2017

vivendi

ANNUAL REPORT

UNIVERSAL MUSIC GROUP · CANAL+ GROUP · HAVAS GROUP · GAMELOFT · dailymotion · vivendi village

The Annual Report in English is a translation of the French *Document de référence* provided for information purposes.

This translation is qualified in its entirety by reference to the *Document de référence.*

The Annual Report is available on the Company's website www.vivendi.com

CONTENT

QUESTIONS FOR VINCENT BOLLORÉ AND ARNAUD DE PUYFONTAINE

VINCENT BOLLORÉ
Chairman of the Supervisory Board

"THE CLEAR AND AMBITIOUS STRATEGY THAT WAS SET IN MOTION THREE YEARS AGO HAS BEEN SUCCESSFULLY EXECUTED."

How far along is Vivendi in implementing its strategy?

Vincent Bolloré: Since 2014, we have been focused on building a world-class content, media and communications group with European roots. The clear and ambitious strategy that was set in motion three years ago has been successfully executed by the Management Board. First, in content creation, we own powerful, complementary assets in music (UMG), mobile games (Gameloft) and movies/series (Canal+ Group), which are the three most popular forms of entertainment content in the world today. Second, in the distribution market, we have acquired the Dailymotion platform and repositioned it to create a new digital showcase for our content. Our group has also joined forces with several telecom operators and platforms to maximize the reach of its distribution networks. In 2017, a third building block – communications – was added to this structure, via Havas. Havas possesses unique creative expertise in promoting free content and producing short formats, which are increasingly viewed on mobile devices.

How should Vivendi's 2017 results be interpreted?

Arnaud de Puyfontaine: 2017 was a year of growth for Vivendi. At constant currency and perimeter, revenues rose by 4.9% and EBITA by 23.1%, as announced. This growth was driven by the strong operating and financial performance of our main businesses. In the music segment, UMG posted its best results in 15 years and its artists enjoy widespread exposure across all listening platforms, particularly streaming. UMG's 2017 agreements with Spotify, Tencent, YouTube and Facebook provide new opportunities to better monetize its content. In the audiovisual business, the Canal+ transformation plan in France has begun to bear fruit. New subscription offerings have led to a resumption of sales growth and a steady decline in cancellations. In other markets, especially Africa, where the subscriber base recently topped 3.4 million, Canal+'s pay-TV operations continue to perform well. 2017 was also marked by the acquisition of global communications group Havas, which has already had an accretive €111 million effect on Vivendi's EBITA. Finally, we have continued to invest in businesses with long-term growth and value-creation potential, such as Dailymotion, Vivendi Village and Vivendi Content.

What are the challenges in 2018?

Arnaud de Puyfontaine: These strong results are just the first step and we remain focused on implementing our operational road map. 2018 is set to be just as eventful and exciting as 2017. Vivendi is firmly on track to new milestones in its development. Our businesses all face big challenges from this year on: UMG must find new monetization options for its content and boost its presence in emerging markets; Canal+ needs to continue implementing its transformation plan in France and maintain the upward trend of its pay-TV operations abroad; Gameloft must create the next mobile game blockbuster; Dailymotion has to complete the roll-out of its new platform worldwide; Vivendi Village must expand its network of CanalOlympia venues in Africa, and so on. And, of course, we will make sure Havas can accelerate its integration into the group and promote joint projects between our different businesses.

It remains our ambition to devise a business plan capable of creating significant value over time. Value creation, used here in a broad sense, involves all Vivendi stakeholders, and is aligned with our corporate social responsibility (CSR) commitments.

Has Vivendi become an integrated industrial group?

Vincent Bolloré: Within a period of three years, Vivendi has evolved from being a financial company with equity interests in various sectors to being an integrated industrial group with a repository of creative talent and collective potential. It is a revolution in our corporate culture. In concrete terms, this means that our businesses now work together so that they create more value. The complex, compartmentalized organization of yesterday has become more collective, streamlined and economical. This integration is all the more necessary given the digital revolution-led convergence of content and networks, which is providing new collaboration opportunities for our businesses. The various initiatives recently undertaken in relation to the *Paddington* franchise are a perfect example: Studiocanal produced and distributed the *Paddington 2* movie; UMG composed the soundtrack; Gameloft created a mobile game inspired by the film and Havas helped promote the movie through several media campaigns. We plan to undertake more initiatives like these in the future. Together, we will leverage our strengths and pursue our development objectives, especially in Southern Europe, Asia and Africa. Due to its strong financial position, extremely low debt and core shareholder – the Bolloré Group, which is capable of providing long-term stability – Vivendi has the means to achieve its ambitious goals. •

ARNAUD DE PUYFONTAINE
Chairman of the Management Board

“2018 IS SET TO BE JUST AS EVENTFUL AND EXCITING AS 2017. VIVENDI IS FIRMLY ON TRACK TO REACH NEW MILESTONES IN ITS DEVELOPMENT.”

1

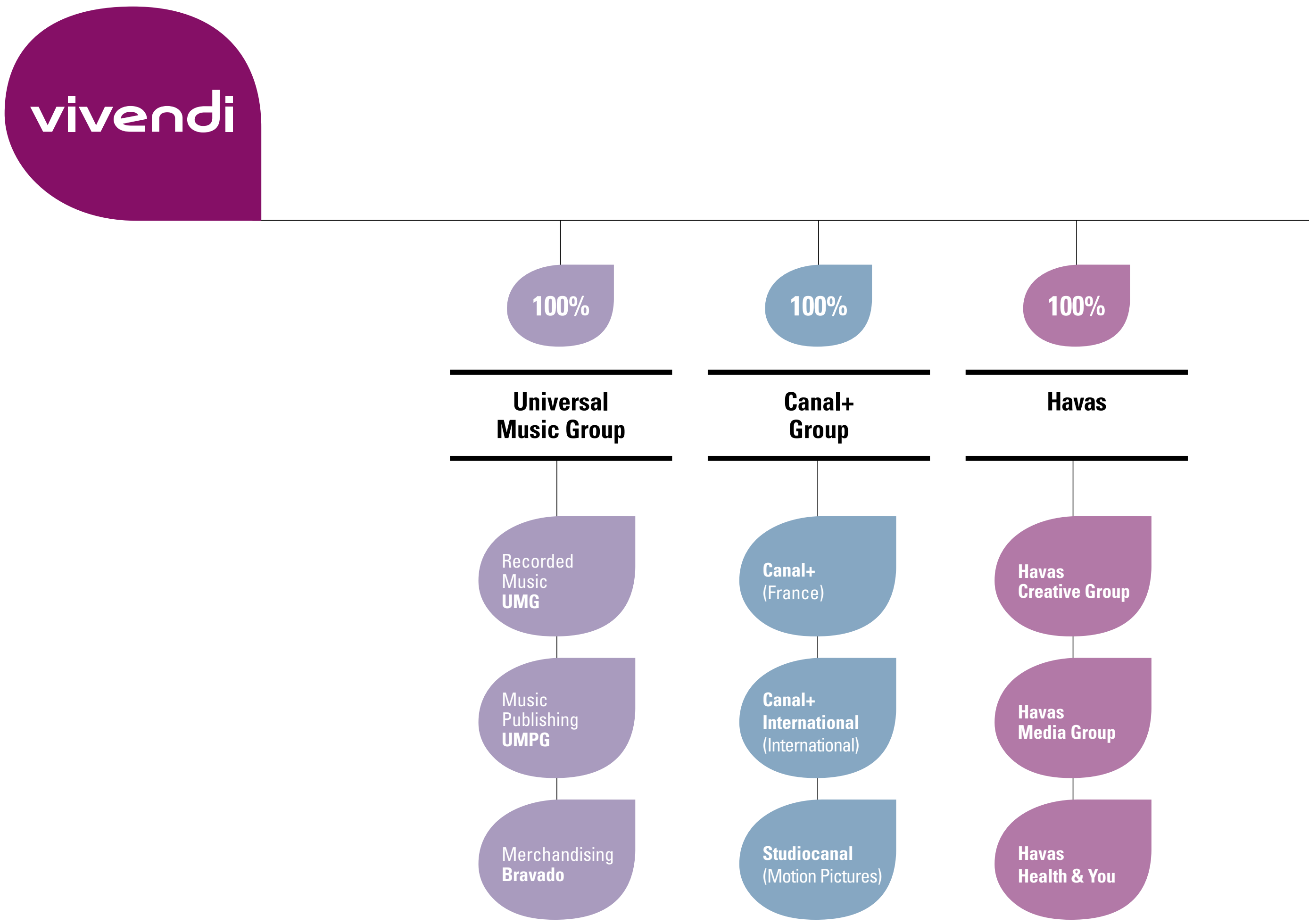
Profile of the group and its businesses, Financial Communication, Tax Policy and Regulatory Environment, Risk Factors

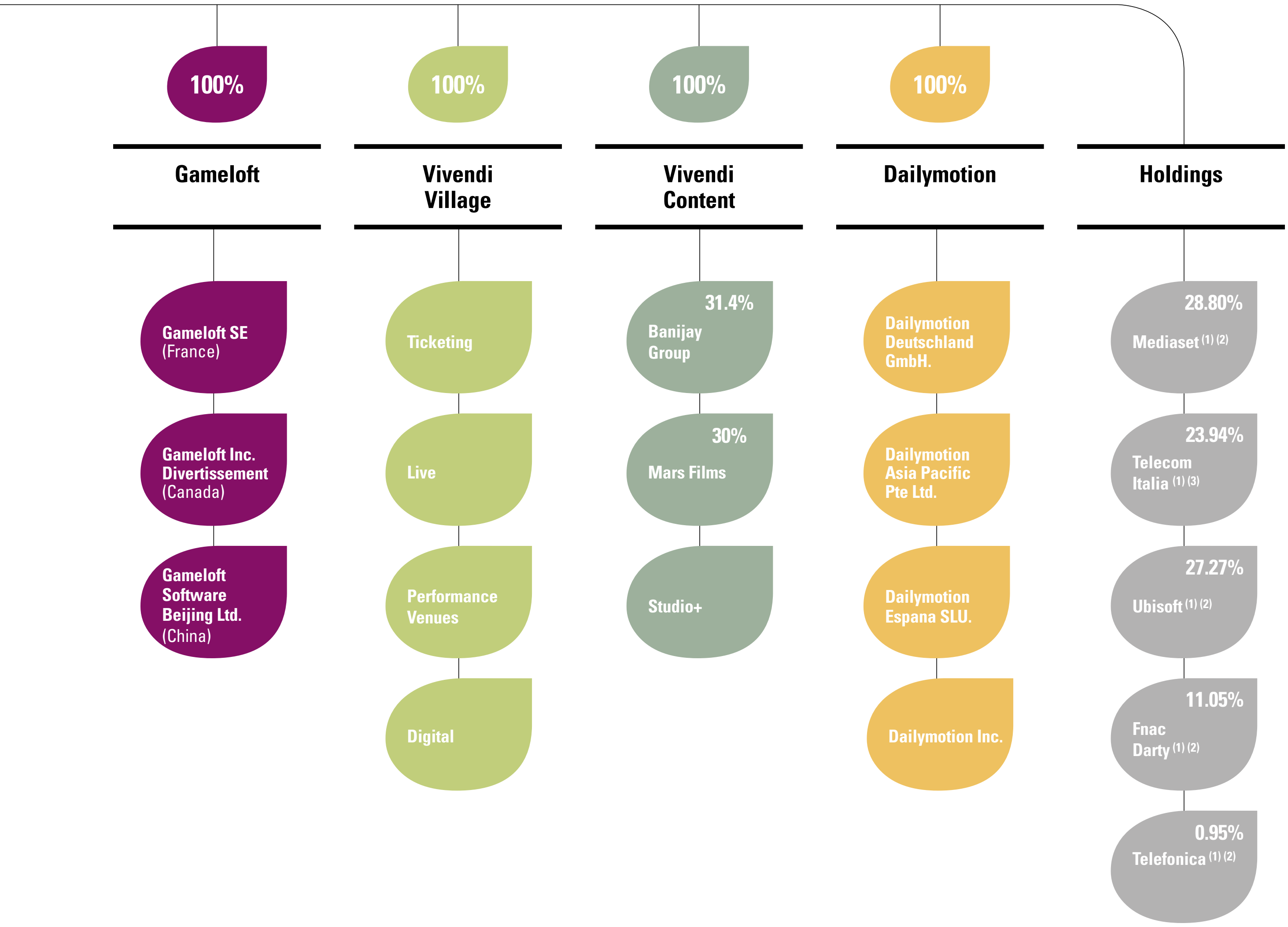

UNIVERSAL MUSIC GROUP

SECTION 1. PROFILE OF THE GROUP AND ITS BUSINESSES

1.1. SIMPLIFIED ECONOMIC ORGANIZATION CHART OF THE GROUP

Percentage of controlling interest as of December 31, 2017



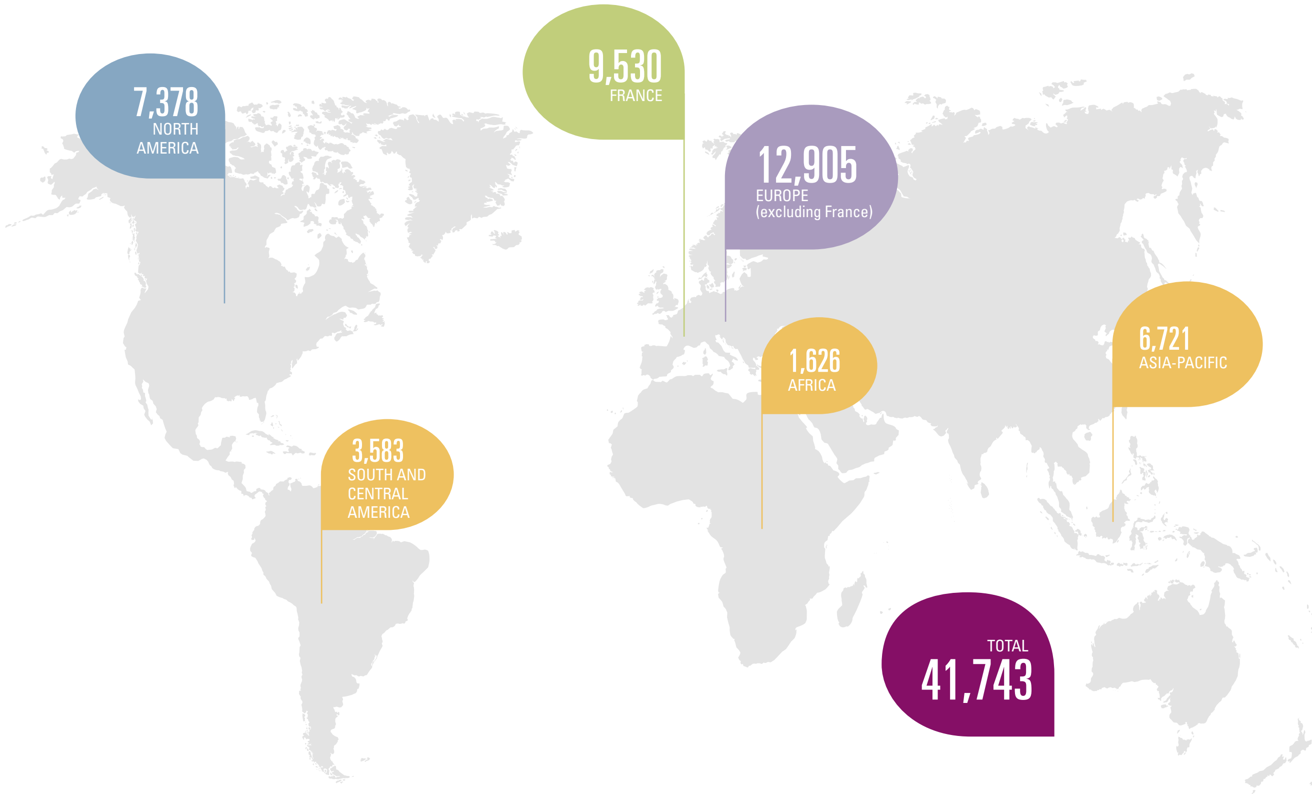


(1) Listed company.
(2) Of the share capital (% interest).
(3) Based on the aggregate number of ordinary shares with voting rights.

1.2. KEY FIGURES

HEADCOUNT BY GEOGRAPHIC ZONE

Year ended December 31, 2017



TOTAL 2017 REVENUES

€12,444 M

€4,396 M	€2,836 M	€3,008 M	€2,204 M
FRANCE	REST OF EUROPE	UNITED STATES	REST OF THE WORLD

REVENUES BY BUSINESS SEGMENT

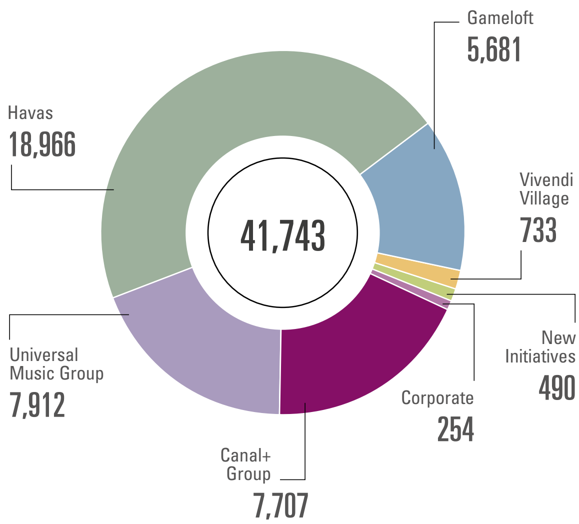
Year ended December 31, 2017 – in millions of euros

	2017	2016
Universal Music Group	5,673	5,267
Canal+ Group **(1)**	5,246	5,253
Havas **(2)**	1,151	–
Gameloft **(3)**	258	132
Vivendi Village **(4)**	109	111
New Initiatives	51	103
Elimination of intersegment transactions	(44)	(47)
TOTAL	**12,444**	**10,819**

(1) Includes Thema America, consolidated since April 7, 2016.
(2) Consolidated since July 3, 2017.
(3) Consolidated since June 29, 2016.
(4) Includes Paddington, consolidated since June 30, 2016.

HEADCOUNT BY BUSINESS SEGMENT

December 31, 2017



INCOME FROM OPERATIONS BY BUSINESS SEGMENT

Year ended December 31 – in millions of euros

	2017	2016
Universal Music Group	798	687
Canal+ Group **(1)**	367	303
Havas **(2)**	135	–
Gameloft **(3)**	10	10
Vivendi Village **(4)**	(6)	(7)
New Initiatives	(87)	(44)
Corporate	(101)	(96)
TOTAL	**1,116**	**853**

EBITA BY BUSINESS SEGMENT

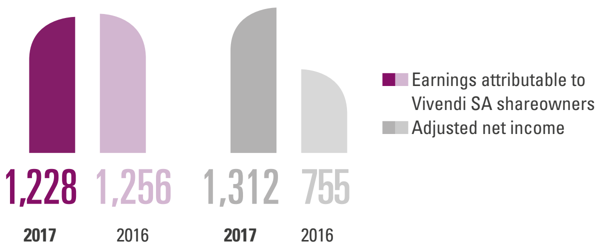
Year ended December 31 – in millions of euros

	2017	2016
Universal Music Group	761	644
Canal+ Group **(1)**	318	240
Havas **(2)**	111	–
Gameloft **(3)**	4	7
Vivendi Village **(4)**	(18)	(9)
New Initiatives	(92)	(56)
Corporate	(97)	(102)
TOTAL	**987**	**724**

(1) (2) (3) (4) See the footnotes on page 8.

EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS AND ADJUSTED NET INCOME

Year ended December 31 – in millions of euros



ADJUSTED NET INCOME PER SHARE

Year ended December 31 – in euros

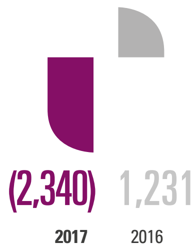
DIVIDENDS

December 31 – in euros

(1) Submitted to the approval of the Combined General Shareholders Meeting of April 19, 2018.
(2) Excludes Share Repurchases.

FINANCIAL NET DEBT/ NET CASH POSITION

Year ended December 31 – in millions of euros



Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2 and Note 28, respectively, to the Consolidated Financial Statements for the year ended December 31, 2017, in Chapter 4.

In addition, Vivendi changed its definition of Financial Net Debt (or Net Cash Position). For a reconciliation to previously published financial data, please refer to Note 28 to the Consolidated Financial Statements for the year ended December 31, 2017, in Chapter 4.

The non-GAAP measures of Income from operations, EBITA, Adjusted net income, Financial Net Debt (or Net Cash Position) should be considered in addition to, and not as a substitute for, other GAAP measures of operating and financial performance. Vivendi considers these to be relevant indicators of the group's operating and financial performance. Vivendi Management uses these indicators for reporting, management and planning purposes because they exclude most non-recurring and non-operating items from the measurement of the business segments' performances. 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.

Each of these indicators is defined in Section 1 of the Financial Report, in Chapter 4, or in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2017, in Chapter 4.

1.3. 2017 HIGHLIGHTS

JANUARY

Vivendi opens four CanalOlympia venues in January and February, located in Guinea, Cameroon, Niger and Burkina Faso.

Canal+ Group and Cannes City Hall announce Cannes Series, a new festival dedicated to drama series, with the first event taking place in April.

Canal+ Group signs an exclusive four-year broadcasting rights deal with boxer Tony Yoka, a gold medalist at the Rio Olympics.

FEBRUARY

Studiocanal wins eight Oscars (out of 23 nominations) for *La La Land* and *Manchester by the Sea*.

Canal+ Group acquires exclusive rights to broadcast all international men's and women's basketball tournaments and the qualifying matches of the French men's national basketball team, from 2017 to 2019.

Lang Lang, the most celebrated classical musician of his generation, **signs** a multi-year contract **with Deutsche Grammophon**.

CanalOlympia Yennenga hosts Fespaco, the Panafrican Film and Television Festival of Ouagadougou.

MARCH

Gameloft introduces two new games, *Gangstar New Orleans* and *N.O.V.A. Legacy*.

Country singer **Carrie Underwood,** winner of seven Grammy Awards, **signs with Capitol Records Nashville.**

See Tickets UK rolls out See Tickets Fan-to-Fan, a ticket resale platform based in the United Kingdom.

APRIL

***Alibi.com* becomes Studiocanal's highest-grossing French film** of the last 10 years, with 3.6 million tickets sold.

UMG and Spotify, the world's leading streaming service, sign a new multi-year licensing agreement. Spotify's access to UMG's catalog will ensure greater exposure for artists.

Jack White signs a multi-year contract with Universal Music Publishing Group, giving it the rights to his entire song catalog and future projects.

MAY

Canal+ Group announces the signing of an exclusive licensing and brand agreement **with CBS Corporation for Showtime®** in France.

Canal+ Group secures exclusive French rights to cover Formula 1, Formula 2 and GP3 races for the 2018, 2019 and 2020 seasons.

UMG and Tencent Music Entertainment Group sign a unique agreement that will facilitate UMG's expansion in the fast-growing Chinese music market.

JUNE

Due to its coverage of the Champions League final match between Real Madrid and Juventus, **C8 becomes France's second most-watched national TV channel** with 3.7 million viewers.

Republic Records enters into a deal with producer Metro Boomin, who has turned out some of the biggest hits by Drake, Kanye West, The Weeknd and Nicki Minaj, among others.

JULY

Vivendi acquires Bolloré Group's majority interest in Havas.

Dailymotion repositions its platform with a focus on premium content and a revamped user experience.

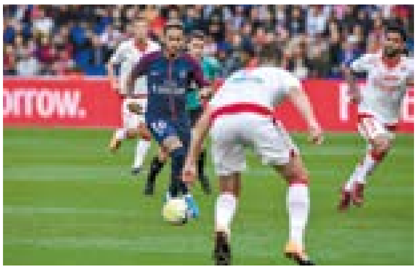
Havas acquires the UK-based healthcare communications firm So What Global.

Bruce Springsteen signs with Universal Music Publishing Group to administer his entire works and future songs.

Canal+ Group launches A+ Sport, a new African sports channel.

AUGUST

Canal+ Group teams up with the French sports newspaper *L'Équipe* to create an enhanced digital offering for the channel's sports fans that includes competitions broadcast by Canal+, Canal+ Sport and other networks, as well as *L'Equipe*'s editorial content.



Havas buys Israeli social media agency **Blink.**

SEPTEMBER

POLAR+

Canal+ Group rolls out Polar+, a channel devoted to crime series and movies.

Paddington becomes the new champion for children for Unicef.

Havas announces a partnership with Station F, the world's largest start-up campus.

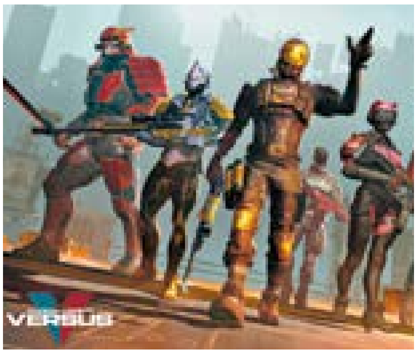
Havas wins 21 Clio Awards in 2017.

Paris is chosen to host the 2024 Olympics. Vivendi was an official sponsor of the city's bid.

OCTOBER

***Jésus*, a musical** produced by Olympia Production, debuts at the Palais des Sports in Paris.

***Paddington™ Run*, a new mobile game** developed by Gameloft, is launched in tandem with the film's release.



Since its launch, ***Modern Combat Versus*** has been one of the 5 most downloaded **games** from the App Store in 117 countries.

Vivendi rolls out Le Crossing, a festival in London celebrating Franco-British culture and performing arts.

Group Vivendi Africa (GVA), a newcomer to the African telecommunications market, introduces its first super-fast fiber-optic Internet plan called "Canalbox" in Libreville, Gabon, in partnership with Canal+ Group.

NOVEMBER

Studio+ is launched in the United States.

Studiocanal achieves its best opening weekend in the United Kingdom with *Paddington 2.*

Taylor Swift's, *Reputation,* is named best-selling album of 2017.

Vivendi, a member of the supporting consortium, Cercle des Soutiens, helps France win the bid to host the 2023 Rugby World Cup.

Gameloft signs a global licensing agreement with The Tetris Company to adapt and distribute the smartphone version of the cult video game *Tetris.*

Havas obtains 24 awards at the 30th edition of the Eurobest creativity festival.

DECEMBER

UMG forges partnerships with YouTube and Facebook that are designed to ensure a more equitable sharing of revenues and the development of the platforms' music offerings.

Vivendi owns 100% of Havas.

Gameloft markets *Sonic Runners Adventure* on the App Store and Google Play. The game ranks first in the "Games" category in 22 countries.

Digitick introduces *Infoculture.fr,* an arts and entertainment guide.

Paddington 2

Drake

1.4. STRATEGY

1.4.1. A UNIQUE POSITION IN CONTENT, MEDIA AND COMMUNICATION

Vivendi had a good year in 2017. It moved significantly closer to its goal of establishing a leading global position in content, media and communication, while improving its results.

At constant currency and perimeter, 2017 revenues rose by 4.9%, while EBITA, after exceptional expenses related to Canal+ Group, increased by 23.1%. Growth was driven by the strong performance of the group's main businesses, as well as by the integration of Havas.

Vivendi holds solid positions in the entertainment industry's most attractive sectors: music (Universal Music Group, the world leader); TV shows, series, movies (Canal+ Group); mobile games (Gameloft) and communication (Havas).

Universal Music Group (UMG) achieved excellent results in 2017, allowing it to consolidate its status as a global leadership and once again proved its track record in nurturing talent. This robust performance was chiefly driven by the boom in streaming, which is poised to become the platform of choice for recorded music. UMG, whose streaming revenues more than doubled between year-end 2015 and year-end 2017, has fully reaped the benefits of this trend:

- It currently has partnerships with more than 400 digital platforms and services around the world. In 2017, UMG was the first major label to reach a strategic licensing deal with the streaming service Spotify. This multi-year agreement will give UMG preferred access to consumer preferences and allow it to launch innovative marketing campaigns across the Spotify platform. At year-end, UMG also signed agreements with YouTube and Facebook that will help it better monetize artist content and develop new sources of revenue for years to come.
- Albums and titles by UMG artists like Taylor Swift, Kendrick Lamar and Drake were among the best-selling content on the world's main streaming services in 2017. Viewed more than 5 billion times across various platforms, *Despacito* by the Puerto Rican singer Luis Fonsi became the most streamed video of all time.
- While UMG derives 75% of its revenues from just five markets (the United States, Japan, the United Kingdom, Germany and France), it has considerable growth potential in emerging economies where streaming is also gaining traction and the copyright environment is evolving in favor of rights holders. The agreement with the Chinese group Tencent in 2017 is a case in point; the deal will open up major opportunities for UMG artists in the Chinese market and will focus on developing the local repertoire of music. The companies will also develop Abbey Road Studios China, a recording facility inspired by the iconic studio in London.

Canal+ Group made good progress in France and abroad, with its overall portfolio now totaling 15.6 million subscribers.

The transformation plan in France has produced tangible results. Due to new subscription offerings, the situation has, quarter after quarter, steadily improved, with a slower decline in revenue. Canal+ Group has also strengthened its ties with telecom operators in order to broaden its customer base. After Orange and Free in 2016, a partnership was formed with Bouygues Telecom in 2017. Overall, more than 3 million customers have access to Canal offers via telecom operator networks. Alongside distribution, Canal+ Group has excelled in the production of series, films and documentaries: Créations Originales, Canal+'s original drama series, have won over French viewers (on average 1 million subscribers watched *The Young Pope, The Bureau* and *Midnight Sun)* and sold well internationally *(Versailles* was sold in 120 countries, and *Baron noir* and *Midnight sun* sold in 80 countries).

The group's pay-TV operations have continued to expand abroad. The subscriber base in Africa passed the 3.4 million mark in early 2018, and a new pay-TV offering has been rolled out in Myanmar. Studiocanal scored a good win with the release of *Paddington 2*. The movie, which has been distributed in approximately 100 countries, had total worldwide box office sales of $200 million in early 2018.

Gameloft was once again the world's leading mobile video game publisher in 2017, generating over 2.5 million downloads per day across all platforms. Business was mainly fueled by the excellent performance of its internally developed franchises, which now account for close to 65% of total revenue. Several flagship franchises, including *Dragon Mania Legends, Disney Magic Kingdoms, March of Empires* and *Asphalt 8: Airborne,* were among the company's best sellers in 2017. A little over four years after its release in 2013, *Asphalt 8: Airborne* has exceeded 350 million downloads, becoming one of the most downloaded games in the history of mobile video games.

During the year, Gameloft also introduced ten new games for smartphones. A few of the launches, including *Modern Combat Versus,* were accompanied by particularly novel marketing campaigns. Gameloft studios have also worked closely with Studiocanal and Vivendi Village's creative teams to develop *Paddington™ Run,* the official game based on the *Paddington* sequel.

In July 2017, Vivendi acquired Havas, one of the world's leading communications and advertising agencies. The acquisition comes at a time when the digital marketplace – led by mobile's rise as the preferred screen for media consumption – is driving convergence between content, platforms and brands. It has given a boost to the strategic vision set forth by Vivendi in 2014 of becoming a worldwide leader in content, media and communication.

The linkup between a major content and media company and a leading communications firm has produced an entity with increased clout in the international competitive arena. The new organization is equipped with the critical mass needed to compete with powerful players, particularly in North America and Asia.

By drawing on their complementary strengths, Vivendi and Havas can create a value proposition that is unique in the industry.

- Vivendi can leverage Havas's digital expertise and consumer knowledge to exploit data more effectively, improve content monetization and create new content-enhancing user experiences.
- In return, due to its privileged access to Vivendi's roster of talent and creations, Havas can help brands build a more valuable relationship with their audiences.

The acquisition, which price was consistent with multiples, has already had an accretive effect on Vivendi's revenues (€1.151 billion over six months) and EBITA (€111 million over six months).

Vivendi also holds a large portfolio of equity investments with strong value-creation potential in several large European companies engaged in content creation and distribution.

Since 2015, Vivendi has invested nearly €5 billion in Telecom Italia and Mediaset, making the Italian market the spearhead of the group's expansion in Southern Europe:

- As Telecom Italia's largest shareholder, with 23.94% of ordinary shares with voting rights at year-end 2017, Vivendi aims to build a long-term position in a high-potential market where telecoms and content converge. The group has already successfully put the necessary components in place for the turnaround of the Italian operator: Telecom Italia has seen its revenues grow for the first time in ten years. In October 2017, Telecom Italia and Canal+ Group also announced the creation of a joint venture dedicated to the acquisition of rights as well as the production of films and television series. The aim is to present an innovative content offering to Telecom Italia's customers that will enable Telecom Italia to develop its fixed and mobile broadband customer base. The creation of this joint venture is still subject to authorization by the competent bodies of Telecom Italia.
- In April 2016, Vivendi announced a strategic and industrial partnership with Mediaset for the acquisition of a 3.5% interest in Mediaset and a 100% interest in Mediaset Premium, in exchange for 3.5% of Vivendi's capital. This agreement is currently the subject of litigation. Considering that the strategic interest of this industrial partnership, which concerned various initiatives in the joint production and distribution of audiovisual programs and the creation of an OTT platform, exceeds the stakes of this litigation, Vivendi proceeded to acquire shares in Mediaset, and is now the second largest industrial shareholder with 28.80% of the capital.

The group also holds a 27.27% interest in Ubisoft, which represented almost €2 billion at year-end 2017. Vivendi confirms its commitment to continue its development in the video games sector, which is today the second most dynamic market of the content industry after music.

Vivendi also holds interests in Mars Films and Banijay Group Holding, as well as in the Fnac Darty group.

In 2017, Vivendi continued to launch, test, develop or strengthen businesses with growth potential that will generate new revenue streams over the long term.

- In July, Dailymotion (the most visited French website, with 300 million unique users per month) repositioned its offering with a focus on premium content and a revamped user experience. The videos, which are now divided into four main categories (news, sports, music and entertainment), are aimed at the 25-49 demographic, which has become the platform's new target audience. The new offering will rely on content provided by the hundreds of leading media providers and brands around the world with whom it has established partnerships.
- Studio+, the innovative premium short-format series platform introduced by Vivendi Content, continued to grow in 2017. First launched in France, Italy and Latin America in 2016, Studio+ has been available in the United States since November 2017, via the App Store, and will soon be on Google Play. Bearing testimony to the quality of the content offered by the service, two Studio+ series – *Crime Time* and *Ahi Afuera* – were nominated for International Emmy Awards.
- Vivendi Village has increased its investments in festivals, live events and entertainment venues. Due to UMG's ULive network and Vivendi Village's Olympia Production unit, the group owned 12 festivals at year-end 2017 and was credited with producing the tours of some 20 musicians and comedians. In Sub-Saharan Africa, eight CanalOlympia cinema and entertainment venues are now in operation. Vivendi's new Vivendi Sports unit has started to create its own sports events. In early 2018, it organized the first major African cycle race in Cameroon – *Le Tour de l'Espoir* – for cyclists under 23, under the auspices of the Union Cycliste Internationale.
- Group Vivendi Africa (GVA) rolled out its first super-fast fiber-optic Internet plan called "Canalbox" in Libreville, Gabon in 2017, in partnership with Canal+ Group. GVA invests in its own network and is in charge of building and operating it. It plans to introduce a second plan in Lomé, Togo in early 2018.

