

# TOGETHER

LETTER TO OUR  
SHAREHOLDERS

SEPTEMBER 2018

## EARNINGS P.3

— First Half 2018 Results

## NEWS P.4

— Interview with  
Maxime Saada

## DIARY P.8

— Shareholders' diary  
Vivendi and you



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# AN EXCELLENT HALF-YEAR PERFORMANCE MOVING TOWARDS AN EVOLUTION OF UNIVERSAL MUSIC GROUP'S SHARE CAPITAL

**Yannick Bolloré**, Chairman of the Supervisory Board  
and **Arnaud de Puyfontaine**, Chief Executive Officer

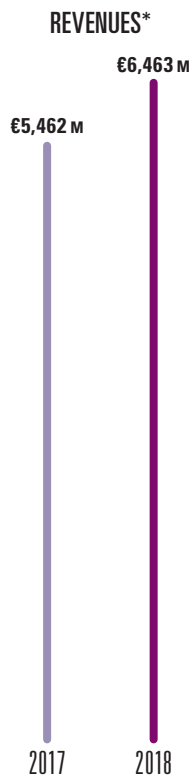
**T**he validity of Vivendi's strategy is confirmed. The group has been working since 2014 to create a global leader in content, media and communications with European origins. Yannick Bolloré, who succeeded Vincent Bolloré as Chairman of the Supervisory Board on April 19, has confirmed this clear and ambitious strategy. The excellent financial performance achieved in the first half of 2018 attests to the relevance of Vivendi's objectives. Universal Music group and Canal+ Group achieved double-digit EBITA growth, and the Havas operating margin increased despite a difficult communications market.

On another note, the Management Board has examined the possible changes in the share capital of Universal Music Group, the world's music leader. The value of the sector's assets is now widely recognized. The timing is right for crystallizing Universal Music Group's value. The analyses we have carried out have shown that more value would be created with the entry of a strategic partner than with an IPO. This operation will likely be launched this fall.

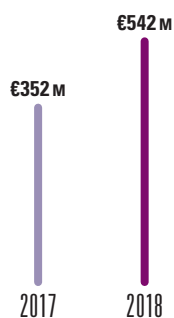
In addition, the group has entered into exclusive negotiations with Grupo Planeta for the acquisition of Editis, France's second-largest publishing group which brings together more than 50 publishing houses, a large number of well-known authors and high-quality publishing projects. The operation would constitute a major new stage in building an integrated group centered on the media, content and communications. The synergies between the businesses of the two groups, their common creativity-centered culture and the quality of their talent management know-how would enable the development of many initiatives.

# RESULTS

FIRST HALF 2018



**EBITA\***



**Vivendi's** main businesses performed strongly in the first half of 2018. The group's adjusted net income was €393 million (up 22.8% compared to the first half of 2017).

Driven by growth in subscriptions and streaming, **Universal Music Group's** EBITA rose to €326 million (organic growth of 23.5%).

**Canal+ Group's** EBITA, before restructuring charges, was €249 million (organic growth of 28.5%) due to the revenues growth and a cost-reduction plan.

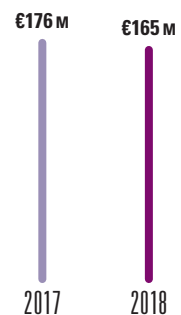
**Havas'** profitability recovered in the first half of 2018 compared to the first half of 2017, mostly due to cost containment measures.

The EBITA margin/net revenues ratio rose from 9.10% to 10.0%.

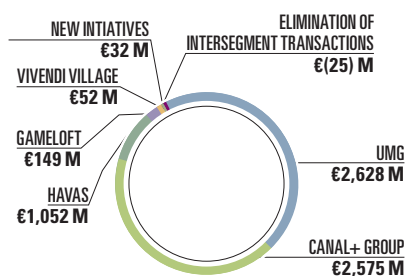
**ADJUSTED NET INCOME\***



**EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS\***



**REVENUES BY BUSINESS SEGMENT\***



\* Earnings as of June 30, 2018.

