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The following is a transcript of a conference call conducted on December 3, 2007:

**FINAL TRANSCRIPT**

**Thomson StreetEvents[SM]**

**Conference Call Transcript**

**ATVI - Activision-Vivendi Announcement Webcast**

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**Jean-Bernard Levy**

*Vivendi - CEO*

**Bobby Kotick**

*Activision - Chairman, CEO*

**Thomas Tippl**

*Activision - CFO*

**Mike Morhaime**

*Activision - CEO - Blizzard Entertainment*

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**Paul Reynolds**

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**PRESENTATION**

**Operator**

**Good day, everyone, and welcome to today s call. Today s call is being recorded. At this time, for opening remarks and introductions, I would like to turn the conference over to Ms. Kristin Southey, Vice President, Investor Relations for Activision. Ms. Southey, please go ahead, ma am.**

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**Kristin Southey** ***Activision - VP - IR***

**Good morning, everyone, and thank you for joining us today. I would like to start by reminding everyone that there is a slide presentation that accompanies this call. It is available at both www.activision.com and www.vivendi.com.**

**Before we begin, I would like to highlight that our call contains forward-looking statements within the meaning of the U.S. Federal Securities laws. Important factors that could cause actual results to differ materially from the Company s projections and expectations are on slide two of the presentation I just mentioned.**

**The forward-looking statements in this call are based upon information available to Activision as of the date of this call and Activision assumes no obligation to update any such forward-looking statements. Forward-looking statements believed to be true when made may ultimately prove to be incorrect.**

**These statements are just guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from our current expectations. All financial information relating to Activision, Vivendi Games, and Blizzard Entertainment included in today s presentation, including pro forma estimates for calendar year 2007 and projections for future periods represent the companies respective estimates and projections and were not prepared in accordance with U.S. GAAP.**

**These estimates exclude the impact of expenses related to [equity]-based compensation and related tax benefits, potential one-time restructuring charges of up to $100 million that may be incurred in connection with the transaction and the potential impact from non-cash intangible amortization resulting from purchase price accounting.**

**In addition, these estimates assume continued net revenue growth, as well as expense reductions and other synergies that may or may not be realized. Estimates for future periods are subject to significant inherent uncertainties, which increase with periods farther into the future. Actual results may differ materially and are subject to risks, including the risks described in the cautionary note on page two of today s presentation.**

**To the extent that these estimates for calendar year 2007 are based on the historical performance of Activision and Vivendi games through September 30th, 2007, not all such historical information has been audited. The accounting policies of the companies may differ and the two companies have different fiscal years.**

**The financial information for Blizzard Entertainment dictated in today s presentation is presented on a standalone basis, as it does not reflect the result of operations of other Vivendi Games operations.**

**Joining us today on the call are Jean-Bernard Levy, Chief Executive Officer of Vivendi Group, Bobby Kotick, Chairman and CEO of Activision, and Thomas Tippl, Chief Financial Officer of Activision. Joining us for Q&A will be Rene Penisson, member of the**

**Management Board of Vivendi and Chairman of Vivendi Games, Bruce Hack, Chief Executive Officer of Vivendi Games, Mike Griffith, CEO, Activision Publishing and Mike Morhaime, President and CEO of Blizzard Entertainment. I would now like to turn the call over to Mr. Levy.**

**Jean-Bernard Levy** ***Vivendi - CEO***

**Thank you. Yesterday, we announced the combination of Vivendi Games and Activision. The combination of Vivendi games, which includes Blizzard Entertainment, with Activision will result in the largest and most profitable multi-platform interactive entertainment publisher in the world. This is an historic moment for interactive entertainment.**

**In the video game industry, there has never been a transaction that is as well timed or as focused on creating shareholder value. This combination fulfills the promise of digital media convergence. Almost one year ago, Bruce Hack, Vivendi Games CEO, invited Rene Penisson and me to visit Bobby Kotick and Brian Kelly in Los Angeles. We immediately liked the idea of the partnership and we built the right chemistry.**

**In fact, we share a commitment to shareholder value creation. Both of our companies are focused on industry-leading operating margins, and we all believe that the combination of next-generation video game systems and emerging online platforms will accelerate growth, improve margins, and create higher return on invested capital.**