City Mania

1.4.2. AMBITIOUS DEPLOYMENT ACROSS THE ENTIRE CONTENT VALUE CHAIN

Last year's growth momentum is expected to continue into 2018. Due to a clear and ambitious strategy, Vivendi is ready to enter new stages of development. Each business will receive the support needed to achieve its specific goals:

- UMG: consolidate its leading position by developing new ways to monetize content, particularly in certain emerging markets.
- Canal+ Group: pursue the implementation of its transformation plan in France, while confirming the upward trend of its pay-TV operations abroad.
- Havas: speed up its integration within Vivendi and build further synergies with the group's different businesses.
- Gameloft: strengthen the attractiveness of existing games while also creating one or several new hit franchises.
- Dailymotion: complete the global roll-out of the redesigned platform and continue to partner with recognized media providers to enhance the new video offer.
- Vivendi Village: acquire new festivals and attract new talent to produce their shows; accelerate the development of the CanalOlympia network in Africa (a dozen new venues are planned in 2018) and organize new sports events in Africa with Vivendi Sports.

More broadly, **Vivendi plans to strengthen its presence across the entire content value chain,** from creation and distribution to brand commitment, live program/audiovisual production, entertainment venues, ticketing, data exploitation and merchandising.

To achieve this, Vivendi intends to capitalize on its core strength: the production of original content for music, games, movies and television for all types of users around the world, but especially the new generation of digital consumers. In audiovisual alone, Canal+ expects to roll out around ten Créations Originales series in 2018, and Studiocanal roughly a dozen films. At the same time, Vivendi must continue to innovate by developing new entertainment formats, following the example of Studio+ and its short series for mobile.

1

2

1. Épouse-moi mon pote
2. Football PSG-Caen

As it has done with *Paddington,* Vivendi must leverage the full creative potential of its franchises, even creating or acquiring new ones. The various initiatives surrounding *Paddington* are a perfect illustration of the collective work and synergies carried out by the group's entities to develop a powerful entertainment franchise.

For Vivendi content to be fully utilized and appreciated, it must be given maximum exposure. The group's other long-term priority is therefore to develop its own networks/channels and to partner with leading distribution platforms to achieve critical mass. Vivendi wants to establish structured strategic partnerships with telecom operators and digital platforms so that its content can be delivered both on a local and global scale. The agreements signed in 2017 between UMG and key players like Spotify, YouTube, Facebook and Tencent are illustrative of this approach.

Havas occupies a cross-disciplinary position across the entire content value chain, from creation to distribution. It allows the different Vivendi businesses to collaborate in a systematic and productive way and helps them create more value together.

Vivendi can rely on its core shareholder, the Bolloré Group, to implement its ambitious strategy. Controlled by the same family for the last 196 years, the Bolloré Group has a long-term vision that enables it to conduct a sustainable investment policy.

The objective of creating value over time is integrated into Vivendi's corporate social responsibility (CSR) policy. The group's unique position in the content creation industry and its cultural influence on a wide range of audiences make it a key participant in major societal issues. It is committed to producing and distributing content that promotes cultural diversity; providing access to entertainment for as many people as possible and guiding young people in their digital practices. The value Vivendi creates is beneficial to all its stakeholders – customers, shareholders, employees, artists, suppliers, public authorities and civil society as a whole. Vivendi's objective is to strengthen its pioneering role in terms of corporate social responsibility. Its CSR performance is regularly praised by non-financial rating agencies, investors and all of its partners.

1. Taylor Swift **2.** Asphalt 8
3. Paddington **4.** Top 14

1.5. BUSINESSES

Building on its wealth of artists, content and distribution platforms, in 2017, Vivendi acquired the communications businesses of Havas Group, thereby adding a new field of expertise to its range of business activities. This move puts Vivendi in a unique position to draw on the complementary strengths of content and communication to reinforce its long-standing businesses of content creation and distribution.

Vivendi is also making advances in future-growth markets (e.g., live performance, digital technology and ticketing) while creating and promoting franchises that drive several group businesses. These initiatives are managed by smaller, highly flexible structures that harness the group's assets to consolidate the Vivendi value chain.

1.5.1. MUSIC

Music is Vivendi's most significant asset. Its flagship subsidiary, Universal Music Group (UMG), is a driving force in the global music market, which continued its recent growth in 2017 after many years of decline. The dynamic UMG continually discovers talent and constantly adapts to new forms of music consumption.

Across all musical genres, UMG is home to the greatest local and international artists of all time, including The Beatles, The Rolling Stones, U2, Andrea Bocelli, Lady Gaga and Helene Fischer and more, as well as many of the biggest artists of the year, such as Drake, Kendrick Lamar, The Weeknd and Taylor Swift.

UMG has three main operating businesses: recorded music, music publishing and merchandising.

The recorded music business discovers and develops recording artists, marketing and promoting their music across a wide array of formats and platforms. Its activities also extend to other areas, such as brand rights management, sponsorship, film and television.

The music publishing business discovers and develops songwriters, and owns and administers the copyright for musical compositions used in recordings, public performances and related uses, such as films and advertisements.

The merchandising business produces and sells artist-branded and other branded products through multiple sales channels, including fashion retail, concert touring and the Internet.

1.5.1.1. Recorded Music

Discovering and developing talent

UMG's recorded music business' primary focus is the discovery and development of artists, and the marketing, distribution, sales and licensing of the content they create. With a diverse range of labels and a global presence in 60 countries, UMG is the world's largest international recorded music company and the leader in many of the world's major music markets, including the United States, Japan, the United Kingdom, France and Germany.

UMG has partnered with both local and global streaming platforms to help establish legal music markets in countries that have not traditionally been major markets for recorded music sales, such as the BRIC countries (Brazil, Russia, India and China), Latin America, Africa, the Middle East and Eastern Europe. These partnerships have led to greater investment in developing local talent and have helped make music more accessible to fans.

UMG's diverse range of labels helps the business consistently cater to changing consumer trends. Its major recording labels include Capitol Music Group, Interscope Geffen A&M, Republic Records, Island Records, Def Jam Recordings, Universal Music Group Nashville and Polydor, and its classical and jazz labels include Blue Note Records, Decca, Deutsche Grammophon and Verve.

In 2017, UMG's best-selling artists ranged from established artists such as Taylor Swift, Kendrick Lamar, Drake and The Weeknd, to national stars such as Louane and Calogero in France, Helene Fischer in Germany, Michael Ball and Alfie Boe in the UK, Vasco Rossi in Italy, HKT48 and Back Number in Japan, and Luis Fonsi in Latin America, who also broke globally this year with his hit song *Despacito*. UMG also saw enormous global chart success in 2017.

- On Spotify: UMG had three of the top four artists globally (Drake, The Weeknd, Kendrick Lamar); four of the top five albums (Drake's *More Life,* Kendrick Lamar's *DAMN.*, The Weeknd's *Starboy* and Post Malone's *Stoney*); as well as two of the top three songs (two versions of Luis Fonsi's *Despacito)*.
- According to Nielsen: in the US, UMG had three of the top four albums (No. 2 *DAMN.,* No. 3 Taylor Swift's *Reputation* and No. 4 *More Life);* the No. 1 track (Luis Fonsi's *Despacito)* and three of the top five tracks *(Despacito,* No. 4 Post Malone's *Congratulations* and No. 5 Kendrick Lamar's *Humble.)*.
- UMG was the only major music company to increase its US recorded music market share (album plus track and stream equivalents) in 2017, based on Nielsen data. UMG's US share grew 0.9pp over 2016 to 36.7%.
- On Apple Music: UMG had the top three US albums (*More Life, DAMN.,* and *Reputation);* and three of the top five songs (*Despacito, Humble.* and Sam Hunt's *Body Like a Back Road).*
- Additionally, *Despacito* was 2017's most streamed video and became the most streamed video of all time.

Sales from prior releases reinforce UMG's recorded music revenues each year, and UMG has the most comprehensive catalog of recorded music in the world. This wide array of timeless performers includes ABBA, Louis Armstrong, Charles Aznavour, Daniel Balavoine, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, Neil Diamond, Guns n' Roses, Elton John, Bob Marley, Nirvana, Queen, The Rolling Stones, André Rieu, Frank Sinatra and Amy Winehouse.

Supporting new trends

With fans around the world increasingly connected on mobile devices, recorded music consumption is reaching new highs. While UMG's products continue to be sold in physical form, and physical sales are still very significant in certain markets, the majority of consumption has now shifted from an ownership model (e.g., consumer purchases of vinyl, compact discs or downloads) to an access model (subscription and ad-supported streaming formats), with streaming revolutionizing the listening experience for music lovers and transforming the global recording industry.

The strong growth behind subscription and ad-supported streaming in 2017 stems from a competitive and healthy market. UMG has played a very active role in promoting the continued development of new digital services and consumer offerings. In 2017, the group signed a number of innovative agreements with both new and established streaming partners, ranging from pure-play music services to some of the largest technology companies in the world.

In May 2017, UMG announced a landmark licensing agreement with Tencent, intended to significantly expand the Chinese music market and promote adoption of subscription, opening vast opportunities for UMG's artists in China.

UMG was also at the forefront of the industry in re-setting its relationships with Spotify and YouTube. UMG's April 2017 agreement with Spotify creates opportunities for the companies to collaborate on innovative marketing campaigns across Spotify's platform, builds more flexibility for new UMG artist releases, and provides UMG with unprecedented access to data, creating the foundation for new tools for artists and labels to expand, engage and build deeper connections with their fans.

The deal with YouTube, signed in December 2017, represents an important step forward in providing UMG's recording artists and songwriters improved content flexibility and growing compensation from YouTube's ad-supported and paid-subscription tiers, while also furthering YouTube's commitment to manage music rights on its platform.

UMG also signed a groundbreaking deal with Facebook in December 2017 which, for the first time, brought a music company together as true commercial partners with the world's largest social platform.

In conjunction with UMG's existing partnerships with Amazon and Apple, UMG is fostering an increasingly competitive and dynamic market for music among the biggest tech platforms in the world.

In all, UMG licenses more than 400 digital services around the globe. UMG is also extremely active in developing new sources of revenue, including through advertising and sponsorship agreements, as well as through the production and exploitation of audiovisual content.

Partnerships with brands

Universal Music Group & Brands (UMGB) continues to increase revenue streams across a diverse set of partners in more than 70 countries and across a variety of industries, including the consumer goods, airline, banking, hotel, automotive and telecommunications industries. It specializes in strategic partnerships, branded content, events and experiences, social networks and media support. Offering a single entry point to the complex world of entertainment, UMGB helps its clients define strategies that increase audience reach, brand awareness and differentiation to build long-lasting engagement with customers. Its brand partnerships also generate new revenue streams and offer major promotional opportunities.

In the audiovisual segment, UMG is focusing on better exploiting existing content and rights, capturing live events and creating new content formats. From long-form content (including music documentaries, films, live event musicals, music-themed television series and reality shows) to short-form content (including live event streaming, viral content and other "behind the scenes" footage as well as official music video clips), UMG is working to accelerate the monetization of video assets.


Louane

1.5.1.2. Music Publishing

Universal Music Publishing Group (UMPG) is one of the world's largest music publishing companies, acquiring the rights to musical compositions (as opposed to recordings) and licensing those compositions for use in a variety of formats.

UMPG licenses musical compositions for use in sound recordings, films, television, advertisements, and live and other public performances, such as broadcasting and film performances. It also licenses compositions for use in printed sheet music and song portfolios.

Generally, UMPG licenses compositions after acquiring a direct interest in their copyrights by entering into agreements with composers and authors. The company also administers musical compositions on behalf of other owners, which can include other music publishers or authors.

UMPG owns and controls a vast catalog of original music and arrangements, and offers this music for use in films, television, advertising and new media industries as an alternative way of utilizing the license.

The company's global publishing catalog contains more than three million owned and administered titles, including some of the world's most popular songs. Major songwriters and artists whose works are represented include Adele, André Rieu, Ariana Grande, The Beach Boys, the Bee Gees, Billy Joel, Britney Spears, Bruce Springsteen, Carly Simon, Coldplay, Demi Lovato, Diane Warren, Dua Lipa, Elton John, Eminem, Florence and the Machine, Halsey, Imagine Dragons, Irving Berlin, Jack White, J Balvin, Justin Bieber, Justin Timberlake, Kane Brown, Keith Urban, Mumford & Sons, Mariah Carey, Maroon 5, Metro Boomin, Nick Jonas, Nicki Minaj, Paul Simon, Pearl Jam, Post Malone, Prince, Quavo, Red Hot Chili Peppers, R.E.M., Romeo Santos, Sam Hunt, Selena Gomez, Shawn Mendes, Travis Scott, U2 and Zedd, among many others.

Throughout 2017, UMPG signed a spectrum of talent ranging from legends like Barry Gibb and Carly Simon, to rising stars including Amine, Quavo, SZA, Zedd and many more.

1.5.1.3. Merchandising

Bravado is UMG's wholly-owned, global, full-service merchandising company. It works closely with new and established artists as well as both longstanding and more recent entertainment clients, creating innovative products that are carefully tailored to each artist and their brand. Products are sold through global in-store and online retailers, specialty stores and concert tours along with pop-up shops and limited-edition retail experiences.

Bravado also licenses rights to an extensive network of third party licensees around the world. With offices in more than 40 countries, Bravado leverages UMG's global network to provide services including sales, licensing, branding, marketing and e-commerce, and to create culturally relevant experiences for fans through pop-up shops and special events. Its broad client roster includes artists such as Ariana Grande, Bob Marley, Guns N' Roses, Justin Bieber, Kanye West, Lady Gaga, Prince, Selena Gomez, The Beatles, The Rolling Stones, The Weeknd, The Who and the Sex Pistols, among many others.

1.5.1.4. Regulatory Environment

UMG's businesses are subject to the laws and regulations of the countries in which the group operates.

In the United States, the US Congress continues its review of US copyright law. Various topics have been considered, including proposals that would seek to: modernize the US Copyright Office, modify the mechanical licensing system and address treatment of sound recordings made before 1972, among others. The National Music Publishers Association and the Recording Industry Association of America, among other music trade associations, have each expressed the need for various reform proposals. The US Copyright Office is expected to present findings and recommendations in 2018 related to the Digital Millennium Copyright Act's "notice and take-down" regime. In late 2017, a federal circuit court ruled that the Consent Decree governing BMI, one of the major performing rights organizations, does not require full-work licensing – a favorable decision for American music publishers that preserves the current system of licensing.

In Europe, the European Parliament continues its work on the "Directive of the European Parliament and of the Council on copyright in the Digital Single Market" that was proposed by the European Commission in September 2016. Containing a series of proposals to update copyright law in European Union member states, the directive complements other Digital Single Market proposals published by the Commission. The Commission issued an Intellectual Property Rights (IPR) package for Europe in November 2017 that did not include anticipated legislative updates to the IPR Enforcement Directive. The International Federation of the Phonographic Industry (IFPI), which represents the recording industry globally, supports the European Commission's proposed Copyright Directive and has also emphasized the need for new enforcement legislation in Europe.

1.5.1.5. Piracy

Piracy is an issue that materially harms the music industry and impedes the development of new business models. Based on data from Ipsos Connect and the IFPI, copyright infringement remains a significant problem, with more than one-third (35%) of Internet users accessing unlicensed music content. Infringement is also evolving, with 49% of 16-24 year olds using so-called "stream ripping" tools to copy music from sites like YouTube. Working in conjunction with the rest of the music industry and other entertainment sectors (including the movie and video games industries), UMG takes a multi-pronged approach to combating piracy, which includes:

- supporting the development and launch of innovative services across a number of platforms, as well as the continued growth of existing services such as those from Apple Music, Pandora, Spotify, Deezer, Amazon, Soundcloud and Vevo. The group works with partners to ensure music can be accessed legally, whatever the media (in-car and in-home, on platforms such as mobile phones, tablet computers and game consoles), to offer consumers the best all-round digital music experience; and
- working with governments and intermediaries (such as credit card companies, advertisers, search engines, proxy services and ISPs) to reduce potential profits from piracy and ensure the adequate enforcement of preventative measures.

1.5.1.6. Competition

The profitability of any record company depends on its ability to attract, develop and promote recording artists, the public's acceptance of those artists and the success of its recordings. UMG competes with other major record companies for creative talent that includes new artists as well as established acts that have signed with another label. It also faces competition from independent labels.

The music industry also competes with apps, video games and films for consumer leisure spending. In addition, the recorded music business continues to be adversely affected by piracy, particularly in the form of illegal downloading and stream ripping from the Internet (see Section "Piracy" above).

1.5.1.7. Research and Development

As the industry continues to evolve, UMG works to maximize opportunities for digital distribution by partnering with both established and emerging digital businesses. It also actively works to protect its copyright and those of its artists against unauthorized digital or physical distribution. In addition, the company continues to pursue new ways to capitalize on the digital transformation of the industry, including using data that was previously unavailable in the physical business. One example is UMG's investment in databases that provide in-depth, real-time analyses of artist sales, streaming, and the impact of television appearances, social media traction and radio airplay, among other metrics.

1.5.2. TELEVISION AND MOTION PICTURES

Canal+ Group is a major player in television and cinema in France and abroad. It is a leader in the production, bundling and distribution of first-run movie channels and thematic channels in France, Africa, Poland, Vietnam and, since January 2018, Myanmar. With its Studiocanal subsidiary, Canal+ Group is also a key player in the production and distribution of feature films and TV series.

Canal+ Group is committed to offering subscribers the best content and services in terms of first-run exclusiveness, quality, mobility, consumer choice and customization. With this in mind, a transformation plan was undertaken to give Canal+ a new dynamic in France by refocusing the model squarely on the subscriber.

Canal+ Group has a total of 11.9 million individual subscribers worldwide plus an additional 3.1 million customers through partnerships with telecom operators in France.

1.5.2.1. Pay-TV in France

1.5.2.1.1. Programming Activities

Canal+ channels

Canal+ Group produces six channels offering exclusive, original and innovative programming:

- a general-interest channel (Canal+), showing movies, sports, drama, documentaries, entertainment programs, and children's and discovery programs; and
- five high value-added channels (Canal+ Cinéma, Canal+ Sport, Canal+ Family, Canal+ Décalé and Canal+ Séries), featuring their own programs.

In 2017, Canal+ Group strengthened the pillars of its editorial lines: sports, drama and movies.

Traditionally known for its coverage of high-profile sports events, Canal+ is noteworthy for its exclusive programs, crisp play-by-play commentary, expert color commentary, and innovative technical capabilities. 2017 provided a further opportunity for Canal+ channels to cover a wide array of French and international sports.

In football, broadcasts include the top three Ligue 1 Conforama matches on each day of the championship, one UEFA Champions League first-pick game on each match day, and all qualifying matches for the European section of the 2018 World Cup.

Canal+ set the standard for rugby coverage once again in 2017, with exclusive broadcasts of all Top 14 matches, the best Pro D2 match, and the French rugby union tour.

Canal+ also features motor sports, with all Formula 1 Grand Prix, Formula 2 and GP3 races; boxing, with Tony Yoka's quest for the world title; and basketball, with all FIBA international competitions and the World Cup 2019 qualifiers for the French men's team. International golf events are also aired, including the four majors and the PGA Tour, as well as tennis, with the Rolex Monte-Carlo Masters and Rolex Paris Masters tournaments, track and field, with Herculis Monaco (Diamond League), and the best of ice hockey with the NHL.

Sports review programs attract millions of television viewers throughout the year, especially the channel's time-honored *Canal Football Club* and *Canal Rugby Club,* as well as *Jour de Foot, J+1, 19H30 PM, Formula One Le Mag* and the special reports and documentaries brought by *Intérieur Sport, Sport Reporter* and *Invisible*.

Canal+ Group is also highly praised for the quality of its drama series. Acclaimed by critics and subscribers alike, the Créations Originales (original programming) are particularly emblematic of the quality of content offered on the group's channels, while their sometimes quirky scripts are helping to refresh the genre. They form part of Canal+'s DNA.

Engrenages

Le Tube, Isabelle Ithurburu

In 2017, the first Création Originale series, *Engrenages,* a classic considered the best police drama in France, created a buzz when it came out with a fresh, even more captivating season. Season 2 of *Versailles* continued to forge its path in historical fiction, bringing an even more surprising and modern edge to the genre. The now cult spy series from Eric Rochant, *The Bureau,* revolutionized the production model in France, with season 3 digging deeper into the world of intelligence.

Canal+ also does comedy, with the final episode of *Kaboul Kitchen,* a series unique in style that has become a classic in its genre, as well as the arthouse series *Paris etc.,* an abrasive, offbeat "dramedy" created by Zabou Breitman about the daily lives of five women in Paris.

In 2017, Canal+ Group signed an exclusive licensing and branding agreement with CBS for Showtime® in France. The agreement covers at least ten current or upcoming series. Canal+ Group will also have exclusive rights to hundreds of hours of original, critically acclaimed and award-winning series, such as *Dexter, Nurse Jackie, Ray Donovan, The Affair* and *Californication.*

Cinema also enjoys pride of place on the Canal+ channels, with 357 films broadcast on Canal+ and 580 on the other channels. In 2017, Canal+ Group renewed agreements with several American studios, including Disney, Warner and Fox.

Themed channels

Alongside the premium channels, Canal+ Group produces about 20 pay-TV themed channels covering the main television genres, such as movies with the Ciné+ channels, discovery with Planète+, sports with Infosport+, and children's programming with Piwi+ and Télétoon. In 2017, Canal+ Group launched Polar+, a police drama channel with a top-notch selection of movies, anthologies and original series in the genre from around the world.

1.5.2.1.2. Distribution

At year-end 2016, the group introduced a simplified bundle under the Canal brand, which for the first time included the Canal+ channels and all of the themed channels in the discontinued Canalsat package, with or without a minimum subscription period. Subscribers build their bundle around the Canal+ channel, which serves as the entry point for the entire Canal range. Depending on their preferences, they can add themed packs with movie or series channels, sports channels and/or the Canal+ channels.

The programs are available live or on-demand, which also makes Canal the most comprehensive platform for streaming content or downloading it via the myCanal application.

Canal+ Group distributes its packages through specific subscriptions delivered via satellite, ADSL, DTT, cable, fiber, mobile devices and the Internet.

They are marketed directly by the group and through a brick-and-mortar network of nearly 2,000 sales outlets operated with retail partners (big-box stores, specialty stores and telecom operator agencies), in Canal pop-up shops located in major shopping centers in France and through ISP distribution platforms.

In addition, Canal+ markets some of its bundles and themed channels through third-party distributors, particularly ISPs, which include them in their own pay-TV or triple-play packages. Canal+ Group entered into agreements with telecom operators for the distribution of Canal+ channels. In 2016, an agreement was entered into with Orange to offer the "Famille by Canal" programming to fiber subscribers as from October 6, 2016. In 2017, this agreement was expanded with the addition of the "Canal+ Essentiel" offer. Also, in 2016, a similar agreement was entered into with Free to offer triple-play subscribers a coupling offer integrating channels "TV by Canal Panorama". Finally, in 2017, Bouygues Telecom proposed the "Start by Canal" offer to its subscribers.

In early 2018, Canal+ Group released a new satellite/Internet set-top box with eight tuners for ultra-high-speed browsing and unparalleled viewing quality, with 4K Ultra HD image and Dolby Atmos sound technology. Designed with a new seamless and intuitive interface, the new set-top box brings Canal throughout the home using a small set-top box that automatically connects to Wi-Fi.

The device will offer an all-new user experience based on the myCanal model, the leading media app for daily active users, whose interface will be displayed on all Canal screens. myCanal is also now the sole access point for all the group's online services (pay-per-view, VoD and SVoD).

Canal's new set-top box will be upgraded regularly and is expected to introduce new functionalities in the short future, including the multi-live service which enables users to watch up to four channels simultaneously and voice commands using the microphone built into the Bluetooth remote control. HDR (high dynamic range) television and Dolby Atmos sound will be added in the future.

With 4.9 million individual subscribers in mainland France as of December 31, 2017, Canal+ Group holds the largest portfolio of pay-TV customers. It also supplied an additional 3.1 million customers through partnerships with telecom operators. In sum, Canal+ packages serve more than 8 million customers in mainland France.

1.5.2.1.3. Digital services

Canal+ Group is a pioneer of digital technology and new television services in Europe, led by myCanal and its multi-screen delivery. Recently, the group has begun expanding its online presence more rapidly.

myCanal

myCanal allows subscribers to have access to all of the content on Canal+ and in the Canal package, either live or on-demand, and access all of the related services through a single point of entry on any device. myCanal is accessible on PCs, Macs and all of the popular smartphones and tablets (via iOS, Apple TV, Android and Windows). A single subscription also allows users to watch myCanal content on several screens in the same household. myCanal is a portal to live HD TV, the six main Canal+ channels and some 130 additional Canal+ channels. Subscribers may view Canal+ programs and catch up on or download up to 10,000 Canal+ programs.

The service is innovation-driven, with content available in multilingual versions, HD adaptive bitrate streaming for guaranteed optimum viewing regardless of bandwidth quality, live stream control, "start-over" to go back up to eight hours before the broadcast, download management to watch content offline, and support and customization on every screen. myCanal ranks as the top TV and radio media service in terms of active users, with 1 million unique visitors per month and 1 billion streams in 2017.

Video-on-Demand with Canalplay

Canalplay is Canal+ Group's streaming video service that offers access anywhere and at any time to some 10,000 movies, short features, entire seasons of TV series, comedy shows and children's programs. It is delivered to televisions via set-top boxes, to computers, and to smartphones and tablets using a mobile application. Canalplay is also available without a Canal+ television subscription.

1.5.2.2. Free-to-air TV in France

1.5.2.2.1. Free Channel Division

Canal+ Group owns and directly operates three free-to-air channels: C8, CNews and CStar.

C8, with a 3.3% market share of viewers aged four and over, is the leading DTT channel for the fourth year in a row. Offering general-interest programming, it is already a major contender that appeals to every generation and all types of viewers.

CNews, the Canal+ Group's news channel, reports the news as it happens while capitalizing on the group's strengths, particularly in sports and cultural programming, to set itself apart as competition further intensified in 2017.

Lastly, CStar, France's leading music channel for today's generation, is showcasing musical artists who can fully express their talent.

Réussite, Robert Brazza and Diana Ndiaye

These three channels, delivered via DTT, are available throughout France and reach the entire French population. They are also included in the TV packages of satellite, ADSL, cable and other television operators. All of their revenue is derived from advertising.

1.5.2.2.2. Advertising Sales Agency

Canal+ Régie is the Canal+ Group's exclusive advertising sales agency and a wholly-owned subsidiary. It sells advertising time on the Canal+ channels, C8, CNews, CStar and 15 themed channels. It also markets time on their mobile and tablet applications, in particular myCanal, which currently covers all free-to-air and pay-TV channels, their Dailymotion and YouTube adaptation and their time-shifted catch-up TV services. Canal+ Régie is also the exclusive advertising sales agency of the UGC movie theater chain.

Lastly, in early 2017, Canal+ Régie launched Canal Brand Factory, an integrated structure that focuses specifically on creating brand content and brand publishing. After one year in operation, Canal Brand Factory has already created and produced more than 200 videos for brands.

1.5.2.3. International Pay-TV

Canal+ Group's pay-TV operations outside France are being expanded by its Canal+ International subsidiary, which serves 6.9 million subscribers in Africa, the Caribbean, the Indian Ocean, the South Pacific, Poland, Vietnam and Myanmar.

Africa

Present in Africa for more than twenty years, Canal+ is currently distributed in more than 25 countries through 12 subsidiaries and more than 30 partners and distributors. With its Canal+ bundles offering more than 200 channels, radio stations and services, the group is the leading satellite pay-TV operator in French-speaking Africa, with nearly 3.5 million subscribers at year-end 2017. Canal+ delivers 12 premium channels for the continent (regionally specific versions of the Canal+ entertainment channels, together with movie, sports, series and family channels) and produces programs dedicated to its French-speaking African subscribers (e.g., *Le Parlement du Rire, Réussite* and *Talents d'Afrique).* The success of the A+ channel demonstrates the strong appeal of Canal+ programs across the continent.

In early 2016, Canal+ Group also launched a DTT package under the Easy TV brand name. Through its Thema subsidiary, Canal+ offers subscribers access to the Nollywood TV, Novelas TV and Gospel Music TV channels.

Canal+ Group also joined with iRoko to launch iRoko+, a mobile SVoD app that delivers Nollywood content, telenovelas in French-speaking Africa and the A+ programs.

In October 2017, Canal+ Group launched its first ultra-high-speed fiber Internet service, CanalBox, in partnership with Group Vivendi Africa (GVA), in Libreville, Gabon. GVA applies Vivendi's expertise and experience to bring fiber-optic Internet connections to households and businesses on a large scale across all African countries where the group is active.

Overseas

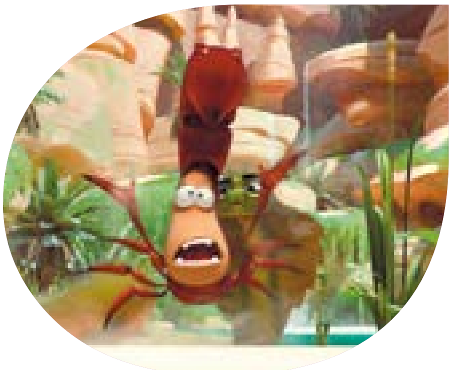
The leading pay-TV group in France's overseas departments and territories, Canal+ International subsidiaries operate in the Caribbean (French West Indies, French Guyana and Haiti), the Indian Ocean (Réunion Island, Mayotte and Mauritius), and the Pacific (New Caledonia, French Polynesia and Australia), where the Canal+ packages deliver the Canal+ channels and more than 200 themed channels, radio stations and services. Through its Canal+ Telecom subsidiary, Canal+ International also markets CanalBox, a double-play Internet and VoIP telephone service.

Poland

Poland is Canal+ Group's third largest market. As of December 31, 2017, its nc+ platform served 2.2 million subscribers in the country.

With its eight premium Canal+ channels and seven themed channels, nc+ offers the richest premium television experience in Poland. This is particularly the case in sports, showing the Champions League, Europa League, Polish league, Bundesliga and the English Championship, along with some of the most popular sports in Poland, such as speedway, handball, basketball and the Volleyball Champions League. Movies are another core component, with more than 300 first-run films exclusively shown on Canal+ and at its multiplexes, including exclusive releases from the major studios Fox and Universal. Canal+ is also involved in local production, including the Création Originale *Belfer,* presently in its second season, which enjoyed very high ratings when aired in late 2017, and the upcoming release *The Raven.*

Sahara



At year-end 2017, nc+ was the first satellite operator in Poland to offer ultra HD quality. In 2017, the platform was also the first to launch, in 2017, an innovative over-the-top (OTT) service in partnership with TVN Player+.

In 2016, in addition to TV programming, nc+ also began offering Internet and VoIP services through a partnership with a mobile virtual network operator (MVNO).

Vietnam

Canal+ International operates in Vietnam through K+, a satellite package of local and international channels jointly-owned with Vietnamese public television. The platform offers four premium K+ channels (K+1, K+NS, K+PM and K+PC) produced by the group. An OTT app developed in 2016 was offered free of charge to DTH subscribers (myK+) and sold to potential subscribers (myK+NOW). The K+ packages are supported by a vast retail network comprising more than 2,300 outlets and 45-owned K+ Stores. Canal+ Group owns a 49% interest in K+ and manages its operations. As of December 31, 2017, K+ had 789,000 subscribers.

1.5.2.4. Motion Pictures

Canal+ Group's Studiocanal subsidiary is the European market leader in the production, acquisition and distribution of world-class movies and TV series. It directly manages theater, video, digital and TV releases in the three largest European markets (France, the United Kingdom and Germany) as well as in Australia and New Zealand. It also has offices in the United States and China. With 6,500 titles from more than 60 countries, Studiocanal manages one of the world's largest movie catalogs, comprising some of the greatest masterpieces of international and local cinema.

In 2017, Studiocanal was the leading French distributor and fourth distributor worldwide, with 15.5 million theater tickets sold, and five movies topping the 1 million viewer mark: *Alibi.com* (3.6 million), *Épouse-moi mon pote* (2.3 million), *Paddington 2* (1.7 million), *L'École Buissonnière* (1.7 million) and *Sahara* (1.1 million). This was Studiocanal's best performance since 2006 but with fewer movies distributed.

Paddington Bear is one of the most widely recognized and beloved children's literature characters, with millions of fans in many countries around the world. *Paddington* is the best-selling non-Hollywood family movie ever released and the brand ranks among the top five most influential franchises in family entertainment. After a record-breaking release in the United Kingdom at year-end 2017 (greatest success ever for a Studiocanal production), by early 2018 *Paddington 2* had grossed almost $200 million at the box office worldwide.

In 2016, Vivendi acquired Paddington & Company Limited© and The Copyrights Group Limited©, giving the group full ownership of all the Paddington-related intellectual property rights worldwide (apart from publishing rights). This includes such activities as live entertainment, video games and theme parks, supported by all of the group's businesses.

Studiocanal has worked with some of the industry's most renowned talent, including David Heyman, Andrew Rona, Eric Fellner, Tim Bevan, Benedict Cumberbatch, Idris Elba, Peter Lord and Harlan Coben.

Developments in 2018 will reflect Studiocanal's eclectic editorial line, combining family entertainment, action films, prestigious movies showcasing talent, and blockbusters. Upcoming releases include two new stop-motion feature films from Aardman Studios, *Early Man* and *Shaun the Sheep 2, The Commuter* with Liam Neeson, teaming up again with director Jaume Collet-Serra, and *The Guernsey Literary and Potato Peel Pie Society,* an adaptation of the best-selling novel.

In France, *Brillantissime,* directed by and starring Michèle Laroque, immediately topped the box office when it released in early January 2018. Other releases of the year include *Le Retour du héros* with Jean Dujardin and *Le Grand bain* by Gilles Lellouche, with its all-star cast featuring Mathieu Amalric, Guillaume Canet, Marina Foïs, Benoît Poelvoorde, Virginie Efira and Jean-Hugues Anglade, among others.

Catalog management

Studiocanal is reinvigorating its catalog of 6,000 movies through an ambitious restoration program. Every year, several million euros are budgeted to bringing these classics back to life at leading international festivals, re-release events and first-time releases in new territories. The masterpieces in the limelight in 2018 include *The Producers* by Mel Brooks, which will celebrate its 50th anniversary with a new 4K restoration and a world premiere presentation to open the TCM Festival in the United States in April; *The Deer Hunter* by Michael Cimino, marking its 40th anniversary with a 4K restoration; and four more movies restored in 4K to celebrate John Carpenter's 70th birthday. Movie classics by Jacques Rivette, Alain Resnais, Jean Renoir and others are also undergoing restoration.

TV production

Studiocanal also produces and distributes television series under seven production labels in Europe. It is the majority shareholder of such widely acclaimed, award-winning companies as Germany's Tandem Productions, the European leader in the production and sale of international TV shows, and the UK's RED Production Company, specializing in high-quality English-language TV series. It is also a shareholder in Denmark-based SAM Productions.

In 2016, Studiocanal became a partner in Guilty Party Pictures, a UK-based production company run by producer Spencer Millman and actor-writers Simon Bird and Jonny Sweet, and Final Twist, an independent production company launched by international best-selling author Harlan Coben in partnership with Studiocanal's RED Production Company subsidiary. Equity interests were also acquired in several independent companies, such as Spain's Bambú Producciones and two London-based production firms: Sunny March TV, founded by Benedict Cumberbatch, and Urban Myth Films. Studiocanal is supporting these production companies as they expand in the global marketplace by contributing the expertise and capabilities of a leading studio in co-production, financing and sales.

