

# LETTER

MARCH  
2015

vivendi

# TO OUR SHAREHOLDERS

PHOTO: DR



VINCENT  
BOLLORÉ

CHAIRMAN OF  
THE SUPERVISORY  
BOARD

ARNAUD  
DE PUYFONTAINE

CHAIRMAN OF  
THE MANAGEMENT  
BOARD

- 2014 EARNINGS IN LINE WITH EXPECTATIONS
- NOW FULLY REFOCUSED ON **MEDIA AND CONTENT** ACTIVITIES
- SUBSTANTIAL **RETURN TO SHAREHOLDERS**

€5.7 million to be distributed between now and mid-2017 following €1.3 billion in 2014

The new Vivendi reached many milestones in 2014. The Group completed the process of refocusing on its media and content activities. Vivendi thus accepted an offer from Numericable-SFR and Altice for the 20% interest it still held in Numericable-SFR. The amount offered corresponded to what Vivendi had hoped for, enabling it to generate a premium of over 20% in three months in an illiquid market. Furthermore, the Bollore Group increased its shares in Vivendi to 8.15%, demonstrating its confidence in the Group's capacity for growth.

Due to the disposals achieved over the past two years, the Group has returned to comfortable financial flexibility and is going to proceed with a substantial return to shareholders. The Annual General Meeting on April 17, 2015 will propose the payment of an ordinary dividend of €1 for 2014, reflecting the Group's business performance (20 cents) and the return to shareholders (80 cents). This distribu-

tion is expected to be maintained for 2015 and 2016. A share buyback program of about €2.7 billion is also planned. In total, about €5.7 billion will be returned to shareholders by mid-2017, in addition to the €1.3 billion paid in 2014.

Now an integrated industrial media and content group, Vivendi strengthened its position in these sectors in 2014 by acquiring interests in StudioBagel, a network of channels on YouTube, and Eagle Rock, which specializes in music programs. It also published good results due to the growth of the Canalplay, its unlimited video-on-demand service, the launch of A+, a new 100% African channel, or the record-breaking success of Sam Smith, a young British singer, Stromae and Indila.

Discovering new talent is at the core of Vivendi's strategy, as is establishing itself more firmly in high-growth markets and accelerating its digital transition. The pre-eminence of digital technology is eroding the boundaries between the Group's different business lines: cooperation and common projects are now increasing. ■



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**Hervé Philippe**  
Financial Director

**In a very competitive environment, Vivendi achieved almost-stable income from operations, last year. In 2015, the Board expects an income from operations margin close to that achieved in 2014 and an increase in its adjusted net income of 10%.**

## 2014 EARNINGS IN LINE WITH EXPECTATIONS

**A**s in previous quarters, the 2014 annual results published on February 27 were in line with expectations. They reflect a strong resilience of the Group's main activities confronted with an unpredictable economic and competitive climate.

The Canal+ Group saw an increase in sales due to the growth of its international activities, which offset the downturn in business and the impact of the rise in VAT in France.

For Universal Music Group

(UMG), the year was characterised by the faster than expected transformation of music distribution modes with robust growth in streaming compared to digital downloads and physical sales.

### INCOME FROM OPERATIONS OVER €1.1 BILLION IN 2014

In this context, the Group's income from operations, an aggregation of the subsidiaries' "pure" business, resisted, rising to €1,108 million (+0.5%)\*. The adjusted net income stood

at €626 million (+37.9%) while earnings attributable to Vivendi shareholders rose by a factor of 2.4 to €4.744 billion. It particularly benefited from the capital gains from the SFR and Maroc Telecom sales.

Vivendi's results and net situation were strongly impacted by these significant disposals.

