VIVENDI UNIVERSAL
Form 20-F
July 01, 2004

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As filed with the Securities and Exchange Commission on June 30, 2004

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

Form 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2003**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File Number: 001-16301

VIVENDI UNIVERSAL, S.A.

(Exact name of Registrant as specified in its charter)

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

42, avenue de Friedland

75380 Paris Cedex 08
France
(Address of principal executive offices)

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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

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

American Depositary Shares	84,931,033
Ordinary Shares, nominal value 5.50 per share	1,071,518,691

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

Yes þ No o

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

Item 17 o Item 18 þ

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PRESENTATION OF INFORMATION

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

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

This annual report includes Vivendi Universal s Consolidated Financial Statements for the years ended December 31, 2003, 2002 and 2001 and as at December 31, 2003, 2002 and 2001. Vivendi Universal s Consolidated Financial Statements, including the notes thereto, are included in Item 18 Financial Statements and have been prepared in accordance with generally accepted accounting principles in France, which we refer to in this annual report as French GAAP. Unless otherwise noted, the financial information contained in this annual report is presented in accordance with French GAAP. French GAAP is based on requirements set forth in French law and in European regulations and differs significantly from generally accepted accounting principles in the United States, which we refer to in this annual report as US GAAP. See Item 18 Note 32 for a description of the significant differences between French GAAP and US GAAP and a reconciliation of net income, shareholders equity and other measures from French GAAP to US GAAP.

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

CURRENCY TRANSLATION

Under the provisions of the Treaty on European Union negotiated at Maastricht in 1991 and signed by the then 12 member states of the European Union in early 1992, a European Monetary Union, known as the EMU, was implemented on January 1, 1999 and the euro was introduced. The legal rate of conversion between the French franc and the euro (Euro, euro or) was fixed on December 31, 1998 at 1.00 = FF6.55957, and we have translated French francs into euros at that rate.

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

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

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FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to dispositions, acquisitions, working capital and capital requirements, available liquidity, maturity of debt obligations, business trends and other information that is not historical information. Forward-looking statements can be identified by context. For example, when we use the words such as estimate(s), aim(s), expect(s), feel(s), will, may, believe(s), anticipate(s) and similar expressions in this document, w intending to identify those statements as forward-looking. All forward-looking statements, including without limitation the launching or prospective development of new business initiatives and products, anticipated music or motion picture releases, Internet projects, and anticipated cost savings from asset divestitures and synergies are based upon our current expectations and various assumptions. Our expectations, beliefs, assumptions and projections are expressed in good faith, and we believe there is a reasonable basis for them. There can be no assurance, however, that management s expectations, beliefs and projections will be achieved.

There are a number of risks and uncertainties that could cause our actual results to differ materially from our forward-looking statements. These include, among others:

general economic and business conditions, particularly a general economic downturn;

industry trends;

increases in our leverage;

reduced liquidity;

changes in our ownership structure;

competition;

changes in our business strategy and development plans;

challenges to, or losses or infringement of, our intellectual property rights;

changes in customer preference;

technological advancements;

political conditions;

financial and equity markets;

foreign currency exchange rate fluctuations;

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

environmental liabilities;

natural disasters; and

war or acts of terrorism.

The foregoing list is not exhaustive and there are other factors that may cause actual results to differ materially from the forward-looking statements. We urge you to review and consider carefully the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3 Key Information Risk Factors, Item 5 Operating and Financial Review and Prospects, and Item 11 Quantitative and Qualitative Disclosures About Market Risk. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included in this document. We undertake no

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obligation to publish revised forward-looking statements to reflect events or circumstances after the date of this document or the occurrence of unanticipated events.

EXPLANATORY NOTE

Unless otherwise indicated, all references to our competitive positions made in this document are in terms of revenue generated.

ENFORCEABILITY OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS

Vivendi Universal is a corporation organized under the laws of the Republic of France. Many of Vivendi Universal s directors and officers are citizens or residents of countries other than the United States. Substantial portions of Vivendi Universal s assets are located outside the United States. Accordingly, it may be difficult for investors:

- to obtain jurisdiction over Vivendi Universal or its directors or officers in courts in the United States in actions predicated on the civil liability provisions of the US Federal securities laws;
- to enforce against Vivendi Universal or its directors or officers judgments obtained in such actions;
- to obtain judgments against Vivendi Universal or its directors or officers in original actions in non-US courts predicated solely upon the US Federal securities laws; or
- to enforce against Vivendi Universal or its directors or officers in non-US courts judgments of courts in the United States predicated upon the civil liability provisions of the US Federal securities laws.

Actions brought in France for enforcement of judgments of US courts rendered against French persons, including directors and officers of Vivendi Universal, would require those persons to waive their right to be sued in France under Article 15 of the French Civil Code. In addition, actions in the United States under the US Federal securities laws could be affected under certain circumstances by the French law of July 16, 1980, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with those actions.

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

Not applicable.

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

Not applicable.

Item 3: ***Key Information***

Selected Financial Data

The selected consolidated financial data at year end and for each of the years in the three-year period ended December 31, 2003 have been derived from our Consolidated Financial Statements and the related notes appearing elsewhere in this annual report. The selected consolidated financial data at year end and for each of the years in the two-year period ended December 31, 2000 have been derived from our Consolidated Financial Statements not included in this annual report. You should read this section together with Item 5 Operating and Financial Review and Prospects and our Consolidated Financial Statements included in this annual report.

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

On May 11, 2004, the National Broadcasting Company, Inc. (NBC) and Vivendi Universal Entertainment LLLP (VUE) completed the formation of NBC Universal, a global media and entertainment company with expected 2005 revenues of $15 billion. As a result, Vivendi Universal has an approximate 20% interest in NBC Universal, which is controlled by General Electric Company (GE), instead of its approximate 86% interest in VUE, its former subsidiary. The selected financial data presented below do not reflect the deconsolidation of VUE. For unaudited condensed pro forma consolidated financial statements reflecting the deconsolidation of VUE, see Item 5 Results of Operations.

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Our Consolidated Financial Statements and the selected financial data presented below are reported in euros. For periods presented prior to January 1, 1999, our financial statements are reported in French francs and translated into euros using the official fixed exchange rate of 1.00 = FF6.55957, applicable since December 31, 1998.

	Year Ended December 31,							
	2003	2002 with VE accounting for using the equity method(a)	2002 as published	2001 as published	2000 restated(b)	2000 as published	1999 restated(c)	1999 as published(d)
	(In millions)							
INCOME STATEMENT								
Amounts in accordance with French GAAP								
Revenues	25,482	28,112	58,150	57,360	41,580	41,798	40,855	41,623
Revenues outside France	13,967	16,405	31,759	33,075	20,647	20,624	17,244	17,829
Operating income	3,309	1,877	3,788	3,795	1,823	2,571	1,836	2,281
Gain (loss) on businesses sold, net of provisions/ exceptional items(b)	602	1,125	1,049	2,365	3,812	2,947	(846)	(838)
Goodwill amortization and impairment losses	(2,912)	(19,434)	(19,719)	(15,203)	(634)	(634)	(606)	(612)
Minority interests	(1,212)	(574)	(844)	(594)	(625)	(625)	159	(5)
Net income (loss)	(1,143)	(23,301)	(23,301)	(13,597)	2,299	2,299	1,435	1,431
Earnings (loss) per share basic	(1.07)	(21.43)	(21.43)	(13.53)	3.63	3.63	2.70	2.70
Earnings (loss) per share diluted	(1.07)	(21.43)	(21.43)	(13.53)	3.41	3.41	2.49	2.49
Dividends per share		1.0	1.0	1.0	1.0	1.0	1.0	1.0
Average shares outstanding (millions)(e)	1,071.7	1,087.4	1,087.4	1,004.8	633.8	633.8	530.5	530.5
Shares outstanding at year-end (millions)	1,071.5	1,068.6	1,068.6	1,085.8	1,080.8	1,080.8	595.6	595.6
Amounts in accordance with US GAAP(f)								
Revenue	25,321		40,062	51,733	34,276	34,276	36,543	36,543
Net income (loss)	(1,358)		(43,857)	(1,172)	1,908	1,908	246	246
Basic earnings per share	(1.27)		(40.35)	(1.19)	3.24	3.24	0.48	0.48
Diluted earnings per share	(1.27)		(40.35)	(1.19)	3.03	3.03	0.48	0.48
FINANCIAL POSITION								
Amounts in accordance with French GAAP								
Shareholders equity	11,923	14,020	14,020	36,748	56,675	56,675	10,777	10,892
Minority interests	4,929	5,497	5,497	10,208	9,787	9,787	3,755	4,052
Financial net debt(g)	11,565	12,337	12,337	37,055	35,535	35,535	31,394	31,389
Total assets	54,920	69,333	69,333	139,002	150,738	150,738	84,614	82,777
Total long-term assets	40,564	48,495	48,495	99,074	112,580	112,580	47,916	45,341
Amounts in accordance with US GAAP(f)								
Shareholders equity	9,804		11,655	54,268	64,729	64,729	16,954	16,954
Total assets	54,696		69,790	151,139	151,818	151,818	74,497	74,497
CASH FLOW DATA								
Amounts in accordance with French GAAP								
Net cash provided by operating activities	3,886	2,795	4,670	4,500	2,514	2,514	772	1,409
Net cash (used for) provided by investing activities	(3,900)	4,109	405	4,340	(1,481)	(1,481)	(12,918)	(13,556)
Net cash (used for) provided by financing activities	(4,313)	(2,461)	(3,792)	(7,469)	(631)	(631)	13,746	13,746
Capital expenditures	1,552	1,729	4,134	5,338	5,800	5,800	6,154	6,792

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(a) These condensed French GAAP financial data present Vivendi Universal s consolidation scope as of December 31, 2002. They illustrate the accounting of Veolia Environnement using the equity method from January 1, 2002, instead of December 31, 2002.

(b) Restated to reflect changes in accounting policies and financial statement presentation adopted in 2001. As permitted by Regulation 99.02 (§41) as approved by the Comité de la Réglementation Comptable (French Accounting Standards Board) in April 1999, Vivendi Universal has elected to present its Consolidated Statement of Income in a format that classifies income and expenses by function rather than by nature, which was the format previously presented. Previously, the definition of exceptional items was restricted to gain (loss) on businesses sold, net of provisions. Prior to 2001, Vivendi Universal had a broader definition of exceptional items, including restructuring costs, plant dismantling and closure costs and the effect of guarantees given when exercised, among others. These items are now included as a component of operating income or financing expense.

(c) In order to facilitate the comparability of 2000 and 1999 consolidated financial results, the 1999 consolidated results are presented in accordance with accounting policies in effect in 2000. January 1, 2000, Vivendi Universal applied the methodology for consolidated financial statements based on Regulation 99.02 of the French Accounting Standards Board. The financial statements of foreign subsidiaries have, when necessary, been adjusted to comply with French GAAP.

(d) Actual data as reported by Vivendi Universal before the Vivendi, Seagram and Canal+ merger in December 2000.

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

(f) 2002 amounts under US GAAP reflect the use of the equity method of accounting for Vivendi Universal s investment in Veolia Environnement beginning July 1, 2002, which represents a significant difference in revenues and the presentation of cash flows in the French GAAP financial statements. To reflect certain additional adjustments more appropriately relating to 2002, Vivendi Universal s US GAAP net loss for 2002 has been restated. This restatement corresponds to a reduction of the previously reported net loss of 44,447 million to a net loss of 43,857 million and consequently, the shareholders equity as of December 31, 2002 was improved from 11,065 million to 11,655 million. The per share amounts for the loss from continuing operations and the net loss were increased by 0.54 euro per share. See Item 18 Note 32 for a detailed description of the restatement.

(g) Financial net debt, a non GAAP measure, is defined as the sum of long-term debt, bank overdrafts and other short-term borrowings less cash and cash equivalents, which are separate line items in the Consolidated Statement of Financial Position. Prior to 2002, Vivendi Universal used financial net debt less other marketable securities and financial receivables. Other marketable securities are separate line items in the Consolidated Statement of Financial Position. Financial receivables are comprised of short-term loans receivable (also a separate line item in the Consolidated Statement of Financial Position) and net interest-bearing long-term loans receivable (included in other investments in the Consolidated Statement of Financial Position). Net interest-bearing long-term loans receivables amounted to 855 million at December 31, 2002 and 716 million in 2003.

Exchange Rate Information

The following table sets forth, for the periods indicated, the end-of-period average, high and low noon buying rates in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise indicated, such rates are set forth as US dollars per euro. On June 28, 2004, the noon buying rate was 1.00 = $1.22.

Month Ended	Period End	Average Rate(1)	High	Low
May 31, 2004	1.22	1.20	1.23	1.18
April 30, 2004	1.20	1.20	1.24	1.18
March 31, 2004	1.23	1.23	1.24	1.21
February 29, 2004	1.24	1.26	1.28	1.24
January 31, 2004	1.25	1.26	1.29	1.24
December 31, 2003	1.26	1.23	1.26	1.20

Year Ended	Period End	Average Rate(2)	High	Low

December 31, 2003	1.26	1.13	1.26	1.04
December 31, 2002	1.05	0.95	1.05	0.86
December 31, 2001	0.89	0.89	0.95	0.84
December 31, 2000	0.94	0.92	1.03	0.83
December 31, 1999	1.00	1.07	1.18	1.00

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

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

Dividends

The table below sets forth the total dividends paid per Vivendi Universal ordinary share and Vivendi Universal American Depositary Share (ADS) from 1999 through 2003. The amounts shown exclude the *avoir fiscal,* a French tax credit described under Item 10 Additional Information Taxation Taxation of Dividends Withholding Tax and Avoir Fiscal. We have historically paid annual dividends in respect of our prior fiscal year. We have rounded dividend amounts to the nearest cent.

	Dividend per Ordinary Share	Dividend per ADS
	(euros)	(dollars)(2)
1999[(1)]	1.00	0.22
2000[(3)]	1.00	0.89
2001	1.00	0.89
2002	1.00	0.91
2003		

(1) Until 1999 (i.e., until the dividend for the year ended December 31, 1998), we paid dividends in French francs. Amounts in French francs have been translated at the official fixed exchange rate of 1.00 = FF6.55957.

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

(3) Prior to December 8, 2000, the date of the completion of the Vivendi S.A., The Seagram Company Ltd. and Canal Plus, S.A. merger transactions (described below under Item 4 Information on the Company History and Development of the Company), each Vivendi ADS represented one-fifth of a Vivendi ordinary share, while each Vivendi Universal ADS now represents one Vivendi Universal ordinary share.

Risk Factors

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

Our ability to generate sufficient cash depends on many factors beyond our control.

While our ability and the ability of our subsidiaries to fund working capital for our operations, research and development and capital expenditures depend on our future operating performance which cannot be predicted with assurance, we believe that our operating cash flow plus our unused credit facilities should provide a sound basis for funding these cash requirements.

If our future cash flows from operations and capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we and our subsidiaries may be forced to: reduce or delay our business activities, capital expenditures or research and development; obtain additional debt or equity capital; or restructure or refinance all or a portion of our debt on or before maturity. We cannot assure you that we and our subsidiaries would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, our existing debt and any future debt may limit our and our subsidiaries ability to pursue any of these alternatives.

We are selling a portion of our assets and businesses to meet our debt obligations and decrease our leverage.

To meet our debt obligations and decrease our leverage, we are in the process of disposing of certain strategic and non-strategic assets and businesses. After new management was appointed in July 2002, we

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announced a goal of 16 billion in asset divestitures by the end of 2004. Since July 2002, we have sold assets and businesses for aggregate consideration of approximately 15 billion.

We can offer no assurances that we will be able to identify potential buyers for our assets and businesses or will be able to consummate any sales to potential buyers we do locate. Our divestitures may prove unsuccessful or may otherwise have a material adverse effect on our ability to conduct business, our operations and our financial condition. For example, we may not always be able to obtain the optimal price for assets and businesses we are required or plan to sell or may receive a price that is substantially lower than the price we paid for the assets or businesses being disposed of. In addition, our continuing operations may suffer as a result of losing synergies with the assets and businesses sold.

Our substantial debt could adversely affect our financial condition or results of operations and prevent us from fulfilling our obligations.

We have a significant amount of debt. As of December 31, 2003, we had 14.4 billion of gross debt on a consolidated basis. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources and our Consolidated Financial Statements for further information about our substantial debt.

Our substantial debt and the covenants in our debt instruments could: require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing our funds available for working capital, capital expenditures, research and development and other general corporate purposes; limit our ability to undertake acquisitions; place us at a competitive disadvantage compared to our competitors that have less debt than we do; restrict our use of proceeds from asset sales, new issuances of equity or debt, or new bank debt facilities; and/or limit our ability to borrow additional funds and increase the cost of any such borrowing.

The terms of our debt restrict but do not prohibit us from incurring substantial additional debt in the future. Additional debt could further increase the leverage-related risks discussed herein.

Our sales of assets and businesses have resulted in, and will result in, the removal of the results of those businesses and assets from our financial results and may increase the volatility of our financial results. Our ability to benefit from our approximate 20% interest in NBC Universal may be limited as we do not control the business.

Sales of our assets and businesses have caused, and will continue to cause, our revenues and operating income to decrease and may cause our financial results to become more volatile or may otherwise materially adversely affect us. Since the beginning of 2002, we have disposed of businesses and assets that, if we had held them, would have contributed significantly to our revenue and operating income.

Though we have retained an approximate 20% interest in NBC Universal, our ability to share in the positive results for this entity or to receive cash from the entity may be limited as we do not control the business.

Our investment in NBC Universal is illiquid until 2006.

We do not have the right to monetize our approximate 20% interest in NBC Universal until 2006, at which time we will have the right to monetize our interest over time at fair market value. During the time that we are unable to monetize our interest, and even after we have the right to monetize our interest, there can be no assurance that the fair market value of our interest in NBC Universal will not decline, which may have a material adverse effect on our financial condition.

We have engaged in a substantial number of significant acquisition and disposition transactions in recent years, which makes it difficult to compare our results from period to period.

We have engaged in a substantial number of significant acquisitions and dispositions and other complex financial transactions in recent years, which makes it difficult to analyze our results and to compare them from period to period. In order to facilitate comparison of our results between recent periods, we present financial information on a pro forma basis, both on a consolidated basis and for our individual business segments, giving effect to these transactions as if they had occurred on earlier dates. However, pro forma financial information is not necessarily indicative of results that would have been achieved had the transactions actually occurred on such earlier dates.

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

We are a party to lawsuits and investigations in France and in the US that could have a material adverse effect on us. In France, the *Autorité des Marchés Financiers* (AMF, formerly the *Commission des Opérations de Bourse)* commenced in July 2002 an investigation regarding certain of our financial statements. In the US, Vivendi Universal is a party to a number of suits and investigations concerning allegations challenging the accuracy of our financial statements and certain public statements made by us describing our financial condition from late 2000 through 2002. In the opinion of Vivendi Universal, the plaintiffs claims in the legal proceedings lack merit, and Vivendi Universal intends to continue to defend against such claims vigorously. However, the outcome of any of these legal proceedings or investigations or any additional proceedings or investigations that may be initiated in the future could have a material adverse effect on us. For a more complete discussion of our legal proceedings and investigations, see Item 8 Litigation.

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

We have a number of significant contingent liabilities. These liabilities are generally described in Note 29 to our Consolidated Financial Statements included in this document. If we were forced to make a payment due to one or more of these contingent liabilities, it could have an adverse effect on our financial condition and our ability to make payments under our debt instruments.

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

We conduct business in markets around the world. The risks associated with conducting business internationally, and in particular in some countries outside Western Europe, the US and Canada, can include, among other risks: fluctuations in currency exchange rates and currency devaluations; restrictions on the repatriation of capital; differences and unexpected changes in regulatory environments; varying tax regimes which could adversely affect our results of operations or cash flows; exposure to different legal standards and enforcement mechanisms and the associated cost of compliance therewith; difficulties in attracting and retaining qualified management and employees or rationalizing our workforce; tariffs, duties, export controls and other trade barriers; longer accounts receivable payment cycles and difficulties in collecting accounts receivable; recessionary trends, inflation and instability of the financial markets; higher interest rates; and political instability.

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

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

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

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We may not be able to meet anticipated capital requirements for certain transactions.

We may engage in projects that require us to seek substantial amounts of funds through various forms of financing. Our ability to arrange financing for projects and our cost of capital depend on numerous factors, including general economic and capital market conditions, availability of credit from banks and other financial institutions, investor confidence in our businesses, restrictions in debt instruments, success of current projects, perceived quality of new projects and tax and securities laws. We may forego attractive business opportunities and lose market share if we cannot secure financing on satisfactory terms.

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

The majority of the industries in which we operate are highly competitive and require substantial human and capital resources. From time to time, our competitors may reduce their prices in an effort to expand market share, introduce new technologies or services, or improve the quality of their services. We may lose business if we are unable to match the prices, technologies or service quality offered by our competitors. In addition, as the markets in which our businesses operate become more competitive, the cost of obtaining important third-party content could increase. Any of these competitive effects could have a material adverse effect on our business and financial performance.

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

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

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

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

Restructuring at our business units may adversely affect our operations and financial condition.

In an effort to cut costs and rationalize operations, our business units may engage in restructuring, including closures of facilities and workforce reductions. If a business unit fails to properly carry out any restructuring, its ability to conduct its operations and its results could be adversely affected. Restructurings, closures and staff reductions may also harm our employee relationships, public relationships and governmental relationships, which could in turn adversely affect our operations and results.

We may have difficulty enforcing our intellectual property rights.

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

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

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

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

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

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

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

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

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

Consolidation among cable and satellite distributors may harm our cable television networks.

Cable and satellite operators continue to consolidate, making our cable television networks increasingly dependent on fewer operators. If these operators fail to carry our cable television networks or use their increased bargaining power to negotiate less favorable terms of carriage, our cable television network business could be adversely affected.

The increase in the number of cable television networks may adversely affect our cable television networks.

Our cable networks compete directly with other cable television networks as well as with local and network broadcast channels for distribution, programming, viewing audience and advertising revenue. Growth in distribution platforms has led to the introduction of many new cable television networks. The increased competition may make it more difficult to place our cable networks on satellite and cable distribution networks, acquire attractive programming or attract necessary audiences or suitable advertising revenue.

New technologies may harm our cable television networks.

A number of new personal video recorders, such as TIVO in the US, have emerged in recent years. These recorders often contain features allowing viewers to watch pre-recorded programs without advertising. The impact of these recorders on viewing patterns and exposure to advertising could have an adverse effect on our operations and results.

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

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

Item 4: *Information on the Company*

History and Development of the Company

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

We were formed through the merger in December 2000 of Vivendi S.A., The Seagram Company Ltd. and Canal Plus, S.A., with Vivendi Universal continuing as the surviving parent entity (Merger Transactions). From our origins as a water company, we expanded our business rapidly in the 1990s and transformed ourselves into a media and telecommunications company with the December 2000 merger. Following the appointment of new management in July 2002, we commenced a significant asset divestiture program aimed at reducing the group s indebtedness, which we have almost completed. See Item 5 Operating and Financial Review and Prospects Recent Developments and Our Strategy below.

Our Strategy

Vivendi Universal, having improved its liquidity and substantially reduced its debt, is now focused on developing the assets of its two core businesses: media and telecommunications.

In the media sector, Vivendi Universal is carrying out internal management and other restructuring changes designed to strengthen the competitive position and profitability of each of its business units. Vivendi Universal s telecommunications strategy is focused on penetrating growing markets and building on the already dominant market positions of both SFR Cegetel Group and Maroc Telecom. As deregulation and the development of new technologies spur innovation and diversification in the telecommunications industry, Vivendi Universal continues to make capital investments in both networks and new software-based services.

The group plans to pursue its policy of growing its businesses organically, while investing selectively in external growth opportunities should they arise. Vivendi Universal s goal is to create value for its shareholders through further development of its media and telecommunications activities, both of which have higher growth potential. Value creation is integral to Vivendi Universal s strategy, which has been established by its management team, submitted to its Strategy and Finance Committee and approved by its board of directors. Shareholder value is fostered by adherence to the principles and procedures that guide the group s policies regarding investment, indebtedness, public and shareholder communications, employee share ownership, and risk management.

Our Year

In 2003, Vivendi Universal invested 6 billion, of which 1.6 billion was used to fund capital expenditures in its core businesses and 4 billion was used to increase its stake in SFR Cegetel Group. In addition, in 2003, Vivendi Universal signed the NBC-Universal Transaction agreement to combine VUE and National Broadcasting Company, Inc., and also decided to increase its stake in Maroc Telecom. Vivendi Universal also refocused, restructured and recapitalized Canal+ Group for approximately 3 billion, made substantial efforts to divest its interest in Elektrim Telekomunikacja, eliminated major cash drains, divested non-strategic assets for proceeds of approximately 3 billion, and refinanced its debt through a series of transactions. For more information regarding both SFR Cegetel Group and the NBC-Universal Transaction, see 2003 Significant Transactions SFR Cegetel Group and 2003 Significant Transactions Combination of VUE and NBC to form NBC Universal.

Canal+ Group

During 2003, Canal+ made significant progress in its turnaround efforts. It has refocused on its core pay TV activities in France and the activities of StudioCanal. It has launched a number of initiatives to restructure and reposition these activities. It has exited most of its non-core activities, which often represented significant cash drains (see below). Also, on December 18, following Canal+ Group s extraordinary shareholders meeting, Vivendi Universal recapitalized Canal+ Group for 3 billion through the conversion of an intercompany loan into equity that had no cash impact. As a result of this recapitalization, the performance of Canal+ Group in 2003 and divestitures of non-core assets, Canal+ Group s financial net debt was approximately 1 billion at the end of 2003 versus approximately 5 billion on June 30, 2003. In February 2004, after the Sogecable shares held by Canal+ Group as well as the shareholders loan to Sogecable were transferred to Vivendi Universal, Canal+ Group s financial net debt was reduced to approximately 500 million.

Elimination of Cash Drains

During 2003, Vivendi Universal continued to eliminate its major cash drains. It essentially shut down its Internet activities, which had generated approximately 2.5 billion in losses over a four-year period, divested a number of businesses that had previously generated significant losses (see 2003 Divestitures), and refocused and restructured its headquarters activities.

The French Consolidated Income Tax Regime

On December 23, 2003, Vivendi Universal applied to the Ministry of Finance for permission to use the Consolidated Global Profit System under Article 209 *quinquies* of the French tax code. Fourteen French multinational companies have operated or are operating under the French Consolidated Income Tax Regime.

Due to the reorganization and simplification of the Vivendi Universal group over the last 18 months, the number of companies which might be comprised in the scope of consolidation decreased from 6,000, three years ago, to 1,000, which makes the French Consolidated Income Tax Regime possible and attractive for Vivendi Universal.

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If this request is approved by the Ministry of Finance, Vivendi Universal will be entitled to consolidate its own profits and losses (including French tax loss carryforwards) with the profits and losses of all of its qualifying domestic and foreign subsidiaries operating within and outside France in calculating the consolidated taxable income of the Vivendi Universal tax group for French tax purposes. A qualifying subsidiary is one in which Vivendi Universal owns at least 50% of the outstanding shares, and would include, but not be limited to, Universal Music Group, Maroc Telecom (after the acquisition of an additional 16% stake), CanalSatellite and SFR Cegetel Group.

If this request is granted, it will apply for a period of five years beginning with the taxable year 2004. By consolidating all its majority shareholdings under this system, Vivendi Universal is expected to rationalize its organizational structure and to assist its growth both in France and other countries by maximizing the value of its assets in the interest of its shareholders. Vivendi Universal is continuing its discussions with the French Ministry of Finance.

2004 Significant Transactions

For a discussion of significant transactions that have occurred in 2004, see Item 5 Operating and Financial Review and Prospects Subsequent Events.

2003 Significant Transactions

2003 Acquisitions

SFR Cegetel Group

In January 2003, Vivendi Universal purchased BT Group s 26% interest in Cegetel Groupe SA for 4 billion, thereby increasing its voting interest in the French telecommunications operator from 59% to 85% and its ownership interest from 44% to 70% (with an approximate 56% ownership interest in SFR, its mobile subsidiary). The acquisition of this interest from BT Group was made through Société d Investissement pour la Téléphonie (SIT), for an acquisition cost of 4 billion. SIT financed this acquisition through a 2.7 billion cash contribution from Vivendi Universal and by a non-recourse loan of 1.3 billion with a scheduled maturity of June 30, 2004. Debt service of this loan, which was drawn on January 23, 2003, was expected to be provided by dividends paid in respect of its 26% shareholding in Cegetel Groupe SA. This loan was reimbursed in July 2003 out of the proceeds of the issuance of five-year senior notes. To finance the cash contribution, Vivendi Universal issued, in November 2002, 78,678,206 bonds for a total amount of 1 billion, redeemable on November 25, 2005 in Vivendi Universal new shares. For more information, see Item 18 Note 13.

In November 2003, after the repayment of the credit facility described above, SIT was merged with Vivendi Universal, thereby simplifying the group s ownership structure and increasing its access to dividends from Cegetel Groupe SA.

As a result of this transaction, Cegetel Groupe SA, which had been consolidated by Vivendi Universal with a 44% ownership interest, has been consolidated with a 70% ownership interest since January 23, 2003.

During 2003, Vivendi Universal signed with Vodafone Group Plc a number of agreements designed to further improve the performance of SFR Cegetel Group, as well as optimize the cash flows between SFR Cegetel Group and its shareholders. Vodafone and SFR have signed an agreement to increase their cooperation and their joint economies of scale by coordinating their activities in the development and rollout of new products and services, including Vodafone *live!*, developing operational synergies in procurement (including IT and technology) and other best-practice sharing arrangements. They expect that these arrangements will further enhance SFR s competitiveness, and therefore benefit both SFR s customers and shareholders.

On December 18, 2003, the extraordinary shareholders meeting of Cegetel Groupe SA approved the simplification of the group structure through the merger of Transtel, Cofira and SFR into Cegetel Groupe SA holding company. The new company resulting from the merger, which is both the mobile phone operator and the holding company of the group, was renamed SFR. It is owned 55.8% by Vivendi Universal, 43.9% by

Vodafone, and 0.3% by individual shareholders. The group comprised of SFR and its subsidiaries, including the fixed-line operator Cegetel, is now named SFR Cegetel Group.

In 2004, SFR Cegetel Group implemented a dividend distribution plan, in part involving the distribution of premiums and reserves, as well as the introduction of quarterly advance dividend payments. This enhances the access of both shareholders to the merged entity s cash flows. SFR Cegetel Group plans to distribute approximately 3.2 billion to its shareholders in 2004, with approximately 1.8 billion to Vivendi Universal. In 2003, SFR Cegetel Group paid Vivendi Universal a 621 million dividend.

In parallel, in December 2003, SFR (formerly known as Cegetel Groupe SA) and SNCF (the French national railway company) decided to merge their fixed-line businesses and approved the merger of Cegetel SA (fixed-line operator, subsidiary of SFR) and Télécom Développement (network operator, subsidiary of SNCF in which SFR had a minority interest). This new entity is named Cegetel SAS and is held 65% by SFR and 35% by SNCF.

As a result of these transactions, the structure of the SFR Cegetel Group is set forth below:

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* Stake acquired by Vodafone in 2003

Combination of VUE and NBC to Form NBC Universal (NBC-Universal Transaction)

On October 8, 2003, Vivendi Universal and GE announced the signing of a definitive agreement for the combination of the respective businesses of National Broadcasting Company, Inc. (NBC) and Vivendi Universal Entertainment LLLP (VUE). This transaction was completed on May 11, 2004. The new company, called NBC Universal, is 80% owned by GE, with approximately 20% held by Vivendi Universal (through its subsidiary, Universal Studios Holding III Corp.). NBC Universal s assets include: the NBC Television Network, Universal Pictures, television production studios (NBC Studios and Universal Television), a portfolio of cable networks, the NBC TV stations group, Spanish-language TV broadcaster Telemundo and its 15 Telemundo stations, and interests in five theme parks. On a pro forma basis, in 2003, NBC Universal had revenues of more than $13 billion from a diverse group of complementary assets and EBITDA(1) of approximately $3 billion.

As part of the NBC-Universal Transaction, GE paid at closing $3.65 billion of cash consideration, of which Vivendi Universal received approximately $3.4 billion. Vivendi Universal also benefited from approximately $3.2 billion (of which $1.7 billion is related to VUE s debt excluding any cash adjustments) reduction in debt on a consolidated basis as a result of the deconsolidation of VUE. Beginning in 2006, Vivendi Universal will have the option to begin monetizing its ownership interest in NBC Universal at fair market value. Vivendi Universal initially holds three of 15 seats on the board of directors of NBC Universal.

1Defined as: earnings before interest, taxes, depreciation and amortization.

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Under the terms of the NBC-Universal Transaction, (i) Vivendi Universal is responsible for certain economic costs associated with the existing VUE preferred interests, including the cost of the defeasance of certain covenants of the VUE Class A preferred interests and the net costs of the dividends on the VUE Class B preferred interests, and (ii) Vivendi Universal is entitled to certain economic benefits related to the value of the 56.6 million shares of InterActiveCorp stock transferred to NBC Universal as part of the NBC-Universal Transaction.