1.5.2.5. Regulatory Environment

Particular attention should be accorded to Article 40 of Law No. 86-1067 of September 30, 1986 on freedom of communication, pursuant to which not more than 20% of the share capital of a company holding a license for a French language television service may be held, either directly or indirectly, by non-French/non-EU entities.

Canal+ Group, the wholly-owned Vivendi subsidiary that holds 100% of the Société d'Édition de Canal Plus (SECP), is authorized to broadcast the Canal+ channel. No more than 20% of the share capital of the company holding this broadcasting license can be, directly or indirectly, held by a non-French/non-EU shareholder or by several foreign non-EU shareholders where their combined shareholding exceeds this threshold.

Consequently, if non-French/non-EU entities, by combining their interests, were to hold more than 20% of the share capital or voting rights in Vivendi, which indirectly holds the broadcasting license, this could constitute a breach of the provisions of the aforementioned Article 40.

A single company may, either directly or indirectly, hold seven licenses for national terrestrial digital television broadcasting services. Canal+ Group has four licenses for pay-TV channels (Canal+ HD, Canal+ Cinéma, Canal+ Sport and Planète+) and three for free-to-air channels (iTélé, D8 and D17, since renamed CNews, C8 and CStar, respectively).

Under its license to broadcast in France, Canal+ Group must comply with specific requirements relating to the broadcasting of programs and investments made in audiovisual and film production. 60% of the audiovisual works and films broadcast by the group's channels that are subject to these requirements must be of European origin, and 40% must originally be broadcast in French.

With respect to the obligations governing investments in audiovisual production, the Canal+ channel must dedicate at least 3.6% of its total net revenue for the previous year to "heritage works" (drama, animation, documentaries, music videos and actual footage or reenactments of live performances). A portion of this investment (representing at least 3.1% of net revenue) is allocated to the development of independent production.

1. Versailles

2. Canal Football Club, Hervé Mathoux

In the case of motion pictures, the Canal+ channel must dedicate 12.5% of its annual revenue to acquiring European films, including 9.5% for original French works.

The C8 channel must invest 15% of its net annual revenue from the previous year in the production of European audiovisual works or works originally broadcast in French, of which at least 8.5% must be invested in the production of "heritage works".

Under its obligations to invest in motion pictures, C8 must allocate at least 3.2% of its revenue from the previous year to European works and 2.5% to original French works.

Canalplay (pay-per-view video-on-demand and video-on-demand by subscription) is also subject to regulations governing audiovisual on-demand media services. A November 2010 decree defines specific requirements relating to investments in the production of audiovisual and film works, broadcasting those works, and advertising rules. Among these requirements is also a decision of the French CSA dated December 2011 on the protection of young people and the ethics and accessibility of programming.

Pursuant to the regulations introduced in June 2009, media scheduling requiring films to be broadcast within a certain time period after their release was adjusted. Canal+ Group implemented the agreement signed on July 6, 2009 which was extended by an order of July 9, 2009, pursuant to which the requirements below shall apply with respect to the timeframe for broadcasting films after their theater release:

- for films available via pay-per-view, video-on-demand (primarily the Canalplay VoD service) and on DVD: four months minimum after theater release and three months for films which sold fewer than 200 tickets in their fourth week in theaters;
- for movie channels: the first period for pay-TV release is ten months for an original broadcast if agreed with film organizations (otherwise 12 months), and the second period for pay-TV release is 22 months if agreed with the film organizations (otherwise 24 months);
- on unscrambled television channels and on other pay television channels: 22 months if the channel contributes at least 3.2% of its revenue to film production (otherwise 30 months); and
- for video-on-demand by subscription films (Canalplay): 36 months.

1.5.2.6. Piracy

Canal+ Group actively combats audiovisual piracy. It gives priority to innovation and technological monitoring as well as to prosecuting the perpetrators of piracy to protect its commercial interests and those of its licensees.

1.5.2.7. Competition

Canalsat/TPS Merger

On July 23, 2012, the French Competition Authority issued a new ruling in which it approved the merger between Canalsat and TPS (after withdrawing approval on September 20, 2011), subject to compliance with 33 injunctions. These injunctions were applicable for five years and are renewable once.

After reviewing these injunctions, the French Competition Authority handed down its decision on June 22, 2017 to extend or lift certain injunctions and revise others.

Canal+ Group has implemented these injunctions since June 22, 2017. They mainly focus on:

Acquisition of movie rights:

- by prohibiting output deals for French films, unless a pay-TV provider signed an output deal with one of the five main French producers/co-producers; and
- by the Canal+ Group divesting its interest in Orange Cinéma Séries – OCS SNC or by adopting measures limiting its influence over Orange Cinéma Séries – OCS SNC.

Distribution of pay-TV special-interest channels:

- by the distribution of a minimum number of independent channels, the distribution of any channel holding premium, potentially exclusive, rights, and by drafting a model distribution deal relating to independent channels included in the Canalsat offer that integrates the calculation principle and method applied to determine minimum payment for these independent channels.

Video-on-Demand (VoD) and Subscription Video-on-Demand (SVoD):

- by prohibiting the acquisition of exclusive distribution rights for films originally broadcast in French and held by French rights holders for VoD and SVoD, and by combining these rights with rights purchased for linear distribution on pay-TV;
- by limiting the transfer of exclusive VoD and SVoD rights to French catalog films from the Studiocanal catalog to Canal+ Group; and
- by prohibiting exclusive distribution deals for the benefit of Canal+ Group's VoD and SVoD offers on Internet Service Providers platforms.

These injunctions are imposed 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, proposed by Canal+ Group and approved by the French Competition Authority, will be responsible for monitoring the implementation of the injunctions.

Acquisition of the Direct 8 and Direct Star Channels

On July 23, 2012, 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), and second approval by its decision of April 2, 2014, Vivendi and Canal+ Group gave certain commitments for a period of five years, renewable once.

In its judgment handed down on June 22, 2017, the French Competition Authority decided to extend or lift certain injunctions and revise others.

These commitments provide for restrictions on the acquisition of rights for American movies and television series from certain American studios (Canal+ Group can now sign output agreements combining free-to-air and pay-TV broadcasting rights from two American studios) and for French movies (prohibition to jointly acquire free-to-air and pay-TV broadcasting rights for over 20 films originally broadcast in French, per year), the separate negotiation of rights for certain recent pay-TV and free-to-air movies and television series and limitations on the acquisition by C8 and CStar of French catalog movies from Studiocanal (50% limitation on the total number and total value of French catalog movies acquired per year by these channels).

These commitments have been undertaken 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, proposed by Canal+ Group and approved by the French Competition Authority, will be responsible for monitoring the implementation of the commitments.

Competitive environment in France

The French pay-TV market is changing rapidly due to:

- the arrival of new market entrants offering premium content. These include Orange, which has positioned itself in the upstream market for the acquisition of audiovisual rights and in the intermediate market for the production and distribution of movie and drama channels ("OCS" channels); Al Jazeera, which has leveraged its substantial financial resources to launch the beIN Sports channels and to offer extensive premium sports content (e.g., Ligue 1 Conforama, Liga, Bundesliga and UEFA Champions League); and the Altice Group with its SFR Sport channels that broadcast English Premier League football, French track and field competitions and part of the England Rugby Union Team matches, and its movie channel Altice Studio;
- the proliferation of distribution platforms and technologies, such as connected TVs;
- the development and enrichment of ISP bundled television packages, which have become attractive products that create competitive differentiation;
- the surging growth in non-linear content and the entry into television markets of global players from the digital industry, such as Netflix, Amazon, Google, Facebook and Apple. This has completely upended the competitive playing field with, among other things, the development of innovative media and distribution systems, such as Internet-delivered OTT content. With their global subscriber bases, these companies can in turn invest heavily in exclusive content that competitively differentiates their offerings;
- the profound shift in the behavior of audiovisual content consumers, who prefer the immediate reward of non-linear delivery. Another important factor is the lower cost of content delivered OTT or through ISP triple-play subscriptions, or the no-cost access available on DTT or online, whether legal or not;
- competitive pressures from the new amalgamation created by the merger of SFR and cable operator Numericable, with expertise in both the development of fiber-optic networks and pay-TV. It has embarked on a strategy of acquiring and distributing exclusive content with, notably, the signing in late 2016 of agreements with Discovery and NBCUniversal; and

- the undeniable success of DTT in France. Following the launch of six new free-to-air DTT channels in December 2012 and the arrival of LCI on the free-access DTT in April 2016 and news channel Franceinfo on September 1, 2016, French viewers now have 27 free-access channels offering the same technologies and related services as pay-TV channels (e.g., HD and replay).

1.5.2.8. Research and Development

Canal+ Group's Research and Development (R&D) policy primarily focuses on innovation in new services, new uses and new technologies.

The advancement of an idea or concept from the monitoring phase into the prototyping phase, and then to its ultimate implementation, is controlled by a cross-disciplinary committee composed of the operations directors (Distribution, Programming and Technology and Information Systems).

Some of the projects implemented within this framework benefit from research tax credits.

1.5.3. COMMUNICATION AND ADVERTISING

Havas is one of the world's largest communications groups. Created in Paris in 1835 by Charles-Louis Havas, the group has approximately 20,000 employees in over 100 countries around the world.

Havas works to create meaningful connections between people and brands through creativity, media and innovation.

Today, Havas is considered the most integrated group in its industry. With a client-centric organization and regional structure (one P&L statement per region), Havas puts its clients at the center of its operations, enabling it to better serve their current and future needs.

Its business model focuses on better responding to its clients and on gaining efficiency by delivering an agile, seamless and integrated service. To achieve this, Havas brings together the most talented people from across all communications disciplines – creative, media, digital, events, public relations, data, and more – under one roof, the Havas Villages, where a culture of togetherness is promoted by streamlining collaboration between businesses.

Havas Group has 52 Villages worldwide. Each Havas Village is unique, but they all share the same philosophy and the same creative energy to drive collaboration.

Oversize, Evian advertising Campaign

1.5.3.1. Business Units

Havas Group has three main business units covering all areas of communication.

Havas Creative brings together experts from creativity, media and data to deliver integrated solutions to brands. It incorporates the Havas Worldwide global network, the Arnold Worldwide international micronetwork, Fullsix Group and many of the industry's most creative and accomplished companies, including BETC, Rosapark and Host.

Havas Media specializes in media and selling advertising space. It incorporates two main media brands, Havas Media and Arena Media. These networks benefit from the expertise of pure player agencies.

Havas Health & You, dedicated to health and wellbeing, unites its healthcare and public healthcare agencies all over the world under four brands: Havas Life, Health4Brands (H4B), Havas Lynx and Havas Life PR.

1.5.3.2. New Developments

Havas has continued to expand worldwide, bringing in major new clients.

The clients that best represented its creative, media and health communications businesses in the international arena for 2017 include Airwick, Clearasil and Finish, Yves Saint-Laurent Beauté, Lacoste and Rekorderlig, Michelin, LOT airline and Mylan.

Among Havas's multimarket accounts in 2017 are Beats by Dre, Monsanto, XXL Sports, Tencent, the European Commission, the European Parliament, Stubhub, Gemfields/Fabergé, Atout France, Seoul Office of Tourism, Paradise City, Lafarge, the brand Hong Kong, Opera Mini, Rwanda Air, and New South Wales cross-regional government.

This outstanding new business growth across the globe was bolstered by strong local-level performance with gains for each division, namely Sanofi (United States), BMS (United States), Kia (Australia), Lidl (Portugal), Indofoods (Indonesia), Altarea (France), Meetic (France), TaxAct (United States), Malabar Gold (India), New South Wales Government (Australia), Chateau d'Ax (Italy), and Aerolineas Argentinas (Argentina). The group also maintained Liverpool in Mexico and EDF in France and the United Kingdom.

Joon, Air France advertising Campaign


Havas Mexico city

Acquisitions

In 2017, Havas Group acquired eight agencies, thereby consolidating its digital, creative, media and healthcare capabilities in its key markets:

- Agence79, a multi-disciplinary digital agency based in France;
- Sorento, an Indian healthcare and wellbeing communications agency;
- So What Global, a UK healthcare communications agency;
- Blink, Israel's leading social media agency;
- The 88, a New York-based digital and social agency, renamed Annex88;
- Ganfood, a creative and consultancy agency based in Algeria;
- HVS, a media agency based in Algeria; and
- Immerse, a Malaysian digital agency.

The group also entered into a strategic joint venture with GIMC, China's leading integrated communications group. The formation of this joint venture is being finalized.

New entities

Havas X

In 2017, the group consolidated its innovation initiatives across all disciplines and all specialized departments (Lab 18, Havas Cognitive and Station F) to bring them into a single unit led by one management team, Havas X.

Havas Sports & Entertainment in the United States

Havas Group launched Havas Sports & Entertainment (HSE) in the United States. HSE provides a fully integrated service including sponsorship management, creative content development and experiential execution backed by media expertise. The American team joins the 20-country network offering clients worldwide this specialized sports expertise.

HumanSeven

The award-winning agency Les Gaulois was renamed "HumanSeven" in December 2017. The agency has redesigned its approach to better support its brands in their strategy.

Triptk

In the United States, Havas Creative US launched Triptk, a brand insight and culture consultancy agency based in New York.

New Villages

Havas Group has forged ahead in implementing its "Together" strategy. Among the several Villages opened is HKX, the new London Village at King's Cross, where over 1,700 people working at 24 agencies from across all communications disciplines have been brought together in the same space.

Consumer science

Meaningful Brands® is a proprietary global analysis that links brand performance to quality of life and wellbeing. The 2017 Meaningful Brands® study revealed new data on the relationship between a brand's performance, its meaningfulness and the content it produces. The largest global study of its kind (spanning 33 countries, 3 million people and 1,500 brands), it is the first analysis to measure content effectiveness at this scale. It shows that the vast majority of people (84%) expect brands to produce meaningful content but feel that 60% of the content created is poor, irrelevant or fails to deliver.

1.5.3.3. Awards and Honors

Havas's creative agencies took part in the most illustrious industry festivals in 2017, taking home 1,500 awards in all. A case in point is the Cannes Lions festival, where they won a record-breaking 41 Lions (7 Gold, 17 Silver and 17 Bronze).

The group also earned a number of honors. For example, Havas Media in North America won the coveted title of "Agency of the Year" from the magazines AdWeek and MediaPost.

1.5.3.4. Regulatory Environment

Havas operates in countries with different regulations applying to the advertising, communication, advertising-space sales and media consulting service industry.

The services that Havas entities provide to their clients must meet the local and/or sector regulations that govern the advertising and communications industry. New regulations and self-regulation rules are regularly introduced to ban or restrict advertising on certain products or services, or limit the type, content or form of media used. For example, advertising for alcohol, cigarettes and healthcare products is subject to specific regulations in different countries. In some markets where Havas is active, especially the United States and the European Union, Havas's clients and businesses run significant professional liability risks. They may be sued by consumers or consumer organizations, government or regulatory authorities, or competitors for engaging in misleading business practices or unfair competition, violating rules that restrict access to advertising in some sectors, rules on the collection or use of personal data, rules of professional ethics, breaching intangible rights (e.g., intellectual property rights or personality rights), or infringing on the freedom of the press. Havas businesses are generally responsible to their clients for complying with these regulations. To limit these risks, Havas has introduced verification procedures on its main markets to ensure that the group's creative works meet applicable regulations before said works are released. For instance, legal departments in France, whether internal or centralized, guide teams throughout the creative process. Training programs may also be implemented locally.

In the course of their business activities, Havas entities may deliver creative products involving works by third parties (e.g., illustrators, graphic designers, photographers, directors, models, artists and composers) to their clients. Their contribution to the end creation may attribute intellectual property rights (e.g., copyrights, royalties and trademarks) and/or personality rights to them.

Havas entities are responsible for ensuring that their creative works do not infringe on these third-party rights and that they have the required transfers of rights and/or authorizations for the planned use of these works by their clients. Agreements signed with clients generally guarantee that no legal action can be taken against them relating to these matters.

Most group businesses that deal with this risk have teams specializing in managing, acquiring and checking these rights. These teams work with the group's legal departments or external consulting firms. Training programs may be implemented locally.

Havas is a strong advocate of personal data protection, whether it involves its own data or the data managed on behalf of its clients.

With this in mind, Havas takes appropriate technical and organizational measures to ensure that the processing of personal data meets the EU's General Data Protection Regulation.

1.5.3.5. Piracy

Havas firmly believes in protecting its clients' data.

Communication strategies, content and advertising campaign metrics may be subject to piracy attacks and theft. Havas has implemented systems to prevent data leaks and targeted attacks.

1.5.3.6. Competition

The advertising and communication services industry is highly competitive. The group's main competitors range from major international firms to smaller agencies active only in a limited number of local markets, regions or countries.

Competition is also emerging from new types of operators such as:

- tech companies: systems integrators, database companies, modeling companies, telemarketing companies offering technological responses to marketing and communications needs expressed by clients;
- GAFA (Google, Apple, Facebook, Amazon): these companies are primarily group suppliers but could become competitors as they have the capacity to address clients directly, especially to sell them media space; and
- consulting companies: these firms compete with Havas only in developing communications and media strategy.

1.5.3.7. Research and Development

Havas is not dependent on any particular patents or licenses to carry out its business activities.

1.5.4. MOBILE VIDEO GAMES

With the acquisition of Gameloft in 2016, Vivendi moved into a new entertainment industry: mobile video games.

Gameloft enjoys world-renowned expertise, with 187 smartphone games developed in its 20 design studios, and its 128 million players per month average in 2017.

The world's mobile gaming leader in terms of number of downloads, Gameloft logged nearly a billion downloads worldwide in 2017.

1.5.4.1. Mobile Game Development and Production

Gameloft's growth has been propelled by the boom in smartphone sales, which has radically transformed the mobile gaming market. Smartphones, with their touchscreens, powerful processor and motion recognition capability, offer a wide variety of gaming options and substantially improve player immersion and gameplay.

At year-end 2017, more than 4,000 Gameloft employees were working to develop and adapt downloadable games. This unique creative force in the gaming industry has driven the company to create a vast catalog of games spanning all genres: general, action, sports, strategy, adventure, and more. Its development business covers new game design, regular catalog updates to extend the life cycle of games, and deployment to adapt new games to all existing platforms and smartphone models. Game quality is of utmost importance to Gameloft and, as such, is carefully managed throughout the creative process. The 20 internal development studios based in the United States, Europe and Asia help consolidate its leadership by localizing the games for each market, in a combination of global vision and local delivery.

Gameloft has a broad portfolio of proprietary brands with franchises designed and developed in-house, such as *Asphalt* (racing), *Dungeon Hunter* (adventure), *Dragon Mania Legends* (simulation), *Modern Combat, Order & Chaos, Gangstar* and *World at Arms* (action). These franchises cover every gaming genre and are aimed at a wide audience.

At the same time, Gameloft is also developing a wide variety of games through partnership agreements with major rights holders.

In particular, it is working with DisneyPixar, Mattel®, Hasbro®, Fox®, Universal, Marvel®, Lego and Sega to align some of its games with the world's most popular brands, such as *Spider-Man, Disney Magic Kingdoms, Uno, Despicable Me, My Little Pony, Cars* and *Ice Age.*

Dragon Mania Legend

These franchises, which have created most of the great pop culture heroes, are being transposed to mobile games involving a universe, characters and plotlines that are very familiar to the players. *Minion Rush,* for example, has been a huge success for Gameloft, with more than 850 million downloads since 2013.

In 2017, over 2.5 million Gameloft games were downloaded every day worldwide.

1.5.4.2. Mobile Game Marketing

Offering free-to-play games represents a major shift in the company's business model, in that the fully functional games are downloadable for free (therefore sharply increasing download volumes). These free-to-play games generate revenue both through the sale of in-game virtual goods that enable the player to make faster progress, and through advertising.

Gameloft set up an internal digital advertising sales agency, Gameloft Advertising Solutions, which sells advertising in its mobile apps. In 2017, these advertising sales accounted for 14% of Gameloft's revenue (7% in 2016), supplementing the proceeds from in-game sales. Mobile advertising spending is expected to climb to $114 billion in 2018 from $50 billion in 2015. In 2017, Gameloft tallied 15 million average daily players.

In addition to conventional banners, interstitials and videos, Gameloft Advertising Solutions offers innovative advertising formats such as brand-themed mini-games and interactive videos used to measure audience engagement. Advertisement servers developed by Gameloft enable it to offer advertisers a brand-safe environment ensuring that their brand will always be displayed in the right context.

1.5.4.3. Mobile Game Distribution

Gameloft distributes its mobile games through a very wide range of channels. Firstly, they are delivered through smartphone and tablet app stores, such as the Apple App Store, Google Play, the Windows Store and Amazon Appstore. Accessible from mobile phones, tablets and computers, these stores account for a growing share of mobile app sales worldwide. Since 2012, Gameloft has also distributed its games via several Android platforms in China. All of these online stores act as OTT distributors of Gameloft games, with the resulting revenues shared between the store and Gameloft. In all, these OTT services accounted for 58% of Gameloft's revenue in 2017.

Gangstar New Orleans

Secondly, Gameloft games are distributed by over 175 telecom operators in 122 countries around the world. This far exceeds the distribution network of any competitor. Telco customers can buy and download Gameloft games either from their phone's home screen when preloaded by the phone manufacturer (Gameloft works with Nokia, Samsung, LG, ZTE, Motorola, RIM and Huawei, among others) or from the operator's online store. Invoicing is generally managed by the operator, with the cost charged to the customer's telephone bill or invoiced via text. In this case, the telcos act as distributors of Gameloft games and the revenues are shared between the telco and the company. These agreements with telecom operators and phone manufacturers accounted for 28% of Gameloft's revenue in 2017.

1.5.4.4. Regulatory Environment

Like any video game publisher, Gameloft must comply with a large number of national regulations covering such areas as game content, consumer protection and the protection of personal data and privacy.

The company has introduced appropriate procedures to comply with local consumer rights legislation and regulations, with a focus on informing consumers about game content and rules of use, by referring to PEGI (Europe) or ESRB (United States) age ratings and alerting players on launch that the game may offer in-app purchases.

Gameloft is a firm advocate of protecting individual privacy and complying with applicable legislation on personal data protection. The company is currently taking steps to comply with new data protection laws, in particular Regulation (EU) 2016/679, passed by the European Parliament and Council on April 27, 2016, on the protection of natural persons with regard to the processing of personal data (the General Data Protection Regulation or GDPR), in effect as of May 25, 2018. Privacy policies also pay special attention to the protection of minors. Gameloft children's games, for example, comply with the Children's Online Privacy Protection Act (COPPA) guidelines covering the collection, use or disclosure of personal information from children under 13 living in the United States, the principles specified by the Office of Fair Trading (OFT) in the United Kingdom, and more generally the recommendations issued in Europe following studies conducted by the European Commission.

1.5.4.5. Piracy

Piracy is still a very harmful practice for the mobile video game industry. It can have a dramatic impact on sales, given that video games are traditionally one of the biggest revenue-generators in the Apple, Google, and Microsoft app stores. The freemium business model remains the most successful defense against piracy. To prevent pirating, Gameloft has deployed a permanent surveillance system enabling it to respond quickly as soon as illegal copies are uploaded.

1.5.4.6. Competition

The video game market in respect of smartphones and tablets has experienced an unprecedented boom in the past decade, largely driven by Asian countries: in January 2018, seven of the top ten companies in the market in terms of revenue on the Apple and Google stores are Asian companies (source App Annie – January 2018). The level of competition in the mobile gaming industry has increased sharply in recent years along with the many fund raisings, IPOs and mergers that took place in this business sector. There are hundreds of new games submitted to Apple and uploaded to the App Store every day.

The overall level of competition in the mobile gaming market has thus picked up again, as in the years 2000-2006. Gameloft's ability to consolidate its current position as a market leader will drive the growth of its business.

1.5.4.7. Research and Development

Gameloft allocates all of the human resources and infrastructure needed to develop its games, in order to communicate more quickly with the production teams in the subsidiaries. Development teams are also provided with telephony hardware.

The cost of developing downloadable console games is recognized as an intangible asset when it can be reasonably assumed that the project will be completed and profitable. The costs of developing games on the new platforms are capitalized when the project is considered to be technically feasible and the costs recoverable.

The costs of developing mobile phone games are recognized as an incurred expense. Every year, the company develops several thousand versions of its games and uploads them to telecom operator sites to cover the 300 different mobile phone models and 15,000 smartphone models currently on the market, all in 17 languages.

This extreme fragmentation and the more aggregate nature of operator sales data mean that Gameloft cannot accurately measure its mobile game development costs and the future economic benefits of each version, from either a technical or a business point of view. On this basis, given that these costs do not meet all the criteria for being recognized as an intangible asset as defined in IAS 38, they are expensed instead.

1.5.5. TALENT AND LIVE PERFORMANCE

Vivendi explores new forms of business in live entertainment, such as developing franchises, ticketing and digital technology. As part of Vivendi Village, these businesses are the group's headhunters. Each unit works with flexibility and agility to benefit all of Vivendi's businesses.

1.5.5.1. Talent/Intellectual Property

Vivendi Talents & Live

While Vivendi owns major channels for generating artist exposure, it is also committed to scouting out talent in the field. The Vivendi Talents & Live unit is dedicated to identifying and nurturing tomorrow's artists by giving them the resources they need to feed their creative process and perform on stage.

Several talented singers and comedians have already signed with the unit and are enjoying excellent visibility not only on the group's audiovisual and physical stages, but also elsewhere, with performances in other legendary venues and many festivals.

Franchise acquisition and development

Vivendi aims to produce more content through its own catalog of artists and now through its own brands. Following on from the success of Paddington, the group plans to develop other franchises and showcase them worldwide via its businesses.

In June 2016, Vivendi became the owner of the Paddington brand and all related intellectual property rights (other than publishing rights). A classic character from children's literature created by Michael Bond, the little bear is the core focus of a cross-business strategy spanning all the group's businesses, from live entertainment to video games.

Through Studiocanal, Vivendi acquired Paddington and Company Limited, which owns all Paddington-related intellectual property rights, except for publishing rights, and The Copyrights Group Limited, which handles licensing and merchandising for Paddington and many other successful book franchises.

In November 2017, *Paddington 2* became the biggest box office release ever for a Studiocanal production in the United Kingdom. Still playing in theaters in many countries, the movie had grossed $200 million worldwide by the beginning of 2018.

Each Vivendi group business lent its expertise to make Paddington a success: Studiocanal produced and distributed the movie; UMG composed the original soundtrack; Gameloft developed the *Paddington™ Run* mobile game, available on the movie's release; and Havas engineered the launch campaigns for the feature film.

Meanwhile, Paddington is also a star at one of the main attractions in the England section of Europa-Park, one of the world's largest seasonal theme parks, located in Germany.

Lastly, Paddington's image now reaches beyond the borders of entertainment. In September 2017, Vivendi and UNICEF joined forces to form a long-term partnership that establishes Paddington as the new children's rights advocate for UNICEF. The little bear is a central figure in educational kits aimed at promoting children's rights throughout the world.

Organization of sports events

In 2017, a new business named Vivendi Sports was created to plan and organize sporting events in Africa.

Sports have always been a key growth driver for Vivendi. Its television channels broadcast some of the world's most popular and prestigious competitions. Canal+ Group sponsors numerous sports events in every country where the group operates. Its teams have reshaped the way competitions are covered and aired and its reporters and commentators are leaders in the field.

Drawing on Canal+ Group's expertise in sports events in Africa, Vivendi Sports has started organizing its own competitions in 2018. The vast majority of these events will be integrated into the calendar of matches scheduled by international federations. Final scores will also be officially recognized as part of overall performance.

The sports events organized by Vivendi Sports will form new crossovers to generate business for the group's companies operating in Africa. For example, competitions will hold concerts at CanalOlympia venues whenever possible, which will receive special media coverage by Canal+ television channels.

At the end of January 2018, Vivendi Sports organized its first cycling race, *Le Tour de l'Espoir,* the race for hope. Under the auspices of the International Cycling Union and the Cameroon Cycling Federation, the competition brought together 15 teams in Cameroon. The race was celebrated with two concerts organized at CanalOlympia venues in Douala and Yaoundé, where Tenor and Kiff No Beat (the first artists signed to Universal Music Africa) performed for thousands of people.

Joseph Areruya from the Rwanda team won this first *Tour de l'Espoir* on February 4, 2018.

1.5.5.2. Live Performance

Vivendi is fully engaged in a strategy focused on live performance in all forms, including concerts, festivals and plays. A core component of Vivendi's strategy in France and other countries, the live business covers not only the group's majority interest in a dozen festivals, the production of live performances and the deployment of the new CanalOlympia venues in Africa, but also the discovery of new talent and the development of their performance careers.

Olympia Production

Created and integrated by Vivendi Village in 2016, Olympia Production supported about 15 musical artists and 5 comedians on nearly 700 performances in 2017. Olympia Production has produced or co-produced the tours of M Pokora, Slimane (winner of *The Voice France* in 2016) and comedians such as Laura Domenge, Guillermo Guiz and Gérémy Crédeville.

Olympia Production also wants to ensure the existence and development of regional festivals in France, by offering quality live regional events. It co-produces three festivals in France: le Brive Festival, les Déferlantes and Live au Campo. This complements similar initiatives carried out by ULive in the United Kingdom, GTS in Latin America and Copenhagen Music in Denmark, subsidiaries of UMG. In total, the group has majority interests in 12 festivals around the world.

Olympia Production is also the co-producer of the musical Jésus, written and composed by Christophe Barratier *(Les Choristes)* and Pascal Obispo, respectively. The show was performed at the Palais des Sports in Paris from October to December 2017 and began a tour of France in 2018.

Brive Festival

CanalOlympia

CanalOlympia is the leading cinema and performance venue network in Africa. These multi-use venues, which can serve as movie theaters or concert and show halls, are aimed at an audience with a growing interest in live performance.

In 2017, seven CanalOlympia venues opened in Cameroon, Guinea, Niger, Burkina Faso, Senegal, Togo and Benin. Four new venues are under construction, and the group is currently in negotiations to buy land for several future venues. CanalOlympia plans to build a network of some 20 venues by the end of 2018.

The CanalOlympia movie theaters offer 19 screenings over six days a week, with titles released, in most cases, at the same time as in France. Four screenings are reserved each week for children's films.

Several Vivendi group companies work with and support CanalOlympia. Canal+ Group, with its extensive operations in Africa, and Studiocanal, Europe's leader in the production and distribution of movies and television series, contribute to programming at the venues.

CanalOlympia is also designed to act as a catalyst for the development of talent across Africa. The complexes offer performance venues for many local and international artists, with the support of a broad tour organization network operating throughout the continent. The CanalOlympia venues will help to scout, mentor and showcase talented musicians, singers and actors.

In December 2017, French rapper Niska went to Senegal for his first concert on a CanalOlympia stage, attracting thousands of people to this exceptional event.

For the *Tour de l'Espoir* organized by Vivendi Sports in late January 2018, other big-name artists performed at CanalOlympia venues in Douala and Yaoundé, Cameroon.

L'Olympia

One of the most famous concert halls in Paris, L'Olympia is still a favorite venue for visiting French and international artists. In 2017, L'Olympia hosted over 250 public and private events, including a growing number of major events.

L'Olympia maintains its policy of addressing a wide variety of audiences, without compromising the venue's DNA. Performance highlights from 2017 range from artists currently lighting up the urban music scene and drawing younger concert-goers, such as French rappers MHD and Slimane, to headliners like Sting, or the American rock group LCD Sound System. L'Olympia hosted the event held by France Inter radio station for the Fête de la Musique, France's annual music celebration, and its third Nuit du Rugby. Home furnishings chain Conforama chose L'Olympia to celebrate its 50th anniversary, while Reebok transformed the venue into a giant fitness center for its Reebok Les Mills event.

In 2017, L'Olympia launched a new website to highlight the calendar of shows and incorporated an easy-to-use ticketing service. It has built a strong social media presence via Twitter, Facebook and Instagram.

L'Olympia now manages a small adjoining restaurant where artists and the audience can go after the show, to carry on the tradition.

Théâtre de l'Œuvre

A little gem tucked away near Place de Clichy, the Théâtre de l'Œuvre, with its 336 seats, offers an intimate setting that is highly appreciated by actors.

Founded in 1892, it was originally a concert hall before becoming a theater. In 2016, the Théâtre de l'Œuvre reopened after three months of renovation to host original plays and shows. Among those featured on stage in 2017 were *Scènes de la vie conjugale* with Raphaël Personnaz and Laetitia Casta, *12 millimètres* with Julien Boisselier, Manu Payet's stand-up comedy show, and *Les discours dans une vie* with Samuel Le Bihan and Pascal Demolon.

Abbey Road

Made famous by the Beatles, the most iconic studio in London has belonged to UMG since 2011. This renowned music venue remains the preferred recording studio for artists all over the world. Abbey Road Studios can also transform into a venue for shows.

1.5.5.3. Ticketing

Vivendi Ticketing is a market-leading ticketing service, with the See Tickets brands in the United Kingdom and the United States, and Digitick in France, with offices in Spain and Germany.

Scènes de la vie conjugale, Théâtre de l'Œuvre

Specializing in the online sale and distribution of tickets for musical performances, sporting events and cultural events, Vivendi Ticketing directly sells 15 million tickets a year. In addition to its retail ticketing business, Vivendi Ticketing also provides technical solutions for third-party ticketing management.

Vivendi Ticketing customers can purchase tickets to iconic sights and monuments, such as the Eiffel Tower, Château de Versailles, Grand Palais museum and L'Olympia, major festivals including Glastonbury, Hellfest and Rock en Seine, Manchester City FC, l'Olympique de Marseille and l'Olympique Lyonnais football matches, the famous Queen Mary ocean liner docked in Los Angeles, and the Royal Horticultural Society in the United Kingdom, which holds exhibitions that attract hundreds of thousands of visitors.

In March 2017, See Tickets launched a legal ticket exchange platform in the United Kingdom, following the example of Digitick which, through zePass, was a pioneer of legal ticket exchanging in France. Digitick also launched Infoculture.fr in November 2017, a unique website offering a calendar and detailed information on all cultural events in France.

Vivendi Ticketing works with other group businesses, including Universal Music Group and ULive, Olympia Production, L'Olympia and CanalOlympia.

1.5.5.4. Digital Services

Europe's leading professional and personal networking platform, MyBestPro puts its 10 million-plus Internet users in contact with 25,000 professionals in the areas of wellbeing, home improvement, healthcare, legal counsel and tutoring.

- JuriTravail, France's premier private legal services marketplace, offers free legal information, mutual support forums, electronic documents for sale and legal advice over the phone. Operating out of La Rochelle since 2015, a team of legal experts helps users resolve their disputes.
- Wengo offers expert advice on a wide range of issues by telephone and online. The Wengo brand is active in 10 European countries and in the United States and Latin America.
- Habitatpresto, created in 2006 and now an industry leader and the reference website for thousands of professionals, puts people with a home improvement project in contact with specialized contractors.

- Bordas.com is a marketplace that lets users choose and contact teachers from the French national department of education to provide home tutoring services. MyBestPro is licensed by the Bordas Publishing brand to develop in the home tutoring market.
- RDVmedicaux enables people to make appointments with doctors and specialists online, and covers appointment scheduling and secretarial services.

1.5.6. VIDEO CONTENT

1.5.6.1. Content Bundling

Dailymotion is one of the most visited French websites in the world, with a reach of 300 million users a month. In July 2017, Dailymotion launched a new version of its platform on all devices. Offering a fresh, totally redesigned user experience, Dailymotion has become the go-to place for users to get daily must-watch videos across four major themes – news, sports, music and entertainment. Dailymotion now focuses on the latest premium content and live performance, with, among others, concerts, sports events, breaking news and cultural events.