In addition to sizeable capital gains, the latter enabled Vivendi to buyback some of its bonds and substantially decrease its interest expense (mainly due to the 2013 bond redemptions that followed the

## 2014 ANNUAL EARNINGS\*

	Change year-on-year	Change at constant perimeter and currency year-on-year
<b>Revenues</b> <b>€10,089M</b>	-1.6%	- 1.4%
<b>Income from operations</b> <b>€1,108M</b>	-2.0%	+ 0.5%
<b>EBITA</b> <b>€999M</b>	+4.6%	+ 8.1%
<b>EBIT</b> <b>€736M</b>	+15.6%	
<b>Adjusted net income</b> <b>€626M</b>	+37.9%	
<b>Earnings attributable to Vivendi shareholders</b> <b>4 744 M€</b>	x 2.4	
<b>Net cash</b> <b>+€4.6bn vs -€11.1bn net debt at year-end 2013</b>		

\*The figures above take account of changes in the perimeter occurring or announced in 2013 and 2014 the accounting impact of which, particularly in compliance with IFRS 5, has been described in the 2014 Financial Report available on the [www.vivendi.com](http://www.vivendi.com) website or on request to the Vivendi Shareholders' Department.

## AN ANTICIPATED RETURN TO SHAREHOLDERS OF €5.7 BILLION

The disposals completed over the past two years have enabled Vivendi to refocus on media and content and reduce its net debt, which had risen to a high of €17.4 billion on June 30, 2013.

They have led, and will lead to, substantial returns to shareholders. Vivendi has already paid an ordinary distribution of €1.00 per share for the 2013 financial year, €0.50 of which economically corresponded to the Group's performance in 2013 and €0.50 to a return to shareholders as a result of ongoing disposals of assets.

Further to this, the Management Board will propose for approval at the Annual General Meeting on April 17, 2015, a payment of an ordinary dividend of €1.00 with respect to 2014, €0.20 of which corresponds to the Group's business performance and €0.80 to a return to shareholders with respect to disposals. The objective is to maintain this distribution level for the fiscal years 2015 and 2016.

In addition to these distributions, the plan is to proceed with a share buyback program of about €2.7 billion, up to the legal limit of 10% of capital in line with the market regulations. The program will run over 18 months.

In total, the return to shareholders from mid-2015 to mid-2017 could reach approximately €5.7 billion in addition to the €1.3 billion paid in 2014.

sale of 88% of Activision Blizzard). The impact of the bond redemption made in December 2014 following the sale of SFR will only be felt in 2015.

### A POSITIVE NET CASH POSITION OF €4.6 BILLION

On December 31, 2014, Vivendi thus had a positive Net Cash Position of €4.6 billion, compared to a Net Debt of €11.1

**A 10% expected increase in 2015 adjusted net income**

billion the previous year.

In 2015, the Group is anticipating a slight growth in revenues fueled by

Canal+ Group's international activities and by the development of UMG streaming. The income from operations margin should be close to that of 2014. Vivendi also expects an increase in its adjusted net income of 10% mainly thanks to lower restructuring charges and interest expense. ■

## SALE OF 20% VIVENDI'S INTEREST IN NUMERICABLE-SFR

Last February 17<sup>th</sup>, Numericable-SFR and Altice offered to purchase 20% Vivendi's interest in the French telecoms operator. The Management Board followed by the Group's Supervisory Board considered the proposal, after which the Supervisory Board endorsed it on February 27<sup>th</sup>.

The proposed price was €40.00 per share versus a closing price of €33.315 on the day of the finalization of SFR's transfer to Numericable and Altice, November 27, 2014. The premium realized by Vivendi therefore totalled 20% in just three months! And the low level of liquidity in the Numericable-SFR shares would have made a future exit under optimal conditions uncertain.

The purchase was funded half by Numericable-SFR (as part of a share buyback program submitted to a General Meeting of its shareholders) via a payment in cash, and half by Altice France via a payment by the latest on April 7, 2016 at an annual interest rate of 3.8%.

This disposal, which will cancel out any previous agreements and discussions, brought in an additional €3.9 billion for Vivendi and enabled it to collect a total of about €17 billion (after financing the acquisition of Virgin for €200 million) for the sale of SFR.

