FINANCIAL REPORT FOR THE YEAR 2019

Financial Report and Audited Consolidated Financial Statements for the year ended December 31, 2019

February 13, 2020

vivendi

VIVENDI

European Company with a Management Board and a Supervisory Board with a share capital of €6,515,169,122.00

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Key consolidated financial data for the last five years

Preliminary comments:

As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – Leases. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. Moreover, Vivendi applied this change of accounting standard to the Statement of Financial Position, Statement of Earnings and Statement of Cash Flows in 2019; therefore, the data relative to prior years is not comparable. For a detailed description, please refer to Notes 1.1, 1.3.5.7 and 11 to the Consolidated Financial Statements for the year ended December 31, 2019.

As a reminder, in 2018, Vivendi applied two new accounting standards:

- *IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, as from 2017, Vivendi applied this change of accounting standard to revenues. The data presented below with respect to fiscal years 2015 to 2016 are historical and therefore unrestated; and*
- *IFRS 9 – Financial Instruments: in accordance with IFRS 9, as from 2018, Vivendi applied this change of accounting standard to the Statement of Earnings and Statement of Comprehensive Income restating its opening balance sheet as of January 1, 2018; therefore, the data relative to prior years in this report is not comparable.*

In addition, Vivendi deconsolidated GVT as from May 28, 2015, the date of its effective sale by Vivendi. In compliance with IFRS 5, this business was reported as a discontinued operation for 2015 as set out in the table of selected key consolidated financial data below in respect of data reflected in the Statement of Earnings and Statement of Cash Flows.

	Year ended December 31,				
	2019	2018	2017	2016	2015
Consolidated data					
Revenues	15,898	13,932	12,518	10,819	10,762
Income from operations (a)	1,719	1,439	1,098	853	1,061
Adjusted earnings before interest and income taxes (EBITA) (a)	1,526	1,288	969	724	942
Earnings before interest and income taxes (EBIT)	1,381	1,182	1,018	887	521
Earnings attributable to Vivendi SA shareowners	1,583	127	1,216	1,256	1,932
of which earnings from continuing operations attributable to Vivendi SA shareowners	1,583	127	1,216	1,236	699
Adjusted net income (a)	1,741	1,157	1,300	755	697
Net Cash Position/(Financial Net Debt) (a)	(4,064)	176	(2,340)	1,231	7,172
Total equity	15,575	17,534	17,866	19,612	21,086
of which Vivendi SA shareowners' equity	15,353	17,313	17,644	19,383	20,854
Cash flow from operations (CFFO) (a)	903	1,126	989	729	892
Cash flow from operations after interest and income tax paid (CFAIT) (a)	567	822	1,346	341	(69)
Financial investments	(2,284)	(694)	(3,685)	(4,084)	(3,927)
Financial divestments	1,068	2,303	976	1,971	9,013
Dividends paid by Vivendi SA to its shareholders	636	568	499	2,588 (b)	2,727 (b)
Purchases/(sales) of Vivendi SA's treasury shares	2,673	-	203	1,623	492
Per share data					
Weighted average number of shares outstanding	1,233.5	1,263.5	1,252.7	1,272.6	1,361.5
Earnings attributable to Vivendi SA shareowners per share	1.28	0.10	0.97	0.99	1.42
Adjusted net income per share	1.41	0.92	1.04	0.59	0.51
Number of shares outstanding at the end of the period (excluding treasury shares)	1,170.6	1,268.0	1,256.7	1,259.5	1,342.3
Equity per share, attributable to Vivendi SA shareowners	13.12	13.65	14.04	15.39	15.54
Dividends per share paid	**0.50**	**0.45**	**0.40**	**2.00** (b)	**2.00** (b)

In millions of euros, number of shares in millions, data per share in euros.

a. The non-GAAP measures of Income from operations, EBITA, Adjusted net income, Net Cash Position (or Financial Net Debt), Cash flow from operations (CFFO) and Cash flow from operations after interest and income tax paid (CFAIT) should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance as presented in the Consolidated Financial Statements and the related Notes, or as described in this Financial Report. Vivendi considers these to be relevant indicators of the group's operating and financial performance. Each of these indicators is defined in the appropriate section of this Financial Report. In addition, it should be noted that other companies may have definitions and calculations for these indicators that differ from those used by Vivendi, thereby affecting comparability.

b. With respect to fiscal year 2015, Vivendi paid an ordinary dividend of €3 per share, i.e., an aggregate dividend payment of €3,951 million. This amount included €1,363 million paid in 2015 (first interim dividend of €1 per share) and €2,588 million paid in 2016 (€1,318 million for the second interim dividend of €1 per share and €1,270 million representing the balance of €1 per share). In addition, in 2015, Vivendi paid a dividend with respect to fiscal year 2014 of €1 per share, i.e., €1,364 million.

Nota:

In accordance with European Commission Regulation (EC) 809/2004 (Article 28), which sets out the disclosure obligations for issuers of securities listed on a regulated market within the European Union (implementing Directive 2003/71/EC, the "Prospectus Regulation"), the following items are incorporated by reference into this report:

- the 2018 Financial Report, the Consolidated Financial Statements for the year ended December 31, 2018, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements, presented on pages 196 to 318 of the *Document de Référence* No. D.19-0132, which was filed on March 11, 2019 with the French *Autorité des Marchés Financiers* (AMF) and on pages 196 to 318 of the English translation of the *Document de Référence* No. D.19-0132; and
- the 2017 Financial Report, the Consolidated Financial Statements for the year ended December 31, 2017, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements, presented on pages 188 to 317 of the *Document de Référence* No. D.18-0126, which was filed on March 13, 2018 with the French *Autorité des Marchés Financiers* (AMF) and on pages 188 to 317 of the English translation of the *Document de Référence* No. D.18-0126.

I- 2019 Financial Report

Preliminary comments:

On February 10, 2020, the Management Board approved the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2019. Upon the recommendation of the Audit Committee, which met on February 11, 2020, the Supervisory Board, at its meeting held on February 13, 2020, reviewed the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2019, as previously approved by the Management Board on February 10, 2020.

The Consolidated Financial Statements for the year ended December 31, 2019 were audited and certified by the statutory auditors without qualified opinion. The statutory auditors' report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

1 Earnings analysis: group and business segments

Preliminary comments:

Change of accounting standards

As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – Leases. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. Moreover, Vivendi applied this change of accounting standard to the Statement of Financial Position, Statement of Earnings and Statement of Cash Flows in 2019; therefore, the data relative to 2018 is not comparable. For a detailed description, please refer to Notes 1.1, 1.3.5.7 and 11 to the Consolidated Financial Statements for the year ended December 31, 2019.

Non-GAAP measures

"Income from operations", "EBITA" and "adjusted net income", all non-GAAP measures, should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance as presented in the Consolidated Financial Statements and the related Notes, or as described in this Financial Report. Vivendi considers these to be relevant indicators for the group's operating and financial performance.

Vivendi Management uses income from operations, EBITA and adjusted net income for reporting, management and planning purposes because they exclude most non-recurring and non-operating items from the measurement of the business segments' performances. Under Vivendi's definition:

- *the difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, the impairment of goodwill and other intangibles acquired through business combinations, as well as other income and charges related to transactions with shareowners;*
- *income from operations is calculated as EBITA, as presented in the Adjusted Statement of Earnings, before share-based compensation costs and special items, due to their unusual nature and particular significance; and*
- *adjusted net income includes the following items: EBITA; income from equity affiliates – non-operational; interest (corresponding to interest expense on borrowings net of interest income earned on cash and cash equivalents); income from investments (including dividends and interest received from unconsolidated companies); and taxes and non-controlling interests related to these items. It does not include the following items: amortization of intangible assets acquired through business combinations and related to equity affiliates; impairment losses on goodwill and other intangible assets acquired through business combinations; other charges and income related to transactions with shareowners; other financial charges and income; earnings from discontinued operations; provisions for income taxes and adjustments attributable to non-controlling interests; non-recurring tax items (in particular, changes in deferred tax assets pursuant to Vivendi SA's Tax Group and the Consolidated Global Profit Tax Systems).*

In addition, it should be noted that other companies may have definitions and calculations for these non-GAAP measures that differ from those used by Vivendi, thereby affecting comparability.

1.1 Consolidated Statement of Earnings

	Year ended December 31,		% Change
	2019	2018	
REVENUES	**15,898**	**13,932**	**+ 14.1%**
Cost of revenues	(8,845)	(7,618)	
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(5,334)	(4,875)	
Income from operations*	**1,719**	**1,439**	**+ 19.5%**
Restructuring charges	(161)	(115)	
Other operating charges and income	(32)	(36)	
Adjusted earnings before interest and income taxes (EBITA)*	**1,526**	**1,288**	**+ 18.5%**
Amortization and depreciation of intangible assets acquired through business combinations	(145)	(113)	
Other charges and income	-	7	
EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT)	**1,381**	**1,182**	**+ 16.9%**
Income from equity affiliates - non-operational	67	122	
Interest	(46)	(47)	
Income from investments	10	20	
Other financial charges and income	65	(763)	
	29	***(790)***	
Earnings before provision for income taxes	**1,477**	**514**	**x 2,9**
Provision for income taxes	140	(357)	
Earnings from continuing operations	**1,617**	**157**	**x 10,3**
Earnings from discontinued operations	-	-	
Earnings	**1,617**	**157**	**x 10,3**
Non-controlling interests	(34)	(30)	
EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS	**1,583**	**127**	**x 12,5**
Earnings attributable to Vivendi SA shareowners per share - basic (in euros)	1.28	0.10	
Earnings attributable to Vivendi SA shareowners per share - diluted (in euros)	1.28	0.10	
Adjusted net income*	**1,741**	**1,157**	**+ 50.5%**
Adjusted net income per share - basic (in euros)*	1.41	0.92	
Adjusted net income per share - diluted (in euros)*	1.41	0.91	

In millions of euros, except per share amounts.

* non-GAAP measures.

1.2 Analysis of the Consolidated Statement of Earnings

1.2.1 Revenues

In 2019, revenues were €15,898 million, compared to €13,932 million in 2018, an increase of €1,966 million (+14.1%), mainly resulting from the growth of Universal Music Group (UMG) (+€1,136 million), Canal+ Group (+€102 million, including €122 million relating to M7[1]) as well as the consolidation of Editis as from February 1, 2019 (+€687 million). At constant currency and perimeter[1], revenues increased by 5.6% compared to 2018, primarily driven by the growth of Universal Music Group (+14.0%).

For the second half of 2019, revenues were €8,545 million, compared to €7,456 million for the second half of 2018, an increase of €1,089 million (+14.6%), mainly resulting from the growth of Universal Music Group (+€506 million), Canal+ Group (+€159 million, including €122 million relating to M7[1]) as well as the consolidation of Editis (+€427 million). At constant currency and perimeter[1], revenues increased by 4.6% compared to the second half of 2018, primarily driven by the growth of Universal Music Group (+10.5%).

For the fourth quarter of 2019, revenues were €4,575 million, compared to €4,055 million for the fourth quarter of 2018, an increase of €520 million (+12.8%), mainly resulting from the growth of Universal Music Group (+€201 million), Canal+ Group (+€121 million, including

[1] Constant perimeter notably reflects the impacts of the acquisition of M7 by Canal+ Group (September 12, 2019), the acquisition of the remaining interest in Ingrooves Music Group, which has been consolidated by Universal Music Group (March 15, 2019), the acquisition of Editis (January 31, 2019), the acquisition of Paylogic by Vivendi Village (April 16, 2018) and the sale of MyBestPro by Vivendi Village (December 21, 2018).

€101 million relating to M7[1]) as well as the consolidation of Editis (+€217 million). At constant currency and perimeter[1], revenues increased by 2.4% compared to the fourth quarter of 2018, primarily driven by the growth of Universal Music Group (+6.3%).

For a detailed analysis of revenues by business segment, please refer to Section 1.3 below and to Note 3.1 to the Consolidated Financial Statements for the year ended December 31, 2019.

1.2.2 Operating results

Cost of revenues was €8,845 million, compared to €7,618 million in 2018, an increase of €1,227 million.

Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations were €5,334 million, compared to €4,875 million in 2018, an increase of €459 million.

Depreciation and amortization of tangible and intangible assets are included either in the cost of revenues or in selling, general and administrative expenses. Depreciation and amortization of tangible and intangible assets, excluding amortization of intangible assets acquired through business combinations, amounted to €599 million including amortization of rights-of-use relating to leases for €220 million, in accordance with the application of the new accounting standard IFRS 16 – *Leases* as from January 1, 2019. Excluding the impact of IFRS 16 in 2019, depreciation and amortization of tangible and intangible assets, excluding those acquired through business combinations, amounted to €379 million (compared to €340 million in 2018), and notably related to Canal+ Group's set-top boxes, as well as Studiocanal's catalogs, films and television programs.

Income from operations was €1,719 million, compared to €1,439 million in 2018, an increase of €280 million (+19.5%). At constant currency and perimeter, income from operations increased by €180 million (+11.7%), primarily driven by the growth of Universal Music Group (+€203 million).

EBITA was €1,526 million, compared to €1,288 million in 2018, an increase of €238 million (+18.5%). At constant currency and perimeter, EBITA increased by €149 million (+10.8%), primarily driven by the growth of Universal Music Group (+€205 million), partially offset by the decline of Canal+ Group (-€82 million), primarily due to restructuring charges (please see below). In this respect, EBITA included:

- **restructuring charges** of €161 million, compared to €115 million in 2018, primarily incurred by Canal+ Group (€92 million notably relating to the launch during the second half of 2019 of a plan aimed to transform its French activities, compared to €28 million in 2018), Havas Group (€35 million, compared to €30 million in 2018), Universal Music Group (€24 million, compared to €29 million in 2018) and Corporate (€2 million, compared to €19 million in 2018);
- **other operating charges and income** excluded from income from operations, which was a net charge of €32 million, compared to a net charge of €36 million in 2018. They notably included the charge related to share-based compensation plans for -€32 million, compared to -€22 million in 2018; and
- the €34 million favorable impact on EBITA resulting from the application, as from January 1, 2019, of **the new accounting standard IFRS 16 – *Leases***, mainly at Universal Music Group (+€19 million) and Havas Group (+€15 million). For information, on a comparable basis with 2018, EBITA would have increased by 8.4% at constant currency and perimeter excluding the favorable impact of the initial application of the new accounting standard IFRS 16, compared to an increase of +10.8% including the favorable impact of the initial application of the new accounting standard IFRS 16.

For a detailed analysis of income from operations and EBITA by business segment, please refer to Section 1.3 below.

EBIT was €1,381 million, compared to €1,182 million in 2018, an increase of €199 million (+16.9%). It includes amortization and depreciation of intangible assets acquired through business combinations for €145 million, compared to €113 million in 2018. This increase was notably attributable to Canal+ Group, primarily due to the preliminary allocation of M7's purchase price (please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2019) and to the write-off of the "n" brand name in Poland (-€19 million), the channel now being broadcasted solely under the Canal+ brand name.

1.2.3 Income from equity affiliates - non-operational

Income from equity affiliates - non-operational was a profit of €67 million, compared to a profit of €122 million in 2018. This amount related to Vivendi's share of Telecom Italia's net earnings, calculated based on the financial information publicly disclosed by Telecom Italia (corresponding to the fourth quarter of the previous year and the first nine months of 2019 due to a three-month reporting lag). Please refer to Note 12.2 to the Consolidated Financial Statements for the year ended December 31, 2019.

1.2.4 Financial results

In 2019, **interest** was an expense of €46 million, compared to €47 million in 2018. Of this amount:

- interest expense on borrowings was €69 million, compared to €64 million in 2018. This change mainly reflected the increase in the average outstanding borrowings to €5.9 billion (compared to €4.6 billion in 2018), partially offset by the decrease in the average interest rate on borrowings to 1.17% (compared to 1.39% in 2018); and
- interest income earned on the investment of cash surpluses was €23 million, compared to €17 million in 2018. This change mainly reflected the increase in the average interest rate on cash investments to 0.64% (compared to 0.50% in 2018) and, to a lesser extent, to the increase in the average outstanding cash investments to €3.6 billion (compared to €3.4 billion in 2018).

Income from investments was €10 million, compared to €20 million in 2018. In 2018, it included dividends received from Telefonica (interest sold by Vivendi at the end of 2018) for €11 million.

Other financial charges and income were a net income of €65 million, compared to a net charge of €763 million in 2018, a favorable change of €828 million.

In 2019, this amount included the revaluation of the interests in Spotify and Tencent Music for a net amount of €139 million, compared to a net amount of €312 million for the same period in 2018. In addition, in 2018, it included the write-down of the value of the Telecom Italia shares accounted for under the equity method (-€1,066 million), as well as a portion of the capital gain realized on the sale of the interest in Ubisoft (€53 million), recorded to profit or loss in accordance with the new accounting standard IFRS 9.

As a reminder, Vivendi realized a capital gain of €1,213 million on the sale of the interest in Ubisoft. Of this amount, only the portion corresponding to the revaluation of such interest in 2018 (€53 million) was recorded in the Statement of Earnings for the year ended December 31, 2018, in accordance with IFRS 9, which became applicable on January 1, 2018. The remaining portion of the capital gain (€1,160 million), corresponding to the revaluation of such interest up until December 31, 2017, was recorded in "charges and income directly recognized in equity" as of December 31, 2017, in accordance with the former IAS 39 accounting standard, and was reclassified as retained earnings as of January 1, 2018 as a result of the first-time application of IFRS 9. Under IAS 39, which was applicable up until December 31, 2017, it would have been recorded to profit or loss.

In 2019, other financial charges included interest expenses on lease liabilities for €43 million, pursuant to the application of the new accounting standard IFRS 16 – *Leases*. Please refer to Notes 1 and 11 to the Consolidated Financial Statements for the year ended December 31, 2019.

1.2.5 Provision for income taxes

In 2019, **provision for income taxes reported to adjusted net income** was a net income of €177 million, compared to a net charge of €253 million in 2018, representing a favorable change of €430 million. In 2019, it included a current tax income of €473 million resulting from a favorable decision from the French Council of State (*Conseil d'Etat*) on December 19, 2019 regarding the use of foreign tax receivables upon exit from the Global Profit Tax System, i.e., €244 million with respect to fiscal year 2012 (€218 million principal and €26 million moratorium interest) and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest). For a detailed description, please refer to Note 6.1 to the Consolidated Financial Statements for the year ended December 31, 2019. Excluding this impact:

- provision for income taxes reported to adjusted net income was a net charge of €296 million, representing an unfavorable change of €43 million, notably reflecting the growth in taxable income from activities, particularly at Universal Music Group in the United States and in Europe; and
- the effective tax rate reported to adjusted net income was stable at 19.9%, compared to 20.1% in 2018.

In 2019, **provision for income taxes reported to net income** was a net income of €140 million, compared to a net charge of €357 million in 2018, representing a favorable change of €497 million. In 2019, it included the aforementioned current tax income of €473 million. Excluding this impact, provision for income taxes reported to net income was a net charge of €333 million, representing a favorable change of €24 million. This change notably reflected the decrease in the deferred tax charge relating to the revaluation of the interests in Spotify and Tencent Music (-€36 million, compared to -€72 million in 2018).

1.2.6 Non-controlling interests

In 2019, **earnings attributable to non-controlling interests** were €34 million, compared to €30 million in 2018. They primarily included the non-controlling interests of Havas Group and Canal+ International (including Canal+ in Poland and VTV in Vietnam).

1.2.7 Earnings attributable to Vivendi SA shareowners

In 2019, **earnings attributable to Vivendi SA shareowners** amounted to a profit of €1,583 million (or €1.28 per share - basic), compared to €127 million in 2018 (or €0.10 per share - basic), an increase of €1,456 million. This change notably reflected the increase in EBIT (+€199 million), the improvement in other financial charges and income (+€828 million), mostly due to the write-down in 2018 of the value of the Telecom Italia shares accounted for under the equity method (-€1,066 million), and the current tax income of €473 million recorded at the end of 2019 following a favorable decision of the French Council of State (*Conseil d'Etat*) regarding the use of foreign tax receivables upon exit from the Global Profit Tax System with respect to the fiscal years 2012 and 2015.

1.2.8 Adjusted net income

(in millions of euros)	Year ended December 31, 2019	Year ended December 31, 2018	% Change
Revenues	**15,898**	**13,932**	**+ 14.1%**
Income from operations	**1,719**	**1,439**	**+ 19.5%**
EBITA	**1,526**	**1,288**	**+ 18.5%**
Other charges and income	-	7	
Income from equity affiliates - non-operational	127	182	
Interest	(46)	(47)	
Income from investments	10	20	
Adjusted earnings from continuing operations before provision for income taxes	1,617	1,450	+ 11.5%
Provision for income taxes	177	(253)	
Adjusted net income before non-controlling interests	1,794	1,197	
Non-controlling interests	(53)	(40)	
Adjusted net income	**1,741**	**1,157**	**+ 50.5%**

In 2019, **adjusted net income** was a profit of €1,741 million (or €1.41 per share - basic), compared to €1,157 million in 2018 (or €0.92 per share - basic), an increase of €584 million (+50.5%). This change mainly reflected the growth in EBITA of €238 million, driven by the performance of Universal Music Group (+€222 million), and the current tax income of €473 million recorded at the end of 2019 following a favorable decision of the French Council of State (*Conseil d'Etat*) regarding the use of foreign tax receivables upon exit from the Global Profit Tax System with respect to fiscal years 2012 and 2015.

Reconciliation of earnings attributable to Vivendi SA shareowners to adjusted net income

(in millions of euros)	Year ended December 31, 2019	Year ended December 31, 2018
Earnings attributable to Vivendi SA shareowners (a)	**1,583**	**127**
Adjustments		
Amortization and depreciation of intangible assets acquired through business combinations	145	113
Amortization of intangible assets related to equity affiliates	60	60
Other financial charges and income	(65)	763
Provision for income taxes on adjustments	37	104
Impact of adjustments on non-controlling interests	(19)	(10)
Adjusted net income	**1,741**	**1,157**

a. As reported in the Consolidated Statement of Earnings.

Adjusted net income per share

	Year ended December 31, 2019		Year ended December 31, 2018	
	Basic	Diluted	Basic	Diluted
Adjusted net income (in millions of euros)	1,741	1,741	1,157	1,157
Number of shares (in millions)				
Weighted average number of shares outstanding (a)	1,233.5	1,233.5	1,263.5	1,263.5
Potential dilutive effects related to share-based compensation	-	4.9	-	5.1
Adjusted weighted average number of shares	1,233.5	1,238.4	1,263.5	1,268.6
Adjusted net income per share (in euros)	**1.41**	**1.41**	**0.92**	**0.91**

a. Net of the weighted average number of treasury shares (28.0 million shares in 2019, compared to 38.5 million in 2018).

1.3 Analysis of revenues and operating results by business segment

As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – Leases notably to the Statement of Earnings for the year ended December 31, 2019; therefore, the data below is not comparable to the data for the year ended December 31, 2018. For a detailed description, please refer to Notes 1.1, 1.3.5.7 and 11 to the Consolidated Financial Statements for the year ended December 31, 2019.

	Year ended December 31,				
(in millions of euros)	2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues					
Universal Music Group	7,159	6,023	+18.9%	+15.6%	+14.0%
Canal+ Group	5,268	5,166	+2.0%	+2.0%	-0.9%
Havas Group	2,378	2,319	+2.6%	+0.2%	-1.0%
Editis	687	-	na	na	na
Gameloft	259	293	-11.8%	-13.6%	-16.0%
Vivendi Village	141	123	+14.6%	+14.2%	+38.9%
New Initiatives	71	66	+6.2%	+6.2%	+9.3%
Elimination of intersegment transactions	(65)	(58)			
Total Vivendi	**15,898**	**13,932**	**+14.1%**	**+12.2%**	**+5.6%**
Income from operations					
Universal Music Group	1,168	946	+23.5%	+20.6%	+21.1%
Canal+ Group	431	429	+0.3%	+0.2%	-5.2%
Havas Group	268	258	+3.9%	+2.4%	+0.6%
Editis	59	-	na	na	na
Gameloft	(28)	4			
Vivendi Village	(16)	(9)			
New Initiatives	(68)	(79)			
Corporate	(95)	(110)			
Total Vivendi	**1,719**	**1,439**	**+19.5%**	**+17.3%**	**+11.7%**
EBITA					
Universal Music Group	1,124	902	+24.6%	+21.8%	+22.3%
Canal+ Group	343	400	-14.3%	-14.3%	-19.3%
Havas Group	225	215	+4.5%	+2.7%	+0.5%
Editis	52	-	na	na	na
Gameloft	(36)	2			
Vivendi Village	(17)	(9)			
New Initiatives	(65)	(99)			
Corporate	(100)	(123)			
Total Vivendi	**1,526**	**1,288**	**+18.5%**	**+16.2%**	**+10.8%**

na: not applicable.

a. Constant perimeter notably reflects the impacts of the acquisition of M7 by Canal+ Group (September 12, 2019), the acquisition of the remaining interest in Ingrooves Music Group, which has been consolidated by Universal Music Group (March 15, 2019), the acquisition of Editis (January 31, 2019), the acquisition of Paylogic by Vivendi Village (April 16, 2018) and the sale of MyBestPro by Vivendi Village (December 21, 2018).

1.3.1 Universal Music Group

(in millions of euros)	Year ended December 31, 2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Recorded music	5,634	4,828	+16.7%	+13.4%	+11.6%
Subscriptions and streaming	*3,325*	*2,596*	*+28.1%*	*+24.4%*	*+21.5%*
Other digital sales (b)	*428*	*479*	*-10.6%*	*-14.0%*	*-15.2%*
Physical sales	*1,011*	*949*	*+6.5%*	*+3.5%*	*+3.1%*
License and other	*870*	*804*	*+8.2%*	*+5.6%*	*+5.3%*
Music publishing	1,052	941	+11.7%	+9.2%	+9.2%
Merchandising and other	489	273	+79.4%	+73.7%	+73.7%
Elimination of intersegment transactions	(16)	(19)			
Revenues	**7,159**	**6,023**	**+18.9%**	**+15.6%**	**+14.0%**
Income from operations	**1,168**	**946**	**+23.5%**	**+20.6%**	**+21.1%**
Income from operations margin	*16.3%*	*15.7%*	*+0.6 pts*		
Restructuring charges	(24)	(29)			
Income/(charges) related to share-based compensation plans	(5)	(4)			
Other special items excluded from income from operations	(15)	(11)			
EBITA	**1,124**	**902**	**+24.6%**	**+21.8%**	**+22.3%**
EBITA margin	*15.7%*	*15.0%*	*+0.7 pts*		
Recorded music revenues by geographic area					
North America	2,636	2,224	+18.5%	+12.6%	+8.7%
Europe	1,742	1,580	+10.2%	+10.1%	+10.1%
Asia	771	618	+24.6%	+18.5%	+18.5%
Latin America	184	153	+20.4%	+25.5%	+25.5%
Rest of the world	301	253	+19.2%	+20.4%	+20.4%
	5,634	**4,828**	**+16.7%**	**+13.4%**	**+11.6%**

a. Constant perimeter reflects the impact of significant acquisitions, including the acquisition of the remaining interest in Ingrooves Music Group by Universal Music Group (March 15, 2019).

b. Mainly included download sales.

Recorded music best sellers, in value (Source: *Consumption)*

Year ended December 31, 2019		Year ended December 31, 2018	
Artist	Title	Artist	Title
Billie Eilish	*When We All Fall Asleep, Where Do We Go?*	Drake	*Scorpion*
Post Malone	*Hollywood's Bleeding*	Post Malone	*Beerbongs & Bentleys*
Taylor Swift	*Lover*	Lady Gaga and Bradley Cooper	*A Star Is Born*
Ariana Grande	*Thank U, Next*	The Beatles	*The Beatles (White Album)*
Lady Gaga and Bradley Cooper	*A Star Is Born*	XXXTentacion	*?*
The Beatles	*Abbey Road*	Migos	*Culture II*
Shawn Mendes	*Shawn Mendes*	Imagine Dragons	*Evolve*
Billie Eilish	*Don't Smile at Me*	Ariana Grande	*Sweetener*
Post Malone	*Beerbongs & Bentleys*	Kendrick Lamar	*Black Panther: The Album*
King & Prince	*King & Prince*	Post Malone	*Stoney*

In 2019, Universal Music Group's (UMG) revenues were €7,159 million, up 14.0% at constant currency and perimeter compared to 2018 (up 18.9% on an actual basis).

Recorded music revenues grew by 11.6% at constant currency and perimeter thanks to the growth in subscription and streaming revenues (+21.5%) and the release driven improvement in physical sales (+3.1%), which more than offset the continued decline in download sales (-23.2%).

Recorded music best sellers for 2019 included new releases from Billie Eilish, Post Malone, Taylor Swift, Ariana Grande and the Japanese band King & Prince, as well as continued sales of the soundtrack from *A Star Is Born*, The Beatles 50th anniversary release of *Abbey Road* and multiple albums from Queen.

In 2019, UMG had an artist at the top of five major platforms (Amazon, Apple, Deezer, Spotify and YouTube), and for each platform, a different top artist (Taylor Swift, Billie Eilish, J Balvin, Post Malone, Daddy Yankee). In addition, according to Billboard, UMG had seven of the Top 10 singles and albums in the United States for 2019 and the top three artists (Post Malone, Ariana Grande and Billie Eilish).

Music publishing revenues grew by 9.2% at constant currency and perimeter compared to 2018, also driven by increased subscription and streaming revenues.

On February 6, 2020, Taylor Swift, one of the music industry's most creatively and commercially successful artist-songwriters in history, signed an exclusive global publishing agreement with Universal Music Publishing Group.

Merchandising and other revenues were up 73.7% at constant currency and perimeter compared to 2018, thanks to increased touring activity and growth in retail and D2C (direct-to-consumer) revenues.

Driven by the growth in revenues, UMG's EBITA was €1,124 million, up 22.3% at constant currency and perimeter compared to 2018 (+24.6% on an actual basis).

1.3.2 Canal+ Group

(in millions of euros)	Year ended December 31, 2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
International TV	1,781	1,567	+13.7%	+13.8%	+6.1%
TV in Mainland France (b)	3,053	3,137	-2.7%	-2.7%	-2.8%
Studiocanal	434	462	-5.9%	-5.9%	-12.8%
Revenues	**5,268**	**5,166**	**+2.0%**	**+2.0%**	**-0.9%**
Income from operations	**431**	**429**	**+0.3%**	**+0.2%**	**-5.2%**
Income from operations margin	*8.2%*	*8.3%*	*-0.1 pts*		
Income/(charges) related to share-based compensation plans	(5)	(3)			
Other special items excluded from income from operations	9	2			
EBITA before restructuring charges	**435**	**428**	**+1.6%**	**+1.6%**	**-3.9%**
EBITA margin	*8.3%*	*8.3%*	*- pt*		
Restructuring charges	(92)	(28)			
EBITA	**343**	**400**	**-14.3%**	**-14.3%**	**-19.3%**

Canal+ Group subscribers (in thousands)	2019	2018		Change
Africa	*4,899*	*4,173*		*+726*
Europe (excluding M7)	*2,794*	*2,744*		*+50*
Overseas	*657*	*664*		*-7*
Asia Pacific	*1,267*	*996*		*+271*
M7 (Benelux, Central Europe)	*2,258*	*-*		*+2,258*
Overseas and international subscribers	**11,875**	**8,577**	(c)	**+3,298**
Self-distributed individual subscribers in Mainland France	4,548	4,697		-149
Wholesale subscribers (d)	3,355	3,405		-50
Collective subscribers in Mainland France	513	509		+4
Subscribers in Mainland France	**8,416**	**8,611**	(c)	**-195**
Total Canal+ Group subscribers	**20,291**	**17,188**	(c)	**+3,103**

a. Constant perimeter notably reflects the impacts of the acquisition of M7 by Canal+ Group (September 12, 2019).

b. Relates to pay-TV and free-to-air channels (C8, CStar and CNews) in mainland France.

c. 2018 pro forma data notably included wholesale subscribers.

d. Includes the strategic partnership agreements with Free, Orange and Bouygues Telecom, as well as subscribers to Thema packages. Certain subscribers may also have subscribed to a Canal+ offer.

At the end of December 2019, the total subscriber portfolio (individual and collective) of Canal+ Group's, which now includes M7's operations, reached 20.3 million, compared to 17.2 million at the end of December 2018 on a pro forma basis, including 8.4 million in mainland France.

In 2019, Canal+ Group's revenues were €5,268 million, up 2.0% compared to 2018 (down 0.9% at constant currency and perimeter).

Revenues from television operations in mainland France fell slightly (down 2.8% at constant currency and perimeter) due to the decline in the self-distributed individual subscriber base. However, the Canal+ subscriber base recorded a net increase in subscribers of 72,000 over the past 12 months.

Revenues from international operations grew strongly by 13.7% (up 6.1% at constant currency and perimeter) driven both by organic growth and the integration of M7.

Studiocanal's revenues were €434 million, reflecting a year-on-year decrease of 12.8% at constant currency and perimeter due to fewer theatrical releases compared to 2018.

EBITA before restructuring charges was €435 million, compared to €428 million in 2018. EBITA after restructuring charges amounted to €343 million, compared to €400 million in 2018.

In the fourth quarter of 2019, several important agreements involving the operations in France were announced, including with Netflix, UEFA for the Champions League, The Walt Disney Company (in particular for the marketing of Disney +) and BeIN Sports, the latter agreement allowing Canal + to broadcast two matches of Ligue 1 per championship day starting with the upcoming 2020/2021 season. In January 2020, Canal + Group extended its agreement with Formula One Management to remain the exclusive broadcaster for all of the next three seasons of Formula 1.

1.3.3 Havas Group

(in millions of euros)	Year ended December 31, 2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter
Revenues	2,378	2,319	+2.6%	+0.2%	-1.0%
Net revenues (a)	**2,256**	**2,195**	**+2.8%**	**+0.3%**	**-1.0%**
Income from operations	**268**	**258**	**+3.9%**	**+2.4%**	**+0.6%**
Income from operations/net revenues	*11.9%*	*11.8%*	*+0.1 pts*		
Income/(charges) related to share-based compensation plans	(12)	(12)			
Other special items excluded from income from operations	4	(1)			
EBITA before restructuring charges	**260**	**245**	**+6.1%**	**+4.5%**	**+2.5%**
EBITA before restructuring charges/net revenues	*11.5%*	*11.2%*	*+0.3 pts*		
Restructuring charges	(35)	(30)			
EBITA	**225**	**215**	**+4.5%**	**+2.7%**	**+0.5%**
Net revenues by geographic area					
Europe	1,105	1,109	-0.4%	-0.5%	-2.0%
North America	831	766	+8.5%	+2.7%	+0.4%
Asia Pacific and Africa	193	192	+0.6%	-1.7%	-3.0%
Latin America	127	128	-0.4%	+2.3%	+1.7%
	2,256	**2,195**	**+2.8%**	**+0.3%**	**-1.0%**
Net revenues by segment					
Havas Creative	46%	46%			
Havas Media	35%	37%			
Havas Health & You	19%	17%			
	100%	**100%**			

a. Net revenues correspond to Havas Group's revenues less the pass-through costs rebilled to customers. Please refer to Note 1.3.4.3 to the Consolidated Financial Statements for the year ended December 31, 2019.

Havas Group's revenues for 2019 were €2,378 million, up 2.6% (down 1.0% at constant currency and perimeter) compared to 2018. Net revenues[2] increased by 2.8% to €2,256 million. Acquisitions contributed +1.3% and exchange rates had a positive impact of 2.5%. Organic growth was down 1.0% compared to 2018.

In a contrasting sector environment, particularly in Europe, Havas Group's performance was supported by the media business thanks to the new *Meaningful Media* approach launched at the beginning of 2019. Strong performances were delivered by the healthcare communications business and the creative pure players (BETC, Rosapark, Edge), while the general network moved purposefully ahead with its transformation in order to adapt itself to evolving client needs.

Havas Group accelerated its financial investments in the second half of the year, making four acquisitions of strategic importance in terms of geographic expansion and strengthening its expertise: Buzzman in France, Langoor and Shobiz in India, and Gate One in the United Kingdom.

In 2019, Havas Group continued its worldwide development, winning new clients both locally and globally. In addition, Havas Group agencies were lavishly awarded in 2019. The Group was named "*Most Sustainable Company in the Communication Industry"* by World Finance magazine in November 2019, and BETC was named "*International Agency of the Year 2019"* by Adweek.

Havas Group consolidated its profitability. EBITA before restructuring charges was €260 million, up 6.1% compared to 2018. After restructuring charges, EBITA was €225 million, up 4.5%. Its EBITA/net revenues margin thus gained an additional 0.2 points.

Major awards and wins by Havas Group:

Havas continued its worldwide development in 2019, winning prestigious new clients and brands in creation, media and healthcare at both local and global levels.

In creation, Havas signed new local contracts with Boston Beers, Gap, Lacoste and Core Water in the United States, Huawei, Lloyds and Compare the Market in the United Kingdom, COOP in Italy and 7TV and Ferrerro in Germany. Globally, Havas Creative won contracts with Pimco, Michelin and Bel.

In media, South Korean car manufacturers Hyundai Kia re-selected Havas Media to handle its media mandate for Europe, Russia and Turkey. Havas Media has been working with Hyundai Kia for ten years. Havas Media also won a number of global assignments including TripAdvisor, Meetic and Visit California. Some multilocal wins included Continental Foods, Mango, and UPower. Locally, it won

[2] Net revenues correspond to revenues less pass-through costs rebilled to customers.

contracts with Sanofi, Planet Fitness and Stop n' Shop in the United States, Corby in Canada, Legal & General, Homebase, Dreams and Starbucks in the United Kingdom, Hassia Group, Vattenfall and Stepstone in Germany, SFR and GRDF in France, Carrefour in Belgium, Tinder and Gameskraft in India and Uniqlo in Singapore.

Havas Health & You had major global and local wins worldwide with AbbVie, Alcon, Amgen, AstraZeneca, BioMarin, Celgene, Genentech, Guardant Health, Guidewell, Ipsen, Ironshore, Klosterfrau, Lundbeck, Merck Inc, Novartis, Takeda, TherapeuticsMD and Unicef.

1.3.4 Editis

As a reminder, since February 1, 2019, Vivendi has fully consolidated Editis.

(in millions of euros)	11 months ended December 31, 2019 (a)	11-month pro forma data		
		2018	% Change	% Change at constant currency and perimeter
Literature	282	277	+3.5%	+2.0%
Education and Reference	184	158	+16.8%	+16.8%
Diffusion and Distribution	221	211	+4.2%	+4.2%
Revenues	**687**	**646**	**+7.0%**	**+6.3%**
Income from operations	**59**	**46**	**+27.0%**	**+26.4%**
Restructuring charges	(3)	(4)		
Income/(charges) related to share-based compensation plans	-	-		
Other special items excluded from income from operations	(4)	(7)		
EBITA	**52**	**35**	**+47.9%**	**+46.9%**

a. Corresponds to the financial data consolidated by Vivendi since February 1, 2019.

Vivendi has fully consolidated Editis since February 1, 2019. Editis' contribution to Vivendi's revenues was €687 million for eleven months, up 6.3% on a pro forma basis at constant currency and perimeter compared to the same period in 2018.

Since February 1, 2019, Education & Reference revenues have risen sharply (up 16.8%). Thanks to the reform of high school curricula in France, Editis reinforced its leading position in textbook publishing with its strong French brands, Nathan, Bordas and Le Robert.

Literature continues to grow (up 2.0% on an eleven-month pro forma basis). Editis confirms its leading position in this segment with 6 authors in the top 10 of the best-selling authors in France in 2019 and also leads many other segments: N° 1 in thrillers, History, youtubers and influencers, and N°2 in youth, leisure / practical life and tourism (GfK 2019).

Diffusion & Distribution revenues related to third-party publishers are also increased (up 4.2% on eleven-month pro forma), driven in particular by the distribution of the Goncourt Prize, *Tous les hommes n'habitent pas le monde de la même façon* from Jean-Paul Dubois (L'Olivier).

In the second half of 2019, Editis continued its external growth policy with Robert Laffont's acquisition of the publishing houses Seguier, Nathan's purchase of the publishing houses L'Agrume and the publishing house Le Retz's acquisition of l'Ecole Vivante, as well as the purchase in July 2019 of the l'Archipel publishing group which specializes in literature and essays.

In August 2019, Editis also entered the graphic novel and comic book segments following an agreement concluded with Jungle Publishing (a subsidiary of the Steinkis group).

Editis' EBITA was €52 million since February 1, 2019, up 46.9% pro forma compared to the same period in 2018, thanks to the increase in revenues and cost control.

1.3.5 Gameloft

(in millions of euros)	Year ended December 31, 2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter
Revenues	**259**	**293**	**-11.8%**	**-13.6%**	**-16.0%**
Income from operations	**(28)**	**4**			
Restructuring charges	(3)	(4)			
Income/(charges) related to share-based compensation plans	(4)	2			
Other special items excluded from income from operations	(1)	-			
EBITA	**(36)**	**2**			
Revenues by geographic area					
North America	92	97			
EMEA (Europe, the Middle East, Africa)	86	100			
Asia Pacific	62	73			
Latin America	19	23			
	259	**293**			

With 1.5 million downloads per day across all platforms during 2019, Gameloft is one of the world's leading video game publishers.

In 2019, Gameloft's revenues were €259 million, down 11.8% year-on-year. Gameloft's sales on OTT platforms, representing 72% of Gameloft's total sales, declined by 11.1%. The postponement to 2020 of three major games initially scheduled for release in the second half of 2019 and the saturation of the mobile gaming segment largely explain the lower OTT revenues in 2019. The advertising business, representing 11.6% of Gameloft's total revenues, was up 4.8%.

65% of Gameloft's revenues were generated by its own gaming franchises and 35% by the franchises of major international groups such as Disney or Lego. For Disney, Gameloft released *Disney* Princess *Majestic Quest* in October 2019 *and Disney Getaway Blast* at the end of January 2020. For Lego, it will release *LEGO Legacy: Heroes Unboxed* in March 2020.

