

LETTER

SEPTEMBER
2016

TO OUR SHAREHOLDERS



- **GROWTH OF UNIVERSAL MUSIC GROUP'S OPERATIONS**
- **CANAL+ GROUP'S INTERNATIONAL OPERATIONS DELIVERED A GOOD PERFORMANCE; PROGRESSION OF THE TRANSFORMATION AT CANAL+ IN FRANCE**
- **INTEGRATION OF GAMELOFT UNDER GOOD CONDITIONS**

For Vivendi, the first half of the year was marked by growth in Universal Music Group's subscriptions and its streaming business as well as the steady maintenance of Canal+ Group international revenues. For the first time, boosted in particular by business in Africa, Canal+ Group had more subscribers outside mainland France than within it.

Smooth integration for Gameloft

In France, the Group decided to leverage recognition of the Canal brand and form a new, unique and consistent cluster of channels under the same name.

The goal is to increase synergies, expand the offering and open doors for talent. At the same time, a plan to optimize costs by €300 million was developed. All of these initiatives foster confidence that balance will be achieved in Canal+'s operating income in France will be achieved by 2018.

Vivendi strengthened its leadership position in the media and content sector in the first half of 2016. This summer, the Group acquired Gameloft (100%) and increased its stake in Ubisoft to 22.8%. Both are global players in the video game sector. This is a rapidly expanding market that has a great influence on the content and entertainment sector. The acquisition of Gameloft is also in line with Vivendi's desire to strengthen its position in mobile content, an area in which consumption is rising rapidly.

A series of meetings with Gameloft employees began in July to ensure a smooth transition for their integration into the Group and to quickly set up a development plan combining Gameloft's creativity with Vivendi's outlook.

In the mobile content segment, in the next few weeks, Vivendi will also be launching Studio+, the first global offering of premium series for smartphones and tablets. In partnership with telecom operators, Studio+ will kick off this launch with 25 exclusive series available in all genres (action, romance, thrillers and more). ■

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Hervé Philippe

Vivendi Chief Financial Officer and member of the Management Board

Vivendi's performance in the first half was boosted by growth in the Universal Music Group's subscriptions and its streaming business and in Canal+ Group's international activities.

VIVENDI'S HALF-YEAR 2016 RESULTS IN LINE WITH FORECASTS

In the first half of 2016, Vivendi's revenues were €5.044 billion, relatively stable compared to the first half of 2015. At constant perimeter and currency, income from operations declined 7.6% to €440 million, affected in particular by increased Canal+ channel losses in France. Earnings from continuing operations attributable to Vivendi SA shareowners amounted to €913 million, an increase of 28.3%.

GROWTH IN UNIVERSAL MUSIC GROUP'S SUBSCRIPTIONS AND ITS STREAMING BUSINESS

Universal Music Group's revenues amounted to €2.315 billion, up 1.6% at constant exchange rates compared to the first half of 2015. In recorded music, revenues from subscriptions and streaming services increased by 62.4% at constant exchange rates. The current operating income was €217 million, an increase of 24.6% at constant exchange rates.

Best sellers included tracks by Drake, Rihanna, Ariana Grande, Justin Bieber and The Weeknd.

CANAL+ GROUP'S PERFORMANCE SUPPORTED BY INTERNATIONAL OPERATIONS

Canal+ Group's revenues were €2.639 billion, up 3.0% compared to the first half of 2015 at constant perimeter and currency. At the end of June 2016, Canal+ Group had, for the first time, more individual subscribers abroad (5.727 million) than in mainland France (5.455 million). Internationally, much impetus came from the expanding of offerings such as UEFA Euro 2016 (Africa and Vietnam) and the 2016/2017 to 2018/2019 English Premier League (Vietnam). In France, a

plan to optimize costs by €300 million was implemented at Canal+ in response to a decrease in revenues, which occurred despite the success of offerings bundled with BeIN Sports. Income from operations amounted to €297 million compared to €368 million.

