-owned French or Moroccan subsidiaries. In other countries, these awards took the form of restricted stock units that do not result in the issuance of new shares but in the payment of a cash amount.

(d) This negative amount represents the income generated pursuant to the Consolidated Global Profit Tax System under Article 209 quinquies of the General Tax Code plus the tax saving recorded by the tax group headed by Vivendi.

(e) The Annual Shareholders' Meeting of April 19, 2012 will be asked to vote on the distribution of a dividend of €1.00 per share in respect of fiscal year 2011, representing an aggregate dividend distribution of €1,245.9 million. This amount takes into account the number of treasury shares held as of December 31, 2011 and will be adjusted to take account of effective holdings as of the dividend payment date and the exercise of stock subscription options by beneficiaries up to the date of the Annual Shareholders' Meeting.

(f) Based on the number of shares at year-end (please refer to (a) above).

(g) Based on the number of shares entitled to dividends as of January 1st, after deduction of treasury shares at the dividend payment date.

Section 4 Statutory Auditors' Report on related party Agreements and Commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R.225-58 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R.225-58 of the French commercial code (*Code de commerce*) concerning the implementation, during the year, of the agreements and commitments already approved by the shareholders' meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the Annual Shareholders' Meeting

Agreements and commitments authorized during the year

In accordance with article L. 225-88 of the French commercial code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your supervisory board.

- **Transfer by your company of UMGI Investments S.A.S. shares to SIG104**
  UMGI Investment S.A.S. and SIG 104 are both subsidiaries controlled by more than 10% by Vivendi S.A.
  At its meeting of December 16, 2010, your supervisory board authorized your management board to transfer UMGI Investments S.A.S. shares successively to Vivendi Holding Corp. and to Vivendi S.A. On January 27, 2011, the transaction occurred for a value of 1.8 billion euros.
  As part of the pursuit of the rationalization of UMG legal structures, your supervisory board dated April 21, 2011 authorized your management board to transfer UMGI Investments S.A.S. shares to a 100% held subsidiary of Vivendi S.A., and to proceed subsequently to its merger with other UMG financial companies.
  On May 3, 2011 Vivendi sold UMGI Investment SAS shares to SIG 104, a wholly-owned subsidiary. The selling price, set at 1.8 billion euros, has been financed by a capital increase of SIG 104, subscribed by Vivendi S.A.

Agreements and commitments already approved by the Annual Shareholders' Meeting

Agreements and commitments approved in prior years

a) whose implementation continued during the year

In accordance with article R.225-57 of the French commercial code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the annual shareholders' meeting in prior years continued during the year.

- **Agreement with Vinci company**
  On December 30, 1998, your company, Vinci and "*Compagnie Générale de Bâtiment et de Construction*" (CBC) signed an amendment to the agreement dated June 30, 1997 related to the sale of CBC shares to Vinci, along with the associated guarantees and better fortune clauses.
  On October 21, 2011, Vivendi S.A. acknowledged receipt of the letter sent by CBC and reached agreement with Vinci to terminate with effect from December 31, 2011, the seller's warranty, granted by Vivendi to Vinci, subsequent to the acquisition by Vinci of CBC shares.
  Further to this agreement and in accordance with the seller's warranty granted to Vivendi by CBC, your company paid to CBC 1.2 million euros in 2011.

- **Treasury agreement between Vivendi and Activision Blizzard Inc.**
  At its meeting of April 30, 2009, your supervisory board authorized your management board to amend the treasury agreement signed during the Vivendi Games and Activision merger operation in 2008. The amendment turns the original contract into a cash pooling agreement for each currency used at Activision Blizzard Inc. level. Activision Blizzard Inc. lends its foreign currencies to Vivendi in exchange of an equivalent amount in euros. At the end of each week the balance is nil which avoids any counterparty risk.
  During the financial year ended December 31, 2011, the management fees received by your company amounted to 300,000 euros.

- **Granting by your company of a 1.5 billion euros loan to SFR**
  At its meeting of June 14, 2009, your supervisory board authorized your management board to grant a 1.5 billion euros revolving facility to SFR with a four years maturity, refundable at the end with a EURIBOR plus 2.5% rate.
  As at December 31, 2011, SFR drew the remaining outstanding available facility. The commission regarding the non utilization of the credit line is 73,000 euros for 2011. For 2011, the total amount of interests received by your company is 53.4 million euros.

