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# MANAGEMENT BOARD'S REPORT

**Ladies and Gentlemen,**

**We have convened this Combined Shareholders' meeting to submit for your approval the proposed resolutions relating to the following matters:**

## I - APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS-ALLOCATION OF THE NET LOSS FOR FISCAL 2013 AND DISTRIBUTION

### 1st to 4th resolutions

The first items on the agenda relate to the approval of the reports and the annual Statutory (*first resolution*) and Consolidated (*second resolution*) Financial Statements for the fiscal year ended December 31, 2013.

The Statutory Auditors' Report on the 2013 Consolidated Financial Statements appears on page 208 of the 2013 Document de reference - Annual Report and the Report on the Statutory Financial Statements appears on page 327 of the 2013 Document de reference - Annual Report.

Next we propose that you approve the Statutory Auditors' Special Report on the agreements and commitments which were previously authorized and have been implemented or continued during the 2013 fiscal year (*third resolution*). This report appears on pages 367 through 369 of the 2013 Document de reference - Annual Report.

We propose that you approve the allocation of the net loss for fiscal year 2013 which amounted to €4,857,575,922 by charging €2,853,976,668.19 to other reserves, €541,833,789.64 to the additional paid-in capital-merger account, €213,248,675.70 to the additional paid-in capital-contribution account and the balance of €1,248,516,788.47 to the share premium account (*fourth resolution*).

This year, the Management Board decided to propose a distribution of €1 per share, by a withdrawal from the share premium account, representing an aggregate distribution of €1.34 billion. This distribution would be charged against the amount of €11,190,658,193.18 remaining in the share premium account after the allocation of the net loss for fiscal year 2013. We propose that you set the ex-distribution date at June 25, 2014, and the payment date at June 30, 2014, based on the shareholders of record on June 27, 2014 (the "*record date*"). This proposal was presented to and approved by the Supervisory Board at its meeting held on April 24, 2014.

## II – ADVISORY VOTE ON THE ELEMENTS OF COMPENSATION OWED OR GRANTED FOR THE FISCAL 2013 TO MEMBERS OF THE MANAGEMENT BOARD

### 5th and 6th resolutions

In accordance with the new recommendations of the AFEP/MEDEF, revised in June 2013, which is the corporate governance code referred to by the company, these two resolutions, submit to the advisory vote of shareholders, the elements of compensation owed or granted for the fiscal 2013 to Mr. Jean-François Dubos, Chairman of the Management Board (*fifth resolution*) and of Mr. Philippe Capron, a member of the Management Board until December 31, 2013 (*sixth resolution*), as contained in the Document de Référence – Annual Report – Chapter 3 - section 3.3.1.9., titled "*Compensation Elements Owed or Granted for Fiscal Year 2013 to Members of the Management Board, Subject to Notice to the Combined Shareholders' Meeting of June 24, 2014*" and presented below.