Under the terms of the NBC-Universal Transaction, Vivendi Universal pledged a portion of its NBC Universal stock to secure its obligations with respect to the defeasance of the VUE Class A preferred interests. In addition, so long as Vivendi Universal holds 3% of the capital stock of NBC Universal, GE will receive an additional non-pro-rata dividend from NBC Universal in order to make GE whole for the after-tax cost of 94.56% of the 3.6% cash coupon on the VUE Class B preferred interests. Vivendi Universal also has certain contingent obligations in connection with the NBC-Universal Transaction relating to taxes, retained businesses and liabilities, the divestiture of certain businesses and other matters customary for a transaction of this type.

As part of the agreements with GE, Vivendi Universal received demand registration rights on its NBC Universal shares that it will be able to exercise beginning in 2006. GE will have the right to pre-empt any Vivendi Universal sale to the market and under certain circumstances Vivendi Universal will be able to exercise a put option to GE. Lastly, for a 12-month period commencing on the fifth anniversary of the closing of the NBC-Universal Transaction, GE will have the right to call either (i) all of Vivendi Universal s NBC Universal shares or (ii) $4 billion of Vivendi Universal s NBC Universal shares, in each case at the greater of their market value at the time the call is exercised or their value as determined at the time of the NBC-Universal Transaction. If GE calls $4 billion, but not all, of Vivendi Universal s NBC Universal shares, GE must call the remaining NBC Universal shares held by Vivendi Universal by the end of the 12-month period commencing on the sixth anniversary of the closing of the NBC-Universal Transaction.

The closing of the NBC-Universal Transaction was subject, among other things, to the defeasance of certain covenants of the VUE Class A preferred interests owned by InterActiveCorp. This defeasance was implemented in accordance with the terms of the VUE Partnership Agreement on May 11, 2004, immediately prior to the closing of the NBC-Universal Transaction.

Vivendi Universal s management believes that the NBC-Universal Transaction should not give rise to any reduction of the carrying value in dollars of VUE, with the exception of a potential foreign exchange adverse effect due to the euro/dollar exchange rate. For more information on the accounting impact of this transaction in 2004, see Item 18 Note 3.

In the context of the NBC-Universal Transaction, Vivendi Universal has expanded VUE s relationship with DreamWorks Pictures for seven years. In addition, Vivendi Universal (through UMG) acquired DreamWorks Records for approximately $100 million in January 2004. The label s roster and catalog are comprised of rock and pop, country, urban, film scores and soundtracks, and Broadway cast recordings.

Maroc Telecom

On September 2, 2003, Vivendi Universal announced that its board of directors had approved a plan to increase its interest in Maroc Telecom from 35% to 51%. Pursuant to the March 4, 2002 agreement signed by Vivendi Universal and the Kingdom of Morocco, the latter had the opportunity to sell up to 16% of Maroc Telecom to third parties. This opportunity was not exercised and expired on September 1, 2003. The Kingdom still holds a put option that expires on June 30, 2005 by which it can require Vivendi Universal to purchase this 16% stake. In the fourth quarter of 2003, following Vivendi Universal s board of directors decision taken on September 2, 2003, the Kingdom of Morocco and Vivendi Universal started the valuation process of this 16% stake with a view toward implementing the purchase in 2004.

Furthermore, in December 2003, Vivendi Universal received an underwritten commitment from two banks to finance part of the acquisition of the 16% equity interest in Maroc Telecom. This commitment consists of a five billion dirham facility split in two tranches with different maturities. The commitment

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received by Vivendi NBC-Universal transaction for this financing expires on June 30, 2004. For more information on this facility, see Item 5 Liquidity and Capital Resources.

2003 Divestitures

In 2003, Vivendi Universal continued to progress towards its goal of divesting up to 16 billion in assets between July 2002 and the end of 2004. With proceeds of approximately 3 billion for 2003, program-to-date proceeds as of December 31, 2003 were approximately 10 billion. Major transactions include:

Date	Asset	Total Consideration	Cash received
		(in millions)	
July 2002	B2B/Health	150	150
July 2002	Lagardère	44	44
July 2002	Vinci	291	291
August 2002	Vizzavi	143	143
December 2002	Houghton Mifflin	1,567	1,195
December 2002	Other publishing	1,138	1,121
December 2002	Veolia Environnement	1,856	1,856
December 2002	EchoStar	1,037	1,037
December 2002	Sithe Energies Inc.	319	319
December 2002	Others	108	108
	Total 2nd half 2002	6,653	6,264(a)
February 2003	Consumer Press division	200	200
February 2003	Canal+ Technologies	191	191(b)
February/ June 2003	InterActiveCorp warrants	600	600
April 2003	Telepiù	831	457(c)
May 2003	Fixed-line telecommunication in Hungary	315	10(d)
May 2003	Comareg	135	135
May 2003	Interest in Vodafone Egypt	43	43
June 2003	Interest in Sithe International	40	40
June 2003	VUE Real Estate	276	276(e)
October 2003	Canal+ Nordic	48	48(f)
	Other divestiture	204	(35)
	Total 2003	2,883	1,965(a)
	Total closed 2nd half 2002 and full year 2003	9,536	8,229
	NBC Universal Transaction (estimate)	5,000	2,900(g)
	Total signed from July 2002 to December 2003	14,536	11,129

(a) Actual amounts after deduction of divestiture fees and expenses.

(b) This amount includes a 90 million cash consideration which was received in 2002.

(c) The cash payment includes a 13 million adjustment corresponding to the reimbursement of accounts payable net of debt.

(d) Does not include a remaining amount of 10 million of deferred purchase consideration that may be received.

(e) Amounts subject to adjustment to reflect the deduction of divestiture fees and expenses, currency exchange rate fluctuations and purchase price adjustments.

(f) Does not include a remaining amount of approximately 7 million of deferred purchase consideration received in the first quarter of 2004, excluding an intercompany loan.

(g) The NBC-Universal Transaction was signed in October 2003 and closed in May 2004 and is described in 2003 Significant Transactions. In addition, Vivendi Universal received an equity consideration in NBC of approximately 4,600 million and will retain an interest in VUE with an estimated value of 2,100. For more information on the estimated impact of this transaction on Vivendi Universal s accounts, see Item 18 Note 3.

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

Telepiù: In April 2003, Vivendi Universal, Canal+ Group, News Corporation and Télécom Italia completed the sale of Telepiù, the Italian pay-TV platform. The consideration for this transaction amounted to 831 million, comprising debt of 374 million (after a capital contribution of 100 million) and 457 million in cash. The cash payment includes a 13 million adjustment relating to the reimbursement of the accounts payable net of debt adjustment. This transaction generated a capital gain of 215 million, after the reversal of a 352 million provision resulting from unanticipated improvements in working capital registered by Telepiù in the first quarter of 2003.

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

Canal+ Nordic: In October 2003, Vivendi Universal and Canal+ Group sold Canal+ Television AB, the company in charge of its pay-TV channel activities in the Nordic region, to a consortium comprised of the equity firms Baker Capital and Nordic Capital. The transaction was based on an enterprise value of 70 million, resulting in a net contribution to the group s debt reduction of approximately 48 million, principally due to loan relinquishment. This transaction generated a capital gain of 17 million.

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

Vivendi Universal Entertainment (VUE)

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

Others

Vivendi Universal Publishing:

Consumer Press: The sale of the Consumer Press Division (Groupe Express-Expansion Groupe l Etudiant) to the Socpresse Group was completed in February 2003, following authorization by the French Ministry of Economy and Finance in January 2003, for an aggregate consideration of 200 million. This transaction generated a capital gain of 104 million.

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

Vivendi Telecom International (VTI):

Vivendi Telecom Hungary: In May 2003, Vivendi Universal concluded the divestiture of its fixed-line telephony activities in Hungary (Vivendi Telecom Hungary) to a consortium led by AIG Emerging Europe Infrastructure Fund and GMT Communications Partners Ltd. The amount of the transaction was 325 million in enterprise value, including the issuance of a 10 million promissory note that will mature by May 2007.

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Given the previous impairment loss recorded against this investment, the divestiture generated a capital gain of 15 million.

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

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

Furthermore, DT initiated arbitration proceedings against the validity of the transfer to Telco by Elektrim of 48% of the share capital of PTC. DT asked for the cancellation of this transfer, alleging the violation of its rights under the PTC shareholders agreement. DT also asked for Elektrim to be considered as being in material default under the shareholders agreement, in order to acquire Elektrim s stake in PTC at its book value. Should DT win the case, Vivendi Universal would lose virtually the whole of its investment since Telco would no longer own its main asset. For more information, see Item 8 Litigation.

Other 2003 Transactions

Disposition of Sithe

On December 18, 2002, Vivendi Universal sold its remaining 34% stake in Sithe Energies, to Apollo Energy LLC. Net cash proceeds of this transaction were 319 million, generating a capital loss of 232 million before tax in 2002. Under the terms of this transaction, Vivendi Universal retained the rights and obligations to take legal ownership of a minority stake in certain power generating operations in Asia from Sithe. Vivendi Universal transferred these rights and obligations to Marubeni for $47 million on June 11, 2003.

InterActiveCorp Warrants: In February 2003 and in June 2003, Vivendi Universal sold, respectively, 32.19 million and the remaining 28.28 million warrants of InterActiveCorp (IAC, formerly known as USA Interactive and prior thereto as USA Networks, Inc.) for consideration totalling 600 million. These warrants were initially acquired in connection with the acquisition of the entertainment assets of IAC. These transactions generated a loss of 329 million, which was offset by the reversal of the related provision of 454 million, which corresponded to a downside mark-to-market adjustment registered as at December 31, 2002. Prior to the closing of the NBC-Universal Transaction, Vivendi Universal held indirectly 56.6 million shares of IAC, which were held in four bankruptcy remote vehicles (approximately 8% of IAC s share capital). Vivendi Universal ceased to beneficially own the 56.6 million IAC shares upon the transfer of Universal Studios, Inc. to NBC at the closing of the NBC-Universal Transaction on May 11, 2004.

Unwinding of the Total Return Swap in connection with Time Warner Inc. (formerly known as AOL Time Warner Inc.) Call Options: In April 2003, Time Warner Inc. exercised its call options on the AOL Europe shares held by LineInvest for a cash consideration of $812.5 million received in May 2003. This transaction had no impact on Vivendi Universal s cash position as a result of the terms of the total return swap put in place in August 2001 with LineInvest. The provision of $100 million (97 million) recorded by Vivendi Universal in 2002 (in order to cover the market risk under the terms of the total return swap if Time Warner Inc. had opted for payment in its own shares) was consequently reversed in the second quarter of 2003.

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

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

Vivendi Universal is freed of the put option previously granted to the family shareholders, thereby removing a significant off-balance-sheet commitment for Vivendi Universal.

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

Closing of Contractual Guarantees to Former Rondor Shareholders: Finally, in connection with the purchase of Rondor Music International in 2000, there existed a contingent purchase price adjustment based on the market value of Vivendi Universal shares. The contingent purchase price adjustment was triggered in April 2002 when the share price of Vivendi Universal fell below $37.50 for 10 consecutive days and the former shareholders of Rondor requested early settlement. A liability for this adjustment was recorded in the Consolidated Statement of Financial Position of Vivendi Universal at December 31, 2002 for an estimated amount of 223 million (approximately $230 million). On March 3, 2003, this liability was settled and the former shareholders of Rondor received 8.8 million shares of Vivendi Universal, then representing 0.8% of capital stock and a cash amount of $100.3 million (92.6 million).

2002 Significant Transactions

2002 Acquisitions

Acquisition of the Entertainment Assets of InterActiveCorp (IAC, formerly, USA Interactive, and prior thereto, USA Networks, Inc.)

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

As consideration for the transaction, IAC received a $1.62 billion cash distribution from VUE, a 5.44% common interest in VUE and Class A and Class B preferred interests in VUE with initial face values of $750 million and $1.75 billion, respectively. The Class B preferred interests are subject to put/call provisions at any time following the 20-year anniversary of issuance (May 2022). IAC may require certain former subsidiaries of Vivendi Universal that are now owned by NBC Universal to purchase the Class B preferred interests, and those former subsidiaries may require IAC to sell to them Class B preferred interests, for a number of IAC shares having a market value equal to the accreted face value of the Class B preferred interests at such time, subject to a maximum of 56.6 million IAC shares.

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

Under the VUE partnership agreement, VUE is subject to a number of covenants for the benefit of the holder of the Class A preferred interests in VUE (currently IAC), including a cap on indebtedness and a restriction on asset transfers by VUE and its subsidiaries. Certain of the covenants, including those specified above, ceased to apply upon the posting of an irrevocable letter of credit in an amount equal to the accrued value of such interests at maturity (approximately $2 billion in 2022) in connection with the NBC-Universal Transaction. See 2003 Significant Transactions 2003 Acquisitions Combination of VUE and NBC to Form NBC Universal.

In addition, Vivendi Universal agreed to indemnify IAC for any tax detriment (defined to mean the present value of the loss of IAC s tax deferral on the transaction) arising from certain actions taken by VUE prior to May 7, 2017, including selling assets contributed by IAC to VUE and repaying the $1.62 billion in debt used to finance the cash distribution made to IAC at the closing.

In connection with the transaction, Vivendi Universal received approximately 60.5 million warrants to purchase common stock of IAC, with exercise prices ranging from $27.50 to $37.50 per share. The warrants were issued to Vivendi Universal in return for an agreement to enter into certain commercial arrangements with IAC. No commercial arrangement was put in place as a portion of the warrants were sold in February 2003, with the remainder of the warrants sold in June 2003.

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

The acquisition cost of the IAC entertainment assets amounted to 11,135 million and was determined with the assistance of an independent third-party valuation firm.

Vivendi Universal sold all of its interests in VUE and the IAC common stock to NBC on May 11, 2004. For more information, see 2003 Significant Transactions 2003 Acquisitions Combination of VUE and NBC to Form NBC Universal.

Acquisition of Additional Interest in MultiThématiques

In connection with the sale of its shares in IAC, Liberty Media transferred to Vivendi Universal its 27.4% share in the European cable television company, MultiThématiques, and its current account balances in exchange for 9.7 million Vivendi Universal shares. The share value was based on the average closing price of Vivendi Universal shares during a reference period before and after December 16, 2001, the date the agreement was announced. Following this acquisition, Vivendi Universal holds, directly and indirectly, 63.9% of MultiThématiques share capital. The additional goodwill resulting from Vivendi Universal taking a controlling stake in this company, which had been consolidated until March 31, 2002 using the equity method, amounted to 542 million.

Acquisition of Additional Interest in UGC

On December 23, 2002, following the exercise by BNP Paribas of the put granted by Vivendi Universal in July 1997, Vivendi Universal acquired, for a total consideration of 59.3 million, 5.3 million of UGC shares representing 16% of share capital of UGC. Vivendi Universal s 58% interest in UGC does not provide for operational control of the company due to a shareholders agreement. Accordingly, this investment is accounted for using the equity method.

For a description of other transactions executed in 2003, see 2003 Significant Transactions.

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2002 Divestitures

Divestiture of Interest in Veolia Environnement

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

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

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

The third step occurred on December 24, 2002, a month after the banks that managed the June transaction and a group of new investors entered into an amendment to the June 24, 2002 agreement. Under the terms of the amended agreement, Vivendi Universal agreed to sell 82.5 million shares of Veolia Environnement, representing 20.4% of Veolia Environnement s share capital, and the new investors agreed to become subject to the lock-up on dispositions of these shares previously agreed to by Vivendi Universal for the remaining term of that lock-up agreement (i.e., until December 21, 2003).

Each of these shares of Veolia Environnement includes a call option that entitles these investors to acquire additional Veolia Environnement shares at any time until December 23, 2004 at an exercise price of 26.50 per share. After the exercise of all the call options, Vivendi Universal would no longer hold any shares of Veolia Environnement. On December 24, 2002, Vivendi Universal received, in exchange for the shares and the call options, 1,856 million. The call options on the Veolia Environnement shares are recorded as deferred items in liabilities for an amount of 173 million.

Following this divestiture, Vivendi Universal holds 82.5 million shares, or 20.4%, of Veolia Environnement s share capital which is held in an escrow account to cover the call options. This investment is accounted for using the equity method as of December 31, 2002.

Vivendi Universal recorded a 1,419 million capital gain for these operations in 2002.

Divestiture of Vivendi Universal Publishing Activities

On April 18, 2002, Vivendi Universal signed a definitive agreement pursuant to which the Cinven, Carlyle and Apax investment funds acquired 100% of the professional and health information divisions of Vivendi Universal Publishing. The transaction was concluded on July 19, 2002 and reduced profit before tax by 298 million.

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

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Houghton Mifflin was sold to a consortium comprised of Thomas H. Lee Company and Bain Capital. The purchase price was approximately 1.6 billion, of which approximately 1.2 billion in cash was received. As a result of this transaction, Vivendi Universal recognized a capital loss of 822 million before tax, including a foreign currency translation loss of 236 million.

Divestiture of Investment in Vinci

In June 2002, Vivendi Universal sold 5.3 million Vinci shares for a total of 343.8 million, thereby generating a pre-tax capital gain of 153 million. At the same time, Vivendi Universal bought call options on 5.3 million shares at 88.81 for 53 million allowing the group to cover the bonds exchangeable for Vinci shares issued in February 2001 for 527.4 million. These call options were sold in 2003.

Sale of Stake in Vizzavi Europe

On August 30, 2002, Vivendi Universal sold to Vodafone its 50% share of Vizzavi Europe. As a result, Vivendi Universal received 143 million in cash. As part of the transaction, Vivendi Universal gained control of 100% of Vizzavi France. This transaction generated a capital gain of 90 million.

Divestiture of an Investment in EchoStar Communications Corporation

On December 18, 2002, Vivendi Universal sold its entire EchoStar equity position, 57.6 million Class A common shares, back to EchoStar. Total net proceeds of the sale were $1.066 billion, generating a capital loss of 674 million before tax. Vivendi Universal held these Class A common shares following the conversion of the 5.8 million EchoStar Class D preferred stock acquired in January 2002 for $1.5 billion. Each Class D preferred stock was convertible into 10 EchoStar Class A common shares.

Unwinding of the Total Return Swap in connection with the Divestiture of Vivendi Universal s Investment in BSkyB plc

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

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

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

In addition, in February 2002, Vivendi Universal released its remaining holding of 14.4 million shares in BSkyB by exercising its option to exchange a convertible bond for BSkyB shares issued by Pathé that came into Vivendi Universal s possession when it acquired Pathé. The redemption date was fixed on March 6, 2002, at a redemption price of 100% of the principal amount plus accrued interest to that date. Holders of the bonds were entitled to convert them into 188.5236 shares of BSkyB per FFr10,000 principal amount of bonds up to and including February 26, 2002.

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Other 2002 Transactions

Settlement Agreement with Pernod Ricard-Diageo

On August 7, 2002, Vivendi Universal, Pernod Ricard and Diageo reached a global settlement of outstanding claims relating to post-closing adjustments arising from the acquisition of Seagram s spirits and wine concluded in December 2000 and closed in December 2001. As a result, Vivendi Universal received $127 million in cash.

Notes Mandatorily Redeemable for New Shares of Vivendi Universal

For transactions relating to notes redeemable for new shares of Vivendi Universal see Item 18 Note 13.

Events between January 1 and December 31, 2002 related to Treasury Shares

For transactions relating to treasury shares, see Item 18 Note 11. The cumulative impact of treasury share cancellation from 2000 through December 2002 resulted in a reduction of shareholders equity of approximately 4.6 billion.

Sale of Put Options on Its Own Shares

In connection with its share repurchase program, Vivendi Universal sold put options on its own shares by which it agrees to buy its own shares on specified dates at the exercise price. As of December 31, 2002 and December 31, 2001, Vivendi Universal had outstanding obligations on 3.1 million and 22.8 million shares respectively. The average exercise prices were 50.5 and 70, respectively, resulting in a potential commitment of 154 million and 1,597 million, respectively. The losses experienced by Vivendi Universal during 2002 resulting from option holders exercising their rights was 589 million, which represents the premium paid in the event of a cash settlement of the difference between their market price and the exercise price.

At the end of December 2002, Vivendi Universal marked to market put options with a specific, future exercise date. This resulted in a provision of 104 million, corresponding to the premium that will have to be paid out by Vivendi Universal in the event of a cash settlement which occurred during the first quarter of 2003. The cumulative cash impact of these transactions was 951 million.

Renunciation by Convertible Bondholders on the Guarantee Agreed by Vivendi Universal

Holders of 1.5% 1999 2005 Veolia Environnement bonds exchangeable for new or existing Vivendi Universal shares held a general meeting on August 20, 2002. At this meeting, the bondholders renounced, effective September 1, 2002, any rights to the guarantee provided by Vivendi Universal in respect of Veolia Environnement s obligations under these bonds and, as a consequence, renounced certain rights under the liability clause in the event of a default by Vivendi Universal. In exchange, the nominal interest rate was increased by 0.75%, thereby increasing the interest rate from 1.5% to 2.25%. For more details, see Item 18 Note 11.4.

2001 Significant Transactions

2001 Acquisitions

Purchase of Interest in Maroc Telecom

In the course of the partial privatization of Maroc Telecom, Vivendi Universal was chosen to be a strategic partner in the purchase of a 35% interest in Morocco s national telecommunications operator for approximately 2.4 billion. The transaction was finalized in April 2001, at which time Maroc Telecom was consolidated in the accounts of Vivendi Universal, as it obtained control through majority board representation and shared voting rights.

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Acquisition of Houghton Mifflin Company

In July 2001, Vivendi Universal acquired the Houghton Mifflin Company, a leading US educational publisher, for a total of approximately $2.2 billion, including assumption of Houghton Mifflin s average net debt of approximately $500 million. Houghton Mifflin was sold on December 30, 2002.

Acquisition of MP3.com, Inc.

On August 28, 2001, Vivendi Universal completed its acquisition of MP3.com, Inc., for approximately $400 million, or $5 per share, in a combined cash and stock transaction.

Participation in Elektrim

In September 2001, Elektrim Telekomunikacja, in which Vivendi Universal has a 49% interest, acquired all of Elektrim SA s landline telecommunications and Internet assets. Vivendi Universal loaned Elektrim Telekomunikacja 485 million, at arm s-length conditions, to provide them with the necessary funds for the acquisition.

UPC Alliance

In December 2001, Canal+ Group and United Pan-Europe Communications N.V. (UPC) merged their respective Polish satellite TV platforms Cyfra+ and Wizja TV as well as the Canal+ Polska premium channel, to form a common Polish digital TV platform. The new company (TKP) is managed and controlled by Canal+ Group, which owns 75% of TKP. UPC contributed its Polish satellite assets to TKP in exchange for a 25% interest and 150 million in cash. As part of this transaction Canal+ Polska is available on UPC s Polish cable network, in which UPC retains 100% control. TKP was consolidated in the accounts of Vivendi Universal at December 31, 2001.

2001 Divestitures

Canal+ Group s Sale of its Stake in Eurosport

In January 2001, Canal+ Group announced that it had sold its 49.5% interest in the European sports channel, Eurosport International, and its 39% interest in Eurosport France to TF1. Proceeds from the sale amounted to 303 million for Canal+ Group and 345 million for Vivendi Universal, as its subsidiary Havas Image also sold its interest in Eurosport France. Canal+ Group remained a distribution channel for Eurosport.

Disposition of AOL France

In March 2001, Vivendi Universal announced the conclusion of a deal with America Online, Inc., a subsidiary of the AOL Time Warner Group, under which Cegetel Groupe SA and Canal+ Group swapped their interest in the AOL France joint venture for AOL Europe shares. Both groups also signed distribution and marketing agreements. Cegetel Groupe SA and Canal+ Group thus swapped their 55% share of AOL France for junior preferred shares of AOL Europe valued at $725 million and paying a 6% annual dividend. These preferred shares were sold, in late June 2001, to an unrelated financial company for a price corresponding to their present value marked up by their coupon value, or a total of $719 million. If this investment was consolidated, an asset representing the junior preferred shares and a liability representing the corresponding debt would be recorded in our Consolidated Financial Statements in the amount of $812 million. This transaction generated a net capital gain of 402 million. In April 2003, Time Warner Inc. exercised its call options on the AOL Europe shares held by LineInvest for a cash consideration of 812.5 million. For more details, see Other 2003 Transactions.

Sale of Stake in Havas Advertising

In June 2001, Vivendi Universal sold its remaining 9.9% interest in Havas Advertising, the world s fifth-largest advertising and communications consulting group, to institutional investors and Havas Advertising itself. The 484 million transaction, conducted with the approval of Havas Advertising management, generated pre-tax capital gains of 125 million.

Disposition of Interest in France Loisirs

In July 2001, Vivendi Universal sold its interest in France Loisirs to Bertelsmann. Proceeds from the sale approximated 153 million, generating a capital loss of 1 million.

Sale of 9.3% Interest in Veolia Environnement

In December 2001, Vivendi Universal sold 32.4 million shares or a 9.3% interest in Veolia Environnement for approximately 38 per share or total proceeds of 1.2 billion, generating pre-tax capital gains of 116 million (net of 10 million fees). The 9.3% interest sold had been held separately as it was allocated to exchangeable bonds issued in February 2001. At the same time, Veolia Environnement agreed to issue one free warrant for each share held to its shareholders, with every seven warrants giving holders the right to a new share of Veolia Environnement at 55 per share until March 2006. These transactions did not modify Vivendi Universal s then 63% consolidated interest in Veolia Environnement as the warrant issue replaced the shares sold that were allocated to the exchangeable bonds.

Other 2001 transactions

Issuance of bonds exchangeable for Veolia Environnement shares

Please see Item 5 Liquidity and Capital Resources.

Issuance of bonds exchangeable for Vinci shares

Please see Item 5 Liquidity and Capital Resources.

UMTS License

In August 2001, the French government officially granted SFR, an indirect subsidiary of Vivendi Universal, a license to provide 3G (third generation) UMTS (Universal Mobile Telecommunications System) mobile telephony services in France. UMTS is a high-speed standard for mobile telephony that will allow Vivendi Universal, through SFR, to provide an extensive range of new services, including video telephony and high-speed access to the Internet and corporate intranets. The license was granted for a period of 20 years and the license fee was split into two parts a fixed upfront fee of 619 million, which was paid in September 2001, and future payments equal to 1% of 3G revenues earned when the service commences.

Public Takeover Offers

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

Business Overview

General

We are a major player in media and telecommunications. Our Media group is comprised of the following businesses: Canal+ Group, Universal Music Group and Vivendi Universal Games. We recently completed, on May 11, 2004, the NBC-Universal Transaction and currently hold an approximate 20% interest in NBC Universal, which is comprised, in part, of the assets of Vivendi Universal Entertainment. Our Telecommunications group is comprised of SFR Cegetel Group and Maroc Telecom. We also maintain certain other non-core operations and investments.

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Segment Data

The contribution of our business segments to our consolidated revenues for each of 2003, 2002 and 2001, in each case after the elimination of intersegment transactions, is as follows:

	Year ended December 31,				
	Actual			Pro Forma(a)	
	2003	2002	2001	2003	2002
			(in millions)		
Revenues					
Canal+ Group	4,158	4,833	4,563	4,158	4,742
Universal Music Group	4,974	6,276	6,560	4,974	6,276
Vivendi Universal Games	571	794	657	571	794
Vivendi Universal Entertainment	6,022	6,270	4,938	6,022	6,978
Media	15,725	18,173	16,718	15,725	18,790
SFR Cegetel Group	7,574	7,067	6,384	7,574	7,067
Maroc Telecom	1,471	1,487	1,013	1,471	1,487
Telecommunications	9,045	8,554	7,397	9,045	8,554
Others(b)	584	813	672	584	813
Total Vivendi Universal (Excluding VE and VUP assets sold in 2002 and 2003)	25,354	27,540	24,787	25,354	28,157
VUP assets sold in 2003(c)	128	572	617		
Veolia Environnement		30,038	29,094		
VUP assets sold in 2002(d)			2,862		
Total Vivendi Universal	25,482	58,150	57,360		

(a) The pro forma information illustrates the effect of the acquisition of the IAC entertainment assets and the disposition of VUP assets in 2003, as if these transactions had occurred at the beginning of 2002. It also illustrates the accounting for Veolia Environnement using the equity method from January 1, 2002 instead of December 31, 2002. The pro forma information is calculated as a sum of the actual results of Vivendi Universal s businesses (excluding businesses sold) and the actual results reported by each of the acquired businesses in each period presented. Additionally, the results of Universal Studios international television networks are reported by VUE instead of Canal+ Group. This reclassification has no impact on the total results of Vivendi Universal. The pro forma results are not necessarily indicative of the combined results that would have been achieved had the transactions actually occurred at the beginning of 2002.

(b) Comprised of Vivendi Telecom International, Internet, Vivendi Valorisation, Vivendi Universal Publishing (VUP) assets not sold during 2002 and 2003 (Atica & Scipione: publishing operations in Brazil) and the elimination of intercompany transactions.

(c) Comprised of the Consumer Press Division, sold in February 2003 and deconsolidated as of January 1, 2003, and Comareg, sold in May 2003.

(d) Comprised of publishing activities in Europe, Houghton Mifflin and professional and health divisions, deconsolidated as of January 1, 2002.

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Geographic Data

The contribution of selected geographic markets to our consolidated revenue for each of 2003, 2002 and 2001 is as follows:

	Year ended December 31,		
	2003	2002	2001
		(in millions)	
France	11,515	26,391	24,285
United Kingdom	1,187	3,765	4,170
Rest of Europe	3,172	11,327	10,456
United States of America	6,238	10,810	12,654
Rest of World	3,370	5,857	5,795
	25,482	58,150	57,360

Our Segments

Media

Canal+ Group

Canal+ Group, has two principal lines of business:

Pay-TV channel production in France with Canal+ premium channel and theme channels such as Sport+, i>Télé, CinéCinéma, Planète and Jimmy; and pay-TV channel distribution, whether over the air, via satellite, cable or ADSL (CanalSatellite, NC Numéricâble and Media Overseas)

Production and distribution of films through StudioCanal, a major European studio involved in the production, co-production, acquisition and distribution of feature films and television programs

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

Pay-TV France

Canal+ Group s pay-TV operations in France are centered on Canal+ premium channel and are engaged in the production of pay-TV, premium and theme channels and their distribution, in analog and digital format, over the air, and via satellite, cable and, since March 22, 2004, ADSL platforms. On March 10, 2004, Canal+ Group announced the launch of its triple-pay offer combining television, high-speed Internet access and telephone services through a new partnership with France Telecom and Neuf Telecom.

Production

Canal+ Premium Channel. Canal+ premium channel, a pioneer in pay-TV in Europe, has developed a unique programming format, offering recent movies and sports events on an exclusive basis, as well as original news, documentaries and entertainment programs. Canal+ is available over the air and via satellite, cable and, since March 22, 2004, via ADSL. Subscribers with access to digital transmission benefit from a package of four Canal+ channels. At the end of December 2003, Canal+ had 4.9 million total subscriptions (including Media Overseas customers who receive Canal+ programs in French overseas territories).

Canal+ s 2003 revenues were generated through subscriptions (95%) and advertising (5%). Canal+ attracts subscribers primarily through its film and sports offerings. Canal+ broadcasts more than 400 films annually, about 80% of which are French TV premieres. Canal+ sports offerings include the French L1 professional soccer league championship, UEFA Champions League, and other major European soccer leagues, as well as horse racing, major rugby games (including the Top 16), golf tournaments, boxing championships and various US sports, including the NBA. The current contract between Canal+ and the French professional soccer league (LFP), which was due to expire in June 2004, was renewed for another year. This contract gives the Canal+ premium channel the right to broadcast two live games, including the best game of each day of the championship, as well as the Jour de foot program, which offers a summary of all the games at the end of each championship day. For the 2003 season, Canal+ launched a dozen new programs, for both its unscrambled and encrypted sections. The development of an attractive unscrambled program line-up, as well as strong film and sports content, have been well received, with subscriptions reaching record levels in the last quarter of 2003.

Theme Channels. Canal+ Group has interests in a series of theme channels mainly targeted at the French market. Through MultiThématiques (64% jointly owned by Canal+ Group and Vivendi Universal), Canal+ Group operates the CinéCinéma, Planète, Jimmy and Seasons channels. The Group also controls 100% of i>Télé, a 24-hour news channel and Sport+.

Distribution

CanalSatellite. Canal+ Group owns 66% of CanalSatellite, the leading French digital satellite pay-TV package. A leader in digital TV, with 2.75 million subscriptions at the end of December 2003, (a net increase of 230,000 subscriptions compared with 2002), CanalSatellite offers over 260 channels and services, about 60 of which are satellite exclusives. CanalSatellite diversified its package in 2003 by offering nine additional TV channels and several new interactive services. In 2003, CanalSatellite placed a strong emphasis on the teenage and young adult markets with channels such as Ma Planète, Extreme Sports Channel, BeurTV, as well as NBA+, a channel launched in October 2003 and broadcast 24 hours a day since January 15, 2004. Discovery Channel, one of the most widely distributed TV channels in the world, will be offered for the first time in France in the third quarter of 2004, exclusively on CanalSatellite, as the result of a contract signed in December 2003. Since March 2003, CanalSatellite has also offered a new-generation digital set-top box equipped with a hard drive and a double tuner and based on the new international standards in interactive TV (DVB-MHP). This set-top box, called Pilotime, can record up to 40 hours of programs in digital quality, record a program while another program is being watched at the same time, and pause or repeat a live transmission within a timeframe of 30 minutes.