Section 4 Statutory Auditors' Report on related party Agreements and Commitments

- **Granting of a 3 billion euros loans to SFR**
  At its meeting of February 28, 2008, your supervisory board authorized your management board to provide SFR with a 3 billion euros loan as part of the acquisition by SFR of 60.15% of Neuf Cegetel capital not held by SFR.
  Your company agreed on a 3 billion euros revolving facility at market conditions, maturing on December 31, 2012. This credit line was to be reduced by 1 billion euros as of July 1, 2009, by 1 billion euros as of July 1, 2010, and the balance as at December 31, 2012.
  As at December 31, 2011 the available credit line has been drawn by SFR for 1 billion euros. Total interests received by your company for 2011 amount to 15.1 million euros.

- **Support agreement between your company and SFR**
  Your company signed in 2003 a support agreement with its subsidiary SFR for a five-year period. In return, from January 1, 2006, SFR paid your company an annual lump sum of 6 million euros and 0.3% of its consolidated revenue, excluding revenue from equipment sales.
  On March 6, 2008, an amendment to this agreement was signed. Applicable with effect from April 1, 2007, SFR pays your company an amount corresponding to 0.2% of its consolidated revenue, excluding revenue from equipment sales.
  The income received by your company in 2011 relating to this agreement amounted to 23.3 million euros before taxes.

- **Agreement on the additional retirement benefits**
  Your supervisory board authorized the implementation of an additional pension plan for senior executives, including the members of the management board holding an employment contract subject to French law with your company. The chairman of the management board takes advantage of this additional pension plan.
  The main terms and conditions of the additional pension plan are as follows: a minimum of three years in office, progressive acquisition of rights according to seniority (over a period of twenty years); a reference salary for the calculation of the pension equal to the average of the last three years; dual upper limit: reference salary capped at 60 times the social security limit, acquisition of rights limited to 30% of the reference salary; application of the Fillon Act (rights maintained in the event of retirement at the initiative of the employer after the age of 55); and payment of 60% in the event of the beneficiary's death. The benefits are lost in the event of a departure from the company, for any reason, before the age of 55.
  The provision recognized in the 2011 financial statements for the additional retirement benefits related to management board members amounts to 3,493 thousand euros.

b) which were not implemented during the year

In addition, we have been advised that the following agreements and commitments, which were approved by the shareholders' meeting in prior years, were not implemented during the year.

- **Share loan on behalf of two members of the board of directors of Activision Blizzard Inc**
  At its meeting of April 29, 2010, your supervisory board authorized your management board to lend, as part of a share loan, 7,000 shares of Activision Blizzard Inc. to two social representatives of your company, Messrs Jean-Bernard Levy and Philippe Capron, members of the board of directors of Activision Blizzard Inc. At the end of this contract, they will make a commitment to retrocede any received dividends, if necessary, in accordance with the lent shares and to return to your company, without counterpart, an equivalent number of lent shares, at the expiration of their administrator's mandate in Activision Blizzard Inc.
  This loan was not implemented during the year ended December 31, 2011.
  This agreement became not applicable given the change in internal governance policy of Activision Blizzard removing the requirement for each administrator to held 7,000 shares of the company.

Paris-La Défense, March 1, 2012

The Statutory Auditors

KPMG Audit
Département de KPMG S.A.

Frédéric Quélin

Ernst & Young et Autres

Jean-Yves Jégourel

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5

RECENT EVENTS – OUTLOOK – STATUTORY AUDITORS' REPORT ON THE ANI FORECAST

Section 1 **Recent events**

Significant events that occurred between December 31, 2011 and the date of filing of the *Document de référence* (the French version of this Annual Report) with the AMF (the French stock exchange regulatory authority) are described in the following chapters of this report:

- Chapter 2: "Highlights", "Description of the Group and its Businesses", "Litigations"; and
- Chapter 4: "Annual Financial Report" and "Consolidated Financial Statements for the Fiscal Year Ended December 31, 2011".

Section 2 **Outlook**

Preliminary comments: *The 2012 outlook presented below regarding revenues, EBITA, EBITA margin rates, EBITDA and adjusted net income (ANI), as well as regarding cash flow from operations (CFFO) and capital expenditures is based on data, assumptions and estimates considered as reasonable by Vivendi Management. They are subject to change or modification due to uncertainties related in particular to the economic, financial, competitive and/or regulatory environment. Moreover, the materialization of certain risks described in Chapter 2 of this Report could have an impact on the group's operations and its capacity to achieve its forecasts for 2012. Finally, Vivendi considers that the non-GAAP measures, EBITA, EBITDA, ANI as well as CFFO and capital expenditures are relevant indicators of the group's operating and financial performance.*