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**MR. JEAN-FRANÇOIS DUBOS – CHAIRMAN OF THE MANAGEMENT BOARD**

| **Compensation elements (Fiscal year 2013)** | **Amounts or value (before taxes and benefits)** | **Presentation** |
|---|---|---|
| Fixed compensation | €700,000 | Gross fixed compensation approved by the Supervisory Board on February 22, 2013 upon the recommendation of the Human Resources Committee. |
| 2013 variable compensation paid in 2014 | €1,024,000 | At its meeting of February 21, 2014, upon recommendation of the Human Resources Committee, the Supervisory Board approved the 2013 variable compensation elements for the Chairman of the Management Board. They total 146.3% of fixed compensation – maximum 180% - (see Section 3.3.1.2 of the 2013 Document de Référence-Annual Report available online at www.vivendi.com). |
| Deferred variable compensation | n/a | The Chairman of the Management Board receives no deferred variable compensation. |
| Multi-year variable compensation | n/a | The Chairman of the Management Board receives no multi-year variable compensation. |
| Extraordinary compensation | n/a | The Chairman of the Management Board receives no extraordinary variable compensation. |
| Stock options | n/a | In 2013, the Company awarded no stock options. |
| Performance shares | €1,254,267 (book value) | Grant of 100,000 performance shares on February 22, 2013. |
| | €1,003,100 (book value) | Grant of 70,000 performance shares on December 11, 2013, subject to the same performance conditions as the annual grant and a more restrictive condition of presence (see Section 3.3.1.2 of the 2013 Document de Référence-Annual Report). |
| Director's attendance fees | n/a | As for all corporate directors at Group headquarters, the Management Board Chairman receives no attendance fees. |
| Benefits in kind | €33,783 | Company car without driver and common profit-sharing (collective agreement in force at Vivendi) |
| | | |
| **Deferred compensation elements owed or granted in 2013 that were subject to prior approval of the General Shareholders' Meeting under the procedure applying to regulated agreements and commitments** | **Amount** | **Presentation** |
| Severance payment | No payment | The Chairman of the Management Board receives no severance payment commitment. |
| Non-competition payment | No payment | The Chairman of the Management Board receives no payment of this kind. |
| Supplemental retirement plan | No payment | As for a number of the Vivendi Group's senior management, the Chairman of the Management Board is eligible for the defined-benefit supplemental retirement plan set up in December 2005, approved by the Combined General Shareholders' Meeting of April 20, 2006.<br>Upper limit: 30% of benchmark salary (fixed + variable) with a maximum of 60 times the social security upper limit. |

n/a: not applicable.

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**MR. PHILIPPE CAPRON – MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER**

| **Compensation elements (Fiscal year 2013)** | **Amounts or value (before taxes and benefits)** | **Presentation** |
|---|---|---|
| Fixed compensation | €450,000 | Gross fixed compensation approved by the Supervisory Board on February 22, 2013 upon the recommendation of the Human Resources Committee. |
| 2013 variable compensation paid in 2014 | €576,000 | At its meeting of February 21, 2014, upon recommendation of the Human Resources Committee, the Supervisory Board approved the 2013 variable compensation elements for Mr. Philippe Capron (member of the Management Board up to December 31, 2013). They consist of 128% of fixed compensation (see Section 3.3.1.5 of the 2013 Document de Référence-Annual Report available online at www.vivendi.com). |
| Deferred variable compensation | n/a | Mr. Philippe Capron received no deferred variable compensation. |
| Multi-year variable compensation | n/a | Mr. Philippe Capron received no multi-year variable compensation. |
| Extraordinary compensation | n/a | Mr. Philippe Capron received no extraordinary variable compensation. |
| Stock options | n/a | In 2013, the Company awarded no stock options. |
| Performance shares | €752,567 (book value) | Following his resignation, Mr. Philippe Capron lost the allocation rights for 63,381 performance shares (adjusted number) that had been granted to him in 2013. |
| Directors' attendance fees | n/a | As for all corporate directors at Group headquarters, Mr. Philippe Capron received no attendance fees. |
| Value of benefits of all kinds | €89,329 | Company car without driver, profit-sharing and liquidation of time savings account. |
| | | |
| **Deferred compensation elements owed or granted in 2013 that were subject to prior approval of the General Shareholders' Meeting under the procedure applying to regulated agreements and commitments** | **Amount** | **Presentation** |
| Severance payment | No payment | Given his resignation, Mr. Philippe Capron received no severance payment; the principle for this was approved by the Combined General Shareholders' Meeting of April 30, 2013. |
| Non-competition payment | No payment | Mr. Philippe Capron received no payment of this kind. |
| Supplemental retirement plan | No payment and loss of plan | Given his resignation, Mr. Philippe Capron is no longer entitled to the Vivendi SA supplemental retirement plan. |

n/a: not applicable.

# III – SUPERVISORY BOARD- REAPPOINTMENTS AND NOMINATION OF NEW MEMBERS

### 7th to 11th resolutions

In 2005, Vivendi adopted a dual corporate governance structure which functions with a Supervisory Board and a Management Board.