NC Numéricâble. Canal+ Group owns 100% of the French cable platform NC Numéricâble, the second-largest cable operator in terms of available connections. At the end of 2003, NC Numéricâble had 423,000 individual subscriptions (excluding antenna service) for its TV offerings, a growth rate of 4% in one year. The company continued the rollout of its high-speed Internet access offer, which attracted more than 76,000 subscribers, up 110% in one year. On March 18, 2004, Canal+ Group executed a memorandum of understanding with France Telecom, reflecting the parties aims to combine their respective cable activities and networks. Canal+ Group and France Telecom will maintain their respective minority interests in the new entity. For more information, see Item 5 Subsequent Events.

Media Overseas. Media Overseas, a wholly owned subsidiary of Canal+ Group, manages five overseas and international platforms, representing about 600,000 subscriptions. Through its wholly owned subsidiary, Multi TV Afrique, it is also the operator of the Canal Horizons channel and several digital TV platforms in various other parts of the world, which totaled 150,000 subscriptions at the end of 2003.

ADSL TV. Since March 22, 2004, with the launch of the digital version of Canal+ via ADSL and the platform CanalSatDSL, Canal+ Group also operates in ADSL TV distribution and is deploying a distribution strategy for its programs designed to reach as many homes as possible. Several agreements have been signed with telecoms operators Neuf Telecom and France Telecom. In all, 3 million French households are expected to have access to the digital version of Canal+ and CanalSatDSL by the end of 2004.

StudioCanal. StudioCanal is a major player in the production, co-production, acquisition and distribution of European and US films. StudioCanal has one of the largest film libraries in the world, with over 5,000 well-known films of different genres, including *Terminator 2, Basic Instinct, The Graduate, The Producers, The Third Man, Breathless, Chicken Run, Billy Elliot, Grand Illusion, Bridget Jones Diary* and *Brotherhood of the Wolf.* StudioCanal s TV program library represents more than 40,000 hours of viewing.

Along with Canal+, StudioCanal is one of the main sources of finance for the French film industry, through its funding contributions as co-producer and its advance payments as a distributor. 43 films produced or co-produced by StudioCanal were released in 2003 27 of which were distributed by Mars Distribution, a subsidiary of StudioCanal and the leading distributor of French films. In December 2003, StudioCanal signed a new four-year agreement with Universal Pictures concerning Working Title. Under this agreement, StudioCanal will be the minority co-producer, with Universal Studios, of films produced by Working Title and the distributor of these films in French-speaking countries.

Other Activities

Sportfive. Sportfive is an international sports rights marketing agency with a broad offering of international sports distribution and marketing rights. On March 18, 2004, RTL Group and Canal+ Group announced their agreement to sell their equal interests of 46.45% in Sportfive to Advent International, a private equity firm, based on a 100% transaction value of 560 million. On March 31, 2004, as a preliminary step to concluding this transaction, RTL Group and Canal+ Group acquired the approximate 4.9% interest in Sportfive owned by Jean-Claude Darmon, its founder and chairman. Under the terms of the transaction, Advent International and RTL Group set up a new company that purchased all the shares of Sportfive held by RTL Group and Canal+ Group. On June 25, 2004, Canal+ Group sold its 48.85% stake in Sportfive to Advent International for 274 million.

Cyfra+. Cyfra+ offers its subscribers 56 TV and radio channels, 51 of which are in Polish, as well as about 100 additional channels which can be accessed unscrambled via satellite. Cyfra+ is the leading platform in Poland.

PSG. Canal+ Group has a 90.88% stake in Paris Saint Germain (PSG), one of the leading soccer clubs in France and the only L1 league soccer club in Paris. At the end of the 2003/2004 season, PSG ranked #2 in the L1 soccer league championship and won the Coupe de France (French Cup).

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

Quai André Citroën Building. On April 26, 2004, subject to certain closing conditions, Canal+ Group sold its historic building located on the Quai André Citroën in Paris to a subsidiary of the Caisse des Dépôts et Consignations for 112.5 million, of which Canal+ has received 10% to date.

Seasonality

As it is subscription-driven and based on the length of contract periods, the pay-TV operation of Canal+ Group is fairly regular in its monthly revenues and consequently has good visibility in its total sales. With respect to volume, the group s activity is cyclic throughout the year, with more than 50% of its customers subscribing in the last four months of the year.

Competition

Competition in the pay-TV sector remains largely national due to language and cultural factors specific to each country. The French pay-TV market is dominated by satellite and Canal+. In its French pay-TV business, Canal+ Group s principal competitor is TPS. Cable operators, excluding Canal+ Group s subsidiary NC Numéricâble, also compete in this market. The development of distribution methods made possible by new digital technology (such as digital terrestrial television already deployed in several European countries and the introduction of ADSL TV offers in France, in 2004) will lead to the arrival of newcomers in the pay-TV sector.

The development of new distribution media, particularly DVDs, which offer a certain number of films before they are released on pay-TV channels, also fosters real competition for a premium channel such as Canal+. In the film and TV programming sector, StudioCanal s main competitors are US and other national production studios.

In December 2003, Canal+ Group implemented an over-encryption system for some of its signals, which put an end to the piracy of its satellite broadcasts that was particularly intense in the Maghreb countries. The new version of the Mediaguard conditional access control software, used by CanalSatellite, Canal+ s digital offering and NC Numéricâble, which was implemented in 2002, has not been broken to date. To combat piracy, Canal+ Group has created a subsidiary, CK2 Security, dedicated to technological monitoring and research.

Regulatory Environment

Under French law, Canal+ Group cannot own more than 49% of the broadcasting activities of Canal+. Canal+ Group owns this level of interest in Canal+ S.A., a company traded on the *Premier Marché* of the Paris Bourse (Euronext), which holds the broadcast license.

Under its broadcast authorization in France, Canal+ is subject to the following regulations: (i) a single shareholder may not own more than 49% of its capital; (ii) 60% of the films broadcast by the channel must be European films; and (iii) 40% must be French-language films.

Each year, Canal+ must invest 20% of its total prior year revenues in the acquisition of film rights, 9% of which must be devoted to French-language films and 3% to European films other than French films. In May 2004, Canal+ Group entered into a new agreement, subject to regulatory approval, with the French Film Industry Liaison Office (BLIC), the French Film Organization Liaison Office (BLOC), and the Society of Writers, Directors and Producers (ARP). Effective January 1, 2005, the five-year agreement provides for Canal+ to: renew its financial commitment to support all industry segments (the channel will continue to allocate at least 9% of its revenues to the acquisition of French-language films, as part of its obligation to devote 12% of its revenues to the acquisition of European movies); pursue a more ambitious film diversity policy; create new movie slots in its program lineup; and increase theme content on each of its digital channels. At least 75% of first-run French films must be acquired from non Canal+ Group controlled companies. Canal+ has an obligation to invest 4.5% of its revenues in original French or European TV movies and dramas.

Regulatory authorities usually grant broadcast licenses for specific terms. In France, Canal+ holds a pay-TV broadcast license for over-the-air, satellite and cable broadcasts, which was renewed for a five-year period starting in December 2000. The European Union has also adopted a series of directives that influence the media and communications businesses, in particular the directive known as Television without Frontiers, and directives governing intellectual property, e-commerce, data protection, and telecommunications.

Research and Development

In 2003, Canal+ Group did not incur significant research and development costs; most of its expenditure in prior years was related to Canal+ Technologies, a subsidiary which was sold in January 2003.

Music

Our music business is operated through Universal Music Group (UMG), the largest recorded music business in the world measured by revenues (according to the International Federation of the Phonographic Industry (IFPI)). Vivendi Universal has a 92.3% interest in UMG, which held a 23.5% share of the global recorded music market in 2003. UMG acquires, manufactures, markets and distributes recorded music through a network of subsidiaries, joint ventures and licensees in 71 countries. UMG also manufactures, sells and distributes music video and DVD products, licenses recordings, and owns music/video clubs in certain territories (Britannia Music in the UK and DIAL in France). UMG participates in and encourages online electronic music distribution by making a significant amount of its content available and by investing resources through a variety of independent initiatives and strategic alliances in the technology and electronic commerce areas to enable the music business to be conducted via the Internet and over cellular, cable and satellite networks.

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

The key to UMG s success has been its ability to consistently spot, attract and retain a relatively high proportion of successful artists and market them effectively due to: the relative stability of the management team compared to UMG s major competitors; UMG s size and strength in marketing and distribution, which attracts established artists; UMG s substantial catalog of prior hit releases that provides a stable and profitable revenue stream, which accounts for nearly one-third of sales; UMG s diverse array of decentralized labels in the major markets and local representation across the globe; and multi-album contracts, which secure long-term relationships.

Recorded Music

UMG s recorded music business is the largest in the world. UMG holds particularly strong positions in North America and Europe, which together account for nearly three-quarters of global sales.

UMG has a strong collection of major recording labels including: popular music labels Island Def Jam Music Group, Interscope A&M Records, Geffen Records, DreamWorks Records, Lost Highway Records, MCA Nashville, Mercury Nashville, DreamWorks Nashville, Mercury Records, Polydor and Universal Motown Records Group; classical and jazz labels Decca, Deutsche Grammophon, Philips and Verve Music Group. Best-selling albums in 2003 included those by 50 Cent, whose debut album shipped over 9 million copies, t.A.T.u. and Eminem. Other major selling albums were from Sheryl Crow, Toby Keith, The Black Eyed Peas and Sting. Best selling local artists, including t.A.T.u. from Russia, were Juanes and Kid Abelha from Latin America, Powderfinger and Hayley Westenra from Australasia and Moriyama Naotaro from Asia. In 2004, UMG has scheduled releases of new albums by 50 Cent, Mariah Carey, Eminem, Jay Z, Toby Keith, Elton John, Nelly, Shania Twain and U2.

In addition to recently released recordings, UMG owns the largest catalog of recorded music in the world, with performers from the US, the UK and around the world, including: ABBA, Louis Armstrong, Chuck Berry, James Brown, Eric Clapton, Patsy Cline, John Coltrane, Count Basie, Stan Getz, Ella Fitzgerald, The Four Tops, Marvin Gaye, Johnny Hallyday, Jimi Hendrix, Billie Holiday, Buddy Holly, The Jackson Five, Antonio Carlos Jobim, Herbert von Karajan, Bob Marley, Nirvana, Edith Piaf, The Police, Smokey Robinson, Diana Ross & The Supremes, Rod Stewart, Muddy Waters, Hank Williams and The Who.

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

In all major countries in which UMG products are sold except Japan, UMG has its own distribution services for the warehousing and delivery of finished products to wholesalers and retailers. In certain countries UMG has entered into distribution joint ventures with other record companies. UMG also sells music and video products directly to the consumer, principally through two direct mail club organizations: Britannia Music in the UK and D.I.A.L. in France.

E-Commerce and Electronic Delivery

UMG has been the market leader in aggressively working to launch new digital distribution methods, making more of its content available with more consumer-friendly usage rules than any of its competitors. Evolving technology will allow current customers to sample and purchase music in a variety of new ways and will expose potential customers to new music. This past year was an important year for electronic delivery of music. In April 2003, Apple launched the iTunes music store in the US, selling over one million downloads in the first week and selling over 30 million downloads by the end of the calendar year.

UMG has made available, through various services throughout the world, more than 150,000 tracks representing a significant part of its popular catalog. This is higher than the amount of content that any competitor has available. UMG continues to look for ways to expand this nascent market by offering the consumer more choice and flexibility. For example, we now offer classical music for sale online, launching with approximately 1,000 of our best-selling albums currently available through iTunes, and expanding to more retailers in the first half of 2004.

In 2004, we anticipate growth in this market segment outside the US similar to that which occurred in the US in 2003. This growth would complement the vibrant existing markets in Europe and Asia for ring tones and ring sounds, which utilize clips of master recordings.

Music Publishing

Music publishing involves the acquisition of rights to, and licensing of, musical compositions (as opposed to recordings). We enter into agreements with composers and authors of musical compositions for the purpose of licensing the compositions for use in sound recordings, films, videos, commercials and by way of live performances and broadcasting. In addition, we license compositions for use in printed sheet music and song folios. We also administer musical compositions on behalf of third parties such as other music publishers and composers and authors who have retained or re-acquired rights. In 2004, the copyrights related to the VUE film and television catalog will be transferred to NBC Universal, as part of the NBC-Universal Transaction, and administered for a fee.

UMG s publishing catalog includes more than one million titles that are either owned or administered by the group, including some of the world s most popular songs, such as American Pie, Strangers in the Night, Girl from Ipanema, Good Vibrations, I Want to Hold Your Hand, Candle in the Wind, I Will Survive and Sitting on the Dock of the Bay, among many others. Among the significant artists and songwriters represented are ABBA, Avril Lavigne, Prince, Paul Simon, The Beach Boys, Mary J. Blige, Bon Jovi, The Corrs, Gloria Estefan, Eddy Mitchell, Andre Rieu, Shania Twain, Andrew Lloyd Webber and U2. Legendary composers represented include Leonard Bernstein, Elton John and Bernie Taupin, and Henry Mancini. Acquisitions in 2003 included the Steven Bray catalog as well as compositions by 50-Cent, The Darkness, Rolf Lövland, A.B. Quintanilla III, Metrophonic Music Ltd., G-Unit, Jeff Bass, P.J. Harvey, Jet, Molotov and Trackstarz, among others.

Seasonality

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

Competition

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

The music industry also competes for consumer discretionary spending with other entertainment products such as video games and motion pictures. Competition for shelf space has intensified in recent years due to the success of DVDs and videos and further consolidation in the retail sector in the US and Europe, which is increasing the quantity of product being sold through multinational retailers and buying groups and other discount chains.

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Finally, the recorded music business continues to be adversely affected by pressed disc and CD-R piracy, home CD burning and the downloading of music from the Internet. On-demand music services are being developed to offer the consumer a viable, legitimate, copy-protected online source of music. The industry and UMG are increasing their anti-piracy activities with a multi-pronged approach focusing on legal action, public relations and education, and technical countermeasures while offering the consumer new products and services.

Regulatory Environment

The recorded music, music publishing, manufacturing and distribution businesses that comprise UMG are subject to applicable national statutes, common law and regulations in each territory in which the group operates. Additionally, in the US, certain UMG companies entered into a consent decree in 2000 with the Federal Trade Commission for seven years wherein they agreed not to make the receipt of any co-operative advertising funds for their pre-recorded music product contingent on the price or price level at which such product is advertised or promoted. Also in the US, a UMG company entered into a consent decree with the Federal Trade Commission in 2004 wherein it agreed to comply with the provisions of the Children s Online Privacy Protection Act, and to maintain records demonstrating compliance.

In the European Union, UMG is subject to additional pan-territorial regulatory controls, in particular relating to merger control and antitrust regulation. An undertaking given in connection with the Merger Transactions to the Canadian Department of Heritage also requires UMG to continue its investments in Canada s domestic music industry.

Research and Development

UMG seeks to participate to the fullest extent in the digital distribution of recorded music and to protect its copyrights and the rights of its contracted artists from unauthorized digital or physical distribution. To this end, UMG established its new business and technology arm, eLabs. This unit supervises UMG s digitization of content and the online distribution of that content, and generally reviews the licensing of that content to third parties. In addition, it generally reviews and considers the technologies being developed by others for application in UMG businesses, such as technological defenses against piracy in all forms, and is engaged in various projects intended to open new distribution channels or improve existing ones.

Raw Materials

Raw materials are not important to UMG s business in a material way except as they are used in the production of compact discs. The primary materials utilized by UMG s businesses are polycarbonate, for the production of CDs and paper for packaging. These raw materials are not subject to price fluctuations which could have a material impact on business.

Vivendi Universal Games

Vivendi Universal Games (VU Games) is a publisher of interactive entertainment software across all major platforms, including PCs, video game consoles, handheld systems and the Internet. VU Games portfolio of development studios and publishing labels includes Blizzard Entertainment, Coktel, Fox Interactive, Knowledge Adventure, Massive Entertainment and Sierra Entertainment. Additionally, the company co-publishes and/or distributes titles for a number of strategic partners, including Interplay, inXile entertainment and Mythic Entertainment.

VU Games is the fourth-largest publisher of interactive entertainment software, which comprises PC consumer software (games, education and productivity) and video game software. The company has an approximate 5.5% share of the worldwide market. VU Games is the second-largest publisher of PC game software worldwide, is a market leader in key regions: #2 in North America and Germany; #3 in France; #4 in the UK, #5 in Australia; #6 in Spain; and a leader in Asia.

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VU Games performance in the PC segment was driven by key titles such as: *Warcraft III* and its expansion pack *Warcraft III*: *The Frozen Throne*; *The Lord of the Rings*: *The War of the Ring; Half-Life*; and *Homeworld 2*, while performance in console games was driven by titles such as *The Simpsons: Hit & Run, The Hulk, The Hobbit* and *Crash Nitro Kart*. In the online market, VU Games key titles include Blizzard Entertainment s *Battle.net*, a leading online games network launched in 1997 with over 11 million active accounts.

VU Games retains rights to some of the most popular brands in the games industry. The company s product library consists of more than 400 active titles and includes industry-leading, multi-million unit selling franchises: *Diablo, Starcraft, Warcraft, Spyro the Dragon, Crash Bandicoot, Half-Life, The Simpsons* and *Jumpstart.*

In 2004, VU Games plans to launch titles based on: entertainment licenses from Universal Studios and Fox Filmed Entertainment such as *Riddick, Van Helsing* and *Fight Club*; new installments to hit franchises, including *Half-Life, Starcraft, Crash Bandicoot, Baldur s Gate* and *Tribes*; and the online multi-player release of *World of Warcraft,* which marks the company s entry into this potentially important marketplace.

Seasonality

Interactive entertainment software sales are weighted towards the last quarter of the calendar year.

Competition

The consumer software market is quite fragmented. The worldwide leader is Electronic Arts, with an approximate 14% of total market share. The top ten players have an approximate 60% worldwide market share combined.

VU Games does not suffer from piracy to the degree of the music industry, primarily because downloading digital files for an entire game is a cumbersome and time-consuming process. Nevertheless, VU Games has an aggressive anti-piracy program which includes embedding copy-protection technology in VU Games products, implementing strict security procedures in its studios and replication facilities, releasing major titles simultaneously in all markets globally, and shutting down Internet sites that sell or distribute illegal copies of VU Games products.

Regulatory Environment

VU Games voluntarily participates in self-regulatory ratings systems established by various industry organizations around the world. In the US, VU Games adheres to ratings, advertising guidelines and online privacy principles adopted by the Entertainment Software Association and the Entertainment Software Rating Board by indicating on its product packaging and in its advertising the age group for which the particular product is appropriate and brief descriptions of its content. In certain countries such as Germany and South Korea, VU Games operates in compliance with local legal requirements applicable to computer games and video games as well as with local statutory rating systems.

Research and Development

Research and development includes costs incurred prior to establishment of technological feasibility and software development costs. Research and development expenses were 112 million in 2003, 122 million in 2002, and 100 million in 2001.

Raw Materials

Raw materials are not important to VU Games business in a material way except in the production of video products and in the production of compact discs. The primary materials utilized are polycarbonate, for the production of CDs and DVDs and paper for packaging. These raw materials are not subject to price fluctuations which could have a material impact on VU Games business.

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Vivendi Universal Entertainment

On May 11, 2004, NBC and VUE completed the formation of NBC Universal, a global media and entertainment enterprise with expected 2005 revenues of $15 billion. As a result of the transaction, Vivendi Universal has an approximate 20% interest in NBC Universal, which is controlled by GE. Beginning in 2006, Vivendi Universal will have the right to monetize its ownership interest over time at fair market value. For a full description of the NBC-Universal Transaction, see Item 4 Information on the Company 2003 Significant Transactions 2003 Acquisitions Combination of VUE and NBC to Form NBC Universal.

In the US in 2003, Vivendi Universal s film, television and parks and resorts businesses were conducted primarily through VUE, a limited liability limited partnership in which Vivendi Universal held an approximate 86% economic interest. VUE was formed in April 2002, to effect the May 2002 transaction among Universal Studios, Inc. and InterActiveCorp (IAC, formerly known as USA Interactive and prior thereto as USA Networks, Inc.), among others. Through this transaction, Universal Studios, Inc. contributed to VUE the Universal Studios Group, consisting of Universal s film, television and recreation businesses, and USA Networks, Inc. contributed its ownership interest in the USA Entertainment Group, consisting of USA Cable (now known as Universal Television Networks), USA Films (now part of Focus Features) and Studios USA (now integrated within the Universal Television Group).

The information provided below relates to VUE and its businesses prior to the closing of the NBC-Universal Transaction on May 11, 2004.

The primary businesses in which VUE engages are:

Universal Pictures Group (UPG). UPG is a major film studio, engaged in the production and distribution of motion pictures worldwide in the theatrical, non-theatrical, home video/ DVD and television markets;

Universal Television Group (UTG). UTG is engaged in the production and distribution of television programming worldwide as well as the ownership and operation of four cable television networks in the US (including USA Network and the Sci Fi Channel) and a group of international television channels outside of the US; and

Universal Parks & Resorts (UPR). UPR owns and operates theme parks and entertainment complexes.

Universal Pictures Group (UPG)

Through Universal Pictures and Focus Features, UPG is a major producer and distributor of motion pictures worldwide. Universal Pictures and Focus Features produce motion pictures that are initially distributed to theatres and, thereafter, through other windows of distribution, including non-theatrical, home video and DVD, pay-per-view and video-on-demand, as well as free, basic and pay television. Key geographic markets for motion picture distribution include the US, Canada, Europe, Asia, Latin America and Australia.

Major motion pictures released in recent years include *A Beautiful Mind, The Scorpion King, Red Dragon, The Bourne Identity, 8 Mile, Bruce Almighty, 2 Fast 2 Furious, The Hulk, Seabiscuit, American Wedding, Love Actually* and *Lost in Translation.* In addition, UPG produces animated and live-action family programming for home video and television distribution and licenses merchandise in various parts of the world.

VUE, through its wholly owned subsidiaries, distributes its motion pictures to theaters in the US and Canada. Throughout the rest of the world, VUE distributes its motion pictures for theatrical exhibition through United International Pictures B.V. (UIP), a joint venture owned equally by Universal Studios International B.V., a wholly owned subsidiary of VUE, and Viacom International Netherlands (BV). Through an agreement with DreamWorks SKG, VUE also distributes theatrically DreamWorks motion pictures outside the US and Canada. The distribution of VUE s products on videocassettes, DVDs and in television markets is handled by wholly owned subsidiaries of VUE throughout the world. Through a servicing agreement with DreamWorks SKG, VUE also distributes DreamWorks home video products throughout the world.

Universal Television Group (UTG)

UTG is engaged in the cable business and in the production and distribution of television programming worldwide. VUE also distributes worldwide current television series and made-for-video and made-for-television motion pictures, as well as titles from its extensive motion picture and television library.

Cable Television Networks. In the US, VUE operates four 24-hour, basic cable television networks, USA Network, Sci Fi Channel, TRIO and NewsWorld International (NWI). Cable television networks derive virtually all of their revenue from: (i) affiliate revenues (per subscriber fees paid by the cable television operators and other distributors to cable television channel providers); and (ii) advertising revenues (the sale of advertising time to national advertisers during the programming carried on each of the networks).

USA Network is a general entertainment network featuring original series and movies, theatrical movies, off-network television series and major sporting events. USA Networks is targeted at viewers between the ages of 18 and 54. According to Nielsen Media Research, as of December 31, 2003, USA Network was available in approximately 88.2 million US households and was ranked second among all US basic cable television networks in primetime ratings among adults 25-54 (Monday-Sunday 8pm-11pm). USA Network s program line-up features original series, including the highest-rated original dramatic series on basic cable television (*Monk*) and approximately six movies/mini-series produced exclusively for the network each year. USA Network s programming also includes off-network series, such as *JAG, Nash Bridges, Walker, Texas Ranger, Law & Order: Special Victims Unit* and *Law & Order: Criminal Intent,* and major theatrically released feature films.

Sci Fi Channel, launched in 1992, features science fiction, horror, fantasy, paranormal and reality programming which is designed to appeal to viewers between the ages of 25 to 54. According to Nielsen Media Research, as of December 31, 2003, Sci Fi Channel was available in approximately 82.9 million US households and ranked seventh among all basic cable television networks in adults 25-54 category and ninth in the adults 18-49 category. Sci Fi Channel s program lineup includes many original dramatic and reality series, such as: *Stargate: SG-1*, *Mad, Mad House, Tripping the Rift, Crossing Over With John Edward* and *Scare Tactics.* Additionally, Sci Fi Channel airs popular vintage series ranging from *The Twilight Zone* to *Quantum Leap* to digitally remastered episodes of the original *Star Trek* series. Sci Fi Channel continuously updates its programming library with popular current sci-fi fare such as *X-Files, The Outer Limits, Gene Rodenberry s Andromeda* and *Beyond Belief: Fact or Fiction.* Additionally, Sci Fi Channel features many popular theatrical movies, as well as movies and mini-series made specifically for the network.

TRIO and NWI were acquired by USA Cable (now known as Universal Television Networks) in May 2000. TRIO relaunched in June 2003 as TRIO: Pop, Culture, TV featuring the best premiere and original programming from around the world in film, fashion, music, stage and popular culture. NWI is a 24-hour international news channel that presents newscasts every hour as well as long-form contemporary magazine shows. At December 31, 2003, TRIO and NWI, according to Nielsen Media Research, were each available in over 19 million households. On May 4, 2004, Universal Television Networks sold all of the assets of the NWI cable network to a group of investors for consideration consisting of $45 million in cash and a $25 million secured note.

International Television Networks. Universal Studios Networks Worldwide Ltd. managed branded television channels in 26 countries outside the US at December 31, 2003. 13th Street The Action & Suspense Channel reaches television subscribers via satellite and cable systems in France, Germany and Spain. Studio Universal, a basic-tier television movie channel, is currently available to satellite subscribers in Italy. The Sci Fi Channel, a basic-tier television channel with a science fiction theme, is currently available to cable and satellite subscribers in Germany and the UK. Finally, the USA Network channel, a basic-tier general entertainment channel, is available to cable and satellite subscribers in 20 countries in Latin America.

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Television Production and Distribution. VUE is one of the major suppliers of television programs made for worldwide exhibition. Through its various subsidiaries, VUE either directly produces, or finances and acquires ownership of, and distributes a broad variety of television series, made-for-television movies, mini-series, children s shows and game and reality-based programs. VUE is a supplier of primetime dramatic and comedy programming for initial exhibition on US broadcast networks, including (during the 2003/04 television season) the long-running series *Law & Order* and its spinoffs, *Law & Order: Special Victims Unit* and *Law & Order: Criminal Intent.* VUE is likewise a leading supplier of programs for initial exhibition in US domestic syndication (i.e., sales to individual television stations or station groups). During the 2003/04 season, these programs included talk shows and game and reality shows. VUE also finances, acquires and distributes programs produced for initial exhibition on VUE s US cable television networks.

Universal Parks & Resorts (UPR)

Universal Parks & Resorts is a leader in the development and operation of theme parks. UPR owns 100% of Universal Studios Hollywood, the world s largest combined movie studio and movie theme park, and Universal CityWalk Hollywood, a complex that offers shopping, dining, cinemas and entertainment, each located in Universal City, California. Additionally, through joint ventures with Blackstone, UPR owns 50% of Universal Studios Florida and Universal s Islands of Adventure, two theme parks in Orlando, Florida, and Universal CityWalk Orlando. Further stakes include a 25% interest in UCF Hotel Venture (which owns three hotels in Orlando, Florida), a 37% interest in Universal Mediterránea near Barcelona, Spain (comprised of a theme park, water park and two hotels), and a 24% interest in Universal Studios Japan in Osaka. In 2003, UPR entered into a joint venture agreement with two partners in the People s Republic of China for the construction of a theme park in Shanghai; the parties to this agreement are currently awaiting consent from the central government of the People s Republic of China.

UPR s business is seasonal and bad weather can adversely impact attendance at theme parks and resorts. Attendance at theme parks follows a seasonal pattern which coincides closely with holiday and school schedules. Prolonged bad or mixed weather conditions during seasonal peak attendance periods may reduce attendance causing a greater decline in revenues than if those conditions occurred during a low attendance period.

Competition

Motion Picture Industry. There are eight major competitors in the motion picture industry in the US and several independents that compete aggressively against each other. These companies include Universal Pictures, The Walt Disney Company, Warner Bros., DreamWorks SKG, Paramount Pictures Corporation, Metro-Goldwyn-Mayer Studios, Inc., Twentieth-Century Fox Film Corporation and Sony (through Columbia/ Tri-Star and Sony Pictures). Competition is also intense in distributing VUE s theatrical motion pictures in the various television markets. There are numerous suppliers of television programming worldwide, including the television networks, the other major studios and independent producers, all of which compete actively for the limited number of broadcast hours available on free, basic cable and pay television.

Television Production and Distribution. VUE produces television programs in a highly competitive environment, as such programs must compete with television product supplied by other producers, as well as all other forms of entertainment and leisure time activities. VUE s produced programs, including television series and made-for-television and made-for-video motion pictures, must strive for success in a worldwide television marketplace that has become ever more competitive as digital cable and satellite delivery increasingly expand the number of channels (and competing programs) available to consumers. Competition in the critical US production market has also been increased by the growing consolidation and vertical integration of several large television and media giants. As a result, the current US broadcast networks ABC, CBS, NBC, Fox, The WB and UPN are able to fill their schedules with a large percentage of self-owned programs, thus reducing the number of time slots available to VUE and other outside producers. Completion of the NBC-Universal Transaction may assist VUE in competing in this new market. Nonetheless, through the current 2003/04 season, VUE remained one of the primary independent suppliers of broadcast network programming while also achieving success in producing original programming for its own cable networks and for first-run syndicated product.

Cable Television Industry. VUE s basic cable television networks compete for access to customers and for audience share and revenue with other cable program services, broadcasters, and other forms of entertainment. In addition, there has been increased consolidation among cable operators, so that VUE s networks have become increasingly subject to the carriage decisions made by a small number of operators. The competition for advertising revenues also has become more intense as the number of television networks has increased. The competition for third-party programming also is likely to increase. Many networks, including VUE s networks, are affiliated with companies that produce programming. This programming is becoming increasingly difficult to acquire by third parties or unaffiliated networks.

Competition in the Theme Park Industry. Theme parks can be separated into two main categories: destination parks (the largest parks, historically located within the US territory, attracting both US and overseas visitors) and regional parks (smaller parks, attended by visitors living in the same area). UPR operates in the first category together with market leader Disney, though recent declines in travel have decreased the proportion of non-local visitors. Barriers to entry, especially in the destination park segment, are high as development of new parks is constrained by availability of land and capital. VUE, through Universal Parks & Resorts, competes aggressively against other major theme park operators including The Walt Disney Company, Anheuser Busch Companies, Paramount Parks, Six Flags Theme Parks, Inc. and Cedar Fair, LP.

Regulatory Environment

Motion Picture Production and Distribution. In the US, the motion picture distribution and exhibition industries are regulated by the consent decree in *US v. Paramount Pictures, Inc.*; this consent decree, entered into in 1950, prohibits certain conduct by film distributors, including price fixing and product tying, and requires film distributors to license products on a film-by-film and theater-by-theater basis. In the European Union, VUE is regulated by an undertaking in the pay-TV area which, for a five-year period in each affected country, starting from the end of UPG s existing first window output deal in that country, will regulate certain business with Canal+; VUE is also regulated in the film distribution area through an undertaking given by United International Pictures. An undertaking with the Canadian Department of Heritage also regulates certain operations of Universal Studios Canada. Continuing compliance with the laws, regulations, consent decree and undertakings mentioned in this paragraph does not have a material effect on the business of VUE.

Television Production and Distribution. Many countries enforce quotas that restrict the amount of US-produced television programming that may be aired on television in such countries. VUE is subject to certain regulations by the European Union and other international regulatory authorities. The European Commission has initiated investigations into certain aspects of licensing relationships between studios and channel operators. US television stations and networks, as well as foreign governments, impose content restrictions on motion pictures that may restrict in whole or in part exhibition on television or in a particular territory. There can be no assurance that such restrictions will not limit or alter VUE s ability to exhibit certain motion pictures in such media or markets.

Television Channels and Programming. The communications industry is subject to substantial Federal regulation, particularly under the Communications Act of 1934, as amended, and the related rules and regulations of the Federal Communications Commission (FCC).

Cable Programming: The Cable Television Consumer Protection and Competition Act of 1992 prohibits a cable operator from engaging in unfair methods of competition that prevent or significantly hinder competing multichannel video programming distributors from providing satellite-delivered programming to their subscribers. Cable television systems in the US are also subject to regulation pursuant to franchises granted by a municipality or other state or local governmental entity.

Digital Television: The FCC has taken a number of steps to implement digital television services (including high-definition television) in the US, including the adoption of a final table of digital channel allotments and rules for the implementation of digital television. The table of digital allotments provides each existing television station licensee or permittee with a second broadcast channel to be used during the transition to digital television, conditioned upon surrender of one of the channels at the end of the digital television transition period.

Regulations Applicable to Cable Systems Affecting Programming: Cable television operators also are subject to regulations concerning the commercial limits in children s programming, and closed captioning.

Theme Park Business. UPR operates theme parks around the world in accordance with the highest health, safety and environmental standards.