**The fit between the companies is totally complementary. Activision has a leading console share, superb development resources, world-class marketing and distribution capabilities, and a talented, experienced management team. With Blizzard, Vivendi Games has the leading online market share, superb development resources, and a very strong presence in Europe and in Asia.**

**Vivendi Games also has an investment in console, casual online and wireless games, and our own talented employees and leaders. This transaction makes clear financial sense. It is accretive to Activision and to Vivendi shareholders and it provides a clear opportunity for continued margin expansion and synergies. Our management teams together have a proven track record of innovation, execution and delivering strong returns to shareholders.**

**Now I d like to explain what this means for Vivendi shareholders. First, I would like to remind everybody that Vivendi owns highly profitable telecom and pay TV platforms in Europe, two global content businesses, Universal Music and Vivendi Games, and 20% of NBC Universal.**

**This transaction further reinforces our leadership position in the entertainment sector. We will exchange Vivendi Games and cash for a majority stake in Activision Blizzard to create a global interactive entertainment leader. We will invest between $1.7 billion and $2.4 billion in Activision Blizzard. This investment demonstrates our commitment to the video games industry, one of the fastest-growing sectors in entertainment. This transaction enables us to show shareholders the true economic value of Blizzard Entertainment. Blizzard Entertainment generates $1.1 billion in revenues and more than $500 million in operating income.**

**In the future, we will also leverage Activision s development and marketing expertise within Vivendi Games to accelerate the return on investment we have made in console, wireless and casual online businesses. As the majority shareholder, we are committed to keeping Activision Blizzard publicly traded. Vivendi Games current management team has done an exceptional job of turning this business around from its significant losses. We expect operating income of $358 million in 2007.**

**It is important to note that this does not include equity compensation. We have shown it this way in order to be consistent with the way Activision reports operating income. When we report at Vivendi our year-end numbers, we now expect EBITDA, which is the Vivendi metric, to be at least 65% above the prior year.**

**Vivendi Games is comprised of four divisions. One is the highly profitable Blizzard Entertainment, which is the leader of massively multi-player online role-playing games, MMORPGs. The other three divisions are Sierra, Sierra Online and Vivendi Games mobile. The portfolio includes some of the best-selling franchises of all time, Blizzard Entertainment s Warcraft, StarCraft, Diablo and World of Warcraft, and Sierra s franchises, such as Crash Bandicoot and Spyro.**

**The performance by Blizzard Entertainment has been exceptional. It is sustainable and it is yet to achieve its full potential. Blizzard Entertainment is Vivendi Games largest division. It is the crown jewel of the industry. It is the most powerful, relevant and successful interactive entertainment brand ever.**

**Blizzard Entertainment has four of the five best-selling PC games of all time, Warcraft, StarCraft, Diablo and World of Warcraft. In addition, Blizzard Entertainment has been running one of the largest free online gaming services, called Battle.net, for over 10 years, with still millions of active players.**

**Blizzard Entertainment has sold more than 56 million units worldwide and created unprecedented brand loyalty among consumers. With World of Warcraft, Blizzard Entertainment has created the number one MMORPG and the largest online community in the**

**world. Its subscription-based revenue model in North America and Europe and usage-based model in Asia yields the highest margins in the industry, in excess of 40%. World of Warcraft has more than nine million subscribers. About four million are in North America and Europe and about five million are in Asia.**

**World of Warcraft gives Blizzard Entertainment unrivaled expertise in online gaming. Over the past 15 years, Blizzard has invested over $200 million to build its best-in-class content and infrastructure. It has 2,000 game masters around the world that provide 24/7 high-quality customer support. World of Warcraft has already captured a substantial share of the audience. It is the only game developed by an American or European publisher to have created a substantial footprint in the Asian markets.**

**At Vivendi, we are very excited about the future of Activision Blizzard. Bobby Kotick and Brian Kelly have an excellent track record. Bobby and Brian are also very fine persons. Doing business with them is thrilling. Their expertise is unmatched in the industry and this unique partnership is built on the strong foundation of trust and respect. Bobby has outstanding experience. Bobby will be a great leader for Activision Blizzard. And now I ll turn the call over to Bobby Kotick.**