This new model features quality content sourced from Dailymotion's many top-grade local and international partners, including Universal Music Group, Condé Nast Entertainment, Hearst, Bloomberg Media, BBC News, VICE, Red Bull, The Hollywood Reporter, Cheddar and FOX Deportes.

In France, Dailymotion has partnered with most major media and audiovisual outlets, such as *Le Figaro, Le Point, FranceTV Info, Le Monde, Le Parisien, La Provence, Nice-Matin.* An expanded agreement was signed in early 2018 covering all M6 Group channels and content.

Dailymotion Advertising, Dailymotion's advertising sales agency, continuously works to develop new advertising formats to pack a more powerful impact while being less intrusive for the user. Its suite of new formats announced in 2017 includes the "vertical pre-roll", which integrates directly into the video player, and the "sticky footer", which stays put on the screen as the user browses through the site.

In 2017, Dailymotion integrated the businesses of Watchever.

Dailymotion enjoys the hosting provider status, as defined by Directive 2000/31/EC of the European Parliament and Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce), as confirmed by the French supreme court (*Cour de cassation,* decision of the first civil chamber of February 17, 2011).

It is important to highlight that protection of content rights holders is an absolute priority for Dailymotion. Its platform was cleared of all pirated content in 2017. In addition to the prompt removal by teams available 24 hours a day following notification of alleged illegal content, and going beyond its legal obligations as a host, Dailymotion has since 2007 deployed, exclusively at its own expense, several digital fingerprinting solutions to protect rights holders more effectively.

1.5.6.2. Short-format video app

In 2016, Vivendi Content, the new content creation unit, developed Studio+, the first premium package of short-format videos for mobile screens.

Available in Latin America, Europe and, since November 2017, the United States, Studio+ offers fans a mobile watching experience based on around 30 series with surprising scripts and settings, presented in 10 episodes of 10 minutes each. They were produced in six languages and filmed in 18 countries, demonstrating unmatched authenticity and enhancing their appeal for an international audience. All of these original productions will be accompanied by international acquisitions, most of which are first-run.

Studio+ has an ambitious editorial strategy based on high-quality productions created by talented young artists in motion pictures and advertising, as well as by some of the biggest names in the television and film industry. It is backed by the expertise of Vivendi's businesses, including Canal+, Studiocanal, Universal Music Group and Gameloft. The series *Force & Honneur,* for example, features French rapper Lacrim (UMG).

In 2017, the Studio+-produced series *Crime Time* and *Ahi Afuera* were nominated in the "Short-form series" category at the International Emmy Awards.

Guess My Age, Jean-Luc Lemoine

1.5.6.3. Content Creation

Vivendi Entertainment aims to create original content formats designed for the group's channels and then to distribute these formats worldwide.

These new concepts are already winning formulas. The gameshow aired on C8, *Guess my Age,* where players have to guess the age of people they don't know, has been a huge success. The format has since been sold in nine countries: Italy, Russia, Germany, Hungary, Slovakia, Romania, Austria, the Czech Republic and Belgium.

Another gameshow, *Cash Island,* where ten players go on a treasure hunt in the Philippines, was a hit when it aired in September 2017 on C8, with an average of 600,000 viewers.

Time's Up, the TV adaptation of the famous board game, has also been popular with viewers in both its versions for children, on Télétoon+, and for adults, on Comédie+.

Finally, *Couple ou pas couple* drew significant viewer interest, airing on C8 during the holiday season and on prime time on January 5, 2018. It has already been sold in three countries.

1.6. HOLDINGS

1.6.1. MEDIASET

On April 8, 2016, Vivendi announced that it had entered into a strategic and industrial partnership with Mediaset, to acquire a 3.5% interest in Mediaset and 100% of the share capital of Mediaset Premium in exchange for 3.5% of Vivendi's share capital. This agreement is the subject of litigation. Please refer to Note 23 to the Consolidated Financial Statements for the year ended December 31, 2017 in Chapter 4.

As of December 31, 2017, Vivendi held a 28.80% interest in the share capital of Mediaset.

1.6.2. TELECOM ITALIA

On June 24, 2015, Vivendi became the core shareholder of Telecom Italia, the leading fixed-line and mobile operator in Italy. In June 2017, Arnaud de Puyfontaine was appointed Executive Chairman of Telecom Italia's Board of Directors. Vivendi plans to implement a long-term strategy to develop the convergence between group content and Telecom Italia's distribution network.

As of December 31, 2017, Vivendi held 23.94% of Telecom Italia based on the total number of ordinary shares with voting rights of Telecom Italia.

1.6.3. UBISOFT

As of December 31, 2017, Vivendi held a 27.27% interest in the share capital of Ubisoft.

1.6.4. FNAC DARTY

Vivendi signed a hedging agreement with Société Générale to hedge the value of its 11.05% interest in Fnac Darty.

At the end of the hedging contract, i.e., in the second half of 2019 at the latest, Vivendi may choose to settle this hedge either in cash or in shares. To hedge its own interest in the transaction, Société Générale will sell the shares to accredited institutional investors in a private placement in compliance with applicable rules and regulations.

1.6.5. TELEFONICA

As of December 31, 2017, Vivendi held a 0.95% interest in the share capital of Telefonica.

1.6.6. BANIJAY GROUP HOLDING

As of December 31, 2017, Vivendi held a 31.4% interest in the share capital of Banijay Group Holding.

1.6.7. MARS FILMS

As of December 31, 2017, Vivendi held a 30% interest in the share capital of Mars Films.

For further details on the group's equity investments, see Notes 11 and 12 to the Consolidated Financial Statements for the year ended December 31, 2017 in Chapter 4.

SECTION 2. FINANCIAL COMMUNICATION, TAX POLICY AND REGULATORY ENVIRONMENT

2.1. FINANCIAL COMMUNICATION

2.1.1. INVESTMENT POLICY

Vivendi's value creation policy draws on both organic and external growth transactions. With this in mind, the group selects its investment projects according to several criteria:

- the expected growth resulting from the investment, as well as its impact on the growth of adjusted net income per share and on cash flow;
- the profitability of the investment against the assessed financial risk; and
- an in-depth assessment of non-financial risks (e.g., geopolitical and currency).

All of these projects are reviewed by the Investment Committee, which includes members of the Management Board, key managers at headquarters and the Chief Operating Officers and Chief Financial Officers of the business units. This committee meets twice a month.

All significant investment projects are subject to approval by the Supervisory Board.

For major transactions, a post-acquisition audit is performed to compare actual operational and financial results with the assumptions made during the investment decision process. The conclusions drawn from auditing these transactions can then be used to promote best practices within the group.

2.1.2. FINANCIAL COMMUNICATION POLICY

2.1.2.1. Objectives of Vivendi's financial communication

Vivendi's financial communication is based on the core principle of providing fair and accurate information on the group's position to all shareholders, analysts and investors. The group ensures that it complies with all laws, standards and procedures applicable in France, including the French Financial Security Act, the French Monetary and Financial Code, the International Financial Reporting Standards (IFRS), the benchmarks set out in the report published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the recommendations of the French securities regulator, the AMF.

The Vivendi Investor Relations Department maintains a close and ongoing dialog with the analysts of brokerage firms and investment funds, and provides a continuous stream of information and updates on the Investors/Analysts section of the www.vivendi.com website, which is aimed primarily at institutional investors.

Vivendi also provides financial information to institutional investors through meetings organized in the main global financial markets and through the participation of group executives and the heads of its businesses at investor conferences.

The Financing and Treasury department is also in regular contact with the agencies that rate the group's debt.

In 2017, a total of 486 events (roadshows, investor conferences, analyst and investor meetings at Vivendi's headquarters or at the offices of its subsidiaries) were organized in Europe and the United States that were an opportunity for the group and subsidiary management teams to meet with representatives from 322 financial institutions to present the group's results and outlook.

Lastly, Vivendi also organizes ad hoc communication opportunities for analysts and investors who specialize in socially responsible investments.

2.1.2.2. Communication with Individual Shareholders

Vivendi has a specific team dedicated to individual shareholder communications that manages the Shareholders' Club, the Shareholders' Committee, the Individual Shareholders' section on the group's website, the Twitter account and the dedicated toll-free number for shareholders.

The group's 248,000 individual shareholders can contact the team by telephone on 0805 050 050 for any questions they may have or suggestions they have to offer. It can be reached during normal business hours Monday to Friday. The department can also be contacted by e-mail (actionnaires@vivendi.com) or by mail (Vivendi – Individual Shareholders' Information department – 42, avenue de Friedland – 75380 Paris Cedex 08).

The Shareholders' Club was founded in 2010 and organizes events and meetings for shareholders to keep them informed of Vivendi's activities, strategy and financial results. A program of the different events being held is sent to shareholders twice a year (and can also be downloaded from the www.vivendi.com website).

In 2017, the Club organized 11 meetings in Paris and around the country *(Jeudi, c'est Vivendi* training sessions with the *École de la Bourse* and financial meetings) and more than 30 entertainment-related events (from premiere screenings for films produced or distributed by Studiocanal to opera broadcasts and shows by partner organizations of Vivendi's Solidarity program, Create Joy), shows and concerts by Olympia Production artists, as well as organized visits to L'Olympia, Studios Canal Factory, Opéra Bastille, Musée du cinéma and the Paris philharmonic, in addition to the "Goscinny et le cinéma", "Mômes & Cie", and "De Meliès à la 3D exhibitions", among others.

Vivendi is committed to offering all of its shareholders access to meetings and shows, regardless of where they live. In 2017, shareholders in Lyon, Nice, Bordeaux, Aix-en-Provence, Troyes, Strasbourg, Caen, Lille and Rennes were all able to take part in events.

In 2017, the group also held its first ever digital meeting, broadcast live from the Vivendi website and accessible to all shareholders, regardless of their location. Given its success, other digital initiatives are planned for 2018.

In 2009, the group set up a Shareholders' Committee made up of 10 members. The committee meets three times a year and at the Shareholders' Meeting, and acts as a bridge between Vivendi's shareholders and its management. It focuses, in particular, on communication with individual shareholders.

The Individual Shareholders' department also manages a Twitter account, a placedesactionnaires.com account and the section dedicated to individual shareholders on the group's website. Together they provide information on the Shareholders' Meeting, the Shareholders' Club and the Shareholders' Committee, as well as access to Vivendi's press releases, a Shareholders' Booklet, a video archive, audio clips, and the department's contact details.

2.2. TAX POLICY

The group's tax policy aims to ensure that:

- the group's attitude towards tax is clearly understood at all levels;
- appropriate structures are identified and implemented so that taxes are properly calculated and paid in the relevant territories within the prescribed time frames;
- appropriate accounting policies (including transfer pricing policies) are identified and followed so that taxes are properly calculated and paid in the relevant territories;
- tax reliefs which are rightfully available to the group are identified and claimed when appropriate;
- external advisers engaged by the group have the requisite qualifications and reputation;
- open and constructive relationships with local tax authorities are developed and maintained wherever possible and permitted by local law; and
- in the event that any company or part of the group is subjected to a tax audit, the appropriate staff and/or external advisers are assigned to the matter so as to ensure the proper conduct of the audit process and its conclusion as quickly as possible.

The policy applies to all types of taxes at every jurisdiction level (local, regional and national).

The group has very low tolerance to tax risk and notably does not:

- shelter profits in tax havens or low tax countries where the group does not have a legitimate commercial presence;
- use licensing arrangements or any other scheme to transfer artificial profits to low tax countries; or
- subscribe to or participate in schemes that provide no commercial benefit to the group, or where tax benefit is a significant contributing factor.

The group justifiably mitigates its tax liabilities and compliance costs by making reasonable and appropriate use of the legislative framework and the available options in each territory within which it operates. As such, the group engages in legitimate tax planning in order to make the most efficient use of permitted tax reliefs and other incentives as well as access tax losses from prior periods. Where possible, the use of such arrangements will be presented to and agreed with the appropriate tax authority. Where this is not possible, the group seeks expert advice to confirm that if there were to be challenges to its position these would more likely than not be settled in its favor.

The Tax department employs tax specialists based in Paris, New York, London and Berlin. The Head of the Tax department reports to the Group General Counsel.

The group is committed to establishing and maintaining a constructive and transparent relationship with the tax authorities in all countries in which it operates and where such relationships are permitted under local legislation and customs. The group considers that such arrangements provide long-term benefits for both the group and the local tax authorities.

2.3. INSURANCE

Vivendi holds centralized insurance coverage for its own risks and the risks of its subsidiaries, including Havas which was consolidated in 2017. Its policies are established by the group's Insurance department with major French and international insurers. They are subject to regular competitive bidding to allow the group to benefit from optimal technical and financial terms. Local contracts are used for coverage of certain risks specific to Universal Music Group in the United States.

Vivendi's insurance plans go hand-in-hand with the group's risk management policy. With respect to the Property Damage/Business Interruption plan, regular inspections of the group's main facilities, in France and abroad, are performed by the insurers, allowing them to better assess the risks covered, and enabling Vivendi to optimize the terms on which it negotiates the corresponding insurance policies. This risk management policy also includes plans for resuming operations or 'rescue' plans in the event of accidents having an effect on an essential component of a particular business. There are also environmental protection measures in place.

The main insurance policies contracted by Vivendi include, among others, those covering property damage and business interruption, civil liability and workplace accidents.

2.3.1. PROPERTY DAMAGE AND BUSINESS INTERRUPTION

General insurance programs for the entire group have been contracted for a total coverage of up to €400 million per loss. These programs cover risks of fire, water damage, natural disaster and terrorism (depending on the legal restrictions in each relevant country or state), as well as any business interruption resulting from these events. In general, the applicable deductible per claim is €250,000 for the group's different manufacturing facilities.

2.3.2. CIVIL LIABILITY

Insurance policies to cover civil liability in the course of business operations, as well as product liability for the entire group, have been secured for €200 million per year in total aggregate coverage.

2.3.3. WORKPLACE ACCIDENTS

Certain plans are specific to operations in the United States, particularly those covering occupational illness and workplace accidents, where the employer is responsible for the insurance. Workers' compensation programs have been established to comply with obligations required by the laws of various states.

2.4. INVESTMENTS

Vivendi's main investments and divestments include acquisitions or disposals of financial investments, as described in Note 2 to the Consolidated Financial Statements, as well as investments in capital expenditure and content, described in Note 3 and Note 10 to the Consolidated Financial Statements for the year ended December 31, 2017, respectively, such as they appear in Chapter 4.

The impact of these acquisitions and disposals on Vivendi's financial position is described in Section 2.4 of the Financial Report in Chapter 4, and the impact of the investments in content and capital expenditure on Vivendi's financial position is described in Section 2.3 of the Financial Report in Chapter 4.

Moreover, the contractual commitments made by Vivendi in respect of the acquisitions of financial investments, as well as investments in capital expenditure, are described in Note 22 to the Consolidated Financial Statements. For a description of the distribution and breakdown of capital expenditure per business, see Note 3 to the Consolidated Financial Statements for the year ended December 31, 2017, such as they appear in Chapter 4.

2.5. SEASONALITY OF GROUP BUSINESSES

The activities of Vivendi's subsidiaries are relatively seasonal in nature. Sales volumes are higher during the last quarter, which is when UMG achieves almost one third of its sales. However, by developing streaming and subscriptions, as well as entertainment events, the group has been able to spread sales over the year more effectively.

As regards pay-TV, the revenues of Canal+ Group are more consistent since they depend on subscriptions. There are nonetheless more subscriptions at the beginning of the school year in September and over Christmas and the New Year.

Seasonal variations are not really noticeable in the case of business activities linked to the customer experience or the business units involved in live events.

2.6. RAW MATERIALS

The main raw materials used by Vivendi's subsidiaries are:

- paper, for product packaging at UMG and Canal+ Group; and
- polycarbonates, for producing CDs and DVDs at UMG and Canal+ Group.

Paper and polycarbonates are not subject to price variations that could have a significant impact on Canal+ Group's activities, and UMG has signed various contracts with its suppliers protecting it against fluctuations in raw materials prices.

In general, the activities of Vivendi's subsidiaries are not dependent on suppliers of raw materials.

SECTION 3. RISK FACTORS

Vivendi regularly conducts a review of the risk factors that could have a negative impact on its operations or results. This review is presented to the Audit Committee. Vivendi has not identified any significant risks other than those described below.

A Risk and Compliance Committee also assesses the adequacy of the internal procedures in place for reducing the risks to which the group may be exposed. It notifies the Audit Committee, the Supervisory Board and the Management Board of its main conclusions and recommendations.

The work of the Risk and Compliance Committee is described in Section 4 of Chapter 3 of this Annual Report.

LEGAL RISKS

RISKS ASSOCIATED WITH REGULATIONS APPLICABLE TO THE GROUP'S OPERATIONS

In the ordinary course of its business, Vivendi must comply with complex, restrictive and evolving regulations, particularly those governing the broadcasting and communication sectors.

Substantial changes in the legislative environment and the application or interpretation of regulations by the French Competition Authority or by administrative, judicial or other authorities, particularly with respect to competition law and tax law, may result in Vivendi incurring additional costs or altering the products and services it offers, which may materially impact its business, financial position, results and development prospects.

In addition, certain operations of the group are dependent on obtaining or renewing licenses issued by regulatory authorities such as the *Conseil supérieur de l'audiovisuel* in France (French Broadcasting Authority). The process of obtaining or renewing these licenses can be long, complex and costly. Pursuant to Article 40 of Law No. 86-1067 of September 30, 1986 on freedom of communication, no more than 20% of the share capital or voting rights of a company holding a license for a French language television service can be held, either directly or indirectly, by one or more non-French/non-EU shareholders. Consequently, Canal+ Group, the wholly-owned Vivendi subsidiary that holds 100% of Société d'Édition de Canal Plus (SECP), is authorized to broadcast Canal+ and the C8, CStar, CNews and Planet channels which are also wholly-owned. The analysis carried out by Vivendi and its legal advisers of the relevant legal provisions, and the interpretation of them by the *Conseil d'État* (French Council of State) in its Administrative Notice of June 27, 2002, has led Vivendi to conclude that if the combined interests of non-French/non-EU shareholders were to exceed 20% of the share capital or voting rights of Vivendi, which indirectly holds a broadcasting license through its Canal+ Group subsidiary, this could constitute a breach of the provisions of the aforementioned Article 40. Vivendi's ability to achieve its strategic objectives may be impaired if it is unable to obtain or retain the licenses required to conduct, continue or expand its operations in a timely manner. For a detailed description of the regulatory environment in which the group operates, see Section 1 of this chapter.

LITIGATION RISKS

The group is, and could become further, involved in a number of lawsuits or investigations initiated by shareholders, consumers, business partners, competitors, artists, third parties – particularly in the communications industry – or regulatory and tax authorities. In some of these cases, if Vivendi fails to negotiate an amicable settlement, it may be ordered to pay damages or financial penalties.

For a description of the main disputes and investigations involving the group, see Note 23 to the Consolidated Financial Statements in Chapter 4 of this Annual Report.

Vivendi recognizes a provision each time a risk is identified, is likely to materialize and is either quantifiable or can be estimated with reasonable accuracy. At any time during such legal proceedings, events may occur which result in a reassessment of the risk. With the exception of the main legal proceedings and investigations described in Note 23 to the Consolidated Financial Statements (see Chapter 4 of this Annual Report), Vivendi considers it unlikely that current legal proceedings will have a material adverse impact on the group's financial position.

RISKS ASSOCIATED WITH VIVENDI'S COMMITMENTS

Vivendi and its subsidiaries have made a number of conditional commitments, the most important of which are described in Note 22 to the Consolidated Financial Statements (see Chapter 4 of this Annual Report). Some of these commitments are unlimited in their duration or amount. If Vivendi has to make a payment to satisfy one or more of these commitments, this could have an adverse impact on its financial results and financial position.

RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

RISKS ASSOCIATED WITH PIRACY AND COUNTERFEITING

The development of computer and electronic equipment and the decline in its cost, as well as technological advances, facilitate the unauthorized reproduction of music and audiovisual works and video games. At the same time, increased access to high-speed Internet connections continues to enable computer, smartphone and tablet users to share such works more easily (and in greater number), without the copyright holder's authorization and without paying royalties.

Vivendi is dependent on the decisions of public or administrative authorities and their determination to find effective means to combat piracy. Persistent difficulties in passing and applying suitable legislation and in enforcing court rulings, particularly in certain regions of the world where piracy is endemic, constitute a threat to Vivendi's businesses, which depends heavily on the intellectual property rights owned by or licensed to the group.

Section 1 of this chapter contains a detailed analysis of piracy issues and measures taken by each of the group's business units to combat such issues.

RISKS ASSOCIATED WITH INFRASTRUCTURE, SERVICE PLATFORMS AND DATA PROTECTION

The infrastructure of some of the group's operating units may be affected by damage, or interruption to the services provided to customers or subscribers, as a result of hardware or software failure, human error, a breach by the service provider, equipment sabotage or unwanted intrusions (physical or electronic) into operating systems or critical software, which could have an impact on their business operations.

The security of infrastructures, information systems and service platforms is an ongoing concern for Vivendi, as is the safeguarding of access to, and privacy of, transmitted personal data. Section 2 of this chapter contains a detailed presentation of the measures taken to ensure the group's compliance with regulations regarding the protection of personal data.

RISKS ASSOCIATED WITH INTENSIFIED COMMERCIAL AND TECHNICAL COMPETITION

Vivendi's businesses face strong competition, which may intensify in the near future in the relevant markets due to the trend towards industry concentration among existing companies, the entry of new competitors or possible termination of trade agreements and periodically competing budgets among certain group entities. Growing competition exerts considerable pressure on Vivendi, which may lead to a loss in market share if Vivendi is no longer able to supply quality products and services and innovative offers at competitive prices.

In particular, Vivendi's development depends on its ability to adapt its services, offers, products and content to meet the requirements of increasingly demanding customers and business partners, in increasingly innovative markets and in industries marked by rapid technological development. The need for Vivendi to respond to such requirements and advances or even, in some cases, anticipate them, may lead to the group making substantial investments without any assurance that the new products, offers and services it has developed will not become obsolete within a short period of time.

RISKS ASSOCIATED WITH THE LACK OF COMMERCIAL SUCCESS OF RECORDED MUSIC, FILMS, VIDEO GAMES AND CONTENT PRODUCED, PUBLISHED OR DISTRIBUTED BY THE GROUP

The production and distribution of content represent a significant portion of Vivendi's revenues. The commercial success of a specific content will depend on how the public responds to it, which cannot always be predicted, as well as on the existence and success of competing offers and on the general economic environment.

Additionally, when such operations are based on content provided by third parties, no assurance can be given that such third parties will always agree to transfer their rights to various media on financial and commercial terms acceptable to Vivendi.

RISKS ASSOCIATED WITH THE CONDUCT OF OPERATIONS IN VARIOUS COUNTRIES

Vivendi conducts its operations in different markets in more than 100 countries. The main risks associated with conducting its operations internationally are as follows:

- each local economic and political situation;
- exchange rate fluctuations;
- restrictions on capital repatriation;
- unexpected changes in the regulatory environment;
- the various tax systems, which may have an adverse effect on the results of Vivendi's operations or on its cash flow and, in particular, regulations relating to transfer pricing and withholding tax on the repatriation of funds; and
- tariff barriers, customs duties, export controls and other trade barriers.

Vivendi may not be able to protect itself against such risks.

INDUSTRIAL OR ENVIRONMENTAL RISKS

The group's operations do not present any major industrial or environmental risks. This is because the group's operations are, by their very nature, primarily non-manufacturing, and a large proportion of the group's assets are intangible. However, the group remains alert to any environmental risks that may arise or be discovered in the future.

RISKS ASSOCIATED WITH TALENT

Given the nature of its activities, the group's success to a large extent relies on the expertise and involvement of its employees as well as on contributions from creative talent or artists. In an environment characterized by both mobility and competition, if Vivendi were to lose its ability to attract new talent or artists or their support, its growth prospects or financial position may be affected. Vivendi has implemented a strategy aimed at attracting and retaining the best talent to preserve the operation of the group's functions as well as its organization and reputation.

RISKS ASSOCIATED WITH THE CURRENT ECONOMIC AND FINANCIAL SITUATION

The unfavorable trends in the economic environment in recent years, particularly the decrease in consumer purchasing power and the level of consumer confidence, may lead customers to postpone or reduce their spending on the products, services and content offered by the group or affect their ability to pay for them, which in turn could have a negative impact on Vivendi's revenues and results.

Each year, Vivendi conducts impairment tests on the value of its purchased assets and those which have a finite or infinite operating life to assess whether the book value of such assets exceeds their recoverable value. The current economic environment could lead Vivendi to record impairment losses on such assets where necessary (see Note 9 to the Consolidated Financial Statements in Chapter 4 of this Annual Report).

MARKET RISKS

For a detailed analysis of market risks (interest rates, foreign exchange rates, market liquidity and stock prices), see Notes 12, 14 and 19 to the Consolidated Financial Statements in Chapter 4 of this Annual Report.

2

Non-Financial Performance


STUDIOCANAL

Section 1
Strategy and challenges

Vivendi has integrated corporate social responsibility (CSR) into its strategy and governance considering the key role it plays in creating value for the group. The group's societal, social and environmental data enables its different stakeholders to better evaluate its overall performance over the medium and long term.

As Havas was acquired during the 2017 reporting year, information on Havas's businesses will be fully consolidated into Vivendi's reporting as from 2018, in line with the group's non-financial reporting rules. Certain significant qualitative and quantitative information on Havas is presented separately in this chapter, while comprehensive, audited information is available in Havas's 2017 management report.

The data provided in this chapter exclusively concerns 2017, as it cannot be compared with that of previous years due to changes in group structure.

1.1. CSR AND VALUE CREATION

1.1.1. AN INTEGRATED REPORTING PROCESS ALIGNED WITH GROUP CHANGES

Since 2003, Vivendi's dedication to closely aligning CSR and value creation has been reflected in the CSR commitments directly related to its business activities as producer and distributor of content and services. Aware of the benefits of this approach for its stakeholders, Vivendi has embraced the vision of an integrated reporting process capable of expressing the company's financial and non-financial performance over the long term and enabling stakeholders to understand its strategy and opportunities for creating value. In terms of integrated reporting, Vivendi has chosen to pursue a process developed internally that reflects the specific nature of its business and its innovative CSR position.

This dynamic gained new momentum in 2013 with a pilot integrated reporting project dedicated to cultural capital. This initial phase validated the strategic focus on the production of music, film and audiovisual content whose rich cultural diversity satisfies a general interest (societal value) and affords the group an advantage over its competitors (financial value). In this way, indicators demonstrated the link between investments in content diversity and profitability.

In 2014 and 2015, the process was deployed worldwide, resulting in a series of more prominent indicators offering a clearer picture of Vivendi's performance from 2016.

In 2017, the need to facilitate understanding of the financial and societal value creation model and to integrate new units led to a fresh review of the process's objectives (reporting, employee recognition and mobilization, management support). This confirmed the benefits of clearly illustrating the relationship between CSR issues, the business and performance, in particular to support business growth in the operating territories.

The new process concerned three subsidiaries, Universal Music Group (UMG), Canal+ Group and Gameloft, and was based on the findings of reviews conducted with input from employees and stakeholders.

The internal analysis, which involved interviews with employees representing an operating department in each subsidiary, initially focused on value and financial performance of each business. The discussions highlighted the main value drivers and the major strategic objectives. In a second phase, each subsidiary's contribution to society was reviewed to express how the various CSR issues help create value for a subsidiary's business and to address new pathways to social responsibility outreach.

The external analysis focused on industry factors identified from intelligence studies and reports, supported by input from stakeholders concerning their vision of value creation and societal opportunities. A critical aspect of this phase was the incorporation of each subsidiary's specific business and societal issues into a materiality matrix, which underscored the convergence between the business and societal impacts and helped prioritize the issues.

The initial outcomes of the review are presented below. Work will continue in 2018 and 2019 to guide the classification of key value creation indicators at corporate and subsidiary levels and to extend the project to Havas. The review's findings and outcomes will also be compared against the company's CSR commitments, so as to optimize the way in which the selected indicators are presented. Lastly, a strategic report will summarize all the information related to value creation for the Vivendi group.

1.1.2. BUSINESSES WITH A HIGH FINANCIAL AND SOCIETAL VALUE

Vivendi is an integrated content, media and communications group that operates across the value chain from talent discovery to the creation, production and distribution of content, and whose financial growth is driven by its creation and distribution activities:

- producing original, high quality music, film and audiovisual content that mirrors the expectations of its audiences;
- innovating in both content and services by leveraging all of the benefits of digital technologies; and
- expanding its distribution capabilities, in particular by forging partnerships with recognized market leaders, while optimizing intra-group synergies to support the production of new content and services.

The following business model summarizes the links in this value chain, which drive the group's revenue and growth. Within this value chain, talent and creative potential are the key drivers.

FINANCIAL CAPITAL

INDUSTRIAL CAPITAL

TALENT

INTELLECTUAL AND CULTURAL CAPITAL

SOCIETAL ENVIRONMENT

NATURAL RESOURCES

MUSIC

UNIVERSAL MUSIC GROUP

A major player in the music industry and world leader in recorded music

AUDIOVISUAL

CANAL+ GROUP

A major player in television and film in France and worldwide

COMMUNICATION AND ADVERTISING

HAVAS GROUP

VIDEO GAMES

GAMELOFT

A mobile video game designer and producer

PLATFORMS / LIVE

vivendi village

dailymotion STUDIO+

Revenue
€12,444M

Adjusted net income
€1,312M

Total dividends paid to shareholders
€499M

Number of employees
41,743

Compensation
€1,962M

Investments in content
Nearly €2.9bn

Amounts paid to suppliers, service providers and artists
€11,492M

Tax (*)
€383M

SHAREHOLDERS

EMPLOYEES

TALENT

CUSTOMERS

SUPPLIERS AND BUSINESS PARTNERS

STATE AND LOCAL AUTHORITIES

(*) Excludes certain positive exceptional items – see Chapter 4 Section 2.3.3 of the 2017 Statutory Financial Statements.

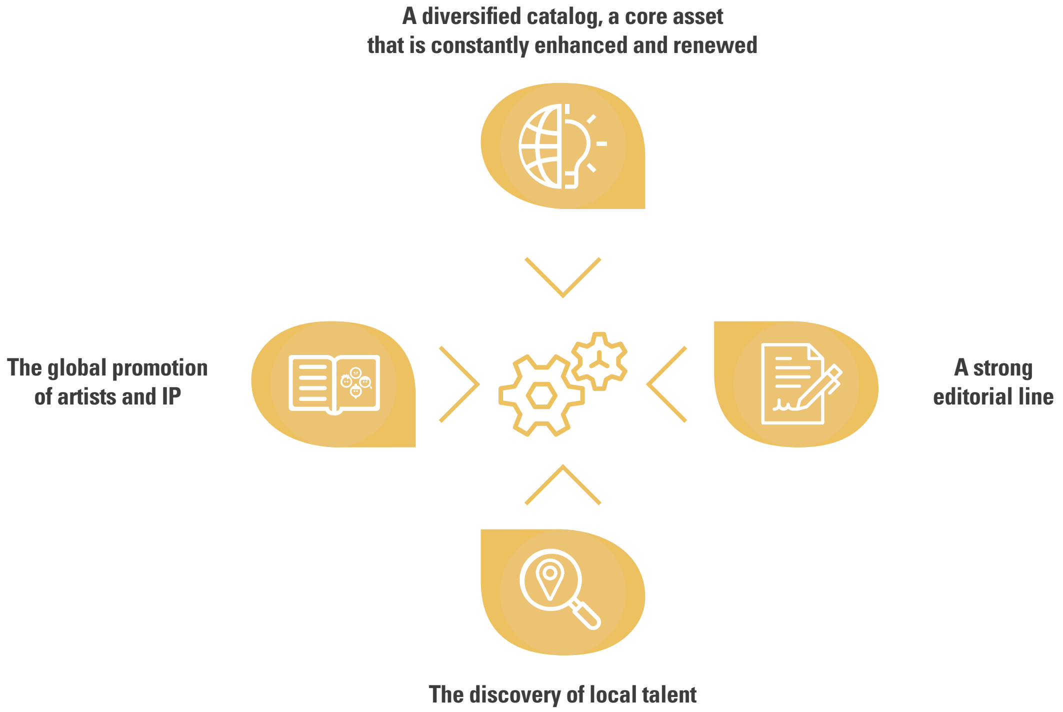
The subsidiaries of Vivendi have a significant societal impact in the territories where they operate:

- the group acts as a major creation enabler by discovering talent and mentoring their artistic careers, investing in content creation, safeguarding cultural heritage through its music and film catalogs, promoting live entertainment events and managing performance venues and other cultural facilities;
- the group is positioned as a gateway to culture and entertainment, due to its production and distribution of original, high-quality content, its sensitivity to cultural diversity, its commitment to broadening access to content and its financing of broadcasting technologies;
- its contribution to the entertainment industry, participation in e-culture with a focus on interactivity and continuous innovation to meet emerging customer expectations make it a prominent social stakeholder; and
- its celebration of local cultures, strong representation of European and French-speaking cultures, contribution to intercultural dialog and support for young people in the digital environment and in their embrace of social issues are clear proof of its social engagement. It is committed to acting responsibly by diligently tracking the risks that young audiences may incur and the risks of piracy or counter-feiting, and to supporting a wide range of community outreach projects.

1.1.3. THE VIVENDI VALUE CREATION MODEL

Operating across the media value chain – from talent discovery to the creation, production and distribution of content – Vivendi enjoys an unrivaled, competitively differentiated position due to its end-to-end management of each stage of the production and distribution process. The seamless fit between UMG's recorded music and music publishing activities, the Canal+ Group's combination of audiovisual content production and distribution, and Gameloft's in-house video games design and development capabilities illustrate this positioning, which is enhanced by content distribution partnerships with telecom operators or digital platforms.