Telecommunications

SFR Cegetel Group

SFR Cegetel Group, formed at the end of 1997, is the second-largest telecommunications operator in France with approximately 18.4 million customers at December 31, 2003. SFR Cegetel Group is the only private telecommunications operator in France to cover all telecommunications activities: mobile telephony, through SFR, in which Vivendi Universal holds a 55.8% stake (the remaining stake is held 43.9% by Vodafone and 0.3% by individual shareholders), and fixed telephony, data transmission and Internet through Cegetel SAS, a directly owned 65% subsidiary of SFR. Its customer base includes residential, professional and corporate customers.

Mobile Telephony

SFR offers mobile telephony services both on a subscription (postpaid) basis and a prepaid basis, with or without handsets, as well as data transmission for residential, professional and corporate customers in France, and in the overseas territories of Réunion and Mayotte, through its wholly owned affiliate Société Réunionnaise du Radiotéléphone (SRR). As at December 31, 2003, SFR (including SRR) had 14.724 million customers, representing 35.3% of the total mobile telephony market in France versus 35.1% in 2002 and 33.9% in 2001. In 2003, SFR saw an increase of almost 1.2 million in its total customer base, from 13.547 million to 14.724 million, or a 9% increase. For the first time in 2003, SFR recorded its highest net sales market share (38%) in France.

The diversification of mobile telephony uses continued to intensify in 2003. Text and multimedia messages recorded significant growth in 2003, with more than 3.3 billion SMS messages (short messaging services) sent by SFR customers, a 50% increase over 2002. SFR also recorded 6 million MMS messages (multimedia messaging services) in 2003 (versus 400,000 in 2002). This increase in different uses for mobile telephony was supported by the introduction of the new multimedia service portal Vodafone *live!* in October 2003; a ready-to-use complete offer, with 330,000 SFR Vodafone *live!* packs sold between October and December 31, 2003. At the end of December 2003, SFR had 2.3 million multimedia users, twice as many as in December 2002.

Fixed Telephony, Data and Internet

Télécom Développement and Cegetel merged on December 31, 2003. The newly merged entity is known as Cegetel SAS. This operation was motivated by a desire to combine telecommunication services production and sales activities within one entity, thereby becoming the alternative to France Telecom in fixed telephony.

Cegetel is the second-largest operator for fixed telecommunications in France, with 3.7 million residential and professional customers at the end of 2003, and more than 20,000 corporate customers (including 70% of the companies in the CAC 40 Index). At the end of 2003, 70% of Cegetel s residential and professional customers had already agreed to a time commitment to Cegetel in exchange for promotional offers. In the corporate market, Cegetel is offering innovative solutions, combining high-speed SDSL transmission technology with its corporate network and Internet access services. In addition, the 800 number services have been upgraded with automated interactive voice services. In October 2003, Cegetel expanded its corporate network services internationally in partnership with Infonet. Corporate telephony traffic grew 9% in a stable and very competitive market.

Network

SFR s mobile services operate through a GSM license (to expire in March 2006), the international standard system for mobile communications and the dominant digital standard in Europe. SFR s network covers 98% of the French population and 87% of France s geographic territory. SFR has signed roaming agreements with over 170 countries and destinations. In addition, since December 2000, SFR has provided the General Packet Radio System (GPRS) on its network, which permits greater bandwidth data communications.

On March 25, 2004, SFR was notified of the conditions for renewing its GSM license. The license will be renewed on March 25, 2006, with its term ending on March 24, 2021. The license renewal fee will be comprised of an annual fixed amount of 25 million and an annual variable amount equal to 1% of revenues stemming from the use of the frequencies operated through the GSM network.

This license renewal will result in SFR increasing its commitments to, *inter alia:* the accessibility of mobile telephony for the handicapped; the coverage in white zones ; the protection of the environment; the sharing of sites; and the quality of service provided.

In August 2001, SFR was awarded a third-generation (UMTS) license for a 20-year period (2001-2021) by the French government, for a one-time fixed payment of 619 million and annual fees equal to 1% of the future revenues generated from this third-generation network. UMTS is a third-generation mobile radio system that generates additional mobile radio capacity and allows broadband media applications, while also providing high-speed Internet access. In 2003, SFR already significantly increased capital expenditures to develop its third-generation network and aims to cover 58% of the French population by the end of 2005.

The fixed and mobile activities of SFR Cegetel Group rely on a shared transportation platform, the network of Télécom Développement, which was, until its merger with Cegetel in December 2003, a joint subsidiary of SFR Cegetel Group and SNCF (the French national railways). This network, which is the largest private telecommunications infrastructure in France with 21,000 km of fiber optic cables, carried more than 40 billion minutes in 2003, up 18% over 2002.

Seasonality

SFR Cegetel Group s sales are generally marked by higher revenues at year-end, particularly for mobile activity.

Competition

SFR Cegetel Group faces strong competition, in both the mobile and fixed telephony markets. Currently, SFR Cegetel Group s principal competitors in mobile telephony are Orange France (a subsidiary of France Telecom) and Bouygues Telecom. According to the French Telecommunications Regulatory Authority (ART), the market share held by SFR s two competitors, Orange France and Bouygues Telecom, was 48.8% and 15.9%, respectively, at the end of 2003. SFR also expects that Orange France and Bouygues Telecom will be its leading competitors for the third-generation market when commercial UMTS services are introduced in France. In the broadband Internet market, Cegetel s main competitors are Wanadoo (a subsidiary of France Telecom) Free, Tiscali, Club Internet, AOL, Tele2 and Neuf Telecom. In fixed telephony, Cegetel s main competitors, in addition to the historic operator France Telecom, are Neuf Telecom (formerly LDCom), Tele2, and Completel. Competitive pressures have led to rate reductions and increased customer retention costs as operators seek to control the level of customer churn.

Regulatory Environment

The French telecommunications market was broadly deregulated with the adoption of the Telecommunications Regulatory Act of July 26, 1996 and its related regulations, designed to foster competition in the French telecommunications market. These regulations apply to both fixed-line and mobile networks. The operators of public telecommunications networks in France exerting significant influence over the fixed-line and mobile markets are required to permit interconnection with their service, on the basis of the long-term costs incurred to provide the relevant service. ART considers both Orange France and SFR to have significant influence over the mobile retail market and the domestic interconnection market. As a result, SFR was required to reduce its interconnection rates for calls routed to its network.

The European directives that define the new European regulatory framework took effect on July 25, 2003 and will become French law in 2004. The licensing system will be replaced by a general declaration system, except for the use of rare resources, such as frequencies. SFR, as a powerful market operator, will be affected by this new regulatory scheme.

The International Commission for Non-Ionizing Radiation Protection, an independent organization that advises the World Health Organization, has established a series of recommendations setting exposure limits from electromagnetic radiation from antennas. These regulations were driven by concern over a potential connection between electromagnetic radiation and certain negative health effects, including some forms of cancer. They were enacted into French law on May 3, 2002. SFR abides by the applicable French law and, along with the other French mobile telephony operators, is in the process of entering into agreements with various cities, including the city of Paris, that will set up local guidelines. The International Cancer Research Center, authorized by the World Health Organization, is currently conducting a large-scale epidemiological study, the conclusions of which are expected to be published in 2004.

Raw Materials

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

Research and Development

SFR Cegetel Group s research and development focuses on standard components, as well as the development of next-generation technologies. This major research and development effort is reflected in the filing of a large number of patents, primarily for services related to the mobile Internet, geopositioning, and voice services. SFR Cegetel Group s research and development costs totaled 58 million in 2003, versus 58.7 million in 2002 and 48 million in 2001.

Maroc Telecom

Maroc Telecom is Morocco s incumbent telecommunications operator, created in 1998 following its spin-off from the *Office National des Postes et Télécommunications* (National Postal and Telecommunications Office). Vivendi Universal became the strategic partner of the Kingdom of Morocco in Maroc Telecom after acquiring a 35% equity investment following an auction process organized by the Moroccan government in 2001. Vivendi Universal controls Maroc Telecom. Maroc Telecom is Morocco s leading telecommunications operator, operating in both the fixed-line business and the fast-growing wireless business, where it remains the national leader. Maroc Telecom also controls 51% of Mauritel, the incumbent operator in Mauritania.

Fixed-Line Telephony, Data Transmission and Internet

Fixed-line telephony remains Maroc Telecom s largest business in terms of revenues. The fixed-line business includes: consumer fixed-line telephony (voice services for residential and corporate customers, international sales, and the public telephony service); services for corporate customers (voice, data transmission, international services, etc.) and Internet services (access and content development (portal)).

Operating Information

After a three-year decrease, the number of fixed lines started to grow again in 2003, reaching 1.2 million as of December 31, 2003, an 8% increase over 2002.

Maroc Telecom s residential and small businesses customer base has increased by 0.2 million over the last two years to reach a total of 1.1 million lines at year end 2003. This growth is primarily due to the success of a new line of products under the El Manzil brand, which includes calling plans, packages, capped plans with recharge options, etc. Maroc Telecom s data transmission business provides companies with data transmission

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solutions including X25, frame relay, digital and analog leased lines and VPN IP lines, primarily for corporate customers.

The Internet business offers Internet access packages under the Menara brand to residential and corporate customers. In September 2003, Maroc Telecom launched its ADSL service, which should be one of its growth areas in the future. At year-end 2003, the company had approximately 47,000 subscribers to its Internet access services, over 3,500 of which were ADSL subscribers.

Mobile Telephony

Maroc Telecom launched its prepaid services in 1999 and its customer base has grown rapidly since. At year-end 2003, the company had over 5.2 million mobile clients. As of that date, Maroc Telecom estimated its market share at approximately 68% of the mobile market. In 2003, Maroc Telecom continued to diversify its terminal base, increased its range of plans, launched a new customer retention formula based on points, and is offering GPRS and MMS.

Network

Fixed-line services and data transmission. Maroc Telecom s fully digital network has a switching capacity of close to two million lines and provides national coverage through servicing newly created urban areas and improving network reliability.

Mobile telephony. Maroc Telecom has emphasized growing both population and geographic coverage. At the end of 2003, Maroc Telecom had 3,300 GSM sites, (versus 3,000 in 2002 and 600 in 1999). In 2003, over 95% of the Moroccan population was covered, the efficiency rate was greater than 97% and the drop call rate was less than 1.6%. Maroc Telecom has signed 305 roaming agreements with operators in 178 countries around the world.

Seasonality

The summer months, with the return of Moroccans residing abroad, and the two weeks preceding Aïd El Kebir register a sustained activity, while the month of Ramadan is a low point in consumption.

Competition

The auction for a second fixed-line telephony license in 2002 was unsuccessful, and Maroc Telecom is the only fixed-line operator in Morocco. The government s relaunch of the auction process will not take place before the second half of 2004. Competition exists in the mobile telephony market since the granting of a second mobile license in 1999. Medi Télécom holds an estimated 32% share of the mobile telephony market. Maroc Telecom has an estimated 72% share of the Internet market. Its leading competitors include Maroc Connect, a subsidiary of Wanadoo, with an 18% market share, and various other Internet access providers.

Regulatory Environment

The Kingdom of Morocco has created a regulatory authority, *Agence Nationale de Réglementation des Télécommunications* (National Telecommunications Regulation Agency ANRT), to implement free competition and regulate the telecommunications market in Morocco. The liberalization and privatization program of the telecommunications market advocated by the World Bank is monitored and managed by the ANRT. Principal regulatory developments in 2003 were the adoption by the Government Council of draft Law 55/03 which institutes a more gradual sanction system based on fines, relieves the operators of some obligations related to universal service and land development, and authorizes the use of alternative infrastructures.

Research and Development

Maroc Telecom has no research and development center, but it relies on internal technical experts who implement new services, with expenses in 2003 (as in 2002 and 2001) of approximately 2 million.

Other

Veolia Environnement (VE)

Until June 2002, we held approximately 63% of the share capital of Veolia Environnement, an environmental services business with global operations. In July 2002, we reduced our stake to approximately 40.8% of the outstanding share capital of Veolia Environnement and through an additional sale on December 24, 2002, we further reduced our stake to approximately 20.4%. Our investment in Veolia Environnement is now accounted for using the equity method. As part of the December sale, we granted to the purchasers a call option exercisable until December 23, 2004 to purchase our remaining stake in Veolia Environnement at 26.5 per share. For information on this call option, see Item 5 Operating and Financial Review and Prospects Contingent Liabilities.

Vivendi Telecom International (VTI)

Vivendi Telecom International operates our fixed and mobile telecommunications businesses outside France and Morocco. VTI s revenue, excluding Maroc Telecom, was 340 million in 2003, 461 million in 2002 and 242 million in 2001.

In 2002, we decided to explore selling VTI s stakes in Hungary, Poland, Egypt and Kenya in order to focus on our core businesses. In May 2003, we sold Vivendi Telecom Hungary to a consortium led by AIG Emerging Europe Infrastructure Fund and GMT Communications Partners Ltd. for 325 million (including the assumption of 305 million in net debt).

Monaco. On June 18, 2004, Vivendi Universal sold its stake in Monaco Télécom to Cable and Wireless for 169 million. The remaining 45% stake is held by the Principality of Monaco.

Spain. In August 2003, VTI sold its stake in Xfera Moviles for a nominal 1 to the other members of the Xfera consortium, generating a capital gain of 16 million (including a 75 million provision accrual).

Poland. Vivendi Universal and VTI jointly hold 49% of Elektrim Telekomunikacja (ET), a major player in the Polish telecommunications market. In November 2002, ET entered into an agreement to sell the cable television services of its wholly owned subsidiary, EI Viv Télécom for 110 million. The completion of this sale remains subject to Polish regulatory approval. In February 2003, ET sold part of its Polish fixed telephony business for approximately 17 million. ET is exploring various options with respect to its fixed telephony operations as well as its 51% stake in PTC, a mobile telephone operator with approximately 6.2 million customers at the end of 2003. For a description of certain litigation relating to Vivendi Universal s interest in ET, see Item 8 Litigation.

Kenya. On May 25, 2004, VTI sold its 60% stake in Kencell to the Sameer Group, which already held 40% of Kencell, for $230 million in cash.

Egypt. On February 25, 2003, VTI signed a share purchase agreement to sell its interest in Vodafone Egypt Telecommunications for an aggregate consideration of 40 million. The completion of the transaction is subject to regulatory approvals and various other closing conditions.

Vivendi Universal Net (VUNet)

VUNet, a wholly owned subsidiary of Vivendi Universal, and its subsidiary, Vivendi Universal Net USA Group, Inc. (VUNet USA), hold Vivendi Universal s Internet and new technology operations. In 2002, Vivendi Universal carried out a strategic review of its Internet operations. This led to the implementation of a total restructuring in 2003 through cost-reduction programs, asset sales, transfers of certain operations to other Vivendi Universal entities and the wind-up of certain subsidiaries. As a result, VUNet and VUNet USA are no longer operating subsidiaries of Vivendi Universal as of January 2004. Completion of this restructuring is expected by December 2004.

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Organizational Structure

The following table sets forth the subsidiaries through which we conducted the majority of our operations as of December 31, 2003 (subsidiaries are indented following their respective parent companies).

		2003				2002			
	Country of Incorporation	Accounting Method	Voting Interest	Ownership Interest		Accounting Method	Voting Interest	Ownership Interest	
				direct	indirect			direct	indirect
Canal+ Group									
Groupe Canal+ S.A.	France	C	100%	100%		C	100%	100%	
Canal+ S.A.(a)	France	C	49%		49%	C	49%		49%
CanalSatellite S.A.	France	C	66%		66%	C	66%		66%
StudioCanal S.A.	France	C	100%		100%	C	100%		100%
MultiThématiques	France	C	64%		64%	C	64%		64%
Universal Music Group									
Universal Studios Holding I Corp	USA	C	92%	92%		C	92%	92%	
Universal Music (UK) Holdings Ltd.	UK	C	100%		100%	C	100%		100%
Universal Entertainment GmbH	Germany	C	100%		100%	C	100%		100%
Universal Music K.K.	Japan	C	100%		100%	C	100%		100%
Universal Music S.A.S	France	C	100%		100%	C	100%		100%
Universal Studios, Inc.	USA	C	92%	92%		C	92%	92%	
Universal Music Investments Inc	USA	C	100%		100%	C	100%		100%
PolyGram Holding, Inc.	USA	C	100%		100%	C	100%		100%
Interscope Records	USA	C	100%		100%	C	100%		100%
UMG Recordings, Inc.	USA	C	100%		100%	C	100%		100%
Vivendi Universal Games	USA	C	99%		99%	C	99%		99%
Vivendi Universal Entertainment(b)									
Universal Pictures International B.V.	Netherlands	C	92%	92%		C	92%	92%	
Universal Studios Inc	USA	C	92%	92%		C	92%	92%	
Vivendi Universal Entertainment LLLP	USA	C	93%		86%	C	93%		86%
SFR Cegetel Group									
Cegetel Groupe S.A.(c)	France					C	59%	44%	
SFR (mobile and holding company in 2003)(c)	France	C	56%	56%		C	80%		80%
Cegetel S.A.S./ Cegetel S.A. (fixed)(d)	France	C	65%		65%	C	80%		90%
Télécom Développement(d)	France					E	50%		50%
Maroc Telecom S.A.(e)	Morocco	C	51%		35%	C	51%		35%
Other									
Vivendi Telecom International S.A.	France	C	100%	100%		C	100%	100%	
Vivendi Telecom Hungary(f)	Hungary					C	100%		100%
Kencell S.A.	Kenya	C	60%		60%	C	60%		60%
Monaco Télécom S.A.M.	Monaco	C	55%		55%	C	55%		55%
Elektrim Telekomunikacja S.A.(g)	Poland	E	49%		49%	E	49%		49%
Xfera Moviles S.A.(f)	Spain					E	26%		26%
Vivendi Universal Publishing S.A.	France	C	100%	100%		C	100%	100%	
Groupe Express-Expansion(f)	France					C	100%		100%
Comareg S.A.(f)	France					C	100%		100%
Atica	Brazil	C	98%		49%	C	98%		49%
Vivendi Universal Net	USA	C	100%	100%		C	100%	100%	
UGC	France	E	38%	38%		E	58%	58%	
Veolia Environnement S.A.	France	E	20%	20%		E	20%	20%	

C: Consolidated; E: Equity.

(a) Consolidated because Vivendi Universal has a majority of the shareholder voting rights and no other shareholder or groups of shareholders exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi Universal.

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(b) On May 11, 2004, NBC and VUE completed the creation of NBC Universal, a global media and entertainment enterprise with expected 2005 revenues of $15 billion. As a result of this transaction, Vivendi Universal has an approximate 20% interest in NBC Universal which is controlled by GE. Beginning in 2006, Vivendi Universal will have the right to monetize its interest over time at fair market value.

(c) As a consequence of the acquisition of BT Group s 26% interest in Cegetel Groupe SA, Vivendi Universal had an 85% voting interest in Cegetel Groupe SA and consolidated this entity and its subsidiary SFR, with an interest of 70% and approximately 56%, respectively, from January 23, 2003. On December 18, 2003, the extraordinary shareholders meeting of Cegetel Groupe SA approved the merger of Transtel, Cofira and SFR into Cegetel Groupe SA. The new company resulting from the merger, which is both the mobile phone operator and the holding company of the group, is renamed SFR. It is owned 55.8% by Vivendi Universal, 43.9% by Vodafone, and 0.3% by individual shareholders. Further to this simplification of the capital structure an amendment to the Cegetel shareholders agreement was signed in order to include specific provisions of the SFR shareholders agreement. Under the terms of this amended shareholders agreement, Vivendi Universal has management control of SFR, majority control over the board of directors and appoints the chairman and CEO, majority control over the shareholders general meeting, and no other shareholder or shareholder group is in a position to exercise substantive participating rights that would allow them to veto or block decisions taken by Vivendi Universal. The Cegetel shareholders agreement is available at http://www.vivendiuniversal.com.

(d) In December 2003, Cegetel SA and Télécom Développement (network operator, subsidiary of SNCF) were merged into a new entity named Cegetel SAS. The capital of this company is 65% held by SFR and 35% by SNCF.

(e) Vivendi Universal owns a 35% interest in Maroc Telecom, and the Kingdom of Morocco holds the remaining 65%. Vivendi Universal consolidates Maroc Telecom because under company by-laws and shareholders agreements, Vivendi Universal has majority control over its supervisory board and management board. Under shareholders agreements, Vivendi Universal appoints 3 of the 5 members of the management board, appoints the chairman of the management board and exercises 51% of all voting rights at shareholders general meetings; and these rights grant Vivendi Universal, under the majority rules set forth in the company s by-laws, control over the shareholders general meeting, as well as over the supervisory and management boards of Maroc Telecom. Should Vivendi Universal not acquire the shares that would give it the majority of Maroc Telecom s share capital, the 16% voting rights granted to Vivendi Universal through shareholders agreements would expire on September 1, 2005, unless the Kingdom of Morocco exercises its put option requiring Vivendi Universal to acquire an additional 16% interest in Maroc Telecom s share capital prior to that date. On September 2, 2003, Vivendi Universal announced that its board of directors approved a plan to increase its interest in Maroc Telecom S.A. to 51%.

(f) Participations sold in 2003.

(g) Since December 1999, Vivendi Universal has held a 49% interest in Elektrim Telekomunikacja, with Elektrim SA holding the remaining 51% until September 3, 2001. An agreement concerning the shareholding and management of Elektrim Telekomunikacja was signed by Vivendi Universal and Elektrim on September 3, 2001. This agreement had no impact on Vivendi Universal s ownership or voting interest in Elektrim Telekomunikacja, which is unchanged at 49%. Belgian investment company Ymer acquired a 2% equity interest in Elektrim Telekomunikacja from Elektrim. Ymer is a company independent of Vivendi Universal, which does not own nor control it, directly or indirectly. Vivendi Universal has purchased non-voting shares in LBI fund, an investment company, operating as a mutual fund, which enabled Ymer to make its acquisition. Vivendi Universal is by no means committed to acquire the shares owned by Ymer. Similarly, Ymer has neither a right nor an obligation to sell the shares it holds in Elektrim Telekomunikacja to Vivendi Universal, and is free to sell them to a third party at any time, subject to Vivendi Universal s right of pre-emption thereon. Ymer is consequently not consolidated by Vivendi Universal. However, the economic exposure is carried by Vivendi Universal, which consequently records valuation allowances where appropriate, on the basis of quarterly values communicated by the mutual fund manager (please see Item 18 Note 8.1). Agreements between Vivendi Universal and Elektrim retain Vivendi Universal s pre-existing rights. Vivendi Universal, Elektrim SA and Ymer have 3, 3 and 1 representatives on the Elektrim Telekomunikacja supervisory board, respectively, and 2, 2 and 2 representatives on the management board, respectively, all of whom are appointed independently by Vivendi Universal, Elektrim, and Ymer. Vivendi Universal consequently accounts for its interest in Elektrim Telekomunikacja using the equity method. The group intends to sell this interest. As a consequence, Vivendi Universal may consider purchasing the 2% equity interest held by Ymer in order to further enhance its shareholder rights and thereby facilitate the divestiture of the entire participation in Elektrim Telekomunikacja.

For more information on the above table, see Item 18 Note 27.

Property, Plant and Equipment

In connection with our music and TV & film businesses, we own manufacturing facilities in the US and Germany and office buildings and warehouse facilities in various countries. To support the rest of its business operations around the world, Vivendi Universal leases the majority of the real estate it requires.

VUE owns, develops and manages the Universal City complex in Universal City, California, spanning approximately 400 acres and comprised of: Universal City Studios, a complex of filmed entertainment production, post-production and studio facilities and supporting office space; the Universal Studios Hollywood Theme Park and Universal CityWalk, an integrated retail and entertainment complex offering shopping, cinemas, dining and open-area food and beverage facilities, and the Universal Ampitheatre, an enclosed entertainment venue. In addition, Universal Studios has an ownership interests and provides operational and management oversight for the following theme park facilities: Universal Studios Florida, Universal s Islands of Adventure and Wet n Wild in Orlando, Florida; Universal Studios Japan in Osaka, Japan; and Universal Mediterránea near Barcelona, Spain.

We have various commitments for the purchase of property, plant and equipment, materials, supplies and items of investment related to the ordinary conduct of business.

Patents, Licenses, Contracts, Manufacturing Processes

Other than SFR s UMTS license (see Item 18 Note 5 for further information), we have no patents, licenses, contracts or other manufacturing processes that are, in particular, material to Vivendi Universal.

Item 5: *Operating and Financial Review and Prospects*

Basis of Presentation

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

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

Overview

Our financial condition and results of operation over the three-year period under review have been significantly impacted by our divestiture program and our focus on improving our liquidity and debt situation. Due to the progress in our divestiture program, we were able to improve our liquidity and debt situation in 2003. We reduced our financial net debt from 34.9 billion in June 2002 to 12.3 billion by the end of 2002 and 11.6 billion by the end of 2003, despite a 4 billion investment to acquire the BT stake in Cegetel in January 2003. Access to cash flows from each of our businesses has improved and the generation of cash flow by our business units has contributed to debt reduction.

Having improved our liquidity and reduced our debt, we are now focusing on developing the assets of our two core businesses: media and telecommunications.

In 2003, we invested 6.0 billion, 1.6 billion of which consisted of capital expenditures in our core businesses and 4 billion to increase our stake in SFR Cegetel Group. In addition, the NBC-Universal Transaction was finalized on May 11, 2004. We also decided to increase our stake in Maroc Telecom and refocused, restructured and recapitalized Canal+ Group, resulting in decreased costs of approximately 3 billion. At UMG, we implemented significant cost-reduction programs, as well as anti-piracy campaigns. At VU Games, we initiated a restructuring plan (and implemented a new strategic direction) in early 2004. Furthermore, we eliminated major cash drains and divested non-strategic assets (with 2003 proceeds at approximately 3 billion, and approximately 15 billion in proceeds since July 2002). For more information on our business and certain major transactions, see Item 4 Business Overview and Item 4 Business Overview 2003 Significant Transactions.

Moreover, our net loss was significantly reduced in 2003 to 1,143 million compared to 23,301 million in 2002. Excluding Veolia Environnement, this significant improvement was mainly due to lower impairment losses from goodwill and other intangible assets and lower financial provision accrual, and was slightly offset by lower gains on businesses sold.

This improvement was also mainly achieved through the growth of our operating income (reflecting the fast development of both SFR Cegetel Group and Maroc Telecom), the favorable impact of ongoing restructuring plans, and tax improvements, while being partially offset by higher financial expenses.

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

Comparability

Realignment of Segment Reporting

In 2002, we realigned our segment reporting to reflect the new business organizations and management structures resulting from the change in senior management, as well as the dispositions of businesses which occurred in the second half of the year.

Changes in Accounting Principles and Financial Statement Presentation

In 2001, Vivendi Universal adopted new accounting principles and modified its financial statement presentation in order to more closely align accounting policies between French GAAP and US GAAP. The principal changes, as they relate to the discussion presented below, are as follows:

As permitted by Regulation 99.02 (§41) of the French Accounting Standards Board, Vivendi Universal elected to present its Consolidated Statement of Income in a format that classifies income and expenses by function rather than by nature, which was the format used in prior years.

For our subsidiary Veolia Environnement (which was deconsolidated from the Vivendi Universal balance sheet as of December 31, 2002), revenues include operating subsidiaries and exclude any revenues related to construction of assets for internal use.

The definition of exceptional items has been restricted to include only material items of an unusual nature that arise from events or transactions outside the ordinary course of business and which are not expected to recur. For Vivendi Universal, exceptional items are primarily comprised of gains and losses on the divestiture of businesses. Exceptional items are presented as a separate component in our Consolidated Statement of Income after operating income and financial expenses but before income taxes. Prior to 2001, Vivendi Universal had a broader definition of exceptional items, including restructuring costs, plant dismantling and closure costs and the effect of guarantees given when exercised, among others. These items are now included as components of operating income.

Critical Accounting Estimates

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

Use of Estimates

The preparation of Vivendi Universal s financial statements requires management to make informed estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to the sale of future and existing music and publishing related products, as well as from the distribution of theatrical and television products, in order to evaluate the ultimate recoverability of accounts receivable, film inventory, artist and author advances and investments and in determining valuation allowances for investments, long-lived assets, pension liabilities and deferred taxes.

Estimates and judgments are also required and regularly evaluated concerning financing operations, restructuring costs, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates under different assumptions or conditions.

Asset Impairment

Valuation of long-term assets

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

Goodwill and other intangible assets with indefinite lives

Vivendi Universal regularly reviews the carrying value of goodwill and other intangible assets that are determined to have an indefinite life. These assets are tested for impairment on an annual basis and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below the carrying value. The fair value of these assets is determined using the discounted cash flow method, which is based on business plans approved by the board supported by a market approach (standard criteria including: a comparison to similar listed companies, an assessment based on the value attributed to the reporting units involved in recent transactions and quoted market prices). Reporting units involved in the asset divestiture program approved by the board of directors are assessed on the basis of their net realizable value. Under US GAAP, Vivendi Universal adopted SFAS 142 as of January 1, 2002. Under this standard, Vivendi Universal tests for impairment on the basis of the same objective criteria that are used under French GAAP. Nevertheless, SFAS 142 requires a two-step approach at the reporting unit level. In the first step, the fair value of the reporting unit is compared to its book value, including goodwill. In order to determine the fair value of the reporting unit, significant management judgment is applied in order to estimate the underlying discounted future cash flows. If the fair value of the reporting unit is less than its book value, a second step is performed which compares the implied value of the reporting unit s goodwill to the book value of its goodwill. The implied value of the goodwill is determined based upon the difference between the fair value of the reporting unit and the net of the fair value of the identifiable assets and liabilities of the reporting unit. If the implied value of the goodwill is less than its book value, the difference is recorded as an impairment. For more information, see Item 18 Note 32. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

Investments and receivables from equity affiliates

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

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Revenue Recognition

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

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

Film and Television Revenues and Costs

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

Music Advances to Artists

For established artists, Vivendi Universal capitalizes advances and direct costs associated with the creation of record masters and expenses these costs as the related royalties are earned or when the amounts are determined to be unrecoverable. An established recording artist is an artist whose past performance and current popularity provide a sound basis for estimating the recoverability of the advance. Advances to artists who are not established are expensed as incurred. Estimates of recoverability can change based on the current popularity of the artist based on sales through the reporting period. If it appears that a portion of the advance is not recoverable from royalties to be earned by the artist, a provision is made in the period that a loss becomes apparent.

Pension Benefit Costs

Vivendi Universal s pension benefit obligations and the related costs are calculated using actuarial models and assumptions applicable in the countries where the plans are located, principally the US, Canada, the United Kingdom and France. Two critical assumptions, discount rate and expected return on plan assets, are important elements of plan expense and/or liability measurement. We evaluate these critical assumptions at least annually. Other assumptions involve demographic factors such as retirement, mortality, turnover and rate of compensation increase. These assumptions are evaluated periodically and are updated to reflect our experience. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The discount rate enables us to state expected future cash flows at a present value on the measurement date. We have little latitude in selecting this rate, as it is required to represent the market rate for high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension expense. We reduced our weighted average discount rate from 6.3% in 2001 to 5.7% in 2002 and to 5.4% in 2003 to reflect market interest rate conditions. For our US plans, a further 50 basis point decrease in the discount rate would increase pension expense by approximately 1 million per year. To determine the expected long-term rate of return on pension plan assets, we consider, for each country, the structure of the asset portfolio and the expected rates of return for each of the components. For our US plans, a 50 basis point decrease in the expected return on assets of principal plans would increase pension expense on our principal plans by approximately 2 million per year.

We assumed that the weighted averages of long-term returns on our pension plans were 6.5% in 2003, 7.2% in 2002 and 7.4% in 2001. Further information on our principal pension plans is provided in Note 15 to our Consolidated Financial Statements, including disclosure of these assumptions.

Contingencies

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

Provisions and Liabilities

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

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

RESULTS OF OPERATIONS

Preliminary notes:

On May 11, 2004, Vivendi Universal and GE closed the NBC-Universal Transaction (the parties had executed the definitive agreement on October 8, 2003), thereby combining the respective businesses of NBC and VUE. This transaction resulted in an approximate 20% interest in NBC Universal. As a result of the closing of the NBC-Universal Transaction, Vivendi Universal deconsolidated VUE and its interest in NBC Universal is accounted for using the equity method. The NBC-Universal Transaction is described in Item 4 Information on the Company 2003 Significant Transactions. For unaudited condensed pro forma consolidated financial statements reflecting the deconsolidation of VUE, see below.

This transaction had no impact on Vivendi Universal s 2003 Financial Statements and should have an impact on the Company s 2004 Financial Statements. For more information on the estimated impact of this transaction on Vivendi Universal s accounts, see Item 18 Note 3.