**Bobby Kotick** ***Activision - Chairman, CEO***

**Thank you very much, Jean-Bernard. As you know, a large part of accomplishing such a complex transaction is the chemistry of the principals. From our first meeting, Brian, Mike and I felt that Jean-Bernard, Rene, Bruce and Mike Morhaime and their terrific teams shared our commitment to excellence and our commitment to building shareholder value.**

**Under Jean-Bernard s leadership, Vivendi has transformed itself into one of the world s leading diversified media and telecommunications companies, and we share his belief that new, broad audiences are emerging for interactive entertainment. We also share a belief that this growth will come from a variety of delivery platforms with a variety of delivery models, all of which have the potential for margin expansion.**

**Perhaps the most outstanding example of these margin expansion opportunities is reflected in Blizzard s operating results. Its products, Warcraft, World of Warcraft, StarCraft and Diablo, constitute some of the most powerful brands in all of entertainment.**

**Mike Morhaime and his team have pioneered a new form of gaming with an incredibly attractive business model. It is a business we and many of our competitors found extremely difficult to duplicate without risking many hundreds of millions of dollars, and even then we were unlikely to achieve success.**

**The name Activision Blizzard is a reflection of the new company s two principal divisions, but not a replacement for either of our brands. That s why this partnership and the opportunity it presents are so exciting and attractive. It creates a new leader in global interactive entertainment. With $3.8 billion of projected revenues and $700 million of projected operating profits this calendar year, we are the largest, most profitable pure-play video game publisher.**

**The transaction itself is immediately accretive to our shareholders and provides an option for shareholders to either receive a significant premium or participate in our future growth. Since Brian and I acquired control of Activision in 1990, we intended to build the largest, most profitable leader in the video game industry. With this transaction, we will achieve that objective.**

**As far as Activision is concerned, presently over 50% of our revenues are derived from proven franchises that we own outright, including the number one console gaming brand, Guitar Hero, as well as the highly acclaimed Call of Duty franchise. The latest releases based on these franchises are among the top-selling games this year.**

**In addition, through various licensing agreements, we make games based on such franchises as Spiderman and X-Men, Shrek, James Bond, and Transformers. Last week, we significantly increased our outlook for the third quarter and full fiscal year of 2008, and we raised our revenue expectations from $2.07 billion to $2.3 billion.**

**We also increased EPS from $0.65 to $0.85, excluding equity-related compensation expense and related tax benefits. Our growth has been consistent, in fact, this is our 16th consecutive year of revenue growth. Over that same period, our compound annual growth rate**

**was in excess of 40% and every four or five years we have doubled our revenues. We ve also been committed to delivering shareholder value. Since 2000, we have generated compound annual shareholder returns in excess of 35%, and we ve created more shareholder value than any of our major competitors during this period.**

**We ll continue to focus on delivering exceptional returns to our shareholders well into the future. By joining with Vivendi Games, we will now be able to leverage the combined Company s unique content to create entertainment franchises that cross all gaming platforms. And we believe we re at the beginning of a tremendous market opportunity. The portions of the worldwide interactive entertainment market the combined companies address is approximately $28 billion this year, and it s still surprisingly fragmented.**

**Activision Blizzard s combined share will be less than 15% of the total, so there is considerable room for growth. And we view the tremendous market opportunities that lies ahead and the majority of the sales in our industry today that are generated from retail products, which we expect will continue for many years to come. Emerging online categories, however, represent great growth and margin expansion opportunities.**

**The consumers in these categories are different than the audiences that we at Activision currently address. And all of these categories offer operating models that have potentially more leverage than our primary business does today. So when we look at the combined business s base operating plan, here s how we believe we can unlock value for all shareholders. The base operating plan and the correlating financial impact that each element will have on EPS will be described in my discussion.**

**We expect for Activision s current business, we can achieve at least $1.00 per share in pro forma, non-GAAP, diluted EPS for calendar 2009. We believe that there is at least $0.10 additional in diluted EPS to be realized in 2009 simply by Blizzard continuing to execute on its plans.**

