

LETTER

vivendi

SEPTEMBER
2017

TO OUR SHAREHOLDERS

PHOTOS DR



**VINCENT
BOLLORÉ**
CHAIRMAN OF
THE SUPERVISORY
BOARD

**ARNAUD
DE PUYFONTAINE**
CHAIRMAN OF
THE MANAGEMENT
BOARD

2017 HALF-YEAR RESULTS IN LINE WITH EXPECTATIONS AND WITH OUR STRATEGY

As you undoubtedly know, Vivendi's teams are working to build a global content, media and communications group.

This sector is emerging as one of the most attractive of the third millennium. Nearly two billion people are expected to enter the entertainment economy by 2025. In this regard, our European culture offers us a advantage. In content, we already own the global leader in music and a substantial catalogue of movies. We needed to complement this position by investing in video games, with Gameloft, and in live content, with Banijay.

In media, we hold substantial positions in television with Canal+. We needed a platform, so we bought and developed Dailymotion, and a base in telecoms, so we became the main shareholder of Telecom Italia, the incumbent operator in Italy.

Finally, communications was an essential link; we were able to reach an agreement to integrate Havas, the world's 6th-largest communications group, into Vivendi.

With the benefit of this strategy and its teams' hard work, Vivendi performed well in the first half of 2017, particularly in the second quarter. Universal Music Group continues to profit from the tremendous growth in music streaming platforms. Canal+ France is beginning to reap the benefits of the transformation plan put in place in 2016, enabling Canal+ to confirm its projected growth in EBITA in 2017. In light of the foregoing, Vivendi has confirmed its annual outlook.

This excellent performance is reflected in our stock price. Since the last shareholders letter published six months ago, the increase in the Vivendi share price is higher than that of its benchmarks, i.e. up 26.0%*, while the CAC 40 rose by 7.2%* and the Stoxx Europe 600 Media fell by 2.7%*.

* Dividends reinvested at the closing price on September 19, 2017.

CONTINUED EXCELLENT RESULTS FOR UMG AND START OF RECOVERY FOR CANAL+ FRANCE

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Hervé Philippe
Chief Financial Officer
and Member of
the Management Board

Vivendi's results for half-year 2017 reflect the strong performance of Universal Music Group and the improved performance of Canal+ Group in the second quarter. Vivendi has confirmed its annual outlook.

For the first half of 2017, revenues amounted to €5.437 billion (+7.8% and +4.8% at constant currency and perimeter), confirming the upward trend starting in 2017 first quarter. The increase was mainly due to Universal Music Group's growth (up 14.0% at constant currency and perimeter), supported by the enthusiasm for listening to music on digital platforms.

In fact, a UMG song beat all streaming records this summer. Despacito registered over five billion streams across all streaming platforms just six months after its release.

For its part, Canal+ Group's revenues improved slightly, registering a 2.4% decrease at constant currency and perimeter in the first half of 2017 compared to the same period in 2016, versus a 5.5% decrease in the second half of 2016.

At the end of June 2017, Canal+ Group's individual subscriber base reached 14.0 million, up 2.8 million year-on-

year, thanks to growth in international operations and partnerships with Orange and Free.

Canal+ also signed an agreement in August with Bouygues Telecom.

In August 2017, Canal+ doubled the number of recruitments compared to the same period in 2016 with the resumption of the French Ligue 1 football championship.

HALF-YEAR ADJUSTED NET INCOME UP 12%

For the first half of 2017, Vivendi's EBITA decreased by 9.2% (-11.0% at constant currency and perimeter) to €352 million compared to the first half of 2016. The trend was reversed in the second quarter of 2017, with an EBITA of €203 million, up 16.0% (+17.1% at constant currency and perimeter).

This change was primarily due

to UMG's growth and Canal+ Group's improving situation thanks to operational and commercial measures

implemented over the past year.

Vivendi's adjusted net income grew by 12% to €320 million.

As of June 30, 2017, Vivendi's net cash position amounted to €500 million.

Taking into account the €2.3 billion payment to the Bolloré Group to acquire its interest in Havas, Vivendi's proforma financial net debt would amount to approximately €1.8 billion.

Vivendi confirms its previously-announced 2017 outlook: revenues should increase by more than 5% (excluding Havas) and, thanks to measures taken in 2016, EBITA should increase by around 25% (excluding Havas). In particular, Canal+ Group confirms its EBITA target of approximately €350 million for the year, compared to €240 million in 2016. ■

**2017
outlook
confirmed**

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Frédéric Crépin
General Counsel
of Vivendi and Canal+

Vivendi entered into a settlement agreement with the last plaintiffs in the securities class action

A long-running lawsuit of nearly 15 years came to an end in the spring. In April, Vivendi entered into a settlement agreement concerning the remaining claims of certain plaintiffs in a US class action suit that began in July 2002 (securities class action).