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Consolidated Statement of Income:

	Year ended December 31,			
	2003 Actual(a)	2002 with VE accounted for using the equity method(b)	2002 Actual(a)	2001 Actual
	(In millions, except per share amounts)			
Revenues	25,482	28,112	58,150	57,360
Cost of revenues	(15,268)	(16,749)	(40,574)	(39,526)
Selling, general and administrative expenses	(6,812)	(8,919)	(12,937)	(13,699)
Other operating expenses, net	(93)	(567)	(851)	(340)
Operating income	3,309	1,877	3,788	3,795
Financing expense	(698)	(650)	(1,333)	(1,455)
Other financial expenses, net of provisions	(509)	(3,444)	(3,409)	(473)
Financing and other expenses, net	(1,207)	(4,094)	(4,742)	(1,928)
Income (loss) before gain on businesses sold, net of provision, income taxes, equity interest, goodwill amortization and minority interests	2,102	(2,217)	(954)	1,867
Gain on businesses sold, net of provisions	602	1,125	1,049	2,365
Income tax expense	408	(2,119)	(2,556)	(1,579)
Income (loss) before equity interest, goodwill amortization and minority interests	3,112	(3,211)	(2,461)	2,653
Equity in earnings of sold subsidiaries(a)	1	17	17	
Equity in (losses) earnings of unconsolidated companies	71	(99)	(294)	(453)
Equity loss in Veolia Environnement impairment(c)	(203)			
Goodwill amortization	(1,120)	(992)	(1,277)	(1,688)
Impairment losses(d)	(1,792)	(18,442)	(18,442)	(13,515)
Income (loss) before minority interests	69	(22,727)	(22,457)	(13,003)
Minority interests	(1,212)	(574)	(844)	(594)
Net loss	(1,143)	(23,301)	(23,301)	(13,597)
Loss per share basic	(1.07)	(21.43)	(21.43)	(13.53)
Weighted average common shares outstanding (in millions)(e)	1,071.7	1,087.4	1,087.4	1,004.8

(a) In 2002 and 2003, Vivendi Universal applied the option proposed in paragraph 23100 of the French rules 99-02 and presented the equity in (losses) earnings of businesses that were sold during each fiscal year on one line in the consolidated statement of income as equity in (losses) earnings of sold subsidiaries . In 2002 sold subsidiaries include all of the Vivendi Universal Publishing activities excluding: Vivendi Universal Games, publishing activities in Brazil and the Consumer Press Division and Comareg. In 2003, disposed subsidiaries include the Consumer Press Division, which was sold in early February 2003.

(b) This consolidated statement of income presents the group s scope of consolidation as at December 31, 2002. It illustrates the accounting of Veolia Environnement by using the equity method from January 1, 2002 instead of December 31, 2002.

(c) The impairment loss of 203 million corresponds to Vivendi Universal s 20.4% interest in Veolia Environnement s impairment of goodwill and other intangible assets (i.e., 453 million), after a notional impairment of goodwill initially recorded as a reduction of shareholder s equity of 250 million, as prescribed by French GAAP.

(d) In 2003, includes impairment losses in respect of goodwill (1,273 million), other intangible assets (406 million) and investments accounted for using the equity method (113 million).

(e) Excluding treasury shares recorded as a reduction of shareholders equity (4,360 shares as at December 31, 2003). The weighted average common shares outstanding including the potential dilution effect of outstanding convertible bonds and stock options represented approximately 1,209.6 million common shares as at December 31, 2003. The financial instruments with potential dilution effect that were in the money as of December 31, 2003 represented approximately 96.2 million common shares on a total of 137.9 million common shares to be potentially issued.

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Unaudited Condensed Pro Forma Consolidated Financial Statements

The following unaudited condensed pro forma consolidated statement of income have been prepared in accordance with Rule 11-02 of Regulation S-X under the Exchange Act, assuming that the deconsolidation of VUE occurred on January 1, 2003, and the equity method of accounting for the investment in VUE was used for all of 2003. The following unaudited condensed pro forma consolidated financial position has been prepared assuming the deconsolidation of VUE occurred on December 31, 2003. The following unaudited condensed pro forma consolidated statements of income and financial position are not necessarily indicative of the actual results of operations which would have occurred had the deconsolidation occurred on these dates, nor are they necessarily indicative of future operating results. The following unaudited condensed pro forma consolidated statements of income and financial position do not give effect to the acquisition of approximately 20% interest in NBC.

(a) Unaudited Condensed Pro Forma Consolidated Statement of Income as of December 31, 2003

	Year Ended December 31, 2003 (French GAAP, Unaudited)		
	Reported	**Deconsolidation of VUE**	**Pro forma**
		(In millions of euros)	
Revenues	25,482	(6,022)	19,460
Operating expenses	(22,173)	5,091	(17,082)
Operating income	3,309	(931)	2,378
Financing and other expense, net	(1,207)	236	(971)
Income (loss) before gain on businesses sold, net of provisions, income taxes, equity interest, goodwill amortization and minority interests	2,102	(695)	1,407
Gain on businesses sold, net of provisions	602	(18)	584
Income tax expense	408	175	583
Income (loss) before equity interest, goodwill amortization and minority interests	3,112	(538)	2,574
Equity in (losses) earnings of unconsolidated companies and sold affiliates	72	(12)	60
Goodwill amortization & impairment	(3,115)	520	(2,595)
Income (loss) before minority interests	69	(30)	39
Minority interests	(1,212)	30	(1,182)
Net loss	(1,143)		(1,143)
Loss per basic share	(1.07)		(1.07)
Adjustments to conform to U.S. GAAP:			
Business combination and goodwill	1,021	(333)	688
Impairment losses of goodwill and other intangible assets	(742)		(742)
Impairment of long-lived assets	(25)		(25)
Intangible assets	(152)		(152)
Financial instruments	155	(37)	118
Employee benefit plans	(66)	41	(25)
Other	50	(11)	39
Tax effect	(428)	25	(403)
Deduction of income from discontinued operations	(306)		(306)

Adjustments to conform to U.S. GAAP relative to VUE		315	315
Sub-total	(493)		(493)
U.S. GAAP net loss from continuing operations	(1,636)		(1,636)

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(b) Unaudited Condensed Pro Forma Consolidated Statement of Financial Position as of December 31, 2003

	Year Ended December 31, 2003 (French GAAP, Unaudited)		
	Reported	Deconsolidation of VUE	Pro forma
Assets			
Goodwill, net	17,789	(6,203)	11,586
Other intangible assets, net	11,778	(4,770)	7,008
Property, plant and equipment, net	6,365	(1,042)	5,323
Investments accounted for using the equity method	1,083	5,469	6,552
Other investments	3,549	(827)	2,722
Total long-term assets	40,564	(7,373)	33,191
Inventories and work-in-progress	744	(209)	535
Accounts receivable	8,809	(2,384)	6,425
Deferred tax assets	1,546	(56)	1,490
Short-term loans receivable	140	(1)	139
Marketable securities	259		259
Cash and cash equivalents	2,858	2,807	5,665
Total current assets	14,356	157	14,513
TOTAL ASSETS	54,920	(7,216)	47,704
Liabilities and Shareholder s Equity			
Total shareholder s equity	11,923	917	12,840
Minority interests	4,929	(952)	3,977
Other equity	1,000		1,000
Deferred income	560	(97)	463
Provision	2,294	(49)	2,245
Long-term debt	9,621	(213)	9,408
Other non-current liabilities and accrued expenses	2,407	(799)	1,608
Total non-current liabilities	32,734	(1,193)	31,541
Accounts payable	12,261	(1,880)	10,381
Deferred taxes	5,123	(1,661)	3,462
Bank overdrafts and other short-term borrowings	4,802	(2,482)	2,320
Total current liabilities	22,186	(6,023)	16,163
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	54,920	(7,216)	47,704

Comparison of 2003 versus 2002

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

Excluding these items and treating Veolia Environnement as accounted for using the equity method in both periods, the improvement has been achieved through:

+ 1,432 million from the operating income improvement,

+ 393 million from the tax improvement (mainly a consequence of the rationalization of SFR Cegetel Group s structure),

and was partially offset by:

538 million from the higher financial expenses (mainly due to 228 million of foreign exchange losses in 2003 against 153 million capital gain on Vinci shares in 2002),

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273 million from the higher minority (mainly due to the improvement in SFR Cegetel Group and Maroc Telecom results)

103 million from the decrease in equity in earnings or sold affiliates (reduced contribution from Veolia Environnement not fully offset by reduced losses in international telecom and Canal+)

48 million from the higher financing expenses, reflecting an increased average cost of the debt (4.8% in 2003 versus 4.1% in 2002) offset by a lower average gross debt (16.4 billion in 2003 versus 22.1 billion in 2002).

Net income in 2003, excluding exceptional items and goodwill, includes non-recurring items. The positive items are the simplification of SFR s structure (287 million group share) and the reversal of certain provisions (649 million). These were largely offset by the negative impact of currency movements (228 million of foreign exchange losses and 121 million from the effect of currency on the operating income) as well as restructuring provisions and various exceptional charges (510 million).

Revenues

In 2003, Vivendi Universal s consolidated revenues amounted to 25,482 million compared with 58,150 million in 2002. Excluding Veolia Environnement and the publishing businesses divested in 2003, Vivendi Universal s pro forma 2003 revenues declined 10%, from 28,157 million in 2002 to 25,354 million in 2003, and 3% at constant currency. The main contributors to the decline at constant currency were UMG, VU Games and Canal+ Group (mainly due to scope changes) partially offset by increased revenues at SFR Cegetel Group, Maroc Telecom and VUE.

For an analysis of revenues by business segment, please see Comparison of Business Segment Results.

Cost of Revenues

In 2003, cost of revenues represented 60% of revenues or 15,268 million compared to 60% of revenues or 16,749 million in 2002 excluding Veolia Environnement. Gross margins were flat due to the combination of: (i) improved gross margin from Canal+ Group mainly due to the efficient cost reduction policy and scope changes, (ii) reduced gross margins at UMG (higher proportion of lower margin activities) and VU Games (higher royalty expenses), (iii) the divestiture of Consumer Press and Comareg and (iv) reduced costs from Vivendi Telecom International (VTI) and internet activities as a result of the ongoing restructuring plan.

Selling, General and Administrative Expenses

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

Depreciation and Amortization

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

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Other Operating Expenses, Net

Other operating expenses, net amounted to 93 million in 2003 compared to 851 million in 2002. They are comprised of restructuring charges, which amounted to 221 million in 2003 (mainly at UMG, Canal+ Group and Internet) compared to 304 million in 2002 (mainly resulting from restructuring plans at the holding level and at Internet). In 2003, other operating expenses, net also included provision reversals (of which 129 million were at Canal+ Group). In 2002, other operating expenses also included non-recurring provisions.

Operating Income

Whereas Vivendi Universal s revenues declined by 56%, Vivendi Universal operating income declined by 13% to 3,309 million in 2003 compared to 3,788 million in 2002, mainly due to scope changes. Vivendi Universal s pro forma 2003 operating income increased by 61%, and 67% at constant currency, to 3,303 million compared with 2,051 million in 2002 (see Comparison of Business Segment Results).

This strong operating income performance was achieved by improving Canal+ outside France, VU Net, VTI and Vivendi Valorisation (903 million) and through improving performance at SFR Cegetel Group, Maroc Telecom and Canal+ Group s core business (pay-TV in France) (815 million), lower corporate costs (335 million) and despite lower performance compared with 2002 at UMG and VU Games (750 million).

For an analysis of operating income by business segment, see Comparison of Business Segment Results.

Financing Expense

In 2003, financing expense was reduced by one-half to 698 million compared to 1,333 million in 2002. On a pro forma basis, financing expense was up 12% compared to 624 million in 2002. Average gross debt decreased to 16.4 billion in 2003 from 22.1 billion in 2002 including the 4 billion investment to increase Vivendi Universal s stake in SFR Cegetel Group in 2003, but as a result of our plan to carry out certain refinancings, and the refinancing plan, the average cost of gross debt increased from 4.1% in 2002 to 4.8% in 2003, including management of interest costs.

Other Financial Expenses, Net of Provisions

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

(i) other financial expenses which were deemed non-recurring, net of provisions, including financial provisions and amortization of financial charges, realized losses related to financial provisions taken previously, fees related to the implementation of the refinancing plan and losses incurred on the settlement of put options on treasury shares, amounted to 94 million in 2003 compared to 3,676 million in 2002. In 2003, they were mainly comprised of losses related to the amortization of deferred charges related to bond issuances, facilities and others (193 million including a 64 million provision accrual) and, fees incurred in the implementation of the refinancing plan (50 million), the SEC indemnity (40 million) and the downside mark-to-market of the put option granted to SNCF on the Cegetel SAS interest (85 million, for more details, see Item 18 Note 29). These negative impacts were partially offset by the sale of IAC warrants (125 million including a 454 million provision reversal), the upside mark-to-market of DuPont shares (142 million) and the termination of LineInvest total return swap (97 million), and the sale of an impaired investment in Softbank Capital Partners (29 million).

In 2002, they were mainly comprised of losses related to put options on treasury shares (693 million including a provision accrual of 104 million), fees related to the implementation of the refinancing plan (193 million) and provision accruals as a result of mark-to-market of IAC warrants, interest rate swap and premium on Vivendi Universal call option granted by BNP Paribas (454 million, 261 million, 226 million, respectively), impairment losses related to Elektrim Telekomunikacja, UGC and UGC Ciné Cité, investments in international telecom and Softbank Capital Partners investment (609 million, 220 million, 175 million, 120 million, respectively) and amortization of deferred charges related to bonds issuances, facilities and others (174 million). For more details, see Item 18 Note 22.

(ii) Other financial expenses excluding the items described above amounted to 415 million in 2003 compared to a financial income of 268 million in 2002. In 2003, they were mainly comprised of foreign exchange losses (228 million) and SFD debt cancellation vis-à-vis SFR Cegetel Group for 200 million, which was offset by an improvement in SFD s net income and shareholder equity, which positively impacted SFR Cegetel Group equity earnings as SFD is 49% held by SFR Cegetel Group. In 2002, they were primarily comprised of a capital gain on the sale of Vinci (153 million) and dividends from unconsolidated investments (58 million).

Gain on Businesses Sold, Net of Provisions

In 2003, gain on businesses sold, net of provisions of 602 million consisted mainly of capital gains on the divestiture and/or dilution of our interest in the following investments (see Item 4 2003 Significant Transactions for further information): Telepiù (215 million, including a 352 million provision reversal), Consumer Press Division (104 million), Sogecable (71 million), UGC (47 million), Comareg (42 million), Xfera (+ 16 million, including a 75 million provision accrual) and Internet subsidiaries (38 million). At December 31, 2003, income tax expense and minority interests related to gain on business sold, net of provisions, amounted to 21 million and 11 million, respectively. See Item 18 Note 23.

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

Income Tax Expense

In 2003, income tax expense was a credit of 408 million compared to an expense of 2,556 million in 2002. This improvement was mostly due to (i) the effect of the rationalization of the structures at SFR Cegetel Group (saving 515 million in 2003), (ii) the deconsolidation of Veolia Environnement (expense of 437 million in 2002), (iii) a reversal of a reserve of 477 million (established in 2002 for a potential contractual liability for tax indemnification that would have arisen in 2002 if Vivendi Universal had been unable to secure refinancing for the bridge loan relating to the $1.6 billion Vivendi Universal Entertainment Leveraged Partnership Distribution made on May 7, 2002) and (iv) other provision reversals resulting from the conclusion of tax audit for prior taxable period. After eliminating the tax impacts which were deemed non-recurring (mainly comprised of the reversal of the 477 million reserve and other provision reversals resulting from the conclusion of tax audit for prior taxable years) in 2003, income tax expense totaled 704 million compared to 1,534 million in 2002. In 2003, taxes relating to non-recurring items were a credit of 1,112 compared to an expense of 1,022 in 2002. Vivendi Universal s income tax rate on net income excluding taxes relating to non-recurring items in 2003 was 31% compared to 63% in 2002.

Income Tax Cash Flow

Since SFR Cegetel Group, Maroc Telecom, CanalSatellite and Canal+ SA are not part of Vivendi Universal s consolidated tax group, losses elsewhere in the group are not available to offset profits taxable at those entities. Income tax paid amounted to 1,242 million in 2003 compared to 1,252 million in 2002. Cash flow benefit from the SFR Cegetel Group reorganization will mostly influence 2004 income tax paid.

Equity in (Losses) Earnings of Unconsolidated Companies

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

Goodwill Amortization

In 2003, goodwill amortization declined 12% to 1,120 million compared to 1,277 million in 2002. The increase in Canal+ Group goodwill amortization was primarily due to the exceptional amortization of Telepiù goodwill for 129 million which offset a provision reversal recorded in the operating income for the same amount. The increased goodwill amortization at SFR was primarily due to the acquisition of the 26% BT stake. These increases have been more than offset by the impact of the divestitures and on-going restructuring plan at VU Net and the reduction of amortization induced by the impairment losses recorded in previous years.

Impairment Losses

In 2003, impairment losses amounted to 1,792 million compared to 18,442 million in 2002. The main sources of these losses were UMG due to continued deterioration of the music market in 2003 (1,370 million), VUE due to softness in the tourism market impacting theme park activity (impairment of 188 million), Canal+ Group resulting from impairment of international assets under divestiture (165 million) and VU Games (61 million).

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

For further discussion on impairment losses, see Item 18 Note 4.

Minority Interests

In 2003, minority interest expense increased by 44% to 1,212 million compared to 844 million in 2002, primarily due to the increased profitability at SFR Cegetel Group and Maroc Telecom and despite the acquisition of the 26% BT stake in SFR Cegetel Group.

Net Loss/ Loss Per Share Basic

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

Comparison of 2002 versus 2001

Revenues

Total revenues increased 1% from 57,360 million in 2001 to 58,150 million in 2002, primarily reflecting the acquisition in May 2002 of IAC s entertainment assets, partially offset by the fact that revenues generated by Vivendi Universal publishing operations sold in 2002 are not included in 2002 revenues whereas they were included in 2001 revenues.

For an analysis of revenues by business segment, see Comparison of Business Segment Results.

Cost of Revenues

In 2002, cost of revenues (including Veolia Environnement) represented 70% of revenues or 40,574 million compared 69% of revenues or 39,526 million in 2001. Main differences between 2002 and 2001: (i) loss in gross margin from Canal+ Group, due to increases in programming costs and the write-off of films at StudioCanal, (ii) declining revenues and higher artist & repertoire (A&R) development and royalty costs at UMG, (iii) deconsolidation of Vivendi Universal publishing businesses sold which operated at gross margins of 50% and Veolia Environnement, (iv) margin improvements at SFR Cegetel Group and Maroc Telecom as the result of managing costs efficiently as revenues rose, in particular thanks to productivity gains in interconnection and network costs at SFR Cegetel Group and (v) margin improvements at VUE mainly due to the inclusion of eight months of performance of IAC entertainment assets in 2002. The full-year consolidation of Maroc Telecom and the eight-month consolidation of IAC entertainment assets also contributed to the 1,048 million increase in cost of revenues.

Selling, General and Administrative Expenses

In 2002, selling, general and administrative expenses represented 22% of revenues or 12,937 million compared to 23.9% of revenues or 13,699 million in 2001. In relation to revenues, the cost improvements in 2002 versus 2001 are attributed to: (i) the deconsolidation of the Vivendi Universal publishing businesses sold as they carried higher selling, general and administrative costs at 38% of revenues compared to the group average (ii) cost management at SFR Cegetel Group and Maroc Telecom, which reflects the effect of economies of scale as fixed costs were spread over a larger revenue base and (iii) the contributive margin from the acquired IAC entertainment assets at VUE.

These improvements were offset by a significant increase in expenses at Holding & Corporate related to pensions and insurance.

Operating Income

Total operating income was flat at 3,788 million in 2002 compared to 3,795 million in 2001 as increases in cost of revenues and other operating expenses were offset by a decline in selling, general and administrative expenses.

For an analysis of operating income (loss) by business segment, see Comparison of Business Segment Results.

Financing Expense

In 2002, financing expense amounted to 1,333 million, a decline of 8% compared to 1,455 million in 2001. The sales of Houghton Mifflin, the majority of Vivendi Universal Publishing s other operations, Vivendi Universal s investment in EchoStar and a portion of our interest in Veolia Environnement at the end of the year significantly reduced our debt level. However, the first half of 2002 included the cost of financing the acquisition of the entertainment assets of IAC in May and EchoStar in January. The average cost of debt in 2002 was 4.1% (excluding Veolia Environnement) compared to 4.0% in 2001.

Other Financial Expenses, Net of Provisions

Other financial expenses, net of provisions of 3,409 million were incurred in 2002 compared to financial expenses, net of provisions of 473 million in 2001. In 2001, financial expenses, net of provisions were mainly comprised of a capital gain on the sale of Saint Gobain shares (101 million), losses related to put options on treasury shares (71 million) and provision accruals mainly related to Softbank Capital Partners investment (119 million), investments related to Elektrim SA (104 million) and Lagardère (42 million).

Gain on Businesses Sold, Net of Provisions

In 2002, gain on businesses sold, net of provisions totaled 1,049 million compared to 2,365 million in 2001. 2001 principal components were capital gains on the divestiture and/or dilution of our interest in the

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following companies: 1 billion for the BSkyB transactions, 712 million for the divestiture of AOL France, 151 million for the sale of Eurosport, 116 million for the sale of a 9.3% interest in Veolia Environnement, 125 million for the sale of Havas Advertising and 121 million for the Dalkia/ EDF transactions.

Income Tax Expense

In 2002, income tax expense totaled 2,556 million, an increase of 62% over the prior year. Of the total, approximately 1.1 billion related to recurring operations, including 544 million for SFR Cegetel Group, and 1.0 billion related to exceptional items (mainly the use of deferred tax), which did not generate any cash outflow. Since SFR Cegetel Group and Maroc Telecom were not part of our consolidated tax group, losses elsewhere in the group were not available to offset profits taxable at those entities. As a result, Vivendi Universal s income tax rate on adjusted net loss in 2002 was 63% compared to 50% in 2001.

Equity in (Losses) Earnings of Unconsolidated Companies

Equity in (losses) earnings of unconsolidated companies decreased by 35% from 453 million in 2001 to 294 million in 2002, primarily due to decreased losses from Internet subsidiaries and Canal+ Group. Partially offsetting these improvements was the loss of equity income following the May 2002 acquisition and consolidation of the entertainment assets of IAC, which had previously been accounted for using the equity method, and increased losses from international telecom subsidiaries.

Goodwill Amortization

In 2002, recurring goodwill amortization declined 24% to 1,277 million compared to 1,688 million in 2001, primarily due to the impact of goodwill impairment charges taken in prior periods.

Impairment Losses

In view of the continued deterioration of the economy in 2002 and the resulting decline in the value of some media and telecommunications assets, combined with the impact of the future increased cost of capital to the group as a result of liquidity issues, 18,442 million of goodwill was written down in 2002 compared to 13,515 million in 2001. For further discussion on impairment losses, see Item 18 Note 4 to the Consolidated Financial Statements.

Minority Interests

In 2002, minority interest expense increased 42% to 844 million compared to 594 million in 2001, primarily due to the May 2002 acquisition of IAC s entertainment assets, the dilution of our interest in Veolia Environnement and improved profitability at SFR Cegetel Group.

Net Income (Loss) and Earnings (Loss) Per Share Basic

A net loss of 23,301 million or 21.43 per share (basic and diluted) was incurred in 2002, compared with a net loss of 13,597 million or 13.53 per share (basic and diluted) in 2001.

Reconciliation to US GAAP

	Year Ended December 31,		
	2003	**2002 restated (a)**	**2001**
	(In millions, except per share amount)		
Revenues	25,321	40,062	51,733
Operating income (loss)(b)	940	(18,633)	
Financing expense(c)	(665)	(970)	
Net loss basic and diluted	(1,358)	(43,857)	(1,172)
Net loss per share basic and diluted	(1,27)	(40,35)	(1,19)

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(a) The Company s reconciliation of US GAAP shareholders equity and net loss for 2002 has been restated to reflect certain additional adjustments more appropriately relating to 2002. This restatement corresponds to a reduction of the previously reported net loss of 44,447 million to a net loss of 43,857 million. Consequently, shareholders equity as of December 31, 2002 was improved from 11,065 million to 11,655 million. The per share amounts for the loss from continuing operations and the net loss were increased by 0.54 per share. For a detailed description of the restatement, see Item 18 Note 32.4.

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

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

(c) The reconciliation of the financing expense as reported under French GAAP to the financing expense under US GAAP is as follows:

	Year Ended December 31,	
	2003	**2002**
	(In millions)	
Financing expense French GAAP	(698)	(1,333)
Reconciliation to US GAAP		
Real estate defeased properties	(71)	(71)
Other	104	434
Financing expense US GAAP	(665)	(970)

2003 versus 2002

Operating Income

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

Net Income

For the years ended December 31, 2003 and 2002, the net loss under US GAAP was 1,358 million and 43,857 million (as restated), respectively, compared to a net loss of 1,143 million and 23,301 million under

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French GAAP. In 2003, the most significant reconciling items in both periods were goodwill amortization, since goodwill ceased to be amortized under US GAAP on January 1, 2002 upon the adoption of SFAS 142, and the impact of the impairment test, for which the calculation is different under US GAAP (see Critical Accounting Estimates for further information). Furthermore, as of December 31, 2003, the fair value of VUE denominated in US dollars, as per the NBC-Universal Transaction agreement, exceeded its carrying value also denominated in US dollars. In addition, a cumulative foreign currency loss was recorded as a reduction to shareholders equity through the currency translation adjustment account. Under French GAAP, at December 31, 2003, this foreign currency loss should not be taken into consideration when determining the estimated gain or loss related to the disposition of 80% of Vivendi Universal s interest in VUE. Therefore, this foreign currency loss had no impact on Vivendi Universal s 2003 net income under French GAAP. Under US GAAP, VUE was classified as an asset held for sale and initially measured at the lower of carrying value or fair value less costs to sell. EITF 01-5 required that, for purposes of this measurement, the carrying value should also include that portion of the cumulative translation adjustment which will be reclassified to earnings at the time of divestiture. As a result, the carrying value of VUE was reduced and a corresponding impairment loss of 920 million was recognized in 2003. In addition, under US GAAP, long-lived assets which are part of the VUE divestiture group are no longer depreciated or amortized. In 2002, the differential accounting treatment for the sale of our investment in BskyB also decreased US GAAP net income by approximately 1,417 million in 2002.

2002 versus 2001

Operating Income

In 2001 and prior years, the most significant reconciling item between French and US GAAP operating income was goodwill amortization. Under French GAAP, goodwill amortization is excluded from operating income, while under US GAAP goodwill amortization was included as a component of operating income. Under US GAAP, with the adoption of SFAS 142 in 2002, Vivendi Universal ceased amortizing goodwill thus eliminating this reconciling item. Nevertheless, the impairment losses recorded with respect to goodwill and other intangible assets are included in the operating income under US GAAP for an amount of 21.6 billion as of December 31, 2002, but not under French GAAP (see net income analysis, below). The other significant reconciling item impacting operating income in all periods presented relates to proportionate consolidation. Under French GAAP, investments in jointly controlled companies, where Vivendi Universal and outside shareholders have agreed to exercise joint control over significant financial and operational policies are accounted for using the proportionate consolidation method. Under US GAAP, these investments would be consolidated or accounted for using the equity method depending on the percentage of voting interest held. Summarized financial information for investments accounted for using the proportionate consolidation method, which are Veolia Environnement s subsidiaries, is provided in Item 18 Note 32. While this difference in accounting policy has no effect on either net income or shareholders equity, it is a reconciling item at the operating income level.

Furthermore, in 2002, the accounting for Vivendi Universal s investment in Veolia Environnement gave rise to a reconciling item specific only to that year. Under French GAAP, Vivendi Universal consolidated its investment in Veolia Environnement until December 31, 2002, when Vivendi Universal reduced its ownership interest in Veolia Environnement from 41% to 20.4%. Until that date, Vivendi Universal held more than 40% of Veolia Environnement s outstanding shares and no other shareholder held, directly or indirectly, a greater proportion of Veolia Environnement s voting rights than Vivendi Universal. Under US GAAP, the equity method of accounting was applied beginning July 1, 2002, the date at which Vivendi Universal s equity and voting interest was reduced to 48%. While this difference between French GAAP and US GAAP had no impact on the reconciliation of shareholders equity, net income and comprehensive income to US GAAP, it is a reconciling item at the operating income level.

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Net Income

For the years ended December 31, 2002 and 2001, the net loss under US GAAP was 43,857 million (as restated) and 1,172 million, respectively, compared to a net loss of 23,301 million and 13,597 million under French GAAP. The most significant reconciling item in both periods was goodwill and other intangible asset impairment losses. In 2001, under French GAAP, following the market decline particularly in the Internet, media and telecommunications industries, our annual review resulted in a goodwill impairment charge of 12.9 billion (12.6 billion after minority interest concerning Veolia Environnement). Under US GAAP, according to SFAS 121, no impairment was indicated as of December 31, 2001, and accordingly the goodwill impairment charge accounted for under French GAAP was eliminated, increasing US GAAP net income in 2001 by approximately 12.6 billion. In 2002, under French GAAP, in light of the deteriorating economic conditions and the impact of the higher financing cost for Vivendi Universal, an additional impairment charge of approximately 18.4 billion was recorded. Under US GAAP, Vivendi Universal adopted SFAS 142 and 144 (see Critical Accounting Estimates for further information) and recorded an impairment charge of 38.2 billion (as restated). Another reconciling item which related to 2002 and 2001 only, resulted from the differential accounting treatment for the sale of our investment in BSkyB, which decreased US GAAP net income by approximately 1,417 million in 2002 and increased US GAAP net income by approximately 73 million in 2001.

For further discussion of the significant items in reconciling French GAAP and US GAAP, as they apply to Vivendi Universal, see Item 18 Note 32.

BUSINESS SEGMENT RESULTS

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

	Actual			
	Year ended December 31,			
	2003	2002	% Change	2001
	(in millions)			
Revenues				
Canal+ Group	4,158	4,833	-14%	4,563
Universal Music Group	4,974	6,276	-21%	6,560
Vivendi Universal Games(a)	571	794	-28%	657
Vivendi Universal Entertainment	6,022	6,270	-4%	4,938
Media	15,725	18,173	-13%	16,718
SFR Cegetel Group	7,574	7,067	7%	6,384
Maroc Telecom	1,471	1,487	-1%	1,013
Telecommunications	9,045	8,554	6%	7,397
Others(b)	584	813	-28%	672
Total Vivendi Universal (Excluding VE and VUP assets sold in 2002 and 2003)	25,354	27,540	-8%	24,787
VUP assets sold in 2003(c)	128	572	-78%	617
Veolia Environnement		30,038	na*	29,094
VUP assets sold in 2002(d)				2,862
Total Vivendi Universal	25,482	58,150	-56%	57,360

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	Actual			
	Year ended December 31,			
	2003	2002	% Change	2001
	(in millions)			
Operating Income (loss)				
Canal+ Group	247	(325)	na*	(374)
Universal Music Group	70	556	-87%	719
Vivendi Universal Games(a)	(201)	63	na*	18
Vivendi Universal Entertainment	931	816	14%	300
Media	1,047	1,110	-6%	663
SFR Cegetel Group	1,919	1,449	32%	928
Maroc Telecom	628	468	34%	387
Telecommunications	2,547	1,917	33%	1,315
Holding & Corporate	(330)	(665)	na*	(326)
Others(b)	39	(471)	na*	(266)
Total Vivendi Universal (Excluding VE and VUP assets sold in 2002 and 2003)	3,303	1,891	75%	1,386
VUP assets sold in 2003(c)	6	(14)	na*	22
Veolia Environnement		1,911	na*	1,964
VUP assets sold in 2002(d)			na*	423
Total Vivendi Universal	3,309	3,788	-13%	3,795

*na: not applicable

(a) Formerly part of Vivendi Universal Publishing (VUP) (includes Kids Activities, e.g., Adi/ Adibou in France and JumpStart in the US).

(b) Comprised of Vivendi Telecom International, Internet, Vivendi Valorisation, Vivendi Universal Publishing (VUP) assets not sold during 2002 and 2003 (Atica & Scipione: publishing operations in Brazil) and the elimination of intercompany transactions.

(c) Comprised of the Consumer Press Division, sold in February 2003 and deconsolidated as of January 1, 2003, and Comareg, sold in May 2003.

(d) Comprised of publishing activities in Europe, Houghton Mifflin and professional and health divisions, deconsolidated as of January 1, 2002.

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	Pro Forma(a)			
	Year Ended December 31,			
	2003	2002	% Change	% Change at constant rate
	(in millions)			
Revenues				
Canal+ Group	4,158	4,742	-12%	-12%
Universal Music Group	4,974	6,276	-21%	-12%
Vivendi Universal Games	571	794	-28%	-16%
Vivendi Universal Entertainment	6,022	6,978	-14%	4%
Media	15,725	18,790	-16%	-6%
SFR Cegetel Group	7,574	7,067	7%	7%
Maroc Telecom	1,471	1,487	-1%	3%
Telecommunications	9,045	8,554	6%	6%
Others	584	813	-28%	-22%
Total Vivendi Universal	25,354	28,157	-10%	-3%
Operating income (loss)				
Canal+ Group	247	(295)	na*	na*
Universal Music Group	70	556	-87%	-90%
Vivendi Universal Games	(201)	63	na*	na*
Vivendi Universal Entertainment	931	946	-2%	19%
Media	1,047	1,270	-18%	-9%
SFR Cegetel Group	1,919	1,449	32%	32%
Maroc Telecom	628	468	34%	40%
Telecommunications	2,547	1,917	33%	34%
Holding & Corporate	(330)	(665)	50%	47%
Others	39	(471)	na*	na*
Total Vivendi Universal	3,303	2,051	61%	67%

*na: not applicable

(a) The pro forma information illustrates the effect of the acquisition of the entertainment assets of IAC and the disposition of VUP assets in 2003, as if these transactions had occurred at the beginning of 2002. It also illustrates the accounting for Veolia Environnement using the equity method from January 1, 2002 instead of December 31, 2002. The pro forma information is calculated as a simple sum of the actual results of Vivendi Universal s businesses (excluding businesses sold) and the actual results reported by each of the acquired businesses in each period presented. Additionally, the results of Universal Studios international television networks are reported by Vivendi Universal Entertainment instead of Canal+ Group. This reclassification has no impact on the total results of Vivendi Universal. The pro forma results are not necessarily indicative of the combined results that would have been achieved had the transactions actually occurred at the beginning of 2002.