Gameloft is developing its presence on all platforms and has released two games on Nintendo Switch: *Modern Combat Blackout* and *Asphalt 9: Legends*.

The recent subscription-based game distribution model provides another growth avenue for Gameloft. It developed Ballistic Baseball, one of the first games included on Apple Arcade, Apple's new game subscription service. It also launched a cloud gaming service, in partnership with Blacknut, which offers operators and manufacturers a new range of cross-platform games streamed from the cloud.

In 2019, the decrease in fixed costs only partially offset the decline in revenues and higher marketing investments. Gameloft's EBITA was -€36 million.

1.3.6 Vivendi Village

(in millions of euros)	Year ended December 31, 2019	2018	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues	**141**	**123**	**+14.6%**	**+14.2%**	**+38.9%**
of which Vivendi Ticketing	*66*	*58*	*+14.4%*	*+13.6%*	*+6.5%*
Live	*68*	*34*	*+99.1%*	*+99.1%*	*+99.1%*
Income from operations	**(16)**	**(9)**			
Restructuring charges	(1)	(2)			
Income/(charges) related to share-based compensation plans	-	-			
Other special items excluded from income from operations	-	2			
EBITA	**(17)**	**(9)**			

a. Constant perimeter notably reflects the impacts of the acquisition of Paylogic (April 16, 2018) and the sale of MyBestPro (December 21, 2018).

In 2019, Vivendi Village's revenues were €141 million, a significant increase of 38.9% at constant currency and perimeter (14.6% on an actual basis) compared to 2018.

This growth is mostly attributable to the development of the live activities in France and Great-Britain, as well as the venues in France and Africa. Their revenues nearly doubled in a year (x1.9), reaching €68 million. This change resulted in particular from the organic growth of the concert and show promotion business, which currently manages some 75 artists. It is also due to acquisitions, notably Garorock in France, which attracted 160,000 festival-goers in 2019.

In addition, Olympia Production formed a joint venture with OL Groupe to produce the Felyn Stadium Festival in Lyons in June 2020.

L'Olympia in Paris enjoyed a record year with slightly over 300 shows. Three new CanalOlympia venues were inaugurated in Africa in 2019 (14 in total in ten countries).

The ticketing businesses, united under the See Tickets brand, generated revenues of €66 million (up 14.4% compared to 2018 and up 6.5% at constant currency and perimeter). This growth is partly attributable to the development of the operations in the US, where revenue has almost doubled in one year. With the acquisition of Starticket in Switzerland on December 30, 2019, See Tickets is now present in nine European countries and in the United States, selling about 30 million tickets annually (25 million in 2019).

Vivendi Village's EBITA was a loss of €17 million, compared to a loss of €9 million in 2018. Excluding the investments in Africa, EBITA was mostly at break-even.

1.3.7 New Initiatives

In 2019, New Initiatives, which brings together entities in the launch or development phase, recorded revenues of €71 million, up 6.2% compared to 2018 (up 9.3% at constant currency and perimeter).

GVA continued to roll out its fiber network in Africa in order to provide its customers with very high- speed internet access. After Libreville and Lomé, GVA experienced further development in 2019, in Pointe Noire (Republic of Congo).

In 2019, GVA provided more than 25,000 subscribers in the three cities where the company is established.

Dailymotion entered into over 280 agreements with leading global publishers in 2019, including 70 in the United States and dozens in territories where the company had little presence (Indonesia, Taiwan, Mexico). The audience in these new countries has increased significantly. At the end of 2019, the premium content audience represented more than 70% of its global audience, compared to less than 30% in 2017, and its total monthly users increased by 20% in two years to exceed 350 million at the end of 2019.

In 2019, Dailymotion also completed the overhaul of its advertising ecosystem. It created a proprietary programmatic platform and a content monetization system (live or programmatic).

New Initiatives' EBITA was a loss of €65 million, compared to a loss of €99 million in 2018.

1.3.8 Corporate

Corporate's income from operations was a net charge of €95 million, compared to a net charge of €110 million in 2018, a favorable change of €15 million, primarily due to non-recurrent items impacting the pension charges. Please refer to Note 18.2.2 to the Consolidated Financial Statements for the year ended December 31, 2019.

Corporate's EBITA was a net charge of €100 million, compared to a net charge of €123 million in 2018, a favorable change of €23 million mainly relating to the change in income from operations and a decrease in restructuring charges.

2 Liquidity and capital resources

2.1 Liquidity and equity portfolio

Preliminary comments:

- *The "Net Cash Position" and the "Financial Net Debt", both non-GAAP measures, should be considered in addition to, and not as a substitute for, GAAP measures presented in the Consolidated Statement of Financial Position, as well as any other measure of indebtedness reported in accordance with GAAP. Vivendi considers these to be relevant indicators of the group's liquidity and capital resources. Vivendi Management uses these indicators for reporting, management and planning purposes.*
- *The Net Cash Position (and the Financial Net Debt) are calculated as the sum of:*

  i. *cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, corresponding to cash in banks, money market funds and bond funds, which satisfy the ANC's and AMF's decision released in November 2018, and other highly liquid short-term investments with initial maturities of generally three months or less, as required by IAS 7 (please refer to Note 1.3.5.12 to the Consolidated Financial Statements for the year ended December 31, 2019);*

  ii. *cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", relating to financial investments, which do not satisfy the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, the ANC's and AMF's decision released in November 2018; and*

  iii. *derivative financial instruments, net (assets and liabilities) where the underlying instruments are Financial Net Debt items, as well as cash deposits securing borrowings included in the Consolidated Statement of Financial Position under "financial assets";*

  less:

  iv. *value of borrowings at amortized cost.*

- *For a detailed description, please refer to Note 15 "Cash position" and to Note 20 "Borrowings and other financial liabilities and financial risk management" to the Consolidated Financial Statements for the year ended December 31, 2019.*

2.1.1 Changes in liquidity

(in millions of euros)	Cash and cash equivalents	Borrowings at amortized cost and other financial items (a)	Net Cash Position/(Financial Net Debt)
Net Cash Position as of December 31, 2018	**3,793**	**(3,617)**	**176**
(Outflows) / inflows:			
Operating activities	1,268	-	1,268
Investing activities	(1,610)	(403)	(2,013)
Financing activities	(1,317)	(2,178)	(3,495)
Foreign currency translation adjustments	(4)	4	-
Financial Net Debt as of December 31, 2019	**2,130**	**(6,194)**	**(4,064)**

a. "Other financial items" include cash management financial assets and derivative financial instruments relating to the interest rate and foreign currency risk management (assets and liabilities).

As of December 31, 2019, Vivendi's Financial Net Debt amounted to -€4,064 million, compared to a Net Cash Position of €176 million as of December 31, 2018, i.e., a change of -€4,240 million. This change was mainly attributable to the following items:

- on January 31, 2019, Vivendi completed the acquisition of 100% of Editis's share capital, representing a €829 million outflow, including the repayment of Editis's debt (please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2019);
- on April 18, 2019, Vivendi paid a dividend with respect to fiscal year 2018 of €0.50 per share representing a €636 million outflow;
- as of May 28, 2019, Vivendi implemented a share buyback program for up to 10% of Vivendi's share capital at a maximum price of €25 per share, for the purpose of canceling the shares acquired. Between May 28, 2019 and December 31, 2019, share repurchases represented a €2,673 million outflow, including fees and taxes for €9 million. Please refer to Note 16 to the Consolidated Financial Statements for the year ended December 31, 2019; and
- on September 12, 2019, Vivendi completed the acquisition of M7, representing a €1,136 million outflow (please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2019).

These items were partially offset by the following:

- on March 7, 2019, Vivendi received €429 million under the forward sale of its remaining interest in Ubisoft (please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2019);
- on March 25, 2019, Vivendi received the refund of the deposit of €70 million paid in March 2017 pursuant to an agreement to purchase a plot of land on the île Seguin in the Parisian suburb of Boulogne Billancourt; and
- net cash provided by operating activities (after income tax paid) for €567 million.

2.1.2 Equity portfolio

As of December 31, 2019, Vivendi held a portfolio of listed non-controlling equity interests (including Telecom Italia) for an aggregate market value of approximately €3.95 billion (before taxes), compared to €3.91 billion as of December 31, 2018 (which notably included a receivable on the sale of its remaining interest in Ubisoft for €429 million: please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2019).

As of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), the value of this portfolio was approximately €3.65 billion (before taxes).

2.2 Cash flow from operations analysis

Preliminary comment:

"Cash flow from operations" (CFFO) and "cash flow from operations after interest and income tax paid" (CFAIT), both non-GAAP measures, should be considered in addition to, and not as substitutes for, other GAAP measures of operating and financial performance as presented in the Consolidated Financial Statements and the related notes or as described in this Financial Report. Vivendi considers these to be relevant indicators of the group's operating and financial performance.

	Year ended December 31,		
(in millions of euros)	2019	2018	% Change
Revenues	15,898	13,932	+14.1%
Operating expenses excluding depreciation and amortization	(13,620)	(12,192)	-11.7%
	2,278	*1,740*	*+31.0%*
Restructuring charges paid	(101)	(106)	+4.5%
Content investments, net	(676)	(137)	x 4,9
of which payments to artists and repertoire owners, net at UMG:			
Payments	*(1,210)*	*(933)*	*-29.7%*
Recoupment and other	*1,018*	*812*	*+25.3%*
	(192)	*(121)*	*-59.5%*
of which film and television rights, net at Canal+ Group:			
Acquisition paid	*(502)*	*(508)*	*+1.2%*
Consumption	*567*	*670*	*-15.3%*
	65	*162*	*-59.8%*
of which sports rights, net at Canal+ Group:			
Acquisition paid	*(1,015)*	*(906)*	*-12.1%*
Consumption	*987*	*865*	*+14.1%*
	(28)	*(41)*	*+31.6%*
Neutralization of change in provisions included in operating expenses	(24)	(29)	+16.7%
Other cash operating items	7	9	-18.2%
Other changes in net working capital	67	(28)	na
Net cash provided by/(used for) operating activities before income tax paid	***1,551***	***1,449***	***+7.1%***
Dividends received from equity affiliates and unconsolidated companies	11	18	-38.2%
Capital expenditures, net (capex, net)	(405)	(341)	-18.6%
Repayment of lease liabilities and related interest expenses (a)	(254)	na	na
Cash flow from operations (CFFO)	**903**	**1,126**	**-19.7%**
Interest paid, net	(46)	(47)	+1.9%
Other cash items related to financial activities	(7)	5	na
Income tax (paid)/received, net	(283)	(262)	-8.6%
Cash flow from operations after interest and income tax paid (CFAIT)	**567**	**822**	**-31.0%**

na: not applicable.

a. Included a €211 million repayment of lease liabilities and €43 million of related interest expenses in 2019.

2.2.1 Changes in cash flow from operations (CFFO)

In 2019, cash flow from operations (CFFO) generated by the group's business segments amounted to €903 million (compared to €1,126 million in 2018), a €223 million decrease.

Net EBITDA from the change in the working capital of the group's business segments amounted to €4,817 million (compared to €4,280 million in 2018), an increase of €537 million. This increase notably resulted from the strong operating performance of Universal Music Group (+€337 million) and a favorable impact at Canal+ Group (+€133 million) relating to the change in the working capital, as well as the impact of the consolidation of Editis as from February 1, 2019 (+€89 million).
This favorable change was offset by content investments which amounted to €3,427 million (compared to €2,734 million in 2018), an increase of €693 million, of which +€509 million for Universal Music Group related to an increase in advance payments to artists.

Furthermore, capital expenditures generated by the group's business segments amounted to €405 million (compared to €341 million in 2018), an increase of €64 million. This change mainly reflected the increase in investments at Canal+ Group (+€95 million), notably related to the ongoing deployment of a new generation of set-top boxes.

2.2.2 Cash flow from operations (CFFO) by business segment

(in millions of euros)	Year ended December 31, 2019	2018	% Change
Universal Music Group	704	838	-16.0%
Canal+ Group	167	259	-35.5%
Havas Group	239	230	+3.8%
Editis	22	-	na
Gameloft	(26)	1	
Vivendi Village	(24)	(3)	
New Initiatives	(72)	(82)	
Corporate	(107)	(117)	
Cash flow from operations (CFFO)	**903**	**1,126**	**-19.7%**

na: not applicable.

2.2.3 Changes in cash flow from operations after interest and income tax paid (CFAIT)

In 2019, cash flow from operations after interest and income tax paid (CFAIT) was a €567 million net inflow (compared to a €822 million net inflow in 2018), an unfavorable change of €255 million, primarily resulting from the change in net cash flow from operations (CFFO).

In 2019, cash flow relating to income taxes was a €283 million net outflow (compared to €262 million in 2018), an increase of €21 million. As a reminder, on February 15, 2019, pursuant to a decision of the Versailles Administrative Court of Appeal regarding the use of foreign tax receivables by Vivendi for the payment of income tax in respect of the fiscal year ended December 31, 2012, Vivendi complied with the tax authorities' request and repaid an amount of €239 million (€218 million principal and €21 million moratorium interest). Following a favorable decision of the French Council of State (*Conseil d'Etat*) on December 19, 2019, the tax authorities repaid €223 million to Vivendi (€218 million principal and €5 million moratorium interest) on December 27, 2019. In addition, in January 2020, the tax authorities repaid €250 million to Vivendi, i.e., a balance of €21 million with respect to moratorium interest for fiscal year 2012 and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest).

In 2019, the financial activities generated a €52 million net outflow (compared to €42 million in 2018). In 2019, this amount mainly included net interest paid (-€46 million, compared to -€47 million in 2018). In addition, cash outflows generated by foreign exchange risk hedging instruments was a +€25 million inflow (compared to +€13 million in 2018).

2.2.4 Reconciliation of CFAIT to net cash provided by operating activities

(in millions of euros)	Year ended December 31, 2019	2018
Cash flow from operations after interest and income tax paid (CFAIT)	**567**	**822**
Adjustments		
Repayment of lease liabilities and related interest expenses	254	na
Capital expenditures, net (capex, net)	405	341
Dividends received from equity affiliates and unconsolidated companies	(11)	(18)
Interest paid, net	46	47
Other cash items related to financial activities	7	(5)
Net cash provided by operating activities (a)	**1,268**	**1,187**

na: not applicable.

a. As presented in the Consolidated Statement of Cash Flows.

2.3 Analysis of investing and financing activities

2.3.1 Investing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2019
Financial investments		
Acquisition of Editis	2.2	(829)
Acquisition of M7	2.3	(1,136)
Acquisition of cash management financial assets	15	(100)
Other		(219)
Total financial investments		**(2,284)**
Financial divestments		
Sale of the remaining interest in Ubisoft	2.4	429
Refund of the île Seguin land deposit	23.1	70
Disposal of cash management financial assets	15	495
Other		74
Total financial divestments		**1,068**
Dividends received from equity affiliates and unconsolidated companies		11
Capital expenditures, net	3	(405)
Net cash provided by/(used for) investing activities (a)		**(1,610)**

a. As presented in the Consolidated Statement of Cash Flows.

2.3.2 Financing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2019
Transactions with shareowners		
Distribution to Vivendi SA's shareowners	16	(636)
Sale/(purchase) of Vivendi SA's treasury shares	16	(2,673)
Capital increase subscribed by employees as part of the Stock Purchase Plan	19	113
Exercise of stock subscription options by executive management and employees	19	61
Other		(53)
Total transactions with shareowners		**(3,188)**
Transactions on borrowings and other financial liabilities		
Issuance of bonds	20	2,100
Issuance of short-term marketable securities	20	870
Redemption of bonds	20	(700)
Interest paid, net	5	(46)
Other		(99)
Total transactions on borrowings and other financial liabilities		**2,125**
Repayment of lease liabilities and related interest expenses	11 ; 5	(254)
Net cash provided by/(used for) financing activities (a)		**(1,317)**

a. As presented in the Consolidated Statement of Cash Flows.

3 Outlook

Dividend

On April 20, 2020, the General Shareholders' Meeting will vote on the proposal of an ordinary dividend of €0.60 per share with respect to the 2019 fiscal year. This amount represents an increase of 20% over the dividend paid with respect to fiscal year 2018 (€0.50 per share) and a yield of 2.4% (based on the average price for Vivendi shares over the last 12 months). The ex-dividend date would be April 21, 2020, with payment on April 23, 2020.

4 Forward-Looking Statements

Cautionary note

This Financial Report contains forward-looking statements with respect to Vivendi's financial condition, results of operations, business, strategy, plans and outlook, including the impact of certain transactions and the payment of dividends and distributions, as well as share repurchases. Although Vivendi believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Vivendi's control, including, but not limited to, risks related to antitrust and other regulatory approvals, and to any other approvals that may be required in connection with certain transactions, as well as the risks described in the documents filed by Vivendi with the *Autorité des marchés financiers* (the "AMF") (the French securities regulator), and in its press releases, if any, which are also available in English on Vivendi's website (www.vivendi.com). Accordingly, readers are cautioned against relying on such forward-looking statements. These forward-looking statements are made as of the date of this Financial Report. Vivendi disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

5 Other Disclaimers

Unsponsored ADRs

Vivendi does not sponsor any American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "unsponsored" and has no ties whatsoever to Vivendi. Vivendi disclaims any liability in respect of any such facility.

Translation

This Financial Report is an English translation of the French version of the report and is provided solely for the convenience of English-speaking readers. This translation is qualified in its entirety by the French version, which is available on the company's website (www.vivendi.com). In the event of any inconsistencies between the French version of this Financial Report and the English translation, the French version will prevail.

II- Appendix to the Financial Report

1 Quarterly revenues by business segment

	2019			
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,
Revenues				
Universal Music Group	1,502	1,756	1,800	2,101
Canal+ Group	1,252	1,266	1,285	1,465
Havas Group	525	589	567	698
Editis (a)	89	171	210	217
Gameloft	68	65	61	65
Vivendi Village	23	43	42	33
New Initiatives	15	19	16	20
Elimination of intersegment transactions	(15)	(15)	(11)	(24)
Total Vivendi	**3,459**	**3,894**	**3,970**	**4,575**

	2018			
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,
Revenues				
Universal Music Group	1,222	1,406	1,495	1,900
Canal+ Group	1,298	1,277	1,247	1,344
Havas Group	506	567	553	693
Gameloft	70	71	74	78
Vivendi Village	23	29	36	35
New Initiatives	16	16	15	19
Elimination of intersegment transactions	(11)	(14)	(19)	(14)
Total Vivendi	**3,124**	**3,352**	**3,401**	**4,055**

a. As a reminder, Vivendi has fully consolidated Editis since February 1, 2019.

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III- Audited Consolidated Financial Statements for the year ended December 31, 2019

Preliminary comment:

As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – Leases. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. Moreover, Vivendi applied this change of accounting standard to the Statement of Financial Position, Statement of Earnings and Statement of Cash Flows in 2019; therefore, the data relative to prior years is not comparable. For a detailed description, please refer to Notes 1 and 11 to the Consolidated Financial Statements for the year ended December 31, 2019.

As a reminder, in 2018, Vivendi applied two new accounting standards:

- *IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, Vivendi applied this change of accounting standard to 2017 revenues; and*
- *IFRS 9 – Financial Instruments: in accordance with IFRS 9, Vivendi applied this change of accounting standard to the 2018 Statement of Earnings and Statement of Comprehensive Income and restated its opening balance sheet as of January 1, 2018.*

Statutory auditors' report on the Consolidated Financial Statements

To the Shareholders' Meeting of Vivendi SE

Opinion

In compliance with the engagement entrusted to us by your shareholders' meetings, we have audited the accompanying consolidated financial statements of Vivendi SE for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

- ***Audit Framework***

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

- ***Independence***

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Observations

Without qualifying our conclusion above, we draw your attention to sections 1.1 and 11 of the notes to the consolidated financial statements, which describe the changes in accounting methods relating to the mandatory application as from 1 January 2019 of the standard IFRS 16 "Leases".

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

- ***Valuation of goodwill allocated to cash-generating units (CGUs) or groups of CGUs: Groupe Canal + (Pay TV / Free TV and Studio Canal), Havas, Gameloft and Dailymotion*** *(Notes 1.3.5.2, 1.3.5.8 and 9 to the consolidated financial statements)*

Key audit matter	Our response
As at 31 December 2019, goodwill is recorded in the balance sheet for a net carrying amount of €14,690 million, for a total balance sheet of €37,346 million. It has been allocated to the cash generating units (CGUs) or, where applicable, groups of cash-generating units, of the activities into which the companies acquired have been integrated. The goodwill relating to the CGUs: Groupe Canal + (Pay TV / Free TV and Studio Canal), Havas, Gameloft and Dailymotion totals €8,306.8 million. Each year, management ensures that the carrying amount of the goodwill does not exceed its recoverable amount. The impairment test methods thus implemented by management are described in the notes to the consolidated financial statements; they involve a significant amount of judgements and assumptions, notably concerning, as the case may be: - future cash-flow forecasts; - perpetual growth rates used for projected flows; - discount rates applied to estimated cash flows; - the selection of sample companies included among the transaction or stock market comparables. Consequently, any variation in these assumptions may have a significant impact on the recoverable amount of the goodwill and necessitate the recognition of an impairment loss, where applicable. We consider the valuation of goodwill to be a key audit matter due to (i) its materiality in the group's financial statements, (ii) the judgements and assumptions required to determine its recoverable amount.	We analysed the compliance of the methods adopted by your company with the accounting standards in force, in particular concerning the determination of the CGUs and the methods used to estimate the recoverable amount. We obtained the impairment tests for each CGU or group of CGUs and examined the determination of the value of each CGU. We paid particular attention to those for which the carrying amount is close to the estimated recoverable amount, those for which the historical performance showed differences in relation to the forecasts, and those operating in volatile economic environments. We assessed the competence of the experts appointed by your company for the valuation of certain CGUs or groups of CGUs. We took note of the key assumptions used for all the CGUs or groups of CGUs and, as the case may be: - compared the business forecasts underpinning the determination of cash flows with the information available, including the market prospects and past achievements, and in relation to management's latest estimates (assumptions, budgets and strategic plans where applicable); - compared the perpetual growth rates used for the projected flows with market analyses and the consensus of the main professionals concerned; - compared the discount rates used with our internal databases, assisted by financial valuation specialists included in our teams; - examined the selection of companies included among the transaction or stock market comparables in order to compare it with the relevant samples according to market analysts and our knowledge of the market; - compared the market data used with available public and non-public information. We obtained and reviewed the sensitivity analyses performed by management, which we compared with our own calculations to assess what level of variation in the assumptions would require the recognition of goodwill impairment. Finally, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

- ***Valuation of the Telecom Italia equity affiliate*** *(Notes 1.3.2 and 12.2 to the consolidated financial statements)*

Key audit matter	Our response
The value of the Telecom Italia equity-accounted investment amounts to €3,248 million as at 31 December 2019, after impairment recorded in 2018. At the year-end, your company ensures that it is not necessary to recognize an impairment loss for this investment, by comparing its recoverable amount with the carrying amount recorded in the group's financial statements. The recoverable amount has been estimated using the usual valuation methods (value in use determined by discounting future cash flows, and fair value determined using market data). Your company used the services of an expert to assist you in the valuation of this asset's recoverable amount. Given the decline observed in Telecom Italia's stock market performance during the last financial year, we consider the assessment of this equity-accounted investment to be a key audit matter.	We obtained the documentation relating to the valuation of the equity-accounted value of Telecom Italia. We assessed the competence of the expert appointed by your company. With the assistance of our valuation specialists: - we took note of the models and key assumptions used to determine discounted cash flows (perpetual growth rate, discount rate), comparing these items with the information in our internal databases; - we took note of the market multiples used by the expert to assess the relevance of the estimates resulting from the discounted cash flows method, comparing these items with market practice and data. Finally, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

- ***Analysis of the disputes with the Mediaset group and foreign institutional investors*** *(Notes 1.3.8, 1.5, 17 and 24 to the consolidated financial statements)*

Key audit matter	Our response
The group's activities are conducted in a constantly evolving environment and within a complex international regulatory framework. The group is not only subject to significant changes in the legislative environment and in the application and interpretation of regulations, but it also has to contend with litigation arising in the normal course of its business. Your company exercises its judgement in assessing the risks relating to the disputes with the Mediaset group and with certain foreign institutional investors, and recognizes a provision when the expense liable to result from these disputes is probable and the amount can either be quantified or estimated within a reasonable range. We consider these disputes to be a key audit matter given the amounts at stake and the level of judgement required for the determination of the provisions.	We analysed all the information made available to us, including, when applicable, the written confirmations from external legal advisors mandated by your company, relating to (i) the disputes between your company and the Mediaset group and its shareholders and (ii) the disputes between your company and certain foreign institutional investors concerning alleged harm resulting from financial communications of your company and its former CEO between 2000 and 2002. We examined the risk estimates performed by management and notably compared them with the information made available to us by the Vivendi group's advisers. In addition, we analysed the lawyers' answers received in response to our requests for confirmation concerning these disputes. Finally, we verified the information concerning these disputes disclosed in the notes to the consolidated financial statements.

Specific Verifications

As required by French legal and regulatory texts, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Management Board's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L.225-102-1 of the French Commercial Code is included in the information relating to the Group given in the Group's management report, it being specified that, in accordance with the provisions of Article L.823-10 of said Code, we have not verified the fairness of the information contained in this statement or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

Report on Other Legal and Regulatory Requirements

- ***Appointment of the Statutory Auditors***

Deloitte & Associés and Ernst & Young et Autres were respectively appointed as the statutory auditors of Vivendi SE at the Shareholders' Meetings of 25 April 2017 and 15 June 2000.

As of 31 December 2019, Deloitte & Associés and Ernst & Young et Autres were in the third year and twentieth year of total uninterrupted engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by your Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

- ***Objective and audit approach***

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

- ***Report to the Audit Committee***

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537-2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 13, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Thierry Queron and Géraldine Segond	Jacques Pierres and Claire Pajona

Consolidated Statement of Earnings

	Note	Year ended December 31, 2019	2018
Revenues	3	**15,898**	**13,932**
Cost of revenues	4	(8,845)	(7,618)
Selling, general and administrative expenses		(5,495)	(5,022)
Restructuring charges	3	(161)	(115)
Impairment losses on intangible assets acquired through business combinations	3	(20)	(2)
Income from equity affiliates - operational		4	7
Earnings before interest and income taxes (EBIT)	3	**1,381**	**1,182**
Income from equity affiliates - non-operational	12	67	122
Interest	5	(46)	(47)
Income from investments		10	20
Other financial income	5	235	418
Other financial charges	5	(170)	(1,181)
		29	***(790)***
Earnings before provision for income taxes		**1,477**	**514**
Provision for income taxes	6	140	(357)
Earnings from continuing operations		**1,617**	**157**
Earnings from discontinued operations		-	-
Earnings		**1,617**	**157**
Of which			
Earnings attributable to Vivendi SA shareowners		**1,583**	**127**
Non-controlling interests		34	30
Earnings attributable to Vivendi SA shareowners per share - basic	7	**1.28**	**0.10**
Earnings attributable to Vivendi SA shareowners per share - diluted	7	1.28	0.10

In millions of euros, except per share amounts, in euros.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2019	2018
Earnings		**1,617**	**157**
Actuarial gains/(losses) related to employee defined benefit plans, net		(143)	31
Financial assets at fair value through other comprehensive income		(37)	(233)
Comprehensive income from equity affiliates, net	12	(8)	(2)
Items not subsequently reclassified to profit or loss		**(188)**	**(204)**
Foreign currency translation adjustments		170	228
Unrealized gains/(losses), net		(4)	2
Comprehensive income from equity affiliates, net	12	61	(162)
Other impacts, net		22	38
Items to be subsequently reclassified to profit or loss		**249**	**106**
Charges and income directly recognized in equity	8	**61**	**(98)**
Total comprehensive income		**1,678**	**59**
Of which			
Total comprehensive income attributable to Vivendi SA shareowners		**1,639**	**40**
Total comprehensive income attributable to non-controlling interests		39	19

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2019	January 1, 2019	December 31, 2018
ASSETS				
Goodwill	9	14,690	12,438	12,438
Non-current content assets	10	2,746	2,194	2,194
Other intangible assets		883	437	437
Property, plant and equipment		1,097	967	986
Rights-of-use relating to leases	11	1,245	1,131	na
Investments in equity affiliates	12	3,520	3,418	3,418
Non-current financial assets	13	2,263	2,102	2,102
Deferred tax assets	6	782	713	675
Non-current assets		**27,226**	**23,400**	**22,250**
Inventories		277	206	206
Current tax receivables	6	374	135	135
Current content assets	10	1,423	1,346	1,346
Trade accounts receivable and other	14	5,661	5,311	5,314
Current financial assets	13	255	1,090	1,090
Cash and cash equivalents	15	2,130	3,793	3,793
Current assets		**10,120**	**11,881**	**11,884**
TOTAL ASSETS		**37,346**	**35,281**	**34,134**
EQUITY AND LIABILITIES				
Share capital		6,515	7,184	7,184
Additional paid-in capital		2,353	4,475	4,475
Treasury shares		(694)	(649)	(649)
Retained earnings and other		7,179	6,182	6,303
Vivendi SA shareowners' equity		**15,353**	**17,192**	**17,313**
Non-controlling interests		222	220	221
Total equity	16	**15,575**	**17,412**	**17,534**
Non-current provisions	17	1,127	871	858
Long-term borrowings and other financial liabilities	20	5,160	3,448	3,448
Deferred tax liabilities	6	1,037	1,076	1,076
Long-term lease liabilities	11	1,223	1,122	na
Other non-current liabilities		183	223	248
Non-current liabilities		**8,730**	**6,740**	**5,630**
Current provisions	17	494	419	419
Short-term borrowings and other financial liabilities	20	1,777	888	888
Trade accounts payable and other	14	10,494	9,513	9,572
Short-term lease liabilities	11	236	218	na
Current tax payables	6	40	91	91
Current liabilities		**13,041**	**11,129**	**10,970**
Total liabilities		**21,771**	**17,869**	**16,600**
TOTAL EQUITY AND LIABILITIES		**37,346**	**35,281**	**34,134**

na: not applicable.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2019	2018
Operating activities			
EBIT	4	1,381	1,182
Adjustments	21	779	432
Content investments, net		(676)	(137)
Gross cash provided by operating activities before income tax paid		***1,484***	***1,477***
Other changes in net working capital		67	(28)
Net cash provided by operating activities before income tax paid		***1,551***	***1,449***
Income tax (paid)/received, net	6.2	(283)	(262)
Net cash provided by operating activities		**1,268**	**1,187**
Investing activities			
Capital expenditures	3	(413)	(351)
Purchases of consolidated companies, after acquired cash	2	(2,106)	(116)
Investments in equity affiliates		(1)	(3)
Increase in financial assets	13	(177)	(575)
Investments		***(2,697)***	***(1,045)***
Proceeds from sales of property, plant, equipment and intangible assets	3	8	10
Proceeds from sales of consolidated companies, after divested cash		22	16
Disposal of equity affiliates		-	2
Decrease in financial assets	13	1,046	2,285
Divestitures		***1,076***	***2,313***
Dividends received from equity affiliates	12	8	5
Dividends received from unconsolidated companies	13	3	13
Net cash provided by/(used for) investing activities		**(1,610)**	**1,286**
Financing activities			
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	19	175	190
Sales/(purchases) of Vivendi SA's treasury shares	16	(2,673)	-
Distributions to Vivendi SA's shareowners	16	(636)	(568)
Other transactions with shareowners		(13)	(16)
Dividends paid by consolidated companies to their non-controlling interests		(41)	(47)
Transactions with shareowners		***(3,188)***	***(441)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	20	2,101	4
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	20	(6)	(3)
Principal payment on short-term borrowings	20	(787)	(193)
Other changes in short-term borrowings and other financial liabilities	20	870	65
Interest paid, net	5	(46)	(47)
Other cash items related to financial activities		(7)	5
Transactions on borrowings and other financial liabilities		***2,125***	***(169)***
Repayment of lease liabilities and related interest expenses	11 ; 5	(254)	na
Net cash provided by/(used for) financing activities		**(1,317)**	**(610)**
Foreign currency translation adjustments of continuing operations		(4)	(21)
Change in cash and cash equivalents		**(1,663)**	**1,842**
Cash and cash equivalents			
At beginning of the period	15	**3,793**	**1,951**
At end of the period	15	**2,130**	**3,793**

na: not applicable.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Year ended December 31, 2019

(in millions of euros, except number of shares)	Note	Capital					Retained earnings and other			Total equity
		Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
		Number of shares (in thousands)	Share capital							
BALANCE AS OF DECEMBER 31, 2018		***1,306,234***	**7,184**	**4,475**	**(649)**	**11,010**	**7,466**	**(942)**	**6,524**	**17,534**
Attributable to Vivendi SA shareowners		***1,306,234***	***7,184***	***4,475***	***(649)***	***11,010***	***7,221***	***(918)***	***6,303***	***17,313***
Attributable to non-controlling interests		**-**	**-**	**-**	**-**	**-**	***245***	***(24)***	***221***	***221***
Restatements related to the application of IFRS 16		**-**	**-**	**-**	**-**	**-**	**(122)**	**-**	**(122)**	**(122)**
Attributable to Vivendi SA shareowners		-	-	-	-	-	*(121)*	-	*(121)*	*(121)*
Attributable to non-controlling interests		-	-	-	-	-	*(1)*	-	*(1)*	*(1)*
BALANCE AS OF JANUARY 1, 2019		***1,306,234***	**7,184**	**4,475**	**(649)**	**11,010**	**7,343**	**(941)**	**6,402**	**17,412**
Attributable to Vivendi SA shareowners		***1,306,234***	***7,184***	***4,475***	***(649)***	***11,010***	***7,100***	***(918)***	***6,182***	***17,192***
Attributable to non-controlling interests		**-**	**-**	**-**	**-**	**-**	***243***	***(23)***	***220***	***220***
Contributions by/distributions to Vivendi SA shareowners		***(121,658)***	**(669)**	**(2,122)**	**(45)**	**(2,836)**	**(634)**	**-**	**(634)**	**(3,470)**
Capital reduction through cancellation of treasury shares	16	*(130,931)*	(720)	(2,245)	2,965	-	-	-	-	-
Sales/(purchases) of treasury shares	16	-	-	-	(3,033)	(3,033)	-	-	-	(3,033)
Dividend paid on April 18, 2019 with respect to fiscal year 2018 (€0.50 per share)	16	-	-	-	-	-	(636)	-	(636)	(636)
Capital increase related to share-based compensation plans	19	*9,273*	51	123	23	197	2	-	2	199
of which employee Stock Purchase Plans (July 17, 2019)		*5,376*	*30*	*84*	-	*114*	-	-	-	*114*
exercise of stock options by executive management and employees		*3,897*	*21*	*40*	-	*61*	-	-	-	*61*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**(8)**	**-**	**(8)**	**(8)**
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)		***(121,658)***	**(669)**	**(2,122)**	**(45)**	**(2,836)**	**(642)**	**-**	**(642)**	**(3,478)**
Contributions by/distributions to non-controlling interests		-	-	-	-	-	(39)	-	(39)	(39)
Changes in non-controlling interests that result in a gain/(loss) of control		-	-	-	-	-	2	-	2	2
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)		**-**	**-**	**-**	**-**	**-**	**(37)**	**-**	**(37)**	**(37)**
Earnings		-	-	-	-	-	1,617	-	1,617	1,617
Charges and income directly recognized in equity	8	-	-	-	-	-	22	39	61	61
TOTAL COMPREHENSIVE INCOME (C)		**-**	**-**	**-**	**-**	**-**	**1,639**	**39**	**1,678**	**1,678**
TOTAL CHANGES OVER THE PERIOD (A+B+C)		***(121,658)***	***(669)***	***(2,122)***	***(45)***	***(2,836)***	***960***	***39***	***999***	***(1,837)***
Attributable to Vivendi SA shareowners		*(121,658)*	*(669)*	*(2,122)*	*(45)*	*(2,836)*	*959*	38	*997*	*(1,839)*
Attributable to non-controlling interests		-	-	-	-	-	*1*	*1*	*2*	*2*
BALANCE AS OF DECEMBER 31, 2019		***1,184,576***	**6,515**	**2,353**	**(694)**	**8,174**	**8,303**	**(902)**	**7,401**	**15,575**
Attributable to Vivendi SA shareowners		***1,184,576***	***6,515***	***2,353***	***(694)***	***8,174***	***8,059***	***(880)***	***7,179***	***15,353***
Attributable to non-controlling interests		**-**	**-**	**-**	**-**	**-**	***244***	***(22)***	***222***	***222***

Year ended December 31, 2018

(in millions of euros, except number of shares)	Note	Capital					Retained earnings and other			Total equity
		Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
		Number of shares (in thousands)	Share capital							
BALANCE AS OF JANUARY 1, 2018		***1,296,059***	**7,128**	**4,341**	**(670)**	**10,799**	**7,863**	**(806)**	**7,057**	**17,856**
Attributable to Vivendi SA shareowners		***1,296,059***	***7,128***	***4,341***	***(670)***	***10,799***	***7,620***	***(785)***	***6,835***	***17,634***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***243***	***(21)***	***222***	***222***
Contributions by/distributions to Vivendi SA shareowners		***10,175***	**56**	**134**	**21**	**211**	**(572)**	**-**	**(572)**	**(361)**
Dividend paid on April 24, 2018 with respect to fiscal year 2017 (€0.45 per share)	16	-	-	-	-	-	(568)	-	(568)	(568)
Capital increase related to share-based compensation plans	19	*10,175*	56	134	21	211	(4)	-	(4)	207
of which employee Stock Purchase Plans (July 19, 2018)		*5,186*	*28*	*72*	-	*100*	-	-	-	*100*
exercise of stock-options by executive management and employees		*4,989*	*27*	*62*	-	*89*	-	-	-	*89*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)		***10,175***	**56**	**134**	**21**	**211**	**(572)**	**-**	**(572)**	**(361)**
Contributions by/distributions to non-controlling interests		-	-	-	-	-	(40)	-	(40)	(40)
Changes in non-controlling interests that result in a gain/(loss) of control		-	-	-	-	-	20	-	20	20
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)		**-**	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**	**(20)**
Earnings		-	-	-	-	-	157	-	157	157
Charges and income directly recognized in equity	8	-	-	-	-	-	38	(136)	(98)	(98)
TOTAL COMPREHENSIVE INCOME (C)		**-**	**-**	**-**	**-**	**-**	**195**	**(136)**	**59**	**59**
TOTAL CHANGES OVER THE PERIOD (A+B+C)		***10,175***	***56***	***134***	***21***	***211***	***(397)***	***(136)***	***(533)***	***(322)***
Attributable to Vivendi SA shareowners		*10,175*	*56*	*134*	*21*	*211*	*(399)*	(133)	*(532)*	*(321)*
Attributable to non-controlling interests		-	-	-	-	-	*2*	*(3)*	*(1)*	*(1)*
BALANCE AS OF DECEMBER 31, 2018		***1,306,234***	**7,184**	**4,475**	**(649)**	**11,010**	**7,466**	**(942)**	**6,524**	**17,534**
Attributable to Vivendi SA shareowners		***1,306,234***	***7,184***	***4,475***	***(649)***	***11,010***	***7,221***	***(918)***	***6,303***	***17,313***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***245***	***(24)***	***221***	***221***

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Vivendi, a limited liability company incorporated under French law as of December 31, 2019, was registered in its new European form on January 7, 2020. As from that date, its name is followed by the words "Société Européenne" or the abbreviation "SE". Vivendi is subject to the provisions of French commercial company law that are applicable to it in France, including Council Regulation EC No. 2157/2001 of October 8, 2001 on the statute for a European company and the French Commercial Code *(Code de commerce)*. Vivendi was incorporated on December 18, 1987, for a term of 99 years expiring on December 17, 2086, except in the event of an early dissolution or unless its term is extended. Its registered office is located at 42 avenue de Friedland - 75008 Paris (France). Vivendi is listed on Euronext Paris (Compartment A).

Vivendi is an integrated content, media and communications group. The company operates businesses throughout the media value chain, from talent discovery to the creation, production and distribution of content. Universal Music Group is the world leader in music, engaged in recorded music, music publishing and merchandising. It owns more than 50 labels covering all music genres. Canal+ Group is the leading pay-TV operator in France, also operating in Benelux, Poland, Central Europe, Africa and Asia. Its subsidiary Studiocanal is a leading European player in the production, sale and distribution of movies and TV series. Havas Group is one of the world's largest global communications group covering all the communications disciplines: creativity, media expertise and healthcare/wellness. Editis is the second-largest French-language publishing group with more than 50 prestigious publishing houses and a large portfolio of internationally-acclaimed authors. Gameloft is one of the leading mobile game publishers in the world, with 1.5 million games downloaded daily across all platforms. Vivendi Village brings together Vivendi Ticketing (in Europe and the United States), as well as live performances through Olympia Production, Festival Production and venues in Paris (L'Olympia and Théâtre de L'Œuvre) and in Africa (CanalOlympia). New Initiatives groups together Dailymotion, one of the world's largest video content aggregation and distribution platforms and Group Vivendi Africa (GVA), a subsidiary dedicated to the development of ultra-high-speed Internet service in Africa.

The Consolidated Financial Statements reflect the financial and accounting situation of Vivendi and its subsidiaries (the "group") together with interests in equity affiliates. Amounts are reported in euros and all values are rounded to the nearest million.

On February 10, 2020, at a meeting held at the headquarters of the company, the Management Board approved the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2019. They were reviewed by the Audit Committee at its meeting held on February 11, 2020 and by the Supervisory Board at its meeting held on February 13, 2020.

The Consolidated Financial Statements for the year ended December 31, 2019 will be submitted to Vivendi's shareholders for approval at the Annual General Shareholders' Meeting to be held on April 20, 2020.

Note 1 Accounting policies and valuation methods

1.1 Compliance with accounting standards

The 2019 Consolidated Financial Statements of Vivendi SA have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and in accordance with IFRS published by the International Accounting Standards Board (IASB) with mandatory application as of December 31, 2019.