The creation of value is structured around four pillars:



- A major value creation driver for Vivendi stems from the **recognized ability of its teams to discover new talent,** the expertise dedicated to scouting new artists in music and online video, consistently keeping abreast of the latest technological developments and partnering with innovators to devise new formats and business models. The resources deployed to identify and nurture new talent are boosted by the company's involvement with a creative cultural ecosystem that encourages partnerships (including between UMG and independent labels and between the Canal+ Group and independent production companies). In addition, shepherding artistic projects to success requires the formation of teams dedicated to artistic support, such as the A&R teams at the music labels. In Africa, the approach includes mentoring artists by offering a variety of in-house resources, with experienced industry executives, venue and event management companies such as CanalOlympia and with locally based recording studios. In general, this support plays a crucial role in effectively supporting talent and in offering artists a full range of creative development opportunities (see Section 3.1.1.1 of this Chapter).
- The heart of **Vivendi's value creation model lies in the promotion of artists and the marketing of intellectual property rights** by its businesses around the world. Pitted against peer market leaders, such as GAFAN (Google, Apple, Facebook, Amazon and Netflix) and other North American and Asian media groups, what makes its model unique is that the group includes an advertising agency, the Havas Group, and its understanding of changing consumer needs, datamining and ability to capitalize on talent. This is illustrated in particular by UMG, which offers its artists a comprehensive range of creative services, from track and album releases to live events, merchandise, music publishing, audiovisual and film rights management, deluxe products and brand partnerships. Due to its organization and its co-production system, Canal+ Group has also succeeded in extending its marketing reach to other territories in Europe and Africa. Gameloft has asset marketing capabilities through a dedicated advertising agency, Gameloft Advertising Solutions. In addition, the value creation model is supported by group synergies. For example, the acquisition of the Paddington brand resulted in the film, produced by Studiocanal, whose theater release was accompanied by a variety of subsidiary-led initiatives, such as the *Paddington Run* video game.
- **Managing the broad and deep diversity of the group's music, film and video game catalogs** represents an important aspect of the business and a key source of new value. Marketing artists' catalogs and digitizing older works to make them accessible to new generations offers a resource to support the creative activities of developed artists, encourages funding and risk-taking with more newly discovered artists (see Section 3.1.1.3) and broadens access to the work of artists whose repertoire has a more limited audience. Through Studiocanal, Canal+ Group now owns more than 6,500 titles worldwide and manages the local rights to several thousand films, predominantly in Germany, France and the United Kingdom. Canal+ International manages a catalog of local content broadcast on a variety of channels, particularly in Africa. It has been built up through a system of co-productions and sponsorships that ensures that both the investments and the rights to the created value are shared fairly, with projects supported from beginning to end by expert advice. Even as it accrues all of the value of its catalogs, Vivendi is well aware of the major cultural responsibility incumbent upon it, in terms of both diversity and the preservation of its rich cultural heritage.
- One of the unique features of the editorial focus chosen by the subsidiaries of Vivendi is the **production of ambitious, bold content.** Another driving force is the commitment to encouraging creation in all its diversity, with productions whose strong local roots set them apart in the global marketplace. Universal Music Group holds an extensive catalog offering a vast array of musical genres stemming from the group's commitment to investing in local talent. The development of original Canal+ content marketed under the Créations Originales brand is permeated with French and European culture, while Canal+ International is an engaged stakeholder and major investor in local movie and TV production, particularly in Africa (see Section 3.1.1.2). This editorial focus has been highly successful, with the group's original content and productions enjoying strong sales in international markets and winning wide acclaim from the public and critics alike (see Section 3.1.3.2).

1.1.4. VALUE CREATION DRIVERS LED BY THE SUBSIDIARIES

The identification of value creation drivers, which is a core component of Vivendi's approach to expressing its total performance, is supporting the definition of key indicators.

Explore new fields of application

- Inventive offerings to capture and generate opportunities arising from technological, social or cultural change
- Artistic vision serving the Vivendi brands
- Group synergies

Maximize the potential for creation and its distribution

- Boldness in target markets
- Talent/artists
- Business model: innovation and agility
- Process and organization

Support value creation

- Catalog assets promotion process
- A long-term process
- Foster a proliferation of initiatives
- In-house innovation strategy

Supporting content creation is vitally important for fostering conditions conducive to the emergence of creative talent and content capable of creating business and societal value. This support is manifested in both external and internal projects:

- due to its scope and ability to take a long-term view, UMG can invest in a wider range of young artists whom it can partner with and develop over time. For example, Universal Music France, with its "3 Album Deal" commits to produce three albums even though there is no guarantee that the signed artist will have a hit;
- Canal+ Group's funding for the production of debut and second films, and the agreements to support the growth of start-up production units, are helping to finance new content creation. This is also the case for those who capitalize on the group's various platforms to develop new content, such as light entertainment TV shows, movies and TV series; and
- stimulating the creativity of in-house talent is especially prevalent at Gameloft, where employee ideas for new games are presented to the entire workforce. A consensus opinion is then formed around the most promising projects, which are then tested for development.

"It is critical that governments and business partners recognize the importance of a healthy music ecosystem, which benefits the local economy and culture, as well as broader society. It's also essential that they understand UMG's long-term commitment to investment in developing artists and local music markets, and our role in driving the growth and evolution of the music landscape. That's why it's so important that our integrated reporting system makes clear the value we create for our artists, their global fan communities and our business partners."

Veronica Dullack,
UMG Vice President Finance & Social Responsibility Compliance

Maximizing the potential of created artistic content and its distribution is a powerful driver for the subsidiaries. To enable as many people as possible to enjoy its music content and to optimize its revenue sources, UMG has forged strategic partnerships with major digital streaming platforms (Apple, Spotify, Amazon, Pandora and Google) and signed innovative agreements such as licensing music for user-generated videos on Facebook, to share the created value more effectively and enhance the social media music experience for fans.

Canal+ Group is leveraging technology to improve its content and the viewer experience. Its digital strategy is being built around the new website for its connected TV application. In addition, more efficient broadcasting technology is enabling Canal+ International to produce more local programming in response to growing demand from subscribers in Africa.

At Gameloft, creation is going hand in hand with a commitment to fostering the emergence of a shared identity among the 19 studios located around the world. Exploring the transition of certain games to e-sports and setting up live OBS and gamer communities is helping to deliver an even more exciting gameplay experience for users.

"The integrated reporting system enables our business units to highlight the key aspects of the impact of our business in our complex socio-economic environment. This has a significant effect on our brand image among the general public. Last but not least, Canal+ International is actively involved in expanding the television content industry in its host countries in Africa, and nurturing its relations with local authorities and other stakeholders so it can emphasize all these aspects of value creation."

Jean-Christophe Ramos,
Vice President, Institutional Relations, Canal+ International

The exploration of new fields of application is essential for increasing value creation over the long term. As part of this process, diversifying the business base and developing innovative solutions to meet customer needs helps to drive growth and performance. Havas's presence in the group will improve the ability to seize upon emerging trends in consumer markets, leverage usage data more effectively and deepen ties with advertisers.

Universal Music Group & Brands is capitalizing on its unique insight and in-depth understanding of the UMG artist community to support brands in marketing campaigns that identify affinities between an artist (audience, values expressed) and a brand's consumers through innovative and engaging marketing methods.

With the UMG's STEM project, listeners create their own music from existing tracks, utilizing new digital remixing formats. Instead of consuming music passively, fans can take an active part in the musical creation process. UMG's launch of a worldwide network of music-oriented start-up accelerators is helping to create an innovative ecosystem for the music industry. UMG will contribute its expertise in selecting and mentoring musictech start-ups, while the accelerators will guide the tech teams through the development process and fundraising rounds.

Contributing to the technological development of a region is a challenge that Canal+ International addresses by leading projects to deploy fixed ultra-high speed Internet networks in Africa. This technology will deliver the company's programs more smoothly, while strengthening its ties with local audiences by facilitating Internet access. In France, Canal+ regularly enriches the user experience with new, more efficient set-top boxes or Internet applications like myCanal.

Gameloft is also leveraging its expertise with advertisers by developing in-game or in-app advertising campaigns on mobile devices (Gameloft Advertising Solutions). What's more, it has demonstrated that its datamining can take it beyond its core business to work on projects outside the group.

"The integrated reporting system enabled us to map the company's impact in areas that were not the primary focus of our attention. That's how we realized the major impact that Gameloft had, for example, in training and local economic development in countries where we have studios."

Baudoin Corman,
Senior Vice President, Sales and Marketing, Gameloft

1.2. CSR POLICY

1.2.1. A MEANINGFUL AND LONG-TERM POSITIONING

The value creation strategy described above reflects Vivendi's unique contribution to society.

As a media and communication leader, Vivendi aims to deliver a wide range of entertainment and creative projects to its audiences, provide them with access to diversified, quality content on new digital media, and support the emergence of new talent. The group's cultural offering far surpasses mere consumption to make a genuine contribution to the social fabric.

Providing entertainment and supporting artistic creation are critical responsibilities in the 21st century, and Vivendi fully embraces its role in advancing modern society.

With its various subsidiaries, Vivendi enjoys a unique position in the industry of artistic creation:

- by promoting access to culture for the widest audience;
- by actively engaging in support for European and French-speaking cultures; and
- by acting as a responsible corporate citizen, sensitive to the needs of all its audiences, and especially young people, by also providing access to its new businesses.

Vivendi's social responsibility thus translates into three strategic commitments directly linked to the group's operations:

- **Promoting cultural diversity in content production and distribution**

  Vivendi invests heavily in content creation (nearly €2.9 billion in 2017) and promotes cultural diversity throughout the world. This means encouraging diverse forms of creativity, and developing e-culture by backing interactive technology; supporting artists and young talent, contributing to intercultural dialog and living together; showcasing and safeguarding cultural heritage and responding to changing attitudes towards cultural assets. These objectives are shared by all group businesses.

- **Empowering and protecting young people in the media**

  One of Vivendi's most important challenges is to empower and protect young people in their cultural practices and use of digital media in such a way as to enable them to express their creativity and status as citizens. It is also important to make young people and those around them aware of how to use digital media responsibly while at the same time giving them access to new opportunities to discover, exchange and learn.

- **Facilitating access to ambitious, quality content**

  Vivendi's capacity to offer its customers ambitious, quality content while at the same time providing options for accessing content, is one of its main sources of value creation. By setting high standards for content creation and using the group's influence to raise awareness about crucial issues affecting the world today, Vivendi contributes to enabling as many people as possible to participate in building a global, digitally connected society where information is shared between people and across cultures.

2003

Integrating CSR into governance and strategy

- **Definition of strategic CSR commitments related to content production and distribution:**
  - promoting cultural diversity;
  - empowering and protecting young people; and
  - sharing knowledge (access to media, quality and pluralism of content, awareness of sustainable development issues).
- Setting up of **CSR Committees** composed of representatives of subsidiaries and civil society representatives.
- **Statutory Auditors' report** on the procedures for reporting social and environmental indicators.

In parallel, Vivendi – an integrated media, content and entertainment group with European DNA and a global outlook – is committed in three additional areas:

- **Respecting the environment in the digital era**

  Compared with other industries, the environmental impact of media remains low. However, the steady increase in digital use also contributes to the increase in greenhouse gas emissions. Aware of this challenge, the group's objective is to raise stakeholders' awareness of the industry's environmental impacts while staying attentive to its own impact, and especially to climate change. Vivendi takes initiatives that aim to reduce the energy consumption of its real estate portfolio and reduce its consumption of raw materials (e.g., plastic and acrylic).

- **Making people the company's driving force**

  Vivendi firmly believes that the company's success is a direct result of the dedication of its people. The group therefore makes every effort to attract, support and develop talent to ensure its long-term success. It does this by taking care to create the right environment to enable all employees to pursue their individual development, and to enhance their quality of life in the workplace. Building on the diversity of its talent, which offers a genuine opportunity to develop its performance, Vivendi strives to guarantee equal opportunity and establish firm roots in the local regions of its businesses.

- **Taking action for local development**

  Vivendi contributes to the development of the territories where it operates not only through direct or indirect employment but also through the promotion of local cultures and by sharing its know-how. Contributing to the professionalization of local cultural industries, supporting the network of non-profit organizations, and working with local suppliers are the pillars that underpin this commitment.

These six commitments together with the compliance policy developed in Section 2 of this chapter form the set of guidelines for Vivendi's non-financial performance.

1.2.2. STRATEGIC COMMITMENTS PERTAINING TO HUMAN RIGHTS

Aware of its social and cultural footprint, Vivendi sees its compliance with human rights commitments as directly related to its content production and distribution business.

This ties in closely with the group's strategic CSR commitments. Promoting cultural diversity, empowering and protecting young people in their digital and cultural practices, and providing access to high-standard, quality content fall within the realm of human rights, as the issue is described in the many documents promulgated by the United Nations, including Unesco's Universal Declaration on Cultural Diversity, the Guiding Principles on Business and Human Rights, and the agenda of Sustainable Development Goals for 2030 (see table below).

As a sign of its commitment, Vivendi has been a signatory of the United Nations Global Compact since 2008. By spotlighting the scope of responsibility specific to the media industry and the associated human rights issues, Vivendi applies the principles of the Global Compact, which in its preamble encourages businesses to act in favor of human rights "in their sphere of influence".

2004

- **Development of the Reporting Protocol** for societal, social and environmental indicators.
- **Definition of societal indicators** related to Vivendi's three strategic CSR commitments.

2005

- **Investor survey to achieve a deeper understanding of their expectations regarding Vivendi's CSR policy:** an initiative described as "original" and "proactive" by the financial community.
- **Tunis World Summit on the Information Society:** Vivendi participates and shares its contribution to sustainable development as a group producing and distributing content.
- **Vivendi's participation in the Unesco Global Alliance for Cultural Diversity/Launch of a training program for Malian sound engineers in Bamako in partnership with Unesco.**

VIVENDI'S STRATEGIC COMMITMENTS PERTAINING TO HUMAN RIGHTS

	Promoting cultural diversity in content production and distribution	**Empowering and protecting young people in the media**	**Encouraging access to ambitious, quality content**
	– Scouting and supporting artistic talent – Promoting local talent – Protecting and promoting cultural heritage – Ensuring respect for intellectual property	– Allowing young people to express their creativity and their citizenship – Raising awareness among young people and their inner circle in relation to the responsible use of goods and services – Encouraging media literacy	– Promoting access to the media – Ensuring balanced representation of diversity and supporting female artists – Respecting pluralism – Raising awareness of major social and societal issues
Universal Declaration of Human Rights (1948)	Article **27**		Article **27**
United Nations International Convention on the Rights of the Child (1989)	Articles **29, 30, 31**	Articles **13, 17, 29, 31**	Article **29**
Beijing Declaration and Platform for Action – 4th World Conference on Women (1995)	Objectives **A1, B4, J1** Chapter **2**	Objectives **J2, L3, L8**	Objectives **B4, F1, F2, J1, J2, K2, L4, L8**
European Union Charter of Fundamental Rights (2000)	Articles **17, 22**	Article **24**	Articles **11, 23**
Unesco Universal Declaration on Cultural Diversity (2001)	Articles **5** to **10**		Articles **2, 6, 8, 9, 10**
Unesco Convention on the Protection and Promotion of the Diversity of Cultural Expressions (2005)	Articles **1, 2, 6, 7, 8, 10**	Article **10**	Articles **1, 2, 6, 7, 8, 13**
OECD Guidelines for Multinational Enterprises (2011)		Point **VIII.8** Consumer interests	
UN Guiding Principles on Business and Human Rights – Reporting Framework Implementation Table (2011)	Page **108**	Page **105**	Page **104**
Children's Rights and Business Principles by Unicef, UN Global Compact and Save the Children (2012)		Principles **1, 5, 6**	Principles **1, 5, 6, 10**
UN Sustainable Development Goals (2015-2030)	Declaration; Objectives **8.3, 11.4**	Objective **4.7**	Objectives **4.2, 4.3, 4.7, 5.5, 5.a, 5.b, 5.c** Objectives **9.c, 11.a** Objectives **4.7, 12.8**

2006

→ **Launch of CSR investor roadshows** by the Investor Relations and CSR departments.

→ **Launch of a series of CSR meetings between the Chairman of the Management Board and representatives from civil society.**

2007

→ **Analysis of CSR risks by the Risks Committee** (reputational, operational and regulatory risks).

2008

→ **Signing of the United Nations Global Compact:** Vivendi integrates its strategic CSR commitments into the first principle which relates to human rights.

→ **Verification of CSR information by the Statutory Auditors.**

→ **Vivendi's Data and Content Protection Charter.**

1.2.3. RECOGNIZED POSITION

This position in respect of industry commitments and the group's good performance have earned Vivendi annual recognition on the main SRI (Socially Responsible Investments) indices.

Vivendi ranks among the 20 best performing companies in France according to a study on corporate conduct with regard to respect for human rights, carried out by Vigeo Eiris (February 2017).

In 2017, Vivendi was once again listed on the indices FTSE4Good Developed (formerly FTSE4Good Global) and FTSE4Good Europe (FTSE), the Global and Europe Ethibel Excellence (Ethibel) investment register, the EuroNext Vigeo France 20, World 120, Eurozone 120 and Europe 120, and several indices established by Stoxx.

For the eighth consecutive year, Vivendi was included in the Global 100 Most Sustainable Corporations in the World ranking, which was announced at the World Economic Forum in Davos. Vivendi was ranked 25th.

1.3. GOVERNANCE AND MONITORING OF CSR PERFORMANCE

1.3.1. CROSS-MOBILIZATION

The CSR and Compliance department reports to the Group General Counsel, who is a member of Vivendi's Management Board. It defines Vivendi's CSR strategic focus and carries out the following cross-departmental functions:

- leading the value creation project in collaboration with a steering committee made up of members from the group's Management Board and functional and operational departments (Finance, Legal, M&A and Human Resources);
- deploying the ethics code, referred to as the "Compliance Program", as well as the group's vigilance plans in cooperation with the Legal department, and the anti-corruption program, which includes participation in the Risk and Compliance Committee, managed by the Internal Audit department;
- maintaining regular, constructive dialog with the functional and operational departments at the group's headquarters and at subsidiaries (CSR, Legal, Finance, Human Resources, Purchasing) to implement the CSR policy within the group;
- ensuring the group's good relations with its external stakeholders, including citizens, non-profits and investors; and
- participating in the group's CSR road shows with the Investor Relations department.

In accordance with its internal rules, the Supervisory Board regularly examines the group's corporate social responsibility policy. The Management Board informs the Supervisory Board of the roll-out of the CSR policy in a quarterly activity report.

The Audit Committee reviews the group's CSR policy twice a year. In 2017, it reviewed the implementation of the ethics code, or "Compliance Program", the anti-corruption program and the results of non-financial reporting and the verification work conducted by the Statutory Auditors.

In 2017, Vivendi's Supervisory Board also created a CSR Committee to inform the Board's decisions, submit recommendations and form opinions on the group's social and environmental issues, employee engagement, sponsorship and community projects, and the Vivendi Create Joy Fund.

2009

- **Global Reporting Initiative (GRI):** Vivendi is a founding member of the media sector working group, and the only French member company.
- **EMAS environmental certification for Vivendi's headquarters,** renewed in 2012 and 2015.

2010

- **Senior executive variable compensation: inclusion of CSR objectives** based on societal criteria related to the group's strategic CSR commitments. Vivendi is the first CAC 40 company to include societal objectives of this kind.

2011

- **Vivendi is a founding member of the "CEO Coalition to Make the Internet a Better Place for Kids",** a European Commission initiative.
- **Vivendi is the first winner of the prize awarded by the Forum for Responsible Investment.** Its performance is assessed on the basis of the inclusion of sustainable development issues in corporate governance.

Since 2010, Vivendi's Supervisory Board has incorporated CSR criteria into the variable compensation of senior executives that are tied to the three strategic commitments shared by all subsidiaries and directly related to their operations: promoting cultural diversity; protecting and empowering young people; and fostering knowledge sharing. Reconciling the valuation and protection of personal data was added to these three historical commitments in 2015. The Supervisory Board requires that these CSR criteria be defined for each business based on its expertise and positioning. The Corporate Governance, Nominations and Remuneration Committee, within the Supervisory Board, assesses performance against these criteria and determines the components which make up the variable compensation of executives. The CSR criteria set for 2018 will focus more on promoting diversity.

1.3.2. NON-FINANCIAL REPORTING, A MANAGEMENT TOOL

Vivendi has built a non-financial reporting process that clearly shows the group's CSR positioning, opportunities, and risks to stakeholders. The incorporation of indicators linked to the group's strategic CSR commitments is an innovative approach in the media sector. The 2018 integrated reporting process will provide a more precise analysis of the relevance of Vivendi's key commitments and a measurement of the actions taken. Conducted jointly with the risk identification process included in the compliance policy, this analysis will bring the group up to standard with the European directive on the disclosure of non-financial information and enable it to better address the materiality of its CSR issues.

The CSR and Compliance department works with a network of correspondents appointed to disseminate best practices and coordinate non-financial reporting at each group subsidiary. Every year, data is collected by approximately 300 contributors via group reporting tools.

Vivendi's Reporting Protocol for Environmental, Social and Societal Data is updated annually based on discussions with the subsidiaries. This update redefines the monitoring indicators to ensure better understanding by contributors, as well as adaptation to Vivendi's changes. In 2017, the group began working with Havas and Bolloré Group teams to align some shared indicators, and will continue these efforts in 2018.

The Statutory Auditors have reviewed the non-financial indicators and information set out and defined in the Protocol for their relevance and materiality. In 2017, audits of new entities such as Gameloft were included in the verifications of data reported in Vivendi's Annual Report. Once this verification work is complete, the results are presented at debrief meetings, providing a special opportunity to share areas of progress with the Statutory Auditors, correspondents of the business units, contributors and the CSR and Compliance department. They also allow Vivendi's Management Board to decide on the recommendations to be implemented.

1.3.3. DIALOG WITH GROUP STAKEHOLDERS

To continuously improve its CSR performance, Vivendi incorporates stakeholder expectations into its strategy. The group engages in dialog with academic circles, non-profit organizations, the financial and non-financial communities, and individual shareholders. Social responsibility policy has been integrated into the annual training program for social partners (relations with employees and employee representatives are described in Section 3.3 of this chapter).

Vivendi is involved in multi-partner initiatives to strengthen the analysis of its impacts on society. The group joined the European Commission's Alliance to Better Protect Minors Online, an initiative that unites media and telecom companies and NGOs to protect children from harmful content and online harassment (see Section 3.1.2.2). As a member of the Human Rights Club of Global Compact France, a working group set up to discuss and share

2012

- **Launch of the *Culture(s) with Vivendi* website.**
- **Addition of non-financial indicators in the Annual Report** (Grenelle II Law).

2013

- **Development of the integrated reporting pilot project** ("creation of societal and financial value linked to cultural capital").
- **Vivendi begins to assess the role of women in artistic creation.**
- **Launch of Vivendi's CSR web radio, *Vivoice*.**

best practices with other companies and organizations, Vivendi took part in organizing a workshop on the emergence of new human rights in the digital era. The group works with the French Association of Private Enterprises (AFEP) on the duty of vigilance. It is also a member of the French Study Center for Social Responsibility (ORSE) and participates in the work of an organization for sustainable development managers (*Collège des directeurs du développement durable*, C3D).

The group's emphasis on dialog is also reflected in partnerships formed to enhance relations with key stakeholders and, with them, to co-develop solutions and projects that support its CSR commitments. These partners include:

- **LINCC (Les Industries Numériques Culturelles et Créatives)** innovation platform, coordinated by Paris&Co, the economic development and innovation agency of Paris. LINCC, a hub for dialog within the media innovation ecosystem (startups, public entities and leading industry organizations), provides a platform for Vivendi to share its CSR commitments with the stakeholders involved and support young innovative companies, focusing on projects that exemplify cultural diversity and encourage more women into digital entrepreneurship;
- **Entreprendre pour la cité network**, a group of companies involved in social innovation. More specifically, Vivendi supports its *Innov'Avenir* program designed to teach young people about entrepreneurship and professions in digital technology. The multi-partner program – forming an ecosystem made up of companies, entrepreneurs, government authorities, local communities, young people, teachers and non-profit organizations – uses learning tools to develop creative and innovative synergies;
- **Hirondelle Foundation**, a non-profit organization that aims to create and support independent, civic-minded news media in conflict, post-conflict and crisis zones. Under this partnership, Vivendi gave young French-speaking groups the opportunity to speak out at the eighth meeting of the Francophone Youth Parliament event in Luxembourg (see Section 3.1.2.1). This partnership also gave rise to a round table discussion held on the topic of how media and businesses can join forces for the common good of African societies, as well as workshops to promote entrepreneurship in Africa, especially for women and young people, at the Land of African Business forum in Abidjan; and
- **Sciences Po and Fondation Dauphine**, special partners from the academic world that Vivendi supports in rolling out programs for equal opportunity and access to culture. Vivendi also works with the *École du management de l'innovation* at Sciences Po on its master's program in media and creative industries.

This dialog-based approach defines a general framework that each group subsidiary can draw on and adapt with its own stakeholders. The few examples below show this dialog in action and the resources implemented to enhance relations at subsidiary level.

Universal Music Group

UMG communicates regularly with a wide range of outside stakeholders, including but not limited to national and European authorities, artists and their managers, songwriters, retailers and digital music services, copyright collectives, trade associations, organizations promoting copyright protection and *ad hoc* working groups or coalitions such as the Open Music Initiative (open-music.org). Dialog is often conducted through or along with global and national industry associations, such as the IFPI and its national affiliates, of which UMG is an active member. In 2017, many of these discussions

2014

- **Expansion of the integrated reporting process** (international scope).
- **Stakeholder consultation on Vivendi's CSR position.**
- **International Federation for Human Rights (FIDH):** Vivendi is included in its *Libertés et Solidarité* socially responsible investment fund (Sicav).

2015

- **Addition of personal data protection issue** in the CSR criteria for senior executive variable compensation.
- **Integrated reporting:** presentation of Vivendi's value creation per stakeholder and of the group's contribution to human rights.
- **Vivendi partners the 10th anniversary celebrations of the Unesco Convention** on the Protection and Promotion of the Diversity of Cultural Expressions.
- **Vivendi is the only French company selected for inclusion in The Global Diversity List/ The Economist.**

focused on legislation to resolve the “value gap”, the gulf between the value that certain “user upload content” platforms derive from music and the value they return to creators to exploit that content.

Canal+ Group

Subscribers are key stakeholders of Canal+ Group, which held two meetings with consumer associations in France in 2017, both attended by the head of distribution, technical and IT management, head of customer relations and the customer dialog manager. The group has sought to establish dialog with consumer associations, including frequent informal contact and feedback from the field. The two meetings were an opportunity to assess the types of cases submitted to Canal+ Group by consumer groups (a total of 405 complaints including 127 passed on by UFC-Que Choisir via a dedicated e-mail address). Canal+ Group relies on the Federation of E-commerce and Distance Selling Companies (Fevad), to which it has belonged for many years and which ensures mediation within the sector. In this context, various discussions with the mediator took place during the year.

Dialog with the stakeholders of Canal+ Group’s international entities was again largely focused on piracy in 2017. This dialog was set within the framework of associations, such as Convergence, active in several African countries, and Content Alliance in Vietnam, which bring together content creators and other leaders from the cultural industries (see Section 3.1.1.5).

Gameloft

In 2017, Gameloft began identifying its external stakeholders, which include gaming communities, brands, media agencies and public and non-profit organizations. The approach was based on the findings of an internal survey of 70 executive managers conducted to measure their expectations of CSR, and to draw up a list of local stakeholders and initiatives underway at the group’s 19 studios. This process resulted in a more efficient structure for the CSR function and the hiring of a CSR manager at group level.

Dailymotion

In its commitment to apply the quality charter of the SRI, the Internet advertising trade union, Dailymotion and other SRI advertising agency members guarantee the implementation of strict and clear measures on service quality, transparency and business ethics to protect the integrity of advertising brands.

Dailymotion takes action to control its users’ exposure to advertising, in compliance with applicable regulations on the protection of personal data. In line with regulations, Dailymotion provides online users with an alert system that is easy to access and easy to find to notify the site of any illegal content (see Section 3.1.2.2 for more details). Notifications are handled 24 hours a day by approximately ten people from the platform’s support teams. On average it takes less than two hours to remove content once its illicit nature has been confirmed. Dailymotion works closely with the *Office central de lutte contre la criminalité liée aux technologies de l’information et de la communication* (OCLCTIC) and its Pharos platform to fight cybercrime.

Vivendi Village

At Vivendi Village, dialog with industry professionals takes place through professional associations to which the entities belong (such as Fevad for Digitick, or Prodiss – the French union of producers and concert venues – for L’Olympia). See Tickets is a member of the Society of Ticket Agents and Retailers (STAR) and adheres to its Code of Conduct, which lays down the standards in terms of ethics, transparency and security of payment systems that operators must guarantee in their relations with consumers, and establishes a complaint reporting procedure.

2016

- **Creation of a CSR Committee within the Supervisory Board.**
- **Implementation of a compliance policy** at group level.
- **Integrated reporting:** analysis of value creation drivers and the associated societal contributions (UMG, Canal+ Group and Gameloft).

2017

- **CSR policy is included in the agendas of the Audit Committee and the Risk and Compliance Committee meetings.**
- Inclusion of Vivendi on the four main **Euronext Vigeo ESG indices:** France 20, World 120, Europe 120 and Eurozone 120.
- **Vivendi is a founding member of LINCC,** Paris&Co’s innovation platform dedicated to the creative industries, located in the Cargo innovation hub.

Section 2 Ensuring group compliance

As a leader in the creation and distribution of content and digital services, Vivendi takes measures to ensure that its business activities are conducted in accordance with a compliance policy that is upheld by all group employees and business partners. Vivendi believes that any business relationship should be built on trust; and to protect and preserve the trust of talent, clients and shareholders, the group must follow rules of good conduct.

The integration of new entities and regulatory changes within the group – the most noteworthy being the new measures introduced by French laws No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization (referred to as the Sapin II Act) and No. 2017-399 of March 27, 2017 on the duty of vigilance of parent companies and principal contractors, and European regulation 2016/679 of April 27, 2016, known as the General Data Protection Regulation or GDPR – have guided the group in developing its risk management strategy to adapt processes and strengthen roles and responsibilities within operational units, including at Havas.

Under the responsibility of the Group General Counsel, the CSR and Compliance department works with the Chief Data Officer to implement and coordinate the compliance policy across the group. They report to the Audit Committee and the Risk and Compliance Committee, which ensure that these rules are applied properly. At subsidiary level, compliance officers and legal department representatives are responsible for implementing the policy.

2.1. CODES OF CONDUCT

Since 2002, Vivendi has had a code of conduct, referred to as the “Compliance Program”, which sets out the general rules of ethics applicable to all of the group’s employees. These rules of conduct are based on international guidelines (United Nations Global Compact, the 2011 United Nations Guiding Principles on Business and Human Rights and the 2011 OECD Guidelines for Multinational Enterprises). All Vivendi employees are required to comply with these rules to uphold Vivendi’s reputation, which is based on relationships built on trust and fairness with all the group’s stakeholders, i.e., partners, clients, suppliers, employees and shareholders.

This code also serves as a set of guidelines for subsidiaries to define their own ethics rules in order to meet the standards of their business sector. For example, UMG’s code covers policies and ethics rules governing work life, and guides decision-making to enhance artistic quality, innovation and entrepreneurship.

In 2017, the “Compliance Program” rules were adapted to meet the new requirements for anti-corruption measures and the duty of vigilance of parent companies and principal contractors. The rules were also extended to include a list of risky behaviors. This work will continue in 2018, eventually leading to the introduction of a new code to replace the existing “Compliance Program”. The rules of the new code will apply to all group entities, setting out the standards of behavior expected of all employees in performing their duties at the company. Concrete examples will be given for each business to help employees better comprehend the right attitude to have in their dealings with third parties. Entities’ internal codes and charters will also be reviewed to bring them into compliance with the new group-level code.

2.2. DETECTING AND PREVENTING NON-COMPLIANCE RISKS

A review of how subsidiaries apply the rules defined in the current “Compliance Program” has been carried out every year since 2007. This review assesses the procedures implemented to identify and prevent certain risks (e.g., personal data protection, conflicts of interest and competition rules).

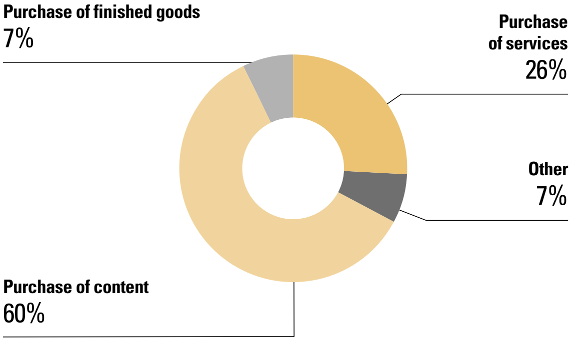
2.2.1. IMPLEMENTING A VIGILANCE PLAN

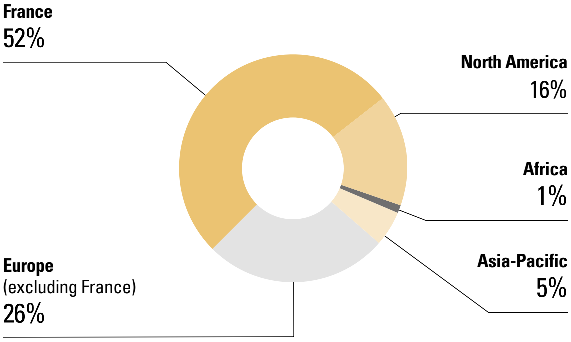
Existing rules have been reviewed and strengthened to meet new regulations and encompass the group’s new scope. In 2017, Vivendi began planning a new vigilance program to identify and prevent potential risks related to its businesses and the businesses of its suppliers and subcontractors. The procedures covered in the program were presented to the Risk and Compliance Committee and the Audit Committee.

The vigilance program will be rolled out over several years. It will cover all measures taken to identify, assess and manage risks, and involve all relevant corporate operational departments at the headquarters and at subsidiaries. The main focuses of the program will be defined based on the analysis of all existing programs. These focuses will determine which vigilance measures (e.g., contractual clauses, supplier audits and awareness programs) need to be adjusted or implemented.

In addition to adopting a new set of rules to guarantee compliance with best practices within the group's businesses, a risk map will be developed to reflect, in particular, Vivendi's specific policies in the area of human rights. The group has established its commitment to ensuring respect for human rights relating to its content production and distribution business. Some of its strategic commitments relate to human rights, such as cultural diversity in content, the empowerment and protection of young people in their use of digital media and knowledge sharing. The group's exposure to these very specific risks will be addressed in the same way as the identification of more traditional human rights risks. Any new risks identified will be incorporated into the current risk map established by the Internal Audit department.

Several years ago, Vivendi introduced indicators to analyze the main categories of purchases from tier-one suppliers and subcontractors that account for at least 75% of total expenditure at each subsidiary, as well as how purchases break down by region. These indicators also measure the group's contribution to the local economy, as they provide information on purchases from local suppliers.





The supplier chain was reviewed in detail in early 2018 to gain a more thorough understanding of the group's purchases. Purchasing department staff have been asked to prepare a comprehensive assessment of the types of suppliers and purchases and of prevention procedures implemented to manage existing risks. This assessment will include a questionnaire and meetings with staff members, drawing on the best practices shared with UMG. Through the Global Vendor Management Office (VMO), UMG issued a Supplier Corporate Responsibility Policy and, in 2017, conducted CSR Assessments with top global and US suppliers. The VMO reports to and engages stakeholders regularly on governance, social responsibility and vendor management topics.

After identifying and measuring the risk exposure of the group, its suppliers and subcontractors, operational units will define action plans to prevent and reduce risks and potential damage.

Furthermore, a group whistleblowing procedure will be rolled out in 2018 for the reporting of improper conduct contrary to recommended vigilance measures.

2.2.2. ANTI-CORRUPTION POLICY

Anti-corruption policy is a component of the compliance policy that will be a prime focus for the group's headquarters and subsidiaries in 2018. The group understands that the rules applied to detect and prevent the group's risk of exposure to corruption contribute to upholding its reputation and to safeguarding the trust of its partners. In this respect, the existing "Compliance Program" is based on guidelines to prevent conflicts of interest and to comply with anti-corruption laws. It also increases group employee awareness of the rules of good conduct, especially in dealings with third parties. Non-financial reporting indicators are used to monitor compliance with these rules.

In 2017, these measures were reinforced and incorporated into an anti-corruption code that is set for publication in 2018. Subsidiaries based in the United States – UMG and Havas – have defined specific anti-corruption guidelines for their businesses to comply with US regulations. UMG's Code of Conduct and Havas's Code of Ethics will therefore continue to apply to their employees.