This suit concerned only French, American, British and Dutch nationals who bought Vivendi (then known as Vivendi Universal) ADRs (American Depositary Receipts) in the United States between October 2000 and August 2002.

Under the terms of the agreement, the Group paid

\$26.4 million, representing approximately one-third of the total amount of \$78 million paid to resolve the entire litigation, including judgments previously entered.

Subsequent to this agreement, Vivendi re-examined the amount of the reserve related to the litigation at March 31, 2017 and set it at €73 million, recording a net reversal of reserve of €27 million.

On May 9, 2017, the court formally approved the terms of the agreement, putting an end to this litigation.

UMG signs major streaming agreements with Spotify and Tencent



Sir Lucian Grainge
Président-Directeur
général d'UMG



The music industry is currently undergoing a major transformation due to the rapid expansion of streaming. Even though there are already over 110 million paid music streaming subscribers worldwide, this is still the early stages.

UMG is playing an active role in the streaming market and has licensed its music to hundreds of platforms around the world.

In May, UMG and Tencent announced a landmark licensing agreement that will significantly expand the Chinese music market and accelerate UMG's development of local Chinese artists and repertoire. In April, UMG was the first major to sign a new global licensing agreement with Spotify, the world's leading streaming service.

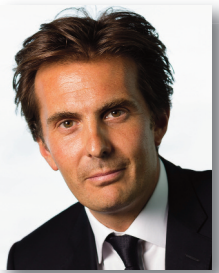
One critical issue is converting users from free to paid services. For example, under their new agreement, UMG is working with Spotify to ensure that streaming realizes its full transformational potential

by delivering a broad range of music experiences, providing more flexibility for new releases, and collaborating on innovative marketing campaigns across Spotify's platform. The agreement also provides UMG with unprecedented access to user data.

UMG also believes the market should offer a range of solutions at various price points to better appeal to different consumers. UMG has licensed mid-tier services that offer less functionality.

UMG remains very focused on licensing and supporting subscription services in emerging markets. In a global market this dynamic, one that is evolving more rapidly than ever before, success requires creative and continual re-evaluation of how best to bring artists' music to fans.

UMG continues to release the world's best music in order to capitalize on these positive developments in the industry.



Yannick Bolloré
Chairman and CEO
of Havas

VIVENDI ACQUIRES BOLLORE GROUP'S MAJORITY INTEREST IN HAVAS*



The acquisition of Bolloré Group's interest in Havas, at a share price of €9.25 (representing an aggregate amount of €2.3 billion), is accretive to Vivendi's net earnings per share.

On July 3, Vivendi acquired the 59.2% interest in Havas held by Bolloré Group.

This strategic transaction comes as Vivendi embarks on a new phase in its development, after having consolidated its foundations. It allows Vivendi to accelerate its transformation into a leading global player in content, media and communications, giving the Group a unique positioning in an environment where

content, distribution and communications are converging. It gives the Group a new dimension with which to compete against powerful global players. With this acquisition, Vivendi effectively reinforces all of its businesses in a profoundly changing environment. Consumers' specialized knowledge and strong data analytics capabilities today represent a major competitive advantage. This transaction gives the Group access to Havas's expertise in

consumer science, data analytics capabilities and new creative formats.

The teams of the two companies will also be able to develop common value-creation projects while maintaining their agility of execution and their own identity.

The acquisition was completed at a price of €9.25 per share, representing a total of €2.3 billion for Bolloré Group's interest. The price is consistent with industry multiples, having an accretive effect on Vivendi's net earnings per share as of July 3, 2017.

Vivendi will launch a simplified tender offer from September 21 through October 4, inclusive, for the remaining interest in Havas, without seeking a delisting of Havas shares. ■

An accretive transaction

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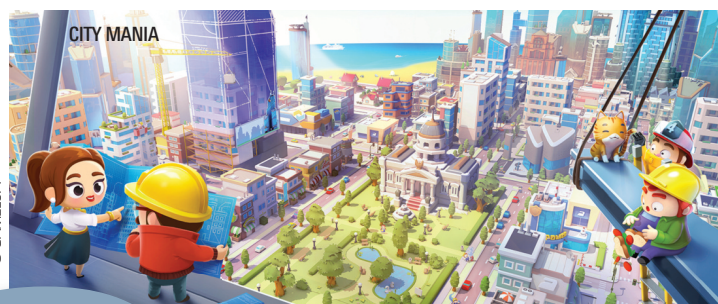
Stéphane Roussel
Chief Operating Officer
of Vivendi and Chairman
and Chief Executive Officer
of Gameloft

**Vivendi successfully
integrated Gameloft a little
over a year ago, inspiring
the Group to make more
strategic moves in the
video-game sector**

VIVENDI'S SUCCESSFUL INTEGRATION OF GAMELOFT

The industry in which Vivendi operates is experiencing dramatic changes, including the rapid growth of mobile phones as a means of consuming cultural content. In this context, the Group decided to acquire Gameloft last year. It is the world's leading publisher and developer of mobile video games, a billion such games; were downloaded in 2016, and, every day, 16 million people play one of the 178 games developed by Gameloft!