Among the new IFRS standards and IFRIC interpretations, which applied from January 1, 2019, the main subjects for Vivendi relates to IFRS 16 – *Leases*.

IFRS 16 – *Leases*, which was issued by the IASB on January 13, 2016, endorsed by the EU on October 31, 2017 and published in the Official Journal of the EU on November 9, 2017, applies mandatorily from January 1, 2019. Vivendi applies IFRS 16 with retrospective effect as from January 1, 2019 without restating comparative periods in the consolidated financial statements.

Licenses of intellectual property granted by a lessor and rights held by a lessee under licensing agreements being excluded from the scope of IFRS 16, and commercial supply agreements for the Canal+ Group satellite capacity, which are in general commercial service agreements for which contract costs are expensed as operational costs for the period, Vivendi mainly focused on the accounting of real estate leases for which Vivendi is the lessee, which mainly results in the recognition of a lease liability equal to the present value of future lease payments against a right-of-use asset relating to leases.

The determination of the lease liability as of January 1, 2019 was made by:

1) analyzing operating leases for which contractual obligations were disclosed as off-balance sheet commitments until December 31, 2018 (please refer to Note 22 "Contractual obligations and other commitments" to the Consolidated Financial Statements for the year ended December 31, 2018, page 302 of the 2018 Annual Report);

2) assessing the lease term that relates to the non-cancellable period of the lease, and taking into account all options to extend the lease which Vivendi is reasonably certain to exercise and all options to terminate the lease which Vivendi is reasonably certain not to exercise. Vivendi determined that real estate lease terms in France are generally nine years; and
3) estimating the incremental borrowing rate as of January 1, 2019 of each lease contract, taking into account their residual lease term at this date and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

As of January 1, 2019, the initial application of IFRS 16 resulted in the recognition of a lease liability of €1,340 million and a right-of-use asset relating to leases of €1,131 million, the difference being a negative impact of -€122 million net of deferred tax liability recorded in retained earnings. The difference between the lease liability and right-of-use asset is mainly due to the choice made for some significant leases to measure the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease's commencement date, and subsequently discounted using its incremental borrowing rate as of January 1, 2019.

As of January 1, 2019, the main impacts of such application are detailed in Note 11, it being specified that:

- this valuation does not include the impact of the consolidation of Editis as from February 1, 2019;
- for some leases, as permitted by IFRS 16, Vivendi uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease at the initial application date; and
- Vivendi has applied the practical expedient provided by IFRS 16 to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The lease liability is a current or non-current operating liability excluded from the calculation of Financial Net Debt. Depreciation of right-of-use assets is included in Adjusted Earnings Before Interest and Income Taxes (EBITA) and the income from operations. The effect of undiscounting the lease liability (interest expense on lease liabilities) is included in other financial charges and is therefore excluded from adjusted net income (ANI). Cash payments for the principal of the lease liability and any interest thereon, which are presented as financing activities in the condensed statement of cash flows, impact Cash Flow From Operations (CFFO).

Vivendi considers Adjusted Earnings Before Interest and Income Taxes (EBITA), income from operations, adjusted net income (ANI) and Cash Flow From Operations (CFFO), all non-GAAP measures defined in Note 1.2.3 "Operating performance of each operating segment and the group", to be relevant indicators of the group's operating and financial performance.

In addition, the interpretation IFRIC 23 - Uncertainty over Income Tax Treatments, which was issued by the IASB on June 7, 2017, endorsed by the EU on October 23, 2018 and published in the Official Journal of the EU on October 24, 2018, applies mandatorily from January 1, 2019. This interpretation clarifies the determination of taxable income (taxable profit or loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over an income tax treatment and the acceptability of such treatment by a taxation authority.

1.2 Presentation of the Consolidated Financial Statements

1.2.1 Consolidated Statement of Earnings

The main line items presented in Vivendi's Consolidated Statement of Earnings are revenues, income from equity affiliates, interest, provision for income taxes, net earnings from discontinued or held for sale operations, and net earnings. The Consolidated Statement of Earnings presents a subtotal of Earnings Before Interest and Tax (EBIT) equal to the difference between charges and income (excluding financing activities, discontinued or held for sale operations, and income taxes).

The charges and income relating to financing activities consist of interest, income from investments, as well as other financial charges and income as defined in paragraph 1.2.3 and presented in Note 5.

Changes in presentation of the Consolidated Statement of Earnings

To ensure the consistency of the presentation of Vivendi's Consolidated Statement of Earnings with the one prepared by Bolloré Group, which decided to fully consolidate Vivendi into its Consolidated Financial Statements as from April 26, 2017, Vivendi made the following changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017:

- when the companies over which Vivendi exercises a significant influence engage in operations that are similar in nature to the group's operations, income from equity affiliates is classified to "Earnings Before Interest and Income Taxes" (EBIT); and
- the impacts related to financial investment operations, which were previously reported in "other operating charges and income" in EBIT, are reclassified to "other financial charges and income". They include capital gains or losses on the divestiture or depreciation of equity affiliates and other financial investments.

Moreover, the impacts of transactions with shareowners (except when directly recognized in equity) continue to be recorded in EBIT.

In accordance with IAS 1, Vivendi has applied these changes in presentation to all periods previously published.

1.2.2 Consolidated Statement of Cash Flows

Net cash provided by operating activities

Net cash provided by operating activities is calculated using the indirect method based on EBIT. EBIT is adjusted for non-cash items and changes in net working capital. Net cash provided by operating activities excludes the cash impact of financial charges and income and net changes in working capital related to property, plant and equipment, and intangible assets.

Net cash used for investing activities

Net cash used for investing activities includes changes in net working capital related to property, plant and equipment, and intangible assets as well as cash from investments (particularly dividends received from equity affiliates). It also includes any cash flows arising from the gain or loss of control of subsidiaries.

Net cash used for financing activities

Net cash used for financing activities includes net interest paid on borrowings, cash and cash equivalents, bank overdrafts, as well as the cash impact of other items related to financing activities such as premiums from the early redemption of borrowings and the settlement of derivative instruments. It also includes cash flows from changes in ownership interests in a subsidiary that do not result in a loss of control (including increases in ownership interests).

1.2.3 Operating performance of each operating segment and the group

Vivendi considers Adjusted Earnings Before Interest and Tax (EBITA), income from operations, Adjusted net income (ANI), and Cash Flow From Operations (CFFO), all non-GAAP measures, to be relevant indicators of the group's operating and financial performance.

EBITA

Vivendi considers EBITA, a non-GAAP measure, to be a relevant measure to assess the performance of its operating segments as reported in the segment data. It enables Vivendi to compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or by acquisitions. To calculate EBITA, the accounting impact of the following items is excluded from the income from EBIT:

- the amortization of intangible assets acquired through business combinations;
- impairment losses on goodwill and other intangibles acquired through business combinations; and
- other income and charges related to transactions with shareowners, as defined above in Note 1.2.1.

Income from operations

Vivendi considers income from operations, a non-GAAP measure, to be a relevant measure to assess the performance of its operating segments as reported in the segment data. As defined by Vivendi, income from operations is calculated as EBITA, before share-based compensation costs related to equity-settled plans and cash-settled plans, and special items due to their unusual nature or particular significance.

Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant measure to assess the group's operating and financial performance. Vivendi Management uses adjusted net income because it better illustrates the underlying performance of continuing operations by excluding most non-recurring and non-operating items. Adjusted net income includes the following items:

- EBITA (**);
- income from equity affiliates – non-operational (*);
- interest (*), equal to interest expense on borrowings net of interest income earned on cash and cash equivalents;
- income from investments (*), including dividends and interest received from unconsolidated companies; and
- taxes and non-controlling interests related to these items.

It does not include the following items:

- amortization of intangibles acquired through business combinations (**) as well as impairment losses on goodwill and other intangibles acquired through business combinations (*) (**);
- other financial charges and income (*), equal to capital gains or losses related to divestitures, or the depreciation of equity affiliates and other financial investments, the profit and loss recognized in business combinations as well as the profit and loss related to the change in value of financial assets and the termination or change in value of financial liabilities, which primarily include changes in the fair value of derivative instruments, premiums from the early redemption of borrowings, the early unwinding of derivative instruments, the cost of issuing or cancelling credit facilities, the cash impact of foreign exchange transactions (other than those

related to operating activities, included in EBIT), as well as the effect of undiscounting assets and liabilities, and the financial components of employee benefits (interest cost and expected return on plan assets);

- earnings from discontinued operations (*); and
- provisions for income taxes and adjustments attributable to non-controlling interests and non-recurring tax items (notably the changes in deferred tax assets pursuant to Vivendi SA's tax group and the Consolidated Global Profit Tax Systems, and the reversal of tax liabilities relating to risks extinguished over the period).

(*) Items as presented in the Consolidated Statement of Earnings; (**) Items as reported by each operating segment as reported in the segment data.

Cash Flow From Operations (CFFO)

Vivendi considers cash flow from operations (CFFO), a non-GAAP measure, to be a relevant measure to assess the group's operating and financial performance. CFFO includes net cash provided by operating activities, before income tax paid, as presented in the Statement of Cash Flows, dividends received from equity affiliates, and unconsolidated companies, as well as cash payments for the principal of the lease liability and any interest thereon, which are presented as financing activities in the condensed statement of cash flows. It also includes capital expenditures, net that relate to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

The difference between CFFO and net cash provided by operating activities consists of dividends received from equity affiliates and unconsolidated companies and capital expenditures, net (which are included in net cash used for investing activities), income tax paid, net and net cash provided by operating activities of discontinued operations, which are excluded from CFFO.

1.2.4 Consolidated Statement of Financial Position

Assets and liabilities that are expected to be realized, or intended for sale or consumption, within the entity's normal operating cycle (generally 12 months), are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities. Moreover, certain reclassifications were made to the 2018 and 2017 Consolidated Financial Statements to conform to the presentation of the 2019 and 2018 Consolidated Financial Statements.

1.3 Principles governing the preparation of the Consolidated Financial Statements

Pursuant to IFRS principles, the Consolidated Financial Statements have been prepared on a historical cost basis, with the exception of certain assets and liabilities, notably IFRS 13 – *Fair Value Measurement* relating to measurement and disclosures applies. Relevant categories are detailed below.

The Consolidated Financial Statements include the financial statements of Vivendi and its subsidiaries after eliminating intragroup items and transactions. Vivendi has a December 31st year-end. Subsidiaries that do not have a December 31st year-end prepare interim financial statements at that date, except when their year-end falls within the three months preceding December 31st.

Acquired subsidiaries are included in the Consolidated Financial Statements of the group as of the date of acquisition.

1.3.1 Use of estimates

The preparation of Consolidated Financial Statements in compliance with IFRS requires the group's management to make certain estimates and assumptions that they consider reasonable and realistic. Although these estimates and assumptions are regularly reviewed by Vivendi Management, based in particular on past or anticipated achievements, facts and circumstances may lead to changes in these estimates and assumptions which could have an impact on the reported amount of group assets, liabilities, equity or earnings.

The main estimates and assumptions relate to the measurement of:

- revenue: estimates of provisions for returns and price guarantees (please refer to Note 1.3.4);
- goodwill and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations (please refer to Note 1.3.5.2);
- goodwill, intangible assets with indefinite useful lives and assets in progress: assumptions relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates are updated annually (please refer to Notes 1.3.5.8 and 9);
- UMG content assets: estimates of the future performance of beneficiaries who received advances are recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a risk reassessment at any time (please refer to Notes 1.3.8 and 17);

- employee benefits: assumptions are updated annually, such as the probability of employees remaining within the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.8 and 18);
- share-based compensation: assumptions are updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.10 and 19);
- lease liabilities and right-of-use assets, at the commencement date of each lease contract please refer to Notes 1.1, 1.3.5.7 and 11):
  - assessing the lease term that relates to the non-cancellable period of the lease, taking into account all options to extend the lease that Vivendi is reasonably certain to exercise and all options to terminate the lease that Vivendi is reasonably certain not to exercise; and
  - estimating the lessee's incremental borrowing rate, taking into account their residual lease term and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.
- deferred taxes: estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1.3.9 and 6); and
- certain financial instruments: valuation method at fair value defined according to the three following classification levels (please refer to Notes 1.3.5.9, 1.3.7, 13, 15 and 20):
  - Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
  - Level 2: fair value measurement based on observable market data (other than quoted prices included under Level 1); and
  - Level 3: fair value measurement based on valuation techniques using inputs for the asset or liability that are not based on observable market data.

  The fair value of trade accounts receivable and other, cash and cash equivalents, and trade accounts payable is a reasonable estimate of fair value, due to the short maturity of these instruments.

1.3.2 Principles of consolidation

For a list of Vivendi's major subsidiaries, joint ventures and associated entities, please refer to Note 25.

Consolidation

All companies in which Vivendi has a controlling interest, namely those in which it has the power to govern financial and operational policies to obtain benefits from their operations, are fully consolidated.

Control as defined by IFRS 10 – *Consolidated Financial Statements* is based on the three criteria below to be fulfilled cumulatively to assess if the parent company exercises control:

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements. Voting rights must be substantial, i.e., exercisable at any time without limitation, particularly during decision-making processes related to significant activities. Assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;
- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and
- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control.

Consolidated Financial Statements of a group are presented as if the group was a single economic entity with two categories of owners: (i) the owners of the parent company (Vivendi SA shareowners) and (ii) the owners of non-controlling interests (minority shareholders of the subsidiaries). A non-controlling interest is defined as the interest in a subsidiary that is not attributable, whether directly or indirectly, to a parent company. As a result, changes to a parent company's ownership interest in a subsidiary that do not result in a loss of control only impact equity, as control of the economic entity does not change. Hence, in the event of the acquisition of an additional interest in a consolidated entity after January 1, 2009, Vivendi recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to Vivendi SA shareowners. Conversely, any acquisition of control achieved in stages or a loss of control gives rise to profit or loss in the statement of earnings.

Accounting for joint arrangements

IFRS 11 – *Joint Arrangements* establishes principles for financial reporting by parties to a joint arrangement.

In a joint arrangement, parties are bound by a contractual arrangement, giving these parties joint control of the arrangement. An entity that is a party to an arrangement shall assess whether the contractual arrangement gives all the parties or a group of the parties control of the arrangement collectively. Once it has been established that all the parties or a group of the parties collectively control the arrangement, joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

Joint arrangements are classified into two categories:

- joint operations: these are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint operator shall recognize 100% of wholly-owned assets/liabilities, expenses/revenues of the joint operation, and its share of any of those items held jointly; and
- joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. Each joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 – *Investments in Associates and Joint Ventures* (please see below).

Equity accounting

Entities over which Vivendi exercises significant influence as well as joint ventures are accounted for under the equity method.

Significant influence is deemed to exist when Vivendi holds, whether directly or indirectly, at least 20% of the voting rights in an entity unless it can be clearly established that Vivendi does not exercise a significant influence. Significant influence can be evidenced through other criteria, such as representation on the entity's board of directors or equivalent governing body, participation in policy-making of financial and operational processes, material transactions with the entity or the interchange of managerial personnel.

1.3.3 Foreign currency translation

The Consolidated Financial Statements are presented in millions of euros. The functional currency of Vivendi SA and the presentation currency of the group is the euro.

Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the entity at the exchange rate prevailing at the date of the transaction. At the closing date, foreign currency monetary assets and liabilities are translated into the entity's functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed, with the exception of differences resulting from borrowings in foreign currencies which constitute a hedge of the net investment in a foreign entity. These differences are allocated directly to charges and income directly recognized in equity until the divestiture of the net investment.

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro are translated into euros as follows: the Consolidated Statement of Financial Position is translated at the exchange rate at the end of the period, and the Consolidated Statement of Earnings and the Consolidated Statement of Cash Flows are translated using average monthly exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in charges and income directly recognized in equity. In accordance with IFRS 1, Vivendi elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2004. These foreign currency translation differences resulted from the translation into euros of the financial statements of subsidiaries that use foreign currencies as their functional currencies. Consequently, these adjustments are not applied to earnings on the subsequent divestiture of subsidiaries, joint ventures or associates whose functional currency is not the euro.

1.3.4 Revenues and associated costs

Revenues from contracts with customers are recorded when performance obligations promised in the contract are satisfied, and for an amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Revenues are reported net of discounts.

Vivendi has made the accounting of intellectual property licensing revenues a major point of attention.

Intellectual property licensing (musical and audiovisual works)

These licenses transfer to a customer either a right to use an entity's intellectual property as it exists at the point in time at which the license is granted (static license), or a right to access an entity's intellectual property as it exists throughout the license period (dynamic license).

Revenues are accounted for when the performance obligation promised in the contract is satisfied (static license) or over time upon satisfaction (dynamic license), i.e., when the seller transfers the risks and rewards of the right to use/access the intellectual property and the customer obtains control of the use/access of that license. Consequently, revenues from static licenses are recognized at the point in time when the license is transferred and the customer is able to use and benefit from the license. Revenues from dynamic licenses are accounted for over time, over the license period from the date the customer is able to use and benefit from the license.

Analysis of the Agent/Principal relationship in the sales transactions involving a third party

If the nature of the entity's promise is a performance obligation to provide the specified goods or services itself, then the entity acts on its own behalf and it is "principal" in the sale's transaction: it accounts for revenue the gross amount of consideration to which it expects to be entitled in exchange for the goods or services provided, and the commission due to the third-party as cost of revenues. If the entity arranges for a third-party to provide the goods or services specified in the contract, then it recognizes as revenues the net amount of consideration to which it expects to be entitled in exchange for the goods or services provided.

1.3.4.1 Universal Music Group (UMG)

Recorded Music

The sales of recorded music (physical, digital downloading or streaming) are intellectual property licenses granted by UMG to distributors or digital platforms and which give them certain rights over the company's musical works. In its relationship with the distributor/digital platform and the end customer, UMG cannot be "principal", as the distributor or the digital platform is responsible for setting the transfer of control conditions of the right of use granted by the license to the end customer (broadcasting, price setting and conditions for reselling the physical devices).

Physical sales of recorded music (CDs, DVDs and Vinyls)

These intellectual property licenses are static licenses transferring to the customer a right to use UMG's recordings as they exist at the point in time at which the license is granted, i.e., on the physical device sold.

Revenues from the physical sales of recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.6) and rebates, if any, are accounted for, either: (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales.

Digital sales of recorded music, via downloading or streaming by subscription or free of charge

These intellectual property licenses are generally dynamic licenses providing a right to access the entire catalog of recorded music as it exists throughout the license period considering potential add-ons to, or withdrawals from, the catalog during that period.

The consideration paid by the digital platform is variable in the form of a sales-based or a usage-based royalty. Revenues are then accounted for when these subsequent sales or usages occur. Revenues from digital sales of recorded music, for which UMG has sufficient, accurate, and reliable data from digital platforms, are recognized at the end of the month in which the sale or usage is made by the end customer. If such data is not available, revenues are recognized when the digital platform notifies UMG of the sale or usage by the end customer.

For digital sales of recorded music streaming by subscription or free of charge, certain contracts may include a non-refundable minimum guarantee which is generally recoupable and is in substance an advance payment. In the case of a dynamic license, the minimum guarantee is spread over the period to which it relates to and takes into account the amount of royalties that is actually recoupable. The minimum guarantee is hence apportioned in accordance with the accounting for these royalties.

Music publishing

Music publishing relates to the use by a third party of the copyrights on musical works owned or administered by UMG, which are intellectual property licenses that UMG grant to the third party and which provides a right to access a catalog of recorded music, as these intellectual property licenses are dynamic licenses.

The consideration paid by the third-party, notably a collection society (e.g., company for the collective management of intellectual-property rights) is variable in the form of a royalty based on the usage by the third party. The variable consideration being accounted for when these subsequent usages occur, revenues from music publishing are accounted for when the collection society notifies UMG of the usage by the end customer and collectability is assured.

Merchandising

Revenues from merchandising are recognized either upon sale to the end customer, from direct sales during touring, concessions and over the internet; on delivery for sales by a third-party distributor; when a contract is signed, or when an invoice has been issued and the collectability is assured for sales of rights attached to merchandising products.

1.3.4.2 Canal+ Group

Terrestrial, satellite or ADSL television subscription services

Subscription to programs

Each subscription to a contract for pay-TV services is considered as a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. The provision of set-top boxes, digital cards and access fees do not represent distinct services or goods, and they are combined with the subscription service as a single performance obligation satisfied over time, as the customer simultaneously receives and consumes the benefits provided by Canal+ Group's performance as the pay-TV services are supplied. In its relationship with the third-party distributor and the end customer, Canal+ Group acts as "principal" in the transaction with the end customer for the self-distribution contracts as it is responsible for the activation of the subscription of the end customer and for setting the selling price.

Revenues, net of potential gratuities granted, are then accounted for over the period the service is provided from the activation date of the subscription and as the service is provided.

Video-on-demand and television-on-demand services

The video-on-demand service, which allows customers to have unlimited access to a catalog of programs through streaming and the television-on-demand service, and through providing access to one-time programs by downloading or streaming, are distinct services from the subscription service. In its relationship with the third-party distributor and the end customer, Canal+ Group is not "principal", as the third-party distributor is responsible for the performance of the service both technically and commercially.

The video-on-demand service is a performance obligation which is satisfied over time, and the revenues are accounted for over the period it is provided to the customer. The television-on-demand service is a performance obligation satisfied at a point in time, and the revenues are accounted for when the content is available for broadcasting.

Sales of advertising spaces

These are sales of television advertising spaces (in the form of classic TV commercials and of partnerships for shows or events) or online advertising spaces (videos and advertising banners).

Pay and free-to-air television

In regard to commercials, the distinct performance obligation is the reach of a given gross rating point (GRP] which generally comprises a set of advertising messages aimed at a specific target audience and satisfied over time. Revenues from these sales, net of rebates if any, are accounted for over the period of the advertising campaign, generally because the advertising commercials are broadcasted considering potential free periods granted.

Website

Each type of advertising imprint (advertising display) represents a distinct performance obligation, because the advertiser can benefit separately from each type of advertising imprint, satisfied at a point in time. Revenues from the sale of online advertising spaces, net of rebates, if any, are accounted for when the advertising imprints are produced, i.e., when the advertisements are broadcasted on the website.

Film and television programs

Physical sales of movies (DVDs and Blu-rays)

Please refer to the section on physical sales of recorded music (CDs, DVDs and Vinyls) at UMG.

Sales of exploitation rights of audiovisual works

These sales are intellectual property licenses granted by Canal+ Group to broadcasters or to distributors and which give them certain rights over its audiovisual works. These licenses are static licenses because they transfer a right to use the films as they exist at the point in time at which the licenses are granted. In its relationship with the third-party distributor and the end customer, Canal+ Group is not "principal" in the transaction with the end customer, as the distributor is responsible for the delivery of the film and for the price setting to the end customer.

Revenues from the sale of the exploitation rights are recorded from the moment the client is able to use it and obtain the remaining benefits. When the consideration paid by the customer is a fixed price, revenues from the sales of exploitation rights are recorded from the latest of the delivery and the opening of the exploitation window set contractually or legally (refer to the media chronology in France). When the consideration paid by the customer is variable in the form of a sales-based royalty to the end customer, revenues are recognized as the subsequent sale occurs.

1.3.4.3 Havas Group

Revenues from Havas Group derive substantially from fees and commissions for its activities:
- Creative: advice and services provided in the fields of communications and media strategy; and
- Media: planning and purchase of advertising spaces.

For each sale's transaction, Havas Group identifies if it acts as "principal" or not, based on its level of responsibility in the execution of the performance obligation, the control of the inventory and the price setting. Revenues are then recognized, net of costs incurred for production when Havas Group does not act as "principal".

When Havas Group acts as "principal", certain pass-through costs rebilled to customers, which were deducted from revenues in accordance with IAS 18 (applicable until December 31, 2017), are now recorded as revenues and as costs of revenues in accordance with IFRS 15. Given that these pass-through costs are not included in the measurement of the operating performance, Havas Group decided to use a new indicator, "net revenues", corresponding to revenues less these pass-through costs rebilled to customers.

Commissions are accounted for at a point in time, either at the date the service is performed or at the date the media is aired or published.

Fees are accounted for as revenues as per the following:
- one-off or project fees are recognized at the point in time when the service is performed. If these fees include a qualitative aspect, they are result is assessed by the client at the end of the project; and
- fixed fees are generally recognized over time on a straight-line basis reflecting the expected duration of the service; fees based on time spent are recognized as work is performed.

Certain contractual arrangements with clients also include performance incentives pursuant to which Havas Group is entitled to receive additional payments based upon its performance for the client, measured against specified qualitative and quantitative objectives. Havas Group recognizes the incentive portion of the revenue under these contractual arrangements when it is considered highly probable that the qualitative and quantitative goals are achieved in accordance with the arrangements.

1.3.4.4 Editis

Physical sales of books

The intellectual property licenses presented in Note 1.3.5.3 are static licenses transferring to the customer a right to use books sold by Editis as they exist at the point in time at which the license is granted, i.e., on the physical device sold.

Revenues from the physical sales of books, net of a provision for estimated returns (please refer to Note 1.3.4.6) and rebates, if any, are accounted at the shipping point of products.

1.3.4.5 Gameloft

Digital sales of video games on mobile devices

The gaming experience sold by Gameloft is composed of a license to use a video game on mobile devices (which can be pre-set on the mobile terminal), and, if any, adds-in, which allows the player to progress in the video game (virtual elements, time-limited events and multi-player functionality).

The grant of a video game to an end customer through a third-party distributor, digital platform, telecom operator or mobile device manufacturer, as well as the virtual elements acquired in the video game, the time-limited events and the multi-player functionality, represent a single performance obligation in the form of an intellectual property license granted by Gameloft to third-party distributors.

These licenses are static because they transfer a right to use the video game as it exists at the point in time at which the license is granted, as Gameloft has no obligation to update the video game. In its relationship with the third-party distributor and the end customer, Gameloft acts as "principal" in the transaction with the end customer, when Gameloft is responsible for providing the video game license and for setting the price to the end customer.

The consideration paid by the third-party distributor is variable in the form of a sales-based royalty. Revenues are then accounted for when the subsequent sale occurs.

Sales of advertising spaces in video games, in the form of videos and advertising banners

The advertising display in a video game is an advertising impression corresponding to a distinct performance obligation, as the advertiser can benefit separately from each type of advertising impression, satisfied at a point in time.

Revenues from the sale of advertising spaces in video games, net of rebates if any, are then accounted for when the advertising impressions are produced, i.e., when the advertisements are published. When the sale is made by a third party (media agency or auction platform), Gameloft is generally "principal" in the sale's transaction with the advertiser, notably when Gameloft is responsible for technically supplying the advertising impression, as well as for setting the price.

1.3.4.6 Other

Provisions for estimated returns and price guarantees are deducted from sales of products to customers through distributors. The provisions are estimated based on past sales statistics and take into account the economic environment and product sales forecast to final customers.

Selling, general and administrative expenses primarily include salaries and employee benefits, rent, consulting and service fees, insurance costs, travel and entertainment expenses, administrative department costs, provisions for receivables and other operating expenses.

Advertising costs are expensed when incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising at UMG is treated as a marketing expense and expensed when its expected benefit is individualized and can be estimated.

1.3.5 Assets

1.3.5.1 Capitalized financial interest

When appropriate, Vivendi capitalizes financial interest incurred during the construction and acquisition period of intangible assets, and property, plant and equipment, these interests being included in the cost of qualifying assets.

1.3.5.2 Goodwill and business combinations

Business combinations from January 1, 2009

Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

- the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date; and
- non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This option is available on a transaction-by-transaction basis.

On the acquisition date, goodwill is initially measured as the difference between:

(i) the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; and
(ii) the net fair value of the identifiable assets and liabilities assumed on the acquisition date.

The measurement of non-controlling interests at fair value results in an increase in goodwill up to the extent attributable to these interests, thereby leading to the recognition of a "full goodwill". The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 1.3.5.8 below).

In addition, the following principles are applied to business combinations:

- on the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;
- contingent consideration in a business combination is recorded at fair value on the acquisition date, and any subsequent adjustment occurring after the purchase price allocation period is recognized in the Statements of Earnings;
- acquisition-related costs are recognized as expenses when incurred;
- in the event of the acquisition of an additional interest in a subsidiary, Vivendi recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to Vivendi SA shareowners; and
- goodwill is not amortized.

Business combinations prior to January 1, 2009

Pursuant to IFRS 1, Vivendi elected not to restate business combinations that occurred prior to January 1, 2004. IFRS 3, as published by the IASB in March 2004, retained the acquisition method. However, its provisions differed from those of its revised standard in respect of the main following items:

- minority interests were measured at their proportionate share of the acquiree's net identifiable assets as there was no option for measurement at fair value;
- contingent consideration was recognized in the cost of acquisition only if the payment was likely to occur and the amounts could be reliably measured;
- transaction costs that were directly attributable to the acquisition formed part of acquisition costs; and
- in the event of the acquisition of an additional interest in a subsidiary, the difference between the acquisition cost and the carrying value of minority interests acquired was recognized as goodwill.

1.3.5.3 Content assets

UMG

Royalty advances to artists, songwriters, and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis to conclude that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Royalties earned by artists, songwriters, and co-publishers are recognized as an expense in the period during which the sale of the product occurs, less a provision for estimated returns.

Change in estimate

Music rights and catalogs include music catalogs, artists' contracts and music publishing rights acquired through business combinations. The annual review of the value of the intangible assets, undertaken by Vivendi at year-end 2016 led to a change in the amortization method of music rights and catalogs as from January 1, 2017, which notably resulted in an extension of the amortization period from 15 to 20 years. As part of this review, Vivendi concluded that the value of music rights and catalogs had increased and that the useful life was longer than previously estimated, given recent changes in the outlook for the international music market, driven in particular by the development of subscription streaming services. In 2017, the impact over the period of this forward-looking change in estimate on the amortization expense amounted to €94 million (net of deferred taxes).

Canal+ Group

Film, television or sports broadcasting rights

When entering into contracts for the acquisition of film, television or sports broadcasting rights, the rights acquired are classified as contractual commitments. They are recorded in the Statement of Financial Position and classified as content assets as follows:

- film and television broadcasting rights are recognized at their acquisition cost when the program is available for screening and are expensed over their broadcasting period;
- sports broadcasting rights are recognized at their acquisition cost at the opening of the broadcasting period of the related sports season or upon the first payment and are expensed as they are broadcast; and
- expensing of film, television or sports broadcasting rights is included in cost of revenues.

Theatrical films and television rights produced or acquired to be sold to third parties

Theatrical films and television rights produced or acquired before their initial exhibition to be sold to third parties, are recorded as a content asset at capitalized cost (mainly direct production and overhead costs) or at their acquisition cost. The cost of theatrical films and television rights are amortized, and other related costs are expensed, pursuant to the estimated revenue method (i.e., based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis). Vivendi considers that amortization pursuant to the estimated revenue method reflects the rate at which the entity plans to consume the future economic benefits related to the asset, and there is a high correlation between revenue and the consumption of the economic benefits embodied in the intangible assets.

Where appropriate, estimated losses in value are provided in full against earnings for the period in which the losses are estimated, on an individual product basis.

Film and television rights catalogs

Catalogs comprise film rights acquired for a second television screening, or produced or acquired film and television rights that are sold to third parties after their first television screening (i.e., after their first broadcast on a free terrestrial channel). They are recognized as an asset at their acquisition or transfer cost and amortized as groups of films, or individually, based respectively on the estimated revenue method.

Editis

Editorial creation

Editorial creation costs include all expenses incurred during the first phase of the production of a work (i.e., pre-press, reading, correction, flat-rate translation, photo rights, illustration, iconographic research, layout). The editorial phase covers the period of conception, creation and fine-tuning of a final layout.

Editorial creation expenditures are accounted for as a fixed asset if and only if:

- the costs can be reliably measured and relate to clearly individualized projects,
- the publishing company can demonstrate the technical and commercial feasibility of the project, and
- the publishing company can demonstrate the existence and intent of probable future economic benefits and the availability of sufficient resources to complete the development and marketing of the book.

Expenses relating to research budgets and market research are considered as expenses when incurred. For all projects, criteria for the recognition of intangible assets and the classification of expenditures are determined so as to be allocated by project.

Copyrights

Advances paid to authors (e.g., capital gains, guaranteed advances and minimum guaranteed payments) are recorded as intangible assets.

1.3.5.4 Research and development costs

Research costs are expensed when incurred. Development expenses are capitalized when the feasibility and, in particular, profitability of the project can reasonably be considered certain.

Cost of internal use software

Direct internal and external costs incurred for the development of computer software for internal use, including website development costs, are capitalized during the application development stage. Application development stage costs generally include software configuration, coding, installation and testing. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized. These capitalized costs are amortized over 5 to 10 years. Maintenance, minor upgrades, and enhancement costs are expensed as they are incurred.

Cost of developing video games

Development costs of video games are capitalized when both the technical feasibility and the management's intention to complete the game so that it will be available for use and sale are verified, and when the recoverability is reasonably assured. Because of the uncertainty that exists regarding those criteria, the recognition requirements of IAS 38 are usually not met until the game is launched. Therefore, costs of developing mobile games are usually expensed as incurred.

1.3.5.5 Other intangible assets

Intangible assets separately acquired are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at the acquisition date. The historical cost model is applied to intangible assets after they have been recognized. Assets with an indefinite useful life are not amortized but are subject to an annual impairment test. Amortization is accrued for assets with a finite useful life. Useful life is reviewed at the end of each reporting period.

Other intangible assets include trade names, customer bases and licenses. By contrast, music catalogs, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

1.3.5.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost, costs directly attributable to transporting an asset to its physical location and preparing it for its operational use, the estimated costs relating to the demolition and the collection of property, plant and equipment, and the rehabilitation of the physical location resulting from the incurred obligation.

When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is calculated using the straight-line method based on the estimated useful life of the assets. Useful lives of the main components are reviewed at the end of each reporting period and are as follows:

- buildings: 5 to 40 years;
- equipment and machinery: 3 to 8 years;
- set-top boxes: 5 to 7 years; and
- other: 2 to 10 years.

After initial recognition, the cost model is applied to property, plant and equipment.

Vivendi has elected not to apply the option available under IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2004.

Until December 31, 2018, and in accordance with IFRS 1, Vivendi decided on January 1, 2004 to apply IFRIC Interpretation 4 - *Determining whether an arrangement contains a lease*, which mainly applies to commercial supply agreements for the Canal+ Group satellite capacity, which are commercial service agreements that, in general, do not convey a right to use a specific asset. Contract costs under these agreements are consequently expensed as operational costs for the period.

1.3.5.7 Leases

Please refer to Note 1.1 for a description of the first-time adoption of IFRS 16 as of January 1, 2019.

From that date, the accounting of real estate leases for which Vivendi is the lessee results, at the commencement date, in the recognition of a lease liability equal to the present value of future lease payments, against a right-of-use asset relating to leases.

For each lease, the lease term assessment and incremental borrowing rate estimate are determined at the commencement date.

After initial recognition, the liability is:

- increased by the effect of undiscounting (interest expense on lease liabilities);
- decreased by the cash out for lease payments; and
- reassessed in the event of an amendment to the lease contract.

The right-of-use asset is recognized at cost at the effective date. The cost of the right-of-use asset includes:

- the lease liability;
- the initial direct costs (incremental costs of obtaining the lease);
- payments made prior to the commencement date less lease incentives received from the lessor;
- dismantling and restoration costs (measured and recognized in accordance with IAS 37); and
- the amortization period used is the lease term.

1.3.5.8 Asset impairment

Each time events or changes in the economic environment indicate a risk of impairment of goodwill, other intangible assets, property, plant and equipment, and assets in progress, Vivendi re-examines the value of these assets. In addition, in accordance with applicable accounting standards, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an annual impairment test undertaken in the fourth quarter of each fiscal year. This impairment test is performed to compare the recoverable amount of each Cash Generating Unit (CGU) or, if necessary, groups of CGU to the carrying value of the corresponding assets (including goodwill). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Vivendi operates through different media and content businesses. Each business offers different products and services that are marketed through various channels. CGUs are independently defined at each business level, corresponding to the group operating segments. For a description of Vivendi's CGUs and groups of CGUs, please refer to Note 9.

The recoverable amount is determined for each individual asset as the higher of: (i) its value in use; and (ii) its fair value (less costs to sell) as described hereafter. If the asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, an impairment test of goodwill is performed by Vivendi for each CGU or group of CGUs, depending on the level at which Vivendi Management measures return on operations.

The value in use of each asset or group of assets is determined, subject to exceptions, as the discounted value of future cash flows (Discounted Cash Flow method (DCF)) by using cash flow projections consistent with the budget of the following year and the most recent forecasts prepared by the operating segments.

Applied discount rates are determined by reference to available external sources of information, usually based on financial institutions' benchmarks, and reflect the current assessment by Vivendi of the time value of money and risks specific to each asset or group of assets.

Perpetual growth rates used for the evaluation of CGUs are those used to prepare budgets for each CGU or group of CGUs, and beyond the period covered, are consistent with growth rates estimated by the business by extrapolating growth rates used in the budgets, without exceeding the long-term average growth rate for the markets in which the group operates.

The fair value (less costs to sell) is the price that would be received from the sale of an asset or group of assets in an orderly transaction between market participants at the measurement date, less costs to sell. These values are generally determined on the basis of market data (stock market prices or comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions) or, in the absence of such data, on the basis of discontinued cash flows.

If the recoverable amount is lower than the carrying value of an asset or group of assets, an impairment loss equal to the difference is recognized in EBIT. In the case of a group of assets, this impairment loss is first recorded against goodwill.

The impairment losses recognized in respect of property, plant and equipment, and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed at a later date.

1.3.5.9 Financial assets

Financial assets are initially recognized at fair value corresponding, in general, to the consideration paid, which is best evidenced by the acquisition cost (including associated acquisition costs, if any). Thereafter, financial assets are measured at fair value or at amortized cost depending on which financial asset category they belong to.

From January 1, 2018, financial assets are classified into the accounting categories "financial assets at amortized cost", "financial assets at fair value through other comprehensive income" and "financial assets at fair value through profit or loss".

This classification depends on the entity's business model for managing the financial assets and on contractual terms enabling to determine whether the cash flows are solely payments of principal and interest (SPPI). The financial assets that contain an embedded derivative should be considered in full to determine whether their cash flows are SPPI.

Financial assets at fair value

These include financial assets at fair value through other comprehensive income, derivative financial instruments with a positive value (please refer to Note 1.3.7) and other financial assets measured at fair value through profit or loss. Most of these financial assets are actively traded in organized financial markets, as their fair value is calculated by reference to the published market price at the period end. Fair value is estimated for financial assets which do not have a published market price on an active market. As a last resort, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market, the group values financial assets at historical cost, less any impairment losses.

Financial assets at fair value through other comprehensive income include:

- unconsolidated companies that are not held for trading: Vivendi elected to classify these into the category "fair value through other comprehensive income". Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is transferred to retained earnings and never reclassified to profit or loss. Dividends and interest received from unconsolidated companies are recognized in profit or loss; and
- debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in other ways, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is expensed in other financial charges and income.

Other financial assets measured at fair value through profit or loss mainly consist of assets held for trading which Vivendi intends to sell in the near future (primarily marketable securities) and other financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. Unrealized gains and losses on these assets are recognized in other financial charges and income.

Financial assets at amortized cost

Financial assets at amortized cost consist of debt instruments held within a business model whose objective is to hold financial assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's initial effective interest rate), is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

Impairment of financial assets

Vivendi assesses the expected credit loss associated with its financial assets recognized at amortized cost and debt instrument recognized at fair value through other comprehensive income on a prospective basis. A loss allowance for expected credit loss based on probability of default is recognized at initial recognition. The loss allowance is updated for changes in these expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

To assess whether there has been a significant increase in credit risk, Vivendi compares the credit risk at the reporting date with the credit risk at the date of initial recognition based on reasonable forward-looking information and events, including credit ratings if available, significant adverse economic changes (actual or expected), financial or business environment that are expected to result in a material change in the borrower's ability to meet its obligations.

The definition of default and write off policy are defined specifically within each operating entity.

1.3.5.10 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. These are usually calculated using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and selling costs.

1.3.5.11 Trade accounts receivable

Trade accounts receivable are initially recognized at fair value, which is generally equal to their nominal value. Expected loss rates on trade receivables are calculated by the relevant operating entities over their lifetime from initial recognition and are based on historical data that also incorporates forward-looking information. In addition, account receivables from customers subject to insolvency proceedings or customers with whom Vivendi is involved in litigation or a dispute are generally impaired in full.

1.3.5.12 Cash and cash equivalents

The "cash and cash equivalents" category, defined in accordance with IAS 7, consists of cash in banks, monetary UCITS, which satisfy the ANC's and AMF's decision released in November 2018, and other highly liquid investments with initial maturities of generally three months or less. Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets. Moreover, the historical performances of the investments are monitored regularly to confirm their cash equivalents accounting classification.

1.3.6 Assets held for sale and discontinued operations

A non-current asset or a group of assets and liabilities is held for sale when its carrying value may be recovered principally through its divestiture and not by its continued utilization. To meet this definition, the asset must be available for immediate sale and the divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lowest value between the fair value (net of divestiture fees) and the carrying value (i.e., at their cost less accumulated depreciation and impairment losses), and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for sale have been met or when Vivendi has sold the asset. Discontinued operations are reported on a single line of the Statement of Earnings for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to divest the assets and liabilities of the discontinued operations. In addition, cash flows generated by discontinued operations are reported on a separate line of the Statement of Consolidated Cash Flows for the relevant periods.

1.3.7 Financial liabilities

Long-term and short-term borrowings and other financial liabilities include:

- bonds and credit facilities, as well as various other borrowings (including commercial paper and debt related to finance leases) and related accrued interest;
- obligations arising out of commitments to purchase non-controlling interests;

- bank overdrafts; and
- the negative value of other derivative financial instruments. Derivatives with positive values are recorded as financial assets in the Statement of Financial Position.