**And then, when we think about capitalizing on all of the offline and online opportunities, we couldn t be more enthusiastic. And by combining Activision and Blizzard Entertainment and improving the operating performance of Sierra, there is a minimum of another $0.10 in dilutive EPS to be realized. And we estimate our 2009 combined pro forma non-GAAP EPS will be in excess of $1.20.**

**Clearly, both companies have proven that their strategies perform well. Our strategy going forward will be to continue what we do well and to focus on extracting greater value from the combined entity. We ll continue to drive recurring franchise growth using our decentralized studio model, resulting in high operating conversions to free cash flow. We ll focus on the largest markets and customers and on maintaining the operational discipline and efficiency that we are known for.**

**With respect to the various business lines, once we complete the transaction, we ll conduct a review of all underperforming assets to determine what measures will be required to ensure our investments yield returns consistent with our financial objectives. We are confident that we can deploy our processes to ensure that all of the products in our combined portfolio achieve our margin objectives.**

**Our proven green-light processes and our well-articulated financial objectives will ensure that this is accomplished quickly and efficiently. In short, we ll build on our successes, increase profitability, reduce investments in unproven business opportunities and leverage the combined scale of both of our companies. Over time, there are revenue synergies for Activision Blizzard, especially as we are able to derive the benefits for Blizzard s deep knowledge of online gaming and the Korean and Chinese markets.**

**The Company will benefit from the subscription-based model, which means steady and predictable revenue streams and much higher operating margins. We anticipate approximately $50 million to $100 million in cost synergies that will be driven by sales and marketing, G&A and technology sharing and supply chain gains. This transaction combines leaders in mass market entertainment and subscription-based online games, making Activision Blizzard the only publisher positioned to capitalize on all offline and online opportunities.**

**We couldn t be more enthusiastic about our new partners and the value creation opportunities that lie ahead. I ll now turn the presentation to Thomas Tippl, who will walk you through the transaction s structure and the terms.**

**Thomas Tippl** ***Activision - CFO***

**Thank you, Bobby. This is a tremendously exciting and financially compelling transaction, and as Bobby and Jean-Bernard have said, this will create the largest, most profitable publisher in the sector, with a platform that should continue to deliver superior shareholder returns, as we have for the last 15 years.**

**Let me walk you through the structure of the transaction. As a first step, upon closing, Vivendi will contribute Vivendi Games, valued at $8.1 billion, along with $1.7 billion of cash. In exchange, Vivendi will receive 358 million shares of Activision at a price of $27.50. This represents a premium of 31% over Activision s past 20-day average closing price and gives Vivendi a 52% ownership share in the new Company.**

**At this point, the Company will have 686 million fully diluted shares outstanding, which at the deal price of $27.50 represents a combined market cap of $18.9 billion. As a second step, within five days post closing, the new Company will launch a $4 billion tender offer to acquire about 146.5 million shares at a price of $27.50 per share. This represents a tender for about 50% of Activision s current outstanding shares and if the tender is fully subscribed would bring Vivendi s ownership stake to 68%.**

**The tender offer will be funded by three tranches of cash. The first line of funding will come from the new Company s cash on hand at closing, including the $1.7 billion initial contribution from Vivendi. Second, Vivendi will fund another $700 million in exchange for an additional 25.5 million primary shares. And then, if necessary, the remainder will come from newly issued debt from Activision Blizzard. After the tender, the debt is not expected to exceed $800 million. If fully subscribed, the post-tender offer, fully diluted share count would be about 565 million shares.**

**So, in summary, we believe the structure of this transaction is very well designed, because it provides shareholders with an opportunity to participate in the future growth of Activision Blizzard, the new leader in interactive entertainment. Or, if they so choose, take a 31% cash premium for a large part of their stake in Activision.**

**While this transaction is compelling from so many perspectives, the ability to instantly translate the Vivendi assets into a superior return for our shareholders was the principal driver. We are valuing the Vivendi Games assets at $8.1 billion. However, the valuation is really driven by Blizzard Entertainment, because we know that the worst-case scenario for the rest of the business is breakeven operating results.**

**Blizzard is expected to generate $517 million in operating income, excluding equity-based compensation in calendar 2007. The $8.1 billion valuation therefore implies an EBIT multiple of 15.6 times, which compares very favorably to the average industry multiples. And Blizzard, as the industry-leading platform for high-margin entertainment, should easily command a premium.**