Reconciliation of actual revenues and operating income to pro forma revenues and operating income:

Year ended December 31, 2002	Actual	InterActiveCorp	International TV Networks	VE and VUP sold in 2003 equity accounting	Pro Forma
			(in millions)		
Revenues					
Canal+ Group	4,833		(91)		4,742
Universal Music Group	6,276				6,276
Vivendi Universal Games	794				794
Vivendi Universal Entertainment	6,270	617	91		6,978
Media activity	18,173	617			18,790
SFR Cegetel Group	7,067				7,067
Maroc Telecom	1,487				1,487
Telecommunications activity	8,554				8,554
Others	813				813
Total Vivendi Universal (Excluding VE and VUP assets sold in 2003)	27,540	617			28,157
VUP assets sold during 2003	572			(572)	
Veolia Environnement	30,038			(30,038)	
Total Vivendi Universal	58,150	617		(30,610)	28,157
Operating income					
Canal+ Group	(325)		30		(295)
Universal Music Group	556				556
Vivendi Universal Games	63				63
Vivendi Universal Entertainment	816	160	(30)		946
Media activity	1,110	160	0		1,270
SFR Cegetel Group	1,449				1,449
Maroc Telecom	468				468
Telecommunications activity	1,917				1,917
Holding & Corporate	(665)				(665)
Others	(471)				(471)
Total Vivendi Universal (Excluding VE and VUP assets sold in 2003)	1,891	160	0		2,051
VUP assets sold during 2003	(14)			14	
Veolia Environnement	1,911			(1,911)	
Total Vivendi Universal	3,788	160	0	(1,897)	2,051

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Canal+ Group

	Year ended December 31,					
	Actual				Pro Forma(a)	
	2003	2002(c)	% Change	2001(c)	2002(c)	% Change
	(in millions)					
Revenue						
Pay-TV France	2,813	2,663	6%	2,541	2,663	6%
Film Studio Canal	351	455	-23%	430	455	-23%
Other	994	1,715	-42%	1,592	1,624	-39%
Canal+ Group	4,158	4,833	-14%	4,563	4,742	-12%
Operating Income (Loss)	247	(325)	na*	(374)	(295)	na*
Operating margin(%)	6%	na*	na*	na*	na*	na*
Subscriptions(b) (in thousands)						
Analog	2,611	2,864	-9%	3,046		
Digital	1,738	1,613	8%	1,505		
Individual subscribers	4,349	4,477	-3%	4,551		
Collective	375	363	3%	357		
Overseas	183	178	3%	182		
Total Canal+ (premium channel)	4,907	5,018	-2%	5,090		
CanalSatellite	2,751	2,520	9%	2,228		
NC Numéricâble	423	407	4%	395		
Total subscriptions in France	8,081	7,945	2%	7,713		

* na: not applicable

(a) Pro forma basis as if Universal Studios international television networks had been reported by VUE instead of Canal+ Group.

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

(c) To better reflect the performances of each separate businesses, Canal+ Group reallocated dedicated operations and holding cost to each appropriate business line, which was previously reported in the Other line. As a consequence, Canal+ Group s breakdown of revenues and operating income by business differs from figures published in 2002.

2003 versus 2002

In 2003, actual revenues at Canal+ Group decreased by 14% (and 12% on a pro forma basis) to 4,158 million resulting from divestitures made in 2003 and described above, see Item 4 2003 Significant Transactions 2003 Divestitures. When excluding all scope changes (primarily Telepiù), Canal+ Group revenues were up 1% versus prior year.

Canal+ Group ended 2003 with an operating income (see footnote (c) in the table above) of 247 million compared to an operating loss of 325 million in 2002. Recurring operating income amounted to 99 million. This represented a like-for-like increase of approximately 200 million over 2002. The difference with the actual operating income is explained by non-recurring items, principally a provision reversal impacting Telepiù s operating income for 129 million this provision for a channel deal was reversed when Telepiù reached a high enough number of subscribers to make the contract profitable and a slightly positive balance between other provisions allowances and reversals.

Pay-TV France:

Revenues from the French pay-TV operations, Canal+ Group s core business, increased 6% to 2,813 million from 2,663 million in 2002. Canal+ Group ended 2003 with nearly 8.1 million subscriptions to its Canal+ pay-TV offerings in France, representing a net growth of approximately 135,000 subscriptions for the year. With 4.9 million subscriptions at December 31, 2003, the Canal+ premium channel limited the forecast decline in its subscriber base to a net of approximately 110,000, primarily due to the sustained level of commitments of new subscribers whose number rose 10% during the year. Churn rate remains at industry-comparable low levels with 12.9%, or 11.8% excluding the impact of special commercial offers not to be repeated in 2004 which allowed free cancellations. This compares with 10.6% in 2002. CanalSatellite continued to grow, ending the year with 2.8 million subscriptions, for a net annual increase of approximately 230,000 subscriptions. Churn rate was up slightly to 9.1% compared to 8.4% in 2002.

Operating income was double as compared to the previous year at 128 million. All of the operations (premium channel, theme channels, satellite and cable packages and operations in the French overseas departments and territories) contributed to the increase. The good operating performances were achieved either through revenue growth or through restructuring efforts and cost savings.

Film StudioCanal:

StudioCanal revenues were down 23% to 351 million in 2003 compared to 455 million in 2002, in line with the company strategy to be more selective in its movie investments. StudioCanal s *Les Nuls l Intégrule* ranked #1 among France s best-selling videos and DVDs during the holiday season, with nearly one million copies sold.

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

Other:

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

While revenues for this group of companies, at 994 million in 2003, were down 42% compared to 1,715 million in 2002 due to scope changes, operating income was up due to the positive contribution of most of the companies concerned. Cyfra+, in particular, in Poland moved into an operating profit in 2003. The subscriber portfolio grew 5% to 670,000 at the end of 2003, representing approximately one million subscriptions to the different premium offers (Canal+ and HBO MaxPak) and to the digital platform Cyfra+.

2002 versus 2001

At Canal+ Group, revenues increased 6% to 4,833 million in 2002 and operating losses declined by 13% to 325 million in 2002.

Pay-TV France:

In 2002, pay-TV revenues in France increased 5% to 2,663 million on overall subscription growth. At the end of 2002, in total, pay-TV activities in France (Canal+ premium channel, CanalSatellite and NC Numéricâble) represented approximately 8 million subscriptions, an increase of 3% over the prior year end. At the French premium channel, Canal+, overall revenues were flat year-on-year as the full year impact of the 2001 fee increase was offset by a decline in individual subscriptions of 74,000. Canal+ premium channel ended the year with 5 million subscriptions. The revenue increase in the pay-TV in France operations was attributable to the solid performance at CanalSatellite, which reached the 2.5 million subscription mark in December 2002 (representing a net increase of 292,000 new subscriptions). NC Numéricâble also performed strongly due to an increase in the number of subscribers to its Internet access service. In 2002, operating income from French pay-TV operations was down at 64 million versus 197 million in 2001 as a result of restructuring costs at the holding company level. The performance improvement in the business units in 2002 was offset by the reversal of a provision in 2001 and a change in the consolidation of MultiThématiques in 2002 (100% consolidation of the loss in 2002, compared to equity in 2001).

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Film StudioCanal:

In 2002, StudioCanal s revenues were up 6% to 455 million in 2002. Revenues from UK operations (Working Title) compensated for lower film library revenues in France and a decline in distribution revenues in Germany. In 2002, StudioCanal reduced its operating loss by 44% to 95 million. This loss was primarily attributable to the write-off of films on StudioCanal s Consolidated Statement of Financial Position.

Other:

Other revenues, at 1,715 million in 2002, were up 8% year-on-year. Revenue growth generated by the international pay-TV business units reflected a 20% increase in international subscriptions but was offset by a revenue decline at Canal+ Technologies (due to the ITV Digital and Winfirst bankruptcies). Operating losses were reduced from 409 million in 2001 to 294 million in 2002 driven by an approximate 120 million reduction in operating losses at Telepiù reflecting increased revenues (attributable to increased subscribers and reduced piracy (following the introduction of new encryption technology)).

Universal Music Group (UMG)

	Year ended December 31,			
	Actual			
	2003	2002	% change	2001
	(in millions)			
Revenues				
North America	2,013	2,772	-27%	2,921
Europe	2,212	2,588	-15%	2,655
Far East	540	588	-8%	671
Rest of World	209	328	-36%	313
UMG	4,974	6,276	-21%	6,560
Operating Income	70	556	-87%	719
Operating margin(%)	1%	9%	na*	11%
Market shares(a)				
North America	27.9%	31.7%		28.3%
Europe	25.6%	27.1%		26.5%
Asia	13.4%	12.0%		11.0%
Rest of World	na*	na*		na*
Total UMG	23.5%	25.4%		23.7%
Music market growth(a)				
North America	-5.9%	-8.2%		-4.7%
Europe	-8.7%	-4.1%		-1.1%
Asia	-9.8%	-10.0%		-8.8%
Rest of World	na*	na*		na*
Total UMG	-7.6%	-7.2%		-5.1%

* na: not applicable

(a) Source IFPI; 2003 and 2002 data based on music and music video sales; 2001 based on music sales only.

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	Artist	Units	Artist	Units	Artist	Units
			(units sold, in millions)			
Best-selling titles						
	50 Cent	9	Eminem	14	Shaggy	8
	t.A.T.u.	4	Shania Twain	8	O Brother OST	4
	Eminem	3	Nelly	8	Enrique Iglesias	4
	Sheryl Crow	3	8 Mile OST	6	Limp Bizkit	4
	Toby Keith	3	U2	5	Nelly Furtado	4
% of top 15 of total units sold		10%		14%		10%

2003 versus 2002

UMG s revenues of 4,974 million in 2003 were 21% below 2002 due to adverse currency movements, weakness in the global music market, and a lower number of releases from global superstars. Revenues declined 12% at constant currency, with growth in Japan and the UK more than offset by declines in the US, Germany, and France. The global music market declined 8% in 2003 due to the combined impact of pressed disc and CD-R piracy, illegal downloading of music from the Internet and increased competition from other forms of entertainment such as DVDs. UMG s top 15 album releases accounted for 10% of unit volume in 2003 versus 14% in 2002. Best sellers included 50 Cent, which was the number one best seller of the year in the US, and strong carryover sales from 2002 releases by t.A.T.u. and Eminem. Other major sellers were from Sheryl Crow, Toby Keith, The Black Eyed Peas, with strong sales outside North America, Sting and Busted, who had two albums in the year selling over 1 million units.

In 2003, operating income at UMG declined 87% to 70 million (on a constant currency basis, operating income was down 90%). This decline reflected the margin impact of the decline in revenue and a higher proportion of lower margin activity. Lower marketing and catalog amortization expenses offset restructuring costs incurred as a result of reorganizing businesses primarily in the US and Europe and a substantial increase in legal charges (primarily the cash deposit made with the United States District Court in connection with UMG s appeal of an unfavorable decision after trial in a lawsuit brought by TVT Records and TVT Music, Inc. (the TVT matter); for more information, see Item 8 Litigation).

Furthermore, UMG is continually evaluating its business in order to maintain the most efficient and competitive music company in the industry and be well-positioned for the future. As a consequence, UMG is in the process of instituting significant cost-cutting initiatives that take into account the realities of the declining music market to further rationalize the company s cost structure around the world. To face increasing piracy impacting the music industry (for more information, see Group Activity, Trends and Prospects), the industry and UMG are increasing their anti-piracy activities with a multi-pronged approach focusing on legal action, public relations and education, and technical counter-measures while offering the customer new products and services. As a result, UMG has made available, through various services throughout the world, more than 150,000 tracks representing a significant part of its popular catalog and dwarfing the amount of content that any competitor has available. This has enabled UMG to command a considerably larger market share in the US online music market (an average of 33% for 2003) than it has in the physical market. With the sale by UMG and Sony of their joint venture pressplay to the software company Roxio, UMG capped its financial exposure during the cash-intensive growth phase of this competitive online music marketplace, while retaining a minority stake in Roxio to enable UMG to benefit from the future growth of that business. Notably, subscription services were successful for 2003, with double-digit growth each month, and an aggregate of over 600,000 paying monthly subscribers by year-end in the US.

UMG launched in the fourth quarter of 2003 an aggressive plan to reduce the cost consumers pay for CDs by significantly reducing its wholesale prices on virtually all top-line CDs in the US, with the aim of bringing music fans back into retail stores and driving music sales. While the company believes this sort of fundamental pricing change is necessary for the long-term health of the industry, there may be negative implications on near term results.

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2002 versus 2001

The year 2002 was challenging for the music industry due to the combined effects of a downturn in the global economy, CD-R piracy and illegal downloading of music from the Internet and growing competition for consumer discretionary spending and shelf space at retail outlets. Worldwide music sales were down as the music market witnessed a global market decline of 7%. Significant declines were experienced in the US, Japan and Germany, with only France of the world s five major music markets reporting growth. While UMG outperformed the market, increasing its global market share, revenue declined 4% to 6,276 million in 2002 due to unfavorable market conditions and adverse currency movements, particularly the strengthening of the euro versus the dollar, and higher returns reserves. In 2002, North American revenues were down 5% year-on-year due to the strengthening of the euro and despite weak music market conditions, with sales in the overall North American music market declining 8% in local currency. In Europe, where music sales are estimated to have declined 4%, UMG revenues were down 3% in 2002 versus 2001, with solid growth in France more than offset by declines in UMG s European Music Club operations and in Germany.

In 2002, operating income at UMG declined 23% to 556 million in 2002 reflecting reduced margins on lower levels of activity and higher artist and repertoire (A&R) development and royalty costs, which were partly offset by reductions in overhead and marketing costs and gains on the sale of UMG s share of MTV Asia, real estate and other assets.

Vivendi Universal Games (VU Games)

	Year ended December 31,			
	Actual			
	2003	2002	% change	2001
		(In millions)		
Revenues	571	794	-28%	657
Operating Income (Loss)	(201)	63	na*	18
Operating margin(%)	na	8%	na*	3%
% sales				
PC	38%	59%		79%
Console	62%	40%		20%
Online and Other		2%		1%
Breakdown of revenues				
North America	55%	63%		62%
Europe	34%	27%		26%
Asia Pacific and Rest of World	11%	10%		12%
Best-selling titles	Simpsons Hit and Run	Warcraft III		Diablo 2 expansion pack
	Hulk	Fellowship of the Ring		Crash V
	Crash Nitro Kart	Crash V		Diablo 2
	Warcraft III expansion pack	The Thing		Half-Life
	Hobbit	Spyro I		Empire Earth

* na: not applicable

2003 versus 2002

VU Games revenues, comprised of a balanced mix of original content (45%), licensed properties (40%) and third-party releases (15%), decreased to 571 million in 2003, 28% below prior year. On a constant currency basis, revenues were down by 16%.

Operating loss amounted to 201 million in 2003 compared to an operating income of 63 million in 2002, mainly reflecting lower gross margins on declining revenues and the write-off of R&D expenses

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(54 million; for more details, see Note 5 to the Consolidated Financial Statements). A weaker release schedule compared to the prior year compounded by slippage resulted in lower revenues, higher returns, price protection, and products and advance write-offs.

VU Games, under the supervision of its new management team, envisions 2004 as a transition year: stabilizing its business; expecting to release some of its most important titles late in the year; and aiming to continue its increased investment in developments and intellectual properties, in line with those made during 2003 through the Fox Interactive deal and the Radical agreement. The company intends to strengthen and develop its position in the PC, console and on-line markets.

2002 versus 2001

Revenues increased to 794 million in 2002, an increase of 21% compared to 2001. Growth was driven by the company s continued strength in the PC games market, as well as its increased presence in the console games market.

Operating income was 63 million in 2002, an increase of 45 million compared to 2001. VU Games operating income for 2001 included restructuring costs of approximately 37 million. The increase in 2002 was also due to higher gross profit on sales, partially offset by increased marketing and product development costs.

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Vivendi Universal Entertainment (VUE)

In October 2003, Vivendi Universal and General Electric signed an agreement to combine the respective businesses of NBC and VUE, and closed such transaction on May 11, 2004, thereby forming the entity NBC Universal. For further details, see Item 4 2003 Significant Transactions.

	Year ended December 31,					
	Actual				Pro Forma(a)	
	2003	2002(b)	% change	2001(b)	2002	% change
	(in millions)					
Revenues						
Universal Pictures Group	3,664	3,861	-5%	3,615	3,892	-6%
Universal Television Group	1,840	1,525	21%	333	2,112	-13%
Universal Park & Resorts and Other	518	885	-41%	990	974	-47%
VUE	6,022	6,270	-4%	4,938	6,978	-14%
Operating Income	931	816	14%	300	946	-2%
Operating margin(%)	15%	13%	na*	6%	14%	na*
Universal Pictures Group breakdown of revenues						
Release window						
Theatrical	23%	18%		27%		
Home video	53%	52%		41%		
Television	19%	24%		23%		
Other	5%	5%		9%		
Universal Television Group						
Breakdown of revenues by type						
Cable Television Networks	1,082	773				
% of advertising revenues	53%	54%				
Television production and distribution	758	752		333		
Total UTG revenues	1,840	1,525		333		

*na: not applicable

(a) Pro forma basis as if IAC entertainment assets had been consolidated from January 1, 2002, and the results of Universal Studios international television networks had been reported by VUE instead of Canal+ Group.

(b) To better reflect the performances of each separate business, VUE has reallocated intercompany operations to each appropriate business line, which were previously reported in the Other line. 2001 numbers are as published.

2003 versus 2002

In 2003, VUE s revenues amounted to 6,022 million, down 4% as compared to 2002. On a pro forma basis, VUE revenues decreased by 14%, but were up 4% at constant currency and 10% excluding Spencer Gifts, which was sold in May 2003. Strong performances at Universal Pictures and Universal Television Group were offset by lower revenues at Universal Parks & Resorts. Operating income was up 14% to 931 million and up 19% on a pro forma basis at constant currency.

Universal Pictures Group (UPG)

Universal Pictures Group revenues decreased 5% to 3,664 million in 2003 as compared to 2002; however, on a pro forma basis at constant currency, revenues increased by 13% due to the theatrical and DVD success of *Bruce Almighty, 2 Fast 2 Furious, Johnny English* and

Seabiscuit. This increase was also generated by strong theatrical performance of *American Wedding* and *Love Actually* and the DVD success of library releases including *Scarface* and *Animal House.*

Operating income decreased 18% to 545 million in 2003 as compared to 2002; however, on a pro forma basis, at constant currency, operating income increased 1%, primarily due to the strength of the 2003 film offerings.

Universal Television Group (UTG)

Revenues at Universal Television Group were up 21% to 1,840 million in 2003 as compared to 2002 (on a pro forma basis, at constant currency, revenues were up 6%) reflecting advertising sales growth at both USA Network and Sci Fi Channel, as well as increased subscriber revenue at both networks. On a pro forma basis, at constant currency, revenues from television production were up 4%, reflecting the continued strong performance of the three shows in the *Law & Order* franchise, as well as the debut of several other productions in 2003.

Operating income increased 25% to 535 million in 2003 as compared to 2002 (on a pro forma basis, at constant currency, operating income increased 8%) driven by the continued success of the *Law & Order* franchise and higher margins on sales of library products. At Universal Television Networks, increases in advertising sales and affiliate fees were offset by investments in acquired and original programming.

Universal Parks & Resorts (UPR) and Other

The revenues of UPR and Other were down 41% to 518 million in 2003 as compared to 2002 (on a pro forma basis, at constant currency, revenues were down 36%) due to scope changes with the divestiture of Spencer Gifts on May 30, 2003 and revenue decline at Universal Studios Hollywood and Universal Studios Japan resulting from ongoing security concerns and associated softness in the tourism market. These declines were offset by performance at Universal Studios Networks a group of international cable channels which was driven by the growth in subscriber numbers and affiliate fees.

Operating losses were reduced from 275 million in 2002 to 149 million in 2003 due to a benefit from the sale of hotel properties located at the Universal City complex in Universal City, California in 2003 and improved performances at Universal Studios Networks due to higher affiliate fees and subscribers combined with reduced overhead costs.

2002 versus 2001

VUE s revenues in 2002 increased 27% to 6,270 million as compared to 2001 principally due to the acquisition of the entertainment assets of IAC in May 2002 and the increased revenues at Universal Pictures and Universal Television, which were partially offset by lower revenues at Universal Parks & Resorts and Other.

VUE s operating income reached 816 million, up 172% as compared to 2001, primarily due to the acquisition of the entertainment assets of IAC and as a result of strong video sales at Universal Pictures, which was partially offset by lower results at Universal Television, Universal Parks & Resorts and Other.

Universal Pictures Group (UPG)

UPG s revenues were 3,861 million, an increase of 7% versus the prior year. UPG benefited from strong performance in home video and television, driven by theatrical releases in 2001, which included such titles as *The Mummy, The Mummy Returns, The Fast and the Furious,* and *American Pie 2*.

Operating income increased 76% versus the prior year to 662 million. This increase was driven by strong video performance combined with lower film amortization expense as a result of a less robust 2002 film slate.

Universal Television Group (UTG)

UTG s revenues were 1,525 million compared to 333 million actual revenues in 2001, reflecting the acquisition of IAC entertainment assets in May 2002. Operating income increased from 11 million to 430 million in 2002 for the same reason.

Universal Parks & Resorts (UPR) and Other:

The segment revenues for UPR and Other were 885 million in 2002, down 12% versus the prior year, and the operating loss was more than 3 times as big as in 2001. UPR s revenues, which represent roughly half of the segment s revenues, and operating income were down as a result of lower management fees from theme park joint ventures and lower land sales. Lower theme park management fees reflect in part continued reduced travel and park visits following the September 11 terrorist attacks. But the primary factor behind the decline in operating income was a 107 million charge taken at Spencer Gifts accrued to reduce the asset value of Spencer Gifts to its current market value.

SFR Cegetel Group

	Year ended December 31,			
	Actual			
	2003	**2002**	**% change**	**2001**
	(in millions)			
Revenues				
Mobile telephony services	6,366	5,856	9%	5,202
Equipment sales, net	367	290	27%	404
Mobile	6,733	6,146	10%	5,606
Fixed and Other	841	921	-9%	778
SFR Cegetel Group	7,574	7,067	7%	6,384
Operating Income	1,919	1,449	32%	928
Operating margin(%)	25%	21%	na*	15%
MOBILE OPERATIONS(a)	(In thousands)			
Number of customers				
Postpaid	8,501	7,187	18%	6,339
Prepaid	6,223	6,360	-2%	6,216
Total number of customers(b)	14,724	13,547	9%	12,555
Market share(b)	35.3%	35.1%		33.9%
Annual rolling ARPU(c)				
Postpaid	635	674	-6%	676
Prepaid	176	162	9%	156
Total	431	424	2%	435
Churn rate (in % / year)				
Postpaid	13.4%	20.5%	na*	25.4%
Prepaid	36.3%	33.1%	na*	23.5%
Total	23.6%	26.7%	na*	24.5%
FIXED OPERATIONS				
Breakdown of revenues				
Revenues (in million)(d)	825	905	-9%	756
Residential and professional(%)	46%	48%		45%
Corporate(%)	54%	52%		55%
Customers (in thousands)				
Residential and professional	3,679	3,286	12%	2,860
Corporate data sites	20.3	12.4	64%	9.2
Backbone switched traffic (minutes, in billion)(e)	40.5	33.8	20%	26.3

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*na: not applicable; ns: not significant

(a) Including French metropolitan (SFR) and the French overseas departments Réunion and Mayotte (SRR).

(b) Source: ART (French Telecommunications Regulatory Authority) as of December 2003.

(c) Annual rolling average revenue per user (ARPU) is defined as annual rolling mobile (SFR+SRR) revenues excluding roaming-in and equipment sales, net of promotions on yearly average ART total customer base. Each company has its own ARPU calculation. As a result, SFR/ SRR ARPU might not be comparable to ARPU published by other companies.

(d) Cegetel revenues do not include Télécom Développement accounted for using the equity method until its merger with Cegetel SA, in December 2003.

(e) Including Cegetel fixed activities and Télécom Développement.

2003 versus 2002

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

Mobile

Mobile telephony revenues increased 10% to 6,733 million, driven by growth of the customer base and a strong annual rolling ARPU. SFR increased its market share in the French mobile market to 35.3% against 35.1% at the end of December 2002. In 2003, SFR (including SRR) became the market leader in net additions with a 38% market share, recording 1,177,500 new net customers, taking its registered customer base to 14.7 million, a 9% increase against 2002. This performance was primarily achieved due to strong market share on postpaid net adds (43%). Furthermore, SFR is actively taking measures to attract and increase loyalty of post-paid customers resulting in a 7.1 points churn rate decline to reach 13.4% in 2003. The number of prepaid customers declined by 136,900 in 2003 or 2% compared to a flat growth for the total market.

Annual rolling ARPU grew 1.7% to 431 million in 2003, despite the 15% decrease in the fixed incoming call tariff on January 1, 2003. This was principally due to an improved customer mix and increased usage: postpaid customer base grew 18% (compared to a 14% growth of the market as a whole) to 8.5 million, improving the customer mix to 57.7% against 53% in 2002 while overall voice usage increased 7% year-over-year to 256 minutes per average customer per month. In addition, the number of multimedia customers increased to 2.3 million in 2003. The growing adoption of multimedia mobile services by SFR customers is confirmed with approximately 330,000 customers (as at December 31, 2003) to the new multimedia service portal Vodafone *live!* launched in October 2003, 3.3 billion text messages (SMS) and 6 million multimedia messages (MMS) sent in 2003.

Growth in the customer base, strong annual rolling ARPU, declining customer acquisition costs per gross addition (-10%, excluding promotions) resulting from the efficient cost management and strong reduction of bad debt increased operating income by 26% to 1,949 million in 2003.

Fixed and Other

Fixed telephony revenues declined 9% to 841 million in 2003 primarily due to the unfavorable impact of year-end 2002 voice price decreases and an unfavorable traffic mix. Operating losses decreased by 71% to 30 million mainly due to improved cost management and favorable non-recurring events that more than offset the decline in revenue.

2002 versus 2001

In 2002, SFR Cegetel Group revenues increased 11% to 7,067 million and operating income increased 56% to 1,449 million. The improved results reflected strong performances at both mobile and fixed telephony divisions.

Mobile

In 2002, despite a slowdown in overall market growth, mobile revenues increased 10% to 6,146 million. This revenue growth was driven primarily by growth in the number of customers, which increased 8% to 13.55 million (13.18 million customers excluding SRR, SFR s subsidiary in La Réunion, an overseas department of France). The number of prepaid customers increased 2% to 6.36 million in 2002 (compared to a decline of 5% for the French prepaid market as a whole), while the number of postpaid customers increased 13% to 7.19 million.

In 2002, mobile operating income increased 40% to 1,552 million. The improvement in operating income reflects the effect of economies of scale, as fixed costs are being spread over a larger revenue base, and reduced customer acquisition costs, which declined 5% year-on-year.

Fixed and Other

In 2002, revenue generated by SFR Cegetel Group s fixed telephony and other services grew 18% to 921 million, primarily due to the introduction of customer pre-selection for local calls on January 1, 2002 and an increase in subscribers. Total voice traffic minutes increased 58% year-on-year, while data and Internet traffic revenues increased 11%.

SFR Cegetel Group s fixed telephony and other services operating losses declined 43% year-on-year to 103 million in 2002 primarily due to increased revenues and continued cost control measures.

Maroc Telecom

	Year ended December 31,			
	Actual			
	2003	**2002**	**% change**	**2001(a)**
	(in millions)			
Revenues	1,471	1,487	-1%	1,013
Operating Income	628	468	34%	387
Operating margin(%)	43%	31%	na*	38%
Mobile:				
Number of customers (in millions)	5.2	4.6	13%	3.7
% of prepaid customers	96%	96%	na*	96%
Fixed				
Number of lines (in millions)	1,219	1,127	8%	1,140
Number of Internet subscribers (in thousands)	43	32	34%	27

*na: not applicable

(a) Company consolidated since April 1, 2001.

2003 versus 2002

In 2003, Maroc Telecom s revenues amounted to 1,471 million, up 3% at constant currency when compared with 2002.

Mobile revenues, representing 46% of 2003 total revenues, were up 8.5% when compared to 2002, thanks to a larger customer base. Mobile customers at year end increased 13% by 617,000 to 5,214,000. Fixed-line revenues were stable, the increase of incoming mobile calls and Internet being balanced by lower national voice traffic and the loss of Meditel s (the mobile competitor) international traffic. Maroc Telecom s fixed-line customer base increased by 92,000 new customers to reach 1,219,000.

Operating income was up 34% (40% at constant currency) to 628 million in 2003 mainly driven by operational improvement, impact of 2002 restructuring, lower bad debt, lower mobile acquisition costs and the reduction of selling, general and administrative expenses.

2002 versus 2001

In 2002, revenues at Maroc Telecom increased to 1,487 million, up 47% as compared to 2001. Revenues grew in both fixed-line and mobile businesses, with a substantial increase in the mobile subscriber base. Fixed-line and international revenues represented 57% of 2002 total revenues, with mobile revenues accounting for the remaining 43%. At December 31, 2002, Maroc Telecom had approximately 4.6 million mobile users.

Operating income grew 21% to 468 million principally due to the consolidation of Maroc Telecom on 12 months versus nine months in 2001.

Holding & Corporate

2003 versus 2002

Following restructuring measures taken in 2002 in an effort to recover from one of the group s main losses, operating losses have been reduced by one-half from 665 million to 330 million.

2002 versus 2001

Holding & Corporate s operating loss increased from 326 million in 2001 to 665 million in 2002 primarily due to (i) a 122 million provision for headquarters restructuring, (ii) 92 million in pension and benefits charges primarily related to North American employees, (iii) a one-time 28 million provision for risk on a vacant lease, and (iv) an exceptional 56 million insurance charge.

Others

	Actual		
	Year ended December 31,		
	2003	2002	2001
	(in millions)		
Revenues			
Vivendi Telecom International (VTI)	340	461	242
Internet	79	174	129
VUP assets not sold in 2002 and 2003	88	91	150
Other businesses not sold in 2002 and 2003	77	87	151
Others	584	813	672
VUP assets sold in 2003	128	572	617
Veolia Environnement		30,038	29,094
VUP assets sold in 2002			2,862
Total Revenues	712	31,423	33,245
Operating Income (Loss)			
Others	39	(471)	(266)
VUP assets sold in 2003	6	(14)	22
Veolia Environnement(a)		1,911	1,964
VUP assets sold in 2002			423

Total Operating Income	45	1,426	2,143

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

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2003 versus 2002

VTI s revenue and operating income declines were principally due to scope changes, notably the divestiture of the fixed-line telecommunications in Hungary in May 2003.

Internet: revenues decline and the strong reduction of operating losses reflect the ongoing restructuring plan.

Other businesses not sold in 2002 and 2003: operating income amounted to 23 million in 2003 compared to operating losses of 299 million in 2002. This strong improvement was due to reduced losses in real estate. In 2002, operating losses were mainly impacted by non-recurring provisions.

2002 versus 2001

Others:

VTI s revenues and operating income increases were primarily due to scope changes (full consolidation of Monaco Télécom in the second half of 2001 and Kencell (Kenya) in December 2001).

Internet s operating losses improvement reflects Vivendi Universal s ongoing efforts to close unprofitable operations and control costs.

Other businesses (not sold in 2002 and 2003) s operating income in 2002 amounted to 299 million and was mainly impacted by provisions related to the reduction in rental value of the real estate holdings.

Veolia Environnement:

In 2002, total revenues for Veolia Environnement increased 3% to 30,038 million. Revenues from core businesses, at 28,073 million, increased almost 6% (5% of which resulted from internal growth) in 2002. The revenue growth was generated by new contracts for municipal and industrial outsourcing services, including several that combined the services of two or more divisions.

Operating income declined 3% to 1,911 million in 2002. Operating income from core businesses rose 2% in 2002 while the contribution from non-core businesses was down due to divestitures made in 2002. All core businesses contributed to operating income growth.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Management and Capital Resources

As a result of its ongoing divestiture program, Vivendi Universal significantly improved its liquidity and debt situation in 2003. The Company s financial net debt[(1)] declined from 34.9 billion in June 2002 to 12.3 billion at the end of 2002, and further, to 11.6 billion at the end of 2003, despite the 4 billion investment to acquire BT s stake in Cegetel. Of the financial debt at December 31, 2003, long-term debt was 9.6 billion, and cash equivalents were 2.9 billion. At December 31, 2002, long-term debt was 10.5 billion and cash and cash equivalents were 7.3 billion. For more information, see Item 18 Note 17.