Gameloft has been fully consolidated in Vivendi's financial statements since June 29, 2016. The Group has been implementing support measures for Gameloft's talent pool for the past year. The first measure to be introduced was the practice of soft launching, so that games could be tested under real conditions, ensuring optimum market adap-



© GAMELOFT

**Launch of a
major internal
call for proposals**

tation at time of the official launch. The second measure was to reorganize Gameloft to accelerate the growth of advertising revenues. Advertising space was opened up to all advertisers. A customer acquisition program was also implemented. The third measure was to launch an internal call for proposals, in which 13 studios took part, submitting a total of 90 proposals. Employees then voted to select the most promising proposals.

2.8 MILLION GAMELOFT GAMES
DOWNLOADED EVERY DAY

These measures are reflected in the company's results.

The successful integration of Gameloft reinforces Vivendi's strategy to further explore the potential of video games.

A number of options are under consideration. The Group could accelerate its ambitions with Ubisoft, in which it already holds a stake of nearly 27%, or with other publishers.

Decisions will be made on the basis of the most timely options, while remaining conscious of financial ratios. ■



PARIS
Ville candidate
Jeux Olympiques de 2024

Paris to host Olympic and Paralympic Games in 2024

The 2024 Olympic and Paralympic Games will be held in Paris. On August 1, in agreement with the IOC, Los Angeles submitted its bid to hold the 2028 Games, leaving the way free for Paris's 2024 bid. The quality of the French capital's candidacy and Los Angeles's decision to opt for the 2028 Games left little room for doubt about the outcome, even though the official announcement was not made until September 13 in Lima, Peru.

Vivendi has been an official partner of the Paris bid since June 2016, and the entire group mobilized its efforts in support of Paris's candidacy.

Such efforts in the first half of 2017 included the following: Canal+ produced a behind-the-scenes documentary in February on the international campaign in support of the Paris 2024 bid (broadcast on Infosport+).

Gameloft released the game "Paris 2024 Run" in May, spotlighting the Paris bid in a fun, interactive way. The game was played more than 800,000 times over a period of five months.

For Paris's Olympic Days event held on June 23-24, Universal Music France asked the innovative French musician known as Prequell to reinterpret Ravel's Bolero on a floating running track set up between two bridges on the Seine (Pont Alexandre-III and Pont des Invalides).

Moreover, an e-meeting was held on June 27 to explain the partnership to Vivendi's individual shareholders.

The video can be viewed in the En images section of the Individual Shareholders pages on the Group's website.

The Summer Olympics, which draw nearly 4 billion television viewers every four years, are considered as the "Greatest Show on Earth." The economic spin-offs of the 2024 Games are estimated at €10.7 billion for France, and nearly 250,000 new jobs are expected to be created.



dailymotion



PHOTO DR

Maxime Saada
Chief Executive Officer
of Canal+Group and
CEO of Dailymotion

A new version of Dailymotion was launched this summer, with a focus on premium content in four main areas (news, sports, music and entertainment) along with a more relevant interface.

DAILYMOTION GETS A NEW LOOK

To stay abreast of the news and the latest in entertainment, videos are now indispensable, and their use is continually evolving. It was therefore decided to completely overhaul Dailymotion, the main European platform for video aggregation and sharing.

The new application and its desktop version (i.e., the Internet version) were launched in early July in France.

The all-new, completely redesigned Dailymotion now features outstanding videos in four categories: news, sports, music and entertainment.

Priority is given to premium

content, with particular emphasis on the latest videos and live-content videos (such as concerts, sporting events, breaking news, and cultural events).

NUMEROUS PARTNERSHIPS SIGNED

This new offer, based on quality content, was made possible thanks to the numerous partnerships signed locally and internationally (including Universal Music Group, the world leader in music, CNN, the world's leading news channel, and VICE, the leading producer of generational content). In France, Dailymotion is a partner of most local and national media and

audiovisual groups (including TV, press, radio and Internet). To ensure that its users get the most out of the new premium offer, Dailymotion has created a new interface that is faster, more personalized and more relevant, with improved ergonomics and design.

In addition to the new HTML5 video player, search engine and more intelligent algorithms, Dailymotion has developed an array of innovative features to make navigation more intuitive. For example, users can now navigate through the player by simply moving a finger over the video.