Vivendi's strategy is focused on fast-growing economies, innovation as well as intra-group synergies and organic growth. In 2012, Vivendi will face stronger competition in France and Morocco in addition to the very significant increase of tax charges in France in 2011. In France in particular, the sharp price pressure induced by the fourth entrant in the French mobile sector has led SFR to reconsider very carefully its commercial offers and its cost base. These efforts to adapt itself will place increased pressure on Vivendi's results in 2012 and 2013. The strength and resilience of the group's other activities should help lessen the impact of this new situation. Profit growth should resume in 2014 thanks to the positive and significant effects of the strategy focused on innovation, the synergy-driven acquisitions made in 2010 and 2011, and the strengthening of the group's positions in emerging countries. As a result, Vivendi intends to maintain its profitable growth strategy by focusing on organic growth initiatives, with emphasis on GVT, and maintaining a high group operating margin (above 20% in 2011 and high teens going forward) due to growth initiatives and significant cost reduction plans across all businesses.

For 2012, Vivendi expects adjusted net income to be above €2.5 billion, before the impact of the transactions announced in the second half of 2011 (see below). As a result, Vivendi expects to propose a dividend with respect to fiscal year 2012 representing around 45% to 55% of adjusted net income, payable in cash in 2013. In addition, Vivendi expects Financial Net Debt to be below €14 billion at year end 2012, assuming closing by end of 2012 of the transactions announced in the second half of 2011 (see below). Vivendi intends to pursue the optimization of its financial structure and preserve its long term debt rating at BBB stable (Standard & Poor's/ Fitch) and Baa2 stable (Moody's).

These forecasts are based on an assumed exchange rate of €1 for $1.35 and on each business's financial objectives, which are described below.

Activision Blizzard

In 2011, Activision Blizzard exceeded its guidance with a €1,011 million EBITA, driven by the growth in high-margin digital revenue, the success of its major franchises and the continuing initiatives at streamlining Activision Publishing. For 2012, Activision Blizzard expects to report EBITA around €750 million, as the deferred margin will increase in 2012, unlike the previous year.

Universal Music Group (UMG)

In 2011, in line with its guidance, UMG achieved a double digit EBITA margin (12.1% compared to 10.6% in 2010), notably thanks to an increased participation in a broader range of music revenue streams and benefited from cost optimization including savings resulting from the reorganization plan launched in 2010. For 2012, UMG expects to report a double digit EBITA margin at constant perimeter (before the impact of EMI Recorded Music acquisition announced on November 11, 2011 and subject to approvals from regulatory authorities).

SFR

In 2011, considering the impact of tariff cuts resulting from regulatory decisions and of new VAT rules, in line with its guidance and excluding non-recurring positive items, SFR's Mobile EBITDA decreased by 8.4%, while SFR's Broadband Internet and Fixed EBITDA increased by 8.6%. For 2012, SFR expects a 12% to 15% decrease in EBITDA (excluding non-recurring positive items, EBITDA amounted to €3,707 million in 2011) and cash flow from operations close to €1.7 billion (excluding the impact of 4G spectrum acquisition in January 2012 for €1,065 million).

Maroc Telecom Group

In 2011, in a context of a 25% mobile price cut in Morocco and a particularly unfavorable regulatory and competitive environment, revenues of Maroc Telecom group decreased by 2.5% and EBITA decreased by 14.4% at constant currency. For 2012, Maroc Telecom group expects an EBITA margin around 38% and a stable cash flow from operations compared to 2011, in Dirhams.

Section 2 **Outlook**

GVT

In 2011, in line with its guidance, GVT reported a 40.5% increase in revenues and an EBITDA margin of 41.6%, despite the impact of pay-TV business launched in October 2011. For 2012, GVT expects to report a growth in revenues in the mid-30's at constant currency and an EBITDA margin around 40% (including the impact of pay-TV business launch). In addition, capital expenditures would amount to close to €1 billion (or BRL 2.3 billion, including variable capital expenditures related to pay-TV).

Canal+ Group

In 2011, in line with its guidance, Canal+ France reported a 1.6% increase in EBITA, despite exceptional items, including the €30 million fine decided by the French Competition Authority. For 2012, Canal+ Group expects to report a slight increase in EBITA at constant perimeter (before the impact of the transactions announced in the second half of 2011: free-to-air TV diversification in France through the acquisition of Direct 8 and Direct Star channels and consolidation of Polish pay TV market with the combination of Cyfra+ and "n"; these transactions are subject to approvals from regulatory authorities).

Section 3 **Statutory Auditors' report on the ANI forecast before the impact of the transactions announced in the second half of 2011**

To the Chairman of the Management board,

In our capacity as statutory auditors and in accordance with EU Regulation 809/2004, we hereby report on the ANI before the impact of the transactions announced in the second half of 2011, which is included in Chapter 5 section 2 of the registration document filed with the French stock exchange regulatory body (AMF) on March 19, 2012.