# CANAL+ GROUP 3 QUESTIONS FOR...



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**Maxime Saada**

CHAIRMAN OF CANAL+  
GROUP MANAGEMENT BOARD

**HOW WAS THE FIRST HALF OF 2018 FOR CANAL+ GROUP AND MORE SPECIFICALLY FOR CANAL+ FRANCE?**

**Canal+ Group had an excellent first half.** Canal+ France continues to recover thanks to its still-unparalleled package of programs, with 400 recent movies per year, French League 1 football, Top 14 rugby, our “Créations Originales” series and the best American series. The new offerings and indirect distribution model (agreements with telecoms operators) introduced in autumn 2016 are also contributing to this dynamic. Our subscribers now have more flexibility and freedom. Their satisfaction level has risen substantially. Customer loyalty has also increased with a two-year commitment rate of 95% and a significant lowering of the cancellation rate. We also wanted to expand our offering for the 18-25 target group by providing them with a digital Canal+ package at €9.95 per month without commitment. Lastly, in parallel with the overhaul of our distribution, we introduced a cost reduction plan applying to a total of over €350 million in 2017 and over €400 million in 2018. Our profitability will therefore increase significantly in 2018.

**CANAL+ HAS FRENCH LEAGUE 1 FOOTBALL RIGHTS UNTIL 2020. MEDIAPRO HAS WON THESE RIGHTS FOR THE 2020-2024 SEASONS. WHAT IS YOUR ANALYSIS OF THE SITUATION?**

**In France, we will be broadcasting the best League 1 matches on Canal+ until 2020** for around €540 million per year. Mediapro and beIN will share the main broadcasting rights for the League 1 Championship from August 2020. Mediapro will be spending €780 million per year, to which will be added launch, production and distribution costs, which should take its annual budget to over €850 million per year. At that price, the Canal+ model in France would have been significantly weakened and all our cost saving and recovery efforts, compromised. Historically, League 1 has been an important right for our group, but our offering does not revolve solely around football. Canal+ is a unique, particularly resilient model of a premium generalist channel with a diversified sports offering (Top 14, Formula 1, golf, tennis, etc.), cinema with 400 recent movies per year, the Canal+ world-famous “Créations Originales” series and the best American series through our agreements with Showtime and FX. In addition, we will review, if appropriate, sublicensing opportunities provided for and authorized by the tender rules. Above all, we have the advantage, with the Canal+ offering, of being one of the leading TV distributors in France. We can also explore potential partnerships with holders of premium sports rights, such as the distribution agreements already in place with our partner beIN Sports, which retains some League 1 lots for the 2020-2024 period.

**HOW IS YOUR BUSINESS PERFORMING ON THE INTERNATIONAL FRONT?**

**Internationally, we are seeing good growth, particularly in Africa:** Organic growth was 19.9% on the continent in 2016, then 19.1% in 2017 followed by a further 19.1% in the first half of 2018! In Africa, we offer A+, an all-African channel, 5 packages and 216 channels, in addition to our TNT, EASYTV, SVoD mobile and IROKO+ offerings. Here too, we have been able to give our subscribers what they want, and our base reached a new record high with close to 3.8 million subscribers as of June 30, 2018, an increase of 1.1 million over the past twelve months. We had a great first half in Vietnam too, crossing the symbolic threshold of 1 million subscribers in June. Finally, we are also working on consolidating Studiocanal’s performance, most of which is now attributable to its international business. Our recovery in France and our international growth are enabling us to be confident in our outlook.

NEWS

# FUTURE EVOLUTION OF UMG'S SHARE CAPITAL

The Management Board has decided to open the capital of Universal Music Group (UMG) to one or more strategic partners.