In addition to the anti-corruption code, the main aspects of the anti-corruption policy are being finalized. Following consultation with stakeholders affected by the policy, it will gradually be implemented at operational units to manage and control non-compliance risks. The compliance process covered the following steps:

- risks were identified in meetings conducted with operational managers at subsidiaries based on a questionnaire on the businesses and stakeholders affected. These risks will be analyzed and prioritized, with further meetings to be scheduled in 2018;
- a whistleblowing procedure is being agreed to handle alerts and determine the escalation process based on the seriousness and severity of non-compliance;

- a detailed analysis of the supplier chain conducted as part of the vigilance program will cover exposure to corruption. Special procedures will also be decided for clients and intermediaries;
- an online training platform will integrate anti-corruption modules based on employees' degree of exposure; and
- the Finance and Internal Audit departments will participate in this program by contributing to the development of accounting control procedures and procedures used to check and assess the anti-corruption program.

Responsibility for governance of the program falls on the Group General Counsel, and the CSR and Compliance department is in charge of rolling it out. Representatives from the operational departments concerned, and compliance officers appointed at subsidiary level, implement the procedures. The Audit Committee, to guarantee proper governance of the program, oversees its implementation and ensures that measures are put into action.

2.2.3. INTEREST REPRESENTATIVES

French decree No. 2017-867 of May 9, 2017 was passed to supplement the transparency, anti-corruption and economic modernization law known as the Sapin II Act.

These new legal obligations have introduced sweeping changes to transparency requirements that apply to relationships between lobbysts and public authorities.

Vivendi and its subsidiaries have taken the necessary steps to identify lobbysts and register them with the High Authority for Transparency in Public Life (HATVP) within the statutory deadline. Each entity has held special focus meetings to determine the measures necessary to ensure compliance with the law.

Each subsidiary will present an initial progress report on its work at the end of the first quarter of 2018.

Vivendi, UMG and Canal+ Group are listed in the European Parliament and Commission's Transparency Register in relation to their lobbying activities with European institutions. In the United States, UMG declares its lobbying activities and related expenses in quarterly and other reports filed with Congress, consistent with applicable laws and regulation.

2.2.4. PERSONAL DATA PROTECTION

Managing personal data is a key issue in Vivendi's businesses. The group takes careful steps to ensure that personal data protection rules are applied to secure the trust it has built with its audiences. In particular, this vigilance took form when the group adopted its Data and Content Protection Charter in 2008, which covers rules pertaining to the collection and management of customers' personal data and the protection of content.

With the European GDPR passed in 2016, and effective from end-May 2018, the group's current rules were reviewed to bring its procedures and systems into compliance with the new regulatory framework.

Fully recognizing the importance of this issue for the group, Vivendi's General Management has organized all subsidiaries to participate in a GDPR compliance program overseen by the Group General Counsel, coordinated by its Chief Data Officer and rolled out at subsidiaries by Data Protection Officers.

An operational steering committee is responsible for the governance of this compliance program and meets with each subsidiary once a month. Every two months, the committee meets with the General Counsel, Data Protection Officers, and representatives from the Programs department and from the departments affected by the application of the GDPR, such as legal and technical departments. The role of this committee is to centralize the monitoring of GDPR projects underway at entities, define priorities and oversee the work of cross-business focus groups (e.g., HR and subcontractor agreements).

This oversight ensures these issues are adequately dealt with and is based on a pragmatic approach: a preliminary overview determined from questionnaires and discussions at workshops, an in-depth risk assessment, action plans decided as a priority at subsidiaries, and governance rules to ensure the long-term viability of programs.

Group guidelines have also been set out and disseminated based on shared objectives, such as the development of principles relating to documentation and the traceability of measures taken, primarily involving records of processing activities.

Since the program was launched, over 80 workshops have been organized with subsidiaries in France and worldwide to assess their situation and develop action plans. Staff who work directly in processing personal data have taken adapted training programs. Awareness campaigns will be launched in the first quarter of 2018 to make sure that all group employees adhere to the program. An e-learning platform will include training courses on personal data protection, and a serious game is being developed to provide an easier way for employees to understand the new rules.

Each purchasing, security and human resources department has attended specific presentations on GDPR issues applicable on a group-wide scale.

The program also features a GDPR toolbox, available online, which includes nearly 20 guides and templates in English and French (GDPR contractual clauses, a record of processing activities, a privacy risk analysis model, a guide on privacy by design, and more). To maintain a high level of vigilance, regular updates to the data protection program are distributed to employees.

Section 3
CSR commitments

3.1. PROMOTING HUMAN RIGHTS IN OUR BUSINESS: OUR STRATEGIC COMMITMENTS

3.1.1. PROMOTING CULTURAL DIVERSITY IN CONTENT PRODUCTION AND DISTRIBUTION

3.1.1.1. Scouting and supporting talent

Talent is the beating heart of the Vivendi community, as embodied in musical, audiovisual and motion picture content, as well as live performances, comedy and video games. The group drives its growth by discovering new talent, nurturing them and retaining their loyalty (see also Section 3.3.1 on cultivating and keeping creative talent in-house).

Loyalty is also fostered by the group's ability to successfully build its artists' career paths by widening the field of possibilities for talent across the value chain, i.e., from music platforms to recording an album, from talent shows to headlining at Paris's L'Olympia venue, from online videos to a TV talk show, from short to feature films, from the stage to a TV series.

One example, among many, is French comedian Alex Lutz, whom the group has supported since he debuted on Canal+ in 2012 with his partner, Bruno Sanches, in the cross-dressing comedy duo Catherine & Liliane, which quickly went from a weekly format to prime time on the channel. At the same time, Studiocanal co-produced and Canal+ financed his two feature films, *Le Talent de mes amis* (2015) and *Guy* (2017), and L'Olympia will host his new show in 2018.

Music

UMG takes a many-layered approach to scouting and supporting talent, including working closely with local A&R teams who, via their own networks, are in direct contact with artists, managers, songwriters and producers. UMG embraces the creative freedom of every artist, ensuring that no route to market is shut to any act. An artist can sign directly with a label, can enter into a music services deal with Caroline Records (caroline.com), or can be self-sufficient through Spinnup, an app which distributes unsigned bands to digital partners globally. Set up in 2013, Spinnup distributes artists' music on leading music platforms, while providing a powerful channel for scouting local talent. The Universal Music Group & Brands team is a world leader in the creation of entertainment content. UMGB tailors global campaigns that enable artists to forge creative brand partnerships to reach new fans and influencers.

UMG's business expertise in a broad spectrum of businesses including merchandise, live, audio-visual content, film, theatrical releases, data analyses and digital innovation amongst others means that artists are supported across the full spectrum of their creative activities.

24.9% of UMG's marketing and recording investment is dedicated to new talent in the group's top five markets

Vivendi Village subsidiaries Digitick and Infoconcert also provide support for young artists. In 2017, for example, their teams continued to manage the Digilove news website, which offers a selection of young musical talent showcased on their media.

Shorts and online content

Canal+ Group has a wide variety of talent discovery structures, in particular through short formats. The Bureau des auteurs is a pool of very young scriptwriters, who are given the opportunity to write short formats for the channel, like *La B.A. de François*, a featurette shown during the *Hebdo Cinéma* movie news and review program since 2017. The *Courts et créations* short features unit oversees all of the related production, especially by French filmmakers. Canal+ options screenplays and develops projects with innovative narratives, as exemplified by its *La Collection* series of short films produced every year around a different theme ("fantasy" in 2017). Canal+ has also set up a digital content division offering talented individuals, such as the members of the Studio Bagel team, assistance in producing shorts developed specifically for the web. Launched in 2017, the new Création Décalée label serves as a springboard for these artists, giving them total freedom to express themselves on TV in terms of style, content and format. For example, Monsieur Poulpe hosts *Crac crac*, his own daring, uninhibited talk show, created by Création Décalée in 2017 along with *Rendez-vous avec Kevin Razy* and *Calls* (see Section 3.1.1.4).

Motion pictures

Discovering new filmmaking talent is a particular focus of Canal+ Group, whose channel and Studiocanal subsidiary empower young directors by financing not only their debut but also their second films.

35 debut films and 24 second films financed by Canal+ in 2017

In 2017, Canal+ financed 35 first films, including the debut feature-length work by Léa Frédeval, *Les Affamés*, based on her essay by the same name and starring Louane, a young Universal Music artist. The channel also supported 24 second films, including *Les Champs de fleurs* by director Jeanne Herry, a rising French filmmaker since her debut *Elle l'adore (Number One Fan)*, nominated for a César Award in 2015 in the Best First Feature Film category. In addition, C8 supplemented the Canal+ funding by supporting three of the debut films and four of the second films.

Studiocanal helped to finance four debut films and six second films in 2017. In particular, Studiocanal supported debut features by young talents discovered on television or by Canal+ Group scouts. This was the case for La Bande à Fifi, the comedy troupe led by Tarek Boudali, who got his start doing comedy skits on Canal+. He then included the troupe in his first feature film, *Épouse-moi mon pote (Marry Me, Dude)*, which was a hit with nearly 2.5 million tickets sold. Another success was Pierre Coré's first animated feature, *Sahara*, which topped a million tickets sold. This twin objective of financing and supporting new talent made Studiocanal the leading French film distributor in 2017, for the first time since 2008.

From the stage to television

Vivendi Talents, the group-wide talent-scouting unit, is also in charge of finding journalists, columnists and comedians and signing them to one of the group's divisions. In 2017, for example, the team organized casting calls for the Canal Tour in ten cities in mainland France, Réunion Island and Guadeloupe. Between 40 and 100 people auditioned in each city other than Paris, where 500 candidates auditioned during the three casting days.

Additionally, Olympia Production, the live shows and concerts production unit created in 2016, combines with Vivendi's commitment to supporting talented young musicians and comedians, such as comedians Marina Rollman, Gérémy Crédeville and Guillermo Guiz. These three young artists are also working with Canal+ for *Le Roi de la vanne*, a weekly comedy featurette that debuted in the unscrambled window in 2017.

Incubators and writing residencies

Vivendi supports young filmmakers, screenwriters, authors and composers in their creative process through a variety of residence-based writing workshops and talent incubator programs.

In May 2017, the Vivendi/Canal+ Storytelling International Chair was created in collaboration with the city of Cannes, *Université Côte d'Azur* and the University of California, Los Angeles School of Theater, Film and Television. The Chair announced the launch of graduate-level screenwriting programs in 2018 for motion pictures (Storytelling Institute) and television (Inside Canal+ Series), each offering eight young screenwriters a series of courses taught by Canal+ production and distribution units Création Originale, Studio+ and Studiocanal.

Since 2014, the Canal+ Family channel has partnered with "La Résidence jeune public" (the Young Audience – Artists in Residence workshop) initiated by cartoon producer Folimage, which every year finances the production of an animated short, such as Indian director Krishna Nair's *Drôle de poisson (Funny Fish)* in 2017. Since its founding, the workshop has enabled more than 25 novice filmmakers from around the world to produce their cartoons, which are pre-purchased by Canal+ Family and published in children's book format by Bayard Jeunesse.

Canal+ also partners the genre screenwriting residencies offered by the SoFilm movie magazine, which encourage innovative writing methods by bringing together the main participants in the filmmaking process. Following a call for projects, in 2017, ten screenwriters were selected for the program, during which they viewed season one of Studio+'s innovative *Crime Time* series before attending a masterclass on "how to reinvent the genre series."

Canal+ Poland, in association with Polish director Andrzej Wadja's film school and the Polish Film Institute, is one of the main partners of the Script Pro 2017 competition for young novice screenwriters, which offers them a real opportunity to see their screenplay get produced into a film. The selected participants develop their screenplays in workshops organized by the Wadja School, with Canal+ financing the grand prize awarded to the best one. Also in collaboration with the Wadja School, Canal+ Poland continued to support the Canal+ Series Lab, a vocational laboratory for talented screenwriters and producers set up in 2016 to develop innovative, multi-season Polish series and dramas with strong local roots.

In Africa, several writing workshops are organized during the filming of local drama productions. In addition, Canal+ International partners with festivals and young motion picture talent development laboratories, such as the Ouaga Film Lab (Burkina Faso) and the Emergence Festival (Togo). Canal+ International's growing investment in local film production is opening up new opportunities for talented artists, who increasingly want to work with a leading pan-African television channel producing high-quality content.

UMG also supports new talent and emerging artists in the music industry. In 2017, a partnership was signed in France with Studio de la Seine to set up A&R Hub, a songwriting workshop that brings together talented writers and musicians. Through the partnership, Universal Music France has access to a recording studio and sound engineer on request. Universal Music France has also launched Initial, an incubator label dedicated to helping new, undiscovered artists, such as Columbine and Eddy De Pretto, to gain wider exposure.

Universal Music Australia's Forbes Street Studios partnered with American songwriting and recording artist Julia Michaels to host a songwriting masterclass for local talent seeking to hone their skills. Talented writers were selected by the UMG A&R team to take part in this one-of-a-kind workshop, which has led to a number of new collaborations. A few of the artists, such as MOZA and young writer Ava, have since teamed up in the studio to work on new tracks.

3.1.1.2. Promoting local artists

Vivendi stands out for its local production. Universal Music Group signs artists and supports them locally and internationally. Canal+ Group is positioned as a major European and French media organization, proud of its ability to create content with strong local roots and global resonance.

Universal Music's investment in local talent

Cultural diversity is integral to Universal Music Group's business, as evidenced by its extensive catalog covering every musical genre. UMG's growth stems from its ability to develop its roster of international artists, but also to spot and promote local artists, from young and emerging to best-selling acts. An established leader in its different national markets, UMG recorded albums in 44 languages and released in 120 countries in 2017.

59.4% of UMG's sales per country was locally driven in 2017

Due to its unrivalled global marketing network, UMG can take a local superstar global, as was the case with Luis Fonsi from Puerto Rico, whose single *Despacito* broke chart-topping records worldwide.

Around the world, UMG also supports music festivals and events that showcase talented local artists, such as LFest in the United States, Urbanamente and Popline in Brazil, Enchanted Valley in India, Nocturne in the United Kingdom and the Universal Music Festival at the Teatro Real de Madrid in Spain.

Canal+ and Studiocanal's support for new motion picture and television content

Diversity in film and television content is one of the pillars of the Canal+ Group's ambitious editorial line, which is underpinned by distinctive original content focused on French and European storylines that also speak to international audiences. The original programming produced by Canal+'s Créations Originales unit has enthralled viewers around the world, with broadcasters in more than 80 countries purchasing *Baron noir*, a behind-the-scenes look at French politics, and *Le Bureau des légendes* about the murky world of French spies and security services.

50% of CNC-approved French language films financed by Canal+ in 2017

Canal+ remained the privileged partner of French cinema in 2017, when it actively supported creation by financing 50% of French language films approved by the French National Center for Cinema and Motion Pictures (CNC), representing €116.5 million for a total of 112 films. Even though its investment obligations decreased during the year, Canal+ chose to continue funding the same number of films as in 2016, both to supply content for its channels and to avoid disrupting the production industry. As such, three-quarters of the pre-purchases were for films that were low-budget (under €4 million) or medium-budget (between €4 million and €7 million).

Canal+ Group's youth channels, Piwi+ and Teletoon+, are also major sources of funding for the production of animated series in France, investing more than €10.9 million to support 20 French-led animated series or programs, which it broadcast exclusively in 2017. French and European culture are deeply embedded in the development process for these channels' programming and content. Particularly in the case of Piwi+, which reaches very young children, the editorial line is nurtured by all-new series adapted from children's literature, such as *Petit Poilu, Polo* (season 2) and *Ariol* (season 2).

€153 million invested in European works by Studiocanal in 2017

In 2017, Studiocanal once again demonstrated its European leadership in the production, acquisition and distribution of movies and TV series. The Canal+ Group's motion picture subsidiary, which comprises the French unit and the British and German subsidiaries, is also active in Australia and New Zealand. During the year, it distributed 47 new feature-length films from six different countries, in the five territories in which it operates directly. It produced or co-produced 19 of them, working with 22 directors from four different nationalities.

Canal+ International's support for new motion picture and television content

One of the leaders of cinematic expression in mainland France and its overseas departments and territories, Canal+ Group also plays a significant role in Africa, Poland and Vietnam, where Canal+ International's subsidiaries invest in local talent.

€46.8 million invested in local African, Vietnamese and Polish content in 2017 (excluding sports rights)

In 2017, Canal+ International reaffirmed its commitment to promoting pan-African talent by participating, in every country where Canal+ International operates, in a growing number of productions, co-productions and pre-purchases of drama series, short formats and immediate broadcast programs, all with the goal to portraying Africa in all its diversity.

One example of the programs showcasing African cultures is *Les Mardis de l'Afrique*, a weekly broadcast of pan-African news and reports that debuted on Canal+ in 2017. The show covers economic, health and cultural topics, with magazine programs such as *Afrodizik*, dedicated to local music, whose episodes present musicians interviewed on the streets of an African capital (Dakar, Abidjan, Brazzaville and Bamako in 2017). A+, the African network based in Ivory Coast and broadcast in more than 20 French-speaking countries in West and Central Africa, as well as in France, is investing in series being filmed in five African countries and has purchased original programming produced in 11 countries on the continent.

Emerging talent is scouted and showcased in a broad range of programs, such as the weekly *Le Parlement du rire*, which offers debuting comedians a chance to try out stand-up routines, and *L'Afrique a un incroyable talent*, which returned to A+ in 2017 as the network's flagship talent show. In season two, after two months of auditions across Africa, more than 400 talented people in every discipline (including music, dance, performing arts and circus) and from 22 African countries competed in the finals. Similarly, the broadcast of the Urban Music Festival of Anoumabo (FEMUA) organized by the Magic System band was also an opportunity to promote young talent.

Canal+ International is also an engaged stakeholder and active investor in the African film industry, having supported nearly 60 co-productions or pre-financed motion pictures since 2005.

In addition, it is continuing to support leading pan-African festivals celebrating local filmmaking, such as Écrans noirs in Cameroon, the Escales documentaires de Libreville in Gabon, Clap Ivoire in Ivory Coast and Fespaco in Burkina Faso, the continent's largest film and television festival that Canal+ has partnered with since 2009. For the 2017 event, the Canal+ and A+ channels helped finance seven of the films and series in official competition and three of those presented out of competition. Three of these works won awards, the *Tundu Wundu* series, the movies *Wulu* and *Félicité*, directed by Alain Gomis and co-produced by Canal+ International, which secured the Golden Stallion, the festival's most prestigious prize. In tandem, special Fespaco programming was broadcast on the Canal+ Afrique network. In 2017, the group also partnered with the Nuit des Séries, a special evening during the festival dedicated to original African TV series featuring talent from all over the continent. In all, the Canal+ and A+ channels organized four Nuits des Séries evenings during the year in CanalOlympia venues in Senegal, Cameroon, Togo and Burkina Faso.

The Canal+ Group's Polish subsidiary is also involved in local production deals. In 2017, season two of Canal+ Poland's first original series, *Belfer*, aired, while season one won the Eagle Award, Poland's Emmy, for the best series in 2017 after a successful first broadcast run that culminated in nearly half a million viewers for the final episode. The nc+ channels continue to offer local programming, such as Ale Kino+, which focuses on European and Polish art house films and series, and Canal+ Film, which has a programming window dedicated to local art house movies.

To support the local film industry in Vietnam, K+ financed four Vietnamese films for the third year running in 2017, including *The Tailor* by Tran Buu Loc and Kay Nguyen, which was selected and presented in a world premiere at the 2017 Busan International Film Festival in South Korea. The channel also reaffirmed its position as the leading premium broadcaster of Vietnamese films through its new *"Because You Love Movies"* campaign, which underscored its extensive movie line-up featuring not only Vietnamese films, just four months after their theater release, but also a wide selection of Asian films and series.

In France's overseas departments and territories, 2017 saw Canal+ International launch Canal Outremer, an events channel designed to offer a wider audience to local programming from the Caribbean, the Indian Ocean and New Caledonia. In particular, it is showcasing pop-up channels dedicated to major local sports or cultural events such as the Grand Raid mountain marathon or the Sakifo Musik Festival, both held on Réunion Island. The latter, a major event in the Indian Ocean, was covered by the channel in a special live broadcast and a number of dedicated programs. Canal Outremer also broadcast the Terre de blues Festival held on Marie Galante island. In the same vein, Canal+ Caraibes launched *+De Zik*, a prime-time music show featuring live performances by a wide variety of local and international artists such as Faada Freddy, Sizzla or Morgan J. Lastly, in its deep dedication to promoting local talent, Canal+ Antilles joined with the Guadeloupe regional government in 2017 to create a support fund for the production of television content. In September, the fund issued its first call for documentaries and short films produced by Guadeloupean filmmakers. The selected projects will receive up to €60,000 in funding and a possible broadcast on the Canal+ Guadeloupe, Martinique and French Guiana channels, as well as a slot on Canal Outremer.

3.1.1.3. Preserving and promoting heritage works

Preserving and promoting their international musical and motion picture assets is a core mission at UMG and Canal+ Group, which manage outstanding catalogs representing both a rich cultural heritage for audiences and a powerful source of value creation for the group.

Promoting music catalog assets

For UMG, promoting its catalog assets is a global, cross-genre commitment, backed by the extensive investment by its subsidiaries from Brazil and Mexico to New Zealand and Japan. In the United States and the United Kingdom, 29,000 digital audio master assets have been created from analog tapes by teams working across UMG's global archives.

62% of UMG's digital sales and 38% of its physical sales are generated by the catalog (works marketed for more than two years)

Several works from the UMG catalog were released or re-released in 2017. Decca Records and Deutsche Grammophon, for example, released the complete recordings by Austrian conductor Herbert von Karajan, commemorating the 25 years since his passing. The ultimate boxed set is one of history's largest encompassing 354 discs in total.

To celebrate the 50th anniversary of *Sgt. Pepper's Lonely Hearts Club Band*, Apple Corp. and UMG released the first-ever reissue of a The Beatles studio album, comprising 33 additional recordings, most previously unreleased and mixed from the original tapes.

Celebrating the 50-year anniversary of Elton John and Bernie Taupin's songwriting partnership, UMG also released a greatest hits collection from Elton John *Diamonds*. The set was issued across a number of formats, including a deluxe edition with 72-page hardback book that featured stunning imagery and notes by the two artists.

For the 20th anniversary of the passing of legendary French singer Barbara, UMG France also released *Comme un soleil noir*, a collector's boxed set comprising all of the artist's 15 studio albums recorded between 1965 and 1996 and CDs of her most famous concerts, including the first-time release of her 1963 show at the Théâtre des Capucines.

Capturing the value of UMG's back catalog also means digitizing music libraries and making them easier to access. Iconic jazz label ECM, for example, debuted on streaming services in partnership with UMG in 2017, while Universal Music Spain restored and digitized Flamenco back catalog releases as well as other back catalog albums of similar local genres.

In addition, UMG also announced the co-production with Studiocanal of a new documentary based on one of its major catalog artists, the acclaimed maestro tenor Luciano Pavarotti. It will be directed by Ron Howard, following on from the success of his Grammy Award-winning documentary, *The Beatles: Eight Days A Week – The Touring Years*.

Lastly, Universal Music partners with museums to showcase its music assets. In Sweden, Universal Music is one of the major partners in the ABBA Museum, which features concert footage, interviews, stage costumes and memorabilia from the legendary Swedish pop group. Island Records collaborated with London's Tate Modern museum on its major 2017 exhibition "Soul of a Nation: Art in the Age of Black Power", which shone a bright light on the vital contribution of black artists during a dramatic period in American art and history. To enhance the experience with a soundtrack, Island Records offered the museum a playlist of period music curated by the label's president.

Promoting movie catalog assets

Studiocanal continues to lead an ambitious policy of promoting and preserving its motion picture catalog, which is one of the largest in the world, with more than 6,500 titles. In particular, it is continuing to digitize these masterpieces, to broaden their access to a wider audience and secure their sustainability.

More than 60 catalog titles preserved, digitized and upgraded by Studiocanal in 2017

In 2017, Studiocanal restored Claude Chabrol's 1962 film *L'Œil du malin (The Third Lover)* and saw the world premiere of its re-release at the 74th Venice International Film Festival.

In 2017, for the 50th anniversary of *Belle de jour*, it also digitized the original negative of Luis Buñuel's masterpiece and restored it in 4K. The restored copy had its world premiere in the official selection at the Cannes Classics festival, before traveling to festivals around the world, from Brazil to Japan. It has also been released in theaters in every Studiocanal territory. In France, the release was accompanied by a retrospective of six Buñuel films from the Studiocanal catalog, which was acclaimed by the movie-going public. This outstanding project celebrating one of the world's great directors culminated, in the fall of 2017, with the release of a new Buñuel blu-ray box set.

With the same goal of making its catalog more widely accessible, especially to younger audiences, Studiocanal lent its support to the Cité des sciences et de l'industrie museum and the CNC to create the *"Effets spéciaux : crevez l'écran"* exhibition running from October 2017 to August 2018. The highly educational event takes a look behind the scenes of a film set, with eleven excerpts from movies donated from the Studiocanal catalog giving visitors a better understanding of how special effects have been used over the years.

To promote movies on television, Canal+ also aired an exceptional program on Jean-Paul Belmondo ahead of the 42nd César awards ceremony, which was dedicated to the iconic French actor and broadcast on Canal+. In addition to the César ceremony, Canal+ remains the exclusive distributor of Cannes Film Festival footage and devoted 440 hours of on-the-air coverage to the event in 2017. In October, Canal+ began airing a new film-related program called *"Cinéma, par..."* which, each episode, gives a director *carte blanche* to imagine his or her ideal TV program about movies and discuss the films that shaped his or her filmmaking vision.

3.1.1.4. Innovating in entertainment content and development

The diversity of content offered by the group is driven by its commitment to innovation, in both entertainment content and the way it is created, through novel partnerships, pioneering distribution systems or all-new formats.

UMG is continuously building innovative partnerships with entrepreneurs in immersive technologies such as virtual and augmented reality (VR/AR). In 2017, Universal Music formed a number of strategic alliances – with Within, MelodyVR, Stage.me, VRLive, Jaunt and Specular Theory – to create and distribute unique immersive experiences featuring artists from the UMG roster. Several projects have already been developed. As part of the partnership with Within, legendary English rock band Queen, along with American Idol's Adam Lambert, released their first live-concert virtual reality experience. The *VR The Champions* 360-degree 3D experience premiered globally on VRTGO, Universal Music Group's VR platform.

To foster musical creativity in today's digital ecosystem and help address the artistic needs of musicians more effectively, UMG's Abbey Road Studios launched the Topline app in 2017. Developed in close collaboration with emerging songwriters and producers from across London, Topline enables musicians to catch their musical ideas instantly and precisely, sketching the beginning of a song as it happens. It also lets them share files easily, sing over imported tracks and add lyrics. Spinnup artists Bloom and Indigo Palace were given early access to demo the app and joined forces at Abbey Road to use it to write and record a new song together, which was then distributed by Spinnup.

The group's innovation approach is also driven by its ability to find new ways to create and distribute content. To meet growing demand from smartphone users for short content, in 2016, Vivendi launched the Studio+ mobile app, which offers a new lineup of unreleased series in the innovative format of ten 10-minute episodes per season. One example is the *Deep* series, about the world of freediving, which innovates by using the mobile format itself, alternating vertical and horizontal footage depending on how the smartphone is held. In 2017, Canal+ Group also launched its Création Décalée brand, which is experimenting with new formats like the *Calls* series, based solely on sound. Leading actors lent their voices to a creative auditory experience in ten 10-minute episodes, including one broadcast using binaural technology to spatialize the sound. Innovative formats also include the Création Documentaire *Exodus: Our Journey to Europe*, which follows the journey of migrants leaving for Europe in a mixture of news reports and videos filmed by the migrants themselves.

The group also pays particular attention to start-ups, supporting their development and partnering with them to remain at the forefront of innovation.

Already a pioneer with Abbey Road Red, Europe's first music tech incubator program, Universal Music further demonstrated its commitment to promoting the development of innovative music-based start-ups by launching the first of its kind Accelerator Engagement Network in 2017. As part of the new structure, UMG will work closely with programs based in countries around the world, contributing its music industry expertise during the process of selecting and mentoring promising start-ups, while the accelerators guide them through the development and funding stages. At its launch, the collaborating accelerators included Axel Springer's Plug and Play in Berlin, LeanSquare in Liège, and NYC MediaLab in New York.

3.1.1.5. Ensuring respect for intellectual property rights

Respect for intellectual property, the foundation of any long-term financing of artistic works, is a major issue for Vivendi, whose subsidiaries ensure respect for intellectual property rights while meeting demand for new ways of consuming content.

UMG is acting on a number of fronts, often collaborating with the rest of the music industry to combat piracy. UMG is also a member of several organizations promoting the sustenance of artistic creation, including the Copyright Alliance, the Global Intellectual Property Center of the US Chamber of Commerce, the Transnational Alliance To Combat Illicit Trade (TRACIT) and the International Anti-Counterfeiting Coalition (IACC). In addition, UMG's merchandising subsidiary Bravado plays an active role in the Trademark & Rights Holders Against Piracy (TRAP) collective, both in its legal actions and in its physical and online takedowns.

From a technical standpoint, UMG uses tools to identify and take down illegal content, both directly and indirectly via industry bodies such as the International Federation of the Phonographic Industry (IFPI) and its local branches. UMG's Content Protection department organizes releases globally to forestall attempts at piracy and uses digital watermarking to track pre-release content and distribution paths. The team also searches for links connecting users to pirated content in order to remove them from platforms and websites.

To remove revenue streams from pirate services, UMG takes a "follow the money" approach, working closely with payment processors, the online advertising community, mobile application developers and other players in the digital ecosystem.

Another major thrust of the fight against piracy is to raise awareness among young people of the value of legitimate music consumption. To do so, while also improving public understanding of the music value chain and offering young people opportunities to discover the different facets of the music industry, UMG has joined such initiatives as the global "Why Music Matters" campaign, "Get It Right From a Genuine Site" in the United Kingdom and "Cycle of Music Creation" in Japan.

UMG also actively lobbies governments to improve the legal protection of intellectual property. Its 2017 efforts included work on the "value gap", the gulf between the value that certain "user upload content" platforms derive from music and the value they return to creators to exploit that content. UMG is working closely on this issue with the IFPI, notably in Europe in response to the European Commission's proposed Copyright Directive. UMG also works on such policy issues as the need for an effective "notice and stay down" system, copyright provisions of trade agreements such as NAFTA, and the EU proposal to prohibit geo-blocking of music content.

Canal+ Group's risk management policy includes the development of action plans to combat the two main forms of audiovisual piracy: the unauthorized viewing of Canal scrambled broadcasts via cardsharing and especially unlicensed IPTV streaming, and content pirating via streaming sites, P2P torrents and direct downloads. The anti-piracy strategy is managed by a group-wide unit spanning the French entity and representatives of Canal+ International.

In terms of technology, the group ensures the development of tools to identify illegal content, uses digital fingerprints to protect its content, secures its set-top boxes and maps pirates. Another major project concerns the deployment of initiatives to reduce the online visibility of pirated content.

Canal+ International uses fingerprint technology in Africa and Vietnam, in particular to identify and punish the use of smartcards shared illegally by the administrators of pirate cable networks. In Africa, the technology is backed up by legal action and technical countermeasures aimed at deactivating illegal connections.

Lastly, piracy is being combated by working in close coordination with other rights holders and stakeholders across the audiovisual and entertainment industry. In 2017, for example, Canal+ Group joined the Alliance for Creativity and Entertainment, a global coalition of leading content creators, including many of the American majors. In Africa, Canal+ is a member of the pan-African Convergence association, created in 2015 by African content producers, regulators and other audiovisual stakeholders to engage and inform public authorities, the media and industry professionals in Africa and Europe. During the Écrans noirs festival, it organized a roundtable to discuss creative rights and piracy's adverse impact on content development.

In Vietnam, K+ is a founding member of an alliance to combat piracy that includes rights holders, content producers and other pay-TV stakeholders. As in other countries, raising awareness is a major concern. In 2017, for example, a trailer was produced and shown in Vietnamese movie theaters to educate the public about how piracy is harming the film industry. Similarly, the alliance's campaigns to raise awareness among advertisers resulted in the removal of online advertising from around fifty pirate websites.

Gameloft has set up screening processes to detect the online release of illegal copies of its games, combined with a fast notice and stay down procedure to remove offending copies from websites and online stores. The procedure is supported by close collaboration among the marketing department, legal affairs and the anti-piracy unit. Game product managers are regularly trained in applicable intellectual property protection standards and legal affairs reviews for every game to prevent any infringement of intellectual property rights.

To optimize protection of copyrighted content and strengthen its close relationships with rights holders, Dailymotion uses, in tandem, two content filtering solutions developed by INA and Audible Magic that detect digital fingerprints and block the upload of any copyrighted video or audio content previously protected by the rights holder. These filtering solutions also make it possible to offer rights holders dedicated management agreements, to share revenue from authorized content, for example, thereby driving a beneficial cycle to support a rights holder's digital strategy. Dailymotion also offers users, in compliance with legislation, a procedure for reporting copyrighted content. Such notices are processed according to the procedure described in Section 1.3.3 above.

3.1.2. EMPOWERING AND PROTECTING YOUNG PEOPLE IN THE MEDIA

3.1.2.1. Empowering Young Audiences

Young people are among the biggest media users. In a digital environment that is dramatically changing consumer habits and cultural practices, Vivendi takes care to ensure that the group's content and initiatives meet the expectations of its young audiences. The aim is not only to entertain young people but also to support their creativity and social skills and ensure that they use media in a way that is fulfilling and instructive.

For the Canal+ Group's youth channels, creativity, early learning and discovery are key components of the editorial policy. *My Little Songs* is a good example; by giving young children access to traditional songs and nursery rhymes in both English and French, this animated series provides the perfect starting point for an early introduction to languages. Drawing on European culture, this educational music program has also been enhanced by digital development, enabling children to become active participants in the learning process through educational mini-games. In a similar vein, *Les Ateliers Piwi* encourages children to develop their creativity by showing them how to make fancy-dress costumes and decorations and introducing them to drawing.

To reach out to young fans, UMG has deployed a number of dedicated initiatives to encourage their creativity and passion for music, while deepening their ties to their favorite artists by offering opportunities to share one-of-a-kind experiences with them. In one example, Imagine Dragons and their label, Interscope, teamed up with Adobe Make The Cut to invite fans to produce a video clip in 25 days, based on exclusive raw music video footage. In all, more than 16,000 fans across 180 countries participated in the contest. The 25 finalists were reviewed by the panel of judges, including members of Imagine Dragons, who selected the winner for a "meet & greet" with the band. In 2017, UMG and Facebook announced an unprecedented global, multi-year agreement under which UMG became the first major music company to license its recorded music and publishing catalogs for video and other social experiences across Facebook, Instagram and Oculus. The partnership will facilitate deeper engagement between artists and fans, empowering users to express themselves through music, share the songs they love and build communities around music-fueled culture.

To assist and promote a new generation of artists and music industry professionals, UMG participates in a wide array of initiatives, ranging from Spinnup, the app for unsigned artists, to the development of digital applications to encourage music appreciation and education. Classical music label Deutsche Grammophon, for example, has partnered with Tombooks, creator of an app that lets musicians play along with interactive sheet music. Recordings by great classical musicians in the Deutsche Grammophon repertoire will be synchronized with the scores, enabling app users to listen to, be inspired by, and play along with legendary artists such as Martha Argerich and Daniel Barenboim.

UMG's support is also expressed in a variety of other initiatives, such as the Utalks program in the United Kingdom and UMusic Experience in the United States, which enable UMG professionals to meet with young people interested in careers in the music business. Among the highlights of 2017 were: a masterclass in urban music given by musician Pusha T and Steven Victor, Head of Def Jam A&R, to 400 students at New York University; and the first UMusic Experience festival, organized by students on their campus and featuring workshops, moderated by UMG executives, on topics as varied as "music & technology" and "music & influencing social change".