Access to cash flows from within the businesses also improved dramatically, as the limitations relating to distributions and loans from VUE were substantially eased in June 2003 and SFR Cegetel Group started to distribute dividends in 2003 and adopted a quarterly dividend policy starting 2004.

Cash flow after interest and taxes generated by the Company s businesses and available at the corporate level reached 1.6 billion in 2003, compared to a cash drain of 0.8 billion in 2002, thus contributing to debt reduction.

(1) Financial net debt is defined as gross debt less cash and cash equivalents. For more details on financial net debt, see Item 18 Note 17.

The divestiture program is under way; with approximately 3 billion in proceeds generated in 2003, and approximately 10 billion in proceeds since July 2002.

In 2003, the Company improved its financial position by increasing the amount of available undrawn facilities from 1 billion at the end of 2002 to 3.5 billion at the end of 2003. Although, Vivendi Universal s cash flow on a consolidated basis from its subsidiaries is not all available to Vivendi Universal at the parent company level. In particular:

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

In 2004, SFR Cegetel Group is implementing a dividend distribution plan agreed by its two main shareholders, which will in part involve the distribution of premiums and reserves and the introduction of quarterly advance dividend payments. SFR Cegetel Group is planning to distribute approximately 3.2 billion to its shareholders in 2004, 0.9 billion of exceptional dividends (paid in January 2004), 1.2 billion of 2003 current dividend (0.5 billion paid in March 2004) and 1.1 billion advance on 2004 dividends (0.4 billion paid in May 2004). 1.8 billion is expected to be paid to Vivendi Universal. In April 2003, SFR Cegetel Group paid Vivendi Universal a 2002 dividend of 621 million. However, the intercompany loan agreement between Vivendi Universal and SFR Cegetel Group has not been concluded with Vodafone as anticipated. Given the quarterly dividend level, this agreement appears unnecessary.

The ability of Vivendi Universal s subsidiaries to make certain distributions also may be limited by financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. In particular, under company law, including the French civil code (*Code Civil*) and the French commercial code (*Code de Commerce*), and similar laws in other jurisdictions, our subsidiaries are generally prohibited from paying dividends except out of profits legally available for distribution.

The principal terms of Vivendi Universal s outstanding credit facilities and other indebtedness are described below, see Description of Vivendi Universal s Indebtedness. Under these facilities, Vivendi Universal and some of its subsidiaries are subject to certain financial covenants which require them to maintain various financial ratios. Management confirms that Vivendi Universal complied with all financial ratios described hereunder as at December 31, 2003 and obtained a waiver on the 2.5 billion and 3.0 billion facilities regarding the financial ratio net debt/ cash modified EBITDA(1) as at December 31, 2003.

The Business Combination Agreement signed on October 8, 2003 among Vivendi Universal, General Electric and NBC, among others, carries specific provisions related to the functioning of the intercompany loan between VUE and Vivendi Universal between September 30, 2003 and the completion date of the NBC-Universal Transaction. As of September 30, 2003, the balance in the intercompany loan was $562 million. From this date, Vivendi Universal received the full amount of the cash flow generated by VUE through this intercompany loan (i.e., approximately $700 million), all of which was repaid to VUE on the closing date of the NBC-Universal Transaction.

In addition, on May 11, 2004, NBC and VUE completed the formation of NBC Universal, a global media and entertainment company with expected 2005 revenues of $15 billion. As a result of the NBC-Universal Transaction, Vivendi Universal has an approximate 20% interest in NBC Universal which is controlled by GE instead of its approximate 86% interest in VUE, its former subsidiary. Consequently, Vivendi

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1 Defined as modified EBITDA (operating income before depreciation, amortization, restructuring and other one-time items) plus dividends received from Veolia Environnement, SFR Cegetel Group and Maroc Telecom.

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Universal will not benefit in the same manner from the results of NBC Universal and will have limited access to the cash flow of that entity.

Capital Resources

On May 3, 2002 Moody s downgraded Vivendi Universal s long-term debt rating to Baa3 from Baa2. This downgrading did not trigger any event of default under any of Vivendi Universal s financing arrangements. On July 1, 2002, Moody s downgraded Vivendi Universal s senior debt rating from Baa3 to Ba1 under review with further downgrades and on July 2, 2002 S&P lowered the Vivendi Universal rating to BBB- with negative outlook. The Moody s downgrade caused approximately 170 million of credit lines and financial guarantees subject to rating triggers to be cancelled or replaced. On August 14, 2002, Vivendi Universal s long-term unsecured debt was downgraded to B1 from Ba1 with possible further downgrade by Moody s and to B+ from BBB- with negative outlook by S&P. Following this further downgrade, Lehman Brothers, which entered into an ISDA master agreement with Vivendi Universal in December 2000, accelerated the exercise of put options on Vivendi Universal shares, requiring the payment of 150 million in August 2002, which obligations would have otherwise become due between September and December, at the time of the maturity of the options.

On October 8, 2003, following the announcement that Vivendi Universal had entered into a signed agreement with, among others, General Electric to combine VUE and NBC, Moody s placed Vivendi Universal s (implied rating: Ba3 and long-term unsecured debt rating: B1) under review for possible upgrade. At the same time, Standard & Poor s raised its long-term corporate senior unsecured debt ratings on Vivendi Universal to BB from B+ while keeping all long-term ratings on Vivendi Universal (corporate rating: BB) on credit watch with positive implications, where they were placed on September 3, 2003. Lastly, on March 3, 2004, Moody s upgraded the senior implied rating to Ba2 (from Ba3) and the senior unsecured debt rating to Ba3 (from B1), both remaining under review for possible upgrade.

On May 12, 2004, following the closing of the NBC-Universal Transaction, Fitch assigned a BBB- rating, with outlook stable, to Vivendi Universal s debt.

On June 1, 2004, Standard and Poor s upgraded its long term corporate unsecured debt and its corporate debt ratings to BBB- (with outlook stable) and Moody s raised its long term unsecured debt rating and its implied rating to Ba1 (with outlook positive).

Cash Flows

Condensed Statement of Cash Flows

	Year ended December 31,			
	2003	**2002 with VE accounting for using the equity method**	**2002**	**2001**
	(in millions)			
Net cash provided by operating activities	3,886	2,795	4,670	4,500
Net cash provided by (used for) investing activities	(3,900)	4,109	405	4,340
Net cash provided by (used for) financing activities	(4,313)	(2,461)	(3,792)	(7,469)
Foreign currency translation adjustment on cash and cash equivalent	(110)	981	1,287	83
Change in cash and cash equivalents	(4,437)	5,424	2,570	1,454

Net Cash Provided by Operating Activities

Net cash provided by operating activities totaled 3.9 billion in 2003, a decrease of 0.8 billion versus 2002. Excluding Veolia Environnement, net cash provided by operating activities increased by 1.1 billion primarily due to improved operating income before depreciation and amortization and reduced working capital. In 2003, the main contributors were SFR Cegetel Group (2.4 billion), VUE (0.7 billion), Maroc

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Telecom (0.6 billion), UMG (0.6 billion) and Canal+ Group (0.4 billion) offset by negative net cash provided by operating activities at VU Games (0.2 billion) and at Holding & Corporate and others (0.6 billion). Excluding SFR Cegetel Group and Maroc Telecom, net cash provided by operating activities was 1.6 billion in 2003, including dividends received from SFR Cegetel Group and Maroc Telecom of 0.7 billion. In 2002, excluding Veolia Environnement, SFR Cegetel Group and Maroc Telecom, net cash provided by operating activities was 0.1 billion, including dividends received from Veolia Environnement and Maroc Telecom of 0.1 billion.

Net Cash Provided by Investing and Financing Activities

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

Change in financial net debt during 2003

	Cash and cash equivalents	Gross Debt	Net
		(in millions)	
Financial net debt at December 31, 2002			12,337
Net cash provided by operating activities	(3,886)		(3,886)
Capital expenditures	1,552		1,552
Proceeds from sale of property, plant and equipment and intangible assets(a)	(477)		(477)
(Sales) purchases of marketable securities	(49)		(49)
Acquisitions			
26% interest in Cegetel Groupe SA	4,011		4,011
Closing of contractual guarantees to former Rondor shareholders	207		207
Télécom Développement	56	162	218
Other acquisitions	148	-24	124
Total acquisitions	4,422	138	4,560
Divestitures			
Telepiù	(457)	(374)	(831)
Canal+ Technologies	(191)		(191)
Consumer Press division	(200)		(200)
Comareg	(135)		(135)
Fixed line telecommunication in Hungary	(10)	(305)	(315)
InterActiveCorp warrants	(600)		(600)
Interest in Sithe International(b)	(40)		(40)
Interest in Vodafone Egypt	(43)		(43)
Other dispositions(c)	128	(239)	(111)
Total dispositions	(1,548)	(918)	(2,466)
Net cash provided by (used for) investing activities	3,900	(780)	3,120

	Cash and cash equivalents	Gross Debt	Net
		(in millions)	
Net proceeds from issuance of common shares	(71)		(71)
(Sales) purchases of treasury shares(d)	98		98
Cash dividends paid	737		737
Financing arrangements			
Settlement			
VUE securitization program(f)	(704)	704	
VUE $920 million loan agreement(f)	(800)	800	
Senior notes (2010)	(1,183)	1,183	
2.5 billion dual currency facility	(1,000)	1,000	
3 billion multicurrency revolving credit facility	(1,000)	1,000	
Senior notes (2008)	(1,353)	1,353	
SIT 1.3 billion acquisition facility	(1,300)	1,300	
Sogecable exchangeable	(605)	605	
Repayment			
Cash settlement of Veolia Environnement exchangeable notes(e)	1,781	(1,781)	
VUE $1.62 billion loan(f)	1,456	(1,456)	
3 billion multicurrency revolving credit facility	3,000	(3,000)	
BSkyB exchangeable 1%(g)	1,440	(1,440)	
SIT 1.3 billion acquisition facility	1,300	(1,300)	
Other financial arrangements(h)	2,517	(2,349)	168
Total financing arrangements and other	3,549	(3,381)	168
Net cash provided by (used for) financing activities	4,313	(3,381)	932
Foreign currency effect	110	(1,048)	(938)
Change in financial net debt during 2003	4,437	(5,209)	(772)
Financial net debt at December 31, 2003			11,565

(a) Including the sale of 10 Universal City Plaza to a group of US investors. The asset is a 35-story tower block located in Los Angeles, California, and Universal Studios will continue to rent the building.

(b) In June 2003, Vivendi Universal sold its interest in Sithe International (operations in Asia Pacific) to the Japanese group Marubeni for $47 million.

(c) Including the negative impact of the cash flow generated by sold entities until the closing of transactions (Telepiù in 2003 for an amount of 193 million), when the entity is surrendered in accordance with the terms and conditions of the share purchase agreement. However, this allocation has no impact on financial net debt. Certain divestitures also include intercompany redemption.

(d) Including impact of settlement of put options on treasury shares (104 million as of December 31, 2003).

(e) In February 2001, Vivendi Universal issued 32,352,941 bonds exchangeable, at any time after April 17, 2001, for shares in Veolia Environnement (interest 2%; yield to maturity 3.75%; expiring March 2006; nominal value 55.90, or 30% above the average weighted price of Veolia Environnement shares the previous day). Following the exercise of the put by investors in March 2003, Vivendi Universal reimbursed 31,858,618 of Veolia Environnement exchangeable bonds at a total cost of 1.8 billion.

(f) The proceeds from VUE securitization program and $920 million loan agreement have been used to repay this $1.62 billion loan dated November 25, 2002 that matured on June 30, 2003.

(g) In July 2000, Vivendi issued 59,455,000 bonds exchangeable for BSkyB shares or redeemable in cash, at a unit par value of 24.22. These bonds earned interest at 1% and matured on July 5, 2003. The conversion rate was one BSkyB share (with a par value of 50 pence) for one Vivendi Universal bond. On July 5, 2003, all outstanding bonds were redeemed at a unit price of 24.87.

(h) Including the reimbursement of 850 million revolving credit facility, Société Générale 215 million and 275 million revolving credit facilities and CDC IXIS 200 million revolving credit facility.

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Change in financial net debt during 2002, accounting for Veolia Environnement using the equity method

	Cash and cash equivalents	Gross Debt	Net
		(in millions)	
Financial net debt at December 31, 2001 as reported			37,055
Veolia Environnement accounted for using the equity method			(15,703)
Financial net debt excluding Veolia Environnement			21,352
Net cash provided by operating activities	(2,795)		(2,795)
Purchase of property, plant, equipment and intangible assets	1,729		1,729
Proceeds from sale of property, plant and equipment and intangible assets	(158)		(158)
(Sales) purchases of marketable securities	(322)		(322)
of which divestiture of Vinci shares (291 million)			
Net increase in financial receivables	1,875		1,875
Acquisitions			
EchoStar	1,699		1,699
Interest in Sportfive	122		122
Other acquisitions	179		179
Total acquisitions	2,000		2,000
Divestitures			
Veolia Environnement	(3,335)		(3,335)
EchoStar	(1,037)		(1,037)
Houghton Mifflin	(1,195)	(372)	(1,567)
European publishing activities	(1,121)	(17)	(1,138)
BtoB/Health	(894)	(37)	(931)
Sithe	(319)		(319)
Canal+ Digital	(264)		(264)
Vizzavi Europe	(143)		(143)
Other divestitures	-925		(925)
Total divestitures	(9,233)	(426)	(9,659)
Net cash provided by (used for) investing activities	(4,109)	(426)	(4,535)
Net proceeds from issuance of common shares	(68)		(68)
(Sales) purchases of treasury shares	(1,973)		(1,973)
Cash dividends paid	1,120		1,120
Financing arrangements			
ORA issued by VU in November 2002	(767)		(767)
BSkyB exchangeable 3%	117	(117)	
BSkyB total return swap	(86)	(3,948)	(4,034)
Entertainment assets of InterActiveCorp/ MultiThématiques	1,757	2,538	4,295
Other financial arrangements	1,380	(1,638)	(258)
Total financing arrangements and other	2,401	(3,165)	(764)
Net cash provided by (used for) financing activities (including foreign exchange impact)	1,480	(3,165)	(1,685)
Change in financial net debt during 2002	(5,424)	(3,591)	(9,015)

Financial net debt at December 31, 2002			12,337

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Financial net debt: Reconciliation to US GAAP

As of December 31, 2003	Long-Term Debt	Bank Overdrafts and Other Short-Term Borrowings	Gross Debt	Cash and Cash Equivalents	Total Financial Net Debt
			(in millions)		
Total financial net debt French GAAP	9,621	4,802	14,423	(2,858)	11,565
Adjustments to conform to US GAAP					
Impact of VUE as asset held for sale (a)	(3,438)		(3,438)	124	(3,314)
Real estate defeased properties	848		848		848
Other		336	336		336
Total financial net debt US GAAP	7,031	5,138	12,169	(2,734)	9,435

(a) Under the terms of the NBC-Universal Transaction, Vivendi Universal is responsible for the cost of the required defeasance of certain covenants of the VUE class A preferred interests and the net costs of the dividends on the VUE class B preferred interests. For more information, see Item 18 Note 32.9.

Description of Vivendi Universal s Indebtedness

During the course of 2003, Vivendi Universal was able to obtain new lines of credit allowing it to progressively regain its financial flexibility, to substantially reduce its bank margins, to regain a balance between bank financing and capital markets financing and to extend the average maturity of its debt. Significant changes included:

the issuance of 1.2 billion high yield bonds with a 7 year maturity concurrently with the entry into by Vivendi Universal of a 2.5 billion syndicated secured bank facility, which together enabled Vivendi Universal to reimburse and cancel several existing facilities falling due in 2003 and 2004, for a total amount of 2.5 billion;

the refinancing of VUE s $1.62 billion short term bridge loan facility in the first half of 2003 by a $750 million securitization of VUE s film rights with a 6 year maturity and a $920 million term loan with a 5 year maturity. These two operations produced an extension of the maturity of VUE s debt and allowed the upstream of cash flow from VUE to Vivendi Universal;

the issuance of 1.3 billion high yield bonds in July 2003 with a 5-year maturity which enabled Vivendi Universal to repay the balance which remained outstanding under a 1.3 billion loan (which was granted to an affiliate company in connection with the acquisition of a 26% interest in SFR Cegetel Group); following this refinancing, Vivendi Universal was able to take direct control of its participation in SFR Cegetel Group and thus as a result to benefit from the corresponding dividend stream;

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

the signature of an underwritten commitment in December 2003 for a new unsecured 2.7 billion syndicated bank facility with a 5 year maturity which, following the completion of the NBC-Universal Transaction, will be used, along with other funds, to reimburse substantially all Vivendi Universal group secured bank indebtedness (2.5 billion and 3 billion syndicated facilities and £136 million bilateral loan facility); and

in advance of the potential acquisition of a 16% equity interest in Maroc Telecom in 2004, Vivendi Universal received an underwritten commitment in December 2003 from two banks for a MAD 5 billion facility.

At the end of January 2004, following the repayment of the 1.7 billion OCEANE which was maturing in early January, the average duration of the Vivendi Universal s debt, including the Class A and Class B preferred interests issued by VUE, was approximately 6-7 years compared to 4-5 years at the end of 2002.

At the closing of the NBC-Universal Transaction, Vivendi Universal repaid the 1.8 billion drawn portion of the 3 billion facility, the 1 billion tranche B of the 2.5 billion credit facility and the £136 million loan contracted by UMO. Simultaneously, the 2.7 billion credit facility was established and drawn down in an amount of 400 million.

On May 25, 2004, Vivendi Universal launched a tender offer to purchase 1 billion in aggregate principal amount of the euro-denominated 9.50% senior notes, the dollar-denominated 9.25% senior notes and the 6.25% senior notes denominated in euros and US dollars. Concurrently with this offer, holders of the notes were solicited to waive covenants attached to the notes. On June 9 and 16, 2004, this offer was amended, with its size increased to 2.4 billion in aggregate cash consideration. On June 29, 2004, the offer expired, with a tender rate of 96.4% for the 9.5% and 9.25% senior notes and a tender rate of 72% for the 6.25% senior notes, for an aggregate cash consideration of approximately 2.3 billion.

On June 23, 2004, Vivendi Universal placed a 700 million bond issue with European institutional investors. The three-year bonds were issued in euros and have a yield of three-month EURIBOR + 60 basis points (approximately 2.723% as of June 23, 2004). Simultaneously with this issuance, Vivendi Universal reduced its 2.7 billion syndicated credit facility to 2.5 billion.

On June 4, 2004, SFR received an underwritten commitment from a group of banks for 1 billion to refinance certain existing indebtedness. This commitment expires on July 30, 2004. The revolving credit facility would include negative pledges and covenants relating to disposals. In addition, it would provide for customary conditions precedent, covenants (regarding, *inter alia*, financial ratios) and events of default.

All of our financial indebtedness is further described below:

(a) 1.2 billion ($935 million + 325 million (2010)) and 1.35 billion senior notes ($975 million + 500 million (2008))

(b) 2.5 billion dual currency term and revolving facility

(c) 3 billion multicurrency revolving credit facility

(d) $920 million VUE loan agreement

(e) $750 million VUE securitization program

(f) 527 million bond exchangeable into shares of Vinci

(g) 605 million bonds exchangeable into shares of Sogecable SA

(h) 2.7 billion credit facility

(i) MAD 6 billion non-recourse facility

(a) 1.2 billion ($935 million + 325 million (2010)) and 1.35 billion senior notes ($975 million + 500 million (2008))

In April 2003, Vivendi Universal issued $935 million of senior notes at an offering price of 100% and 325 million of senior notes at an offering price of 98.746%. The tranche denominated in US dollars bears an interest rate of 9.25% and the tranche denominated in euro bears an interest rate of 9.50%. Interest on the notes are payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2003. The notes rank *pari passu* in right of payment with all of Vivendi Universal s existing and future unsecured senior indebtedness, effectively junior to Vivendi Universal s current and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and senior to any future subordinated indebtedness of Vivendi Universal.

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These notes are scheduled to mature on April 15, 2010. At any time prior to April 15, 2007, Vivendi Universal may redeem all or part of the notes at a redemption price equal to 100% of the principal of the notes plus accrued and unpaid interest and the applicable make-whole premium. In addition, at any time prior to April 15, 2006, Vivendi Universal may use the net cash proceeds of an equity offering to redeem up to 35% of the aggregate principal amount of notes at a redemption price equal to 109.25% of the principal amount plus accrued and unpaid interest, in the case of the US dollar-denominated notes and 109.50% of the principal amount plus accrued and unpaid interest in the case of the euro-denominated notes. On or after April 15, 2007, Vivendi Universal may redeem all or part of the notes at a redemption price of 104.625% for the US dollar-denominated notes and 104.75% for the euro-denominated notes in 2007, 102.313% for the US dollar-denominated notes and 102.375% for the euro-denominated notes in 2008, and 100% for both the US dollar and euro-denominated notes thereafter, plus accrued and unpaid interest. These notes are listed on the Luxembourg Stock Exchange. On December 31, 2003 Vivendi Universal completed an exchange offer pursuant to a registration rights agreement to exchange the notes for registered notes with the same terms. The exchange notes are listed on the Luxembourg Stock Exchange.

In July 2003, Vivendi Universal issued $975 million and 500 million of senior notes at an offering price of 100% to refinance the credit facility incurred in January 2003 for an amount of 1.3 billion by SIT in connection with the acquisition from BT Group of a 26% stake in Cegetel Groupe SA. These notes bear an interest rate of 6.25%. Interest on these notes will be payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2004. The notes rank *pari passu* in right of payment with all of Vivendi Universal s current and future unsecured indebtedness, effectively junior to Vivendi Universal s current and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and senior to any future subordinated indebtedness of Vivendi Universal.

These notes are scheduled to mature on July 15, 2008. At any time, Vivendi Universal may redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest plus the applicable make-whole premium. Additionally, at any time prior to July 15, 2006, Vivendi Universal may redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 106.25% of the principal amount of the notes plus accrued and unpaid interest with the net cash proceeds of an equity offering. These notes are listed on the Luxembourg Stock Exchange. On January 5, 2004, Vivendi Universal completed an exchange offer pursuant to a registration rights agreement to exchange notes with the same terms. The exchange notes are listed on the Luxembourg Stock Exchange.

Prior to the time that the notes issued in April 2003 or July 2003 are rated investment grade (by Moody s and Standard & Poor s):

covenants contained in the indentures governing the notes will limit the non-cash consideration received in asset sales until the repayment of notes. The net cash proceeds of such asset sales must be used by Vivendi Universal or its subsidiaries to repay debt, make capital expenditures or purchase assets in related business within one year of their receipt. If asset sale proceeds are not used for one of these purposes, Vivendi Universal would be required to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, using those proceeds;

Vivendi Universal and its subsidiaries will be limited in their ability to incur indebtedness in addition to indebtedness outstanding on the date the notes offering closed, subject to certain limited exceptions. Nevertheless, Vivendi Universal may incur new indebtedness if the fixed charge coverage ratio for the most recent four fiscal quarters is at least 3 to 1, determined on a pro forma basis; and

Vivendi Universal may not pay any dividend or make any other payment or distribution on its equity, implement share buy-backs, redeem or retire indebtedness that is subordinated to the notes or make certain investments.

Nevertheless, these restrictions are subject to some exceptions, including:

exceptions based on the consolidated net income earned since the date the notes offering closed;

existing contractual obligations;

investments in and acquisitions of new subsidiaries;

purchases of shares upon the exercise of stock options; and

investments in cash or cash equivalents.

Other restrictions customary for this type of financing will continue to apply so long as the notes are not rated investment grade, including:

transactions with affiliates must be on arm s-length terms;

restrictions on the ability of restricted subsidiaries to pay dividends are not permitted;

mergers are permitted only if the surviving entity will meet a specified fixed charge coverage ratio;

Vivendi Universal may not enter into new lines of business; and

upon a change in control of Vivendi Universal, it must make an offer to purchase the notes at a price of 101% of the principal amount of the notes.

In addition to these limitations and irrespective of whether the notes are investment grade rated, Vivendi Universal may not, among other things, (i) secure its debt (other than its existing bank debt, project finance indebtedness, debt already secured taken on at the time of acquisition of assets or capital leases subject to some restrictions) without also securing the notes on an equal basis, (ii) enter into certain specified sale and leaseback transactions or (iii) consolidate, merge or sell substantially all of its assets, unless the successor becomes bound by the indenture governing the notes and certain other conditions are satisfied.

The notes contain customary event of default provisions including, among others, provisions relating to non-payment, failure to comply with covenants, cross-default, and certain events of bankruptcy or insolvency.

On November 20, 2003, Vivendi Universal successfully completed a solicitation of consent from the holders of the notes to certain amendments to the indenture governing the senior notes issued in April 2003 and the indenture governing the senior notes issued in July 2003 in connection with the NBC-Universal Transaction. On November 21, 2003, Vivendi Universal entered into supplemental indentures, which amended the indentures to (i) except the transaction from the minimum cash requirement (but not the other requirements) of the covenant restricting certain asset sales, (ii) permit liens on the capital stock of entities received by Vivendi Universal as part of the transaction, (iii) permit restrictions on the divestitures of the capital stock of the entities received by Vivendi Universal as part of the transaction, (iv) permit Vivendi Universal to incur indebtedness arising under or pursuant to the agreements entered into pursuant to the transaction, (v) expand the current provisions in the indenture permitting Vivendi Universal to defease the preferred interest in VUE in connection with the transaction and (vi) clarify that Vivendi Universal may exclude certain information from its quarterly US GAAP reconciliation.

(b) 2.5 billion Dual Currency Term and Revolving Credit Facility

Vivendi Universal entered into a 2.5 billion dual currency term and revolving credit facility (the Dual Currency Credit Facility) dated as of May 13, 2003, among Vivendi Universal, as the borrower and a guarantor, certain of its subsidiaries, as guarantors, the lenders party thereto, and Société Générale, as facility and security agent.

The facility was comprised of (a) a three-year 1.5 billion revolving credit facility (Tranche A) at LIBOR or EURIBOR plus an applicable margin that, depending on Vivendi Universal s credit ratings, ranged from 1.00% to 2.75% per annum and (b) a 1.0 billion term loan (Tranche B) with a 2.75% per annum margin over LIBOR or EURIBOR maturing on the third anniversary of the date of the Dual Currency Credit Facility. At December 31, 2003, the 1.0 billion term loan was fully drawn and the 1.5 billion revolving credit

facility was undrawn. As a result of the closing of the NBC-Universal Transaction, this facility was fully repaid and cancelled.

(c) 3 billion Multicurrency Revolving Credit Facility

Vivendi Universal entered into a 3 billion multicurrency revolving credit facility (Multicurrency Revolving Credit Facility) dated March 15, 2002, as amended on February 6, 2003, and as further amended and restated on May 13, 2003, among Vivendi Universal, as a borrower and the obligors agent certain of its subsidiaries, as guarantors, the lenders party thereto and Société Générale, as facility agent. At December 31, 2003, 1 billion of the Multicurrency Revolving Credit Facility was drawn. As a result of the closing of the NBC-Universal Transaction, this facility was fully repaid and cancelled.

(d) $920 million VUE Loan Agreement

On June 24, 2003, Vivendi Universal Entertainment LLLP entered into a $920 million loan agreement with Banc of America, N.A. and JPMorgan Chase Bank, as co-administrative agents, the lenders party thereto, Barclays Bank PLC, as syndication agent, and JPMorgan Chase Bank, as collateral agent and as paying agent (the VUE Loan Agreement). The full amount of the facility was drawn at closing and the proceeds have been used to repay the remaining outstanding portion of the Amended and Restated $1.62 billion loan dated November 25, 2002.

In connection with the NBC-Universal Transaction completed on May 11, 2004, the obligations under the VUE Loan Agreement were transferred as a liability of VUE, now a subsidiary of NBC Universal.

(e) $750 million VUE securitization program

On March 31, 2003, a special purpose subsidiary of VUE, Universal Film Funding LLC (UFF) securitized a portion of its film rights based on future video (including DVD and VHS) and television revenues in the United States from part of its existing film library and future theatrical pictures. The aggregate amount of the facility is $950 million, of which $750 million has been drawn (including $50 million which has been recorded as a reserve). As part of the securitization, certain subsidiaries of VUE transferred film assets and certain other related assets to UFF and agreed to sell additional similar assets relating to such subsidiaries future theatrical pictures. UFF has issued notes which are currently funded by commercial paper conduits. The notes have received the benefits of an AAA-rated insurance contract which guarantees the payment of interest and principal. The assets have been pledged by UFF to secure the securitization facility. The proceeds of this facility were used to partially reimburse VUE s now fully repaid $1.62 billion credit facility. This securitization program was transferred as part of VUE in connection with the May 11, 2004 closing of the NBC-Universal Transaction.

(f) 527 million bonds exchangeable into shares of Vinci

In February 2001, Vivendi Universal issued 6,818,695 bonds exchangeable, at any time after April 10, 2001, for Vinci shares, for an amount of 527.4 million. The bonds bore interest at 1%, with 3.75% yield to maturity, and matured on March 1, 2006. The issue price was 77.35, 30% above the previous day s closing rates for Vinci shares. This transaction allowed Vivendi Universal to complete its disengagement from Vinci, by exchanging its residual interest of 8.2% as at December 31, 2001. These bonds were subject to early redemption by the holders on March 1, 2004 (redemption price 83.97 per bond). Revenue from the issuance of the bonds has been lent to Veolia Environnement in the amount of its capital interest in Vinci (1,552,305 shares of the 6,818,695 held by the Group) via a mirror loan of 120 million. The residual interest held by Vivendi Universal was placed on the market in 2002. To cover its obligations under the bond, Vivendi Universal concomitantly purchased, for 53 million, 5.3 million Vinci share options at a price of 88.81, corresponding to the bond par value as at March 1, 2006, in the absence of early redemption. On August 11, 2003, at the general meeting for holders of these bonds, the majority of the bond holders who participated voted in favor of the proposal made to them by Vivendi Universal to increase the redemption price of the bonds from 88.81 to 93.25 at the maturity date of March 1, 2006. In return for the increase, the bond holders fully relinquished their right to exercise their early redemption option for March 2004. The new redemption price provides the holders with a gross return of 5.66% per annum from October 1, 2003 until maturity. Following the sale in September 2003 of the options bought in June 2002, Vivendi Universal purchased, for 16.5 million, 6.8 million Vinci share new options at a price of 93.25, corresponding to the bond par value as at March 1, 2006. In addition, the 130 million mirror loan (including accrued interest) was repaid by Veolia Environnement on September 30, 2003.

(g) 605 million bonds exchangeable into shares of Sogecable SA

On October 30, 2003, Vivendi Universal issued 605 million 1.75% exchangeable bonds due 2008, exchangeable for ordinary shares of Sogecable SA, a limited liability company incorporated under the laws of the Kingdom of Spain whose shares are listed on the Spanish Stock Exchanges.

The bonds bear interest at the rate of 1.75 per cent per annum. Interest are payable annually in arrears on October 30 of each year, commencing on October 30, 2004.

Each bond is exchangeable at the holders option at any time, from January 1, 2004 up to the tenth business day preceding the maturity date, into ordinary share of Sogecable SA, at an exchange ratio, subject to adjustment on the occurrence of certain events, of one share for one bond. Vivendi Universal may at its discretion elect to pay holders exercising their option the cash equivalent in euros of the then market value of the relevant shares.

Vivendi Universal is entitled, at any time on or after October 30, 2006, at its option, to redeem in cash all, but not less than all, of the outstanding bonds, if on each of 20 out of 30 consecutive trading days, the product of (i) the closing price of a Sogecable share on the Spanish Stock Exchanges and (ii) the then applicable exchange ratio equals or exceeds 125% of the sum of the principal amount of one bond (29.32) plus accrued interest to, but excluding, the date set for redemption.

In addition, Vivendi Universal is entitled at any time to redeem in cash all, but not less than all, of the bonds outstanding at a price equal to the principal amount of the bonds (29.32 per bond) plus accrued interest, if any, if less than 10% of the bonds originally issued remain outstanding at that time.

Unless previously redeemed, exchanged or purchased and cancelled, the bonds will be redeemed in cash on the maturity date (October 30, 2008) at their principal amount (29.32 per bond).

The bonds are listed on the Luxembourg Stock Exchange.

The bonds are subject to customary *pari passu*, negative pledge and event of default provisions.

At the time of the issuance, the underlying Sogecable shares were owned by Canal+ Group and Canal+ Group had committed to lend a maximum of 20 million Sogecable shares to the financial institution acting as bookrunner for the bond issue, this number to be reduced by the number of bonds redeemed following the exercise by any bondholder of their exchange rights and, from October 1, 2004, by the number of shares, if any, sold by the lender, subject to a minimum threshold of 5 million Sogecable shares which are committed to remain available to the borrower. In February 2004, the Sogecable shares held by Canal+ Group as well as the stock loan were transferred to Vivendi Universal. Vivendi Universal will receive a fee of 0.5% per annum computed on the price of the shares effectively lent.

(h) 2.7 billion credit facility

Vivendi Universal has entered into a 2.7 billion unsecured multicurrency credit facility dated as of February 25, 2004, with a group of lenders and Société Générale as facility agent. This new facility has a maturity of five years as from the signing date and was available as of the closing of the NBC-Universal Transaction.

