

# LETTER

MAY 2014

# TO OUR SHAREHOLDERS

vivendi



JEAN-RENÉ FOURTOU  
CHAIRMAN OF THE  
SUPERVISORY BOARD

JEAN-FRANÇOIS DUBOS  
CHAIRMAN OF THE  
MANAGEMENT BOARD

In an exclusive interview, Jean-René Fourtou, Chairman of Vivendi's Supervisory Board, and Jean-François Dubos, Chairman of the Management Board, go back over Vivendi's strategy focusing on media and content and on the various operations that have been carried out in the last two years to achieve that objective. On April 5, Vivendi's Supervisory Board selected the offer from Altice/Numericable for the takeover of SFR. Jean-René Fourtou and Jean-François Dubos explain the reasons for that choice and the return expected for the shareholders.

## "GROWTH IS OUR AMBITION"

**With the sale of SFR, is the strategic review initiated by Vivendi in 2012 coming to a conclusion?**

In March 2012, in a letter to the shareholders, Jean-René Fourtou announced that the Vivendi Supervisory Board was carrying out a strategic review of all the Group's assets and that no part of the Group was regarded as taboo. The Group's market capitalization did not reflect the value of the assets at that time. The shares were trading about €13-14. This strategic review led to refocusing Vivendi on its media and content assets while maximizing the value of its telecoms assets.

In October 2012, in a further letter to shareholders, Jean-François Dubos updated them on this strategic review, explaining that *"this analysis is taking time"* and that *"no operation will be decided upon in haste"*.

In an interview with the French newspaper Les Echos in December 2012, and in a letter in March 2013, Jean-François Dubos said that *"the future of the Group lies in media and content, while we remain determined to maximize the value of our telecoms assets, in particular SFR"*.

At the Shareholders' Meeting in April 2013, Jean-René Fourtou talked about the future of SFR, saying that *"the*

*Board wished to put the most appropriate SFR strategy in place, for which we may sell shares on the stock market at a later date. (...) However, no decision has been taken. (...) The priority is to strengthen the company in the new competitive environment."*

In a letter to shareholders in September 2013, we announced that *"we had completed major stages of the strategic review and that we were putting the most appropriate SFR strategy in place, for which we might sell shares on the stock market at a later date, the priority remaining to strengthen the company, which was facing a new competitive environment."*

With the sale of SFR to Altice/Numericable, we can say that the work that started two years ago is now complete.

**What precisely were the major stages of this strategic review?**

In 2013, we sold more than 85% of our interest in the video games publisher Activision Blizzard, whose growth depended on a few major flagship games and was subject to many risks associated with new consoles and with regulations concerning games in some large countries. We also entered into an agreement with Etisalat to sell our

stake in Maroc Telecom; that transaction is now being finalized.

**At the same time, you entered into a number of transactions to strengthen your position in media and content...**

Yes, back in 2012, we acquired EMI, the world's fourth largest music company, as well as the free-to-air television channels D8 and D17. We also signed a partnership in Poland concerning pay-TV and free-to-air TV. More recently, we bought 20% of Canal+ France we did not yet own.

At the same time, we are investing in new businesses to ensure Vivendi's future growth: the subscription video-on-demand service CanalPlay, merchandising, and partnerships between music and brands. We have interest in the Hoyts film studios in Australia and New Zealand, the British producer Red, the American companies Beats, Vevo and Makers Studio, the Swedish company Spotify, and the French company Deezer. These stakes already amount to more than one billion dollars.

**You have just announced the sale of SFR. Why did you favor this solution rather than a stock market sale?**

As we announced as early as April 2013, at the outset we envisaged selling SFR on the stock market, which encouraged some operators to consider the matter. We received an offer from Altice/Numericable and then one from Bouygues; both candidates then raised their cash offers and improved their terms on a number of occasions.

The valuations proposed by Altice/Numericable and Bouygues were much higher than the value that might have resulted from a stock market flotation of SFR: our banks had estimated that

*"The valuations proposed by Altice/Numericable and Bouygues were much higher than the value that might have resulted from a stock market flotation of SFR"*



value at around €11 or €12 billion, because of the uncertainties of the mobile telephone market in France, and in particular the price war.

**What were the reasons for that decision?**

Insofar as the offers presented were very close to each other, the Supervisory Board decided to take into account some very important criteria other than price: the quality of the industrial plan, the risks in terms of competition and the execution of the transaction and the continuity of employment.

The SFR and Numericable businesses complement each other. The new group will develop convergence between fixed telephones and mobiles, relying on the increasing power and speed of very high speed broadband,

which enables new services to be generated, becoming a major player in the professional markets. The combined SFR/Numericable, which will be called SFR, will have a first-class interconnected infrastructure in Europe that will enable it to offer customers convergence between fixed and mobile telephones, with both the best fixed broadband (up to 200Mbps) and a high quality mobile offer.