## L'OLYMPIA HALL TO HOST VIVENDI'S GENERAL SHAREHOLDERS' MEETING

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**Frédéric Crépin**  
Senior Executive  
Vice President  
& Group General  
Counsel

**Vivendi innovates. Having held its Annual General Meeting at the Carrousel du Louvre for 15 years, the Group has decided, under the guidance of Frédéric Crépin, the Group General Counsel, to hold it this year at L'Olympia.**

An integrated industrial media and content group, Vivendi wished to use the iconic Olympia (28 Boulevard des Capucines, Paris 9<sup>th</sup> Arrondissement), which it owns, to hold its Annual Shareholders' Meeting on April 17.

Individual shareholders who are members of the Club have already had an opportunity to visit L'Olympia but this is, this year, the first time the General Shareholders' Meeting will be held there. Nothing is impossible for L'Olympia, equipped with ultra-modern technology, it hosts concerts, one-man shows, film showings, ballets

and charity galas! If you are not in Paris, you can follow the General Shareholders' Meeting live via an online broadcast ([www.vivendi.com](http://www.vivendi.com); Individual Share-

holders page then General Shareholders' Meeting).

The General Shareholders' Meeting will also allow

you to access a range of publications such as the Annual Report, the Shareholders' Meeting Notice, the Management Board's Report with the draft resolutions etc. Making a pioneering move, Vivendi made the Votaccess platform available to its shareholders in 2012, enabling them to vote before the meeting and via Internet for resolutions submitted to the meeting. Almost every bank is now connected to Votaccess. We recommend you consult your adviser if you wish to use this platform. ■

**A meeting broadcast live on the Internet**



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**Stéphane Roussel**  
Senior Executive  
Vice President,  
Development and  
Organization

**The Group has decided on four priority focus areas to boost its internal growth: content of the future, data and its monetization, Africa, and cooperation and common projects.**

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**Simon Gillham**  
Senior Executive  
Vice President,  
Communications  
& New Business

**Vivendi Village comprises a group of innovative and dynamic companies: Vivendi Ticketing (Digitick and SeeTickets), Watchever, Wengo and L'Olympia.**

## FOUR PRIORITY PROJECTS FOR VIVENDI

Vivendi's new Board is focusing on internal growth. Under the direction of Stéphane Roussel, a Member of the Management Board, Senior Executive Vice President, Development and Organization, the Group has defined four main priority issues which are the content of the future, data and its monetization, Africa, and cooperation and common projects.

A new entity, Vivendi Contents, has been established to handle content of the future. Beginning with France, its mission is to design and drive new music and audiovisual content formats. Various projects have been kick started with respect to data (all data collected on the Internet) and its monetization. UMG has created Artist Portal, a database that enables real-time analysis of artists' sales, their streaming activity, their impact

PHOTO DR



### Establishment of Vivendi Contents

AN OFFICE IN LOS ANGELES FOR VIVENDI TICKETING

on social media etc. It has also entered into a partnership with Havas named "Global Music Data Alliance". The UMG data will be cross-linked with Havas' ones to give a better understanding of the correlation between artists, music fans and brands. In Africa, the Canal+ Group has launched A+, a new channel for and by Africans (see article on page 5). UMG, which derives 80% of its revenues from five

countries, also has growth projects in Africa.

Lastly, among the developments between subsidiaries, we can notice that UMG has created a radio talent show, Island Africa Talent, specifically for A+. Vivendi Ticketing has opened an office in Los Angeles, with the intention of benefiting from UMG's popularity in California. L'Olympia uses Digitick for its ticketing, and there are many more examples. ■