NEW BUSINESS FOR VIVENDI VILLAGE

Vivendi Village generated revenues of €54 million, an increase of 8.3% compared to the first half of 2015 at constant currency. Several new entities have joined Vivendi Village, in particular the Théâtre de L'Oeuvre in Paris, the CanalOlympia halls in Africa, and Olympia Production. Vivendi Village's income from operations amounted to a loss of €8 million, with the structure being dedicated to experimentation thanks to the flexibility in the organization structure of its entities.

Cost-optimization plan for Canal+ France

KEY FIGURES FROM THE FIRST HALF OF 2016*

| | | Change compared to the same period in 2015 | Change at constant currency and perimeter compared to the same period in 2015 |
|--|-----------------------|--|---|
| Revenues | €5.044 billion | -1,0% | -0,9% |
| Income from operations | €440 billion | -12,0% | -7,6% |
| Adjusted net income | €286 billion | -13,1% | |
| Earnings from continuing operations attributable to Vivendi SA | €913 billion | +28,3% | |
| Cash flow from operations | €290 billion | +23,5% | |

*The key figures presented above take into account the changes in scope of consolidation occurring or announced in 2015 and 2016, of which the accounting impact, particularly compliance with IFRS 5, is described in the 2016 First-Half Financial Report, which is available at www.vivendi.com or upon request from the Vivendi Shareholders' Department.

NEW INITIATIVES (DAILYMOTION, VIVENDI CONTENT)

New Initiatives' revenues (including Dailymotion since June 30, 2015 and Vivendi Content, an entity that develops new content formats) amounted to €58 million, compared to €1 million in the first half of 2015. Income from operations amounted to a loss of €17 million. After integration into the Group, 2016 marked a new departure for Dailymotion. Various strategic projects have been set up that will lead to first launches in 2017. The management team was also expanded. ■

CANAL+ GROUP



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Maxime Saada
Chief Executive Officer of Canal+ Group

Canal+ Group has restructured and renamed its channels in France. These four channels are Canal+, C8 (formerly D8), CStar (formerly D17) and CNews (formerly iTélé). Based upon the excellent Canal brand, this cluster has complementary models.

THE NEW CANAL CLUSTER

While the pay-TV sector has become very competitive in France, Vivendi, which aims to create a European media leader, has decided to leverage the strength of the Canal brand and create the Canal cluster, a group of four standard-setting national channels with complementary models, pay and free, and a common denominator: the excellent Canal brand. Canal+ is one of the best-known brands in France, with 100% brand recognition. The channels will now operate in a unique, consistent brand universe, symbolizing synergies and inclusion in a single family.

CANAL+ AT THE CENTER OF THE CLUSTER

The four channels are Canal+, Canal8 or C8 (formerly D8), CanalStar or CStar (formerly D17) and CanalNews or CNews (formerly iTélé). At the center of



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ORIGINAL CREATIONS, SUCH AS "JOUR POLAIRE", HELP BOOST CANAL+ SUBSCRIPTIONS

this cluster, the pay channel Canal+ offers the best in programming. Canal+ will refocus on premium content with exclusive programs that are likely to boost subscriptions. Like other major premium channels around the world (HBO, Showtime, Sky, etc.), Canal+ has decided to again focus on subscriptions and to invest in the main editorial pillars of Canal+, with more sports,

movies, original creations, entertainment, comedy and talent. The goals of the new Canal cluster are in line with editorial choices tailored to a complementary overall vision for all of the channels. It is a mix between transformation of all the formats and continuity in the themes and the talents specific to Canal. ■

A single, consistent brand universe

NEW NAMES FOR THE GROUP CHANNELS

Considering the strong brand recognition that Canal+ enjoys, the Group decided to leverage this excellent brand and to integrate it into the names of all its channels. On September 5, D8 became Canal8 (or C8) and D17 became CanalStar (or CStar). On October 24, iTélé will become CanalNews or CNews.

At the heart of this cluster is the pay channel Canal+, which offers the best in programming. In just a few years, C8 became the fourth-leading national channel for its principal target audience: the 25-49 age group. C8 will be the unencrypted Canal+ channel. CStar is the leading generation-focused music channel in France, while Vivendi is No. 1 in the global music sector thanks to its subsidiary, Universal Music Group. Finally, CNews is the Canal+ Group's news channel. Its mission has not changed: to inform viewers of the latest events in real time while making the best use of the Canal+ Group's assets, in particular in terms of sports and culture, so as to highlight its advantages compared to the growing competition.