Borrowings

All borrowings are initially accounted for at fair value net of transaction costs directly attributable to the borrowing. Borrowings bearing interest are subsequently valued at amortized cost, applying the effective interest method. The effective interest rate is the internal yield rate that discounts future cash flows over the term of the borrowing. In addition, where the borrowing comprises an embedded derivative (e.g., an exchangeable bond) or an equity instrument (e.g., a convertible bond), the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument. In the event of a change in expected future cash flows (e.g., redemption occurs earlier than initially expected), the amortized cost is adjusted against earnings to reflect the value of the new expected cash flows, discounted at the initial effective interest rate.

Commitments to purchase non-controlling interests

Vivendi has committed to purchase the non-controlling interests of some of the minority shareowners of its fully consolidated subsidiaries. These purchase commitments may be optional (e.g., put options) or mandatory (e.g., forward purchase contracts).

The following accounting treatment has been applied in respect of commitments made on or after January 1, 2009:

- upon initial recognition, the commitment to purchase non-controlling interests is recognized as a financial liability for the present value of the purchase price under the put option or forward purchase contract, mainly offset by the book value of non-controlling interests and the remaining balance through equity attributable to Vivendi SA shareowners;
- subsequent changes to the value of the commitment are recognized as a financial liability through an adjustment to equity attributable to Vivendi SA shareowners; and
- upon maturity of the commitment, if the non-controlling interests are not purchased, the previously recognized entries are reversed; if the non-controlling interests are purchased, the amount recognized in financial liabilities is reversed, offset by the cash outflow relating to the purchase of the non-controlling interests.

Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, and foreign currency exchange rates. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps, and forward exchange contracts. All these derivative financial instruments are used for hedging purposes. At the inception of the hedging relationship there is the formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

Derivatives are initially measured at fair value on the settlement date and are subsequently remeasured at fair value on each succeeding reporting date. The recognition of subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if applicable, the nature of the hedged item and the type of hedging relationship designated. When these contracts qualify as hedges for accounting purposes, gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item.

When forward contracts are used as hedging instruments, Vivendi only qualifies as hedging instruments the change in the fair value of the forward contract related to the variation of the spot exchange rate. Changes in the forward points are excluded from the hedging relationship and are recognized in financial result.

Fair value hedge

When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the Statement of Financial Position or of a firm commitment which is not recognized in the Statement of Financial Position, it is a fair value hedge. The instrument is remeasured at fair value in earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the Statement of Earnings, or, as part of a forecasted transaction relating to a non-financial asset or liability, at the initial cost of the asset or liability.

Cash flow hedge

When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through charges and income directly recognized in equity, whereas its ineffective portion is recognized in earnings, or, as part of a forecasted transaction on a non-financial asset or liability, they are recognized at the initial cost of the asset or liability. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the Statement of Earnings and recorded on the same line as the hedged item.

Net investment hedge

When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as a hedge for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

Furthermore, income and expenses relating to foreign currency instruments used to hedge highly probable budget exposures and firm commitments contracted pursuant to the acquisition of editorial content rights (including sports, audiovisual and film rights) are recognized in EBIT. In all other cases, gains and losses arising on the fair value remeasurement of instruments are recognized in other financial charges and income.

1.3.8 Other liabilities

Provisions

Provisions are recognized when, at the end of the reporting period, Vivendi has a legal obligation (statutory, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. If the amount of the obligation cannot be reliably estimated, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements.

Employee benefit plans

In accordance with the laws and practices of each country in which it operates, Vivendi participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and post-employment benefits to eligible employees, former employees, retirees and such of their beneficiaries who meet the required conditions. Retirement pensions are provided for substantially all employees through defined contribution plans, which are integrated with local social security and multi-employer plans, or defined benefit plans, which are generally managed via group pension plans. The plan funding policy implemented by the group is consistent with applicable government funding requirements and regulations.

Defined contribution plans

Contributions to defined contribution and multi-employer plans are expensed during the year.

Defined benefit plans

Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding Vivendi shares or debt instruments.

Pension expenses and defined benefit obligations are calculated by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted and the means of determining these assumptions, are presented in Note 18. A provision is recorded in the Statement of Financial Position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, and includes past service cost and actuarial gains and losses.

The cost of defined benefit plans consists of three components recognized as follows:

- the service cost is included in selling, general and administrative expenses. It comprises current service cost, past service cost resulting from a plan amendment or a curtailment, immediately recognized in profit and loss, and gains and losses on settlement;
- the financial component, recorded in other financial charges and income, consists of the undiscounting of the obligation, less the expected return on plan assets determined using the discount rate retained for the valuation of the benefit obligation; and
- the remeasurements of the net defined benefit liability (asset), recognized in items of other comprehensive income not reclassified to profit and loss, mainly consist of actuarial gains and losses, i.e., changes in the present value of the defined benefit obligation and plan assets resulting from changes in actuarial assumptions and experience adjustments (representing the differences between the expected effect of some actuarial assumptions applied to previous valuations and the effective impact).

Where the value of plan assets exceeds benefit obligations, a financial asset is recognized up to the present value of future refunds and the expected reduction in future contributions.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the United States) are subject to provisions which are assessed through an actuarial calculation comparable to the method used for pension provisions.

On January 1, 2004, in accordance with IFRS 1, Vivendi decided to record unrecognized actuarial gains and losses against consolidated equity.

1.3.9 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor tax income or loss.

For deductible temporary differences resulting from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Statement of Financial Position and Statement of Earnings of the group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, tax income or loss.

For taxable temporary differences resulting from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not earnings, if the tax relates to items that are credited or charged directly to equity.

1.3.10 Share-based compensation

With the aim of aligning the interests of its executive management and employees with its shareholders' interests by providing them with an additional incentive to improve the company's performance and increase its share price on a long-term basis, Vivendi maintains several share-based compensation plans (share purchase plans, performance share plans and bonus share plans) or other equity instruments based on the value of the Vivendi share price (stock options), which are settled either in equity instruments or in cash. Grants under these plans are approved by the Management Board and the Supervisory Board. In addition, the definitive grant of stock options and performance shares is contingent upon the achievement of specific performance objectives set by the Management Board and the Supervisory Board. Moreover, all granted plans are conditional upon active employment at the vesting date.

In addition, Dailymotion has set up a long-term incentive plan for certain key executives. This plan will be settled in cash and the value will be derived from the growth of Dailymotion's enterprise value.

Please refer to Note 19 for details of the features of these plans and for the status of the plans initially granted by Gameloft S.E. and by Havas Group.

Share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is spread over the vesting period, i.e., three years for stock option plans and for performance share plans (two years for performance shares granted before June 24, 2014), and two years for Vivendi's bonus share plans, other than in specific cases.

Vivendi uses a binomial model to assess the fair value of such instruments. This method relies on assumptions updated at the valuation date such as the calculated volatility of the relevant shares, the discount rate corresponding to the risk-free interest rate, the expected dividend yield, and the probability of relevant managers and employees remaining employed within the group until the exercise of their rights.

However, depending on whether the instruments granted are equity-settled or cash-settled, the valuation and recognition of the expense will differ:

Equity-settled instruments:

- the expected term of the option granted is deemed to be the mid-point between the vesting date and the end of the contractual term;
- the value of the instruments granted is estimated and fixed at grant date; and
- the expense is recognized with a corresponding increase in equity.

Cash-settled instruments:

- the expected term of the instruments granted is deemed to be equal to one-half of the residual contractual term of the instrument for vested rights, and to the average of the residual vesting period at the remeasurement date and the residual contractual term of the instrument for unvested rights;
- the value of instruments granted is initially estimated at grant date and is then re-estimated at each reporting date until the payment date and the expense is adjusted pro rata taking into account the vested rights at each such reporting date;
- the expense is recognized as a provision; and
- moreover, as plans settled in cash are primarily denominated in US dollars, the value fluctuates based on the EUR/USD exchange rate.

Share-based compensation cost is allocated to each operating segment, pro rata to the number of equity instruments or equivalent instruments granted to their managers and employees.

The dilutive effect of stock options and performance shares settled in equity through the issuance of Vivendi shares which are in the process of vesting is reflected in the calculation of diluted earnings per share.

In accordance with IFRS 1, Vivendi elected to retrospectively apply IFRS 2 as of January 1, 2004. Consequently, all share-based compensation plans for which rights remained to be vested as of January 1, 2004 were accounted for in accordance with IFRS 2.

1.4 Related parties

Group-related parties are those companies over which the group exercises exclusive control, joint control or significant influence, shareholders exercising joint control over group joint ventures, non-controlling interests exercising significant influence over group subsidiaries, corporate officers, group management and directors and companies over which the latter exercise exclusive control, joint control, or significant influence.

The transactions with subsidiaries over which the group exercises control are eliminated within the intersegment transactions (a list of the group's major consolidated entities is set out in Note 25). Moreover, commercial relationships among subsidiaries of the group, aggregated in operating segments, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties. The operating costs of Vivendi SA's headquarters, after the allocation of a portion of these costs to each of the group's businesses, are included in the Corporate operating segment.

1.5 Contractual obligations and contingent assets and liabilities

Once a year, Vivendi and its subsidiaries prepare detailed reports on all material contractual obligations, commercial and financial commitments and contingent obligations, for which they are jointly and severally liable. These detailed reports are updated by the relevant departments and reviewed by senior management on a regular basis. To ensure completeness, accuracy and consistency of these reports, some dedicated internal control procedures are carried out, including (but not limited to) the review of:

- minutes of meetings of the shareholders, Management Board, Supervisory Board and committees of the Supervisory Board in respect of matters such as contracts, litigation, and authorization of asset acquisitions or divestitures;
- pledges and guarantees with banks and financial institutions;
- pending litigation, claims (in dispute) and environmental matters as well as related assessments for unrecorded contingencies with internal and/or external legal counsels;
- tax examiner's reports and, if applicable, notices of reassessments and tax expense analyses for prior years;
- insurance coverage for unrecorded contingencies with the risk management department and insurance agents and brokers with whom the group contracted;
- related-party transactions for guarantees and other given or received commitments; and
- more generally, major contracts and agreements.

1.6 New IFRS standards and IFRIC interpretations that have been published but are not yet effective

IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC and endorsed by the EU as of the date of approval of these Consolidated Financial Statements, but which are not yet effective, and for which Vivendi has not elected for an earlier application, should have no material impact on Vivendi's Consolidated Financial Statements.

Note 2 Major events

2.1 Opening of Universal Music Group's share capital

Following the preliminary negotiations announced on August 6, 2019, Vivendi entered into an agreement on December 31, 2019 with a Tencent-led consortium, which includes Tencent Music Entertainment and international financial investors, for the planned equity investment in UMG. This agreement provides for the purchase by the consortium of 10% of UMG's share capital, based on an enterprise value of €30 billion for 100% of UMG's share capital.

In accordance with IFRS standards, this transaction will be recorded as a sale of non-controlling interests and therefore will not impact the Consolidated Statement of Earnings. As a result, the capital gain on the sale of 10% of Universal Music Group's share capital, equal to the difference between the sale price and the value in the Consolidated Financial Statements of non-controlling interests sold, will be directly recorded as an increase in equity attributable to Vivendi SA shareowners.

The Consortium has the option to acquire, on the same price basis, an additional amount of up to 10% of UMG's share capital until January 15, 2021.

This agreement will be shortly complemented by a second agreement allowing Tencent Music Entertainment to acquire a minority interest in the share capital of UMG's subsidiary that houses its operations in Greater China.

The merger control approvals, to which this transaction was subject, have been obtained from the relevant regulatory authorities. The closing of the transaction is expected by the end of the first half of 2020.

In addition, Vivendi's Supervisory Board was informed of ongoing negotiations regarding the possible sale of additional minority interests, which negotiation engagement, based on a minimum valuation of €30 billion, was announced on December 31, 2019. Eight banks have been mandated by Vivendi to assist it in this matter. An initial public offering is currently planned for early 2023 at the latest.

The proceeds from these different operations could be used for substantial share buyback operations and acquisitions.

2.2 Acquisition of Editis

On January 31, 2019, Vivendi completed the acquisition of 100% of the share capital of Antinea 6, the holding company of Editis, the second-largest French-language publishing group. The purchase price amounted to €829 million, including the repayment of Editis Group's debt on that date. On January 2, 2019, the French Competition Authority authorized the transaction unconditionally.

Consolidation of Editis by Vivendi

As from February 1, 2019, Vivendi has fully consolidated Editis. As of December 31, 2019, the provisional goodwill attributable to Editis amounted to €827 million (compared to a provisional goodwill of €831 million as of June 30, 2019).

(in millions of euros)	January 31, 2019
Purchase price for 100% of Antinea 6's share capital, the holding company of Editis	332
Editis Group's debt repaid by Vivendi	497
Purchase price for 100% of Editis	**829**
Carrying value of Editis's acquired assets and incurred or assumed liabilities	2
Provisional goodwill	**827**

2.3 Acquisition of M7

On September 12, 2019, Canal+ Group completed the acquisition of M7, one of the largest independent pay-TV companies in Europe, operating in Benelux and Central Europe.

Consolidation of M7 by Canal+ Group

As from September 12, 2019, Canal+ Group has fully consolidated M7. The purchase price allocation is expected to be performed within twelve months of the acquisition date, in accordance with accounting standards. The final amount of goodwill may significantly differ from the amount presented below.

(in millions of euros)	September 12, 2019
Purchase price for 100% of M7	**1,136**
Carrying value of M7's acquired assets and incurred or assumed liabilities (a)	138
Provisional goodwill	**998**

a. Notably included the preliminary allocation to acquired M7 subscriber bases and brands.

As from September 12, 2019, M7's contribution to Canal+ Group's revenues amounted to €122 million.

2.4 Sale of the remaining interest in Ubisoft

On March 5, 2019, Vivendi sold the remaining part of its interest in Ubisoft (5.87% of the share capital) for €429 million, representing a capital gain of €220 million. Vivendi is no longer a Ubisoft shareholder and maintains its commitment to refrain from purchasing Ubisoft shares for a period of five years. In total, the sale of Vivendi's interest in Ubisoft represented €2 billion, i.e., a capital gain of €1.2 billion.

Note 3 Segment data

Vivendi Management evaluates the performance of its business segments and allocates necessary resources to them based on certain operating performance indicators (segment earnings and cash flow from operations). Income from operations and EBITA reflect the earnings of each business segment.

The operating segments presented hereunder are strictly identical to the information given to Vivendi's Management Board.

Vivendi's main businesses are aggregated within the following operating segments:

- **Universal Music Group**: sale of recorded music (digital and physical), exploitation of music publishing rights, as well as artist services and merchandising.
- **Canal+ Group**: publishing and distribution of premium and thematic pay-TV and free-to-air channels in France, Benelux, Poland, Central Europe, Africa and Asia, and production, sales and distribution of movies and TV series.
- **Havas Group**: communications group covering all the communications disciplines (creativity, media expertise and healthcare/wellness).
- **Editis**: publishing group in France with leading positions in the fields of literature, educational and reference books, as well as in book selling and distribution.
- **Gameloft**: creation and publishing of downloadable video games for mobile phones, tablets, triple-play boxes and smart TVs.
- **Vivendi Village**: Vivendi Ticketing (in Europe and the United States through See Tickets) and live performances through Olympia Production, Festival Production, the venues in Paris (L'Olympia and Théâtre de L'Œuvre) and in Africa (CanalOlympia).
- **New Initiatives**: Dailymotion (video content aggregation and distribution platform) and Group Vivendi Africa (development of ultra-high-speed Internet service in Africa).
- **Corporate**: central services.

Intersegment commercial operations are conducted on an arm's-length basis on terms and conditions similar to those which would be offered by third parties.

3.1 Revenues

By business segment

(in millions of euros)	Year ended December 31, 2019	2018
Universal Music Group	7,159	6,023
Canal+ Group	5,268	5,166
Havas Group	2,378	2,319
Editis	687	-
Gameloft	259	293
Vivendi Village	141	123
New Initiatives	71	66
Elimination of intersegment transactions	(65)	(58)
Revenues	**15,898**	**13,932**

By activity

(in millions of euros)	Year ended December 31, 2019	2018
Intellectual property licensing	8,042	6,508
Subscription services	4,599	4,474
Advertising, merchandising and other	3,322	3,008
Elimination of intersegment transactions	(65)	(58)
Revenues	**15,898**	**13,932**

By geographical area

Revenues are broken down by customer location.

	Year ended December 31,			
(in millions of euros)	2019		2018	
France	4,792	*30%*	4,280	*31%*
Rest of Europe	3,850	*24%*	3,282	*24%*
Americas	5,001	*32%*	4,395	*31%*
Asia/Oceania	1,559	*10%*	1,373	*10%*
Africa	696	*4%*	602	*4%*
Revenues	**15,898**	***100%***	**13,932**	***100%***

3.2 Other main aggregates of the Statement of Earnings

(in millions of euros)	Year ended December 31, 2019	2018
Income from operations		
Universal Music Group	1,168	946
Canal+ Group	431	429
Havas Group	268	258
Editis	59	-
Gameloft	(28)	4
Vivendi Village	(16)	(9)
New Initiatives	(68)	(79)
Corporate	(95)	(110)
	1,719	**1,439**
Restructuring charges		
Universal Music Group	(24)	(29)
Canal+ Group	(92)	(28)
Havas Group	(35)	(30)
Editis	(3)	-
Gameloft	(3)	(4)
Vivendi Village	(1)	(2)
New Initiatives	(1)	(3)
Corporate	(2)	(19)
	(161)	**(115)**
Income/(charges) related to share-based compensation plans		
Universal Music Group	(5)	(4)
Canal+ Group	(5)	(3)
Havas Group	(12)	(12)
Editis	-	-
Gameloft	(4)	2
Vivendi Village	-	-
New Initiatives	-	-
Corporate	(6)	(5)
	(32)	**(22)**
Other non-current operating charges and income		
Universal Music Group	(15)	(11)
Canal+ Group	9	2
Havas Group	4	(1)
Editis	(4)	-
Gameloft	(1)	-
Vivendi Village	-	2
New Initiatives	4	(17)
Corporate	3	11
	-	**(14)**
Adjusted earnings before interest and income taxes (EBITA)		
Universal Music Group	1,124	902
Canal+ Group	343	400
Havas Group	225	215
Editis	52	-
Gameloft	(36)	2
Vivendi Village	(17)	(9)
New Initiatives	(65)	(99)
Corporate	(100)	(123)
	1,526	**1,288**

Reconciliation of EBIT to EBITA and to income from operations

(in millions of euros)	Year ended December 31, 2019	Year ended December 31, 2018
EBIT (a)	**1,381**	**1,182**
Adjustments		
Amortization of intangible assets acquired through business combinations	125	111
Impairment losses on intangible assets acquired through business combinations (a)	20	2
Other charges and income	-	(7)
EBITA	**1,526**	**1,288**
Adjustments		
Restructuring charges (a)	161	115
Charges related to share-based compensation plans	32	22
Other non-current operating charges and income	-	14
Income from operations	**1,719**	**1,439**

a. As reported in the Consolidated Statement of Earnings.

3.3 Statement of Financial Position by operating segment

Segment assets and liabilities

(in millions of euros)	December 31, 2019	January 1, 2019
Segment assets (a)		
Universal Music Group	11,344	10,147
Canal+ Group	9,468	7,742
Havas Group	5,848	5,793
Editis	1,383	-
Gameloft	730	742
Vivendi Village	327	268
New Initiatives	328	552
Corporate	4,632	5,396
of which investments in equity affiliates	*3,248*	*3,130*
listed equity securities	*924*	*1,363*
	34,060	**30,640**
Segment liabilities (b)		
Universal Music Group	5,181	4,766
Canal+ Group	2,859	2,550
Havas Group	4,265	4,223
Editis	535	-
Gameloft	109	104
Vivendi Village	204	184
New Initiatives	75	80
Corporate	530	459
	13,758	**12,366**

a. Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, rights-of-use relating to leases (as from January 1, 2019), equity affiliates, financial assets, inventories and trade accounts receivable, and other.

b. Segment liabilities include provisions, other non-current liabilities, short-term and long-term lease liabilities (as from January 1, 2019) and trade accounts payable and other.

Additional operating segment data is presented in the following Notes: Note 9 "Goodwill" and Note 10 "Content assets and commitments".

Segment assets by geographic area

(in millions of euros)	December 31, 2019		January 1, 2019	
France	12,657	*37%*	12,661	*41%*
Rest of Europe	10,990	*32%*	7,460	*24%*
Americas	9,445	*28%*	9,436	*31%*
Asia/Oceania	684	*2%*	812	*3%*
Africa	284	*1%*	271	*1%*
Segment assets	**34,060**	***100%***	**30,640**	***100%***

Capex, depreciation and amortization

	Year ended December 31,	
(in millions of euros)	2019	2018
Capital expenditures, net (capex net) (a)		
Universal Music Group	73	110
Canal+ Group	261	166
Havas Group	34	38
Editis	10	-
Gameloft	5	6
Vivendi Village	5	7
New Initiatives	16	10
Corporate	1	4
	405	**341**
Increase in tangible and intangible assets and rights-of-use relating to leases		
Universal Music Group	70	127
Canal+ Group	226	192
Havas Group	7	37
Editis	92	-
Gameloft	-	6
Vivendi Village	7	7
New Initiatives	13	10
Corporate	50	1
	465	**380**
Depreciation of tangible assets		
Universal Music Group	53	46
Canal+ Group	123	133
Havas Group	42	38
Editis	5	-
Gameloft	5	6
Vivendi Village	4	4
New Initiatives	5	6
Corporate	2	1
	239	**234**
Amortization of rights-of-use relating to leases		
Universal Music Group	64	-
Canal+ Group	39	-
Havas Group	78	-
Editis	15	-
Gameloft	8	-
Vivendi Village	4	-
New Initiatives	3	-
Corporate	9	-
	220	**na**
Amortization of intangible assets excluding those acquired through business combinations		
Universal Music Group	-	-
Canal+ Group	79	72
Havas Group	8	8
Editis	45	-
Gameloft	1	1
Vivendi Village	1	-
New Initiatives	6	25
Corporate	-	-
	140	**106**

(in millions of euros)	Year ended December 31, 2019	2018
Amortization of intangible assets acquired through business combinations		
Universal Music Group	85	80
Canal+ Group	29	16
Havas Group	-	-
Editis	2	-
Gameloft	8	14
Vivendi Village	-	-
New Initiatives	1	1
Corporate	-	-
	125	**111**
Impairment losses on intangible assets acquired through business combinations		
Universal Music Group	1	-
Canal+ Group	19	-
Havas Group	-	-
Editis	-	-
Gameloft	-	-
Vivendi Village	-	-
New Initiatives	-	2
Corporate	-	-
	20	**2**

a. Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.

Note 4 EBIT

Personnel costs and average employee numbers

(in millions of euros)	Note	Year ended December 31, 2019	2018
Salaries		2,783	2,538
Social security and other employment charges		592	537
Capitalized personnel costs		(18)	(16)
Wages and expenses		**3,357**	**3,059**
Share-based compensation plans	19	32	22
Employee benefit plans	18	73	88
Other		62	52
Personnel costs		**3,524**	**3,221**
Annual average number of full-time equivalent employees (in thousands)		*43.9*	*41.6*

Additional information on operating expenses

Advertising costs amounted to €416 million in 2019 (compared to €371 million in 2018).

Expenses recorded in the Statement of Earnings, with respect to service contracts related to satellite transponders amounted to €115 million in 2019 (compared to €102 million in 2018).

Research and development costs amounted to a net charge of €124 million in 2019 (compared to €135 million in 2018).

Taxes on production

Taxes on production amounted to €132 million in 2019 (compared to €118 million in 2018), of which €39 million related to taxes on television services (compared to €33 million in 2018).

Note 5 Financial charges and income

Interest

(in millions of euros)		Year ended December 31,	
(Charge)/Income	Note	2019	2018
Interest expense on borrowings (a)	20	(69)	(64)
Interest income from cash, cash equivalents and investments		23	17
Interest		**(46)**	**(47)**
Fees and premiums on borrowings and credit facilities issued		*(3)*	*(2)*
		(49)	**(49)**

a. Included the annual coupon of the €700 million bond issued by Vivendi SA and maturing in December 2019 for €31 million in 2019 and €34 million in 2018 (please refer to Note 20.2).

Other financial income and charges

		Year ended December 31,	
(in millions of euros)	Note	2019	2018
Capital gain and revaluation on financial investments (a)		198	377
Effect of undiscounting assets (b)		-	18
Expected return on plan assets related to employee benefit plans	18.2	13	11
Foreign exchange gain		15	10
Change in value of derivative instruments		9	2
Other		-	-
Other financial income		**235**	**418**
Write-down of the Telecom Italia shares accounted for under the equity method	12.2	-	(1,066)
Capital loss and downside adjustment on financial investments (a)		(50)	-
Effect of undiscounting liabilities (b)		(1)	(20)
Interest cost related to employee benefit plans	18.2	(29)	(27)
Fees and premiums on borrowings and credit facilities issued		(3)	(2)
Interest expenses on lease liabilities	11	(43)	na
Foreign exchange loss		(13)	(10)
Other		(31)	(56)
Other financial charges		**(170)**	**(1,181)**
Net total		**65**	**(763)**

na: not applicable.

a. Included the revaluation of the interests in Spotify and Tencent Music for a net amount of €139 million (compared to €312 million in 2018). In 2018, it included a portion of the capital gain realized on the sale of the interest in Ubisoft (€53 million) recorded to profit or loss in accordance with the new IFRS 9 accounting standard, applicable since January 1, 2018.

b. In accordance with applicable accounting standards, where the effect of the time value of money is material, assets and liabilities are initially recorded in the Statement of Financial Position in an amount relating to the present value of the expected revenues and expenses. At the end of each subsequent period, the present value of such assets and liabilities is adjusted to account for the passage of time.

Note 6 Income taxes

6.1 French Tax Group and Consolidated Global Profit Tax Systems

Vivendi SA benefits from the French Tax Group System and, up until December 31, 2011 inclusive, it benefited from the Consolidated Global Profit Tax System pursuant to Article 209 *quinquies* of the French Tax Code. As from January 1, 2012, Vivendi SA benefits only from the French Tax Group System.

- Under the French Tax Group System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of the French subsidiaries that are at least 95% owned, directly or indirectly, by it. As of December 31, 2019, this mainly applies to Universal Music Group, Canal+ Group, Havas Group and Gameloft entities in France, as well as the companies involved in the group's development projects in France (e.g., Vivendi Village and Dailymotion).
- Up until December 31, 2011, the Consolidated Global Profit Tax System enabled Vivendi to obtain a tax authorization. This allowed the company to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that were at least 50% owned, directly or indirectly, by it and that were also located in France or abroad. This authorization was granted for an initial five-year period - from January 1, 2004 to December 31, 2008 - and was then renewed, on May 19, 2008, for a three-year period - from January 1, 2009 to December 31, 2011. As a reminder, on July 6, 2011, Vivendi filed a request with the French Ministry of Finance to renew its authorization to use the Consolidated Global Profit Tax System for a three-year period - from January 1, 2012 to December 31, 2014.
- In 2011, pursuant to changes in French Tax Law, the Consolidated Global Profit Tax System was terminated as of September 6, 2011, and the deduction for tax losses carried forward was capped at 60% of taxable income. Since 2012, the deduction for tax losses carried forward has been capped at 50% of taxable income.

The French Tax Group and Consolidated Global Profit Tax Systems have the following impact on the valuation of Vivendi's tax attributes (tax losses, foreign tax receivables and tax credits carried forward):

- In 2012, Vivendi, considering that it was entitled to use the Consolidated Global Profit Tax System up until the end of the authorization period granted by the French Ministry of Finance (i.e., until December 31, 2011), filed a contentious claim for a €366 million refund in respect of fiscal year 2011. In a decision dated October 25, 2017, marking the end of legal proceedings brought before administrative courts, the French Council of State (*Conseil d'Etat*) recognized that Vivendi had a legitimate expectation that it would be afforded the Consolidated Global Profit Tax System for the entire period covered by the authorization, including for the fiscal year ending December 31, 2011. Given that the power of final adjudication is vested in the French Council of State the amount of €366 million paid to Vivendi, coupled with moratorium interest of €43 million, was definitively acquired by Vivendi. As a result, Vivendi recorded a tax income of €409 million for the fiscal year ended December 31, 2017.
- Moreover, considering that Vivendi's foreign tax receivables available upon the exit from the Consolidated Global Profit Tax System may be carried forward after the end of the authorization period, Vivendi requested a refund of the tax paid in respect of the fiscal year ended December 31, 2012. On May 8, 2013, Vivendi received a refund of €201 million. This refund was then challenged by the tax authorities as part of a tax audit and Vivendi provisioned the associated risk for a principal amount of €208 million in its Financial Statements for the year ended December 31, 2012, increased to €221 million as of December 31, 2013. In its Financial Statements for the year ended December 31, 2014, Vivendi maintained and increased this provision by €11 million (the amount of additional default interest), for a total amount of €232 million, which was subsequently decreased to €228 million as of December 31, 2015 after deduction of ordinary tax credits. On March 31, 2015, as part of this audit, Vivendi made a payment of €321 million, corresponding to the amounts of €221 million and €11 million mentioned above, increased by additional penalties of €89 million.
- On June 29, 2015, after the tax audit was completed, Vivendi challenged the tax authorities in regard to the tax payment, the default interest and the penalties, for which no provision had been accrued upon the recommendation of its advisors. Vivendi has since brought this case before the Administrative Court of Montreuil. On March 16, 2017, the Administrative Court of Montreuil ruled in favor of Vivendi. On April 18, 2017, pursuant to this decision, Vivendi received (i) a €315 million refund relating to the principal tax amount due in 2012 (€218 million), as well as default interest (€10 million) and additional penalties (€87 million), and (ii) moratorium interest (€31 million), which totaled €346 million. The Ministry appealed this decision with respect to the principal tax amount due; therefore, in its Financial Statements for the year ended December 31, 2017, Vivendi maintained the provision relating to the principal refund (€218 million), the default interest (€10 million), and the moratorium interest (€23 million), i.e., a total provision of €251 million. Given that the Ministry's appeal did not include penalties (€87 million), Vivendi recorded a tax income of €9 million in its Financial Statements as of December 31, 2017, relating to the portion of moratorium interest irrevocably earned by Vivendi. On November 22, 2018, the Versailles Administrative Court of Appeal quashed the March 16, 2017 decision of the Administrative Court of Montreuil and ordered Vivendi to pay the amount of the additional contributions to which it was subject for the year ended December 31, 2012. However, it granted discharge of the default interest charged to Vivendi. In its financial statements for the fiscal year ended December 31, 2018, Vivendi recorded a net income of €12 million due to the discharge of default interest (€10 million) and the corresponding moratorium

interest (€2 million), reducing the total amount provisioned to €239 million (€218 million with respect to the principal amount and €21 million with respect to moratorium interest). On December 31, 2018, Vivendi filed an appeal with the French Council of State (*Conseil d'Etat*) to cancel the decision of the Versailles Administrative Court of Appeal. On February 11, 2019, pursuant to a decision of the Versailles Administrative Court of Appeal, Vivendi received a request for repayment from the tax authorities in the amount of €239 million, satisfied on February 15, 2019.

- On June 15, 2017, following the Administrative Court of Montreuil ruling of March 16, 2017, Vivendi made a claim for the repayment of the tax amount due for the year ended December 31, 2015 (€203 million). Vivendi recorded a provision as of December 31, 2017 in the amount of the refund requested (€203 million) and maintained this provision in its Financial Statements for the year ended December 31, 2018 pending the decision of the French Council of State (*Conseil d'Etat*) mentioned above.
- On December 19, 2019, the French Council of State (*Conseil d'Etat*) ruled in favor of Vivendi regarding the use of foreign tax receivables upon exit from the Global Profit Tax System, reversing the decision of the Versailles Administrative Court of Appeal and settling this litigation on the merits. The decision of the French Council of State (*Conseil d'Etat*) on December 24, 2019 resulted in the following measures:
  - in its Financial Statements for the year ended December 31, 2019, Vivendi recorded a current tax income of €473 million, i.e., €244 million with respect to fiscal year 2012 (€218 million principal and €26 million moratorium interest) and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest); and
  - on December 27, 2019, the tax authorities repaid €223 million to Vivendi (€218 million principal and €5 million moratorium interest). In addition, in January 2020, the tax authorities repaid €250 million to Vivendi, i.e., a balance of €21 million with respect to moratorium interest for fiscal year 2012 and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest).
- In the Financial Statements for the year ended December 31, 2019, the tax results of the subsidiaries comprised within the scope of Vivendi SA's French Tax Group System are calculated based on estimates. As a result, the amount of tax attributes as of December 31, 2019 could not be reliably determined. As of December 31, 2019, taking into account the impact of the estimated 2019 tax results and before the effects of the ongoing tax audits on the amount of tax attributes (please refer to Note 6.5), it is anticipated that Vivendi SA will likely be able to achieve €765 million in tax savings from tax attributes (based on the income tax rate applicable as of January 1, 2020, i.e., 32.02%). At a rate of 25.83% applicable in 2022, it is anticipated that Vivendi would achieve €618 million in tax savings from tax attributes.
- Vivendi SA values its tax attributes on the basis of one year's forecasted results, taken from the following year's budget. On this basis, in 2020, it is anticipated that Vivendi will likely be able to achieve tax savings of €112 million from the French Tax Group System (based on the income tax rate applicable in 2020, i.e., 32.02%).

6.2 Provision for income taxes and income tax paid by geographic area

Provision for income taxes

(in millions of euros)	Year ended December 31,	
(Charge)/Income	2019	2018
Current		
France (a)	405	(16)
Rest of Europe	(24)	(68)
United States	(77)	(98)
Rest of the world	(102)	(98)
	202	**(280)**
Deferred		
France	(21)	12
Rest of Europe (b)	(66)	(89)
United States (c)	24	(11)
Rest of the world	1	11
	(62)	**(77)**
Provision for income taxes	**140**	**(357)**

a. Included a current tax income of €473 million resulting from a favorable decision from the French Council of State (*Conseil d'Etat*) on December 19, 2019 regarding the use of foreign tax receivables upon exit from the Global Profit Tax System, i.e., €244 million with respect to fiscal year 2012 (€218 million principal and €26 million moratorium interest) and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest).

b. Included the deferred tax charge relating to the revaluation through profit or loss of the interests in Spotify and Tencent Music for an aggregate amount of -€36 million in 2019, compared to -€72 million in 2018, in accordance with the new IFRS 9 accounting standard, applicable since January 1, 2018.

c. The tax reform initiated in 2017 introduces significant changes to the calculation of corporate tax in the United States. As from January 1, 2018, the federal corporate tax rate was reduced from 35% to 21%. However, this tax rate decrease is accompanied by measures that widen the taxable base by introducing a minimum tax on income earned in countries with low-tax rates (minimum tax on global intangible low-taxed income, "GILTI") and by introducing a taxation mechanism for expenditures that erode tax bases (base erosion and anti-abuse tax, "BEAT"). More generally, the new law limits the deduction of expenses previously deductible without limitation. The impacts of this new legislation recorded as of December 31, 2018 and December 31, 2019 reflect Vivendi's best estimate. As a result, the amounts recorded will be adjusted in 2020 to take into account the clarification from the tax authorities on the interpretation of certain of their previously issued guidelines.

Income tax paid

	Year ended December 31,	
(in millions of euros)	2019	2018
France	(20)	(76)
Rest of Europe	(62)	(47)
United States	(109)	(43)
Rest of the world	(92)	(96)
Income tax (paid)/collected	**(283)**	**(262)**

6.3 Effective tax rate

	Year ended December 31,			
(in millions of euros, except %)	2019		2018	
Earnings (before non-controlling interests)	**1,617**		**157**	
Eliminations				
Income from equity affiliates	(71)		(129)	
Earnings from discontinued operations	-		-	
Provision for income taxes	(140)		357	
Earnings from continuing operations before provision for income taxes	**1,406**		**385**	
French statutory tax rate	*34.43%*		*34.43%*	
Theoretical provision for income taxes based on French statutory tax rate	**(484)**		**(133)**	
Reconciliation of the theoretical and effective provision for income taxes				
Earnings tax rates differences (a)	180		212	
Impacts of the changes in tax rates	(11)		(2)	
Use or recognition of tax losses	187		222	
Depreciation or non-recognition of tax losses	(114)		(98)	
Changes in deferred tax assets related to Vivendi SA's French Tax Group and the Consolidated Global Profit Tax Systems	(6)		(2)	
Adjustments to tax expense from previous years	64		8	
Capital gain or loss on the divestiture of or downside adjustments on financial investments or businesses	-		18	
Favorable settlement of the litigation related to the foreign tax receivables for 2012 and 2015	473	(b)	-	
Write-down of the Telecom Italia shares accounted for under the equity method	-		(367)	(c)
Other	(149)		(215)	
Provision for income taxes	**140**		**(357)**	
Effective tax rate	***-9.9%***		***92.6%***	
Adjustments				
- Favorable decision of the litigation related to the foreign tax receivables for 2012 and 2015 (b)	*-473*			
- Write-down of the value of the Telecom Italia shares accounted for under the equity method (c)			*+367*	
Restated effective tax rate	***23.7%***		***24.6%***	

a. The tax reform initiated in 2017 introduces significant changes to the calculation of corporate tax in the United States. As from January 1, 2018, the federal corporate tax rate was reduced from 35% to 21%. However, this tax rate decrease is accompanied by measures that widen the taxable base by introducing a minimum tax on income earned in countries with low-tax rates (minimum tax on global intangible low-taxed income, "GILTI") and by introducing a taxation mechanism for expenditures that erode tax bases (base erosion and anti-abuse tax, "BEAT"). More generally, the new law limits the deduction of expenses previously deductible without limitation. The impacts of this new legislation recorded as of December 31, 2018 and December 31, 2019 reflect Vivendi's best estimate. As a result, the amounts recorded will be adjusted in 2020 to take into account the clarification from the tax authorities on the interpretation of certain of their previously issued guidelines.

b. Included a current tax income of €473 million resulting from a favorable decision from the French Council of State (*Conseil d'Etat*) on December 19, 2019 regarding the use of foreign tax receivables upon exit from the Global Profit Tax System, i.e., €244 million with respect to fiscal year 2012 (€218 million principal and €26 million moratorium interest) and €229 million with respect to fiscal year 2015 (€203 million principal and €26 million moratorium interest).

c. In 2018, the result included the write-down of the value of the Telecom Italia shares accounted for under the equity method, for €1,066 million, non-taxable.

6.4 Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

	Year ended December 31,			
(in millions of euros)	2019		2018	
Opening balance of deferred tax assets/(liabilities), net	**(363)**	(a)	**38**	
Provision for income taxes	(62)		(77)	
Charges and income directly recorded in equity	22		(13)	
Other business combinations	(92)		-	
Changes in foreign currency translation adjustments and other	240		(350)	(b)
Closing balance of deferred tax assets/(liabilities), net	**(255)**		**(402)**	

a. As of January 1, 2019, deferred tax assets included the impact of the restatements related to the application of the new accounting standard IFRS 16 – *Leases* for +€39 million (please refer to Notes 1.1 and 11).

b. Certain reclassifications were made to the Consolidated Financial Statements for the year ended December 31, 2018 to conform to the presentation of the Consolidated Financial Statements for the year ended December 31, 2019, notably relating to the provisions with respect to the 2012 foreign tax receivables (please refer to Note 6.1) and other litigation provisions.

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2019	January 1, 2019
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes - Vivendi SA Tax Group (a) (b)	765	781
Tax attributes - US Tax Group (a) (c)	139	214
Tax attributes - Havas Group (a)	269	274
Tax attributes - Other subsidiaries (a)	351	279
Other	805	731
Of which non-deductible provisions	*125*	*115*
employee benefits	*211*	*169*
working capital	*171*	*177*
Total gross deferred taxes	**2,329**	**2,279**
Deferred taxes, unrecognized		
Tax attributes - Vivendi SA Tax Group (a) (b)	(653)	(667)
Tax attributes - US Tax Group (a) (c)	(139)	(214)
Tax attributes - Havas Group (a)	(257)	(249)
Tax attributes - Other subsidiaries (a)	(320)	(255)
Other	(178)	(181)
Total deferred tax assets, unrecognized	**(1,547)**	**(1,566)**
Recorded deferred tax assets	**782**	**713**
Deferred tax liabilities		
Asset revaluations (d)	(434)	(335)
Other	(603)	(741)
Recorded deferred tax liabilities	**(1,037)**	**(1,076)**
Deferred tax assets/(liabilities), net	**(255)**	**(363)**

a. The amounts of tax attributes presented in this table, were estimated at the end of the relevant fiscal years. In jurisdictions which are significant to Vivendi, mainly France and the United States, tax returns are filed on May 1 and September 15 at the latest of the following year, respectively. As a result, the amount of tax attributes shown in this table and the amount reported to tax authorities may differ, and if necessary, may need to be adjusted in this table at the end of the following year.

b. Related to deferred tax assets recognizable in respect of tax attributes by Vivendi SA as head of the French Tax Group (please refer to Note 6.1); i.e., €765 million as of December 31, 2019 (compared to €781 million as of December 31, 2018), in respect of tax losses only, taking into account the estimated impact (-€16 million) of the 2019 transactions (taxable income and use or expiration of tax credits), but before taking into account the final contingent outcome of ongoing tax audits (please refer to Note 6.5). In France, tax losses can be carried forward indefinitely and the foreign tax receivables can be carried forward upon exit from the Consolidated Global Profit Tax System.

c. Primarily related to deferred tax assets recognizable in respect of tax credits carried forward by Universal Music Group, Inc. in the United States as head of the US Tax Group, i.e., $154 million as of December 31, 2019 (compared to $244 million as of December 31, 2018), taking into account the estimated impact (-$90 million) of 2019 transactions, but before taking into account the final contingent outcome of ongoing tax audits (please refer to Note 6.5).

d. These tax liabilities, stemming from asset revaluations and resulting from the purchase price allocation of entities acquired by the group, are cancelled upon amortization or divestiture of the related assets and do not and will not generate any current tax liabilities.