The Management Board presented to the Supervisory Board its recommendations following its analysis concerning the evolution of the capital of UMG, the world leader in music. The decision was taken to sell up to 50% of UMG's capital to one or more strategic partners in order to extract the highest value. This sale would help to support the transformation of UMG's business model and accelerate its development. An IPO was ruled out because it would be a complex process, and a double listing (Vivendi/UMG) would lead to market arbitration between the two securities and could increase volatility for Vivendi shares. The transaction will likely be launched this fall and could take eighteen months to complete. Vivendi will soon be engaging banks. The group will establish a floor price for the entry of partners into UMG's share capital.



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**VIVENDI EXITED FROM FNAC DARTY.** The group opted for an equity settlement of the hedging transaction entered into in January 2018 relating to its 11% interest in Fnac Darty. It received €267 million, corresponding to the hedging price of €90.61 per share, after making an initial investment in May 2016 of €159 million, i.e. €54.00 per share.

**VIVENDI STRENGTHENS ITS POSITION IN TICKETING.** See Tickets, Vivendi's subsidiary specializing in the sector, has acquired Dutch company Paylogic, which sells more than 5 million tickets per year in over 10 countries. See Tickets is now present in the United Kingdom, France, United States, Spain, Germany, Belgium and the Netherlands. See Tickets has also entered into a sales agreement with LiveStyle (the former owner of Paylogic) to provide ticket services for its festivals and events in the United States.



# EXCLUSIVE NEGOTIATIONS TO ACQUIRE EDITIS

Vivendi is interested in acquiring Editis, one of France's leading publishers with over 50 publishing houses. Should this initiative come to fruition, a new major milestone will open for the group.

Vivendi has entered into exclusive negotiations with Grupo Planeta to acquire 100% of the share capital of Editis, the second-largest French publishing group. Editis combines more than 50 publishing houses (Nathan, Bordas, Robert Laffont, Presses de la Cité, Julliard, XO Éditions, Plon, Perrin, Pocket, Belfond, Le cherche midi, etc.), well-known authors and superior editorial publishing projects. The acquisition of Editis would be another major step in Vivendi's strategy of building an integrated media, content and communication group.

The proximity of the businesses of the two groups, their common creativity-centered culture and their talent management know-how would all facilitate the integration of Editis and the development of joint projects.

As part of Vivendi, Editis would benefit from a unique ecosystem enabling it to attract and retain the best talent, which would then enrich the group's content portfolio.

Editis' enterprise value is €900 million. In 2017, Editis generated revenues of approximately €750 million and a recurring EBIT of approximately €60 million.

Vivendi and Grupo Planeta, the leading group in publishing, media and education in Spain and Latin America, would also explore new publishing opportunities as part of this project.

Any agreement resulting from these negotiations would be subject to prior consultation of the concerned work councils, confirmatory due diligence and finalization of definitive documentation.



## ASPHALT 9: LEGENDS, ON THE STARTING GRID

*Asphalt 9: Legends*, released on July 26, offers a unique visual experience, a full multiplayer mode and advanced social functionality.

**A** *sphalt*, the world's most downloaded mobile racing series created by Gameloft (over 650 million downloads), is back. *Asphalt 9: Legends*, the latest title from the franchise, was released worldwide on July 26 on App Store, Google Play and Microsoft Store.

*Asphalt 9: Legends* returns with all the fun of the arcade and a unique visual experience worthy of console games.

The power of the new engine developed by Gameloft delivers stunning graphics quality which, combined with iconic locations and the most prestigious cars, creates an incredibly immersive experience. The new Touchdrive™ driving mode introduces a new approach to the steering controls, adding a strategic dimension to the pure pleasure players will derive the race. Competition is fierce, with online multiplayer modes accommodating up to eight players. Integrated social functionality promotes global cooperation through a system of clans and clubs and increases the degree of immersion possible within the *Asphalt* community.

