



Paris, March 27, 2012

Dear Shareholder,

In spite of satisfactory results in 2009, 2010, and particularly in 2011, the trend in Vivendi's share price has been disappointing. We should take a step back and consider why this is so.

Several factors can explain the mediocre performance of the share price: the general movement of the stock markets since the beginning of the 2008 financial crisis; the marked decline in valuations of telecoms operators in general, which was accentuated in France by the fear of Free's entry into the mobile telephone business; and then, last January, the impact of its very aggressive launch; the considerable additional tax charges on our company; and also, finally, factors specific to Vivendi, which should be analyzed.

The new rules imposed on banks and insurance companies since the very serious financial crisis of 2008 have caused those investors to reduce their equity investments to a considerable extent. They have been followed by many funds, anxious about the risks associated with European countries' debts, and sometimes betting on a break-up of the euro. The risk of sustained economic stagnation in certain countries also weighs on investment in our main markets.

However, starting from the current low point, we remain optimistic. A number of these negative factors have now been identified and controlled, or are about to be. The United States is showing concrete signs of recovery, while China continues to grow. This is a positive factor for Europeans, where savings rates remain high and long-term interest rates are low. Stock market valuations are close to their low points and there is a lot of liquidity that will have to be channeled into profitable investment. We will definitely witness a recovery, even if we cannot quite predict when this will happen.

Turning to telecoms, it is said that this business is "mature". This is, to a large extent, a misconception.

There is literally an ongoing explosion in the amount of data traffic circulating on telecommunications networks (with growth of nearly 100% per year), due to the effect of innovations and general usage trends. We are experiencing a revolution in the digital world: the internet, mobility, interactivity, tablets, connected TV, energy control, home automation, means of payment, social networks, instant access to all the information in the world, and modernization of the management of businesses and governments, are the main reasons for this extraordinary rate of growth.

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Telecommunication networks are the nervous systems and drivers of our 21st century civilization. Their apparent economic stagnation is linked to a constant and rapid fall in prices, not to a decline in their use. In France, this price adjustment has been accelerated by Free Mobile's very aggressive entry onto the market. This means that SFR must revise its marketing and commercial strategy, and adapt its structure. A senior management change has recently been announced. This readjustment will probably last two years, resulting in a reduction in profit from this business, before stabilizing and growing again with the dynamics provided by new usage and investment.

A similar situation is underway at Maroc Telecom, due to the intensification of competition in Morocco, which is not yet offset by the very encouraging performances in other African countries where Maroc Telecom Group has invested. We are actively adapting to this new situation, with the objective of stabilizing the situation at Maroc Telecom as of 2013.

In this context, what are the two essential questions being asked regarding Vivendi?

The first question is: what will the impact be of the readjustment of SFR and Maroc Telecom during the next two years on the Group's results and profile?

To answer this question, it is essential to measure the increasing contribution made by our growing businesses. This is certainly the case for GVT (voice telephony, internet access, pay-TV and business services in Brazil) and for Activision Blizzard (thanks to the exceptional performance of its "blockbusters" and the launch of new games in 2012 and 2013). We also expect a growing contribution from Universal Music Group (due to the effect of the acquisition of part of EMI Group and a probable market recovery, already visible in the United States in 2011), and from Canal+ Group: 30% of its revenue is achieved outside mainland France. The latter's revenue is experiencing double-digit growth, and it should be strengthened by the acquisition of a pay-TV platform in Poland; meanwhile the business in France will benefit from the acquisition of the Bolloré Group free television channels, bearing in mind that the main sporting rights in France are secured for the next four years.

Also, despite the likelihood of a reduction in SFR's profits indicated above, Vivendi's profits should remain in the region of €2.5 billion, thanks to its growth engines, before starting to improve again in 2014 and 2015.

The second essential issue which has regularly arisen since 2002 is the strategic question of the Group's scope.

One of the reasons for the weakness in the share price is the "holding company" discount, the difference between the value of Vivendi and the sum of the value of its businesses, which appears to be excessive.

Should the scope of the Group be kept as it is? Should businesses be sold or should the Group be split into two, or even into three?

These questions are not taboo. At various times we have sold a number of Vivendi's businesses in order to strengthen our position in others.

In view of this, it is also necessary to properly measure the performance of Vivendi's current model and to understand its logic.

Since 2002, the ties between Vivendi and its subsidiaries have made it possible to achieve significant improvements in operating profits, and the cash flow of SFR and Maroc Telecom has made it possible to restructure and develop other businesses (by way of organic growth or acquisitions), which, strengthened, have become leaders in their respective fields.

As a result, Vivendi's adjusted net income has regularly increased. In the last few years, it has exceeded €2.5 billion: it was €2.585 billion in 2009, €2.698 billion in 2010, and €2.952 billion in 2011.

The reinforced and growing subsidiaries are now enabling us to soften the readjustment of SFR and Maroc Telecom. With this pooled organization we are maintaining a high level of profitability, which allows us to keep an appreciable dividend yield in cash: about 7% on the basis of the current price.

Vivendi is sometimes accused of being a portfolio of businesses without any connection between them. This is also a misconception.

You no doubt have a computer, a smartphone or perhaps a tablet. You can find films, television series, music, games on them: a wealth of information. This content, the platforms that deliver it, the network infrastructures that broadcast it, are all Vivendi's areas of expertise, all different and all interconnected, innovations in one benefiting the others.

Nevertheless, we regularly ask ourselves the question about the Group's scope: recently, we made significant changes, withdrawing from the American media in which we had a minority stake, and making an immediately successful investment in Brazil, while preparing the ground for growth in Poland, Vietnam, Africa and China.

Vivendi's Supervisory Board is fully aware of these strategic issues, and subjects them regularly to an in-depth analysis. In particular, it meets every year with the Management Board and the key management executives at a three-day strategic seminar.

In conclusion, we want to outline with you the reasons for our optimism that Vivendi's shares will increase in value from their current low point.

- 1- In spite of the readjustments underway at SFR and Maroc Telecom, and thanks to the growth of our four other businesses, the Group's profits will remain substantial, at around €2.5 billion. On this sound basis we are committed to a cash dividend that remains very attractive, the yield being about 7% of the current share price.
- 2- In 2014 and 2015, Vivendi should return to growth, relying in particular on the performance of its Brazilian "jewel" GVT, which is being boosted by the investment that we are making there, and will become a major contributor to the Group's profits.
- 3- It seems to us likely that equity markets will rebound now that financial and monetary turbulence appears to be under control.

Rest assured that the Group's employees, many of whom are shareholders, are totally committed to re-creating shareholder value and renewed growth.

Yours sincerely,



Jean-René Fourtou

Chairman of the Supervisory Board



Jean-Bernard Lévy

CEO and Chairman of the Management Board

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