6.5 Tax litigation

In the normal course of their business, Vivendi SA and its subsidiaries are subject to tax audits by the relevant tax authorities in the countries in which they conduct or conducted business. Various tax authorities have proposed adjustments to the financial results reported by Vivendi and its subsidiaries for fiscal year 2018 and prior years, under statutes of limitation applicable to Vivendi and its subsidiaries. In litigation situations, Vivendi's policy is to pay the taxes it intends to contest, and to seek a refund through appropriate legal proceedings. Regarding ongoing tax audits, no provision is recorded where the impact that could result from an unfavorable outcome cannot be reliably assessed. To date, Vivendi Management believes that these tax audits are unlikely to have a material impact on the group's financial position or liquidity.

Regarding the tax audit for fiscal years 2008 to 2012, Vivendi SA is subject to a rectification procedure for which the tax authorities challenge the accounting and tax treatment of NBC Universal shares received in consideration of the sale of Vivendi Universal Entertainment shares in 2004. Additionally, the tax authorities challenge the deduction of the €2.4 billion loss recorded as part of the sale of these shares in 2010 and 2011. Proceedings were brought before the National Direct Tax System (*Commission Nationale des Impôts Directs*), which rendered its opinion on December 9, 2016 (which was notified to Vivendi SA on January 13, 2017), in which it declared the discontinuation of the adjustments suggested by the tax authorities. Moreover, given that the disagreement was based on administrative doctrine, Vivendi asked for its cancellation on the ground that it was tantamount to adding to the law. On May 29, 2017, the French Council of State (*Conseil d'Etat*) favorably received Vivendi's appeal for misuse of authority. By letter dated April 1, 2019 and following various appeals, the tax authorities confirmed the continuation of the rectification procedure. On June 18, 2019, Vivendi therefore initiated a legal proceeding before the tax department. As no reply was received from the tax authorities, on December 30, 2019, Vivendi filed a complaint before the Administrative Court of Montreuil. In addition, the tax audit for fiscal years 2013 to 2016 is ongoing. Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for all the fiscal years under audit.

In respect of the US Tax Group, the tax audit for fiscal years 2011, 2012, and 2013 is now closed. On January 31, 2018, Vivendi was informed by the US tax authorities that fiscal years 2014, 2015 and 2016 were under audit, ongoing until December 31, 2019. Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit.

With regard to the Havas Group, Havas SA initiated legal proceedings for the refund of the withholding tax paid by the company between 2000 and 2002 on the redistribution of dividends from European subsidiaries (€38 million). On July 28, 2017, following the filing of the case before the Paris Administrative Court and Court of Appeal and the Versailles Court of Appeal, the French Council of State (*Conseil d'Etat*) found that the appeal in cassation made by Havas against the decision of the Versailles Court of Appeal was inadmissible. This decision irrevocably ended the tax litigation and barred Havas from obtaining a refund of the withholding tax. To restore Havas's right to compensation, three combined actions were taken: (i) a claim before the European Commission, (ii) a filing before the European Court of Human Rights, and (iii) a claim for compensation under an action for damages against the French state. Vivendi Management believes that it has solid legal grounds to defend the positions for determining the taxable income for the fiscal years under audit.

Note 7 Earnings per share

	Year ended December 31,			
	2019		2018	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
Earnings from continuing operations attributable to Vivendi SA shareowners	1,583	1,583	127	127
Earnings from discontinued operations attributable to Vivendi SA shareowners	-	-	-	-
Earnings attributable to Vivendi SA shareowners	1,583	1,583	127	127
Number of shares (in millions)				
Weighted average number of shares outstanding (a)	1,233.5	1,233.5	1,263.5	1,263.5
Potential dilutive effects related to share-based compensation	-	4.9	-	5.1
Adjusted weighted average number of shares	**1,233.5**	**1,238.4**	**1,263.5**	**1,268.6**
Earnings per share (in euros)				
Earnings from continuing operations attributable to Vivendi SA shareowners per share	1.28	1.28	0.10	0.10
Earnings from discontinued operations attributable to Vivendi SA shareowners per share	-	-	-	-
Earnings attributable to Vivendi SA shareowners per share	1.28	1.28	0.10	0.10

a. Net of the weighted average number of treasury shares (28.0 million shares in 2019, compared to 38.5 million shares in 2018).

Note 8 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

	Items not subsequently reclassified to profit or loss		Items to be subsequently reclassified to profit or loss			
(in millions of euros)	Actuarial gains/(losses) related to employee defined benefit plans (a)	Financial assets at fair value through other comprehensive income	Unrealized gains/(losses) Hedging instruments (b)	Foreign currency translation adjustments	Other comprehensive income from equity affiliates, net	**Other comprehensive income**
Balance as of January 1, 2018	**(272)**	**(198)**	**78**	**(497)**	**83**	**(806)**
Charges and income directly recognized in equity	40	(224)	3	228	(164)	(117)
Tax effect	(10)	(2)	-	-	-	(12)
Other	-	(7)	-	-	-	(7)
Balance as of December 31, 2018	**(242)**	**(431)**	**81**	**(269)**	**(81)** (c)	**(942)**
Charges and income directly recognized in equity	(163)	(40)	(4)	170	53	16
Tax effect	23	-	-	-	-	23
Other	(3)	3	-	-	-	-
Balance as of December 31, 2019	**(385)**	**(468)**	**77**	**(99)**	**(28)** (c)	**(903)**

a. Please refer to Note 18.

b. Please refer to Note 20.7.

c. Included foreign currency translation from Telecom Italia for -€9 million as of December 31, 2019, compared to -€20 million as of December 31, 2018.

Note 9 Goodwill

(in millions of euros)	December 31, 2019	December 31, 2018
Goodwill, gross	29,266	26,804
Impairment losses	(14,576)	(14,366)
Goodwill	**14,690**	**12,438**

9.1 Changes in goodwill

(in millions of euros)	December 31, 2018	Impairment losses	Business combinations		Changes in foreign currency translation adjustments and other		December 31, 2019
Universal Music Group	4,977	-	75	(a)	329	(b)	5,381
Canal+ Group	4,595	-	1,068	(c)	(3)		5,660
Havas Group	1,940	-	87		26		2,053
Editis	-	-	837	(d)	-		837
Gameloft	591	-	3		-		594
Vivendi Village	125	-	31		6		162
New Initiatives	210	-	-		(207)		3
Total	**12,438**	**-**	**2,101**		**151**		**14,690**

(in millions of euros)	December 31, 2017	Impairment losses	Business combinations		Changes in foreign currency translation adjustments and other		December 31, 2018
Universal Music Group	4,736	-	14		227	(b)	4,977
Canal+ Group	4,576	-	23		(4)		4,595
Havas Group	1,878	-	42		20		1,940
Gameloft	583	-	8		-		591
Vivendi Village	103	-	23	(e)	(1)		125
New Initiatives	208	(1)	3		-		210
Total	**12,084**	**(1)**	**113**		**242**		**12,438**

a. Notably included the provisional goodwill attributable to Ingrooves, consolidated by Universal Music Group as from March 15, 2019.

b. Notably included the foreign currency translation of the dollar (USD) against the euro.

c. Primarily included the provisional goodwill recognized as a result of the acquisition of M7 consolidated by Canal+ Group since September 12, 2019 (please refer to Note 2.3).

d. Primarily included the provisional goodwill recognized as a result of the acquisition of Editis consolidated since January 31, 2019 (please refer to Note 2.2).

e. Notably included the provisional goodwill attributable to Paylogic, acquired by Vivendi Village on April 16, 2018.

9.2 Goodwill impairment test

In 2019, Vivendi tested the value of goodwill allocated to its Cash-Generating Units (CGU) or groups of CGU applying valuation methods consistent with previous years. Vivendi ensured that the recoverable amount of CGU or groups of CGU tested exceeded their carrying value (including goodwill). The recoverable amount is determined as the higher of the value in use, determined by the discounted value of future cash flows (Discounted Cash Flow method (DCF)), and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions). For a description of the methods used for the impairment test, please refer to Note 1.3.5.8.

Presentation of CGU or groups of CGU

Operating Segments	Cash Generating Units (CGU)	CGU or groups of CGU tested
Universal Music Group	Recorded music	Universal Music Group (a)
	Music publishing	
	Artist services and merchandising	
Canal+ Group	Pay-TV in Mainland France	Pay-TV in France (mainland and overseas), Benelux, Poland, Central Europe, Africa and Asia, and free-to-air TV in France (a)
	Canal+ International (b)	
	Platforma Canal+ (Poland)	
	M7 (Central Europe and Benelux)	
	Free-to-air TV in France	
	Studiocanal	Studiocanal
Havas Group	Spain (c)	Spain (c)
	North America	North America
	France	France
	Other territories	Other territories
Editis (d)	Editis	Editis
Gameloft	Gameloft	Gameloft
Vivendi Village	Paddington	Paddington
	Live entertainment in France	Live entertainment in France
	Live entertainment in the United Kingdom	Live entertainment in the United Kingdom
	Venues in France	Venues in France
	See Tickets France	Ticketing (Vivendi Ticketing) (a)
	See Tickets United Kingdom	
	See Tickets United States	
	See Tickets B.V. (formerly Paylogic)	
New Initiatives	Dailymotion	Dailymotion
	Group Vivendi Africa	Group Vivendi Africa

a. Corresponds to the level of monitoring return on investments.

b. Relates to pay-TV in overseas France, Africa and Asia.

c. Includes entities under the same management.

d. As of December 31, 2019, no goodwill impairment test attributable to Editis was completed given that the acquisition date of Editis (January 31, 2019) was close to the financial closing date.

During the fourth quarter of 2018, Vivendi performed a goodwill impairment test on each CGU or group of CGU, on the basis of valuations of recoverable amounts determined through internal valuations or with the assistance of third-party appraisers. As a result, Vivendi Management concluded that, as of December 31, 2019, the recoverable amount for each CGU or group of CGU tested exceeded their carrying value.

Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each CGU or group of CGU is usually determined as the discounted value of future cash flows by using cash flow projections consistent with the 2020 budget and the most recent forecasts prepared by the operating segments. These forecasts are prepared on the basis of financial targets as well as the following main key assumptions: discount rate, perpetual growth rate and EBITA as defined in Note 1.2.3, capital expenditures, the competitive and regulatory environments, technological developments and level of commercial expenses. When the business plan of a CGU or group of CGU is not available at the time of the re-examination of the value of goodwill, Vivendi ensures that the recoverable amount exceeds the carrying value on the basis of market data only. The recoverable amount used for the relevant CGU or group of CGU was determined based on its value in use in accordance with the main key assumptions set out below.

Operating segments	**CGU or groups of CGU tested**	Valuation Method		Discount Rate (a)		Perpetual Growth Rate	
		2019	2018	2019	2018	2019	2018
Universal Music Group	Universal Music Group (b)	Transaction	na	na	na	na	na
Canal+ Group	Pay-TV in France (mainland and overseas), Benelux, Poland, Central Europe, Africa and Asia, and free-to-air TV in France (c)	Comparables	na	na	na	na	na
	Studiocanal	DCF	DCF	7.70%	8.00%	1.00%	0.50%
Havas Group	Spain	DCF	DCF	7.37%	8.03%	2.00%	2.00%
	North America	DCF	DCF	8.00%	8.10%	2.00%	2.00%
	France	DCF	DCF	7.70%	7.90%	2.00%	2.00%
Gameloft	Gameloft	DCF & comparables model	DCF & comparables model	9.00%	8.50%	2.00%	2.00%
Vivendi Village	Paddington	DCF	DCF	8.80%	8.60%	1.00%	1.00%
	Live entertainment in France	DCF	DCF	10.00%	9.00%	1.00%	1.00%
	Live entertainment in the United Kingdom	DCF	DCF	10.00%	na	1.00%	na
	Venues in France	DCF	DCF	9.00%	9.00%	1.00%	1.00%
	Ticketing (Vivendi Ticketing)	DCF	DCF	9.30%	11.00%	2.00%	2.00%
New Initiatives	Dailymotion	Comparables	DCF & comparables model	na	11.50%	na	2.00%

na: not applicable.

a. The determination of recoverable amounts using a post-tax discount rate applied to post-tax cash flows provides recoverable amounts consistent with the ones that would have been obtained using a pre-tax discount rate applied to pre-tax cash flows.

b. On December 31, 2019, Vivendi and a consortium of global financial investors led by Tencent entered into an agreement which provides for the sale of 10% of UMG's share capital, based on an enterprise value of €30 billion for 100% of UMG's share capital. On this basis, Vivendi considered that UMG's recoverable amount exceeded its carrying value.

c. Based on multiple valuations observed in recent acquisitions, Vivendi considered that Canal+ Group's recoverable amount exceeded its carrying value.

Sensitivity of recoverable amounts

	December 31, 2019				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (in %)	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Applied rate (in %)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (in %)
Universal Music Group (a)	na	na	na	na	na
Canal+ Group (b)					
Pay-TV in France (mainland and overseas), Benelux, Poland, Central Europe, Africa and Asia, and free-to-air TV in France	na	na	na	na	na
Studiocanal	7.7%	+1.05 pts	1.00%	-1.71 pts	-15%
Havas Group					
Spain	7.37%	+7.99 pts	2.00%	-13.43 pts	-57%
North America	8.00%	+8.27 pts	2.00%	-16.69 pts	-57%
France	7.7%	+6.00 pts	2.00%	-8.80 pts	-51%
Gameloft (c)	na	na	na	na	na
Dailymotion (c)	na	na	na	na	na

	December 31, 2018				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (in %)	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Applied rate (in %)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (in %)
Universal Music Group	na	na	na	na	na
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	na	na	na	na	na
Studiocanal	8.00%	+2.02 pts	0.50%	-3.78 pts	-23%
Havas Group					
Spain	8.03%	+7.40 pts	2.00%	-15.65 pts	-57%
North America	8.10%	+6.77 pts	2.00%	-12.72 pts	-52%
France	7.90%	+6.90 pts	2.00%	-12.36 pts	-54%
Gameloft (c)	na	na	na	na	na
Dailymotion (c)	na	na	na	na	na

na: not applicable.

a. Please refer to reference b. in the table above.

b. Please refer to reference c. in the table above.

c. Vivendi Management considered that the recoverable amounts of Gameloft and Dailymotion as of December 31, 2019 and as of December 31, 2018, which were determined using standard valuation methods (the value in use, determined as the discounted value of future cash flows, and the fair value, determined on the basis of market data: stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions) were at least equal to their carrying value.

Note 10 Content assets and commitments

10.1 Content assets

	December 31, 2019		
(in millions of euros)	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	8,999	(7,405)	1,594
Advances to artists and repertoire owners	1,266	-	1,266
Merchandising contracts and artists services	22	(22)	-
Film and television costs	7,111	(6,328)	783
Sports rights	466	-	466
Editorial creations	861	(816)	45
Other	44	(29)	15
Content assets	**18,769**	**(14,600)**	**4,169**
Deduction of current content assets	(1,440)	17	(1,423)
Non-current content assets	**17,329**	**(14,583)**	**2,746**

	December 31, 2018		
(in millions of euros)	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	8,523	(7,159)	1,364
Advances to artists and repertoire owners	1,045	-	1,045
Merchandising contracts and artists services	20	(20)	-
Film and television costs	6,792	(6,107)	685
Sports rights	437	-	437
Other	48	(39)	9
Content assets	**16,865**	**(13,325)**	**3,540**
Deduction of current content assets	(1,381)	35	(1,346)
Non-current content assets	**15,484**	**(13,290)**	**2,194**

Changes in content assets

	Year ended December 31,	
(in millions of euros)	2019	2018
Opening balance	**3,540**	**3,247**
Amortization of content assets excluding those acquired through business combinations	(65)	(49)
Amortization of content assets acquired through business combinations	(84)	(79)
Impairment losses on content assets acquired through business combinations	-	-
Increase	3,440	2,737
Decrease	(2,769)	(2,597)
Business combinations	50	3
Foreign currency translation adjustments and other	57	278
Closing balance	**4,169**	**3,540**

10.2 Contractual content commitments

Commitments given recorded in the Statement of Financial Position: content liabilities

Content liabilities are mainly recorded in "Trade accounts payable and other" or in "Other non-current liabilities" whether they are current or non-current, as applicable.

	Minimum future payments as of December 31, 2019				Total minimum future payments as of December 31, 2018
		Due in			
(in millions of euros)	Total	2020	2021 - 2024	After 2024	
Music royalties to artists and repertoire owners	2,264	2,251	13	-	2,049
Film and television rights (a)	198	198	-	-	169
Sports rights	394	394	-	-	434
Creative talent, employment agreements and others	362	270	87	5	297
Content liabilities	**3,218**	**3,113**	**100**	**5**	**2,949**

Off-balance sheet commitments given/(received)

	Minimum future payments as of December 31, 2019				Total minimum future payments as of December 31, 2018
	Total	Due in			
(in millions of euros)		2020	2021 - 2024	After 2024	
Film and television rights (a)	3,136	1,093	2,013	30	2,630
Sports rights	1,998 (b)	425	1,556	17	1,735
Creative talent, employment agreements and others (c)	1,362	693	635	34	1,172
Given commitments	**6,496**	**2,211**	**4,204**	**81**	**5,537**
Film and television rights (a)	(159)	(100)	(58)	(1)	(188)
Sports rights	(104)	(52)	(52)	-	(7)
Creative talent, employment agreements and others (c)			not available		
Other	(6)	(2)	(4)	-	(3)
Received commitments	**(269)**	**(154)**	**(114)**	**(1)**	**(198)**
Total net	**6,227**	**2,057**	**4,090**	**80**	**5,339**

a. Mainly includes contracts valid over several years for movies and TV production broadcasting rights (mainly exclusivity contracts with major US studios), pre-purchases of rights in the French cinema industry, Studiocanal's film production and co-production commitments (given and received), and Canal and Platforma Canal+ multichannel digital TV package broadcasting rights. They are recorded as content assets when the broadcast is available for initial release or after the initial significant payment. As of December 31, 2019, provisions recorded in respect of these commitments amounted to €22 million (compared to €26 million as of December 31, 2018).

   In addition, these amounts do not include commitments under contracts for channel diffusion rights and non-exclusive distribution of channels, in respect of which Canal+ Group did not grant or receive minimal guaranteed amounts. The variable amount of these commitments cannot be reliably determined and is not reported in either the Statement of Financial Position or in the commitments and is instead recorded as an expense for the period in which it was incurred. Based on an estimate of the future subscriber base at Canal+ Group, given commitments would have increased by a net amount of €426 million as of December 31, 2019, compared to €407 million as of December 31, 2018. These amounts notably included the renewal of the distribution agreement with beIN Sports on July 11, 2016, for a four-year period.

   Moreover, on November 8, 2018, Canal+ Group announced the renewal of its May 7, 2015 agreement with all the cinema professional organizations (ARP, BLIC and BLOC), extending until December 31, 2022 a historic partnership of more than 30 years between Canal+ and the French cinema. Pursuant to this agreement, the Canal+ channel undertook to invest 12.5% of its annual revenues every year in the financing of European cinematographic works. With respect to audiovisual, pursuant to the agreements entered into with producers' and authors' organizations in France, the Canal+ channel is required to invest 3.6% of its total net annual revenue in the financing of heritage works every year. Only films for which an agreement in principle is made with producers are accounted for in the off-balance sheet commitments, as it is otherwise not possible to reliably determine a future and total estimate of commitments under agreements with cinema professional organizations and with producers' and authors' organizations.

b. Notably included broadcasting rights held by Canal+ Group to the following sport events:
   - the Soccer Champions League, on an exclusive basis for the two premium lots for three seasons, from 2021/2022 to 2023/2024, awarded on November 29, 2019;
   - the English Premier League in France and in Poland, for the two seasons 2020/2021 and 2021/2022, awarded on October 31, 2018;

- the National French Rugby Championship "Top 14", on an exclusive basis, for the three seasons 2020/2021 to 2022/2023; and
- Formula 1, Formula 2 and GP3 racings, on an exclusive basis, for the 2020 season. On January 21, 2020, Canal+ Group announced the extension of this agreement for the exclusive broadcast of the entire 2021 and 2022 seasons.

These commitments will be accounted for in the Statement of Financial Position either upon the start of every season or upon an initial significant payment.

In addition, Canal+ Group and beIN Sports entered into an exclusive distribution and sublicensing deal in France of the French professional Soccer League 1. The exclusive agreement is for a five-year period, renewable. As a reminder, as of December 31, 2018, Canal+ Group held broadcasting rights for the 2019/2020 season for the two premium lots (€549 million).

c. Primarily relates to UMG, which routinely commits to pay agreed amounts to artists and other parties upon delivery of content or other products ("Creative talent and employment agreements"). Until the artist or the other party has delivered his or her content or until the repayment of an advance, UMG discloses its obligation as an off-balance sheet given commitment. While the artist or the other party is obligated to deliver content or another product to UMG (these arrangements are generally exclusive), this counterpart cannot be reliably determined and, thus, is not reported in received commitments.

Note 11 Leases

As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – *Leases*. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. Moreover, Vivendi applied this change of accounting standard to the Statement of Financial Position, Statement of Earnings and Statement of Cash Flows in 2019. For a detailed description, please refer to Notes 1.1 and 1.3.5.7.

11.1 Rights-of-use relating to leases

As of December 31, 2019, the rights-of-use relating to leases amounted to €1,245 million (€1,131 million as of January 1, 2019) less the accumulated amortization and impairment losses for €741 million as of December 31, 2019 (€499 million as of January 1, 2019). These rights-of-use relate to real estate leases.

Changes in the rights-of-use

(in millions of euros)	Year ended December 31, 2019
Balance as of January 1, 2019	**1,131**
Amortization	(220)
Acquisitions/increase	265
Sales/decrease	(1)
Business combinations	40
Foreign currency translations and other	30
Balance as of December 31, 2019	**1,245**

11.2 Lease liabilities

Reconciliation between off-balance sheet leases as of December 31, 2018 and lease liabilities as of January 1, 2019

(in millions of euros)	
Off-balance sheet leases as of December 31, 2018	**1,436**
Lease with a remaining lease term of less than 12 months (short-term lease)	(7)
Leases of low-value assets	-
Variable lease payments (excluding indexed leases)	-
Reasonably certain renewal/extension and termination options	101
Others	20
Undiscounted lease payments as of January 1, 2019	**1,550**
Effect of discounting	(210)
Residual value guarantee	-
Non-lease components	-
Operating lease liabilities as of January 1, 2019	**1,340**
Financing lease liabilities	-
Total of lease liabilities as of January 1, 2019	**1,340**

Maturity of lease liabilities

The maturity of lease liabilities is based on assumptions made upon the initial application of IFRS 16.
The weighted average incremental borrowing rate applied to lease liabilities as of January 1, 2019 was 3.21%.

(in millions of euros)	December 31, 2019	January 1, 2019
Maturity		
2020	236	218
2021-2024	720	698
After 2024	503	424
Lease liabilities	**1,459**	**1,340**

11.3 Lease-related expenses

Lease-related expenses recorded in the Statement of Earnings amounted to €263 million in 2019 (compared to €274 million in 2018 relating to operating leases under IAS 7).

Note 12 Investments in equity affiliates

12.1 Main investments in equity affiliates

As of December 31, 2019, the main companies accounted for by Vivendi under the equity method were as follows:

- Telecom Italia: fixed and mobile telephony operator in Italy and Brazil;
- Banijay Group Holding: producer and distributor of television programs; and
- Vevo: premium music video and entertainment platform.

	Voting interest		Net carrying value of equity affiliates	
(in millions of euros)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Telecom Italia (a)	23.94%	23.94%	3,248	3,130
Banijay Group Holding (b)	31.4%	31.4%	148	145
Vevo	49.4%	49.4%	78	81
Other			46	62
			3,520	**3,418**

a. As of December 31, 2019, Vivendi held 3,640 million Telecom Italia ordinary shares with voting rights, i.e., 23.94%, representing 17.15% of the total share capital. Based on the stock market price as of December 31, 2019 (€0.556 per ordinary share), the market value of this interest amounted to €2,025 million. For an analysis of the value of Vivendi's interest in Telecom Italia as of December 31, 2019, please refer to paragraph 12.2 below.

b. On October 26, 2019, Banijay Group Holding entered into a final agreement to acquire 100% of Endemol Shine's share capital.

Change in value of investments in equity affiliates

	Years ended December 31,	
(in millions of euros)	2019	2018
Opening balance	**3,418**	**4,526**
Acquisitions	12	-
Sales	-	-
Write-downs	(9)	(1,066) (a)
Income from equity affiliates (b)	71	129
Change in other comprehensive income	53	(164)
Dividends received	(8)	(7)
Other	(17)	-
Closing balance	**3,520**	**3,418**

a. In 2018, Vivendi wrote-down the value of its interest in Telecom Italia for €1,066 million (please see below).

b. Primarily included Vivendi's share of Telecom Italia's net earnings for €67 million in 2019 (please see below), compared to €122 million in 2018.

12.2 Telecom Italia

Equity accounting of Telecom Italia

As of December 31, 2019, with no change compared to December 31, 2018, Vivendi held 3,640 million Telecom Italia ordinary shares, representing 23.94% of the voting rights and 17.15% of the total share capital of Telecom Italia, while taking into account non-voting savings shares with privileged dividend rights.

As of December 31, 2019, Vivendi continues to consider that it has the power to participate in Telecom Italia's financial and operating policy decisions, particularly given the 23.94% voting rights it holds in Telecom Italia, and, as a result, it is deemed to exercise a significant influence over Telecom Italia.

Vivendi's share of Telecom Italia's earnings

Vivendi relies on Telecom Italia's public financial information to account for its interest in Telecom Italia under the equity method. Given Vivendi's and Telecom Italia's respective publication dates of their financial statements, Vivendi always accounts for its share of Telecom Italia's net earnings with a three-month reporting lag. Therefore, for fiscal year 2019, Vivendi's earnings take into account its share of Telecom Italia's net earnings for the fourth quarter of 2018 and for the first nine months of 2019, i.e., a total of €67 million, which was calculated as follows:

- €1 million, attributable to Vivendi's share of Telecom Italia's profit for the fourth quarter of 2018, calculated based on the financial information for the year ended December 31, 2018, as publicly disclosed by Telecom Italia on February 21, 2019;
- €126 million, attributable to Vivendi's share of Telecom Italia's profit for the first nine months of 2019, calculated based on the financial information for the first nine months of 2019, as publicly disclosed by Telecom Italia on November 7, 2019; and
- -€60 million, excluded from adjusted net income, relating to the amortization of intangible assets related to the purchase price allocation for Telecom Italia.

In addition, Vivendi's share of Telecom Italia's charges and income directly recognized in equity amounted to €51 million in 2019, including €11 million related to foreign currency translation adjustments.

Value of Vivendi's interest in Telecom Italia as of December 31, 2019

As of December 31, 2019, the stock market price of Telecom Italia ordinary shares (€0.556 per share) was lower than the average purchase price paid by Vivendi (€1.0709 per share). As a reminder, as of December 31, 2018, Vivendi wrote-down the value of its interest accounted for under the equity method for €1,066 million, for the value of Telecom Italia shares accounted for under the equity method for €3,131 million (€0.86 per share). As of December 31, 2019, Vivendi assessed whether there was any indication that its interest in Telecom Italia may have become impaired in 2019. As every year, the test was implemented with the assistance of a third-party appraiser and the value determined using standard valuation methods (the value in use, determined as the discounted value of future cash flows, and the fair value, determined on the basis of market data: stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions). Vivendi Management concluded that there were no triggering events that would indicate any reduction in the value of its interest compared to December 31, 2018. In Vivendi's Consolidated Financial Statements for the year ended December 31, 2019, the value of Telecom Italia shares accounted for under the equity method was €3,248 million.

Financial information related to 100% of Telecom Italia

The main aggregates of the Consolidated Financial Statements, as publicly disclosed by Telecom Italia, are as follows:

(in millions of euros)	Nine month Financial Statements as of September 30, 2019	Annual Financial Statements as of December 31, 2018
Date of publication by Telecom Italia:	*November 7, 2019*	*February 21, 2019*
Non-current assets	60,675	56,890
Current assets	8,798	8,729
Total assets	69,473	65,619
Total equity	22,544	21,747
Non-current liabilities	36,151	30,991
Current liabilities	10,778	12,881
Total liabilities	69,473	65,619
of which net financial debt (a)	*28,447*	*25,995*
Revenues	13,423	18,940
EBITDA (a)	6,499	7,403
Earnings attributable to Telecom Italia shareowners	852	(1,411)
Total comprehensive income/(loss) attributable to Telecom Italia shareowners	858	(1,784)

a. Non-GAAP measures ("Alternative Performance Measures"), as publicly disclosed by Telecom Italia.

Note 13 Financial assets

(in millions of euros)	December 31, 2019 Total	Current	Non-current	December 31, 2018 Total		Current	Non-current
Financial assets at fair value through profit or loss							
Term deposits (a)	154	154	-	549		549	-
Level 1							
Bond funds (a)	50	50	-	50		50	-
Listed equity securities	1,001	-	1,001	789		-	789
Other financial assets	5	5	-	5		5	-
Level 2							
Unlisted equity securities	42	-	42	-		-	-
Derivative financial instruments	25	8	17	38		16	22
Level 3 - Other financial assets (b)	31	-	31	44		-	44
Financial assets at fair value through other comprehensive income (c)							
Level 1 - Listed equity securities	925	-	925	936		-	936
Level 2 - Unlisted equity securities	22	-	22	20		-	20
Level 3 - Unlisted equity securities	38	-	38	47		-	47
Financial assets at amortized cost	225	38	187	714	(d)	470	244
Financial assets	**2,518**	**255**	**2,263**	**3,192**		**1,090**	**2,102**

The three classification levels for the measurement of financial assets at fair value are defined in Note 1.3.1.

a. Relates to cash management financial assets, included in the cash position (please refer to Note 15).

b. These financial assets notably included the fair value of the bond redeemable into either shares or cash (ORAN 2) subscribed to by Vivendi in 2016 in connection with its investment in Banijay Group Holding.

c. These assets relate to listed and non-listed equity securities, which Vivendi classified as “fair value through other comprehensive income”.

d. As of December 31, 2018, these financial assets notably included:
   - a receivable of €429 million on the forward sale of the remaining interest in Ubisoft sold on March 5, 2019 (please refer to Note 2.4); and
   - a €70 million cash deposit pursuant to an agreement to purchase a plot of land on the île Seguin in the Parisian suburb of Boulogne Billancourt, which cash deposit was returned on March 25, 2019 (please refer to Note 23.1).

Listed equity and financial assets portfolio

	December 31, 2019								
	Number of shares held	Voting interest	Ownership interest	Average purchase price (b)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)			(€/share)			(in millions of euros)		
Mediaset	340,246	9.99% (a)	28.80%	3.70	2.66	905	(29)	(354)	+91/-91
Other						1,021	210	959	
Total						**1,926**	**181**	**605**	

	December 31, 2018								
	Number of shares held	Voting interest	Ownership interest	Average purchase price (b)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)				(€/share)		(in millions of euros)		
Mediaset	340,246	9.99% (a)	28.80%	3.70	2.74	934	(165)	(325)	+93/-93
Ubisoft (c)	6,550	5.23%	5.80%	31.98	na	429	na	na	na
Other						791	440	749	
Total						**2,154**	**275**	**424**	

na: not applicable.

a. The partnership agreement entered into between Vivendi and Mediaset on April 8, 2016 is the subject of litigation. On April 9, 2018, in compliance with the undertakings given to the AGCOM, Vivendi transferred the portion of its voting rights in excess of 10% to an independent Italian trustee (please refer to Note 24).

b. Includes acquisition fees and taxes.

c. As part of the sale of its entire 27.27% interest in Ubisoft (i.e., 30,489 thousand shares), the remaining portion of 6,550 thousand shares was sold on March 5, 2019 in a forward sale (please refer to Note 2.4). As of December 31, 2018, Vivendi recorded a receivable on share disposal for the amount of such forward sale (€429 million) in the Consolidated Statement of Financial Position.

Equity market value risks

As part of a sustainable investing strategy, Vivendi has built an equity portfolio comprising listed and non-listed French and European companies in the telecommunication and media sectors that are leaders in the production and distribution of content.

As of December 31, 2019, Vivendi held a portfolio of listed non-controlling equity interests (including Telecom Italia). The aggregate market value was approximately €3.95 billion (before taxes). Vivendi is exposed to the risk of fluctuation in the value of these interests: as of December 31, 2019, the net unrealized capital gains or losses represented a net unrealized capital loss amounting to approximately €1.3 billion (before taxes). A 10% uniform decrease in the value of all of these shares would have a cumulative negative impact of approximately €1.7 billion on Vivendi's financial position; a 20% uniform decrease in the value of all of these shares would have a cumulative negative impact of approximately €2.1 billion on Vivendi's financial position.

Note 14 Net working capital

Changes in net working capital

(in millions of euros)	January 1, 2019 (a)	Changes in operating working capital (b)	Business combinations	Divestitures in progress or completed	Changes in foreign currency translation adjustments	Other (c)	December 31, 2019
Inventories	206	-	66	-	3	2	277
Trade accounts receivable and other	5,311	(3)	262	(1)	52	40	5,661
Of which trade accounts receivable	*3,840*	*(110)*	*221*	*1*	*36*	*(9)*	*3,979*
trade accounts receivable write-offs	*(197)*	*16*	*(27)*	*-*	*(1)*	*4*	*(205)*
Working capital assets	**5,517**	**(3)**	**328**	**(1)**	**55**	**42**	**5,938**
Trade accounts payable and other	9,513	61	676	17	122	105	10,494
Other non-current liabilities	223	3	5	(1)	4	(51)	183
Working capital liabilities	**9,736**	**64**	**681**	**16**	**126**	**54**	**10,677**
Net working capital	**(4,219)**	**(67)**	**(353)**	**(17)**	**(71)**	**(12)**	**(4,739)**

(in millions of euros)	January 1, 2018 (d)	Changes in operating working capital (b)	Business combinations	Divestitures in progress or completed	Changes in foreign currency translation adjustments	Other (c)	December 31, 2018
Inventories	177	29	-	-	3	(3)	206
Trade accounts receivable and other	5,208	65	28	(17)	(6)	36	5,314
Of which trade accounts receivable	*3,828*	*(29)*	*14*	*(9)*	*(15)*	*51*	*3,840*
trade accounts receivable write-offs	*(182)*	*(20)*	*-*	*3*	*-*	*2*	*(197)*
Working capital assets	**5,385**	**94**	**28**	**(17)**	**(3)**	**33**	**5,520**
Trade accounts payable and other	9,019	64	60	(3)	39	393	9,572
Other non-current liabilities	226	2	(1)	-	4	17	248
Working capital liabilities	**9,245**	**66**	**59**	**(3)**	**43**	**410**	**9,820**
Net working capital	**(3,860)**	**28**	**(31)**	**(14)**	**(46)**	**(377)**	**(4,300)**

a. As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – *Leases*.

b. Excludes content investments.

c. Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments.

d. As of January 1, 2018, net working capital included the restatements related to the application of IFRS 9 for -€10 million.

Trade accounts receivable and other

Credit risk

Vivendi does not consider there to be a significant risk of non-recovery of trade accounts receivables for its business segments: the large individual customer base, the broad variety of customers and markets, as well as the geographic diversity of its business segments enable Vivendi to minimize the risk of credit concentration related to trade accounts receivable.

Vivendi's operational subsidiaries have set up procedures and systems for tracking their trade accounts receivable and recovering outstanding amounts. In addition, Havas has insured its main client credit risks worldwide with a leading credit insurer. Similarly, certain UMG subsidiaries have occasionally used the same insurance system.

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2019	January 1, 2019
Trade accounts payable		5,057	4,874
Music royalties to artists and repertoire owners	10.2	2,251	2,037
Other		3,186	2,602
Trade accounts payable and other		**10,494**	**9,513**

Note 15 Cash position

Vivendi's cash position comprises cash and cash equivalents, as well as cash management financial assets classified as current financial assets. As defined by Vivendi, cash management financial assets relate to financial investments, which do not satisfy the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, which satisfy the ANC's and AMF's decision released in November 2018.

(in millions of euros)	December 31, 2019			December 31, 2018		
	Carrying value	Fair value	Level (a)	Carrying value	Fair value	Level (a)
Term deposits	154	na	na	549	na	na
Bond funds	50	50	1	50	50	1
Cash management financial assets	**204**			**599**		
Cash	339	na	na	438	na	na
Term deposits and current accounts	1,602	na	na	1,999	na	na
Money market funds	189	189	1	1,306	1,306	1
Bond funds	-	-	1	50	50	1
Cash and cash equivalents	**2,130**			**3,793**		
Cash position	**2,334**			**4,392**		

na: not applicable.

a. Level 1 corresponds to a measurement based on quoted prices in active markets (the three classification levels for the measurement of financial assets at fair value are defined in Note 1.3.1).

In 2019, the average interest rate on Vivendi's investments was 0.64% (compared to 0.50% in 2018).

Investment risk and counterparty risk

Vivendi SA centralizes daily cash surpluses (cash pooling) of all controlled entities (i) which are not subject to local regulations restricting the transfer of financial assets, or (ii) which are not subject to other agreements.

As of December 31, 2019, the group's cash position amounted to €2,334 million (compared to €4,392 million as of December 31, 2018), of which €1,479 million was held by Vivendi SA (compared to €3,354 million as of December 31, 2018).

Vivendi's investment policy mainly aims to minimize its exposure to counterparty risk. Consequently, Vivendi allocates a portion of the amounts available within (i) mutual funds with a low risk class (1 or 2) as defined by the European Securities and Markets Authority's (ESMA) synthetic risk and reward indicator (SRRI) which comprises seven risk classes, and (ii) credit institutions with high long-term or short-term credit ratings (at least A-(Standard & Poor's)/A3(Moody's) and A-2(Standard & Poor's)/P-2(Moody's), respectively). Moreover, Vivendi allocates investments among selected banks and limits the amount of each such investment.

Liquidity risk

As of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), Vivendi considers that the cash flows generated by its operating activities, its cash surpluses, net of the cash used to reduce its debt, as well as the cash available through undrawn bank credit facilities (please refer to Note 20.3) will be sufficient to cover its operating expenses and investments, its debt service (including redemption of bonds), the payment of income taxes, the distribution of dividends and any potential share repurchases under existing authorizations, as well as its investment projects, if any, for the next 12 months.

Note 16 Equity

Changes in the share capital of Vivendi SA

(in thousands)	December 31, 2019	December 31, 2018
Number of shares comprising the share capital (nominal value: €5.5 per share)	**1,184,576**	**1,306,234**
Treasury shares	(14,001)	(38,264)
Number of shares, net	**1,170,575**	**1,267,970**
Number of voting rights, gross	**1,258,445**	**1,387,889**
Treasury shares	(14,001)	(38,264)
Number of voting rights, net	**1,244,444**	**1,349,625**

On July 17, 2019, Vivendi SA carried out a capital increase of €113 million, by issuing 5,376 thousand new shares through an employee stock purchase plan and leveraged plan (please refer to Note 19.1.2).

As of December 31, 2019, Vivendi SA's share capital amounted to €6,515 million, divided into 1,184,576 thousand shares. In addition, as of December 31, 2019, 3,078 thousand stock options and 5,282 thousand performance shares were outstanding, representing a potential maximum nominal share capital increase of €46 million (i.e., 0.71%).

In 2019 and until February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), major transactions on Vivendi SA's share capital were as follows:

	Share repurchases		Cancellation of shares *in thousands of shares*			
	% of the share capital (a)	In thousands of shares	Resulting from the share repurchases	Others	Total	% of the share capital (a)
Share repurchases made between May 28 and July 25, 2019	5.00%	65,465				
Cancellation of treasury shares on June 17, 2019			*20,018*	*29,982* (b)	50,000	3.82%
Cancellation of treasury shares on July 25, 2019			*44,679*	-	44,679	3.41%
Share repurchases made between August 7 and November 13, 2019	2.13%	27,866				
Share repurchases made between November 18 and December 31, 2019	1.11%	14,579				
Cancellation of treasury shares on November 26, 2019			*32,083*	*4,169* (c)	36,252	2.77%
Total as of December 31, 2019	**8.24%**	**107,910**	**96,780**	**34,151**	**130,931**	**10.00%**
Share repurchases made between January 1 and February 10, 2020	0.61%	7,973	-	-	-	-
Total as of February 10, 2020	**8.85%**	**115,883**	**96,780**	**34,151**	**130,931**	**10.00%**

a. At the program's implementation date.

b. Shares previously held for external growth transactions.

c. Shares previously allocated to covering performance share plans.

Share repurchases

On April 15, 2019, the General Shareholders' Meeting adopted the following two resolutions related to share repurchases:

- the renewal of the authorizations granted to the Management Board by the Shareholders' Meeting of April 19, 2018 to repurchase shares of the company of up to 10% of the share capital at a maximum purchase price of €25 per share; with the possibility of cancelling the shares acquired up to the limit of 10% of the share capital; and
- authorizing the Management Board to purchase shares of the company by way of a public share buyback offer (OPRA) of up to 25% of Vivendi's share capital at a maximum purchase price of €25 per share, and to cancel the shares acquired.

Following the decision of the Management Board at a meeting held on May 24, 2019, and in accordance with the authorization of the Shareholders' Meeting of April 15, 2019, Vivendi implemented a share buyback program for up to 10% of Vivendi's share capital and at a maximum price of €25 per share:

- between May 28 and July 25, 2019, Vivendi repurchased 65,465 thousand shares at an average price of €24.60 per share, for an aggregate amount of €1,610 million;
- between August 7, 2019 and November 13, 2019, Vivendi repurchased 27,866 thousand shares, at an average price of €24.88 per share, for an aggregate amount of €693 million; and
- between November 18, 2019 and December 31, 2019, Vivendi repurchased 14,579 thousand shares at an average price of €24.76 per share, for an aggregate amount of €361 million.