The launch of the new Dailymotion in the rest of the world occurred gradually throughout the month of July. ■

Priority
on premium
content

vivendi village



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Simon Gillham
Chairman of
Vivendi Village
Senior Executive
Vice President,
Communications

Since 2016, Olympia Production has produced or co-produced more than 600 shows by a dozen singers and comedians. It also financed the sweeping musical extravaganza, "Jesus, from Nazareth to Jerusalem."

OLYMPIA PRODUCTION NURTURES TALENT

In 2016, Vivendi, Village, wanting to support both young talent and established artists onstage, created Olympia Production, a production house for shows and concerts.

Over a little more than a year, Olympia Production has produced or co-produced more than 600 shows by a dozen artists, including the following:

- In music, the tours of Slimane and M. Pokora. Slimane's tour, "On arrive" (We're Coming), began in Le Mans in January 2017 and included nearly 50 dates in some of France's biggest cities. Slimane will be on the road again in 2018.
- In humor, performances by Marina Rollman, Laura Domenge, Guillermo Guiz and G  r  my Cr  deville.
- In theater, the play "Avant de



"JESUS, FROM NAZARETH TO JERUSALEM," THE MAJOR MUSICAL EVENT OF THE 2017 PARIS AUTUMN SEASON

Over 600
shows produced
or co-produced

s'envoler" by Florian Zeller, performed at the Theatre of L'  uvre.

- In festivals, the Brive Festival.
- And, coming soon, the sweeping musical extravaganza "Jesus, from Nazareth to Jerusalem." It took three years to write and

compose this show, which recounts the last years in the life of Jesus. Christophe Baratier, Pascal Obispo, Didier Golemanas and Pierre-Yves Lebert wrote the words and music.

The musical will run from October 17 through November 19 at the Palais des Sports in Paris.

In addition, Olympia Production and Universal Music France have joined forces to scout and develop new talent via a joint venture called Initial. Initial produces Clara Luciani, the band Columbine, Eddy de Pretto, Lorenzo and Herv   Le Sourd. ■

3 QUESTIONS TO...



PHOTOGRAPH

Frank Cadoret
Executive Vice
President of
Canal+ Group

How were the new subscriber packages, launched by Canal+ France in November 2016, put together?

Before I answer, allow me to evoke the context that prevailed at the time. Since 2012, the number of Canal+ subscribers in France was decreasing due to increased competition from some very powerful new players. This competition stimulated the launch of new packages at very attractive prices, which also generated an inflationary spiral affecting sports rights, movies and TV dramas and comedies.

In this context, we felt it necessary to restore the attractiveness of Canal+'s packages. They were therefore completely redesigned to simplify them and make them more modular. The premium package is now central to our range, with the Canal+ channel as the entry point for the entire range.

Depending on their preferences, customers may subscribe to additional options: Ciné-Series, Sport and/or Canal+ channels. Via the "myCanal" app, programs can be watched live or on demand. All these packages are available with or without a commitment, with rates ranging from €19.90 to €99.90 per month.

These new packages have been a resounding success: two out of three new subscribers purchase at least one optional package; revenue per subscriber is higher than for previous packages; and most new subscribers choose a 24-month commitment.

You also decided to sign partnerships with Orange, Free and Bouygues Telecom...

Yes, the Group entered into strategic partnerships with Orange, Free and, more recently, Bouygues Telecom, based on thematic packages included in the operators' offers. This represents a major shift in the Group's distribution strategy, enabling it to significantly expand its subscriber base while giving more exposure to the channels distributed.

In the first half of 2017, Canal+ France benefited from 3 million additional customers, compared to the same period in 2016, thanks to the Orange and Free offers.

What are your goals for the future?

In the short term, new packages, partnerships with operators and the cost-reduction plan implemented in 2016 enable Canal+ Group to achieve its EBITA target for 2017 of approximately €350 million, compared to €240 million in 2016.

In the medium term, we remain confident and expect to grow our subscriber base from 5 to 10 million subscribers in metropolitan France. Moreover, the Group continues its strong growth internationally, where it now has more individual customer-subscribers than in France.

SHAREHOLDERS' DIARY

■ PROGRAM FOR THE COMING MONTHS


Vivendi organizes many events for its Shareholders' Club. To participate, you must hold at least one Vivendi share. Events include visits, shows, topical meetings and more! Discover our program and sign up!

You will find this program of events on our website: www.vivendi.com (click on the "Individual shareholders" tab and then on "Shareholders' Club").

■ CONTACT US

For further information on Vivendi, please contact our Shareholders Information Department (IAI) by mail: Vivendi, Shareholders Information Department, 42 avenue de Friedland, Paris 75008 France.

By e-mail: actionnaires@vivendi.com.

And by telephone:  0805 050 050 (Numero vert) 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).

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