This is now the winning strategy in telecoms and it is being adopted everywhere in Europe. It is also in line with the French government's vision and its "France Très Haut Débit" (Very High Speed France) plan. We believe in the industrial relevance of this project and this is also why Vivendi will, for the time being, retain 20% of the capital of the new group, whose value should increase.

**Why did you not choose the Bouygues offer?**

A merger with Bouygues Telecom would have created a company with a market share of 47% in terms of value in mobiles, which seems very difficult to sustain from a competition point of view, as well as a market downsizing from four to three operators. We have already learnt to our cost, with the acquisition of EMI, the risks that can be attached to the remedies imposed and the uncertainties that can be generated for several months. The regulator for the Bouygues offer could have demanded very onerous remedies in order to rebalance the market. There were substantial synergies associated with the project, but there was also much duplication in terms of the workforce. Job cuts of between 4,000 and 6,000 would have had to have been made within the group, not to mention the difficulties relating to subcontractors. The situation would have been difficult to manage even though Bouygues had committed not to make anyone redundant for three years.

**What procedure was followed in order to decide on this sale?**

The Supervisory Board considered the result of the negotiations with Altice/Numericable in the context of

*"The regulator for the Bouygues offer could have demanded very heavy remedies in order to rebalance the market"*

the reciprocal exclude agreement of March 14, 2014. It also carried out a careful examination of the offers, and of the letters and documents that had been sent to it by the Bouygues Group during that exclusivity period, including until April 5.

After several meetings and at the end of very detailed discussions, Vivendi's Supervisory Board finally decided unanimously to choose the Altice/Numericable offer, not to retain the Bouygues offer, and to terminate the work on the flotation of SFR.

#### **The Board had formed a special committee...**

The Supervisory Board had indeed set up a special committee under its control, made up of four members, who met formally eight times including several times in private, in order to study the various offers and the documents presented by Bouygues and Altice/Numericable. It worked in close collaboration with four advising banks and four law firms. It also obtained advice from three competition law experts: they were unanimous in saying that the Altice/Numericable offer carried less risk than the Bouygues offer. The Supervisory Board considered the report of that special committee before taking its decision.

The procedure whereby Vivendi chose the Altice/Numericable offer, despite pressures of all kinds and various unjust and unpleasant insinuations to which the people involved were subject, was carried out entirely transparently, in a collegiate manner. The only consistent concern was the interests of the company, its employees and its shareholders.

*« A new Group is being born, with growth ambitions »*

#### **When does Vivendi expect to receive the €13.5 billion from the sale of SFR?**

The transaction must first be finalized: the Works Councils must be consulted and the competent administrative authorities must approve the transaction. We hope to complete it at the end of 2014. We will then receive €13.5 billion in cash and at a later date, an additional payment of €750 million dependent on results of SFR-Numericable, as well as 20% interest in the new entity. The whole transaction should represent a total value in excess of €17 billion.

Once the SFR and Maroc Telecom transactions have been completed, Vivendi will have cash of around €5 billion, with a substantial minority interest that we would eventually sell. The 20% in SFR/Numericable should be worth about €4 billion and the 12% in Activision Blizzard more than €1 billion after taxes at the actual price.

#### **And what are the plans for the shareholders?**

On April 24, the Supervisory Board met and a distribution of €1 per share was decided in respect of 2013 (representing a total distribution of €1.34 billion) from the share premium account, with €0.50 attributed to the 2013 perform-

ance and €0.50 as a return to shareholders. Its payment would take place on June 30.

In addition, the Board expects to utilize, after the sale of SFR, a significant part of the available cash for a total amount of €3.5 billion in the form of exceptional dividends or share buy-backs.

In total, the amount returned to shareholders in 2014 and in 2015 would be close to €5 billion.

#### **You are being asked to discuss the sale of SFR at the Shareholders' Meeting on June 24.**

As we mentioned earlier, the shareholders were informed two years ago of the plan to withdraw from telecoms. The growth in Vivendi's share price has fully validated this strategy. Naturally, plenty of time will be set aside at the Shareholders' Meeting for the presentation of this operation, as well as to the other actions taken in the last year, as agreed in the French Commercial Code and the best practice contained in the AFEP/MEDEF Code.

#### **What will Vivendi's next steps be?**

After the Shareholders' Meeting on June 24, we will resign from office.

A new group is actually being born, with clear growth ambitions: a Vivendi, totally clear of debt, with powerful resources and with a renewed management team, including Arnaud de Puyfontaine as Chairman of the Management Board.