**VIVENDI SOLD ITS SHARE IN UBISOFT FOR €2 BILLION, IN AGREEMENT WITH THE GUILLEMOT FAMILY.**

**Last March, Vivendi announced the sale of its 27.27% in the share capital of Ubisoft for €2 billion. This interest had been acquired over the past three years for €794 million.**

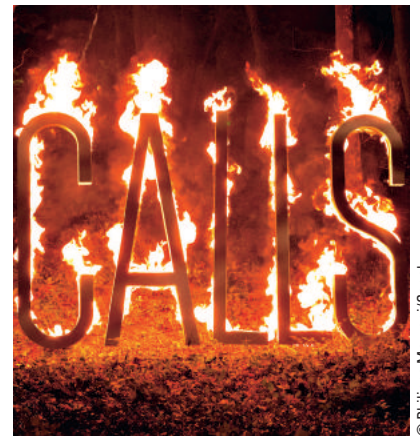
**The group has agreed not to purchase any Ubisoft shares for a period of five years.**

**Vivendi, which owns Gameloft, the world leader in mobile games, confirmed its intention to strengthen its presence in the particularly dynamic video games sector, one of the cornerstones of the group's growth plans.**

CANAL+

## CALLS ACROSS THE ATLANTIC

Apple purchased this audio mini-series *Calls* from Canal+ and has ordered an English adaptation.



**T**he Canal+ *Calls* audio mini-series is set to head across the Atlantic: Apple has placed an order with Canal+ for an English adaptation of the series and has bought the rights to the original French version. Three seasons are already scheduled. The agreement highlights the creativity and know-how of Canal+ in the production of original programs such as their "Créations Originales" series (*Engrenages*, *Le Bureau des Légendes*, *Baron Noir*, *Versailles*, all huge sellers on the international market), documentaries and *Calls*.

*Calls* is a series with episodes that are listened to rather than watched (no images on the screen apart from a few subtitles) giving free rein to the imagination. The series consists of audio documents (emergency police calls, messages from aircraft black boxes or voicemail, walkie-talkie recordings, etc.) and is split into ten episodes of about ten minutes each. Every story traces a tragic event and hints at a dramatic ending.



© Boris Allin

## VIVENDI STEPS UP ITS PRESENCE IN THE FESTIVAL SCENE

As Vivendi is present throughout the entire value chain, from talent discovery and support to content creation and distribution, it makes sense for it to also be active in live entertainment and festivals.

In France, Vivendi operates through Olympia Production (a Vivendi Village entity) which stages two festivals of its own (Les Déferlantes in Argelès-sur-Mer and Live au Campo in Perpignan) and two festivals in partnership – one with a regional publisher, for the Brive Festival, and one with Universal Music Group (UMG), for the Blue Note Festival in Paris. Olympia Production uses local teams that manage and often create the events.

Partnerships can be established with different group entities such as the Canal+ channels for recording, Digitick for ticketing, Dailymotion for videos, and UMG and Canal+ for talent sourcing.

Olympia Production is part of the U Live network created by UMG that holds 15 festivals in 9 countries (e.g. Love Supreme and Sundown Festival in the United Kingdom and Poptopia, UMusic Experience and L Festival in the United States).

More recently, Vivendi initiated The Crxssing, a London-based Franco-British cultural festival. Its line-up on September 22 will include stars from the worlds of music, theatre, cinema, gastronomy, art and fashion. The festival celebrates the rich cultural heritage shared by France and the United Kingdom, and the friendly relations woven between the two countries through artistic creativity.

## HAVAS' CREATIVITY RICHLY REWARDED

Havas cleaned up at the last Cannes Lions festival, winning 47 Lions: 3 Grands Prix, 5 Gold, 18 Silver and 21 Bronze.