The Supervisory Board supervises the Management Board's management of the Company; it approves important acquisition and financial transactions prior to their implementation and participates fully in the development of the Group's strategy.

The Supervisory Board of the Company currently consists of thirteen members, including five women, nine independent directors and one member representing employee shareholders. It also has one non-voting director (*censeur*).

The terms of office of Ms. Aliza Jabès, Ms. Dominique Hériard Dubreuil, Ms. Jacqueline Tammenoms Bakker and Mr. Daniel Camus expire at the end of this Shareholders' Meeting.

It is proposed that you renew the terms of office of Ms. Jabès and Mr. Camus for a period of four years. Their respective terms of office would expire at the conclusion of the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2017 (*seventh and eighth resolutions*).

It is proposed that you appoint Ms. Katie Jacobs Stanton, Ms. Virginie Morgon and Mr. Philippe Bénacin as members of the Supervisory Board, for a period of four years expiring upon the conclusion of the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2017 (*ninth through eleventh resolutions*).

Each of them is a business person with comprehensive knowledge of the international market as well as of the markets in the countries in which the Group operates. Each is independent and free of any interests with respect to the Company.

As announced by the Company on April 24, 2014, Mr. Jean-René Fourtou, Chairman of the Company's Supervisory Board, has confirmed his intention to resign his position at the conclusion of this Shareholders' Meeting.

Subject to your approval, the Supervisory Board will consist of thirteen members, including five women, representing a rate of 38.5%, ten independent members, representing a rate of 77%, and one member representing employee shareholders.

# IV – AUTHORIZATION GRANTED TO THE MANAGEMENT BOARD IN ORDER FOR THE COMPANY TO PURCHASE ITS OWN SHARES OR, IF NECESSARY TO CANCEL THEM

### 12th (ordinary meeting) resolution and 13th (extraordinary meeting) resolution

We propose that you renew the authorization granted to the Management Board, with the power to sub-delegate to its Chairman, for a new period of eighteen months from the date of this Shareholders' Meeting, to implement a share repurchase program, within the legal limit of 10% of the share capital of the Company, including the purchase by the Company of its own shares, on one or more occasions, through a stock exchange or otherwise. This program is designed to enable the Company to purchase, as announced and where appropriate, its own shares for cancellation, or in order to allocate free shares to employees or to conditionally grant shares to certain beneficiaries or corporate officers under performance share plans and to continue, if appropriate, to create a market for the shares pursuant to a liquidity agreement (*twelfth resolution*) in compliance with the Code of Ethics of the Association Française des Marchés Financiers (AMAFI). We propose that you set the maximum purchase price at €24 per share. This authorization, once exercised by the Management Board, shall cancel and supercede, for the remaining period, the authorization granted by the Shareholders' Meeting held on April 30, 2013 (eleventh resolution).

In 2013, the share repurchase program was used within the framework of a liquidity contract in compliance with the AMAFI's Code of Ethics. An aggregate of 8.6 million shares, or 0.64% of the share capital, were repurchased for €140.7 million, and the same number of shares were sold for €140.7 million. Pursuant to this liquidity contract, as of December 31, 2013, the Company did not hold any shares, and the amount of €52.4 million appeared in the liquidity statement.

In addition, in 2013, the Company purchased directly 1.410 million of its own shares at an average unit price of €17.48 to cover the grant of performance shares to beneficiaries. As of December 31, 2013, the number of shares owned by the Company to cover grants under the performance share plans was 50,639 shares.

We propose that you authorize the Management Board, for a period of eighteen months, to cancel the shares acquired on the market by the Company, if any, up to the maximum legal limit of 10% of the share capital per 24-month period, and to reduce the share capital accordingly (*thirteenth resolution*).

# V – CONDITIONAL GRANT OF PERFORMANCE SHARES

## 14th resolution

The authorization granted to the Management Board in 2011 to grant awards of performance shares expires at the end of this Shareholders' Meeting, we propose that you renew this authorization for a period of thirty-eight months in order to continue to involve, depending on personal performance and potential, certain employees and corporate officers in the success of the company and the Vivendi share price.