**While unlocking Blizzard s value is an important component of this transaction, there are numerous other benefits likely to result in significant increases in shareholder value. Jean-Bernard and Bobby have already laid out the compelling strategic case. I will take you through the key financial building blocks that underpin the earnings power of the combined Company and why we are confident in our EPS outlook of more than $1.20 for calendar year 2009.**

**Beginning in 2008, we will switch to a calendar fiscal year to align our year end with that of Vivendi s. Calendar 2008 will be a transition [sub] year during which we will focus on maintaining the strong momentum on the base business while integrating and positioning the new company for an even bigger year in 2009.**

**In 2009, we expect to deliver pro forma operating margins in excess of 25%, generating $1.1 billion in operating income on a revenue base of about $4.3 billion. This would result in EPS in excess of $1.20 per share, which just to reiterate is on a non-GAAP basis. Our assumptions are based on modest revenue growth of about 14% for Activision Blizzard over the next two years, combined with three to four points of margin expansion from the pro forma 2007 operating margin of 18.6%.**

**Margin expansion will be driven by operating leverage and synergies. The second building block, which should add another three to four points of margin expansion, is improving the operating performance of the Sierra division. Vivendi has made significant investments in Sierra s product and intellectual property pipeline.**

**We have made relatively conservative assumptions, since it includes many unproven but promising properties and based on our track record of maximizing profitability, we are very confident and committed to eliminate operating losses and low-margin product lines by 2009. The combined margin expansion plan includes about $50 million to $100 million in cost synergies, which we expect to generate also by 2009.**

**To obtain these synergies, we expect one-time restructuring costs of as much as $100 million in calendar 2008. So, in summary, this combination creates the largest, most profitable pure-play Company in the sector with pro forma 2007 operating income of about $700 million, which is more than double the nearest competitor. 2007 pro forma combined operating income margin is estimated at 18.6%, again, more than two times that of the nearest competitor.**

**And by growing operating income by more than 50% over the next two years, we expect to further extend our competitive advantage and deliver superior returns for our shareholders, as we ve consistently done over many years. So in terms of next steps, we will proceed with the necessary filings for the Activision shareholder vote, which requires approval of over 50% of shareholders. We will seek regulatory and antitrust approvals and expect the closing of the transaction to occur during the first half of 2008.**

**And, as I mentioned earlier, we ll proceed with the tender offer shortly after closing. Now I d like to hand it back to Bobby for his closing remarks, before we open up the call for a few questions.**

**Bobby Kotick** ***Activision - Chairman, CEO***

**Thanks very much, Thomas. As we ve explained, this transaction creates the largest and most profitable pure-play interactive entertainment publisher in the world. The combined organization will be uniquely positioned to capitalize on key industry growth trends and, probably most importantly, it unites the industry s best development resources in one organization.**

**The transaction gives Activision s shareholders an opportunity to participate in significant EPS accretion and shareholder liquidity at a significant cash premium. The combination of our two companies will create an unprecedented industry powerhouse that is best positioned to take advantage of the emerging growth opportunities in interactive entertainment.**

**The combined strength of our talented, creative and passionate employees, as well as our strong partnerships throughout the industry, will make Activision Blizzard an extraordinary force for innovation in online and offline interactive entertainment. As always, we re committed to continuing to increase shareholder value just as we have for the last 15 years.**

**Now, we ll take the opportunity to answer your questions, and thank you all for joining us this morning.**

**QUESTION AND ANSWER**

**Operator**

**(OPERATOR INSTRUCTIONS). And for our first question we go to Mike Savner with Banc of America Securities.**

**Mike Savner** ***Banc of America Securities - Analyst***

Good morning, thanks. Congratulations on the deal. Just two questions for now, if that s all right. First, can you go through, Thomas, on the slide 17, where you show your EPS for calendar year 09, what s the share count you re using across the board there. Are you using a consistent share count for all three? Is it the new pro forma? How do we think about that? Because the number seems well, it seems big. If it s your old share count, it seems