Giving young people the opportunity to express themselves and supporting their commitments through the group's businesses is another focus of Vivendi's policy. This is why the group partnered with Fondation Hirondelle in 2017 (see Section 1.3.3) to organize special media coverage of the eighth Francophone Youth Parliament. The event provides an opportunity for young French speakers – including many from Africa – to explore the challenges of being a responsible citizen during a parliamentary simulation. Vivendi and Canal+ International helped the young participants create video diaries of their experience. Giving young people the opportunity to express themselves is also the objective behind the Planète+ documentary *C'est pas pour nous*, which focuses on young people from disadvantaged or immigrant backgrounds. The title of the documentary was how the director's mother reacted when her daughter said her dream was to make films. Directed by Maïmouna Doucouré (Best Short Film winner at the 2017 César Awards) and released in January 2018, the documentary seeks to understand the rules of social determinism through interviews with young people who have managed to overcome obstacles.

The group also provides support to external initiatives that encourage young people to express themselves. In 2017, for the second year in a row, Canal+ Group partnered with *Tous Hanscène*, a video competition for students to showcase the efforts made by their school or university in favor of people with disabilities. Prizes are awarded for the best short films about disability and the integration of disabled youth in society. In Cameroon, Canal+ International supported the Pocket Film Festival, a competition organized by the French Institute of Cameroon, which called on young people to make videos about the African city of the future using a smartphone.

For Vivendi, empowering young people in the media also means paying special attention to those who are particularly cut off from cultural projects. Many of the group's partnerships are underpinned by a desire to help disadvantaged young people flourish by offering them entertainment and the means to develop skills relating to Vivendi's businesses, often with the cooperation of employees.

Since 2008, through the Vivendi Create Joy Fund, Vivendi has been committed to developing the curiosity and creativity of young people who are sick or disadvantaged. Each year, the fund finances around 30 major projects aimed at developing individual and group talent in Vivendi's areas of expertise, such as music, cinema, video games and journalism. The Vivendi Create Joy Fund also aims to encourage young people cut off from professional networks to thrive in a profession and in the passion shared by the group; as such, it supports vocational training in Vivendi's fields of activity. The program has been implemented in France, the United Kingdom and Africa. Vivendi's employees are involved with the organizations supported by the group through the Ambassadors Create Joy program. The volunteer skills provided by the Ambassadors help make the projects a success. In 2017, Vivendi also became a partner of the *Innov'Avenir* program, to support the transmission of digital culture to all young people (see Section 1.3.3).

30 projects supported by the Vivendi Create Joy Fund in 2017

UMG Australia is funding a long-term partnership with the charitable organization Musicians Making a Difference, which offers art therapy to tens of thousands of troubled youths. In particular, it is supporting the organization's mentoring program, Rise Up, whose ten participants are mentored by UMG employees in writing and recording a song and producing a video clip. In addition, in 2017, UMG artists MOZA and Pez helped with the writing and production process.

In the same spirit, UMG continued its partnership arrangement in the United Kingdom with East London Arts & Music, a free school for 16-19 year olds, whose mission is to increase access routes into the music and other creative industries. In addition to financial support, UMG offers trainees from the school intensive hands-on experience across all divisions of the company, including Abbey Road Studios. Other group employees met with young people participating in Urban Development and Music for Youth, two charities supported by the Vivendi Create Joy Fund.

Canal+ Group also carries out initiatives that enable disadvantaged young people to learn about the audiovisual professions. One example is the *sports commentator* program led by non-profit organization *Sport dans la Ville*, which teaches the techniques of sports commentating while also boosting self-confidence. In 2017, Canal+ Group also held another *Grand match Égalité des chances* journalism competition, sponsored by the program *Clique.tv* and reserved exclusively for young people supported by a panel of non-profit organizations that promote equal opportunity. The best stories were selected, followed by an audition, and the winner benefited from a week's work experience with the group's editorial teams.

3.1.2.2. Protecting Young Audiences

Vivendi operates in industries where stringent laws and regulations are in place to protect young people, and the group ensures strict compliance with these laws and regulations in all of the countries where it has a presence.

Vivendi's subsidiaries provide their audiences with a number of tools to help them master the use of the group's products and services.

In a number of countries, including France since 2017, UMG voluntarily participates in the Parental Advisory Label Program, which encourages the use of "Parental Advisory – Explicit Content" stickers on releases whose language may be inappropriate for younger audiences. UMG includes this information in music file metadata to ensure that the label is uniformly displayed across the entire distribution chain, including digital channels. In Japan, UMG is a member of the Music Production Ethics Committee of the Recording Industry Association of Japan and applies both the committee's standards and its own internal guidelines in managing sensitive lyrics and audio and video content.

In addition, UMG is pursuing dialog with partners and public authorities in a number of countries on the conditions for establishing an age rating system for its online videos to protect children from inappropriate content. In the United Kingdom, this is done in co-ordination with the British Board of Film Classification, to which all videos that may include inappropriate content are submitted. In 2017, the 19 submitted videos, which accounted for fewer than 10% of all videos produced by UMG UK, were returned with a 12 or 15 rating and none were rated 18.

At Canal+, protecting children and teenagers is one of the principles set out in the Ethics Charter. In all territories, the group has continued to roll out policies that aim to provide parents with parental control tools and apply age range indications to its content. The group also ensures that its programs raise awareness among young people about the responsible use of digital technology. In 2017, Teletoon+ launched *Culture décode*, a series of short programs with a positive and informative approach to help guide young children in their discovery of the proper use of digital technology. The videos can be accessed freely on the myCanal online portal. Similarly, during 2017, *Teletoon+ Play*, a program about games and new technologies broadcast in Poland, addressed the issue of their impact on development.

Gameloft has also taken various measures aimed at protecting younger users. From an editorial perspective, Gameloft aims to offer a catalog that targets the widest possible audience, with a vast majority of games whith content accessible to all age ranges. Nevertheless, the group takes care to ensure that each of the licenses available is used by the audience for which it was developed, whether that be families or just adults.

That's why, in all digital stores, Gameloft games are clearly classified using an age rating system, as well as incorporating visuals and descriptions that ensure full transparency about the content made available to the public. In addition, the games themselves have a feature that requests users to confirm their age again before allowing them to access content. On games that are not designed for audiences of any age, access is then blocked for users under 13.

Gameloft provides clear, easy-to-read information about the presence of advertisements and the possibility of in-game purchases, in compliance with digital store guidelines and local laws and regulations. Each game is developed in accordance with advertising guidelines, so that any ads inserted into the games – particularly those designed primarily for children and teenagers – do not display or link in any way to content that may be harmful. Compliance with these guidelines is ensured by the product manager, in liaison with the legal department, which is involved in all stages of game development, from design to market launch.

A signatory of the European Safer Social Networking Principles, Dailymotion takes part in raising awareness among young audiences and their parents on the risks of the Internet. For this purpose, Dailymotion has posted a code of conduct online in the form of a video produced by the non-profit organization E-Enfance, to remind users of a few key principles when using the site. Dailymotion has also installed a parental filter on its platform that is activated by default. Clearly displayed on each of the platform's pages, the filter works by using key words associated with each type of content.

Also, when the platform's new interface went live in May 2017, Dailymotion enhanced the system for reporting explicit content (see Section 1.3.3) by adding two additional categories to the form. The new form allows users to report defamatory and hateful content and content that infringes on privacy rights, in addition to the pre-existing categories of sexual content, violent content and copyright infringement.

Lastly, within Vivendi Village, See Tickets informs its customers about the age limit for concerts offered on its site. A clear and express notice about the age required to attend an event appears at the time of the online payment.

In 2016, Vivendi joined the European Commission's Alliance to Better Protect Minors Online, an initiative bringing together the media and telecom sectors (e.g., operators, content and online service publishers, operators of online content-sharing platforms and search engines) and NGOs specializing in child protection, and based on a pledge to better protect children from harmful content and online harassment. In 2017, Vivendi prepared an action plan and timeline with representatives from various subsidiaries for the implementation of protective measures in relation to the services and content offered to younger audiences.

3.1.3. FACILITATING ACCESS TO AMBITIOUS, QUALITY CONTENT

3.1.3.1. Facilitating Access to Media

Vivendi is determined to facilitate access to the group's media and content so that everyone can share the benefits, including those for whom access is particularly difficult.

Creating New Opportunities to Access Audiovisual and Live Entertainment

To make cultural activities more accessible in countries with less developed infrastructure and to enhance the cultural offering in Africa, Vivendi has continued to roll out its CanalOlympia theaters and entertainment venues, with seven inaugurations in 2017. The network comprises eight venues in total, located in seven countries in Central and Western Africa, with a capacity of 300 people for indoor events and several thousand for outdoor events. Environmentally friendly, the venues run on solar power and are fully autonomous. The ticket price has been set deliberately low, at around €2.30, to allow access to as many people as possible. A total of 19 cinema sessions are programmed each week, including four dedicated to children's films, and to support the local cinema industry, at least one film per week is an African production. In Cameroon, for example, one of the films shown in 2017 was *Minga and the Broken Spoon*, the country's first 100%-local animated film inspired by *Contes du Cameroun*, a book that has been taught in schools across the country for many years. Designed to showcase the rich cultural heritage of both the country and the continent, these multi-purpose theaters also serve as live entertainment venues. In 2017, the live program included stand-up comics in Ouagadougou as part of the *Afrique du Rire* itinerant comedy festival, as well as concerts by African artists such as the one in Dakar by Niska, a young French rapper of Congolese origins. CanalOlympia's objective is to shine a spotlight on local artists, enable them to meet their audiences and provide them with a springboard to launch their careers across the continent. Together with Canal+, the venues also forge numerous partnerships with local film festivals, such as Écrans noirs, La Nuit des Séries and Fespaco (see Section 3.1.1.2). In fact, the venue in Ouagadougou, Burkina Faso was inaugurated on the opening night of the Fespaco festival, of which Canal+ Group is one of the main sponsors. The theater programmed special screenings throughout the festival week and theater-goers were able to attend the recording of a special Fespaco version of Canal+'s *+ d'Afrique Live* show.

7 CanalOlympia venues inaugurated in 2017

After reaching nearly 3,000 spectators in 2016, Canal+ decided to organize a second *La Fête du Cinéma* itinerant film festival in Benin in 2017, with a view to bringing cinema to even more people. The Canal+ caravan therefore spent one month traveling to five cities in Benin in order to promote local and African films and make the cinematic arts accessible to as many people as possible. The outdoor cinema sessions on a giant screen gave audiences the opportunity to watch around 15 different works in various formats, including animated films, documentaries, shorts and features, most of which were produced in Benin. Canal+ also supported another itinerant festival during the year, Afrikabok in Senegal.

Determined to make its catalog available to all audiences, Studiocanal initiated a partnership in 2017 with Kinomady, a non-profit traveling cinema organization whose goal is to distribute audiovisual content to geographically and/or culturally isolated communities in France and Europe. The partnership's first initiative was a free, open-access screening of *Shaun the Sheep* at a camp for migrants. In liaison with CanalOlympia, Studiocanal also organized charity screenings for disadvantaged children during the holiday season.

For Canal+ International, geography is also an obstacle to access. The solution to this lies primarily in creating local sales outlets in areas where previously there were none. The extensive network of subscription charging stations, together with home sales, is one of the unique elements of the group's distribution network and promotes access to its offerings in both urban and rural areas.

Content accessibility also depends on the affordability of subscriptions. In 2017, Canal+ International continued to roll out its DTT offering launched in Congo under the name "Easy TV", which gives users access to 30 local and international channels for a fee set deliberately low to make it accessible to the largest audience possible.

Using Digital Technology to Broaden Access to Media

In digitizing its exceptional catalog of musical works, UMG offers wider access to thousands of recordings, including those no longer available on physical media. The group also partners with distribution networks and digital music services in the regions it covers to make its offerings as accessible as possible.

In countries with less developed infrastructure, UMG forms partnerships with telecom operators to create music bundles, which help to improve access to music content for populations in remote geographic areas. Partnerships of this type are in place in such countries as the Philippines, Singapore, Cambodia, India, Turkey, Malaysia, Belgium, Australia, Brazil and several other Latin American countries. They also offer an opportunity to enable low-income consumers without credit cards to purchase music via their mobile phone payment systems. This global music bundling strategy offers people easier access to music.

UMG also strives to offer every music fan access to the full diversity of its catalog, whether through free-to-user services or specially priced offers such as Deutsche Grammophon's Yellow Lounge, which enables young audiences to purchase affordable tickets to classical music concerts. In 2017, music lovers in Berlin could attend a concert by renowned pianists Max Richter and Víkingur Ólafsson for just £5 a seat, while a much larger audience could watch the performance at home via live stream in partnership with *Die Welt* newspaper.

Recognizing the role of digital technology as a lever for the public to discover heritage works, in 2014 UMG launched uDiscover, a global platform accessible by app. Featuring multiple playlists, podcasts and music quizzes, uDiscover is a new way for music lovers to explore UMG's vast catalog of legendary artists, albums and songs. The site attracts more than 800,000 unique visitors a month, of whom 250,000 subscribe to its music e-newsletters.

More than 29 million visitors to the uDiscover platform since going live in 2014

Vivendi also owns Dailymotion, an online platform that showcases the group's content internationally and attracts 300 million unique visitors a month.

Ensuring Access to Media for Disabled Users

In France, Canal+ Group's channels offer their subscribers the following two possibilities: audio description for the blind and visually impaired and subtitling for the deaf and hearing impaired (the latter available on 100% of Canal+ channel programs, excluding advertising). Since December 8, 2017, subtitling for the deaf and hearing impaired (SDH) is also available on the canal-vod.com website. The first video-on-demand (VoD) service to make SDH systematic, Canal VoD aims to offer this feature on all of its new content. In addition, CNews broadcasts a news program accompanied by sign language interpretation from Monday to Friday each week. Linguistic accessibility to programs broadcast on Canal+ Group channels is underpinned by the subtitling or dubbing of 100% of foreign programs acquired by these channels in France, as well as the provision of multilingual versions.

The entities of Vivendi Village have also taken measures to promote accessibility. See Tickets has a special phone number that allows customers with disabilities to reserve a seat that meets their needs. Whenever possible, priority is given to reserving a seat accessible without steps or stairs, close to the stage, or which allows the use of a sign language interpreter.

3.1.3.2. Being Demanding About Content Quality

Quality and originality are key components of the editorial line shared by Vivendi subsidiaries. The group offers content that is acclaimed by subscribers, critics and the general public in all countries where it is present.

2017 was another year full of success for the artists signed by UMG labels. Drake swept the field at the 2017 Billboard Music Awards, becoming the first artist to take home 13 awards in a single year, including Top Artist. Other notable UMG winners included Chris Stapleton, Florida Georgia Line, Desiigner and Juan Gabriel. At the 2017 MTV Video Music Awards, UMG had winners in most of the categories, with Kendrick Lamar taking top honors with six awards. UMG artists were also recognized in France, with LEJ, Benjamin Biolay, Louise Attaque, Kungs and Ibrahim Maalouf taking home awards at the 2017 Victoires de la Musique, and Bigflo & Oli, Calogero and Salvatore Adamo climbing the podium at the 2017 Grand Prix Sacem ceremony.

In 2017, films produced or distributed by Studiocanal were once again shortlisted for major film awards, with 23 Oscar, 21 BAFTA and ten César nominations. In addition, *Le Redoutable*, a film co-produced and distributed by Studiocanal, was selected for the official competition at the 70th edition of the Cannes Film Festival.

African films co-produced by Canal+ Afrique also received international acclaim during the year, with *Makala* winning the Critics' Week Grand Prize at Cannes and the Documentaire Extraordinaire award at the Bergen International Film Festival, and *Félicité* winning a Silver Bear in Berlin and a Jury Prize at the 2017 Chicago International Film Festival.

Canal+'s expertise has been established since 2004 by its Créations Originales, which are the cornerstones of the channel's editorial policy.

Distributed worldwide by Studiocanal and acclaimed at international film and series festivals, these original production series play a key role in building the group's reputation. *Le Bureau des légendes*, created by Éric Rochant, for example, has been distributed in more than 80 countries and received numerous accolades in 2017, including Best Series and Best Script from French TV critics association ACS, Best TV Series at the 2017 Globes de Cristal awards and Best Series at the 22th French audiovisual, radio and television awards. *Baron noir*, a Création Originale exported to more than 80 countries, won the DuoTV 2017 award for best author/producer duo at the 24th Trophées du film français and Kad Mérad was nominated for an International Emmy Award in the best actor category for his role in the series. The first original production from nc+, *Belfer*, was also named best series of the year by the Polish Film Academy. Four other Canal+ productions were nominated for the 2017 International Emmy Awards, which aim to recognize the best television programs produced outside the United States. In the short-form fiction category, Canal+ was represented by two Studio+ series, *Crime Time* and *Ahi Afuera*. Finally, two Canal+ Création Documentaire programs were nominated in the documentary category, *Le Studio de la terreur* and *Exodus: Our Journey to Europe*, with the latter – a poignant documentary series about the migration crisis – winning the International Emmy Award for Best Documentary.

The results of subscriber satisfaction surveys also attest to the quality of the catalog and content offered by Canal+ Group. In France, the July 2017 satisfaction survey demonstrated customers' attachment to the channel's film offer. For 81% of subscribers, Canal+ is the benchmark channel for movies and, for 72%, Canal+ is a channel that "offers programs you cannot see anywhere else". In the French overseas departments and territories, 84% of the subscribers surveyed agreed that Canal+ subscriptions offer quality programs and channels.

In Poland, nc+ measured the satisfaction of its customers in the third quarter of 2017: 89% of customers were satisfied with the offer. Similarly, subscribers in Africa noted that Canal+ offers programs for all tastes and for all the family (95% of respondents) and that it ensures the provision of local content (94%). Confirming their satisfaction, 98% of respondents said that they wished to renew their subscription.

82% of Canal+ subscribers in France agree that "Canal+ offers quality programs"

Gameloft has also achieved recognition in its area of expertise. The mobile game *Asphalt 8: Airborne* has received numerous accolades from the specialized press since its launch in 2013, including three Pocket Gamer Awards, Best Game for Smartphone/Tablet from Gamelab and Best Mobile Game App at the GSMA Global Mobile Awards. In 2017, it was also included in the Fall "Android Excellence" selection, which recognizes apps and games that offer superior quality in terms of design, user experience and technical performance. Downloaded more than 350 million times, the game is popular with critics and audiences alike.

3.1.3.3. Ensuring a Balanced Representation of Society's Diversity

The diversity of group content reflects the diversity of the teams behind its projects and the group's diverse audiences.

UMG's catalog reflects the world's diversity of genres, origins and cultures. UMG recorded albums in 44 languages and released in 120 countries in 2017. Universal Music Group and University of Southern California's Annenberg school announced the launch of the Annenberg Inclusion Initiative. The goal of the initiative is to create measurable change for representation of women and underrepresented racial/ethnic groups in the music industry, as well as other underserved communities across entertainment. Building on the success of Annenberg's groundbreaking Media, Diversity & Social Change Initiative, the global leader in the effort for more diversity in film and television, the Annenberg Inclusion Initiative broadened its mission to include music. UMG is the first music company to join this important initiative and Jody Gerson, Chairman and CEO of Universal Music Publishing Group, will represent UMG on the initiative's board of directors.

Very early on, Canal+ Group voluntarily included the notion of diversity (gender, background, socio-professional category and disability) into its programs. The signature and implementation of its Ethics Charter commits the group to ensuring respect for diversity among its staff and in its programming. A Diversity Committee tasked with monitoring diversity within programs was introduced in late 2015. It comprises delegates from C8, CStar and Canal+, as well as representatives from the group's Legal and Human Resources departments. Each year, commitments are sent to the French regulator.

Documentaries actively contribute to promoting diversity on the group's channels. The documentary series *Pourquoi nous détestent-ils ?*, for example, explores divisions between communities and social classes. After a first season focused on racism against France's Jewish, Arabic and black communities, the second season, broadcast in 2017, looks at the reasons behind discrimination against women, homosexual people and poor communities. Another good example of this policy to promote diversity is the documentary *Les Vies de Thérèse* about French activist Thérèse Clerc, who spent much of her life fighting for the rights of women and homosexual people. The film was presented at the Directors' Fortnight in Cannes before being released in theaters in 2017.

2017 was also a particularly dynamic year in terms of the group's determination to strengthen women's creative contribution and put the spotlight in its productions on strong female roles that break away from stereotypes.

During the year, Canal+ released a documentary about French boxer Sarah Ourahmoune, who won silver at the Rio Olympics. Created in collaboration with producer Mélissa Theuriau and filmed over a ten-year period, the documentary tells the remarkable story of *Sarah La Combattante*, the first woman to obtain a license to compete from the French Boxing Federation. Winning an Olympic medal was the high point of a career begun back in 1998, when women's boxing was banned from official competitions. Women have also played a major role in Canal+ Créations Originales, with its latest production, *Paris, etc.*, featuring women both in front of and behind the camera. The series portrays the day-to-day lives of five women of different ages and backgrounds living in Paris. It stars actresses Valeria Bruni-Tedeschi, Anaïs Demoustier, Naidra Ayadi, Lou Roy-Lecollinet and Zabou Breitman, who also directed and co-wrote the series with novelist and scriptwriter Anne Berest. Women of all ages also feature in Canal+ short-form programs, including weekly short-form series *Cette Semaine Madame* launched in 2017. Produced by Studio Bagel and presented by author and actress Marion Seclin, it reviews the week's news from a feminist viewpoint. Canal+ has also supported film projects developed by female talent, with 30% of the films pre-purchased in 2017 directed by women, including Axelle Lafont, Michèle Laroque and Joséphine de Meaux.

Canal+ International also supports projects led by women.

The nine fiction productions financed by A+, for example, include three series where women are present both in front of and behind the camera: *Les Coups de la vie*, directed by renowned Ivory Coast author Anzatta Ouattara, *Les Larmes de l'amour* featuring actress and scriptwriter Bleu Brigitte Agbré and *La Villa d'à côté*, for which Prisca Marceleney is both the main actress and director. Women in Africa also play a leading role in the production of news programs and documentaries created by Canal+ International and broadcast on its channel, such as *Ouaga Girls, Mama Africa, Girls Don't Fly* and *Femmes de pouvoir au Rwanda*. Canal+ channels in Africa also contribute to gender parity through the presence of numerous female presenters on such iconic shows as *L'Afrique a un incroyable talent* (Konnie Touré), *Le Parlement du rire* (Charlotte Ntamack) and *Afrique Investigation* (Hapsatou Sy). The group is also committed to supporting female talent by partnering with festivals showcasing women filmmakers, such as the Urusaro International Women Film Festival in Rwanda.

3.1.3.4. Respecting Pluralism

Canal+ Group enjoys a prominent place in the media landscape. For this reason, it has a responsibility to its audiences.

The corporate governance structure of Canal+ Group's television service providers ensures the independence of editorial functions by establishing departments dedicated to the development of programs for each provider (C8, CStar, CNews, Canal+ and dedicated departments for the group's themed channels in France; and assignment of different responsibilities to units responsible for purchasing and producing shows and programming for Canal+ International).

The 2008 Ethics Charter recalls the principles of information ethics. Pursuant to French Law No. 2016-1524 of November 14, 2016 aimed at strengthening media freedom, independence and pluralism (the Bloche Law), Canal+ Group has adopted the following measures to address the law's two key focuses:

- an Ethics Committee was set up at group level to ensure the honesty, independence and pluralism of information and programs. Appointed by the Canal+ Group Supervisory Board on September 15, 2017, the Committee's members are independent according to the independence criteria defined by the legislation. As required by the law, the French broadcasting regulator (CSA) was promptly notified of the Committee's composition; and
- a professional Ethics Charter was established prior to July 1, 2017, as required under Article 1 of the new law, following discussions between management and journalists' associations. The Charter was signed on December 15, 2017 by the management of CNews, as well as by the president of the 24-hour news channel's professional association of journalists, and has applied to all CNews journalists since then. The professional Ethics Charter is now in the process of being adopted by other group channels.

Furthermore, the group's Editorial legal department keeps a tally of airtime given to politicians within programs, and provides alerts to units producing the relevant programs, allowing them to make any adjustments required to achieve a fair balance in terms of political pluralism.

3.1.3.5. Raising Awareness of Social and Environmental Challenges

Be it through its audiovisual and musical content, or through its partnerships, Vivendi plays a leading role in raising public awareness of the main challenges facing today's world. 2017 was shaped by certain highlights in this regard.

During the year, Vivendi announced that Paddington Bear would become the new champion for children's rights in support of Unicef. The first initiatives under the partnership were carried out in the United Kingdom and France to support refugee children's rights. Unicef's OutRight awareness campaign in the United Kingdom was built around the story of the little bear from Peru who was found at Paddington Station in London with a note attached to his coat that simply read "Please look after this bear. Thank you." A kit featuring Paddington was developed and distributed by Unicef to more than 2,000 UK schools to teach children about their rights and help them understand the refugee crisis and its impact on children around the world. In France, to support its Children Uprooted campaign, Unicef used an educational video to show that Paddington's story is not unlike that of millions of refugee children around the world.

To raise awareness of the refugee crisis, Universal Music artists played sets in living rooms across the globe in September, as part of a unique festival to support Amnesty International's Give A Home charity project. In partnership with Sofar Sounds, UMG put on 300 intimate gigs in the homes of music fans in 200 cities across 60 countries in one day. The line-up for the shows was kept secret, with the locations only revealed 24 hours beforehand. Among the many artists participating in the project were Jessie Ware, Emeli Sandé, Gregory Porter, Jake Bugg and Alessia Cara. Prior to performing, Emeli Sandé promoted the concerts on *Good Morning Britain* with Paul McCartney, who backed Give A Home on social media. Universal Music also helped secure support from Shazam, Spotify and Facebook, where several performances were live-streamed, and from Vevo, which rolled out recordings of UMG artists' sets in the weeks following the event.

UMG also backs its artists in their commitment. In 2017, Logic, Def Jam and The National Suicide Hotline formed a partnership to raise awareness of the counseling service's phone number with the release of recording artist Logic's song *1-800-273-8255*, featuring Alessia Cara and Khalid. During the Grammy Awards telecast in January, Def Jam again worked with The National Suicide Hotline to cast suicide survivors, families who lost someone to suicide and members of the organization to appear on stage. The performance, along with Logic's speech from the Grammy stage, became one of the show's biggest viral and most impactful moments of the entire night.

Through the documentaries it produces and broadcasts on its channels, Canal+ Group helps raise awareness of a wide variety of social and environmental challenges among its audiences. *Exodus: Our Journey to Europe*, which won Best Documentary at the 2017 International Emmy Awards, is a prime example. Filmed mainly with mobile phones by the migrants themselves, the series triggered an outpouring of emotion when the first part was broadcast, with nearly 3,000 mentions on social media. The Planète+ channels also play a major role due to their policy of broadcasting socially pertinent documentaries. Close to 2,000 hours of documentary content related to Vivendi's CSR issues were broadcast in 2017 on the group's three Planète+ channels – Planète+, Planète+ Crime Investigation and Planète+ Aventure & Expérience. Underpinned by this topical editorial line, Planète+ original productions regularly receive accolades. In 2017, for example, three of its documentaries were winners at the Deauville Green Awards – *Humain 3.0 – L'Homme immortel, Rêver le futur – Les déchets du futur* and *Maroc, la planète vous dit choukrane*. In a further sign of this ambitious policy, three of its productions – *Pourquoi nous détestent-ils, nous les Noirs ?, Chine, le cri interdit* and *Le Monde sous les bombes : de Guernica à Hiroshima* – were selected for France's international news reporting festival FIGRA 2017.

Canal+ International also provides audiences with content on general interest topics in programs developed specifically for Africa. Examples include *C'est la vie*, a series created by Marguerite Abouet and produced entirely in Africa, which aims to increase public awareness of such topics as maternal and infant health. On the same theme, one of the *Mardis de l'Afrique* programs launched in 2017 was *Bonjour Santé !*, a health news program co-presented by a general practitioner and emergency doctor. The program's goal is to promote preventive health measures and address issues from a medical viewpoint.

SPOTLIGHT ON HAVAS

Havas has established six commitments to CSR progress that guide all aspects of its business, both in France and worldwide, regardless of the nature of the work carried out. Two of those commitments relate more specifically to responsible communication:

- taking the lead in the creation and distribution of responsible communications through its agencies and in collaboration with its clients; and
- maintaining its commitment to collectively working to fight climate change.

ENSURING THAT ADVERTISING CAMPAIGNS COMPLY WITH LAWS AND REGULATIONS

In 2017, Havas stepped up its responsible communication program, which is designed to ensure that the advertising campaigns produced by Havas are in line with the rules of professional conduct. During the year, 65 group agencies introduced internal procedures for verifying that creative projects comply with the rules of professional conduct in the field of communication and approximately 62% of employees received awareness training in this regard. Prior to distribution, more than 3,280 creative projects were submitted to regulatory authorities in various countries, including France, South Korea, Portugal, Canada, Australia, China and the United States, and only 5% were rejected or deemed non-compliant.

INTEGRATING SUSTAINABLE DEVELOPMENT SKILLS AND TOOLS

In 2017, 24 campaigns were designed with sustainable development experts who were either Havas employees or external consultants. In 2008, advertising agency BETC adopted a comprehensive sustainable development approach that covers everything from internal initiatives to advertising production and brand support. One of the outcomes of this approach is the agency's iconic ACTvertising program, an initiative aimed at making advertising more accessible and responsible through subtitling, audio description and a carbon contribution scheme. Brands that have participated in the program include Reckitt Benckiser, Canal+, Yves Saint Laurent, Française des Jeux and Crédit Agricole.

TAKING CLIENT STAKEHOLDER EXPECTATIONS INTO ACCOUNT EARLIER IN THE CAMPAIGN DESIGN PROCESS

Taking into account the expectations of client company stakeholders is critical when deciding the company's approach to communication, particularly for campaigns that address sustainable development issues. In 2017, 13 agencies organized consultation meetings with client company stakeholders (primarily NGOs) before creating their communication campaigns.

In addition, during Cannes Lions, Havas and five other global communication agencies – Dentsu, IPG, Omnicom, Publicis and WPP – decided to launch the *Common Ground* initiative to contribute collectively to meeting the UN's 17 Sustainable Development Goals (SDGs). Havas is set to become a leader in the fight against climate change as it strives to meet Goal 13, which is to "take urgent action to combat climate change and its impacts".

The group works with the world's leading brands to create campaigns dedicated to combating climate change. In 2017, Havas agencies created 45 campaigns of this type and more than eight agencies participated in *Common Ground*-related initiatives. These primarily included *Keep LA Cool* campaigns, participation in the *Common Future Project* in New York and *Appel des solidarités*, an initiative launched by 80 NGOs during the presidential elections in France to bring environmental solidarity into the debate.

3.2. RESPECTING THE ENVIRONMENT IN THE DIGITAL ERA

Even though the group's negative externalities are low, environmental protection remains a core focus of Vivendi's corporate social responsibility policy.

Vivendi is aware of its environmental footprint on the regions where its subsidiaries operate and works to protect the environment and maintain the trust of its stakeholders.

Vivendi's environmental policy focuses on achieving the following two objectives:

- to better evaluate the group's environmental impacts; and
- to manage and reduce direct and indirect energy consumption.

Making it a priority to reduce the environmental impact of its operations, Vivendi encourages its business units to engage in ambitious environmental policies that underpin these two fundamental objectives. Vivendi's business divisions in turn draw up their own action plans to measure and manage their environmental impacts. The methods used include energy assessments, certifications, and training and information sessions for employees.

3.2.1. EXPANDING THE SCOPE OF ENVIRONMENTAL REPORTING AND STRENGTHENING ENVIRONMENTAL CERTIFICATIONS

Throughout the year, Vivendi's subsidiaries increased the environmental awareness of their employees who focus their efforts on environmental reporting and certifications.

3.2.1.1. Reporting Requirements

The Vivendi group has expanded its reporting scope to include Gameloft's environmental data allowing for a more complete data set. This wider scope allows the group's main environmental impacts to be taken into consideration.

Since 2008, a selection of the group's non-financial data has been verified by the Statutory Auditors, who then issue a limited assurance report on this data. Audits within the different subsidiaries ensure the reliability of the data.

These audits are an opportunity for Vivendi to assist its subsidiaries in a process of continuous improvement and to exchange best practices among the various group entities. Once completed, the verification work is the subject of review meetings. These meetings are an opportunity to discuss action plans for implementation at group or subsidiary level with the Auditors and correspondents from the business units and the CSR and Compliance department.

3.2.1.2. Certification Process

In keeping with Vivendi's CSR policy, environmental certification is one of the methods applied to improve the group's environmental performance.

For a number of years, several group sites located in Europe and in the United States have been engaged in a process of environmental certification to better assess and reduce their impact on the environment, using officially recognized management systems.

As greenhouse gas emissions from buildings account for over 6% of emissions worldwide, the group focused on obtaining certification for building energy efficiency and energy management.

In France, the building where Dailymotion is headquartered has been awarded dual HQE™ (High Environmental Quality) certification: HQE™ Tertiary sector buildings: Construction and Renovation – design and construction phases and HQE™ Tertiary sector buildings in operation. HQE™ certification means that the building's environmental and energy performance is in line with current best practices.

Two French sites – Gameloft's headquarters and Canal+ Group's Arc de Seine site – are certified under BREEAM (Building Research Establishment Environmental Assessment Method), the world's leading sustainability assessment method for buildings. The Canal+ Group building, which houses all free-to-air channels, obtained the highest BREEAM certification.

Vivendi's headquarters sends a clear message about the group's environmental policy. The site uses an environmental management system with both an EMAS and an ISO 50001 certification:

- EMAS (Eco-Management and Audit Scheme) is a voluntary European regulation making it possible for any type of organization to evaluate, report and improve its environmental performance. Vivendi's headquarters have been registered under the regulation since 2009. Its certification was renewed in 2012 and 2015 and will be again in 2018; and
- ISO 50001 is the leading international standard that defines and provides guidelines for the implementation of an Energy Management System (EnMS) to improve energy performance. The group's headquarters have also obtained this certification, underlining Vivendi's commitment to protecting the environment by implementing specific measures on energy consumption and energy management at its headquarters.

The application of these certifications reduced the site's electricity consumption between 2016 and 2017 by almost 6% and fuel consumption by nearly 18%.

Outside France, several subsidiaries have also joined the effort to use more sustainable buildings.

Developed by the U.S. Green Building Council, LEED (Leadership in Energy and Environmental Design) is a green buildings rating system that provides independent verification.

In Canada, Gameloft obtained LEED certification for its Montreal site of over 7,000 square meters.

UMG UK's five sites and the Abbey Road Studios were given a three-star award for 2016-2017 for their commitment to the environment. This certification, issued by the NGO Julie's Bicycle, is specifically designed for companies in the cultural sector (festivals, concert venues, events and offices) in the United Kingdom.

In accordance with European Directive 2012/27/EU on energy efficiency, these entities also received ESOS (Energy Saving Opportunity Scheme) certification for the energy management of their sites.

In the United States, managing its environmental impact is a priority for UMG. In 2017, the company's headquarters in Santa Monica renewed its Energy Star certification (a U.S. government-backed program to promote energy efficiency), issued by the U.S. Environmental Protection Agency (EPA) and was again certified Green Business by the city of Santa Monica. UMG's 16,000 square meter building in Woodland Hills, California, obtained LEED Gold certification, guaranteeing high environmental performance.

Improving energy performance also involves conducting rigorous assessments and audits on a regular basis.