Since 2013, the Company no longer grants stock options.

The authorization requested is subject to a limit of 1% of the share capital of the Company, or 0.33% per year over the period of authorization (compared to the 2% ceiling authorized in 2011, which included the granting of stock options for up to 1%). It is planned that an upper limit of 0.035% will apply to awards to be granted to members of the Company's Management Board.

In 2013, the annual allocation of performance shares granted pursuant to the authorization given in 2011 covered 0.21% of the share capital of the Company. The number of performance shares granted by the Supervisory Board to members of the Management Board represented 0.02% of the share capital and 8.6% of the total annual allocation.

As of April 30, 2014, there were 47.3 million outstanding options to subscribe for shares and 3.9 million performance shares in the process of being acquired, i.e., 3.5% and 0.3% of the current share capital of the Company, respectively, subject to early cancellation as a result of the departure of beneficiaries and the expiration of certain plans.

<u>The purpose of conditional grants of performance shares</u>

The annual compensation of corporate directors and certain executive officers may include a deferred element in the longer-term objectives: the awarding of performance shares, which vest subject to internal and external performance criteria, applicable to both corporate management and also to all beneficiary employees (approximately 800 individuals in the Group).

For each allocation, the Supervisory Board, upon recommendation of the Human Resources Committee, approves criteria for the award of performance shares and sets the limits (threshold, target and maximum) for calculating the level of performance to be achieved, to determine whether the granted shares are to vest completely or partially.

The details relating to the conditions of grant, including performance criteria is provided in sections 3.3 and 3.4 of Chapter 3 of the Annual Report available on Vivendi's website at www.vivendi.com.

<u>Applicable Criteria for Assessing Performance</u>

To better assess long-term performance, it was resolved to apply internal financial criteria different from those used in setting the variable portion of the compensation of corporate directors and to apply external criteria to take into account the alignment of the interests of management with those of the shareholders.

For corporate management and the senior officers of Vivendi SA, the internal indicator (with a weighting of 70%) is the Group's EBITA margin (adjusted operating income).

Since 2013, to address the need to motivate corporate management and senior officers of each subsidiary to increase the income of their entities, the grant of performance shares has been linked to the EBITA margin of the subsidiary for which they work.

As part of the authorization being requested from this Shareholders' Meeting, it is anticipated that the achievement of this financial objective would be assessed once only, at the end of three cumulative fiscal years (as opposed to the two years previously applied). As a result, the vesting of rights to performance shares can only occur at the end of a period of three years which is followed by a two-year retention period. Thus, performance shares are available to beneficiaries only after a period of five years.

To account for changes in the Group's structure, the external indicator (with a weighting of 30%) will also be assessed on three consecutive stock market years. It is anticipated that the STOXX® Europe 600 Media index will be used.

All shares and options vest after two years subject to an attendance condition, if the weighted sum of internal and external indicators meets or exceeds 100%; 50% of shares and options vest if the weighted sum of the indicators meets the value for the thresholds (50%); and no shares and options vest if the weighted sum of the indicators is less than the value corresponding to the thresholds (50%). An arithmetic calculation is performed for interim results.

In 2014, the vesting of rights attached to plans granted in 2012 was limited to 88% due to the non-achievement of all targets set for 2012 and 2013. Details of the achievement rate of these objectives can be found in section 3.4.4 of Chapter 3 of the 2013 Document de Référence-Annual Report available online at www.vivendi.com. (For informational purposes, if the group EBITA margin rate had been lower than 91% of the target set for the years 2012 and 2013 and if the performance of Vivendi shares in 2012 and 2013 had been lower than 70% of the market performance of the reference indexes, no allocation of performance shares would have been awarded under the 2012 Plan).

# VI – EMPLOYEE SHARE OWNERSHIP

## 15th and 16th resolutions

The authorization granted by the Shareholders' Meeting held on April 30, 2013, to the Management Board to implement share capital increases reserved for employees of the Company and of the Group's companies, internationally in particular, will expire in October 2014.