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Frédéric Crépin
General Council of Vivendi and Canal+ Group



GAMELOFT: VIVENDI'S NEW GROWTH DRIVER

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Stéphane Roussel
Chief Operating Officer
at Vivendi

The integration of Gameloft, wholly owned by Vivendi since this last summer, was carried out smoothly under the supervision of Stéphane Roussel, its new CEO. Meetings between Group teams and the mobile video-game publisher's staff have been taking place since July.

Since this last summer, Vivendi has held 100% of the capital and voting rights of Gameloft, a leading publisher of video games for mobile devices. With its world-recognized expertise, Gameloft offers Vivendi the unique opportunity to secure a position in a high-potential market that is complementary to its own.

And for its part, Vivendi, one of the only European media groups with international influence in the spheres of music (Universal Music Group), audiovisual (Canal+ Group), digital (Dailymotion) and their associated businesses (Vivendi Village), will provide Gameloft with powerful industry and financial leverage to reach new levels of growth.

STÉPHANE ROUSSEL, CEO OF GAMELOFT

Stéphane Roussel, Chief Operating Officer of Vivendi, is the CEO of Gameloft, with the other five members of the Board of Directors being Sébastien Bolloré, President of Omnium Bolloré and Blue Solutions USA;



28 MILLION NEW GAMES DOWNLOADED EACH DAY

Frédéric Crépin, member of Vivendi's Management Board and General Council of Vivendi and Canal+ Group; Francine Mayer, President of Canal+ Régie; and Maxime Saada, Chief Executive Officer of Canal+ Group and Dailymotion.

After serving on Activision Blizzard's Board of Directors for three years and forming

ties with mobile game publishers while head of SFR, Stéphane Roussel now returns to the gaming industry with great enthusiasm.

In early July, Vivendi's management team began meeting with the Gameloft top executives to work on the company's main strategic orientations. ■

New
Management
Board

STUDIO+: AN INNOVATIVE PREMIUM SERIES OFFERING FOR MOBILE DEVICES

Over the next few weeks, Vivendi will launch Studio+, the first global offering of premium series for mobile screens (smartphones and tablets). Studio+ aims to respond to the explosion of consumption of short formats on mobile devices and the rarity of quality scripted content available in this format. The launch will be made in partnership with major telecom players, including the Spanish giant Telefonica, which will be making the offering available to its Latin American customers.

The series, of which there will be 25 at the time of launch (with 60 in development), will be comprised of short, 10-minute episodes. The existing episodes were filmed in six languages and in 18 countries to create shows with different local identities that will win over audiences around the world.

Among the series available at launch will be the drama *Amnesia* with Caroline Proust, the action series *Brutal* with David Belle, *Tank* with Alban Lenoir and Zita Hanrot, *Blanca* with Carlos Bardem, plus *Urban Jungle*, and the thrillers *Madame Hollywood*, with Dre Davis, and *Kill Skills*. All genres will be covered, from action to science fiction and romance. Developed specifically by experts from Canal+ and Watchever, the Studio+ app allows the user to browse easily and intuitively through all the seasons and episodes available, for à la carte use that will be popular with binge-watchers and slow-watchers alike.

Studio+ will benefit from the editorial and technical expertise of Vivendi's subsidiaries, in particular Canal+, Studiocanal, Universal Music Group and Watchever.



UNIVERSAL MUSIC GROUP



PHOTO DR

Lucian Grainge
CEO of UMG

This summer, Vivendi partnered with several festivals in France and abroad. The Group contributed many services (catchment, broadcasting, advertising campaign, etc.) for these events

VIVENDI, PARTNER OF SUMMER FESTIVALS

Always working closely with musicians and singer-songwriters through its subsidiary Universal Music Group, the worldwide leader in music, Vivendi partners with music festivals every year. In 2016, it was involved in events dedicated to all musical styles, including the Le Brive Festival, Les Eurockéennes, Le Hamac Festival, Hellfest, Musilac, Marciac Jazz Festival and Les Vieilles Charrues in France. Through live platforms Ulive and GTS (Global Talent Services), the Group also supported festivals elsewhere in Europe and in the US, such as the Universal Music Festival



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Sundown, Vieilles Charrues, Jazz in Marciac, etc.

in Madrid, the L Festival in Los Angeles and the Sundown Festival in Norwich, UK.