As of December 31, 2019, these successive operations have therefore enabled Vivendi to repurchase 107,910 thousand of its own shares with the purpose of canceling the shares acquired, at an average price of €24.69 per share, for an aggregate amount of €2,664 million (excluding fees and taxes for €9 million). As of December 31, 2019, Vivendi held 14,001 thousand treasury shares, representing 1.18% of its share capital (compared to 2.93% of its share capital as of December 31, 2018).
As of December 31, 2019, Vivendi recorded a financial liability of €360 million for firm commitments related to the share buyback program in place on that date.

Between January 1 and February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), Vivendi repurchased 7,973 thousand shares with the purpose of canceling the shares acquired at an average price of €24.74 per share, for an aggregate amount of €197 million. As of February 10, 2020, Vivendi held 21,973 thousand treasury shares, representing 1.85% of its share capital (as of the implementation date of the share buyback program), of which 19,103 thousand shares were backed by cancellation and 2,870 thousand shares were backed by hedge performance action plans.
On February 10, 2020, the Management Board decided to continue this current program until April 17, 2020 to acquire the remainder of 15,048 thousand shares at the maximum purchase price of €25 per share.

The General Shareholder's Meeting to be held on April 20, 2020 will vote on the renewal of the following two authorizations granted to the Management Board by the General Shareholders' Meeting held on April 15, 2019:

- authorization to repurchase shares of the company at a maximum price of €26 per share, within the limit of 10% of the share capital (2020-2021 program); with the possibility of cancelling the shares acquired up to the limit of 10% of the share capital; and
- authorization to repurchase shares of the company by way of a Public Share Buyback Offer (OPRA) at a maximum price of €26 per share, within the limit of 30% of the share capital (or 20% depending on the repurchases made under the new program which are deducted from this 30% limit), and to cancel the shares acquired.

Cancellation of shares

Following the decision of the Management Board at a meeting held on June 17, 2019, and in accordance with the authorization granted by the Shareholders' Meeting of April 15, 2019, Vivendi made a capital reduction by cancelling 50,000 thousand treasury shares, i.e., 3.82% of the share capital, for a carrying value of €990 million. Of the 50,000 thousand shares cancelled:

- 29,982 thousand were reallocated for the purpose of share cancellation from the 35,093 thousand shares initially allocated for the purpose of external growth transactions. The remaining 5,111 thousand shares were reallocated to cover performance share plans; and
- 20,018 thousand shares were acquired under the share buyback program, implemented on May 28, 2019 (please see above).

On July 25, 2019, under the same authorization, the Management Board decided to cancel 44,679 thousand shares purchased on the market under the current share buyback program and representing 3.41% of the share capital as of the implementation date of the share buyback program with a carrying value of €1,105 million.

Following the decision of the Management Board at a meeting held on November 26, 2019, and in accordance with the authorization granted by the Shareholders' Meeting of April 15, 2019, Vivendi made a capital reduction by cancelling 36,252 thousand treasury shares, i.e., 2.77% of the share capital (as of the implementation date of the share buyback program), for a carrying value of €870 million. Of the 36,251 thousand shares cancelled:

- 32,083 thousand shares out of the shares purchased on the market through the current share buyback program; and
- 4,169 thousand shares held by Vivendi, previously covering performance shares plans and reallocated to the cancellation of shares.

Consequently, 130,931 thousand shares were cancelled between June 17 and November 26, 2019, i.e., 10% of the share capital as of the implementation date of the share buyback program.

Shareholders' dividend distributions

On February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019 and the allocation of earnings for the fiscal year then ended), the Management Board decided to propose to shareholders the payment of an ordinary dividend of €0.60 per share (a 20% increase compared to the previous year) representing a total distribution of approximately €711 million. This proposed distribution was presented to, and approved by, Vivendi's Supervisory Board at its meeting held on February 13, 2020, and will be submitted to the Annual General Shareholders' Meeting held on April 20, 2020. The coupon detachment date would be April 21, 2020 and the payment date April 23, 2020.

On April 18, 2019, with respect to fiscal year 2018, an ordinary dividend of €0.50 per share was paid (following the coupon detachment on April 16, 2019), representing a total distribution of €636 million.

Note 17 Provisions

(in millions of euros)	Note	December 31, 2019	January 1, 2019
Employee benefits (a)		859	700
Restructuring costs (b)		112	51
Litigations	24	289	198
Losses on onerous contracts		39	37
Contingent liabilities due to disposal (c)		16	20
Other (d)		306	284
Provisions		**1,621**	**1,290**
Deduction of current provisions		(494)	(419)
Non-current provisions		**1,127**	**871**

a. Included deferred employee compensation as well as provisions for employee defined benefit plans, but excluded employee termination reserves recorded under restructuring costs.

b. Primarily included provisions for restructuring at Canal+ Group (€97 million as of December 31, 2019, compared to €40 million as of January 1, 2019) and at UMG (€13 million as of December 31, 2019, compared to €10 million as of January 1, 2019).

c. Certain commitments given in relation to divestitures are the subject of provisions. These provisions are not significant and the amount is not disclosed because such disclosure could be prejudicial to Vivendi.

d. Notably included litigation provisions for which the amount and nature are not disclosed because such disclosure could be prejudicial to Vivendi.

Changes in provisions

	Years ended December 31,			
(in millions of euros)	2019		2018	
Opening balance	**1,290**	(a)	**1,927**	
Addition	279		280	
Utilization	(174)		(231)	
Reversal	(98)		(123)	
Business combinations	110		-	
Divestitures, changes in foreign currency translation adjustments and other	214		(576)	(b)
Closing balance	**1,621**		**1,277**	

a. In accordance with the new accounting standard IFRS 16 – *Leases*, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. For a detailed description, please refer to Notes 1.1 and 11.

b. Certain reclassifications were made to the Consolidated Financial Statements for the year ended December 31, 2018 to conform to the presentation of the Consolidated Financial Statements for the year ended December 31, 2019, notably relating to the provisions with respect to the 2012 and 2015 French Tax Group System (€239 million and €203 million, respectively; please refer to Note 6.5) as well as other litigation provisions.

Note 18 Employee benefits

18.1 Analysis of expenses related to employee benefit plans

The table below provides information about the cost of employee benefit plans, excluding its financial component. The total cost of defined benefit plans is set forth in Note 18.2.2 below.

		Year ended December 31,	
(in millions of euros)	Note	2019	2018
Employee defined contribution plans		67	62
Employee defined benefit plans	18.2.2	6	26
Employee benefit plans		**73**	**88**

18.2 Employee defined benefit plans

18.2.1 Assumptions used in the evaluation and sensitivity analysis

Discount rate, expected return on plan assets, and rate of compensation increase

The assumptions underlying the valuation of defined benefit plans were made in compliance with the accounting policies presented in Note 1.3.8 and have been applied consistently for several years. Demographic assumptions (including notably the rate of compensation increase) are company specific. Financial assumptions (notably the discount rate) are determined by independent actuaries and other independent advisors and are reviewed by Vivendi's Finance department. The discount rate is therefore determined for each country by reference to yields on notes issued by investment grade companies having a credit rating of AA and maturities identical to that of the valued plans, generally based on relevant rate indices. The discount rates selected are therefore used, at year-end, to determine a best estimate by Vivendi's Finance department of expected trends in future payments from the first benefit payments.

In accordance with IAS 19, the expected return on plan assets is estimated by using the selected discount rate to value the obligations of the previous year.

In weighted average

	Pension benefits		Post-retirement benefits	
	2019	2018	2019	2018
Discount rate (a)	1.3%	2.3%	2.9%	3.9%
Rate of compensation increase	1.3%	1.7%	na	na
Duration of the benefit obligation (in years)	15.0	15.0	9.3	8.8

na: not applicable.

a. A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2019 discount rate would have led to a decrease of €1.2 million in pre-tax expense (or an increase of €0.3 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €101 million (or an increase of €110 million, respectively).

Assumptions used in accounting for pension benefits, by country

	United States		United Kingdom		Germany		France	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	3.00%	4.00%	1.75%	2.75%	0.50%	1.50%	0.50%	1.50%
Rate of compensation increase (weighted average)	na	na	na	3.50%	1.75%	1.75%	3.39%	3.47%

na: not applicable.

Assumptions used in accounting for post-retirement benefits, by country

	United States		Canada	
	2019	2018	2019	2018
Discount rate	3.00%	4.00%	2.75%	3.75%
Rate of compensation increase (weighted average)	na	na	na	na

na: not applicable.

Allocation of pension plan assets

	December 31, 2019	December 31, 2018
Equity securities	7%	13%
Debt securities	26%	21%
Diversified funds	9%	10%
Insurance contracts	39%	39%
Real estate	1%	1%
Cash and other	18%	16%
Total	**100%**	**100%**

Pension plan assets are mainly financial assets actively traded in organized financial markets.

These assets do not include occupied buildings or assets used by the group nor shares or debt instruments of Vivendi.

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the annual growth in the per capita cost of covered health care benefits would slow down from 6.1% for the under 65 years of age and 65 years of age and older categories in 2019, to 4.4% in 2029 for these categories. In 2019, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €7 million and the pre-tax expense by €0.3 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €6 million and the pre-tax expense by €0.3 million.

18.2.2 Analysis of the expense recorded and of the amount of benefits paid

	Pension benefits		Post-retirement benefits		Total	
(in millions of euros)	2019	2018	2019	2018	2019	2018
Current service cost	28	27	-	-	28	27
Past service cost (a)	(23)	(2)	-	-	(23)	(2)
(Gains)/losses on settlements	-	-	-	-	-	-
Other	1	1	-	-	1	1
Impact on selling, administrative and general expenses	**6**	**26**	**-**	**-**	**6**	**26**
Interest cost	24	22	5	5	29	27
Expected return on plan assets	(13)	(11)	-	-	(13)	(11)
Impact on other financial charges and income	**11**	**11**	**5**	**5**	**16**	**16**
Net benefit cost recognized in profit or loss	**17**	**37**	**5**	**5**	**22**	**42**

a. In 2019, past service cost included an operating income of €20.9 million, corresponding to the impact of the management terms of the application of the French Pacte law (*loi Pacte*), regarding Vivendi SA's supplemental and differential defined-benefit pension plan.

In 2019, benefits paid amounted to (i) €51 million with respect to pensions (€50 million in 2018), of which €19 million paid by pension funds (€17 million in 2018), and (ii) €10 million paid with respect to post-retirement benefits (€8 million in 2018).

18.2.3 Analysis of net benefit obligations with respect to pensions and post-retirement benefits

Changes in value of benefit obligations, fair value of plan assets, and funded status

		Employee defined benefit plans		
		Year ended December 31, 2019		
		Benefit obligation	Fair value of plan assets	Net (provision)/asset recorded in the statement of financial position
(in millions of euros)	Note	(A)	(B)	(B)-(A)
Opening balance		**1,205**	**553**	**(652)**
Current service cost		28		(28)
Past service cost		(23)		23
(Gains)/losses on settlements		-	-	-
Other		-	(1)	(1)
Impact on selling, administrative and general expenses				***(6)***
Interest cost		29		(29)
Expected return on plan assets			13	13
Impact on other financial charges and income				***(16)***
Net benefit cost recognized in profit or loss				**(22)**
Experience gains/(losses) (a)		37	76	39
Actuarial gains/(losses) related to changes in demographic assumptions		(4)		4
Actuarial gains/(losses) related to changes in financial assumptions (b)		200		(200)
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**(157)**
Contributions by plan participants		2	2	-
Contributions by employers		-	55	55
Benefits paid by the fund		(19)	(19)	-
Benefits paid by the employer		(42)	(42)	-
Business combinations (c)		24	-	(24)
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		35	28	(7)
Closing balance		**1,472**	**665**	**(807)**
of which wholly or partly funded benefits		*1,006*		
wholly unfunded benefits (d)		*466*		
of which assets related to employee benefit plans				*9*
provisions for employee benefit plans (e)	17			*(816)*

(in millions of euros)	Note	Employee defined benefit plans Year ended December 31, 2018 Benefit obligation (A)	Fair value of plan assets (B)	Net (provision)/asset recorded in the statement of financial position (B)-(A)
Opening balance		**1,253**	**549**	**(704)**
Current service cost		27		(27)
Past service cost		(2)		2
(Gains)/losses on settlements		-	-	-
Other		-	(1)	(1)
Impact on selling, administrative and general expenses				***(26)***
Interest cost		27		(27)
Expected return on plan assets			11	11
Impact on other financial charges and income				***(16)***
Net benefit cost recognized in profit or loss				**(42)**
Experience gains/(losses) (a)		(7)	(5)	2
Actuarial gains/(losses) related to changes in demographic assumptions		(9)		9
Actuarial gains/(losses) related to changes in financial assumptions (f)		(32)		32
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**43**
Contributions by plan participants		3	3	-
Contributions by employers		-	58	58
Benefits paid by the fund		(17)	(17)	-
Benefits paid by the employer		(42)	(42)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		4	(3)	(7)
Closing balance		**1,205**	**553**	**(652)**
of which wholly or partly funded benefits		*799*		
wholly unfunded benefits (d)		*406*		
of which assets related to employee benefit plans				*9*
provisions for employee benefit plans (e)	17			*(661)*

a. Includes the impact on the benefit obligations resulting from the difference between actuarial assumptions at the previous year-end and effective benefits during the year, and the difference between the expected return on plan assets at the previous year-end and the actual return on plan assets during the year.

b. Included €210 million attributable to a decrease in discount rates in 2019, of which €81 million relating to the Euro zone, €107 million relating to the United Kingdom and €18 million relating to the United States.

c. Corresponds mainly to the impact of the acquisition of Editis on February 1, 2019, on the value of the benefit obligation, plan assets and net provision.

d. In accordance with local laws and practices, certain plans are not covered by plan assets. As of December 31, 2019 and 2018, such plans principally comprised supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

e. Included a current liability of €55 million as of December 31, 2019 (compared to €51 million as of December 31, 2018).

f. Included €29 million attributable to an increase in discount rates in 2018, of which €23 million relating to the United Kingdom and €4 million relating to the United States.

Benefit obligation, fair value of plan assets, and funded status detailed by country

	Pension benefits (a)		Post-retirement benefits (b)		Total	
	December 31,		December 31,		December 31,	
(in millions of euros)	2019	2018	2019	2018	2019	2018
Benefit obligation						
US companies	118	113	115	107	233	220
UK companies (c)	559	432	3	2	562	434
German companies	198	184	-	-	198	184
French companies	380	279	3	3	383	282
Other	84	75	12	10	96	85
	1,339	**1,083**	**133**	**122**	**1,472**	**1,205**
Fair value of plan assets						
US companies	54	52	-	-	54	52
UK companies (c)	495	395	-	-	495	395
German companies	2	2	-	-	2	2
French companies	59	52	-	-	59	52
Other	55	52	-	-	55	52
	665	**553**	**-**	**-**	**665**	**553**
Net provision						
US companies	(64)	(61)	(115)	(107)	(179)	(168)
UK companies (c)	(64)	(37)	(3)	(2)	(67)	(39)
German companies	(196)	(182)	-	-	(196)	(182)
French companies	(321)	(227)	(3)	(3)	(324)	(230)
Other	(29)	(23)	(12)	(10)	(41)	(33)
	(674)	**(530)**	**(133)**	**(122)**	**(807)**	**(652)**

a. No employee defined benefit plan individually exceeded 10% of the aggregate value of the obligations and net provision under these plans.

b. Primarily relates to medical coverage (hospitalization, surgery, doctor visits and drug prescriptions), post-retirement and life insurance benefits for certain employees and retirees in the United States. In accordance with current regulations in relation to the funding policy of this type of plan, the plan is not funded. The main risks for the group relate to changes in discount rates as well as increases in the cost of benefits (please refer to the sensitivity analysis described in Note 18.2.1).

c. In December 2017, the UMPGS fund in the United Kingdom purchased a buy-in insurance policy, covering pension benefits. This insurance policy is an asset to the UMGPS plan. It was purchased following the exercise by some beneficiaries of the right to exit the UMGPS plan against a payment in cash. Vivendi continues to cover the benefits with regards to the remaining beneficiaries of the plan. In principle, the benefit obligations are equal to the plan's assets, and no net pension liability is recorded in the Consolidated Statement of Financial Position.

18.2.4 Benefits estimation and future payments

For 2020, hedge fund contributions and benefit payments by Vivendi to retirees are estimated at €45 million in respect of pensions, of which €31 million relates to pension funds and €10 million relates to post-retirement benefits.

Estimates of future benefit payments to beneficiaries by the relevant pension funds or by Vivendi (in nominal value for the following 10 years) are as follows:

(in millions of euros)	Pension benefits	Post-retirement benefits
2020	45	10
2021	62	10
2022	52	10
2023	38	10
2024	57	9
2025-2029	286	40

Note 19 Share-based compensation plans

19.1 Plans granted by Vivendi

19.1.1 Equity-settled instruments

Transactions relating to outstanding instruments that occurred in 2018 and 2019 were as follows:

	Stock options				Performance shares	
	Number of outstanding stock options		Weighted average strike price of outstanding stock options		Number of outstanding performance shares	
	(in thousands)		(in euros)		(in thousands)	
Balance as of December 31, 2017	**13,202**		**16.8**		**4,303**	
Granted	-		na		1,636	
Exercised / Issued	(4,989)	(a)	17.9		(771)	
Forfeited	(968)		20.2		na	
Cancelled	-		na		(378)	(b)
Balance as of December 31, 2018	**7,245**		**15.6**		**4,790**	
Granted	-		na		1,647	
Exercised / Issued	(3,897)	(a)	15.8		(759)	
Forfeited	(265)		16.1		-	
Cancelled	(5)		16.0		(396)	(b)
Balance as of December 31, 2019	**3,078**	(c)	**15.3**		**5,282**	(d)
Acquired / Exercisable as of December 31, 2019	**3,078**		**15.3**		**-**	
Rights acquired as of December 31, 2019	**3,078**		**15.3**		**699**	

na: not applicable.

a. In 2019, beneficiaries exercised stock options at the weighted average stock market price of €24.8 (compared to €22.3 for stock options exercised in 2018).

b. At its meeting held on February 14, 2019, after a review by the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board approved the achievement level of objectives set for the cumulative fiscal years 2016, 2017 and 2018 for the performance share plan granted in 2016. It was confirmed that all the criteria had been met. However, given that the negative impact of the situation in Italy was not reflected in the financial results, the Supervisory Board decided to confirm the final grant of the 2016 performance share plan only up to 75% of the initial grant. Consequently, 222,663 rights to performance shares, which were granted in 2016, were cancelled, of which 73,750 of such cancelled rights were for members of the Management Board. In addition, 173,690 rights were cancelled due to the termination of employment of certain beneficiaries.

   For the performance share plan granted in 2015, at its meeting held on February 15, 2018, after a review by the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board approved the achievement level of objectives set for the cumulative fiscal years 2015, 2016 and 2017. It was confirmed that not all the criteria had been met. The final grant of the 2015 performance share plan represented 75% of the initial grant, as adjusted. Consequently, 243,464 rights to performance shares, which were granted in 2015, were cancelled, of which 42,500 of such cancelled rights were for members of the Management Board. In addition, 134,520 rights were cancelled due to the termination of employment of certain beneficiaries.

c. At the stock market price on December 31, 2019, the cumulated intrinsic value of remaining stock options to be exercised could be estimated at €33 million.

d. The weighted-average remaining period before delivering performance shares was 1.3 years.

Please refer to Note 16 for a description of the potential impact on the share capital of Vivendi SA of the outstanding stock options and performance shares.

Outstanding stock options as of December 31, 2019

Range of strike prices	Number	Weighted average strike price	Weighted average remaining life
	(in thousands)	(in euros)	(in years)
Under €15	801	11.9	2.3
€15-€16	1,210	15.8	0.3
€16-€17	14	16.7	0.6
€17-€18	1,053	17.2	1.3
More than €18	-	-	-
	3,078	**15.3**	**1.2**

Performance share plan

On February 14, 2019, Vivendi granted to employees and executive management 1,601 thousand performance shares, of which 165,000 were granted to members of the Management Board. On May 17, 2018, Vivendi granted to employees and executive management 1,632 thousand performance shares, of which 175,000 were granted to members of the Management Board.

As of February 14, 2019, the share price was €22.60 and the expected dividend yield was 2.21% (compared to €23.03 and 1.95% as of May 17, 2018, respectively). After taking into account the cost associated with the retention period of the shares (described below), the discount for non-transferability was set at 7.9% of the share price as of February 14, 2019 (compared to 8.1% in 2018). Consequently, the fair value of each granted performance share was estimated at €19.37 (compared to €19.85 in 2018), corresponding to an aggregate fair value of the plan of €31 million (compared to €32 million in 2018).

Subject to satisfaction of the performance criteria, performance shares definitively vest at the end of a three-year period, subject to the presence of the beneficiaries in the group (vesting period). Furthermore, the shares must be held by the beneficiaries for an additional two-year period (retention period). The compensation cost is recognized on a straight-line basis over the vesting period. The accounting methods that are applied to estimate and recognize the value of these granted plans are described in Note 1.3.10.

Satisfaction of the objectives that determine the definitive grant of performance shares is assessed over a three-year consecutive period based on the following performance criteria:

- Internal indicators (with a weighting of 70%):
  - the adjusted net income per share (50%) (compared to the group's earnings before interest and income taxes - EBIT (35%) in 2018); and
  - the group's cash flow from operations after interest and income tax paid - CFAIT (20%) (compared to 35% in 2018).
- External indicators (with a weighting of 30%) tied to changes in Vivendi's share price compared to the STOXX® Europe Media index (20%) and to the CAC 40 index (10%).

The granted shares correspond to the same class of common shares making up the share capital of Vivendi SA, and as a result, at the end of the three-year vesting period, beneficiaries will be entitled to the dividends and voting rights attached to these shares. The compensation cost recognized corresponds to the estimated value of the equity instruments granted to the beneficiary, and is equal to the difference between the fair value of the shares to be received and the aggregate discounted value of the dividends that were not received over the vesting period.

In 2019, the charge recognized with respect to all performance share plans amounted to €24 million, compared to €16 million in 2018.

19.1.2 Employee stock purchase and leveraged plans

On July 17, 2019 and July 19, 2018, Vivendi carried out capital increases through employee stock purchase plans and leveraged plans which gave the group's employees and retirees an opportunity to subscribe for Vivendi shares.

These shares, which are subject to certain sale or transfer restrictions during a five-year period, are subscribed to at a discount of up to 15% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of the Management Board meeting which set the subscription price for the new shares to be issued. The difference between the subscription price for the shares and the share price on that date represents the benefit granted to the beneficiaries. In addition, Vivendi applied a discount for non-transferability during a five-year period, which is deducted from the benefit granted to the employees. The value of the subscribed shares is estimated and fixed at the date on which the subscription price for the new shares to be issued is set.

The applied valuation assumptions were as follows:

	2019	2018
Grant date	June 14	June 18
Data at grant date:		
Share price (in euros)	24.48	21.57
Expected dividend yield	2.04%	2.09%
Risk-free interest rate	-0.44%	-0.11%
5-year interest rate	3.96%	3.81%
Repo rate	0.36%	0.36%
Discount for non-transferability per share	19.28%	17.49%

Under the employee stock purchase plan (ESPP), 531 thousand shares were subscribed for in 2019 through a company mutual fund (*Fonds Commun de Placement d'Entreprise*) at a price of €21.106 per share (compared to 734 thousand shares at a price per share of €19.327 in 2018). In 2019 and 2018, no charges were recognized, as the benefit granted, which is equal to the positive difference between the subscription price and the stock price at the end of the subscription period on June 14, 2019 and on June 18, 2018 (discount of 13.8% and of 10.40% in 2018), was lower than the discount for non-transferability (19.3% and 17.49% in 2018).

Under the leveraged plan, 4,694 thousand shares were subscribed for in 2019 through a company mutual fund at a price of €21.106 per share (compared to 4,259 thousand shares at a price of €19.327 in 2018). The leveraged plan entitles employees and retirees of Vivendi and its French and foreign subsidiaries to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) equal to 10 shares for each subscribed share. A financial institution mandated by Vivendi hedges this transaction. In addition, 151 thousand shares were subscribed for as part of an employee shareholding plan implemented for employees of the group's Japanese subsidiaries (compared to 193 thousand shares in 2018). In 2019, the charge recognized with respect to the leveraged plan amounted to nearly €1 million (unchanged compared to 2018).

Transactions carried out in France and foreign countries through company mutual funds (*Fonds Commun de Placement d'Entreprise*; employee stock purchase and leveraged plans) resulted in a capital increase on July 17, 2019 of an aggregate value of €113 million (including issue premium), compared to €100 million on July 19, 2018.

19.2 Restricted and performance share plans granted by Havas Group

The restricted and performance share plans were valued based on the stock market price of Havas Group shares as of the date of the Board of Directors' meeting that approved the grant of these shares. Subject to satisfaction of the performance criteria for certain plans, shares definitively vest at the end of a period of 36 to 51 months, subject to the presence of the beneficiaries in the group.

As of December 31, 2019, Havas Group's outstanding plans were as follows:

- on May 10, 2016, the Board of Directors granted 2,584 thousand restricted shares and performance shares to the group's senior executives and managers in France and abroad, including 90 thousand shares for Mr. Yannick Bolloré;
- on July 21, 2016, the Board of Directors granted 148 thousand restricted shares to all employees in France; and
- on February 28, 2017, the Board of Directors granted 1,699 thousand restricted shares to the group's senior executives in France and abroad.

In light of both the implementation of the mandatory squeeze-out resulting in the absence of liquidity for Havas shares and the change of control of Havas to Vivendi, Vivendi's Supervisory Board resolved that the restricted and performance shares granted by Havas would be replaced by Vivendi shares, on the basis of 0.44 Vivendi share for every one Havas share.

In 2018, beneficiaries of Havas restricted or performance shares have been individually given the option of being definitively granted the corresponding shares initially granted to them, subject to having entered into a liquidity contract with Vivendi, which contains:

- a put option, giving such beneficiaries the right to sell their Havas restricted and performance shares to Vivendi within thirty calendar days from the first business day following the date of vesting of their Havas restricted and performance shares; and
- a call option, giving Vivendi the right to acquire the relevant Havas restricted and performance shares within fifteen calendar days following the expiry of the exercise period of the abovementioned put option.

The exercise price of these options will be the cash equivalent, for one Havas share, of the market value of 0.44 Vivendi share calculated on the basis of the average stock market price for Vivendi shares on Euronext Paris, weighted by the daily trading volumes on the regulated market of Euronext Paris, during the ten trading days preceding the date of vesting of Havas restricted and performance shares.

By way of derogation, given the proximity of the vesting period applicable to a plan that had been granted on January 29, 2014 (vested on April 29, 2018), this exercise price was equal to the tender offer price, i.e., €9.25 per Havas share, for the beneficiaries of this plan.

As of December 31, 2019, 1,265 thousand Havas shares (compared to 2,297 thousand Havas as of December 31, 2018) were subject to a liquidity agreement and will therefore be granted to the beneficiaries subject to their presence upon maturity of each plan, and then acquired by Vivendi. 2,370 thousand Havas shares will be exchanged for approximatively 1,043 thousand Vivendi shares (on the basis of 0.44 Vivendi for every one Havas share).

Transactions relating to outstanding shares that have occurred since January 1, 2018 were as follows:

	Number of outstanding shares	
	(in thousands)	
Balance as of December 31, 2017	**7,933**	
Forfeited	(1,719)	(a)
Cancelled	(347)	
Balance as of December 31, 2018	**5,867**	
Forfeited	(2,051)	(a)
Cancelled	(181)	
Balance as of December 31, 2019	**3,635**	

a. Relates to plans granted on the following dates:
   - on January 29, 2014 and which expired on April 29, 2018: 870 thousand shares were paid in cash by Vivendi at a price of €9.25 per share and 849 thousand Havas shares were exchanged for 374 thousand Vivendi shares, on the basis of 0.44 Vivendi share for every one Havas share in accordance with the terms and conditions of the plan;
   - on January 19, 2015 and which expired on April 19, 2019: 825 thousand Havas shares were settled in cash by Vivendi at a price of €11.51 per share in accordance with the liquidity agreement, and 973 thousand Havas shares were exchanged for 428 thousand Vivendi shares in accordance with the terms and conditions of the plan;
   - on May 10, 2016 and which expired on May 10, 2019: 120 thousand Havas shares were settled in cash by Vivendi at a price of €11.24 per share in accordance with the liquidity agreement;
   - on March 19, 2015 and which expired on June 19, 2019: 70 thousand Havas shares were exchanged for 31 thousand Vivendi shares in accordance with the terms and conditions of the plan; and
   - on August 27, 2015 and which expired on November 27, 2019: 9 thousand Havas shares were settled in cash by Vivendi at a price of €10.93 per share in accordance with the liquidity agreement, and 53 thousand Havas shares were exchanged for 24 thousand Vivendi shares in accordance with the terms and conditions of the plan.

In 2019, the charge recognized in respect of all restricted and performance share plans granted by Havas amounted to €8 million (compared to €10 million in 2018).

19.3 Restricted share plans granted by Gameloft S.E.

The restricted share plans of Gameloft S.E. ("Gameloft") were valued on the basis of the stock market price of Gameloft S.E. shares as of the date of the Board of Directors meeting that approved the grant of restricted shares, taking into account the retention period on the shares following vesting. The definitive grant of shares to beneficiaries is conditional upon the beneficiary's employment contract with the company being continuously in force throughout the entire vesting period, of two or four years depending on the plan.

Transactions on outstanding restricted shares that occurred since January 1, 2018 were as follows:

	Number of outstanding restricted shares
	(in thousands)
Balance as of December 31, 2017	**734**
Issued	(306)
Forfeited	-
Cancelled	(87)
Balance as of December 31, 2018	**341**
Issued	(326)
Forfeited	-
Cancelled	(15)
Balance as of December 31, 2019	**-**

On March 21, 2019, Vivendi acquired 717 thousand shares in accordance with the liquidity agreement signed with the beneficiaries during the second half of 2018. As of December 31, 2019, the number of remaining shares referred to in this agreement was 874 thousand shares.

In 2019, the charge recognized in respect of restricted shares granted by Gameloft S.E. was non-significant (unchanged compared to 2018).

19.4 Dailymotion's long-term incentive plan

In 2015, Vivendi implemented a long-term incentive plan for a five-year period for certain key executives of Vivendi. This plan is tied to the growth of Dailymotion's enterprise value compared to its acquisition value, to be measured as of June 30, 2020, based upon an independent expertise. In the event of an increase in Dailymotion's value, the amount of the compensation with respect to the incentive plan is capped at a percentage of such increase, depending on the beneficiary. Within the six months following June 30, 2020, the plan will be settled in cash, if applicable.

In accordance with IFRS 2, a compensation expense must be estimated and accounted for at each reporting date until the payment date. As of December 31, 2019, no charges were accounted for with respect to this plan, unchanged compared to prior years.

Note 20 Borrowings and other financial liabilities and financial risk management

		December 31, 2019				December 31, 2018		
(in millions of euros)	Note	Total	Long-term	Short-term		Total	Long-term	Short-term
Bonds	20.2	5,450	5,050	400		4,050	3,350	700
Short-term marketable securities issued	20.3	870	-	870		-	-	-
Bank overdrafts		18	-	18		98	-	98
Accrued interest to be paid		17	-	17		17	-	17
Bank credit facilities (drawn confirmed)	20.3	-	-	-		-	-	-
Cumulative effect of amortized cost	20.1	(23)	(22)	(1)		(14)	(13)	(1)
Other		66	9	57		65	10	55
Borrowings at amortized cost		**6,398**	**5,037**	**1,361**		**4,216**	**3,347**	**869**
Commitments to purchase non-controlling interests		528	118	410	(a)	114	98	16
Derivative financial instruments	20.7	11	5	6		6	3	3
Borrowings and other financial liabilities		**6,937**	**5,160**	**1,777**		**4,336**	**3,448**	**888**
Lease liabilities	11	1,459	1,223	236		na	na	na
Total		**8,396**	**6,383**	**2013**		**4,336**	**3,448**	**888**

na: not applicable.

a. Includes the firm commitment of €360 million related to the share buyback program in place as of December 31, 2019 (please refer to Note 16).

20.1 Fair market value of borrowings and other financial liabilities

	December 31, 2019			December 31, 2018		
(in millions of euros)	Carrying value	Fair market value	Level (a)	Carrying value	Fair market value	Level (a)
Nominal value of borrowings	6,421			4,230		
Cumulative effect of amortized cost	(23)			(14)		
Borrowings at amortized cost	**6,398**	**6,512**	**na**	**4,216**	**4,291**	**na**
Commitments to purchase non-controlling interests	528	528	1 - 3	114	114	3
Derivative financial instruments	11	11	2	6	6	2
Borrowings and other financial liabilities	**6,937**	**7,051**		**4,336**	**4,411**	

na: not applicable.

a. The three classification levels for the measurement of financial liabilities at fair value are defined in Note 1.3.1.

b. Includes the firm commitment of €360 million related to the share buyback program in place as of December 31, 2019, classified in Level 1 (please refer to Note 16).

20.2 Bonds

(in millions of euros)	Interest rate (%)		Maturity	December 31, 2019	December 31, 2018
	nominal	effective			
Bonds issued by Vivendi SA					
€700 million (June 2019) (a)	0.000%	0.17%	Jun-22	700	-
€700 million (June 2019) (a)	0.625%	0.67%	Jun-25	700	-
€700 million (June 2019) (a)	1.125%	1.27%	Dec-28	700	-
€850 million (September 2017)	0.875%	0.99%	Sep-24	850	850
€600 million (November 2016)	1.125%	1.18%	Nov-23	600	600
€1 billion (May 2016)	0.750%	0.90%	May-21	1,000	1,000
€500 million (May 2016)	1.875%	1.93%	May-26	500	500
€700 million (December 2009)	4.875%	4.95%	Dec-19	- (b)	700
Bonds issued by Havas SA					
€400 million (December 2015)	1.875%	1.94%	Dec-20	400	400
Nominal value of bonds				**5,450**	**4,050**

a. On June 4, 2019, Vivendi SA issued a €2.1 billion bond, in three tranches of €700 million each.

b. This bond was fully redeemed at maturity in December 2019.

Bonds issued by Vivendi SA and Havas SA are listed on the Euronext Paris Stock Exchange.

On March 23, 2018, Vivendi set up a €3 billion Euro Medium-Term Note (EMTN) program giving Vivendi full flexibility to issue bonds. This program was renewed on March 22, 2019 and filed with the AMF (*Autorité des marchés financiers*) under visa n°19-112 for a 12-month period. The EMTN program amount was increased from €3 to €5 billion (the prospectus supplement was granted a visa by the AMF on July 4, 2019), and may be increased to €8 billion, subject to the approval of Vivendi's Supervisory Board of February 13, 2020.

Bonds issued by Vivendi SA contain customary provisions related to events of default, negative pledge and rights of payment (*pari-passu* ranking). They also contain an early redemption clause in the event of a change of control[3] if, as a result of any such event, the long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-).

Bonds issued by Havas SA contain an early redemption clause in the event of a change of control[4].

20.3 Bank credit facilities

On January 16, 2019, Vivendi SA's syndicated bank credit facility was amended for an amount of €2.2 billion and its maturity was extended by one-year on January 21, 2020 until January 16, 2025 (with one-year extension option). In addition, in January 2019, Vivendi signed committed bilateral credit facilities granted by leading banks, for an aggregate available amount of €1.2 billion maturing in January 2024.
All these credit facilities are no longer required to comply with financial covenants but they contain customary provisions relating to events of default and covenants applicable to Vivendi in terms of negative pledge and merger transactions.

On February 14, 2019, Vivendi's Supervisory Board approved the Management Board's proposal to increase the maximum amount of Vivendi SA's short-term marketable securities program authorized by the Banque de France to €3.4 billion.

As of December 31, 2019, €2.5 billion of Vivendi SA's facilities were available, taking into account the short-term marketable securities issued and backed by these credit facilities for €870 million.

As of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), €2.6 billion of Vivendi SA's facilities were available, taking into account the short-term marketable securities issued and backed by these credit facilities for €771 million.

[3] Bolloré Group was carved out of the change-of-control provision under the bonds issued in May 2016 and November 2016.

[4] Change of control is defined as the settlement/delivery of a tender offer following which one or more individual(s) or legal entitie(s) which does/do not belong to Bolloré Group and Vivendi, acting in isolation or in concert, acquire(s) over 50% of Havas SA's share capital or voting rights.

In addition, Havas SA has committed credit facilities, undrawn as of December 31, 2019, granted by leading banks for an aggregate amount of €510 million, including €30 million maturing in 2020, €30 million maturing in 2021, €150 million maturing in 2023, €250 million maturing in 2024 and €50 million maturing in 2025. The credit facilities maturing until 2023 are required to comply with the following financial covenants at each annual closing date:

- Adjusted EBITDA[5] to Net interest expense[6] ratio must be higher than 3.5[7]; and
- Adjusted Net Debt[8] to Adjusted EBITDA ratio must be lower than 3.

As of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), €2.9 billion of Vivendi group's (Vivendi SA and Havas SA) facilities were available, taking into account the short-term marketable securities issued and backed by these credit facilities for nearly €1.0 billion.

20.4 Borrowings by maturity

(in millions of euros)	December 31, 2019		December 31, 2018	
Maturity				
< 1 year (a)	1,362	*21%*	869	*21%*
Between 1 and 2 years	1,004	*16%*	403	*9%*
Between 2 and 3 years	702	*11%*	1,003	*24%*
Between 3 and 4 years	601	*9%*	1	-
Between 4 and 5 years	851	*13%*	601	*14%*
> 5 years	1,901	*30%*	1,353	*32%*
Nominal value of borrowings	**6,421**	***100%***	**4,230**	***100%***

a. As of December 31, 2019, short-term borrowings (with a maturity period of less than one year) notably included marketable securities issued by Vivendi SA for €870 million, Havas SA's bond maturing in December 2020 for €400 million, as well as bank overdrafts for €18 million, compared to €98 million as of December 31, 2018. As of December 31, 2018, they notably included Vivendi SA's bond, which expired in December 2019 for €700 million.

The average "economic" term of the group's financial debt, calculated based on the assumption that available medium-term credit lines may be used to redeem the group's shortest term borrowings, was 5.3 years as of December 31, 2019 (compared to 5.3 years as of December 31, 2018, taking into account the bank financing signed in January 2019).

As of December 31, 2019, the future undiscounted cash flows related to borrowings and other financial liabilities amounted to €6,809 million (compared to €4,558 million as of December 31, 2018) with a carrying value of €6,577 million (compared to €4,336 million as of December 31, 2018) and are set out in Note 23.1 in the group's contractual minimum future payments schedule.

20.5 Interest rate risk management

Vivendi's interest rate risk management seeks to reduce its net exposure to interest rate increases. Therefore, Vivendi uses, if needed, pay-floating and pay-fixed interest rate swaps. These instruments thus enable the group to manage and reduce volatility for future cash flows related to interest payments on borrowings.

As of December 31, 2019, the nominal value of borrowings at fixed interest rate amounted to €5,489 million (compared to €4,097 million as of December 31, 2018) and the nominal value of borrowings at floating interest rate amounted to €932 million (compared to €133 million as of December 31, 2018).

As of December 31, 2019 and December 31, 2018, Vivendi did not subscribe to any pay-floating or pay-fixed interest rate swaps.

[5] *Corresponds, on the basis of Havas Group's consolidated financial statements as of December 31 of each year, to income from operations plus intangible and tangible fixed asset depreciation and amortization, stock option charges and other compensation as defined by IFRS 2.*

[6] *Corresponds, on the basis of Havas Group's consolidated financial statements as of December 31 of each year, to the total amount of financial expenses minus interest income, excluding net provisions on financial assets and financial expenses in connection with the repurchase or the restructuring of the convertible bond lines.*

[7] *This covenant does not apply to the credit facilities maturing in 2023.*

[8] *Corresponds, at a given date and on the basis of Havas Group's consolidated financial statements, to convertible bonds and other borrowings and financial liabilities (excluding convertible bonds to be redeemed in shares) minus cash and cash equivalents as recorded in Havas Group's consolidated financial statements prepared under IFRS.*

20.6 Foreign currency risk management

Breakdown by currency

(in millions of euros)	December 31, 2019		December 31, 2018	
Euro - EUR	6,346	*99%*	4,111	*97%*
US dollar - USD	3	-	8	-
Other	72	*1%*	111	*3%*
Nominal value of borrowings before hedging	**6,421**	***100%***	**4,230**	***100%***
Currency swaps USD	*577*		*693*	
Other currency swaps	*(73)*		*(71)*	
Net total of hedging instruments (a)	***504***		***622***	
Euro - EUR	6,850	*107%*	4,733	*112%*
US dollar - USD	(574)	*-9%*	(685)	*-16%*
Other	145	*2%*	182	*4%*
Nominal value of borrowings after hedging	**6,421**	***100%***	**4,230**	***100%***

a. Notional amounts of hedging instruments translated into euros at the closing rates.

Foreign currency risk

The group's foreign currency risk management is centralized by Vivendi SA's Financing and Treasury Department for all its controlled subsidiaries, except if, during a transition period, an acquired subsidiary is authorized to pursue, at its level, spot and forward exchange transactions. This policy primarily seeks to hedge budget exposures (at an 80% level) resulting from monetary flows generated by operations performed in currencies other than the euro as well as from external firm commitments (at a 100% level), primarily relating to the acquisition of editorial content (e.g., sports, audiovisual and film rights) and certain capital expenditures (e.g., set-top boxes), realized in currencies other than the euro. All of the hedging instruments are foreign currency swaps or forward contracts that mostly have a maturity period of less than one year. Considering the foreign currency hedging instruments set up, an unfavorable and uniform euro change of 1% against all foreign currencies in position as of December 31, 2019 would have a non-significant cumulative impact on net earnings. In addition, the group may hedge foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities. Moreover, due to their non-significant nature, net exposures related to subsidiaries' net working capital (internal flows of royalties as well as external purchases) are generally not hedged. The associated risks are reduced at the end of each month by translating the amounts into the functional currency of the relevant operating entities.