To enable the Company to carry out in the Fall of 2014, both in France (*fifteenth resolution*) and internationally (*sixteenth resolution*), a share capital increase reserved for employees of the Company and of the Group's companies, we propose that you renew, within an upper limit of 2% of the share capital of the Company, the delegation of authority to the Management Board for a period of 26-months and 18-months, respectively. This reflects the desire of the Company to continue to closely involve all of its employees in the group's development, to encourage their participation in the share capital and to further align their interests with those of the shareholders of the Company. On December 31, 2013, employees held 3.54% of the share capital of Vivendi.

The aggregate amount of share capital increases that may be carried out pursuant to these two delegations is not cumulative; it therefore cannot exceed 2% of the share capital of the Company. These delegations of authority cancel your preferential subscription rights.

The issue price, in the event that the foregoing delegations are utilized, will be equal to the average opening price of the Company's shares on the twenty trading days preceding the date the Management Board sets the subscription price, this average price may be discounted by a maximum of 20%; the amount of any such discount shall be determined by the Management Board, after taking into consideration, in particular, legal, regulatory and tax provisions of foreign laws, as applicable.

The Management Board and the Statutory Auditors will issue a complementary report in the event that these delegations of authority are used and information will be provided to you on such usage each year during the Shareholders' Meeting.

# VII –ESTABLISHMENT OF PROCEDURES FOR APPOINTING EMPLOYEE REPRESENTATIVES TO THE SUPERVISORY BOARD IN ACCORDANCE WITH THE FRENCH LAW OF JUNE 14, 2013 ON EMPLOYMENT SECURITY (*LA LOI DU 14 JUIN 2013 RELATIVE À LA SÉCURISATION DE L'EMPLOI*), AND THE CONSEQUENTIAL AMENDMENT TO ARTICLE 8 OF THE COMPANY'S BYLAWS, "MEMBERS OF THE SUPERVISORY BOARD ELECTED BY EMPLOYEES"

## 17th resolution

Pursuant to the French Law on Employment Security of June 14, 2013 (*la loi du 14 juin 2013 relative à la sécurisation de l'emploi*), we propose to amend Article 8 of the Company's bylaws to establish the procedures for appointing members to the Supervisory Board to represent employees. The resolution presented to you provides that the members of the Supervisory Board representing employees shall be appointed by Vivendi S.A.'s works council, which is the most appropriate body and the one most regularly informed about strategic issues and developments affecting the Group. It is also that body that is consulted, when appropriate, on major transactions involving the group.

Under the new legislation, a member of the Supervisory Board representing employees must be appointed when the Board comprises twelve members, excluding a member that has been appointed to represent employee shareholders, which is currently the case at the Company, and a second member representing employees must be appointed if the Supervisory Board comprises more than twelve members, excluding the member representing employee shareholders.

The employee representative selected to serve on the Supervisory Board shall be appointed as a member of the Supervisory Board of the Company within six months following the date of this Shareholders' Meeting, i.e., by December 24, 2014. Their term of office shall be three years, which corresponds to the term of office of the members elected to the Company's works council who will appoint the employee representative.

In conformity with applicable legal requirements, the Company's works council, at a meeting held on April 22, 2014, issued a favorable opinion on this proposed method of appointment.

# VI – AUTHORIZATION TO CARRY OUT LEGAL FORMALITIES

**18th resolution**

It is proposed that you grant to the Management Board the powers necessary to carry out the formalities arising from this Shareholders' Meeting (*eighteenth resolution*).

The Management Board

## Observations of the Supervisory Board

The Supervisory Board states that, pursuant to Article L. 225-68 of the French Commercial Code, it does not wish to formulate any observations in relation to either the Management Board's Report or the Financial Statements for the Fiscal Year ending December 31, 2013. It recommends the Shareholders' Meeting adopt of all the resolutions submitted to it by the Management Board.