**Thomas Tippl** ***Activision - CFO***

**It s the new pro forma share count.**

**Mike Savner** ***Banc of America Securities - Analyst***

**Which would be 567 million?**

**Thomas Tippl** ***Activision - CFO***

**If the tender is fully subscribed, correct.**

**Mike Savner** ***Banc of America Securities - Analyst***

**So that s what s used in that assumption. And then my second question, more strategically, is can you talk about your commitment to getting the tender done? Because certainly I don t think it s a stretch to think that $1.20 in calendar 09 could be viewed as a relatively**

**conservative estimate.**

**And so if your shareholders decide to kind of go along for the ride here, it s obviously going to have a material impact on the share count. So do you have to get the tender done? Would you leave all those shares outstanding? How should we think about that?**

**Thomas Tippl** ***Activision - CFO***

**Well, we think that s the beauty of the way we structured the transaction. We are not forcing any of our shareholders out. We are very excited about the transaction. We think the future is bright for this combined Company, and so for shareholders that share that same vision, they can make their decision and stay on with the Company. And we ll see how that vote turns out as we get into the tender period.**

**So from our perspective, of course, if the tender is not fully subscribed, we will have a significant amount of cash on our balance sheet, which we will then review how to put to best use and, as always we ve done in the past, if we find opportunities that we think are accretive and deliver a higher return on invested capital, well invest there. And, if not, we ll sit down with the board and then we ll decide how to return it to shareholders.**

**Mike Savner** ***Banc of America Securities - Analyst***

**So an open-market repurchase is not something it s something you would consider.**

**Bobby Kotick** ***Activision - Chairman, CEO***

**We ve always said, Mike, as you know, that if we can t put our cash capital to work, we ll figure out how to return it to the shareholders or put it to work in a way that s going to provide superior shareholder returns.**

**Mike Savner** ***Banc of America Securities - Analyst***

**Perfect. Thanks very much. Congratulations.**

**Bobby Kotick** ***Activision - Chairman, CEO***

**Thanks.**

**Operator**

**We go next to Paul Reynolds with Deutsche Bank.**

**Paul Reynolds** ***Deutsche Bank - Analyst***

**Hi, a couple of questions. Firstly, Jean-Bernard, does this in any way change your dividend policy at the Vivendi level? That s the first question. The second one, as well for Jean-Bernard, when you exited the U.S. content operations in 04 via the NBCU deal, part of the rationale was that it was hard to control creative businesses domiciled in the U.S. from Europe, so can you tell us how managing Activision Blizzard is going to be different in that regard? Those are the two questions. Thanks.**

**Jean-Bernard Levy** ***Vivendi - CEO***

**Thank you, Paul. Your first question, Paul, is pretty simple. We are committed to a dividend policy where the dividend we will be returning to our shareholders each of every year will be at least 50% of our adjusted net income, and we do not intend to change that. So I confirm at least 50% of adjusted net income.**

**Your second question maybe needs a longer explanation, a couple of minutes, if I may. You ll remember when we decided in 03 to sell our Hollywood-based businesses, they were comprised of Universal Studios and of two cable networks, USA and Sci-Fi. And we thought that managing these assets were putting us in front of two difficulties.**

**On the film side, I would say a lot of volatility in the movie industry and also the very high level of investments required for just a single movie, up to $250 million between production and promotion, quite a high number just for a single project. And on the TV side, I would say we had USA and Sci-Fi being run very successful, but we thought we could not really optimize their revenues because they were in a stand-alone entity, far away from larger media groups.**

**So I believe we made the right decision and I believe when we look at the contribution today of both Universal Studios and of our cable networks to NBCU s profits, I believe it really speaks for itself.**

**Now, also you remember at the same time we decided to keep and grow Universal Music, where obviously each project threshold is much lower, and you have seen our ability in the last four years to grow the operating margins of UMG. If you remember, in 03, we had operating margins of around 4% and now we have operating margins of around 12%. So I think we ve been able to be good managers and good shareholders for this music business**

**I think in the video games business there is no question that Activision Blizzard will have the right scale, and I think also we are pretty happy that the way the management of the risks that are associated with each single project, we believe this is much easier than for a movie. So the subscription-based model also gives us a lot of resilience. So I am very confident that with Bobby Kotick s strong management skills and I think**