The following tables set out the foreign currency risk management instruments used by the group; the positive amounts relate to currencies to be received and the negative amounts relate to currencies to be delivered at contractual exchange rates:

	December 31, 2019						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(524)	(152)	(185)	(56)	(131)	1	6
Purchases against the euro	1,303	786	120	118	279	20	3
Other	-	(225)	140	51	34	4	2
	779	**409**	**75**	**113**	**182**	**25**	**11**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(116)	(45)	(30)	-	(40)	-	2
Purchases against the euro	59	53	-	6	-	-	-
Other	-	(38)	36	-	2	-	1
	(57)	**(30)**	**6**	**6**	**(38)**	**-**	**3**
Fair Value Hedge							
Sales against the euro	(366)	(107)	(155)	(26)	(78)	-	4
Purchases against the euro	848	733	-	112	3	19	2
Other	-	(119)	104	15	-	4	1
	482	**507**	**(51)**	**101**	**(75)**	**23**	**7**
Economic Hedging (a)							
Sales against the euro	(42)	-	-	(30)	(12)	1	-
Purchases against the euro	396	-	120	-	276	1	1
Other	-	(68)	-	36	32	-	-
	354	**(68)**	**120**	**6**	**296**	**2**	**1**

	December 31, 2018						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(408)	(131)	(170)	(62)	(45)	-	3
Purchases against the euro	1,727	942	128	133	524	19	2
Other	-	(235)	100	94	41	5	1
	1,319	**576**	**58**	**165**	**520**	**24**	**6**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(33)	(1)	(16)	-	(16)	-	-
Purchases against the euro	92	45	-	-	47	4	-
Other	-	(23)	14	-	9	-	-
	59	**21**	**(2)**	**-**	**40**	**4**	**-**
Fair Value Hedge							
Sales against the euro	(313)	(130)	(154)	-	(29)	-	3
Purchases against the euro	913	780	-	133	-	13	1
Other	-	(136)	86	49	1	5	1
	600	**514**	**(68)**	**182**	**(28)**	**18**	**5**
Economic Hedging (a)							
Sales against the euro	(62)	-	-	(62)	-	-	-
Purchases against the euro	722	117	128	-	477	2	1
Other	-	(76)	-	45	31	-	-
	660	**41**	**128**	**(17)**	**508**	**2**	**1**

a. The economic hedging instruments relate to derivative financial instruments that are not eligible for hedge accounting pursuant to IAS 9.

20.7 Derivative financial instruments

Value on the Statement of Financial Position

(in millions of euros)	Note	December 31, 2019 Assets	December 31, 2019 Liabilities	December 31, 2018 Assets	December 31, 2018 Liabilities
Interest rate risk management	20.5	-	-	-	-
Foreign currency risk management	20.6	25	11	24	6
Other		-	-	14	-
Derivative financial instruments		**25**	**11**	**38**	**6**
Deduction of current derivative financial instruments		(8)	(6)	(7)	(3)
Non-current derivative financial instruments		**17**	**5**	**31**	**3**

Unrealized gains and losses recognized directly in equity

(in millions of euros)	Cash Flow Hedge: Interest rate risk management	Cash Flow Hedge: Foreign currency risk management	Net Investment Hedge	Total
Balance as of January 1, 2018	**-**	**(3)**	**81**	**78**
Charges and income directly recognized in equity	-	3	-	3
Items to be reclassified to profit or loss	-	-	-	-
Tax effect	-	-	-	-
Balance as of December 31, 2018	**-**	**-**	**81**	**81**
Charges and income directly recognized in equity	-	(4)	-	(4)
Items to be reclassified to profit or loss	-	-	-	-
Tax effect	-	-	-	-
Balance as of December 31, 2019	**-**	**(4)**	**81**	**77**

20.8 Credit ratings

As of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019), Vivendi's credit ratings were as follows:

Rating agency	Type of debt	Ratings	Outlook
Standard & Poor's	Senior unsecured debt	BBB	Stable
Moody's	Long-term senior unsecured debt	Baa2	Stable

Note 21 Consolidated Cash Flow Statement

21.1 Adjustments

(in millions of euros)	Note	Year ended December 31, 2019	Year ended December 31, 2018
Items related to operating activities with no cash impact			
Amortization and depreciation of intangible and tangible assets	3	744	453
Change in provision, net		30	(25)
Other non-cash items from EBIT		-	4
Other			
Income from equity affiliates - operational		(4)	(7)
Proceeds from sales of property, plant, equipment and intangible assets		9	7
Adjustments		**779**	**432**

21.2 Investing and financing activities with no cash impact

In 2019, there were no significant investing and financing activities with no cash impact.

Note 22 Related parties

Vivendi's related parties are corporate officers, members of Vivendi's Supervisory and Management Boards, as well as other related parties, including:

- companies fully consolidated by Vivendi. The transactions between these companies have been eliminated for the preparation of Vivendi's Consolidated Financial Statements;
- companies over which Vivendi exercises a significant influence;
- all companies in which corporate officers or their close relatives hold significant voting rights;
- minority shareholders exercising a significant influence over the group's subsidiaries; and
- Bolloré Group's related parties, as Vivendi has been fully consolidated by Bolloré Group since April 26, 2017.

22.1 Corporate officers

Supervisory Board

The Supervisory Board is currently comprised of 11 members, including an employee shareholder representative and an employee representative. It is made up of six women, i.e., a ratio of 60% (in accordance with Law n°2011-103 of January 27, 2011, the employee representative is not taken into account for the calculation of this percentage). In 2019 and 2018, the composition of the Supervisory Board changed as follows:

- on April 15, 2019, Vivendi's General Shareholders' Meeting appointed Mr. Cyrille Bolloré as member of the Supervisory Board for a four-year period, thereby replacing Mr. Vincent Bolloré who decided to terminate his term of office as member of the Supervisory Board following the Shareholders' Meeting. At the same meeting, Mr. Dominique Delport's term of office as member of the Supervisory Board was renewed for a four-year period.
  Mr. Tarak Ben Ammar's term of office as member of the Supervisory Board expired on April 15, 2019. Mr. Tarak Ben Ammar did not ask for the renewal of his office. Since that date, Quinta Communications is no longer a related party to Vivendi.

- on April 19, 2018, Vivendi's General Shareholders' Meeting appointed Ms. Michèle Reiser as member of the Supervisory Board for a four-year period, and renewed the terms of office of Ms. Aliza Jabès, Ms. Cathia Lawson-Hall, Ms. Katie Stanton and Mr. Philippe Bénacin as members of the Supervisory Board for the same period.
  Following the Shareholders' Meeting of April 19, 2018, Vivendi's Supervisory Board unanimously appointed Mr. Yannick Bolloré as Chairman, replacing Mr. Vincent Bolloré. The Supervisory Board also confirmed Mr. Philippe Bénacin as Vice-Chairman.

With respect to fiscal year 2019, the gross compensation of Mr. Yannick Bolloré, as Chairman of the Supervisory Board amounted to €400,000, including the amount paid pursuant to Article L. 225-83 of the French Commercial Code *(Code de commerce*) ("allocated compensation", formerly directors' fees) of €60,000.
With respect to fiscal year 2018, the gross compensation of the Chairman of the Supervisory Board amounted to €400,000, including the allocated compensation of €60,000, granted as follows:

- the gross compensation of Mr. Vincent Bolloré, as Chairman of the Supervisory Board until April 19, 2018, amounted to €122,376, including the allocated compensation of €20,000; and
- the gross compensation of Mr. Yannick Bolloré, as Chairman of the Supervisory Board since April 19, 2018, amounted to €277,624, including the allocated compensation of €40,000.

In addition, as Chairman and Chief Executive Officer of Havas, a Vivendi subsidiary, Mr. Yannick Bolloré received a compensation, as well as benefits in kind, totaling a gross amount of €1,428,993 in 2019 (including a variable portion of €370,000 paid in 2019 with respect to fiscal year 2018), compared to €1,058,993 in 2018 (fixed compensation; no payment paid in 2018 for the variable share). On February 14, 2019, Mr. Yannick Bolloré was granted 18,000 Vivendi performance shares (18,000 shares granted on May 17, 2018), subject to the satisfaction of certain performance criteria as described in Note 19.1.1.

With respect to fiscal year 2019, the gross amount of the compensation paid to the members of the Supervisory Board was an aggregate gross amount of €1,100,000 (compared to €1,140,000 with respect to the same fiscal year).

Management Board

The Management Board is currently comprised of seven members. At its meeting held on May 17, 2018, the Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, unanimously approved the renewal for a four-year period of the term of office (which expired on June 23, 2018) of each member of the Management Board and its Chairman.

In 2019, the gross compensation paid by the Vivendi group to the Management Board members amounted to €10.6 million (compared to €9.6 million in 2018 taking into account pro ratas). This amount included:

- fixed compensation of €5.9 million (compared to €5.3 million in 2018);
- variable compensation of €4 million paid in 2019 with respect to fiscal year 2018 (compared to €3.6 million paid in 2018 with respect to fiscal year 2017);
- other compensation paid or allocated by controlled subsidiaries; and
- benefits in kind.

The charge recorded by Vivendi with respect to equity-settled share-based compensation plans granted to the members of the Management Board amounted to €3.6 million in 2019 (compared to €3.3 million in 2018).

As part of new requirements of French Executive Order No. 2019-697 of July 3, 2019 relating to supplemental occupational pension plans, the Supervisory Board decided, at its meeting held on November 14, 2019, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to set the rights of the group supplemental defined-benefit pension plan according to the seniority acquired as of December 31, 2019. The Supervisory Board, at its meeting held on February 13, 2020, confirmed that the performance criteria applying to the pension rights growth rate under this plan had been met with respect to fiscal year 2019. The charge recorded by Vivendi related to such rights as of December 31, 2019 under pension commitments toward Management Board members and high-level management amounted to €14.9 million in 2019 (compared to €7.1 million in 2018), including the charge recorded by Vivendi related to vested rights according to the seniority acquired as of December 31, 2019. As of December 31, 2019, their net pension commitments amounted to €58.4 million (compared to €44.4 million as of December 31, 2018). The implementation of a new group benefit supplemental pension plan is expected in 2020, as described in the compensation policy of the Chairman and members of the Management Board, which will be included in the report on corporate governance pursuant to Article L. 225-68 of the French Commercial Code and included in section 2 of Chapter 3 of the Annual Report – 2019 Universal Registration Document.

The Chairman of the Management Board, Mr. Arnaud de Puyfontaine, waived his employment contract. In accordance with the resolutions approved by the General Shareholders' Meeting held on April 17, 2015, he is entitled to severance compensation upon an involuntary termination, subject to the satisfaction of performance conditions. At its meeting held on February 14, 2019, the Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, decided:

- to increase from 80% to 90% the minimum achievement level of performance criteria conditioning the payment of the severance compensation; and
- to revoke his right to maintain all rights to performance shares. These rights may be maintained, if appropriate, pro rata to the duration of his presence within the Group during the vesting period, subject to the satisfaction of the related performance criteria.

On February 14, 2019, the Chairman of the Management Board was granted 40,000 Vivendi performance shares (compared to 50,000 shares granted on May 17, 2018).

At its meetings held on May 17, 2018 and July 30, 2018, after having examined the impact of the termination of his executive duties with Telecom Italia on April 24, 2018[9], the Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, decided (i) to no longer apply a pro rata factor to his reference compensation for 2018, (ii) to increase the fixed part of his reference compensation to €1,400,000, with the performance criteria and thresholds used to determine the variable part remaining unchanged, and (iii) to pay him a single amount of €390,000.

The report on corporate governance that will be included in Chapter 3 of the Annual Report – 2019 Universal Registration Document will contain a detailed description of the compensation policy to Vivendi's corporate officers for 2020. This chapter will also contain details of the fixed and variable components of their compensation and the benefits of any kind paid in fiscal year 2019 or attributed with respect to the same fiscal year.

Other high-level management

At its meeting held on April 15, 2019, following the Shareholders' Meeting and upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board unanimously appointed Mr. Vincent Bolloré as non-voting board member (*censeur*) for a four-year period and as Advisor to the Chairman of Vivendi's Management Board. As non-voting board member (*censeur*), Mr. Vincent Bolloré receives no compensation. Pursuant to his employment contract as Advisor to the Chairman of Vivendi's Management Board, Mr. Vincent Bolloré's gross annual fixed compensation amounts to €500,000, with a variable portion (target: 80%; maximum: 100%) determined according to the same performance criteria as those used for Vivendi SA's main operational managers.

[9] Elimination of the payment by Telecom Italia of his fixed compensation with respect to fiscal year 2018 as from that date and non-payment of his variable compensation with respect to fiscal year 2017.

22.2 Bolloré Group

On April 18, 2019, as part of Vivendi's payment of a dividend to its shareholders with respect to fiscal year 2018, Bolloré Group received a dividend of €165 million (compared to a dividend with respect to fiscal year 2017 of €134 million, which was paid in 2018).

Between June 5 and June 13, 2019, Bolloré Group declared the sale of 11.5 million call options on Vivendi shares maturing on June 25, 2019 for €36.6 million to finance the exercise, on June 13, 2019, of the remaining 1.8 million options giving right to an equivalent number of Vivendi shares, at a price of €20.1452 per share.

On June 25, 2019, Bolloré Group declared that the 11.3 million Vivendi shares held pursuant to a temporary share sale agreement maturing on June 25, 2019 had been returned.

On December 31, 2019, Bolloré Group held 320,517,374 Vivendi shares carrying an amount of 372,950,213 voting rights, i.e., 27.06% of Vivendi's share capital and 29.64% of the gross voting rights.

In light of the analysis conducted by Bolloré Group, following Vivendi's General Shareholders' Meeting held on April 25, 2017, of other facts and circumstances that indicate its ability to direct the relevant activities of Vivendi, Bolloré Group determined that the conditions of control within the meaning of IFRS 10 were fulfilled. The shareholding in Vivendi, which had previously been accounted for using the equity method since October 7, 2016, was fully consolidated as from April 26, 2017.

22.3 Other related-party transactions

Vivendi's other related parties are companies over which Vivendi exercises a significant influence (i.e., primarily Telecom Italia, Banijay Group Holding and Vevo: please refer to Note 12) and companies in which Vivendi's corporate officers or their close relatives hold significant voting rights. They notably included Bolloré Group and its subsidiaries, either directly or indirectly controlled by Mr. Vincent Bolloré, high-level management at Vivendi, and his family. Moreover, as Bolloré Group has fully consolidated Vivendi since April 26, 2017, Vivendi's related parties also include Bolloré Group's related parties (in particular Mediobanca).

In addition, certain Vivendi subsidiaries maintain business relationships, on an arm's-length basis, involving non-material amounts, with Groupe Nuxe (controlled by Ms. Aliza Jabès, a member of Vivendi's Supervisory Board) and Interparfums (controlled by Mr. Philippe Bénacin, Vice Chairman of Vivendi's Supervisory Board).

(in millions of euros)	December 31, 2019	December 31, 2018
Assets		
Non-current content assets	1	1
Rights-of-use relating to leases	7	na
Of which Bolloré Goup	*7*	*na*
Non-current financial assets	99	86
Of which Banijay Group Holding and Lov Banijay bonds	*88*	*73*
Trade accounts receivable and other	67	60
Of which Bolloré Goup	*4*	*5*
Telecom Italia (a)	*32*	*29*
Banijay Group Holding (b)	*2*	*2*
Mediobanca (c)	*4*	*3*
Liabilities		
Lease liabilities	8	na
Of which Bolloré Group	*8*	*na*
Trade accounts payable and other	35	29
Of which Bolloré Group	*18*	*13*
Banijay Group Holding (b)	*6*	*10*
Off-balance sheet contractual obligations, net	77	168
Of which Banijay Group Holding (b)	*90*	*140*

	Year ended December 31,	
(in millions of euros)	2019	2018
Statement of earnings		
Operating income	232	236
Of which Bolloré Group	*7*	*8*
Telecom Italia (a)	*8*	*24*
Banijay Group Holding (b)	*3*	*2*
Mediobanca (c)	-	*1*
Bleufontaine (d)	-	*2*
Other (Interparfums and Groupe Nuxe) (e)	*1*	-
Operating expenses	(114)	(108)
Of which Bolloré Group	*(31)*	*(24)*
Banijay Group Holding (b)	*(55)*	*(52)*
Mediobanca (c)	*(2)*	-
Bleufontaine (d)	-	-
Other (Interparfums and Groupe Nuxe) (e)	-	-

na: not applicable.

a. Certain Vivendi subsidiaries have rendered operating services to Telecom Italia and its subsidiaries, on an arm's-length basis (mainly communication services and music sales): operating income of €5.2 million for Havas Group (€14.8 million in 2018), €1.7 million for Universal Music Group (€4.4 million in 2018) and €1.3 million for Gameloft (€4.2 million in 2018).

b. Vivendi and its subsidiaries (mainly Canal+ Group) entered into production and program purchase agreements with certain Banijay Group Holding subsidiaries on an arm's-length basis.

c. Certain Havas Group subsidiaries have rendered communications services to Mediobanca and its subsidiaries on an arm's-length basis.

d. Between January 1 and April 15, 2019, Canal+ Group recorded an operating charge of €0.2 million over Bleufontaine (formerly Quinta Communications) relating to repayments on the operation of their Studiocanal catalog. In 2018, Canal+ Group sold rights to Studiocanal catalog movies to Bleufontaine, notably Paddington 2, representing an operating income of €1.7 million and recorded an operating charge of €0.3 million. Mr. Tarak Ben Ammar's term of office as member of the Supervisory Board expired on April 15, 2019. Mr. Tarak Ben Ammar did not ask for the renewal of his office. Since that date, Bleufontaine is no longer a related party to Vivendi.

e. Certain Vivendi subsidiaries maintained business relationships, on an arm's-length basis, involving non-significant amounts with Interparfums and Groupe Nuxe.

The following constitutes complementary information about certain related-party transactions (of which the amounts are included in the table above):

- CanalOlympia (Vivendi Village's subsidiary) and Bolloré Africa Logistics (Bolloré Group's subsidiary) entered into an agreement to take over the operations of nine Bluezones and two Bluebus lines of Bolloré Africa Logistics, for an eight-year period starting January 1, 2018, with the aim to develop CanalOlympia's venues network in Africa. For the occupancy of land and buildings, and for the solar energy supply, CanalOlympia paid a rent of €1 million in 2019, and will pay rent of €1.5 million per year from 2020 to 2025. Given that CanalOlympia and Bolloré Africa Logistics have no common directors and executive managers, this agreement is not regulated by the procedure applying to related-party agreements.
- On June 2, 2017, Vivendi SA acquired a 5% interest in the Economic Interest Grouping (GIE - *Groupement d'intérêt économique*) Fleet Management Services, a Bolloré Group's subsidiary dedicated, among other things, to providing air transport operations, for a consideration of €0.1 million. This acquisition entailed the correlative transfer of the portion of the corresponding reciprocal receivables and payables related to the special depreciation of the GIE's assets, i.e., receivables for €1.9 million (compared to €1.8 million as of December 31, 2018) and payables for the same amount as of December 31, 2019 (compared to €1.8 million as of December 31, 2018). In addition, on the same date, Havas Group acquired a 2% interest in this GIE. The charge recognized with respect to the use of the GIE's services by Vivendi Group amounted to €3.5 million in 2019 (compared to €2.3 million in 2018).

In addition, the Supervisory Board, at its meeting on November 14, 2019, formalized a procedure for regularly assessing agreements on ordinary transactions and entered into on an arm's length basis, pursuant to Article L. 225-87 of the amended French Commercial Code. This procedure and its implementation will be included in section 1.2.10 of Chapter 3 of the Annual Report – 2019 Universal Registration Document.

Note 23 Contractual obligations and other commitments

Vivendi's material contractual obligations and contingent assets and liabilities include:

- certain contractual obligations relating to the group's business operations, such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to the group's consolidation scope made under acquisitions or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments under shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets;
- commitments related to the group's financing: undrawn confirmed bank credit facilities as well as the management of interest rate, foreign currency and liquidity risks (please refer to Note 20.3); and
- contingent assets and liabilities resulting from legal proceedings in which Vivendi and/or its subsidiaries are either plaintiff or defendant (please refer to Note 24).

23.1 Contractual obligations and commercial commitments

		Minimum future payments as of December 31, 2019					Total minimum future payments as of December 31, 2018
				Payments due in			
(in millions of euros)	Note	Total		2020	2021 - 2024	After 2024	
Borrowings and other financial liabilities		6,809		1,450	3,401	1,958	4,558
Lease liabilities		1,459	(a)	236	720	503	na
Content liabilities	10.2	3,218		3,113	100	5	2,949
Consolidated statement of financial position items		**11,486**		**4,799**	**4,221**	**2,466**	**7,507**
Contractual content commitments	10.2	6,227		2,057	4,090	80	5,339
Commercial commitments		(728)		(1,017)	165	124	128
Net commitments not recorded in the Consolidated Statement of Financial Position		**5,499**		**1,040**	**4,255**	**204**	**5,467**
Operating leases and subleases		na	(a)	na	na	na	1,453
Total contractual obligations and commitments		**16,985**		**5,839**	**8,476**	**2,670**	**14,427**

na: not applicable.

a. As from January 1, 2019, Vivendi applies the new accounting standard IFRS 16 – *Leases*. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. For a detailed description, please refer to Notes 1.1 and 11. Assessing the lease term relates to the non-cancellable period of the lease, and taking into account all options to extend the lease that Vivendi is reasonably certain to exercise and all options to terminate the lease that Vivendi is reasonably certain not to exercise.

Off-balance sheet commercial commitments

	Minimum future payments as of December 31, 2019				Total minimum future payments as of December 31, 2018
		Due in			
(in millions of euros)	Total	2020	2021 - 2024	After 2024	
Satellite transponders	502	107	311	84	471
Investment commitments	179	103	65	11	179
Other (a)	620	276	315	29	560
Given commitments	**1,301**	**486**	**691**	**124**	**1,210**
Satellite transponders	(108)	(53)	(55)	-	(124)
Other (a)	(1,921)	(1,450)	(471)	-	(958)
Received commitments	**(2,029)**	**(1,503)**	**(526)**	**-**	**(1,082)**
Net total	**(728)**	**(1,017)**	**165**	**124**	**128**

a. Includes minimum guarantees to be received by the group pursuant to distribution agreements entered into with third parties, notably Internet Service Providers and other digital platforms.

In addition, Canal+ Group and the telecom operators Free, Orange and Bouygues Telecom entered into distribution agreements of Canal channels. The variable amounts of these commitments, which are based on the number of subscribers, cannot be reliably determined and are not reported in either the Statement of Financial Position or described in the commitments. They are instead recorded as an expense or income in the period in which they were incurred.

On March 14, 2017, Boulogne Studios, a wholly-owned subsidiary of Vivendi, entered into a bilateral land purchase agreement with "Val de Seine Aménagement", the local public urban developer of the Parisian suburb Boulogne-Billancourt, for a construction project on the île Seguin. This purchase agreement was subject to certain conditions precedent, in particular the procurement of a building permit. This project consisted of building a campus of approximately 150,000 m² which would have, in five to seven years, housed a group of companies notably operating in business sectors such as media and content, as well as digital, sports and sustainable development. On that date, to guarantee the satisfaction of its purchase obligations amounting to a total of approximately €330 million, Vivendi paid a €70 million deposit that had to be returned if the transaction was not completed by Vivendi. At the end of the first quarter of 2019, the parties terminated the abovementioned purchase agreement by mutual agreement and, on March 25, 2019, the €70 million deposit was returned to Vivendi.

23.2 Other commitments given or received relating to operations

Given commitments amounted cumulatively to €129 million (compared to €37 million as of December 31, 2018). In addition, Vivendi and Havas Group have granted guarantees in various forms to financial institutions or third parties on behalf of their subsidiaries in the course of their operations.

Received commitments amounted cumulatively to €36 million (compared to €10 million as of December 31, 2018).

23.3 Share purchase and sale commitments

In connection with the purchase or sale of operations and financial assets, Vivendi has granted or received commitments to purchase or sell securities:

- Vivendi gave an undertaking to Ubisoft to sell all the shares it owns by March 7, 2019, the settlement date. In addition, Vivendi made the commitment to refrain from purchasing Ubisoft shares for a period of five years (please refer to Note 2.4);
- On October 26, 2019, Banijay Group Holding entered into a final agreement to acquire 100% of Endemol Shine's share capital. With respect to this agreement, Vivendi gave an undertaking to participate in the financing of this acquisition for €100 million, with no significant change of its interest rate in Banijay Group Holding's share capital (please refer to Note 12.1); and
- certain liquidity rights relating to the strategic partnership entered into between Canal+ Group, ITI and TVN as described in Note 23.5 below.

In addition, Vivendi and its subsidiaries granted or received put and call options on shares in equity affiliates and unconsolidated investments.

23.4 Contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares

Ref.	Context	Characteristics (nature and amount)	Expiry
	Contingent liabilities		
	Sale of Ubisoft (October 2018)	Unlimited specific warranties.	-
	Sale of GVT (May 2015)	Representations and warranties, limited to specifically identified tax matters, capped at BRL 180 million.	-
	Sale of Maroc Telecom group (May 2014)	Commitments undertaken in connection with the sale: - Customary representations and warranties given to Etisalat, capped at 50% of the sale price and at 100% in respect of claims related to SPT; - Warranties related to taxes; and - Warranties related to SPT.	 - 2018 2018
(a)	Sale of Activision Blizzard (October 2013)	- Unlimited general warranties; and - Tax warranties capped at $200 million, under certain circumstances.	- -
(b)	Acquisition of Bolloré Group's channels (September 2012)	Commitments undertaken, in connection with the authorization of the acquisition, with: - the French Competition Authority; and - the French Broadcasting Authority.	2019
	Divestiture of PTC shares (December 2010)	Commitments undertaken to end litigation over the share ownership of PTC: - Guarantees given to the Law Debenture Trust Company (LDTC), for an amount up to 18.4% for the first €125 million, 46% between €125 million and €288 million, and 50% thereafter; and - Guarantee given to Poltel Investment's (Elektrim) judicial administrator.	 - -
(c)	Canal+ Group's pay-TV activities in France (January 2007-July 2017)	Approval of the acquisition of TPS and CanalSatellite subject to compliance with injunctions ordered by the French Competition Authority.	2019
	Divestiture of PSG (June 2006)	Unlimited specific warranties.	2018
	NBC Universal transaction (May 2004) and subsequent amendments (2005 - 2010)	- Breaches of tax representations; and - Obligation to cover the Most Favored Nation provisions.	- -
	Other contingent liabilities	Cumulated amount of €33 million (compared to €20 million as of December 31, 2018).	-
	Contingent assets		
	Acquisition of the companies that own and manage all Paddington intellectual property rights, except for the publishing rights (June 2016)	General and specific warranties (including tax matters and guarantees related to the intellectual property).	2023
	Acquisition of EMI Recorded Music (September 2012)	- Commitments relating to full pension obligations in the United Kingdom assumed by Citi; and - Warranties relating to losses stemming from taxes and litigation claims, in particular those related to pension obligations in the United Kingdom.	- -
	Acquisition of Kinowelt (April 2008)	Specific warranties, notably on film rights granted by the sellers.	-
	Other contingent assets	Cumulated amount of €32 million (compared to €30 million as of December 31, 2018).	-

The accompanying notes are an integral part of the contingent assets and liabilities described above.

a. In connection with the sale of 88% of Vivendi's interest in Activision Blizzard, which was completed on October 11, 2013 (the "Closing Date"), Vivendi, ASAC II LP, and Activision Blizzard gave certain reciprocal commitments customary for this type of transaction (i.e., representations, warranties and covenants). Vivendi, ASAC II LP, and Activision Blizzard undertook to indemnify each other against any losses stemming from any breach of their respective commitments. Such indemnification is unlimited as to time and amount.
In addition, Vivendi has agreed to indemnify Activision Blizzard with respect to any tax or other liabilities of Amber Holding Subsidiary Co. ("Amber"), the Vivendi subsidiary acquired by Activision Blizzard, relating to periods preceding the Closing Date. Such indemnification is unlimited as to time and amount. Tax attributes (mainly net operating loss) held by Amber and assumed by Activision Blizzard were estimated at more than $700 million, which represent a potential future tax benefit of approximately $245 million. Vivendi agreed to indemnify Activision Blizzard, under certain circumstances, with respect to these tax attributes, subject to a cap of $200 million limited to fiscal years ending on or prior to December 31, 2016.
As a reminder, in connection with the creation of Activision Blizzard in July 2008, Activision and Vivendi entered into customary agreements for this type of transaction, including tax sharing and indemnity agreements.

b. As part of the French Competition Authority's approval of the acquisition of the Direct 8 and Direct Star channels (renamed C8 and CStar, respectively) granted on July 23, 2012 and renewed on April 2, 2014, Vivendi and Canal+ Group gave certain commitments for a five-year period, renewable once.
On June 22, 2017, the French Competition Authority decided to keep, lift or revise certain commitments.
These commitments provide for restrictions on the acquisition of rights to American movies and television series from certain American studios (Canal+ Group can henceforth enter into output deals bundling free-to-air and pay-TV rights with two American studios) and for

French movies (the joint purchase of both free-to-air and pay-TV rights for more than 20 original French-language films per year is prohibited), the separate negotiation of pay-TV and free-to-air rights for certain recent movies and television series, limitations on the acquisition by C8 and CStar of French catalog movies from Studiocanal (limited to 50% of the total number and total value of French catalog movies purchased annually by each of these channels).

These commitments were operative until December 31, 2019. If market conditions change significantly, Canal+ Group will be able to request that these commitments be lifted or partially or totally revised. An independent trustee, who was proposed by Canal+ Group and approved by the French Competition Authority on August 30, 2017, is responsible for monitoring the implementation of the commitments.

In addition, on September 18, 2012, the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) approved the acquisition of the Direct 8 and Direct Star channels (renamed C8 and CStar, respectively), subject to compliance with certain commitments relating to broadcasting, investment obligations and transfer rights.

c. On August 30, 2006, the merger between Canal+ Group's pay-TV operations in France and TPS was authorized, in accordance with the merger control regulations, pursuant to a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Canal+ Group complying with certain undertakings for a maximum period of six years, with the exception of those commitments concerning the availability of channels and Video-on-demand (VOD), which could not exceed five years.

On October 28, 2009, the French Competition Authority opened an enquiry regarding compliance with certain undertakings given by Canal+ Group in connection with the merger of Canalsatellite and TPS.

On July 23, 2012, the merger was once again cleared by the French Competition Authority, subject to compliance with 33 injunctions. These injunctions were issued for a five-year period, renewable once.

On June 22, 2017, following the reexamination of such injunctions, the French Competition Authority decided to maintain, lift or revise certain of these injunctions.

These injunctions, which have been implemented by Canal+ Group since June 22, 2017, consist of the following main components:

- Acquisition of movie rights:
  - prohibition on entering into output deals for French films except if another pay-TV producer were to enter into an output deal with any of the five main French producers/coproducers; and
  - disposal by the Canal+ Group of its interest in Orange Cinema Series – OCS SNC or, failing this, adoption of measures that can "neutralize" Canal+ Group's impact on Orange Cinema Series – OCS SNC.
- Distribution of pay-TV special-interest channels:
  - distribution of a minimum number of independent channels, distribution of any channel holding premium rights, exclusive or not, and preparation of a reference offer relating to taking over independent channels included in the Canalsat offer including, among other things, the assumptions and methods to calculate minimal compensation for these independent channels.
- Video-on-demand (VOD) and subscription video-on-demand (SVOD):
  - prohibition on purchasing VOD and SVOD exclusive broadcasting rights to original French-language films owned by French right holders and combining these rights with the purchases of rights for linear broadcast on pay-TV;
  - limitation on the exclusive transfer of VOD and SVOD rights to Canal+ Group from Studiocanal's French film catalog; and
  - prohibition on entering into exclusive distribution deals for the benefit of Canal+ Group's VOD and SVOD offers on Internet Service Provider platforms.

These injunctions were operative until December 31, 2019. If market conditions change significantly, Canal+ Group will be able to request that these injunctions be lifted or partially or totally revised. An independent trustee, who was proposed by Canal+ Group and approved by the French Competition Authority on August 30, 2017, is responsible for monitoring the implementation of the injunctions.

Several guarantees given during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitation of certain guarantees relating, among other things, to employees, environment and tax liabilities, in consideration of share ownership, or given notably in connection with the winding-up of certain businesses or the dissolution of entities are still in effect. To the best of Vivendi's knowledge, no material claims for indemnification against such liabilities have been made to date.

In addition, when settling disputes and litigation, Vivendi regularly delivers commitments for damages to third parties that are customary for transactions of this type.

Earn-out commitments related to the divestiture or acquisition of shares

Vivendi and its subsidiaries entered into agreements with certain minority shareholders providing for earn-out payments. They notably included capped earn-outs payable in 2020 and 2022 under the agreement entered into in June 2016 for the acquisition of 100% of the companies that own and manage all Paddington intellectual property rights, except for the publishing rights.

23.5 Shareholders' agreements

Under existing shareholders' or investors' agreements (primarily those relating to Canal+ Poland), Vivendi holds certain rights (e.g., pre-emptive rights and rights of first offer) that give it control over the capital structure of its consolidated companies having minority shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

Moreover, pursuant to other shareholders' agreements or the bylaws of other consolidated entities, equity affiliates or unconsolidated interests, Vivendi or its subsidiaries have given or received certain rights (pre-emptive and other rights) entitling them to maintain their rights as shareholder.

In addition, in compliance with Article L. 225-100-3 of the French Commercial Code, it is hereby stated that certain rights and obligations of Vivendi under existing shareholders' agreements may be amended or terminated in the event of a change of control of Vivendi or a tender offer for Vivendi's shares. These shareholders' agreements are subject to confidentiality provisions.

Strategic partnership among Canal+ Group, ITI and TVN

ITI Neovision SA (a Canal+ subsidiary in Poland) is working collaboratively with its shareholders and advisors to explore initial public offering (IPO) rights held by the minority shareholders under the shareholders agreement. Group Canal+ intends to retain its role as the strategic shareholder of ITI Neovision SA regardless of such a process and its actual outcome which will depend on various factors, including market conditions and obtaining the usual consents and approvals.

23.6 Collaterals and pledges

As of December 31, 2019 and 2018, no material asset in Vivendi's Statement of Financial Position was subject to a pledge or mortgage for the benefit of third parties.

Note 24 Litigation

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these Legal Proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can reasonably be quantified or estimated, in which case, the amount of the provision represents Vivendi's best estimate of the risk and is based on a case-by-case assessment of the risk level, provided that Vivendi may, at any time, reassess such risk if events occur during such proceedings. As of December 31, 2019, provisions recorded by Vivendi for all claims and litigation were €289 million, compared to €198 million as of January 1, 2019 (please refer to Note 17).

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including any pending or threatened proceedings in which it is a defendant), which may have or have had in the previous 12 months a material effect on the company and on its group's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019).

LBBW et al. against Vivendi

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxembourg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002. Subsequently, on April 5 and April 23, 2012, two similar complaints were filed against Vivendi: the first one by a US pension fund, the Public Employee Retirement System of Idaho, and the other by six German and British institutional investors. Lastly, on August 8, 2012, the British Columbia Investment Management Corporation also filed a complaint against Vivendi based on the same grounds. On January 7, 2015, the Paris Commercial Court appointed an independent court officer responsible for verifying the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of securities. After the latter completed his work in the first half of 2018, the proceedings on the merits began and continued during 2019.

California State Teachers Retirement System et al. against Vivendi

On April 27, 2012, 67 institutional foreign investors filed a complaint against Vivendi before the Paris Commercial Court seeking damages for losses they allegedly incurred as a result of the financial communications made by Vivendi between 2000 and 2002. On June 7 and September 5 and 6, 2012, 26 new plaintiffs joined these proceedings. In November 2012 and March 2014, 12 plaintiffs withdrew from these proceedings. On January 7, 2015, the Commercial Court of Paris appointed an independent court officer responsible for verifying the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of securities. After the latter completed his work in the first half of 2018, the proceedings on the merits began and continued during 2019.

Mediaset against Vivendi

On April 8, 2016, Vivendi and Mediaset entered into a strategic partnership agreement pursuant to which the parties agreed to swap a 3.5% interest in Vivendi in exchange for a 3.5% interest in Mediaset and 100% of the share capital of the pay-TV company Mediaset Premium, a subsidiary of Mediaset.

Vivendi's purchase of Mediaset Premium was based on financial assumptions delivered by Mediaset to Vivendi in March 2016, which raised various questions within Vivendi that were addressed to Mediaset. As contractually agreed under the agreement dated April 8, 2016, a due diligence review was subsequently conducted (which was made on behalf of Vivendi by the advisory firm Deloitte). It became apparent from this audit and from Vivendi's analyses that the numbers provided by Mediaset prior to signing the agreement were not realistic and were founded on an artificially-inflated base.

Although Vivendi and Mediaset had been in discussions in an effort to find an alternative transaction structure to the April 8, 2016 agreement, on July 26, 2016, Mediaset terminated these discussions by publicly rejecting the proposal Vivendi had submitted to it. This proposal consisted of a swap of 3.5% of Vivendi's share capital in exchange for 20% of Mediaset Premium's share capital and 3.5% of Mediaset's share capital and, for the balance, the issuance by Mediaset to Vivendi of bonds convertible into Mediaset shares.

Subsequently, in August 2016, Mediaset together with its affiliate RTI, and Fininvest, Mediaset's majority shareholder, each filed a complaint against Vivendi before the Milan Civil Court seeking to obtain specific performance of the April 8, 2016 agreement and the related shareholders' agreement as well as compensation for alleged damages. In particular, the plaintiffs claim that Vivendi did not file its notification to the European Commission with respect to the transaction and thus prevented the last condition precedent to the completion of the transaction from being satisfied. Vivendi considers that despite its timely completion of the pre-notification process with the Commission, the Commission would not have accepted a formal filing while the parties were discussing their differences.

At the first hearing held in the case, the judge enjoined the parties to come closer to try to reach an amicable resolution of their dispute. To this end, on May 3, 2017, the parties began mediation proceedings before the Chamber of National and International Arbitration of Milan.

Despite this mediation, on June 9, 2017, Mediaset, RTI and Fininvest filed a further complaint against Vivendi seeking damages totaling €2 billion for Mediaset and RTI, and €1 billion for Fininvest, in connection with Vivendi's acquisition of Mediaset shares at the end of 2016. According to the plaintiffs, who unsuccessfully requested that this action be consolidated with the first two, these acquisitions were made in breach of the April 8, 2016 agreement and of the Italian media regulations and constitutive of unfair competition rules. In addition, the complaint includes a demand that Vivendi be required to divest the Mediaset shares which were allegedly purchased in breach of applicable law and the April 8, 2016 agreement. Lastly, the plaintiffs requested that, pending such divestiture, Vivendi be enjoined from exercising its rights (including voting rights) on such Mediaset shares.

On February 27, 2018, the Court noted the termination of the mediation proceedings. During a hearing held on December 4, 2018, Fininvest, RTI and Mediaset dropped, in respect of their first complaint, their claim to specific performance of the April 8, 2016 agreement, while pursuing their claim for compensation for alleged damages, in the amount of up to (i) €720 million for Mediaset and RTI, for non-performance of the April 8, 2016 agreement, and (ii) € 1.3 billion for Fininvest, for non-performance of the above-mentioned shareholders' agreement, for the loss resulting from the change in the Mediaset share price between July 26 and August 2, 2016 and various damages relating to the alleged illegal acquisition of Mediaset shares by Vivendi at the end of 2016. Fininvest is also seeking damages for an amount to be determined by the Court for damages to its decision-making process and image.

At a hearing held on March 12, 2019, Vivendi requested that the Court suspend part of the proceedings pending the ruling of the European Court of Justice on the analysis of the compatibility of the Italian law on the protection of media pluralism (the "TUSMAR") with the Treaty on the Functioning of the European Union, which suspension was granted (see below).

Other proceedings related to Vivendi's entry into the share capital of Mediaset

Following Vivendi's entry into the share capital of Mediaset by means of open market purchases of shares during the months of November and December 2016, culminating in a shareholding of 28.80%, Fininvest stated that it had filed a complaint against Vivendi for market manipulation with the Milan public prosecutor's office and the Consob, the Italian financial markets regulator.

In addition, on December 21, 2016, the AGCOM, the Italian communications authority, opened an investigation into the compatibility between the increase in Vivendi's holdings in Mediaset's share capital and its position as a shareholder of Telecom Italia under Italian media regulations.

On April 18, 2017, the AGCOM issued a decision in which it determined that Vivendi was not in compliance with the regulations. Vivendi, which had 12 months to come into compliance, appealed against this decision to the Regional Administrative Court of Lazio. Pending the decision on this appeal, the AGCOM acknowledged Vivendi's proposed action plan setting out how it will comply with the decision. On April 9, 2018, in compliance with the undertakings given to the AGCOM, Vivendi transferred the portion of its shareholding in excess of 10% of Mediaset's voting rights to an independent trustee, Simon Fiduciaria SpA. On November 5, 2018, the Regional Administrative Court of Lazio decided to suspend its decision and referred to the European Court of Justice the analysis of the compatibility of the Italian rule under Article 43 of the TUSMAR, as applied by AGCOM, with the free movement principle enshrined in the Treaty on the Functioning of the European Union. On December 18, 2019, the Advocate General of the Court of Justice of the European Union (CJEU) issued opinions (which are not binding on the Court) in favor of Vivendi's position, considering in particular that the Italian regulations constitute a disproportionate obstacle to the freedom of establishment in relation to the objective of protecting the pluralism of information. The CJEU is expected to rule in the first half of 2020, after which the Italian court will render its decision.

Proceedings related to the change in Mediaset's corporate structure

On July 2, 2019, Vivendi filed a complaint against Mediaset and Fininvest before the Milan Civil Court requesting the Court to (i) annul the resolution of the Mediaset Board of Directors adopted on April 18, 2019, preventing Vivendi from exercising the voting rights associated with the shares not transferred to Simon Fiduciaria following the AGCOM's decision of April 18, 2017 (representing 9.61% of the share capital and 9.9% of the voting rights) at Mediaset's Extraordinary General Shareholders' Meeting held on April 18, 2019, and (ii) annul the resolution adopted by that meeting approving the implementation of a double voting rights system for shareholders who have held their shares for at least two years and who request such rights.