As previously announced, at the end of the Shareholders' Meeting, the Board should appoint Vincent Bolloré as Chairman of the Supervisory Board. Vincent Bolloré has been a member of the Board for more than a year and has been Vice-Chairman since September 2013. We have worked very closely together. He now knows the Group perfectly and will be fully capable of developing it further in its new configuration. ■

*« In total, the amount returned to shareholders in 2014 and in 2015 would be close to €5 billion. »*

# TWO NEW MEMBERS FOR VIVENDI MANAGEMENT BOARD

**In January, Arnaud de Puyfontaine was appointed as Senior Executive Vice President of Vivendi's media and content activities, and Hervé Philippe was appointed as Chief Financial Officer. As the future Chairman of the Management Board, Arnaud de Puyfontaine will enable the Group to establish its media, content and digital expertise internationally.**



ARNAUD DE PUYFONTAINE, CHIEF EXECUTIVE OFFICER OF THE MEDIA AND CONTENT BUSINESSES

**A**rnaud de Puyfontaine joined the Group at the very start of the year. His extensive international experience in media and content as well as in digital are major advantages for the new look Vivendi. He should be appointed as Chairman of the Management Board after the Shareholders' Meeting on June 24.

He is a graduate of the "Ecole Supérieure de Commerce de Paris" (ESCP), of the Multimedia Institute and of Harvard Business School AMP.

In 1990, he joined the newspaper Le Figaro where for five years he held various functions as an Executive Director.

In 1999, he was appointed Chairman and Chief Executive Officer of Emap France of which he was a member of the founding team in 1995. He joined the Executive Board of Emap Plc in 2000. He was in charge of several mergers and acquisitions and at the same time, was

Chairman of EMW, Emap/Wanadoo's digital subsidiary, from 2000 to 2005.

In 2006, he managed the sale of Emap France to the Italian company Mondadori and in August of the same year, was appointed Chairman and Chief Executive Officer of Editions Mondadori France. In June 2007, he became Chairman of that company.

He joined the American group Hearst as Chief Executive Officer

of Hearst UK in 2009, before becoming Executive Vice-President of Hearst Magazines International in 2011 and Managing Director of Western Europe in 2013.

Arnaud de Puyfontaine is a "Chevalier de l'Ordre National du Mérite" and of the "Ordre des Arts et Lettres".

## HERVÉ PHILIPPE, NEW CHIEF FINANCIAL OFFICER

In January, Hervé Philippe was appointed Chief Financial Officer. He is a graduate of the "Institut d'Etudes Politiques" (IEP) in Paris and has a degree in economics.

In 1982, he began his career at Crédit National. He then joined the Stock Exchange Commission in 1989 as the manager of the Sector including French companies registered on the Official List. From 1992 to 1998, he was head of the Financial Transactions and Information Department.

In 1998, he joined the Sagem Group where among other things he was Director of Legal and Administrative Affairs of Sagem SA (1998-2000), before becoming Administrative and Financial Director of Sfim (1999-2000). In 2001, he took up the post of Chief Financial Officer and in 2003 he became a member of Sagem SA's Management Board. In November 2005, Hervé Philippe was appointed as Chief Financial Officer of the Havas Group, before becoming its Deputy Managing Director in May 2010.

Hervé Philippe is a "Chevalier de l'Ordre National du Mérite". ■

## THREE QUESTIONS FOR HERVÉ PHILIPPE

### What can you tell us about the results for 2013?

Vivendi's results were in line with expectations in spite of a difficult economic and competitive environment. The Group strengthened its positions in music and television both in France and internationally, and completed major strategic moves in selling and acquiring assets. Following these various operations, it is difficult to compare the results from one year to another. Last year, Vivendi's adjusted net income was €1.54 billion, a reduction of 9.7% mainly as a result of the fall in EBITA SFR caused by a particularly competitive environment. However, the revenues of the media and content businesses, the Group's new core businesses, were up by 10.1% at constant exchange rates in comparison with 2012, validating the refocusing strategy.

### How does the year 2014 look?

Due to the transactions completed in 2012, 2013 and this year, the 2014 financial year will be a year of transition, and will signify a new departure for Vivendi.

The stability of our balance sheet has definitely improved and the credit rating agency Moody's and Standard & Poor's has now raised its outlook for Vivendi to "stable" from "negative". On May 15, we are going to publish the results of the first quarter of 2014 and in the next few months, we will present the new Vivendi strategy.

### How did your first few months at Vivendi go?

Let's say I hit the ground running! I immediately started work on the sale of SFR and on the various options presented to Vivendi. Incidentally, I must pay tribute to the professionalism, availability and enthusiasm of the Finance Department and also of the Mergers and Acquisitions, Legal, Tax, Human Resources and Communications Departments. They all worked very hard on this transaction.

A new Vivendi, refocused on media and content, will emerge as announced. My mission will now be to direct the growth and development of the new group with my colleagues, while keeping the finances in balance. ■



HERVÉ PHILIPPE  
CHIEF FINANCIAL OFFICER

## SPORT AT THE HEART OF CANAL+ PROGRAMMING

In the first quarter of 2014, CANAL+ Group won the right to broadcast some major rugby competitions as well as French and European football. Along with film and premium content, sport is one of the pillars of the Group's broadcasting strategy.