Vivendi always makes talent a central part of its strategy and is proud to participate in these French and international initiatives, which are in line with both its European roots and its plans for global growth.

More than just a partner, Vivendi assists these festivals with its expertise in catchment,

broadcasting, ticket sales, advertising campaigns and more. Artists signed with UMG have also given some of the concerts, and Canal+ Premier Rang (first-row) subscribers have been able to enjoy the key moments of these festivals.

These initiatives illustrate the promotion of cultural diversity on the music scene, one of the Group's major corporate social responsibility goals. ■

CREATION OF CANALOLYMPIA HALLS IN AFRICA

Vivendi has begun opening CanalOlympia concert halls in Africa. On June 14, the Group inaugurated the first CanalOlympia hall in Yaoundé, Cameroon. These platforms serve as venues for movies, performances and concerts. They will soon open in Central and West Africa. In the next few months, openings are planned for Benin, Guinea, Senegal and Togo.



FIRST CANALOLYMPIA HALL IN YAOUNDÉ



© DR

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

The first CanalOlympia concert hall was inaugurated this summer in Cameroon. These venues, which will be equipped with modern equipment, offer movies, performances and concerts. They will be rolled out in Central and West Africa over the next few months.

FIRST HALL IN YAOUNDÉ

The CanalOlympia halls are based on an original architectural design that allows for an indoor capacity of 300 and several thousand outside. They are equipped with modern, digital, eco-friendly projection and sound systems. In Yaoundé for example, electricity for the entire building is provided by 720 sq.m of solar panels.

Modern, eco-friendly digital equipment

The CanalOlympia brand's name refers to two of the Vivendi Group's top brands. These halls will benefit from the wealth of Canal+ content, its well-established presence in Africa and the expertise of the iconic Parisian concert hall L'Olympia.

Thanks to these halls (grouped within Vivendi Village), Vivendi will

help in the creation of new living environments dedicated to entertainment and culture in Africa. A true incubator and launch pad for talent, CanalOlympia aims to reveal African artists by producing their work, allowing them to meet their fans and helping them make a name for themselves all across Africa. ■



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Romain Bilharz
Executive Director
of Universal Africa/
Vivendi Africa

What's your background?

I was constantly exposed to music throughout my entire childhood, which I spent in Africa, as it happens, and I have been a musician myself. I began at UMG as creative director for Feist, Ayo, Juliette Greco, Olivia Ruiz and others. Then I rose in the ranks to become a label director. I managed Island France, which signed C2C, Kavinsky and Stromae. Island is an iconic label founded in 1962 in Jamaica with such artists as Bob Marley, Jimmy Cliff, U2, etc.

How is the music market in Africa different from others?

Africa is a vast place, a multi-faceted continent with incredible cultural diversity and amazing artists and stars. The concert we held in Conakry in September 2015 is a perfect example of this. Nearly 80,000 people came together to listen to 12 African stars, including Wiz Kid. He's only beginning to be known in the West, but is already filling stadiums in Africa. Many opportunities are opening up for us in the less structured African markets. It's important to adapt to the specifics of these markets, which offer a great amount of talent, and to develop new economic models. Africa went straight into the digital age through smartphones, leading us to focus on partnerships with telecom operators.

What are your goals?

We want to go further in the assistance we provide to African talent. For example, the show Island Africa Talents that we broadcast on A+ allowed us to discover the excellent Madagascar-born singer Denise.

We've opened up offices in Abidjan and Lagos, where we're setting up a state-of-the-art recording studio. It's proof of our commitment to operating in Africa and offering Africans the chance to work, create and develop their talent on their own continent and, for some, outside Africa as well.

PROGRAM FOR THE COMING MONTHS

Vivendi organizes numerous events for its Shareholders' Club. To participate, you must hold at least one 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.

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