In accordance with EU Regulation 809/2004 and the relevant CESR guidance, you are responsible for the preparation of this forecast and its principal underlying assumptions.

It is our responsibility to express our conclusion, pursuant to Appendix 1, paragraph 13.2 of the EU Regulation 809/2004, as to the proper compilation of the forecast.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (*Compagnie Nationale de Commissaires aux Comptes*) relating to this engagement. Our work consisted in an assessment of the preparation process for the forecast, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of the Vivendi group. We also gathered all the relevant information and explanations that we deemed necessary to obtain the assurance that the forecast has been properly compiled on the basis stated.

It should be noted that, given the uncertain nature of forecasts, the actual figures are likely to be significantly different from those forecast and that we do not express a conclusion on the achievability of these figures.

We conclude that:

- this forecast has been properly compiled on the basis stated;
- the accounting methods applied in the preparation of the ANI before the impact of the transactions announced in the second half of 2011 and subject to approvals from regulatory authorities – the acquisition of EMI Recorded, the acquisition of Direct 8 and Direct Star channels and the combination of Cyfra+ and "n" – are consistent with the accounting principles adopted by the Vivendi group.

This report is issued for the sole purpose of filing the registration document with the French stock exchange regulatory body (AMF) and, if applicable, of a public offering in France and other European Union countries in which a prospectus, comprising the 2011 registration document, as approved by the AMF, will be published and may not be used for any other purpose.

Paris-La Défense, March 19, 2012

The Statutory Auditors
French original signed by

KPMG Audit Member of KPMG International	Ernst & Young et Autres
Frédéric Quélin	Jean-Yves Jégourel

Section 1

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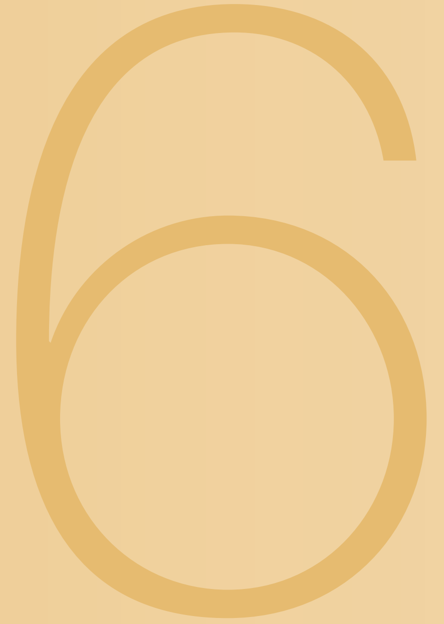

INDEPENDENT AUDITORS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Section 1 Independent Auditors Responsible for Auditing the Financial Statements

1.1. Statutory Auditors

Ernst & Young et Autres
Tour First – TS14444 – 1/2, place des Saisons, 92037 Paris-La Défense Cedex.

Appointed at the Shareholders' Meeting held on June 15, 2000, represented by Mr. Jean-Yves Jégourel.

Last reappointment: Combined Shareholders' Meeting held on April 20, 2006, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2011.

KPMG SA
Member of KPMG International
1, cours Valmy, 92923 Paris-La Défense Cedex.

Appointed at the Shareholders' Meeting held on June 15, 1993, represented by Mr. Frédéric Quélin.

Last reappointment: Combined Shareholders' Meeting held on April 21, 2011, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2016.

Reappointment proposed to the Ordinary Shareholders' Meeting to be held on April 19, 2012, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2017:

Ernst & Young et Autres
Tour First – TS14444 – 1/2, place des Saisons, 92037 Paris-La Défense Cedex.

represented by Mr. Jean-Yves Jégourel.

1.2. Alternate Statutory Auditors

Société Auditex
Tour First – TS14444 – 1, place des Saisons, 92037 Paris-La Défense Cedex.

Appointed at the Shareholders' Meeting held on April 20, 2006, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2011.

KPMG Audit IS SAS
Immeuble Le Palatin
3, cours du Triangle, 92939 Paris-La Défense Cedex

Appointed at the Shareholders' Meeting held on April 21, 2011, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2016.

Reappointment proposed to the Combined Shareholders' Meeting to be held on April 19, 2012, for a term of six fiscal years, expiring at the conclusion of the Shareholders' Meeting to be held to approve the financial statements for fiscal year 2017.

Société Auditex
Tour First – TS14444 – 1, place des Saisons, 92037 Paris-La Défense Cedex.

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Pictures: Activision Blizzard, Universal Music Group, SFR, Maroc Telecom, GVT, Maxime Bruno/Canal+.

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