Once again, CANAL+ Group has confirmed its intention to make sport one of the spearheads of its programming.

On January 14 of this year, the National Rugby League chose CANAL+ as the exclusive broadcaster of the TOP 14 for the next five seasons (2014/2015 to 2018/2019). These rights cover all the matches in the competition. CANAL+ Group will offer its subscribers at least three time-delayed matches on each day of the championship, on CANAL+ and CANAL+ Sport. Live matches will be broadcast on RUGBY+. Subscribers will also be able to access all the iconic programs dedicated to the TOP 14. Weekend events will be programmed and a free-to-air program is planned for Sunday evenings.

Furthermore, CANAL+ will continue to market the rights to the TOP 14 internationally, with the ambition of taking the TOP 14 to a new level abroad.

### BROADCASTING OF PREMIUM SOCCER MATCHES

After rugby, CANAL+ scored another goal in April with soccer, winning the rights to broadcast Ligue 1 and the Champions League, both major competitions. Until 2016, and in the context of its current agreement, CANAL+ Group will continue to broadcast, live, the two best matches on each day in Ligue 1, and then, in the following four seasons, until 2020, the three first choices on each day in the Championship, namely the 114 most important matches of the season. In addition,



SPORT REMAINS CENTER-STAGE IN THE PROGRAMMING OF CANAL+

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tion, CANAL+ Group has obtained the Monday evening Ligue 2 match for the seasons 2016/2017 to 2019/2020. In the Champions League, CANAL+ will broadcast one first-choice match live on each day of the competition in the 2015/2016 to 2017/2018 seasons, and will continue to follow the Champions League thanks to its CANAL CHAMPIONS CLUB broadcast. After each day, subscribers will be able to view the highlights and

best goals of the UEFA Champions League on a special page of the CANAL FOOTBALL CLUB, a Sunday evening free-to-air broadcast. CANAL will also relay the broadcast of the UEFA Champions League program. Having won a major Champions League match and the two premium lots of Ligue 1, namely a total of three out of four premium lots, Groupe CANAL+ is in a position to offer its sub-

scribers the best soccer offering ever put together by a broadcaster in France, not to mention the fact that in addition to those national championships and the prestigious European Cup, the channel has the English Premier League, the Italian Serie A and the German Bundesliga.

In addition, CANAL+ Afrique has obtained the television rights to the soccer World Cup 2014 in Brazil. It will broadcast the whole of the World Cup live and its CANAL+ Foot channel will be entirely dedicated to the Cup during the tournament.

With these new seasons of rugby and soccer broadcasts, CANAL+ has consolidated its already strong positions in sport, which also include the Formula 1 World Championship and the major golf tournaments. ■

To keep up to date with recent developments at Vivendi, visit the website [www.vivendi.com](http://www.vivendi.com) and click on "Individual Shareholders"

# QUESTIONS BY SHAREHOLDERS

## The french tax treatment of negotiable securities outside a PEA (Plan d'Épargne en Actions) has changed. What are the new measures?

In France, outside a PEA, capital gains realized on disposal from January 1 2013 onwards are subject to a sliding scale of income tax and are also subject to social security contributions of 15.5%. A new exemption system depending on the period of ownership has been introduced with regard to the sliding scale of tax, but this excludes social security contributions. The reduction is 50% for between 2 and 8 years of ownership, and 65% after at least 8 years.

The period of ownership is determined from the date of acquisition (or subscription) of the securities until their sale. In the case of sale of securities acquired at various times and at various prices, the FIFO rule applies as regards the dates, and the weighted average acquisition price of the securities applies as regards the acquisition price.

Losses can be carried forward for 10 years and applied to capital gains of the same nature, and will also be subject to the tax reduction according to the period of ownership.

Furthermore, outside a PEA, dividends remain subject to the sliding scale of income tax after the application of a reduction of 40%, which is not subject to an upper limit. A payment on account of 21% is always deducted at source in respect of income tax.

Taxpayers whose reference taxable income in the penultimate year is less than €50,000 in the case of a single person and €75,000 in the case of a couple, can ask their financial intermediary for exemption from the payment on account for the following year, by sending an affidavit no later than November 30.

Dividends are also subject to social security contributions of 15.5%.

You only need one share to join the **Vivendi Shareholders' Club**. Download your application form from the Internet and return it to us or request it by calling: **0805 050 050** (numero vert) toll-free from a French landline or on **+33(0)1 71 71 34 99** if you are abroad

# SHAREHOLDERS' DIARY

## 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](http://www.vivendi.com) (click on the "Individual shareholders" tab and then on "Shareholders' Club").

## CONTACT US

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