On June 7, 2019, Mediaset announced a plan to create MediaforEurope (MFE), a Netherlands-based holding company that would result from the merger of Mediaset SpA and Mediaset España. On September 4, 2019, the merger plan was approved by the Shareholders' Meetings of the Italian and Spanish companies, and then re-approved (due to the appeals filed by Vivendi) by the Shareholders' Meetings of Mediaset SpA and Mediaset España on January 10 and February 5, 2020, respectively. At both of the meetings held in Italy, Simon Fiduciaria was deprived of its voting rights by Mediaset's Board of Directors and Vivendi initiated legal proceedings in Spain, Italy and the Netherlands:

- on September 16, 2019, Vivendi brought summary proceedings before the Madrid Commercial Court requesting the suspension of the resolution authorizing the creation of MFE adopted by Mediaset España's General Shareholders' Meeting of September 4, 2019. In a decision issued on October 11, 2019, the Madrid Commercial Court granted Vivendi's request, a decision which Mediaset has appealed. Vivendi has also initiated proceedings on the merits to annul the resolution;
- on October 1, 2019, Vivendi filed a motion on the merits with the Court of Milan seeking the annulment of the resolution authorizing the creation of MFE adopted by Mediaset SpA's Shareholders' Meeting of September 4, 2019, which resolution was suspended following an interlocutory action brought in parallel by Vivendi on October 15, 2019. Following the amendments made to MFE's by-laws proposed by Mediaset's Board of Directors and approved by the Shareholders' Meeting of January 10, 2020, Vivendi again filed a motion for summary judgment on the merits with the Court of Milan. In a decision issued on February 3, 2020, the Court of Milan denied Vivendi's request for suspension of the planned merger. Vivendi announced that it would appeal against this decision; and
- on October 29, 2019, Vivendi initiated proceedings on the merits before the District Court of Amsterdam seeking an injunction to prohibit Mediaset Investment N.V. (the future MFE) from amending its articles of association by including certain provisions which, according to Vivendi, infringe upon the rights of minority shareholders. Vivendi has also filed an interlocutory action in the Netherlands seeking to obtain the suspension of the resolution adopted by Mediaset SpA's General Shareholders' Meeting of January 10, 2020.

Telecom Italia

On August 5, 2017, the Italian Government informed Vivendi that it was opening a formal investigation into whether certain provisions of Law Decree No. 21 of March 15, 2012 on special powers of the Italian Government relative to the defense and national security sectors (Article 1) and to activities of strategic importance in the fields of energy, transport and communications (Article 2), had been respected by Telecom Italia and Vivendi. Vivendi considered the provisions of that decree inapplicable to Vivendi. In particular, (i) Article 1, concerning the defense and national security sectors had never been hitherto declared and communicated to the market given the nature of the activities carried out by Telecom Italia, and (ii) Article 2, which relates to the energy, transport and communications sectors, does not apply to Vivendi since it refers to purchases of significant shareholdings made by non-European entities.

Additionally, and in the same timeframe as the above-mentioned investigation, on September 13, 2017, the Consob declared that Vivendi exercises de facto control over Telecom Italia. Vivendi and Telecom Italia formally contest this position and appealed to the Lazio Regional Administrative Court. On April 17, 2019, the Lazio Regional Administrative Court dismissed the appeal brought by Telecom Italia and Vivendi, each of which filed an appeal with the Italian Council of State on July 16 and 17, 2019, respectively.

On September 28, 2017, the Presidency of the Council of Ministers declared that (i) the notification made by Vivendi under Article 1 of the aforementioned legislative decree as a precautionary measure was made late and (ii) Telecom Italia had not made a notification under Article 1 of the decree following a change of control over its assets that are of strategic importance in the fields of energy, transport and communications. Therefore, the Presidency of the Council of Ministers launched proceedings against Telecom Italia for failing to make the required notification under Article 2 of the same legislative decree. Vivendi and Telecom Italia have appealed this finding.

Furthermore, by a decree dated October 16, 2017, the Italian Government decided to exercise the special powers laid down in Article 1 of the 2012 legislative decree, relative to the defense and national security sectors. This decree imposes a number of organizational and governance measures on Vivendi and Telecom Italia and its two subsidiaries, Telecom Italia Sparkle Spa ("Sparkle") and Telsy Elettronica e Telecomunicazioni Spa ("Telsy"). In particular, Telecom Italia, Sparkle and Telsy must have a division in charge of supervising all activities related to defense and national security, which is fully autonomous and endowed with human and financial resources sufficient to guarantee its independence, and to appoint to their governing bodies a member who is an Italian citizen, who is approved by the Italian Government and who has security clearance. It also requires the establishment of a supervisory committee under the auspices of the Council of Ministers (*Comitato di monitoraggio*) to monitor compliance with these obligations. On February 13, 2018, Vivendi and Telecom Italia filed an appeal against this decree with the Italian Presidency of the Council of Ministers. This appeal was dismissed on November 13, 2019.

In addition, by a decree dated November 2, 2017, the Italian Government decided to implement the special powers conferred by Article 2 of the 2012 legislative decree, relative to the fields of energy, transport and communications. This decree imposes on Telecom Italia the obligation to implement development, investment and maintenance plans for its networks to guarantee their operation and security, to provide universal service, and, more generally, to satisfy public interest in the medium and long term, under the control of the *Comitato di monitoraggio*, who must be notified of any reorganization of the Telecom Italia group's holdings or any project having an impact on the security, availability and operation of the networks. On March 2, 2018, Vivendi and Telecom Italia filed an appeal against this decree with the Italian Presidency of the Council of Ministers.

Finally, by a decree dated May 8, 2018, the Italian Government imposed an administrative fine of €74 million on Telecom Italia for failure to comply with its information obligations (failure to notify under Article 2 of Law Decree No. 21 of March 15, 2012, see above). On July 5, 2018, the Regional Administrative Court of Lazio suspended the enforcement of such fine.

Etisalat against Vivendi

On May 12, 2017, Etisalat and EINA filed a request for arbitration before the International Court of Arbitration of the International Chamber of Commerce pursuant to the terms of the agreement for the sale of SPT/Maroc Telecom entered into on November 4, 2013, the closing of which took place on May 14, 2014. This request concerned several claims in respect of representations and warranties made by Vivendi and SFR in connection with the sale agreement. On January 3, 2019, the Arbitral Tribunal rendered its decision, rejecting Etisalat's claim for compensation in its entirety.

Parabole Réunion

In July 2007, Parabole Réunion filed a legal action before the Paris Tribunal of First Instance following the termination of its rights to exclusively distribute the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius, and the degradation of the channels made available to it. Pursuant to a decision dated September 18, 2007, Canal+ Group was prohibited, under threat of a fine, from allowing the broadcast by third parties of these channels (or replacement channels that have substituted these channels) and was ordered to replace the TPS Foot channel in the event it was dropped. Canal+ Group appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal partially reversed the judgment and stated that these replacement channels were not to be granted exclusively if the channels were made available to third parties prior to the merger with TPS. Parabole Réunion was unsuccessful in its claims concerning the content of the channels in question. On November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

On September 24, 2012, Parabole Réunion filed a claim against Canal+ France, Canal+ Group and Canal+ Distribution before the enforcement magistrate of the Court of First Instance of Nanterre seeking enforcement of the fine imposed by the Paris Tribunal of First Instance and confirmed by the Court of Appeal. On November 6, 2012, Parabole Réunion expanded its claim to cover the TPS Star, Cinecinema Classic, Cult and Star channels. On April 9, 2013, the enforcement magistrate dismissed in part Parabole Réunion's claim and declared the rest inadmissible. He noted that Canal+ Group had no legal obligation with respect to the content or the maintaining of programming on channels made available to Parabole Réunion and held, after noting that production of the TPS Foot channel had not stopped, that there was no need to replace this channel. Parabole Réunion filed a first appeal against this decision on April 11, 2013. On May 22, 2014, the Versailles Court of Appeal declared this appeal inadmissible due to Parabole Réunion's lack of representative capacity. On February 14, 2014, Parabole Réunion filed an appeal on points of law and filed a second appeal against the April 9, 2013 decision. On April 9, 2015, the French Supreme Court overturned the May 22, 2014 decision of the Versailles Court of Appeal in which the appeal filed by Parabole Réunion on April 11, 2013 was declared inadmissible. The case was remanded to the Paris Court of Appeal which, on May 12, 2016, upheld the decision of the Court of First Instance and dismissed all of Parabole Réunion's claims. In a decision issued on September 28, 2017, the French Supreme Court dismissed Parabole Réunion's appeal against the decision of the Court of Appeal of Paris.

At the same time, on August 11, 2009, Parabole Réunion filed a complaint against Canal+ Group before the Paris Tribunal of First Instance, requesting that the Tribunal order Canal+ Group to make available a channel with a level of attractiveness similar to that of TPS Foot in 2006 and to pay damages. On April 26, 2012, Parabole Réunion also filed a complaint against Canal+ France, Canal+ Group and Canal+ Distribution before the Paris Tribunal of First Instance requesting the Tribunal to acknowledge the failure of the companies of the group to fulfill their contractual obligations to Parabole Réunion and their commitments to the Ministry of Economy. These two actions have been consolidated into a single action. On April 29, 2014, the Paris Tribunal of First Instance partially recognized the admissibility of Parabole Réunion’s claim with respect to the period following June 19, 2008 and recognized the contractual liability of Canal+ Group due to the degradation of the quality of channels made available to Parabole Réunion. The Tribunal also ordered an expert report on the damages suffered by Parabole Réunion, rejecting the assessment produced by the latter. On June 3, 2016, the Paris Court of Appeal upheld the April 29, 2014 decision of the Paris Tribunal of First Instance. Canal+ Group filed an appeal against this decision to the French Supreme Court, which was dismissed on January 31, 2018.

In an order issued on October 25, 2016, the Pre-Trial Judge held that the April 29, 2014 decision in which Canal+ Group was ordered to compensate Parabole Réunion established in principle a debt of the latter, even if the assessment of its amount was still to be finalized. The Judge ordered Canal+ Group to pay the sum of €4 million as an advance. On January 17, 2017, the Paris Tribunal of First Instance ordered Canal+ Group to pay the sum of €37,720,000, with provisional enforceability. On February 23, 2017, Parabole Réunion appealed against that decision to the Paris Court of Appeal. On July 20, 2017, Canal+ Group filed its response to the appeal and a cross-appeal. Due to the failure of Parabole Réunion group to file its response within the time period prescribed by law, on December 8, 2017, Canal+ Group filed a motion raising the failure to meet such deadline and, consequently, seeking an invalidation of the expertise ordered on October 12, 2017 (see below). On June 7, 2018, the Pre-Trial Judge of the Paris Court of Appeal issued an order, dismissing the request for the invalidation of the expertise underway. Canal+ Group lodged a petition for review against this order, which it withdrew in October 2018, noting the progress of the expertise.

On May 29, 2017, Parabole Réunion raised an incidental question in order to have the court appoint an additional expert to assess the loss in value of its business. On October 12, 2017, the Pre-Trial Judge of the Paris Court of Appeal granted this request and a judicial expert was appointed. On December 17, 2018, Parabole Réunion raised a new incidental question before the Pre-Trial Judge of the Paris Court of Appeal in order to have the court clarify the mission of the judicial expert who had halted his work. In an order issued on April 4, 2019, the Pre-Trial Magistrate of the Paris Court of Appeal decided that the judicial expert would formulate a hypothetical estimate of damages for the loss in value of the business based on the number of subscribers proposed by Parabole Réunion (i.e., 40,000), with the judicial expert specifying, if appropriate, whether the loss in value of the business resulted from the 40,000 lost and/or missed subscribers attributable to Canal+ Group. However, the Pre-Trial Magistrate (i) rejected Parabole Réunion's request to include in the judicial expert's additional work the assumption that the 40,000 subscribers referred to above had generated a certain EBIT margin and (ii) ordered Parabole Réunion to bear the costs of the incidental procedure. The judicial expert resumed his work in mid-April 2019, which is still ongoing.

Canal+ Group against TF1, M6 and France Télévision

On December 9, 2013, Canal+ Group filed a complaint with the French Competition Authority against the practices of the TF1, M6 and France Télévision groups in the French-language film market. Canal+ Group claims that the defendants added certain pre-emption rights to co-production contracts aimed at restricting competition. On February 23, 2018, the French Competition Authority served a notification of grievances on France Télévision, TF1 and M6. On February 13, 2019, the case was reviewed by the French Competition Authority, which, on May 25, 2019, rendered a decision dismissing the case. On July 2, 2019, Canal+ Group appealed against this decision.

TF1 and M6 agreements

On September 30, 2017, Canal+ Group filed summary requests before the French Council of State (*Conseil d’Etat*) seeking an annulment of the decisions of the French Broadcasting Authority (*Conseil Supérieur de l’Audiovisuel*) (the “CSA”) of July 20 and 27, 2017 relating to the TF1 and M6 channels, respectively. These decisions renew the authorizations for the terrestrial transmission of TF1 and M6, in the context of the requests of the two groups to obtain compensation for the distribution of their free-to-air DTT channels, including their eponymous TF1 and M6 channels. On November 26, 2018, after reaching an agreement with TF1, Canal+ Group withdrew from the proceedings against TF1. On July 22, 2019, Canal+ Group subsequently withdrew from the proceedings against M6.

Aston France and Strong against Canal+ Group

On September 25, 2014, Aston notified the French Competition Authority about Canal+ Group’s decision to stop selling its satellite subscription called “cards only” (enabling the reception of Canal+/Canalsat programs on Canal Ready-labeled satellite set-top boxes, manufactured and distributed by third parties, including Aston). In parallel, on September 30, 2014, Aston filed a request for injunctive relief against Canal+ Group before the Commercial Court of Paris, seeking a stay of the decision of the Canal+ Group to terminate the Canal Ready partnership agreement and thus stop the marketing of satellite subscriptions called “cards only”. On October 17, 2014, the Paris Commercial Court issued an order denying Aston’s requests. On November 4, 2014, Aston appealed this decision and, on January 15, 2015, the Paris Court of Appeal, ruling in chambers, granted its requests and suspended the decision of Canal+ Group to stop selling its “cards only” subscriptions until the French Competition Authority rendered its decision on the merits of the case. On March 21, 2018, Canal+ Group received the French Competition Authority’s preliminary assessment setting out its competition concerns and submitted to the French Competition Authority a proposal for commitments. On July 24, 2018, the French Competition Authority, considering that the commitments, in force until December 31, 2021, met both the need to combat piracy and maintain an alternative offer of set-top boxes to the ones leased by Canal+ Group, decided to make them compulsory and closed the proceedings.

In addition, on January 18, 2019, another company, Strong, filed an application with the Paris Commercial Court for injunctive relief requesting the Court to order the suspension of Canal+ Group's decision to stop marketing subscriptions on Canal Ready-labeled satellite set-top boxes following the above-mentioned decision of the French Competition Authority. Aston, which had not contested the commitments made by Canal+ Group to the French Competition Authority, voluntarily intervened in this injunctive relief proceeding. On February 22, 2019, the Paris Commercial Court dismissed Strong's and Aston's claims and ordered them, jointly and severally, to pay Canal+ Group €20,000.

Touche Pas à Mon Poste

On June 7, 2017, the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) (the "CSA") decided to sanction C8 for a sequence broadcast on the show "TPMP" on December 7, 2016. The CSA considered that this sequence in which the presenter of the show, Cyril Hanouna, and one of its columnists, Capucine Anav, are seen engaging in a game on set during an "off" sequence, undermined the image of women. The sanction consisted of the suspension of advertising broadcasts during the show, "Touche Pas à Mon Poste" and its rebroadcasts, as well as well during the 15 minutes before and the 15 minutes after its broadcast, for a period of two weeks from the second Monday following notification of the decision.

On the same date, the CSA sanctioned C8 for another sequence broadcast on the show "TPMP! La grande Rassrah" on November 3, 2016. The CSA considered that this new sequence, the filming by hidden camera of Matthieu Delormeau, a columnist for the show, violated his dignity. This sanction consisted of the suspension of advertising broadcasts during the show, "Touche Pas à Mon Poste" and its rebroadcasts, as well as during the 15 minutes before and the 15 minutes after its broadcast, for a period of one week.

On July 3, 2017, following the two decisions of the CSA, C8 filed two actions for annulment with the French Council of State (*Conseil d'Etat*). On July 4, 2017, C8 filed two claims for compensation with the CSA, which were rejected by implied decision. On November 2, 2017, C8 appealed against each of these to the Council of State. On June 18, 2018, the Council of State dismissed C8's action for annulment of the CSA's first decision, but granted the second application, overturning the CSA's second decision. The Council of State's decision to dismiss C8's action for annulment of the CSA's first decision is the subject of an appeal pending before the European Court of Human Rights, filed in December 2018. On November 13, 2019, the Council of State rejected the first claim for compensation but upheld the second, ordering the CSA to pay €1.1 million to C8 in compensation for the loss of a week's worth of advertising on its airwaves.

On July 26, 2017, the CSA decided to sanction C8 for a sequence broadcast on the show "TPMP Baba hot line" on May 18, 2017, considering that the channel violated the principle of respect for privacy and its obligation to combat discrimination, and imposed a monetary fine of €3 million. Following this decision, on September 22, 2017, C8 filed an action for annulment before the Council of State, which was dismissed on June 18, 2018. This decision is the subject of an appeal pending before the European Court of Human Rights, filed in December 2018. In addition, C8 filed a claim for compensation with the CSA, whose implicit rejection of it was challenged before the Council of State on January 25, 2018. On September 7, 2018, C8 withdrew its claim for compensation.

In connection with the same case, on February 18, 2019, Canal+ Group sent a letter to the CSA requesting the cancellation of the aforementioned €3 million fine in light of the November 2018 statements made by a representative of the French association, Le Refuge, explaining that it had not received a complaint from an alleged victim of the hoax, contrary to its initial statements. On April 5, 2019, this request was rejected. An appeal against this decision was filed with the Council of State on June 5, 2019.

In addition, on November 28, 2018, an Independent Rapporteur, upon referral by the Managing Director of the CSA, commenced sanction proceedings against C8 and served a notification of grievances on C8. The facts that may lead to a sanction relate to a sequence on the September 12, 2018 TPMP show during which Cyril Hanouna made remarks that could be considered as insulting against two executives of the TF1 channel. On April 24, 2019, the CSA decided not to sanction C8.

Finally, on June 4, 2019, the CSA's Independent Rapporteur commenced sanction proceedings against C8 and served it with a notification of grievances. The facts that may lead to a sanction relate to a sequence from the October 31, 2018 TPMP show during which old nude photos of a TF1 host were shown on the air. On December 18, 2019, the CSA imposed a fine of €10,000 on C8.

Rovi Guides, Inc. against Canal + Group

Rovi Guides filed a request for mediation before the International Chamber of Commerce for the breach by Canal+ Group of an electronic program guide license agreement entered into in 2008 and for the non-payment of royalties related thereto between January 1, 2016 and June 30, 2017.

The mediation terminated without an agreement and Rovi Guides filed a request for arbitration on June 1, 2018. A decision is expected in the first half of 2020.

Harry Shearer and Century of Progress Productions against Studiocanal, Universal Music Group and Vivendi

A complaint was filed in California federal court against Studiocanal and Vivendi by Harry Shearer, through his company Century of Progress Productions, in his capacity as a creator, actor and composer of the film “This Is Spinal Tap”, an American film produced and financed in 1984 by Embassy Pictures (Studiocanal is the successor to Embassy’s rights). Mr. Shearer is seeking damages for breach of contractual obligations to provide operating accounts, fraud, and failure to use the film’s trademark, and is also seeking attribution of the trademark. On February 8, 2017, four new plaintiffs, co-creators of the film, joined the proceedings. On February 28, 2017, in response to the complaint, the defendants filed a motion to dismiss, in which they asked the Court to declare the claims of the new plaintiffs to be inadmissible and to deny the claim for fraud. On September 28, 2017, the Court issued its decision. With respect to inadmissibility, it dismissed the claims of three of the four co-creators as well as the fraud claim but gave permission to the plaintiffs to file amended complaints in their individual capacities as well as to supplement their fraud claim. On October 19, 2017, a new complaint (the “Second Amended Complaint”) was filed, which reintroduced the claims of three plaintiffs previously found to be inadmissible and added Universal Music Group (UMG) as a plaintiff. On December 21, 2017, UMG and Studiocanal each filed a motion to dismiss in response. By decision of August 28, 2018, the Court denied Studiocanal's motion to dismiss the plaintiffs' fraud claim. While the Court did not recognize the existence of fraud, it left open the possibility for the plaintiffs to prove it in the subsequent proceedings on the merits and granted some of UMG’s motions but with leave for the plaintiffs to file an amended complaint with respect to these claims. The Court also denied UMG's motion to dismiss the plaintiffs’ application for declaratory relief to terminate and recover from UMG the copyrights in the sound recordings from the motion picture in the United States. On September 18, 2018, the plaintiffs filed their new complaint (the "Third Amended Complaint"). In parallel, the parties decided to enter into a first round of mediation which did not result in a settlement in the case of Studiocanal and Vivendi. However, the plaintiffs and Studiocanal have agreed to begin an audit of the operating accounts sent to the plaintiffs to determine whether they contain any accounting irregularities. On October 24, 2019, UMG and the plaintiffs entered into an agreement under which the film’s soundtrack will continue to be distributed by UMG, and payment of all royalties will be made exclusively and directly to the plaintiffs by UMG, which is no longer a party to the proceeding. Although negotiations are continuing between Studiocanal and the plaintiffs, the proceedings on the merits have resumed. Following a hearing on January 24, 2020, the Court imposed mediation on the parties. A meeting between the parties will be held on March 18, 2020.

Maitena Biraben against Canal+

Maitena Biraben challenged her termination by Canal+ for gross misconduct before the French Labor Court (*Conseils de Prud'hommes*). On September 27, 2018, the French Labor Court rendered its decision, finding that Ms. Biraben’s termination was without justified cause. The Court ordered Canal+ to pay total amount of €3,246,456, representing €38,456 in backpay and paid leave, €148,000 in severance pay, €510,000 in damages and €2,550,000 in termination compensation. Canal+ appealed against this judgment.

Investigation by the Departmental Directorate for the Protection of Populations in the Hauts de Seine

On April 20, 2018, the Departmental Directorate for the Protection of the Populations of the Hauts de Seine (*Direction Départementale de la Protection des Populations des Hauts de Seine*) (DDPP92) ordered Canal+ Group to stop positioning enriched offers to its subscribers during the term of their contract, a practice which the Court described as selling without prior order. On June 19, 2018, Canal+ Group filed a notice of appeal with the French Minister of the Economy, which was rejected on August 9, 2018. On October 5, 2018, Canal+ Group filed an appeal with the Administrative Court of Cergy-Pontoise.

In parallel, the DDPP92 informed Canal+ Group that it had referred the case to the Public Prosecutor's Office of Nanterre and, in relation to this, sent it a note stating that it considered that Canal+ Group had committed the offense of the forced sale of services, punishable under the provisions of the French Consumer Code (*Code de la consommation*). The *inter partes* procedure is ongoing.

Canal+ Group against the French Professional Football League

On July 4, 2019, following the cancellation between December 2018 and April 2019 of a number of Ligue 1 matches due to the "Yellow Vest" protests in France with their postponement having been decided by the French Professional Football League (*Ligue de Football Professionnel*) (LFP) unilaterally, Canal+ Group filed a complaint against the LFP seeking damages for the loss suffered as a result of these postponements. Canal+ Group considers that, having acquired, at the time of the call for tenders for the periods 2016/2017 to 2019/2020, the broadcasting rights to matches and magazines for the identified time slots, the LFP breached the terms of the call for tenders. Canal+ Group is seeking €46 million in damages. During a hearing held on November 25, 2019, the LFP requested the dismissal of Canal+ Group's claims and raised a counterclaim requesting that the Canal+ Group be ordered to pay damages for the prejudice allegedly caused to it by the publicity surrounding these proceedings.

Proceedings before the Bobigny Labor Court

Several employees of the Canal+ Group telephone call center located in Saint-Denis brought an action against Canal+ Group before the Bobigny Labor Court seeking the annulment of their dismissal on the grounds that the job protection plan implemented in the call center is discriminatory.

Thierry Ardisson, Ardis, Télé Paris against C8 and SECP

On September 24, 2019, following the non-renewal of the television programs "les Terriens du samedi" and "les Terriens du Dimanche", Thierry Ardisson, Ardis and Télé Paris brought an action against C8 and SECP before the Paris Commercial Court for the termination of commercial relations without prior notice. The plaintiffs, claiming a situation of economic dependence, sought an award *in solidum* against C8 and SECP to pay damages to Ardis in the amount of €5,821,680, Télé Paris in the amount of €3,611,429, and Thierry Ardisson in the amount of €1 million. On January 21, 2020, the Court issued a judgment ordering C8 to pay €811,500 to Ardis and €269,333 to Télé Paris. Thierry Ardisson's claim was dismissed and SECP was acquitted.

Canal+ Group against Technicolor

On September 2, 2019, Canal+ Group filed a complaint before the Paris Commercial Court against Technicolor for breach of its contractual commitments. In its complaint, Canal+ Group alleged that Technicolor failed to deliver the G9 and G9 light set-top boxes in accordance with the manufacturing and delivery agreements entered into between the two companies. Canal+ Group is seeking reimbursement of additional costs incurred, alternative transportation costs, late payment penalties and the payment of damages. On October 9, 2019, Technicolor filed a complaint against Canal+ Group, Canal+ Reunion, Canal+ Antilles and Canal+ Caledonia before the Nanterre Commercial Court.

Canal+ Group against Pace

On November 14, 2019, Canal+ Group filed a complaint before the Paris Commercial Court against Pace, a supplier of G5 satellite and DTT set-top boxes, alleging that a number of malfunctions and defects in the G5 decoders prevent it from offering them to its customers.

Aspire against Cash Money Records and UMG

On April 7, 2017, Aspire Music Group filed a complaint with the New York State Supreme Court against Cash Money Records alleging breach of contract and non-payment of profits from Drake's first six albums. Following unsuccessful negotiations, the plaintiff amended its complaint to add UMG as a defendant on April 12, 2018. UMG filed a motion to dismiss on the grounds that it lacks privity with Aspire and is not liable for Cash Money's contractual obligations to Aspire. The Court denied UMG's motion to dismiss, and UMG appealed that decision. On February 7, 2019, the Appellate Division granted UMG's appeal. On July 17, 2019, the parties entered into a settlement agreement putting an end to this dispute.

Soundgarden, Hole, Steve Earle and the estates of Tom Petty and Tupac Shakur against UMG

On June 21, 2019, the groups Soundgarden and Hole, Steve Earle, Tom Petty's ex-wife and Tupac Shakur's estate filed a class action lawsuit against UMG in the Central District Court of California relating to a 2008 fire that allegedly destroyed thousands of archived recordings.

The plaintiffs allege that UMG breached the terms of the contracts with the artists by failing to adequately protect the recordings. It is also argued that the Group should have shared the settlement proceeds received as a result of its negotiations with the insurance companies and NBC Universal. On July 17, 2019, UMG filed a motion to dismiss the lawsuit. On August 16, 2019, the plaintiffs filed an amended complaint removing Hole as a plaintiff, and adding a number of claims. On September 6, 2019, UMG filed a new motion to dismiss.

John Waite and Joe Ely against UMG Recordings, Inc.

On February 5, 2019, a class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who had requested the termination of their contracts with UMG pursuant to Section 203 of the Copyright Act which allows, under certain conditions, a creator who has contractually transferred the rights to his or her work to a third party to terminate such contract after 35 years. The complaint seeks to have the Court recognize the termination of the contracts of the artists involved in the litigation and also alleges copyright infringement, as UMG continued to use the recordings after the purported end date of the contract. On May 3, 2019, UMG Recordings filed a motion to dismiss. On June 15, 2019, the plaintiffs filed a First Amended Complaint adding artists Syd Straw, Kasim Sulton and The Dickies as additional plaintiffs. On June 26, 2019, UMG Recordings, Inc. filed a new motion to dismiss.

UMG Recordings, Inc. and Universal Music Publishing Group (along with the other major labels and publishers) against Cox Communications, Inc. and CoxCom LLC

On July 31, 2018, a complaint for copyright infringement was filed by UMG Recordings, Inc. and Universal Music Publishing Group (along with the other major labels and publishers including Sony and Warner) against Cox Communications, an Internet access and service provider, and its parent company CoxCom, for knowingly inducing and supporting copyright infringement by its customers, contrary to the provisions of the Digital Millennium Copyright Act (DMCA), which requires an Internet service provider to implement a termination policy against its repeat infringing customers. At the end of the trial, which took place in December 2019, the jury awarded the plaintiffs $1 billion in damages.

Investigation by U.S. federal prosecutors into business practices in the advertising industry

On June 11, 2018, Havas received a subpoena for documents relating to one of its Spanish subsidiaries, Havas Media Alliance WWSL. These documents have been provided to the relevant US authorities. This request by the federal prosecutors appears to relate to business practices involving discounts and rebates. At this stage, Havas is not a party to any proceedings and is not being interviewed.

Investigation into the services provided by Havas Paris to Business France

On February 7, 2019, Havas Paris, a subsidiary of Havas SA, was indicted for having benefited from favoritism in an amount of €379,319. This indictment was brought in the context of a judicial investigation opened by the Paris Public Prosecutor's Office for the offence of favoritism allegedly committed by Business France when it organized a communication event which it entrusted to Havas Paris. Havas Paris denies the claims against it and has appealed against this decision.

Glass Egg vs. Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi

On August 23, 2017, Glass Egg, a company specializing in the design of 3D cars for use in video games, sued Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi in the U.S. District Court for the Northern District of California. It is seeking damages for copyright infringement, unfair competition and misappropriation of trade secrets. The Court allowed the plaintiff to amend its initial complaint three times. On September 17, 2018, Gameloft Inc. responded to Glass Egg's fourth amended complaint, denying all its claims. Discovery is ongoing. In addition, in an order dated February 12, 2018, the Court determined that it had no jurisdiction over Gameloft Iberica and Vivendi SA. The admissibility of the complaint against Gameloft SE remains challenged and the Court has ordered limited discovery to determine whether it has jurisdiction.

Swiss Competition Commission against Interforum Suisse

On March 13, 2008, following a complaint lodged by local booksellers, the Secretariat of the Swiss Competition Commission (COMCO) opened an investigation into distributors of French-language books operating in Switzerland, including Interforum Suisse.

On May 27, 2013, COMCO imposed a fine of CHF 3,792,720 on Interforum Suisse, considering that Interforum Suisse was a party to unlawful market-partitioning agreements. On July 12, 2013, Interforum Suisse filed an appeal with the Swiss Federal Administrative Court (TAF) challenging this decision.

On October 30, 2019, the appeal was dismissed and the amount of the fine imposed by the COMCO was confirmed. On January 13, 2020, Interforum Suisse filed an appeal before the Swiss Federal Supreme Court and requested a suspension of the provisional enforcement of the TAF's decision, which it was granted on January 31, 2020.

Reti Televisive Italiane (RTI) against Dailymotion

Since 2012, several legal actions have been filed by RTI, a subsidiary of Mediaset, against Dailymotion before the Civil Court of Rome. Similar to claims it has made against other major online video platforms, RTI is seeking damages for infringement of its neighboring rights (audiovisual production and broadcasting rights) and unfair competition as well as the removal of the contested content from the Dailymotion platform. In one of these cases, on July 15, 2019, following a complaint filed on April 12, 2012, the Civil Court of Rome ordered Dailymotion to pay €5.5 million in damages to RTI and to remove the videos in question under penalty of fine. On September 11, 2019, Dailymotion appealed the decision to the Rome Court of Appeal and filed an application for a suspension of the provisional execution of the decision, which was granted on October 31, 2019.

Note 25 Major consolidated entities or entities accounted for under the equity method

As of December 31, 2019, approximately 1,185 entities were consolidated or accounted for under the equity method (compared to approximately 1,140 entities as of December 31, 2018).

		December 31, 2019			December 31, 2018		
	Country	Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi S.A.	**France**	**Parent company**			**Parent company**		
Universal Music Group, Inc.	**United States**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Universal Music Group Holdings, Inc.	United States	C	100%	*100%*	C	100%	*100%*
UMG Recordings, Inc.	United States	C	100%	*100%*	C	100%	*100%*
Vevo	United States	E	49.4%	*49.4%*	E	49.4%	*49.4%*
Universal Music Group S.A.S.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Universal International Music B.V.	Netherlands	C	100%	*100%*	C	100%	*100%*
Universal Music Entertainment GmbH	Germany	C	100%	*100%*	C	100%	*100%*
Universal Music LLC	Japan	C	100%	*100%*	C	100%	*100%*
Universal Music France S.A.S.	France	C	100%	*100%*	C	100%	*100%*
Universal Music Holdings Ltd.	United Kingdom	C	100%	*100%*	C	100%	*100%*
EMI Group Worldwide Holding Ltd.	United Kingdom	C	100%	*100%*	C	100%	*100%*
Universal Music Group Treasury S.A.S.	France	C	100%	*100%*	C	100%	*100%*
Groupe Canal+ S.A.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Société d'Édition de Canal Plus	France	C	100%	*100%*	C	100%	*100%*
Multithématiques S.A.S.	France	C	100%	*100%*	C	100%	*100%*
Canal+ International S.A.S.	France	C	100%	*100%*	C	100%	*100%*
C8	France	C	100%	*100%*	C	100%	*100%*
Studiocanal S.A.	France	C	100%	*100%*	C	100%	*100%*
M7 (a)	Luxembourg	C	100%	*100%*	-	-	-
ITI Neovision	Poland	C	51%	*51%*	C	51%	*51%*
VSTV (b)	Vietnam	C	49%	*49%*	C	49%	*49%*
Havas S.A.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Havas Health, Inc	United States	C	100%	*100%*	C	100%	*100%*
Havas Media Group USA, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Worldwide New York, Inc.	United States	C	100%	*100%*	C	100%	*100%*
BETC	France	C	100%	*100%*	C	100%	*100%*
Havas Edge, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Paris	France	C	99%	*99%*	C	99%	*99%*
Arnold Worldwide, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Media France	France	C	100%	*100%*	C	100%	*100%*
Creative Lynx Ltd.	United Kingdom	C	100%	*78%*	C	100%	*78%*
Havas Media Ltd.	United Kingdom	C	100%	*100%*	C	100%	*100%*
BETC Digital	France	C	100%	*100%*	C	100%	*100%*
Editis - Antinéa 6 S.A. (c)	**France**	**C**	**100%**	***100%***	**-**	**-**	***-***
Editis Holding S.A.	France	C	100%	*100%*	-	-	-
Editis S.A.S.	France	C	100%	*100%*	-	-	-
SEJER	France	C	100%	*100%*	-	-	-
Interforum	France	C	100%	*100%*	-	-	-
Edi 8	France	C	100%	*100%*	-	-	-
Univers Poche	France	C	100%	*100%*	-	-	-
Gameloft S.E.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Gameloft Inc.	United States	C	100%	*100%*	C	100%	*100%*
Gameloft Inc. Divertissement	Canada	C	100%	*100%*	C	100%	*100%*
Gameloft Iberica S.A.	Spain	C	100%	*100%*	C	100%	*100%*
Gameloft Software Beijing Ltd.	China	C	100%	*100%*	C	100%	*100%*
Gameloft S. de R.L. de C.V.	Mexico	C	100%	*100%*	C	100%	*100%*

	Country	December 31, 2019 Accounting Method	Voting Interest	Ownership Interest	December 31, 2018 Accounting Method	Voting Interest	Ownership Interest
Vivendi Village S.A.S.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
See Tickets	(d)	C	100%	*100%*	C	100%	*100%*
L'Olympia	France	C	100%	*100%*	C	100%	*100%*
CanalOlympia	France	C	100%	*100%*	C	100%	*100%*
Olympia Production	France	C	100%	*100%*	C	100%	*100%*
Festival Production	France	C	70%	*70%*	C	70%	*70%*
Paddington and Company Ltd.	United Kingdom	C	100%	*100%*	C	100%	*100%*
New Initiatives							
Dailymotion	France	C	100%	*100%*	C	100%	*100%*
Group Vivendi Africa	France	C	100%	*100%*	C	100%	*100%*
Vivendi Content	France	C	100%	*100%*	C	100%	*100%*
Banijay Group Holding	France	E	31.4%	*31.4%*	E	31.4%	*31.4%*
Corporate							
Telecom Italia	Italia	E	23.94%	*17.15%*	E	23.94%	*17.15%*
Boulogne Studios	France	C	100%	*100%*	C	100%	*100%*
Poltel Investment	Poland	C	100%	*100%*	C	100%	*100%*

C: consolidated; E: equity affiliates.

a. Canal+ Group has fully consolidated M7 since September 12, 2019 (please refer to Note 2.3).

b. VSTV (Vietnam Satellite Digital Television Company Limited) is held at 49% by Canal+ Group and 51% by VTV (the Vietnamese public television company). This company has been consolidated by Vivendi because Canal+ Group has both operational and financial control over it pursuant to an overall delegation of power that was granted by the majority shareholder and under the company's bylaws.

c. Vivendi has fully consolidated Editis since February 1, 2019 please refer to Note 2.2).

d. Includes See Tickets France (formerly Digitick), See Tickets UK, See Tickets US and See Tickets B.V. (formerly Paylogic, a ticketing and technology company based in Amsterdam, acquired by Vivendi Village on April 16, 2018) and Starticket (a ticketing company based in Switzerland, acquired by Vivendi Village on December 30, 2019).

Note 26 Statutory auditors fees

Fees paid by Vivendi SA in 2019 and 2018 to its statutory auditors and members of the statutory auditor firms were as follows:

	Deloitte et Associés				Ernst & Young et Autres				Total	
	Amount		%		Amount		%			
(in millions of euros)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Statutory audit, certification, consolidated and individual financial statements audit										
Issuer	0.6	0.6	*6%*	*6%*	0.7	0.7	*13%*	*12%*	1.3	1.3
Fully consolidated subsidiaries	8.8	9.0	*87%*	*92%*	4.2	3.7	*76%*	*64%*	13.0	12.7
Subtotal	**9.4**	**9.6**	***93%***	***98%***	**4.9**	**4.4**	***89%***	***76%***	**14.3**	**14.0**
Services other than certification of financial statements as required by laws and regulations (a)										
Issuer	-	-	-	-	0.1	0.1	*2%*	*2%*	0.1	0.1
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**0.1**	**0.1**	***2%***	***2%***	**0.1**	**0.1**
Services other than certification of financial statements provided upon the entity's request (a)										
Issuer	-	0.1	-	*1%*	0.3	-	*5%*	-	0.3	0.1
Fully consolidated subsidiaries	0.7	0.1	*7%*	*1%*	0.2	1.3	*4%*	*22%*	0.9	1.4
Subtotal	**0.7**	**0.2**	***7%***	***2%***	**0.5**	**1.3**	***9%***	***22%***	**1.2**	**1.5**
Total	**10.1**	**9.8**	***100%***	***100%***	**5.5**	**5.8**	***100%***	***100%***	**15.6**	**15.6**

a. Includes services required by law and regulation (e.g., reports on capital transactions, comfort letters, validation of the consolidated statement of extra-financial performance) as well as services provided upon request of Vivendi or its subsidiaries (due diligence, legal and tax assistance, various reports).

Note 27 Audit exemptions

Vivendi S.A. has provided guarantees to the following subsidiaries, incorporated in England and Wales, under the registered number indicated, in order for them to claim audit exemptions, with respect to fiscal year 2019, under section 479A of the UK Companies Act 2006.

Name	Company Number
E.M.I. Overseas Holdings Ltd.	00403200
EMI (IP) Ltd.	03984464
EMI Group (Newco) Ltd.	07800879
EMI Group Electronics Ltd.	00461611
EMI Group International Holdings Ltd.	01407770
EMI Group Worldwide	03158106
EMI Group Worldwide Holdings Ltd.	06226803
EMI Ltd.	00053317
EMI Recorded Music (Chile) Ltd.	07934340
Estupendo Records Ltd.	03278620
Mawlaw 388 Ltd.	03590255
Relentless 2006 Ltd.	03967906
Trinifold Music Ltd.	01781138

Name	Company Number
Universal/Anxious Music Ltd.	01862328
Universal Music (UK) Holdings Ltd.	03383881
Universal Music Holdings (UK) Ltd.	00337803
Universal Music Leisure Ltd.	03384487
Universal Music Publishing MGB Holding UK Ltd.	05092413
Universal SRG Group Ltd.	00284340
V2 Music Group Ltd.	03205625
Virgin Music Group	02259349
Virgin Records Overseas Ltd.	00335444
A Man about a Dog limited	08817956
UTB events limited	10461061
AMAAD Holdings Limited	12003313

In addition, Vivendi S.A. has provided guarantees to the following Universal Music Group subsidiaries, incorporated in the Netherlands, under the registered number indicated, under section 403 of Book 2 of the Dutch Civil Code. As the financial data of the companies is consolidated within these financial statements, the Dutch entities are allowed to prepare abridged financial statements which are exempt from publication and audit.

Name	Company Number
Universal International Music B.V.	31018439
Universal Music B.V.	31019600
Universal Music Publishing International B.V.	31037866
Universal Music Publishing B.V.	32101966
CMHL B.V.	32140273

Note 28 Subsequent events

The significant event that occurred between the closing date as of December 31, 2019 and February 10, 2020 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2019) was as follows:

- on January 7, 2020, Vivendi was registered in its new form as a European Company. As from that date, its name is followed by the words "Société Européenne" or the abbreviation "SE". Vivendi is subject to the provisions of French commercial company law that are applicable to it in France, including the Council Regulation EC No. 2157/2001 of October 8, 2001 on the statute for a European company and the French Commercial Code *(Code de commerce)*.