The new 2.7 billion credit facility can be used for the general corporate purposes of the group. It includes a swingline facility for up to 500 million, available in euros only.

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The facility bears interest at either LIBOR or EURIBOR plus a margin ranging from 1.10% to 0.45% depending on the corporate rating of Vivendi Universal assigned by Standard & Poor s and Moody s. The swingline facility carries an additional margin of 0.15%. Until Vivendi Universal has an investment-grade corporate rating from at least one of the two rating agencies, a utilization fee will be payable in addition to the margin, in an amount of 0.10% per annum if the amounts utilized under the facility equal or exceed 50% but are less than 75% of the total facility amount and 0.15% per annum if the amounts utilized under the facility equal or exceed 75% of the total facility amount.

From the start of the facility s availability period, Vivendi Universal pays a commitment fee at an annual rate of 40% of the then applicable margin on the undrawn and uncancelled amount of the facility.

The accrued utilization fee, commitment fee and interim commitment fee are payable quarterly in arrears.

The facility agreement provides for voluntary prepayment or cancellation of the whole or part of the facility, without any penalty or indemnity (other than break costs) subject to Vivendi Universal giving a three business days notice to the facility agent.

The facility is subject to certain mandatory prepayment provisions including the case of change of control, non-satisfaction of financial covenants or sale of SFR Cegetel Group. In that latter case, the facility provides for prepayment and cancellation of half of the facility if Vivendi Universal s ownership in SFR Cegetel Group is less than 50% but at least 40% of the total share capital of SFR Cegetel Group and prepayment and cancellation of 100% of the facility if Vivendi Universal s ownership in SFR Cegetel Group is less than 40% of the share capital of SFR Cegetel Group.

The facility contains customary covenants which place certain restrictions on, amongst other things, upstream and cross guarantees, acquisitions, mergers, disposals of assets, security interests and loans out or require Vivendi Universal to observe certain affirmative undertakings, including, but not limited to, relevant authorizations, maintenance of status, insurance, compliance with environment laws, provision of financial and other information and notification of defaults.

In addition, Vivendi Universal must maintain the following financial ratios:

- maximum ratio of financial net debt to proportionate EBITDA: 3:1 at each testing date from and including the start of the availability period to September 30, 2004 and 2.8:1 as from December 31, 2004;

- minimum ratio of proportionate EBITDA to net financing costs: 4.2:1 at each testing date from and including the start of the availability period to September 30, 2004; 4.3:1 at December 31, 2004 and 4.5:1 as from March 31, 2005.

Vivendi Universal has also agreed to procure that the part of the financial net debt incurred by its subsidiaries shall not at any time exceed an amount equal to the greater of (i) 30% of the group financial net debt and (ii) 2.0 billion.

The facility contains customary event of default provisions.

(i) MAD 6 billion non-recourse facility

On December 23, 2003, Vivendi Universal received an underwritten commitment from two banks for a 5 billion dirham (MAD) non-recourse facility designed to finance part of the acquisition of a 16% equity interest in Maroc Telecom S.A. On June 30, 2004, the expiration date of the commitment was extended to March 31, 2005, and the amount of the non-recourse facility was increased to MAD 6 billion. The facility is to be granted to a wholly owned special purpose company which will hold all of Vivendi Universal s interest in Maroc Telecom S.A. and will be non-recourse as against Vivendi Universal.

The facility will be split into two tranches, a tranche A in an amount of MAD1 billion to MAD2 billion with a maturity of two years and a tranche B in an amount of MAD4 billion with a maturity of seven years.

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The facility shall include mandatory prepayment provisions upon the occurrence of certain events, including Vivendi Universal ceasing to own directly or indirectly 66.66% of the issued share capital of the borrower, disposal by the borrower of all or any part of the Maroc Telecom shares, non-satisfaction of financial covenants or distribution of dividends from Maroc Telecom S.A. to the Borrower which are insufficient to cover the next repayment installment and the annual interest payment due under the facility.

The facility shall provide for customary conditions precedent, covenants (including financial ratios) and events of default. The security package shall include an assignment of all cash dividends to be received from the Maroc Telecom shares as well as an assignment of any rights in connection with the purchase of the 16% equity interest in Maroc Telecom S.A.

OFF-BALANCE-SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Vivendi Universal and its subsidiaries maintain detailed records on all contractual obligations, commercial commitments and contingent liabilities, which are reviewed with senior management and updated on a regular basis. In order to ensure completeness, accuracy and consistency of the records, many procedures are performed, including but not limited to:

- review of minutes of meetings of stockholders, directors, committees of the board, and management committees for matters such as contracts, litigation, and authorization of fixed asset acquisitions or divestitures;
- review with banks of items such as guarantees, endorsements and discounted receivables;
- review with internal and/or external legal counsel of pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies;
- review of tax examiner s reports, notices of assessments and income tax analyses for additional prior year amounts;
- review with risk management, insurance agents and brokers of coverage for unrecorded contingencies;
- review of related party transactions for guarantees and other commitments;
- review of all contracts and agreements.

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Contractual Obligations and Commercial Commitments Given

Vivendi Universal and its subsidiaries have various contractual obligations and commercial commitments, which have been defined as items for which it is contractually obligated or committed to pay a specified amount at a specific point in time. Certain of these items are required to be recorded as liabilities in our Consolidated Financial Statements, for example long-term debt. Others, such as certain purchase commitments and other executory contracts are not permitted to be recognized as liabilities in our Consolidated Financial Statements, but are required to be disclosed. The following table summarizes the items recorded as liabilities and those recorded as contractual obligations and commercial commitments at December 31, 2003:

		Payments due in			
	Total	Less than one year	Between 1 and 2 years	Between 2 and 5 years	After 5 Years
	(In millions)				
Recorded as liabilities in the Consolidated Statement of Financial Position					
Long-term debt(a)	9,621		473	5,800	3,348
Bank overdrafts and other short-term borrowings	4,802	4,802			
Sports rights(b)	695	370	251	74	
Broadcasting rights(c)	370	147	92	120	11
Creative talent and employment agreements(d)	220	63	45	72	40
Other	231	151	25	38	17
Total	15,939	5,533	886	6,104	3,416

		Payments due in			
	Total	Less than one year	Between 1 and 2 years	Between 2 and 5 years	After 5 Years
	(In millions)				
Other contractual obligations and commercial commitments					
Operating leases(e)	1,384	232	181	415	556
Broadcasting rights(c)	1,740	505	479	647	109
Creative talent and employment agreements(d)	1,503	845	263	302	93
Real estate defeasance(f)	947	1	1	240	705
Public service contract(g)	164	8	8	25	123
Other	862	358	144	162	198
Total	6,600	1,949	1,076	1,791	1,784

(a) Long-term debt includes finance lease obligations of 196 million, which French GAAP requires to be recognized as long-term debt (see Item 18 Note 17.1).

(b) Exclusivity contracts for broadcasting sporting events by Canal+ Group recorded in other non-current liabilities.

(c) Primarily exclusivity contracts for broadcasting future film productions and acquisitions of program catalogs at VUE and Canal+ Group. The commitments recognized by VUE become liabilities once the programs are made available for airing (i.e., production is completed and the program is delivered to the cable operator).

(d) Agreements in the normal course of business, which relate to creative talent and employment agreements, principally at UMG and VUE.

(e) Lease obligations assumed in the normal course of business for rental of buildings and equipment.

(f) Lease obligations related to real estate defeasances. In April 1996, the divestiture to Philip Morris Capital Corporation (PMCC) of three office buildings under construction was accompanied by a 30-year lease back agreement effective upon completion of the buildings. Two of the buildings were completed in April 1998 and the third in April 2000. The annual rental expenses approximate 34.4 million. In December 1996, three buildings in Berlin were sold and leased back under ten to thirty year leases at an annual rental expense of approximately 29.6 million. Whenever the difference between Vivendi Universal s rental obligation under the leases and the market rent received by Vivendi Universal is unfavorable, a provision is accrued. The relevant legal documentation provides, *inter alia*, that PMCC may accelerate the leases if Vivendi Universal disposes of « *all or substantially all of its assets used*

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in or related to the Water and Energy Businesses ». By a letter dated November 18, 2003, PMCC indicated to Vivendi Universal that it was examining whether the sale by Vivendi Universal of 50% of its interests in Veolia Environnement, in December 2002, and the grant of a call option on Vivendi Universal s remaining interests in Veolia Environnement fall within the ambit of the above-mentioned provision.

(g) As the contractor of public telecommunication services of the Principality of Monaco, Monaco Télécom pays annual fees that are linked to the growth of the gross margin of the basic service as defined in the concession contract (with a minimum of 7,9 million per year). The concession will end in 2023.

Specific Commitments Given

In addition to contractual obligations and commercial commitments given, Vivendi Universal and its subsidiaries have entered into various guarantees or other specific agreements. The most significant ones at December 31, 2003 are summarized as follows:

Canal+ Group

(a) In connection with the acquisition by Sportfive (Sport+ S.A. in 2001) of its three-year right to broadcast English Premier League soccer matches, Vivendi Universal agreed to provide a guarantee related to the payment of license fees, limited to £90 million (50% of which was counter-guaranteed by the RTL Group), which expired on June 25, 2004, when Canal+ Group sold its stake in Sportfive to Advent International.

(b) Canal+ Group has granted various put options to certain minority shareholders of its affiliates. With respect to the puts, the contingent liabilities are estimated by the Company at approximately 90 million, of which approximately 70 million are exercisable in 2004.

Universal Music Group

(a) The initial 5-year term of UMG s 50% joint venture in the Roc-a-fella record label was to end on February 28, 2002. The term was subsequently extended to February 28, 2005. UMG s joint venture partner has a put option in its interest that is exercisable on February 28, 2005. The relevant price under the put is based on a formula on revenues and profits. It is not expected that the put price will materially exceed amounts provided for in the Company s accounts.

(b) The original 3-year term of UMG s 50% joint venture in the Murder, Inc. Records label was extended as of February 10, 2002 for an additional 5 years until February 10, 2007. On the date 90 days after expiration or termination of the term, UMG is obligated to purchase its joint venture partner s 50% interest under a formula based on prior performance. It is not possible to predict the future performance of the joint venture, based on recent performance being constant through the end of the term, the Group estimates the potential obligation at approximately $10 million.

(c) The Company owns a residence occupied by an artist under a life estate. As such, the property could be impaired until the artist s death or he otherwise elects to move. The book value is approximately 7 million.

Vivendi Universal Entertainment

(a) In connection with Vivendi Universal s acquisition of IAC s entertainment assets, IAC and Mr. Barry Diller received 5.44% and 1.50%, respectively, of the common interests in VUE, the group formed by combining such assets and those of the Universal Studios Group. Vivendi Universal agreed to certain put arrangements with respect to the common interests in VUE. Since May 7, 2003, Mr. Barry Diller has had the right to put his common interests to Universal Studios, Inc. for $275 million. Beginning on May 7, 2010, IAC may put its common interests to Universal Studios, Inc. for their fair market value. In each case, these amounts may, at Universal Studio Inc s election, be paid in cash or in Vivendi Universal shares.

Under the VUE Partnership Agreement, VUE is subject to a number of covenants for the benefit of the holder of the class A preferred interests in VUE (currently IAC), including a cap on indebtedness and a restriction on asset transfers. Certain of the covenants, including those specified above, would cease to apply if irrevocable letters of credit were issued to IAC in an amount equal to the accrued value of such interests at maturity (approximately $2 billion in 2022).

As a result of its reduced interests in IAC following the sale of IAC warrants during the first half of 2003, Vivendi Universal and its affiliates are no longer subject to the transfer restrictions resulting from the rights of first refusal granted to Mr. Diller and Liberty Media Corporation pursuant to the Stockholders Agreement.

Under agreements with IAC, USI and its affiliates must, however, continue to hold the 56.6 million IAC shares generally free of liens and in special purpose entities until satisfaction of the put or call on the class B preferred interests in VUE issued to IAC with an initial face value of $1.75 billion. In connection with this acquisition, the class B preferred interests are actually subject to put/call provisions at any time following the 20-year anniversary of issuance (i.e., May 7, 2022). IAC may require USI to purchase the class B preferred interests, and Vivendi Universal or USI may require IAC to sell to it the class B preferred interests, for a number of IAC shares having a market value equal to the accreted face value of the class B preferred interests at such time, subject to a maximum of 56.6 million. Mr. Diller will continue to hold a proxy on all such IAC shares. In addition, Mr. Diller s broad standstill obligations under the Stockholders Agreement, including his obligation not to acquire Vivendi Universal or any of its subsidiaries, will continue to apply in accordance with the Stockholders Agreement.

In addition, Vivendi Universal has agreed to indemnify IAC for any tax detriment (defined to mean the present value of the loss of IAC s tax deferral on the transaction) arising from certain actions taken by VUE prior to May 7, 2017, including selling assets contributed by IAC to VUE and repaying the $1.62 billion in debt used to finance the cash distribution made to IAC at the closing.

As part of the definitive agreement signed by Vivendi Universal and GE on October 8, 2003, IAC s entertainment assets were included in the NBC-Universal Transaction.

(b) In connection with VUE s equity investment in Universal City Florida Hotel Venture (UCF-HV), a joint venture that operates Universal Orlando s hotels, Vivendi Universal has a commitment to cover its proportionate share of the operating expense shortfall, if any, of the hotels. The total is capped at $30 million per year, and Vivendi Universal s proportionate share is 25% or $7.5 million. To date, no expense shortfall has occurred and the guarantee has not been called.

(c) In connection with its equity investment in UCI/CIC (United Cinema International/ Cinema International Corporation), a joint venture that operates international movie theatres, VUE has guaranteed lease payments for approximately $152 million (VUE s 50% share). To date, none of these guarantees has ever been called as the joint venture has met its obligations.

(d) In connection with its 20% equity investment in MovieLink, a joint venture formed in February 2001 to provide film programming via the internet, VUE has committed to make capital contributions up to $30 million and may be obligated to fund payment obligations of MovieLink with respect to certain intellectual property liabilities in excess of $30 million. As of December 31, 2003, VUE had contributed $14.9 million and expected to contribute the remaining $15.1 million over the next several years pursuant to future capital calls that may be made from time to time.

(e) In 1987, Universal City Florida Partners (now Universal City Development Partners, Ltd. as the merged entity)(UCDP) entered into an agreement with a creative consultant to supply consulting services for a fee based on its gross revenues. The consultant is also entitled to a fee based on the gross revenues of all gated motion picture and/or television themed attractions owned or operated, in whole or in part, by (or pursuant to a license from) UCDP or MCA Inc. (now Universal Studios, Inc.), any of their partners or any of their affiliates (comparable projects), other than at Universal City, California. At December 31, 2003, the only theme park which may be a comparable project is VUE s partially owned park in Osaka, Japan.

(f) In August 1995, affiliates of VUE granted an executive officer an option (as amended in 2000) to acquire 0.2% of their shares, subject to adjustment for certain changes in their capital structure and other extraordinary events. This option vests over a ten-year period commencing in 1995 and is exercisable by the officer in full for approximately $24.9 million. In connection with the acquisition of Seagram by Vivendi Universal on December 8, 2000, VUE allocated deferred compensation of $22.9 million, which represents the intrinsic value of the unvested portion of the option. Deferred compensation is being amortized over the remaining vesting period of the option. A total of approximately $9.2 million remains unamortized at December 31, 2003.

(g) In connection with its affiliation with United International Pictures B.V. (UIP), VUE had several liabilities for obligations of UIP including a $15 million working capital facility with Bank of America and a separate £3 million facility with National Westminster Bank plc.

(h) In connection with its equity investment in the Universal Mediterránea hotels, VUE had a commitment to infuse all earned management fees as capital in the venture until the hotel is profitable.

(i) In connection with its equity investment in the Port Aventura theme park, a capital call of $5.1 million was received in November 2003. As of December 2003, VUE had paid $1.2 million towards this commitment. As part of the financing of this affiliate, for each fiscal year through December 31, 2008, Vivendi Universal has also committed to fund 50% of any cumulative deficiency of operating income before amortization and depreciation (as defined in Port Aventura s syndicated credit facility agreement). As of December 31, 2003, a provision of 11 million was accrued to cover the risks associated with this commitment for 2003 and for the first half of 2004. The outstanding borrowings of Port Aventura amounted to 201 million as of December 31, 2003, which will be amortized through 2008.

(j) VUE has a non-binding agreement to form a joint venture that will own a theme park in Shanghai, China. Once the entire project is approved by the Chinese government and financing documents are finalized, VUE will become obligated under a pro rata project completion guarantee. As of December 31, 2003, there were no outstanding monetary commitments associated with this guarantee, contingent or otherwise.

(k) In October 2003, VUE amended its existing distribution agreements with DreamWorks SKG (DreamWorks) extending the agreement through December 2010. The amendment of the distribution agreements requires VUE to make an animation advance to DreamWorks in the amount of $75.0 million. Upon execution of the amended agreement, VUE was required to pay half the animation advance. The remaining $37.5 million was paid during the first quarter of 2004.

SFR Cegetel Group

(a) Under the terms of the partnership agreement concluded in 2003 between SFR and SNCF, withdrawal conditions take the form of commitments to buy or sell SNCF s interest in the capital of Cegetel SAS (an entity resulting from the takeover of Cegetel by Télécom Développement on December 31, 2003). SFR issued a commitment to buy SNCF s 35% holding in Cegetel SAS, which can be exercised at any time between January 1, 2007 and March 31, 2010:

- at a price of 75% of the realizable value of the company as determined by a group of experts should this value not exceed 627 million for the total amount of the capital, with a floor of 250 million;
- for a fixed sum of 470 million if a group of experts value the capital between 627 million and 1,100 million;
- for 470 million plus 35% of the value of the capital in excess of 1,100 million, as determined by a group of experts, to be more than 1,100 million.

The sums payable, as determined in one or other of the cases indicated above, will be subject to a deduction of 67 million, plus by interest accrued at the date of transfer of ownership of the SNCF shares, on the downpayment of 32 million made by SFR on December 31, 2003. A provision of 85 million was accrued as of December 31, 2003 in respect of this put option (see Item 18 Note 14).

SNCF also issued a commitment to sell its interest in the capital of Cegetel SAS to SFR, which can be exercised between April 1, 2010 and June 30, 2013. The price is set at 35% of the realizable value of the company as determined by a group of experts, less a deduction of 67 million plus interest accrued at the date of transfer of ownership of the SNCF shares, on the down payment of 32 million made by SFR on December 31, 2003.

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Reciprocal asset and liability guarantees were also given by SFR and SNCF, at the time of the merger between Télécom Développement and Cegetel SA. Debt cancellation undertakings (with recovery clauses, dated as of December 2000), in favor of its subsidiaries Cegetel 7 and Cegetel Entreprises (subsequently merged to become Cegetel SA on January 1, 2001, and later Cegetel SAS on December 31, 2003) were amended; thereby SFR has waived the right to apply these recovery clauses for an initial amount of 813 million, until such time as SFR no longer holds the total capital of Cegetel SAS, or holds less than 5% of same.

(b) Under the terms of the UMTS license assigned in August 2001 for a 20-year duration, SFR is committed to pay a fee of 1% of UMTS revenues. UMTS rollout is forecasted during the year 2004.

(c) SFR has given an undertaking to Cegetel SAS to cover any eventual restructuring losses of Cegetel RSS.

Maroc Telecom

(a) In connection with the acquisition of its 35% interest in Maroc Telecom, Vivendi Universal granted a put option to the Kingdom of Morocco for 16% of its capital. At the end of an appraisal proceeding to determine the exercise price, finalized on January 30, 2004, the Kingdom of Morocco became entitled to exercise its put option for the stake of 16% during a two-month period (i.e,. until March 30, 2004). The Kingdom of Morocco decided not to exercise the put option during this first period and the option was extended. The Kingdom of Morocco can decide to start the proceeding again at any time during an 18-month period following the end of the first put option period. The exercise price will be the fair market value of the shares independently determined by the appraisal procedure, except if the fair market value of the shares is between 85% and 115% of a reference price derived from the purchase price of Vivendi Universal s initial stake in 2000, the reference price would be used to determine the exercise price. In addition, Vivendi Universal has pledged its stake in Maroc Telecom to guarantee the payment of the above put option, if exercised. On September 2, 2003, Vivendi Universal announced that its board of directors approved a plan to increase its interest in Maroc Telecom to 51%. The Kingdom of Morocco and Vivendi Universal have started negotiations with a view to closing this transaction in 2004.

(b) Maroc Telecom benefits from an exemption of customs fees related to investments imports, in accordance with an agreement signed with the Moroccan government in virtue of which Maroc Telecom committed itself to enter into an investment program for a total amount of MAD 7 billion and to create 300 news jobs, between 2003 and 2005. As of December 31, 2003, the residual investment program not initiated amounts to approximately MAD 4 billion (362 million).

Holding & Corporate and Other

(a) In connection with the Merger Transactions, Vivendi Universal entered into a Shareholders Governance Agreement with members of the Bronfman family, pursuant to which Vivendi Universal agreed, among other things, not to dispose of Seagram shares in a taxable transaction and not to dispose of substantially all of the assets acquired by Vivendi Universal from Seagram in a transaction that would trigger the Gain Recognition Agreement (GRA) entered into by the Bronfman family and result in recognition of taxable gain to it. Under the applicable US income tax regulations, to comply with the foregoing, Vivendi Universal must retain at least 30% of the gross assets or at least 10% of the net assets (values are determined as of December 8, 2000) until the end of the five year period ending on December 31, 2005. At the present time, Vivendi Universal is in compliance with this provision.

(b) On December 20, 2002, Vivendi Universal and Veolia Environnement entered into an agreement in order to finalize the separation of the two companies, following Vivendi Universal s divestiture of 20.4% of Veolia Environnement s capital stock. Pursuant to this agreement, some of the guarantee and counter-

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guarantee agreements originally established between the two companies in June 2000 were modified as follows:

Certain recurring expenses involving network renewal costs in the water and energy businesses were originally to be reimbursed by Vivendi Universal up to an initial limit of 15.2 million a year indexed over a period of 12 years. This limit has now been raised to 30.4 million indexed starting in the year 2002. The additional amount potentially due above the 15.2 million initial limit will, however, be payable only from January 2005 and bear interest at the legal rate. If the aggregate amount of replacement costs borne by Veolia Environnement were to exceed the initial limit of 228.6 million, this excess would be covered by Vivendi Universal up to a maximum amount of 76.2 million. As of December 31, 2003, Vivendi Universal s maximum exposure was 208.4 million given the amount already claimed.

Veolia Environnement s right to claim reimbursement of exceptional expenses, provided by the June 2000 agreement, has been removed.

Certain matters relating to the implementation process of the counter guarantee agreement, dated June 20, 2000, pursuant to which Veolia Environnement will indemnify Vivendi Universal for any costs, losses or expenses in connection with the subsidiary guarantees have been detailed.

Vivendi Universal has retained stakes in certain operating companies in the water sector for reasons relating to the transferability of the concession; these will be sold as soon as practicable and at the latest on December 31, 2004.

Separately, at December 31, 2003, Vivendi Universal continued to guarantee commitments made by Veolia Environnement subsidiaries for a total amount of approximately 231 million, including mainly: 156 million related to a perpetual loan issued by OTV, 44 million related to performance guarantees given to local authorities (Adelaide, and others) and 17 million of guarantees granted to financial institutions lending funds to US operating subsidiaries of Vivendi Water. All these commitments are being progressively transferred to Veolia Environnement and have been counter-guaranteed by the latter.

(c) In connection with Vivendi Universal s December 2002 divestiture of 82.5 million shares of Veolia Environnement shares to a group of investors, a call option was granted on the remaining 20.4% of Veolia Environnement (82.5 million shares) at a strike price equal to 26.5. This option can be exercised at any time until December 23, 2004. If it were to be exercised, it would provide Vivendi Universal with 2.2 billion of net cash proceeds. The remaining 82.5 million shares have been deposited in an escrow account (compte-sequestre) and had been pledged in favor of new investors as well as banks participating in the 2.5 billion dual currency credit facility and the 3 billion multicurrency revolving credit facility.

(d) Vivendi Universal has counter-guaranteed US financial institutions which have backed the issuance of surety bonds by local reinsurers in favor of Vivendi Universal operating companies for an amount of $64 million.

(e) In connection with the acquisition of Moviso, Vivendi Universal has a commitment to pay an earn-out if the result of this affiliate is above $47.5 million in 2003. This earn-out is capped at $20 million.

(f) Vivendi Universal has retained certain indemnification obligations to GenRe regarding the structure of two interest rate and indices swap agreement contracts implemented late 1997, and terminated in December 2002. The Company believes that the likelihood that these obligations could materialize is remote.

Vivendi Telecom International

(a) In connection with the acquisition of its 55% interest in Monaco Télécom, Vivendi Universal granted a put option to the Principality of Monaco, which owns the remaining 45% of Monaco Télécom. The option grants the Société Nationale de Financement in Monaco the right to sell to Compagnie Monegasque de Communication, a subsidiary of Vivendi Universal, at any time until December 31, 2009, its 45% interest in Monaco Télécom. On June 18, 2004, Vivendi Universal finalized its sale of its 55% interest in Monaco

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Télécom to Cable and Wireless. As a result of this sale, the Principality of Monaco no longer holds its put option.

(b) In connection with its investment in Xfera that was sold in 2003, Vivendi Universal granted two counter-guarantees in an amount of 55 million to a group of banks which have guaranteed the Spanish government with respect to the payment by Xfera of UMTS frequency spectrum fees.

The following table summarizes the contingencies described above and other contingencies described in Item 18 Note 29.

Transactions and guarantees	Amount	Expiry
Guarantee provided to English Premier League football	£90 million, 50% of which is covered by a counter-guarantee given by the RTL Group	2004
Put options to minority shareholders granted by Canal+ Group	90 million of which approximately 70 million are exercisable in 2004	
Put option on Roc-a-fella record label joint venture	Based on a formula on revenues and profits	2005
Put option on Murder Inc. records	0 to $10 million	2007
Residence occupied by an artist under a life estate	7 million	
Put option on VUE		
1.5 % of common interest in VUE to Barry Diller from May 7, 2003	$275 million	
5.4 % of common interest in VUE to IAC from May 2010	At fair value	
Guarantee for operating shortfall of Universal City Florida Hotel Venture	0 to $7.5 million	
Guarantee of lease payments in connection with UCI/CIC equity investment	0 to $152 million	
Capital contributions in connection with equity investment in MovieLink	$15.1 million	
Agreement with creative consultant		
consulting services	fee based on gross revenues	
additional fee	based on gross revenues of themed attractions at certain parks	
right of termination	fair market value, starting in 2010	
Executive officer option to acquire 0.2% of VUE s affiliate shares	Approximately $24.9 million	2005
Liabilities for obligations of UIP		
working capital facility with Bank of America	$15 million	
facility with National Westminster Bank plc	£3 million	
Equity investment in the Port Aventura Hotel	Infusion of all earned management fees as capital until the hotel is profitable	
Equity investment in the Port Aventura Park	50% of the cumulative shortfall in operating income	
Non binding agreement to fund the construction of a theme park in Shanghai		
Distribution agreement with DreamWorks	$37.5 million	2010
Buy/sell agreement on 35% interest in Cegetel SAS held by SNCF	Price depends on the amount of realizable value of the company: between 0 and 627 million: price equals to 75% of the realizable value (minimum 250 million). between 627 million and 1,100 million: price equals to 470 million above 1,100 million: price equals to 470 million plus 35% of the value of the capital (in excess of 1,100).	2007-2010
3G UMTS license	1 % revenue earned when service commences (expected to be in 2004)	2021
Undertaking to Cegetel SAS to cover restructuring losses of Cegetel RSS		
Call option equal to 16 % of Maroc Telecom	At fair market value	
Investment program agreed with the Moroccan government	MAD 4 billion (362 million)	2003-2005

Shareholders governance agreement with members of the Bronfman family		2005
Divestiture of Interest in Veolia Environnement		
Reimbursement of replacement costs	30.4 million indexed starting in the year 2002 payable for the amount in excess of 15 million from January 2005 subject to legal interest rate. If total amount paid by VE exceeds 228.6 million excess would be covered by Vivendi Universal up to an amount of 76.2 million.	

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Transactions and guarantees	Amount	Expiry
Guarantees re: commitments made by VE subsidiaries	Approximately 231 million	
Indemnity to VE share call options holders	3 per call option (approximately 250 million)	2004
Counter-guarantee on surety bonds	$64 million	
Grant of a put option of 45% of Monaco Télécom		
until May 25, 2004	0 to 29 % for a proportionate up to 51 million and the residual 16% interest at fair value	2004
between May 26, 2004 and December 31, 2009	45% interest at fair value or in increments but each exercise must be not for less than 10%.	2009
Counter guarantees to banks in connection with Spanish UMTS license	55 million	
Divestiture of Telepiù	Guarantees limited to 700 million	
Divestiture of Canal+ Technologies	Guarantee on potential claims capped at 4 million	
Divestiture of Canal+ Nordic	Guarantees up to 50 million	2010
Divestiture of Canal+ Belgique, Canal+ N.V. and animation operations of Expand	Guarantees given capped at 24 million	
Divestiture of fixed-line telecommunications in Hungary	Standard guarantees	
Divestiture of VUP s business-to-business and health divisions	Price adjustment clause and guarantee clause related to liabilities up to 500 million per division	2004
Divestiture of VUP s European publishing operations	Guarantees capped at 240 million	
Divestiture of Houghton Mifflin	Losses in excess of $20 million not to exceed $166 million	
Divestiture of the Consumer Press Division	Guarantees up to 30 million	2004
Divestiture of Comareg	Guarantees up to 60 million	2004
Divestiture of 50% stake in Vizzavi	Certain standard guarantees up to its 50% share	
Guarantees related to the dismantling of MP3 operations		
Sale of Sithe	Guarantees capped at $480 million	2004/2005
Guarantees on sale of land and buildings businesses	150 million	2017
Sale of hotels to the consortium ABC	Commercialization guarantee kept at 80% of the value of each hotel	2004
Sale of La Defense to Unibail		
Various guarantees	42 million	

RESEARCH AND DEVELOPMENT

Research and development plays an important role in several of our businesses. For detailed information on research and development, see Item 4 Information on the Company Our Segments SFR Cegetel Group , Information on the Company Our Segments Music , Information the Company Our Segments Canal+ Group , Information on the Company Our Segments Games and Item 18 Note 21.

SUBSEQUENT EVENTS

In January 2004, Cegetel s fixed activities launched a broadband Internet offer to residential and professional customers.

In February 2004, Vivendi Universal divested its interest in Atica & Scipione, publishing operations in Brazil, for approximately $40 million.

On March 18, 2004, Canal+ Group executed a memorandum of understanding (MOU) with France Telecom, reflecting the parties intention to combine their respective cable activities and networks. Canal+ Group and France Telecom will each maintain minority interests, respectively, in the new entity, with a view to enabling new shareholders to hold the controlling interest. The MOU is valid until December 31, 2004, and is subject to applicable authorizations and approvals.

On March 25, 2004, SFR was notified of the conditions for the renewal of its GSM license on March 26, 2006 (with the renewed license s term ending on March 24, 2021). The fee for the license renewal will be comprised of an annual fixed amount of 25 million and an annual variable amount equal to 1% of revenues stemming from the use of the frequencies operated through the GSM network.

On March 29, 2004, the Kingdom of Morocco decided to not exercise its put option for a 16% stake in Maroc Telecom. Vivendi Universal granted this put option to the Kingdom of Morocco when it acquired a 35% interest in Maroc Telecom. The Kingdom of Morocco can commence the appraisal process to determine

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the exercise price of its option, and thereby commence the process to exercise this put option, at any time through September 30, 2005.

On March 31, 2004, in connection with the divestiture of their interests in Sportfive, Canal+ Group and RTL Group acquired Jean-Claude Darmon s approximate 4.9% stake in this company for a total consideration of 55 million.

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

On May 4, 2004, the AMF opened a formal investigation into certain share repurchases made by Vivendi Universal between September 1, 2001 and December 31, 2001.

On May 10, 2004, Canal+ Group entered into an agreement with three film industry professional organizations guaranteeing a stronger partnership within the industry and an enhanced movie offering for Canal+ subscribers. For more information, see Item 4 Our Segments Media Canal+ Group Regulatory Environment.

On May 12, 2004, SFR was the first operator in the French telephony market to launch 3G services to corporate customers throughout France.

On May 25, 2004, Vivendi Universal s subsidiary, VTI, sold its 60% stake in Kencell, Kenya s #2 mobile phone operator for $230 million in cash. This stake was sold to the Sameer Group upon the exercise of its pre-emptive right.

On June 7, 2004, Canal+ Group completed the sale of all the companies in the flux-divertissement division of its television production subsidiary, StudioExpand. StudioExpand is comprised of Adventure Line Productions, CALT, KM, Productions DMD and Starling. The sale of StudioExpand s last two businesses (for drama and documentaries, respectively) is currently underway.

On June 16, 2004, SFR was the first operator in the French telephony market to launch 3G services to residential and professional customers in Paris, Lyons and Toulouse.

On June 18, 2004, Vivendi Universal sold its 55% stake in Monaco Telecom to Cable and Wireless for a total consideration of 169 million in cash (including a 7 million dividend distribution). As a result of this sale, the Principality of Monaco no longer holds its put option at fair market value for its 45% stake in Monaco Telecom.

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