The 65<sup>th</sup> International Festival of Creativity was held in Cannes from June 18-22. Havas and the entire Vivendi group were present at this key annual event for members of the communications, advertising and creation industries. 15 Havas agencies received a total of 47 Lions between them, a 15% increase on 2017 despite a 20% drop in the number of Lions awarded. Australian agency Host stole the show with 9 Lions, including 3 Grands Prix for the “Palau Legacy Project” campaign. “Palau Pledge” was the only campaign to win 3 Grands Prix this year. The French agency winning the most awards was BETC Paris with a total of 15 Lions overall – 2 Gold, 2 Silver and 6 Bronze – for its “Save Our Species” campaign for Lacoste. Special mention must also be made of Havas Lynx, which was named Healthcare Agency of the Year (and won 3 Lions), and of Havas Health & You, which was ranked second Health Network of the Year.

As in previous years, Havas once again provided an opportunity for all those in the industry to meet up at its Havas Café. All of Vivendi’s subsidiaries were present and active there, enabling brands to become familiar with the different content created by the group. Several events were held: Universal Music Group showcased its artists, Gameloft presented its new game, *Asphalt 9: Legends* alongside a real Lamborghini, and there were also talks and press conferences (notably the one with Yannick Bolloré on June 21, 2018).



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# SHAREHOLDERS' DIARY VIVENDI AND YOU

## SHAREHOLDER'S QUESTION

### Interest in Telecom Italia

**Vivendi owns 23.94% of the ordinary shares of Telecom Italia.**

**The Elliott activist fund has also invested in the operator.**

**What do you think of the valuation prospects of Telecom Italia?**

Telecom Italia's stock price has dropped significantly since the General Shareholders' Meeting on May 4, 2018. As a reminder, the composition of the Italian telecoms operator's Board of Directors was changed during that meeting, and a new Chairman was appointed. Notwithstanding the expected improvement of Telecom Italia's outlook (assuming the 2018-2020 industrial plan approved unanimously on March 12, 2018 by Telecom Italia's former Board of Directors is effectively implemented by the newly appointed Board), Vivendi wrote down the value of its interest in Telecom Italia, by €512 million. Vivendi has specifically taken into account the execution risks associated with this industrial plan given Vivendi's lower power to participate in Telecom Italia's financial and operating policy decisions. Vivendi will re-examine the value of its interest in Telecom Italia at the end of 2018, when the operator's business plan will be updated.

## SHARE PROFILE DATA SHEET

- Vivendi shares are listed on Compartment A of Euronext Paris. (code ISIN FR 0000 127771).
- Vivendi shares are eligible for the Deferred Settlement Service.
- Vivendi shares are eligible for the PEA (Equity Savings Plan).
- Vivendi is part of the CAC 40 index as well as the Euro Stoxx Media Index and the Euro Stoxx 50. Vivendi is also referenced in several sustainable development stock indexes such as FTSE4Good Developed, FTSE4Good Europe, Ethibel Excellence Global and Europe, Euronext Vigeo France 20, World 120, Eurozone 120.

## SHAREHOLDERS' COMMITTEE

Vivendi has set up a **Shareholders' Committee** composed of ten members.

To become a member, you can download or request the application form from the Shareholders Information Department.

## CONTACT US

For further information on Vivendi, please contact the Shareholders Information Department:

— **by mail:**

Vivendi, Shareholders Information Department, 42, avenue de Friedland, 75008 Paris, France

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

— **and by phone:** 0 805 050 050 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 a.m. to 6:00 p.m. (hours extended in the event of important news).

## IF YOU OWN AT LEAST ONE VIVENDI SHARE

You can join the Vivendi **Shareholders' Club**. Send us your membership form downloadable from the Internet or sent on request by the Shareholders Information Department.

**[www.vivendi.com](http://www.vivendi.com)**

## FINANCIAL MEETINGS

The Shareholders Information Department runs four financial meetings each year in the provinces, in pairs with another group of the CAC 40, organized by the F2IC or a financial weekly newspaper. The next meetings will take place **on November 19 in Tours and on November 27 in Marseille**. Registrations are by invitation.

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