## VIVENDI VILLAGE, AN ENTREPRENEURIAL MINDSET

Vivendi Village comprises a group of innovative and dynamic companies: Vivendi Ticketing (Digitick and SeeTickets), Watchever, Wengo and L'Olympia. Vivendi Village brings together five human-sized entities that all share an entrepreneurial mindset. Responsive and agile, Digitick, SeeTickets, Watchever, Wengo or L'Olympia quickly develop and initiate innovative projects, particularly in the digital sector, and thus fuel the entire Group with their experience. Vivendi supports these entities in return by federating them under the same umbrella, thereby enabling them to achieve their ambitions. Vivendi

Ticketing consists of Digitick and SeeTickets. Digitick is the French leader in electronic ticketing (real-time ticketing management, sale of virtual tickets, zePass.com platform and Infoconcert database) and SeeTickets is a leader in the distribution of tickets for shows and events in the United Kingdom. Vivendi Ticketing has just opened an office in Los Angeles.

### WENGO, PRESENT IN SIX COUNTRIES

Through numerous websites, Wengo puts private individuals in contact with professionals who provide advice (legal, teaching, astrology etc.) by telephone.

Apart from France, where it is the leader, Wengo is present in Spain, Portugal, Brazil, Turkey and Italy.

### Five innovative and dynamic companies

Open since 1893, L'Olympia

is one of Paris's iconic show venues. Established artists and young talent perform there practically every night.

Watchever has introduced an unlimited SVOD (subscription video on demand) service in Germany, providing its users with a large catalogue of local and international content (films, series, cartoons, music etc.). ■



**CANAL+**  
GROUP



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**Bertrand Meheut**  
Chairmain of the  
Management Board  
of Canal+ Group

**As Vivendi wishes to strengthen its position in Africa, one of the Group's four priority areas of growth (see article on page 4), Canal+ Group launched A+, a new 100% African channel for and by Africans, at the end of October 2014.**

## A+ MOVES INTO AFRICA

**A**t the end of October 2014, Canal+ Group, which has been marketing the Canalsat package in Africa for the past 20 years, decided to strengthen its position on the continent by launching A+, a new channel completely devoted to Africa. A+ seeks to become the reference channel for French-speaking Africa, to reflect the identities and specific features of the continent and to be firmly turned towards the future. Canal+ Group now has eight subsidiaries operating in 25 countries. Two-thirds of the air time is devoted to African and African-American series, movies and TV movies. A+ also broadcasts mag-

azine programs and reality and game shows. A musical talent show, *Island Africa Talent*, has also been created with Universal Music Group.

### ACQUISITION OF THEMA

A+ is enriched with local productions that Canal+ Group in-



DEENYZ, OVERALL  
WINNER  
OF ISLAND AFRICA  
TALENT 2014

PHOTO PATRICK DANINO

**A presence  
in over  
25 countries**

tends to promote and develop. To do so, Canal+ Group has acquired Thema, a company specializing in the distribution of general, themed and ethnic TV channels. Thema publishes the African fiction channel, *Nollywood TV*, which is the leader in French-speaking Africa. All these initiatives made the Canal+ Group the leading pay satellite TV operator in French-speaking Africa at the end of 2014, and it had over 1.5 million subscribers in the continent, with an average receipt per subscriber (Arpu) of about €18. ■

**UNIVERSAL**

UNIVERSAL MUSIC GROUP



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**Lucian Grainge**  
Chairmain and CEO  
of UMG

**This year again, Universal Music Group (UMG) artists won numerous awards. February is particularly important with the Grammy Awards being held in the United States, the Victoires de la Musique in France and the Brit Awards in the United Kingdom.**

## UNIVERSAL MUSIC GROUP ARTISTS REWARDED WITH NUMEROUS AWARDS

**I**n United States, United Kingdom, and France, respectively first, fourth and fifth global music market, UMG artists were particularly awarded early this year. UMG scooped 22 Grammy Awards in Los Angeles on February 8, 2014: Sam Smith, the discovery of 2014, won four awards: Song of the Year (*Stay with Me*), Best Pop Vocal Album (*In the Lonely Hour*), Best New Artist and Record of the Year. Beck received Album of the Year and Best Rock Album for *Morning Phase*. In the 2014 Billboard Music Awards, where singles are rated according to sales in the United States, UMG had seven of the year's Top 10.

**33  
Grammy  
awards**

Five days after the Grammy Awards, it was time for the Victoires de la Musique, which were held in Paris. Stromae, who had already won an award the previous year for his album, *Racine Carrée*, won the Best Concert Award. Calogero won Song of the Year for *Un Jour au Mauvais Endroit*, Cascadeur, Best Electronic Album for *Ghost Surfer*, Benjamin Clementine, Best Live Newcomer, Akhenaton, Best Rap Album with *Je Suis en Vie*, and Indila, Best New Album. This young artist had already been voted Best Artist at the 2014 Trace Urban Music Awards and Best European Artist at the 2014 MTV Eu-



SAM SMITH

© NICK DOREY

ropean Music Awards. Lastly, on the evening of February 25, at the Brit Awards in London, Taylor Swift landed the International Female Solo Artist Award and Sam Smith once again proved to be a tremendous success, winning the British Breakthrough Act Award. ■

**What were GVT's results in 2014?**

GVT's revenues were €1,765 million, a 12.8% increase at constant currency compared to 2013. This performance was driven by continuous growth of the retails and SME, which increased 14.1% at constant currency; including a 56.8% year-on-year increase in pay-TV.

At the end of 2014, GVT was operating in 156 cities, establishing itself in six additional cities during the year. GVT's EBITDA was €702 million, a 8.4% increase at constant currency compared to 2013.

**Who are Tarak Ben Ammar and Dominique Delpont, who are being proposed for the Supervisory Board?**

Born on June 12, 1949, **Tarak Ben Ammar** is internationally cultural entrepreneur in the audiovisual sector both in Europe and worldwide.

He began his career in 1974 by convincing a number of American film producers to shoot parts of their films in Tunisia: Star Wars (George Lucas) and Raiders of the Lost Ark (Steven Spielberg). He also was the producer or co-producer of La Traviata (Franco Zeffirelli), Pirates (Roman Polanski), Black Gold (Jean-Jacques Annaud), etc. In France, he participated through his company Quinta Communications and together with Caisse des Dépôts et Consignations (CDC), in the recovery and development of a leading post-production group by taking over Les Laboratoires Éclair. He also collaborated with Luc Besson to develop La Cité du Cinéma.

Tarak Ben Ammar sits on the Board of several companies, has a degree from Georgetown University in Washington and received the Légion d'Honneur.

Born on November 21, 1967, **Dominique Delpont** joined Havas Media in 2006 as General Manager for France and was promoted to CEO of Havas Media Group France a year later. Since 2013, he had served as Global Managing Director of Havas Media Group.

Dominique Delpont started his career as a TV journalist. He spent eight years as Editor-in-Chief at M6 (RTL Group). He co-founded Streampower, a company recognized for its interactive work with the main TV operators in France.

Dominique Delpont has a degree from the Ecole de Management of Lyon (EM) and was a winner of a Master of Business Administration hosted by the University of Texas (United States).

**PROGRAM FOR THE COMING MONTHS**

You will find a program of events organized by the Shareholders Club on our website: [www.vivendi.com](http://www.vivendi.com), (click on the "Individual shareholders" tab and then on "Shareholders' Club").

A hard copy of this program is now also available from Vivendi every six months.

**CONTACT US**

For further information on Vivendi, please contact our Shareholders Information Department (IAI)

by mail: Vivendi, Individual Shareholders Information Department  
42 Avenue de Friedland, 75008 Paris.

by e-mail: [actionnaires@vivendi.com](mailto:actionnaires@vivendi.com).

or by telephone: **0805 050 050** – toll-free from a fixed line phone if you are calling from France



or +33 (0)1 71 71 34 99 if you are calling from abroad.

The department will respond Monday through Friday from 9.00 am to 6.00 pm (hours extended in the event of important news).

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