UMG's Brentwood site underwent an assessment to determine where potential energy gains could be made.

In accordance with European Directive 2012/27/EU and France's DDADUE law (applicable to companies with more than 250 employees and sales exceeding €50 million or a balance sheet total of over €43 million), Canal+ Télécom performed an energy audit of its operations in Guadeloupe and Réunion Island. On completion of the audit, potential energy savings were identified that could reduce consumption by up to 208,011 kWh.

Canal+ Poland conducted energy audits at its Warsaw and Krakow sites in application of local regulations that require companies with more than 400 employees to perform energy audits every four years. Recommendations were provided on how to reduce energy consumption at its sites, which will be implemented based on the calculated return on investment.

3.2.2. MANAGING AND REDUCING ENVIRONMENTAL IMPACTS

Certifications and assessments provide information about high-priority environmental targets. As part of its low-carbon strategy, the group applies a set of measures to reduce its impact as much as possible including, among others, management of energy consumption at its sites (offices, agencies and logistics facilities), employee awareness and use of low-carbon energy.

3.2.2.1. Employee Training and Awareness about Environmental Issues

The business units roll out training and/or awareness programs for their employees on environmental protection to reinforce these issues in corporate culture and in daily practices. These sessions may be educational in nature, held in connection with specific certifications or assist representatives of the subsidiaries in charge of reporting environmental data.

UMG UK formed Green Team to define and coordinate an environmental policy for all London sites. At the Creative Green Awards, organized by the NGO Julie's Bicycle, UMG UK earned recognition in the Staff Champions category for the commitment of Green Team.

At Vivendi's headquarters, decisions about action to be taken to reduce environmental impacts are made by the Green Team, which has approximately ten members from different departments (Administrative Services, IT Support, Human Resources, Finance, Communication, CSR and Internal Audit) and the service provider responsible for site maintenance. A "special EMAS week" is also organized at the site every year to inform people about the environmental best practices and actions supported by its Green Team.

Awareness campaigns on the right habits to reduce energy consumption and/or fight waste have also been organized at several group subsidiaries. Canal+ New Caledonia created a section in its monthly *I-News* on practices that are good for the planet. Canal+ Réunion held an information session for its employees to encourage the implementation of eco-friendly measures, in particular to reduce printing. In Vietnam, Gameloft launched a poster campaign at its sites to promote eco-friendly practices.

3.2.2.2. Managing and Reducing Energy Consumption

Several measures were introduced in 2017 to reduce energy consumption in group buildings.

In the United States, UMG's Nashville site replaced some of its traditional lighting systems with LED lighting. In June, the UMG office in Brentwood, California, installed a new energy efficient boiler and replaced its heating, ventilation and air conditioning system to reduce total energy consumption. At the Hollywood site, eleven 1,000 watt metal halide lights were replaced with eleven 300 watt LED lights, for estimated energy savings of 33,000 kWh.

In France, the Société d'Édition de Canal Plus (SECP) in Boulogne-Billancourt replaced the traditional bulbs in its parking area with low-energy lighting to reduce the structure's average consumption by almost 7 kW.

UMG Berlin, Canal+ New Caledonia, L'Olympia and Abbey Road Studios are also gradually replacing their traditional fixtures with LED lighting systems.

Canal+ Gabon installed motion sensors to switch off lighting automatically in hallways, offices and staircases when they are not in use.

In an office environment, IT systems use a considerable amount of energy. According to a study by the French Environment and Energy Management Agency (ADEME), each individual employee in France uses an average of 363 kWh per year to power IT equipment (e.g., computers, printers and screens). Different subsidiaries have implemented specific initiatives to reduce the impact of this consumption.

At its Warsaw and Krakow sites, Canal+ Poland deployed a system that automatically shuts off computers at night and turns them on in the morning, avoiding spikes in consumption. Gameloft's Mexicali site has installed a system that automatically closes the programs that use the most energy.

IT systems are also regularly replaced with more energy efficient equipment.

Canal+ Antilles in Guadeloupe insulated its entire roof to keep inside temperatures stable.

Efficient management of air conditioning systems also optimizes energy consumption. UMG New York has reduced its use of air conditioning by two hours a day, Gameloft's Ho Chi Minh City office shuts off its air conditioning at 6:00 p.m. and UMG Kensington High Street has also introduced measures to reduce the number of hours of air conditioning in its building.

3.2.2.3. Use of Renewable Energy

Several sites use renewable energy to reduce their greenhouse gas emissions.

Seventy-one percent of the electricity used by UMG Germany comes from renewable energy sources. In the United Kingdom, the Abbey Road Studios and several UMG London sites have a specialized supplier and only use electricity from renewable energy sources (solar and wind).

At the UMG site in Stockholm, bio-fuel is used for heating and all of its electricity is produced from renewable energy sources.

At Canal+ in the Democratic Republic of the Congo, 99% of electricity used comes from hydropower.

The Canal+ warehouse in Nouméa, New Caledonia, is equipped with a solar power plant. All of the energy generated by the site is sold to the power grid. The power plant produced over 51,000 kWh in 2017.

Gameloft's Canadian sites also use renewable energy, which powers 100% of the electricity used at Gameloft Montreal and 32% at Gameloft Toronto.

Overall, 12.91% of the electricity used by the group in 2017 was from a renewable energy source.

3.2.2.4. Optimization of Raw Materials Consumption (Plastic, Paper and Cardboard)

For Vivendi, optimizing the use of raw materials is a key factor in protecting the environment. The main types of raw materials used at group subsidiaries are:

- plastics, for UMG products (CDs and DVDs) and Canal+ International products in Africa (set-top boxes sold to customers); and
- paper, for advertising media and administrative operations.

The growing development of music streaming has eroded physical CD sales. This has brought a significant reduction in the amount of raw materials used in content production. Raw materials consumption fell by 1.34% in 2017, i.e., a decrease of 257 metric tons.

The consumption of paper, the most widely used consumable by Vivendi subsidiaries, is a relevant environmental issue, as it relates to other areas, including, among others, pollution, deforestation, climate change and waste management.

In its internal operations, the group encourages employees to communicate via virtual tools.

Several subsidiaries have launched a dematerialization policy for both internal documents and documents sent to customers. For example, Canal+ New Caledonia and UMG Santa Monica work with electronic contracts, and MyBestPro uses electronic pay stubs.

Subsidiaries have taken other steps, such as improving the use of printers and using recycled paper, to reduce consumption further.

At group level, the consumption of cardboard packaging for products on the market rose by 18%. This increase is due to the 2017 data reported by a Canal+ Group entity that had not reported data in the previous reporting period (267 metric tons of cardboard in 2017), and to the inclusion of Gameloft entities (96 metric tons in 2017). Cardboard consumption decreased by 4.5% compared with 2016 on a like-for-like basis.

3.2.2.5. Management of End-of-Life Electrical and Electronic Equipment

The group's business operations generate different types of waste. Most of the waste produced by the group is from electronics used at group subsidiaries (e.g., data servers, desktop computers, laptops and their peripheral devices – keyboards, mice and printers) and equipment leased to customers (e.g., set-top boxes) and returned by customers at the end of their life cycle.

By allowing customers to return leased equipment, Canal+ Group encourages reuse in its fight against product obsolescence and the scarcity of natural resources, raw materials and energy.

In Madagascar, Canal+ Group repairs defective set-top boxes sold by other African entities and returns them to the sales circuit. By reconditioning its equipment, Canal+ Group reduces its use of raw materials and its environmental footprint. In 2017, 20,631 set-top boxes were reconditioned.

When equipment can no longer be reused or reconditioned, Vivendi subsidiaries are responsible for its disassembly and recycling in line with environmental standards.

Waste Electrical and Electronic Equipment (WEEE) decreased by 37.65% between 2016 and 2017.

Group-wide, WEEE collected for recycling accounts for 81.26% of the total waste produced.

3.2.2.6. Business Travel

Business travel is important for sales operations. Face-to-face meetings are sometimes necessary in building relationships with customers and sales partners. As a result, Vivendi, with operations around the world, generates substantial CO_2 emissions.

In 2017, Vivendi employees traveled 194 million kilometers by train and plane, representing 51,374 metric tons of CO_2.

Reducing emissions caused by business travel is a key focus of Vivendi's environmental policy.

Videoconferencing and teleconferencing solutions, and remote collaboration tools are provided to employees to replace some regular meetings with virtual meetings, in the form of phone calls or videoconferences with remote sites.

In France, Vivendi's headquarters launched a mobility plan, which includes an assessment phase, followed by an action plan (e.g., carpooling and employee awareness) to enhance the mobility of employees at its site. Other Vivendi subsidiaries in France will roll out their own mobility plans in 2018.

The purchasing department, working with group business divisions, is working to reduce the Carbon Footprint of company cars by gradually replacing vehicles currently in use with models that pollute less.

Canal+ introduced an electric shuttle to transport employees between the Issy-les-Moulineaux and Boulogne-Billancourt sites, in France.

The Canal+ subsidiary in Gabon has two electric vehicles available for employee use (e.g., shopping, post office and supplier visits).

UMG's site in Baarn, the Netherlands, has a car powered by liquefied natural gas (LNG), a more eco-friendly fuel than diesel, with, among others, lower CO_2 emissions and fine particles.

3.2.3. THE ENVIRONMENTAL CHALLENGES OF DIGITAL CONTENT

The massive use of the Internet has completely disrupted the entertainment industry. People can now listen to music, watch movies and TV, and play sophisticated video games on their smartphone wherever and whenever they want. But this new way of using digital technology has a significant environmental footprint, which continues to grow as data centers used to store media still consume tremendous amounts of energy. The energy footprint of the information and communications technology (ICT) industry is already estimated at 7% (1) of global electricity consumption, and the world's Internet traffic is expected to triple by 2020.

To gain a more accurate understanding of the environmental footprint of its business activities, Vivendi conducted a study in 2015 and 2016 over a limited scope spanning five countries (Germany, the United States, France, Japan and the United Kingdom). The study included several subsidiaries (Universal Music France, Canal+, Studiocanal, Dailymotion and Gameloft) and measured the environmental impact – greenhouse gas emissions and water consumption – resulting from the consumption and distribution of content (i.e., listening volume of music and viewing videos and games).

A further study will be carried out in 2018 to look at how indicators that measure greenhouse gas emissions generated by content distribution can be applied permanently and across a broader scope.

The group's operations do not present direct risks in terms of water consumption or supply. However, the distribution of content produced by Vivendi's businesses generates indirect water consumption. Water scarcity is an important global issue, as only 3% of the water available on the planet is fresh. Vivendi has therefore decided to carry out a water footprint assessment in 2018. The purpose of this assessment will be to identify which Vivendi subsidiary sites face the most serious water risks.

3.2.4. COMBATING CLIMATE CHANGE

The group's businesses have a limited impact on climate change. The media industry generates direct impacts in terms of greenhouse gas emissions equivalent to those of the service industry, for example energy consumption of buildings (primarily electricity), purchases of finished goods (paper, cardboard and miscellaneous supplies) and waste.

However, as part of its environmental program, the group plans to factor climate change issues into its long-term strategy and business activities. This involves gaining a clearer understanding of the main sources of greenhouse gas emissions.

To identify these sources, in 2017, Vivendi expanded the scope of its greenhouse gas emissions measurements. This program led to the following findings. The largest sources of emissions are directly related to the group's core business, i.e., customer use of its products (content consumption) and purchase of content and services associated with audiovisual production. The group used data from a study on the impact of audiovisual consumption (based on the group's 2015 business data) to measure indirect emissions generated from content consumption. Emissions from purchases of content and services are measured using ADEME's categories for emission factors: high-material services and low-material services. However, the measurement of emissions for these types of purchases is highly approximate and can only provide rough estimates. In addition, the group has relatively little control over these sources of emissions.

The main areas where the group has more leverage are the purchase of raw materials used to manufacture products sold by the group (plastic, cardboard and paper), business travel and the energy consumption of its buildings. Examples of actions that aim to reduce the Carbon Footprint of these sources of emissions are presented above.

In 2017, 86% of the estimated group's emissions were due to content consumption (66%) and purchases of content (20%).

Over the years to come, the group will work to better analyze Scope 3 emissions by potentially including new factors (e.g., fixed assets and employees' daily commutes). In 2018, the group will focus on better measuring emissions from digital content production and distribution.

In addition to the steps taken to measure and reduce the emissions described in previous sections, the group has also begun taking specific action to achieve carbon neutrality. For example, Canal+ in France offsets the environmental impacts generated by some of its production shoots through a voluntary carbon offset program (for information purposes, each Canal+ audiovisual advertising production averages 31 metric tons of CO_2). This system is implemented to offset its impact on the climate by financing a program to reduce greenhouse gas emissions in developing countries. The program, led with advertising agency, BETC and in partnership with local project developer South Pole (Gold Standard), contributes to financing the construction of a wind farm in New Caledonia to help bring the region closer to energy autonomy. In 2017, Canal+ offset 90 metric tons of CO_2 emissions.

(1) Source: www.clickclean.org/downloads/ClickClean2016%20HiRes.pdf

3.2.5. INFORMATION CATEGORIES DEEMED IRRELEVANT WITH REGARD TO THE GROUP'S BUSINESSES

Measures to Prevent Environmental Risks and Pollution

This category is not considered relevant since the group's activities do not raise pollution risks.

Financial Provisions and Guarantees for Environmental Risks

This category is not considered relevant, since the major risks arising from the group's activities do not involve environmental issues.

Prevention, Reduction or Remedying of Pollutants Released into the Air, Water and Soil

This category is not considered relevant since the group's activities do not raise any risks of air, water or soil pollution (other than CO_2 emissions, which are discussed in Section 3.2.4, "Combating Climate Change").

Consideration Shown for Noise Pollution and Any Other Form of Pollution Specific to an Activity

This category is not considered relevant since the group's activities do not raise any risks of noise pollution or any other activity-specific pollution.

Land Use

This category is not considered relevant since the group's activities do not present any risks in terms of soil pollution.

Adaptation to Climate Change

This category is not considered relevant, since the group's activities are subject to few climate change constraints.

Measures Taken to Preserve or Develop Biodiversity

Given the group's operations, biodiversity is not considered a major issue for which Vivendi must make specific investments.

Measures to Counter Food Waste

Given the nature of the group's operations, food waste is not considered a major issue requiring a specific investment from Vivendi. Where applicable, Vivendi is nevertheless attentive to the conditions placed on external catering suppliers.

Water Consumption and Water Supply with Regard to Local Constraints

This category is not considered relevant since the group's activities do not raise any direct risks in terms of water consumption or water supply.

3.3. MAKING PEOPLE THE COMPANY'S DRIVING FORCE

Well aware that the group's success is a direct outcome of the engagement of the people who work for it, Vivendi pays close attention to promoting workforce diversity, facilitating career development, and providing work conditions that will sustain quality of life in the long-term. The human resources (HR) function is therefore a key player in the company's development, organization and businesses. Its purpose is to give people power over their career goals within the constantly changing environment formed by the company's various businesses.

3.3.1. ATTRACTING, SUPPORTING AND DEVELOPING TALENTS

Long-term success is dependent on the group's ability to attract, accompany and develop talent.

This means the group must be able to offer all its employees an environment conducive to individual development, encouraging each business and each subsidiary to develop and implement its own initiatives to this end. Working from an understanding of their employees, each entity endeavors to offer experiences, career paths and development opportunities consistent with their skills and aspirations.

Employees have access to a range of resources for this purpose.

Resources in Place

- ➜ Support from HR teams and Management:
  - – employees are encouraged to build career plans by highlighting their skills and achievements and identifying their potential and motivation;
  - – to help them, the HR teams provide tools (such as resume workshops and practice interviews), advice, and information on the company's businesses and career development and internal mobility matching their profiles and goals; and
  - – the HR teams are also available to support managers in their role as coach for their teams.
- ➜ Understanding of the group's businesses:
  - – Vivendi's subsidiaries offer employees a number of ways to learn more about the group and its businesses, through induction programs for new recruits, for example; and
  - – since 2016, Vivendi has been running a four-week Learning Expedition program enabling fifty senior managers each year to develop a fuller understanding of the group's various entities, forge cross-functional links and eventually nurture the emergence of internal growth initiatives through cross-fertilization.

- Internal mobility within subsidiaries:
  - for an employee, an internal transfer is an opportunity to enhance his or her experience and acquire new skills;
  - for the group, internal mobility is also a major asset to develop employees talents, to keep teams motivated and well-equipped to handle changes in the businesses;
  - the promotion of mobility is also the responsibility of managers, who are encouraged to become sponsors of the career development of their employees;
  - the role of HR is to facilitate the processes involved in mobility and career development. A broad panel of HR processes involving Management and the HR teams at all levels helps to guarantee the transparency of these processes; and
  - at group level, an Internal Mobility Charter has been in place for more than 15 years, along with a tool that collects details on vacancies from the group's French companies that are open to transfers. These mechanisms also exist within major subsidiaries.

International "co-founder" seminars bring together the group's main executives to encourage a group-wide focus and thereby promote mobility.

Vivendi strives constantly to develop its talent base, and runs a diversified recruitment policy closely adjusted to the needs of its various businesses and their specific functional typologies. Partnerships are formed with leading centers of learning and with schools specializing in certain profiles (e.g., engineers, developers, technicians and data analysts), and several of the group's entities see work-study programs as a valuable HR development strategy (344 work-study contracts running across the group in 2017).

For example, Canal+ Group runs biannual Canal Talent Days events to offer internships and work-study contracts. These events are announced on social networks, in schools and on the company's HR website. Applicants are asked to submit a presentation video, and successful applicants are then invited to attend a series of induction sessions: presentation of the group, case studies, speed meetings with managers and discussions. Beyond their immediate recruitment function, these events also have a positive impact on the company's employer brand image. Dailymotion also uses social networks, and takes part in technology forums to develop its employer brand image, attract talent and communicate on employees experiences. Gameloft has rolled out a recruitment platform used by all its studios worldwide, and holds meetings with schools specializing in video games.

Because of the need for constant adaptation to a changing business environment, entities must examine how the transformations they need might affect the working lives of their employees. Such transformations undergo in-depth scrutiny and are discussed with all stakeholders, including unions and employees, in compliance with the group's rules of conduct. For example, on the merger between Watchever Group and Dailymotion, "integration days" were held enabling individual employees to meet their managers and the HR team. The reorganization of Canal+ Group's customer relations centers gave rise to a number of agreements with the unions; support measures were set out under the employment safeguard plan, including inplacement and outplacement assistance (e.g., financial compensation and training budget) and adjustments to working hours.

3.3.1.1. Quality of life at work

Organization

To adapt to technological change in the business environment, and to cultural shifts, new working practices must be developed to preserve the necessary balance between employees' work and home life. With this in mind, each business and each subsidiary organizes its work in line with its operations and in compliance with legal and contractual requirements.

Vivendi wishes to guide its employees toward new work modes that facilitate cooperation, agility and cross-functional efficiency across the company. Work environments are becoming more flexible, and in improving people's quality of life, they also improve company performance. For such changes to proceed smoothly, a forward-looking, positive management approach must be developed that calls upon employees' individual strengths and gives due acknowledgment to achievement.

Many of the group's entities host regular events where employees are free to express themselves to stimulate open discussion on various subjects. These might take the form of meetings with Management, project presentations, development of co-working areas, hackathons (events at which, among others, developers and designers meet up for a few days to bring a new project to life), and design-thinking workshops harnessing cooperative intelligence across multidisciplinary teams to stimulate innovation.

Depending on their specific needs, often in a services provision context, some entities practice work-time adaptations, through telecommuting, flexible or staggered working hours, and "on call" availability, for example. This can be the case with the production of television programs or shows, or in ticketing, where activities are explicitly linked to particular events such as festivals, shows and sporting events.

- UMG favors telecommuting and flexible working hours. This policy is not necessarily defined in signed agreements but, given the diversity of regulations in the 46 countries where UMG has employees, tends to take the form of specific action plans.
- In 2015, Canal+ Group renewed its agreement on telecommuting (originally signed in 2012) for a further three-year period, considering this an innovative form of work organization that affords greater flexibility and adaptability by allowing employees fuller responsibility and independence.
- Several Gameloft studios, along with Vivendi Village and New Initiatives entities, including Dailymotion, also practice telecommuting and flexible working hours.

Training

To sustain a rapid response capability and keep pace with changes affecting the group's businesses, talent must be supported by effective training that covers emerging jobs and challenges. The development, acquisition and consolidation of professional skills are key to any company's success.

Employee motivation and engagement relies first and foremost on the employee's desire to further his/her career. This requires a partnership in which the employee takes the leading role in his or her professional development. To this end, employees are assisted by their managers and the human resources (HR) teams. Each group business offers a set of resources targeting and creating the most favorable conditions for career development.

Training is offered in all countries in which group subsidiaries operate and uses innovative digital formats adapted to existing practices. Training policies are the central focus of the plan on human capital development, which derive from the strategy of the group or the subsidiary in question.

Priorities for training and skills development operate at individual and collective levels:

- at an individual level, priorities cover the three aspects of an employee's "human capital", namely personal development, business skills and understanding of the company and its environment; and
- at a collective level, priorities are set to address the main issues determined by the subsidiary consistent with its strategy and analysis of training needs.

63% of the group workforce participated in at least one training course in 2017

Each of the group's major subsidiaries implements a vocational training policy suited to the needs of its businesses and the rapid changes they undergo, making skills development a major component of its training policy.

- At UMG, the international training plan, Learning and Development, covers the following topics:
  - music business essentials;
  - work environment and work relations;
  - business skills;
  - management and leadership skills development;
  - individual development; and
  - team initiatives: e.g., process and design.

  Employees in the United States have access to the online learning platform Lynda.com, which offers modules on a range of subjects. UMG enables some twenty of its employees to follow a full training course on information technologies (e.g., financial management, service scheduling and systems architecture).

  Training methods are often individualized and employee-led, especially in the United Kingdom, with the result that much of the training unfolds gradually or in work situations. This means that some training operations are not actually recorded.

  Therefore, an assessment of the number of hours of training does not reflect the reality of the training efforts actually undertaken by the music companies.
- Canal+ Group gives priority to collective initiatives addressing business challenges as quickly and as efficiently as possible.

  In France, the training policy focuses on major points such as:
  - emerging digital technologies and their impact on business unit transformation;
  - development of managerial culture to help managers motivate individual employees on developing their skills to fulfill their true potential; and
  - rollout of the Talents programs addressing specific objectives: the Innov'action program on Agile methodology; the *Canal Business Makers* program to build employee business expertise; and the + Digital program to provide insight and develop familiarity with social networks and coding.

  In other countries where Canal+ Group operates, training policies focus on adapting and developing employees' professional skills and employability. The training plan is established each year on the basis of identified needs.
- Dailymotion factors in the question of international development when setting its training priorities. Other focuses include job training courses culminating in certification, and courses to help junior managers build skills in team development and management.
- Digitick's training priorities are on skills development in *Big Data* and *Agile* methodology.
- The group-wide *Réussir ensemble* managerial course has been running since 2016. This program establishes conditions conducive to the mobilization of talent, to optimize employee performance and develop cooperative behavior for working collectively.

3.3.1.2. Attention to people

Occupational Health and Safety Conditions

Occupational health and safety concerns all business units, all of which implement action plans and preventive measures.

With respect to occupational health, the procedure for identifying risks involves the following steps:

- identify and assess the occupational risks specific to the activity;
- assess the degree of control over these risks;
- identify individual and collective preventive measures to eliminate or reduce each risk; and
- draw up an occupational health and safety management program or training program aimed at controlling any residual risks.

Ad hoc committees (CHSCT for French entities), which maintain a dialog between employees and Management, address these issues and prepare related documents, such as the Single Document for the Assessment of Occupational Risks, in the case of the French entities.

The objectives of these committees include:

- to manage and update the document that details risks and prevention plans;
- to participate in and oversee the implementation of a plan for the prevention of stressful situations arising from organizational constraints or workload factors such as atypical working hours;
- to take into account the need for all employees to balance their personal and professional lives.
- to monitor the setup of action plans required in the event of serious incidents (including fire, breaches of security and natural disasters);
- to improve workstation ergonomics (mouse/keyboard use, eye fatigue from screen work, postural problems), and diagnose the rare situations where there is pain or discomfort;
- to promote best practices in business travel and identify and analyze the causes of commuting accidents;
- to supervise the safety of premises and the prevention of illness, particularly occupational illnesses; and
- to provide transportation for employees to their workplace if public transportation is inadequate or unavailable.

Safety training reached 25% of the group's workforce in 2017

Vivendi continues to apply preventive measures on stress and psychosocial risks. Counseling teams are available for all employees. These programs are specific to each entity and cover areas such as the training of local managers, a free helpline for employees, and information given to elected employee representatives by a specialist physician. These services are independent of the company and are completely anonymous, confidential and free.

Some of the preventive and training initiatives are described below:

- UMG:
  - Germany: a committee comprising an occupational physician, a safety engineer, members of the Works Council, a safety officer and an officer responsible for the employment of disabled employees meets with Management three times a year to report on the health and safety of employees in the workplace. Additionally, each employee is required to take a course on health and safety at work;
  - Canada: managers and employees have formed a partnership with the Health and Safety Committee to jointly oversee compliance with health and safety conditions, a prioritized factor in service quality. Each employee is required to undergo training on health and safety issues when hired;
  - France: in addition to the dialog with the Health Safety and Work Conditions Committee (CHSCT), HR teams, unions and managers receive training on psychosocial risks; and
  - United States: Sir Lucian Grainge, Chairman and Chief Executive Officer of Universal Music Group, announced the company's commitment to implementing an insurance scheme to bear the cost of certain preventive care items, in particular for women, that are not covered by the federal health insurance system under the Affordable Care Act.
- Canal+ Group:
  - France: the health and safety policy is reviewed each year, and every three years an outside consultant conducts an assessment of the company's facilities and makes recommendations where applicable. In addition, each new employee is required to read the health and safety policy on the day he or she is hired; and
  - Studiocanal UK: the whole of the company's health and safety system was reviewed in 2017, and improvements to working conditions were incorporated.
- Gameloft:
  - China: offices have been fitted with 34 air purifiers to protect employees against poor air quality; and
  - some studios are providing their employees with ergonomic workstations (e.g., ergonomic seats and offices in which people can work standing or seated).
- Vivendi Headquarters: first-aid training is offered each year.

In addition, group entities are running more and more local initiatives and operations to promote employee health and well-being at the workplace.

Some of the initiatives are described below:

- UMG USA: the Come Together Events program covers a series of health and well-being activities such as twice-weekly yoga classes, along with special get-together events such as Turkey Bowl, Halloween Costume Party and Battle of the Bands. At the Woodland Hills site in California, employees have access to a meditation and relaxation room during breaks.
- UMG Norway: an awareness-raising campaign on the importance of physical exercise has been implemented.
- Canal+ Cameroon: the company organizes sports activities for employees every third Saturday of the month, prompted by the realization that physical activity is an important factor in reducing the risk of cardiovascular disease.
- Gameloft: joint initiatives with a number of other studios have been organized, including yoga and sport classes, game rooms, break rooms, and the provision of fruit bowls.
- Digitick: employees have access to the services of a masseur/physiotherapist once a month.
- Dailymotion: employees can take yoga or meditation classes, and have access to a room set aside for relaxation. The company is also examining further possibilities for enhancing employee well-being at the workplace.

Vivendi Headquarters organized a Well-being and Performance program including:

- monthly conferences by specialists on issues such as "Neuroscience", "Positive Attitude" and "Self-Understanding for Effective Action"; and
- a week-long series of workshops, to which all group employees were invited, on exploration of the five senses to develop capabilities and enhance well-being.

Spotlight

The innovative Musical Tuesdays program organized by Vivendi and Universal Music France invites group personnel to attend a cycle of conferences on the history of music, given by experts in music from the worlds of journalism, academia and business, and covering all musical genres.

These events nurture a sense of common culture in one of the group's key business areas, and regularly draw an attendance of some 100 employees from various subsidiaries.

3.3.1.3. Profit-sharing and employee shareholding

Vivendi places particular importance on the equitable distribution of the products of its employees' efforts. The group has therefore established a profit-sharing policy that strongly encourages the development of employee savings plans, especially through employee shareholding.

Under its long-standing employee shareholding program (PEG), employees are represented on the Vivendi Supervisory Board.

This has been provided for through the Supervisory Board's appointment of the employee shareholders representative, Ms. Sandrine Le Bihan, as proposed by the Management Board at the General Shareholders' Meeting of April 25, 2017. In compliance with the company's by-laws, the appointment followed a February 2017 vote by the 34,000 employee shareholders, in all the countries concerned, in which three members of the Supervisory Boards of the PEG savings plans were candidates.

Employee savings plans in France

In 2017, the total net amount received by employees of the group's French companies under optional and statutory profit-sharing plans and the employer's contribution (including profit-sharing payments made by Canal+ Group in July 2017 upon settlement of litigation on the amount calculated), totaled €20 million, which represents a total expense of €26.1 million for companies of the group.

Newly invested employee savings totaled €17 million. Of this amount, employees placed €15.9 million in the various funds of Vivendi's PEG, in the company savings plan (PEE) of Canal+, and in the various diversified funds of Canal+ International. Additionnally, €1.1 million was invested in pension savings plans (PERCO) of Canal+ and Universal Music France.

Most of the savings that went into the Vivendi PEG plan and the Canal+ PEE plan were invested in Vivendi shareholding funds: €13.3 million out of a total of €15.9 million (84%), following completion of a new share capital increase reserved for employees in July 2017.

Employee shareholding in France and worldwide

On December 12, 2016, Vivendi's Management Board approved the launch of a new share capital increase reserved for employees in 2017. This offering consists of two parts: a basic plan reserved for employees of the group's French companies, to which a reserve of one million shares was attributed, and a leveraged plan, Opus 17, offered to employees in France and in the main countries in which the group operates, for which 5.5 million shares were offered.

A total of 4,160,092 new shares were subscribed, of which 3,509,454 were for Opus 17 and 650,638 shares were for the basic plan. The total subscription was €67.6 million.

Upon completion of the capital increase on July 25, 2017, which represented 0.32% of Vivendi's share capital, employees held 2.91% of Vivendi's share capital.

A total of 4,834 employees subscribed to the capital increase, which represents an overall participation rate of 29.3%

3.3.1.4. Social dialog

In compliance with the ILO fundamental conventions, Vivendi promotes social dialog and consultation at all levels. All employees based in France and in its overseas departments and territories are covered by collective bargaining agreements. Outside France, this holds true for 57% of Canal+ Group employees, 53% of Vivendi Village employees and 76% of New Initiatives employees.

At group level, social dialog is organized around Vivendi's Works Committee and the European Social Dialog Committee (IDSE). The social partners of these bodies are informed regularly of the group's strategy, its financial position, its social policy and the main achievements of the year. In 2017, Vivendi signed an amendment to the IDSE agreement marking, in this respect, its commitment to enhancing communications.

In addition to the annual plenary sessions of these corporate bodies, several extraordinary sessions of the extended bodies were organized with the Chairman of the Management Board, for better and faster provision of information on Vivendi's strategic plans.

Within the subsidiaries, dialog and social discussion are organized in line with the employment laws and regulations for each country, in accordance with human resources policy guidelines adopted by each business unit. This also applies to the compensation policy, which is compliant with the principles of gender equality and non-discrimination, and takes full account of the specificities of each job function in each business line.

A total of 37 agreements or supplemental agreements were signed or renewed in France in 2017. These include various agreements on compensation policy and profit sharing (optional and statutory), aimed at involving employees in their company's performance (Canal+ Group, Canal+ International, Universal Music France, Digitick, L'Olympia), or concerning retirement savings plans linked with work-time saving accounts (Canal+ Group and Canal+ International).

They also include agreements representative of ongoing social dialog, including: the agreement on gender equality and the generation-contract agreement at Vivendi Headquarters.

In addition, Canal+ Group and Universal Music France revised their medical coverage to take into account new regulatory requirements on "responsible" contracts.

SPOTLIGHT ON HAVAS

Havas is committed to recruiting the most qualified talents and to providing them with equal career advancement opportunities in each field of business expertise.

WELL-BEING

Havas is fully aware of the importance of free time away from the workplace for employees, with friends or family, for pursuing leisure, entertainment or other activities. In addition to paid leave, many Havas entities offer their employees greater flexibility in their working hours or work locations. In many regions, employees are given a day's leave on their birthdays, plus work-time adjustments in summer and during school vacations. The Havas Health & You program offers 10 days' sabbatical leave to employees who have been with the company for more than four years. In several countries in the Asia-Pacific region, the company practices *Family Days*, enabling employees to leave early to spend time with their families.

Family time is especially important when a new member of the family arrives. In the United States, a new parental leave program offers 12 weeks' paid leave to parents wishing to use this time for raising their children, and two weeks' paid leave for parents at the birth of a child. This program applies, among others, to parents giving birth to, adopting or foster-parenting a child. In 2017, Havas in the United Kingdom extended its policy on paternity leave, authorizing fathers to take four weeks paid leave on the birth of a child. In the United Kingdom and the Unites States, young parents are also offered the services of parenting coaches.

For Havas, employee empowerment is an essential factor in employee well-being. Under the United Nations Common Ground initiative, Havas launched an innovative program entitled *Purpose-Driven Talent Development* in 2017. This enables employees to contribute their professional skills to Climate Resolve, an NGO working to counter climate change. Many Havas agencies worldwide have launched their own programs on enhancing employee well-being. These take many different forms, often in direct response to local employees' needs. Examples include: cognitive support applications; fitness classes; meditation, yoga and massage sessions on the agency premises; company sports teams; gym subscriptions; coaching on nutrition; and medical and eye check-ups carried out on the agency premises by approved doctors.

Havas networks also operate many varied schemes for ensuring a good balance between employees' home and work lives. Some agencies offer alternative work schemes. Some offer pre-defined flexible work schedules; in Spain, for example, employees can choose between three schedules. Others allow employees free rein in adapting their timetables. In the United Kingdom, for example, an agile approach is encouraged, with employees adjusting their work times on the basis of operational needs at any given time. At the vast majority of agencies, flexible work times and work spaces are determined on the basis of employees' needs and operational imperatives, and must be validated by HR teams or managers.

SAFETY AND WORKING CONDITIONS

Havas agencies ensure that the work environment promotes employee well-being at all times. Work areas are designed to encourage free movement within the premises throughout the working day. All employees have ergonomic seats. Desks are designed to allow people to work from a standing position, and ergonomic keyboards are available in many agencies. To ensure the safety of the work environment, local infrastructure managers carry out regular assessments of risks and training sessions. Training courses vary from one country to another, though most include modules on fire safety, handling of earthquake situations, evacuation plans and emergency procedures.

In 2017, the group's Employee Engagement Survey, inviting employees' opinions on their agencies and the network as a whole, recorded an overall response rate of 77%. This was the second survey of its kind to cover the whole of the Havas network (following the first in 2015), and was run with support from creative and media agencies.

3.3.2. WORKFORCE DIVERSITY AS A PERFORMANCE LEVER

Talent diversity provides opportunities for developing the group's business performance. Diversity is an integral part of the identity of the group, which employs people in 78 countries (including Havas) and is an important factor in anchoring its businesses territorially. Group development requires a workforce that reflects the diversity of the business environment.

Well aware of the importance of diversity, the Vivendi group has a long-standing policy on equal opportunity. This can take various forms, depending on the subsidiary:

- providing employee training on diversity issues;
- implementing agreements on employing disabled workers;
- negotiating and signing agreements on remote working arrangements (telecommuting);
- establishing inter-company nurseries to facilitate a balance between home and work life;
- continuing the commitment to select applicants exclusively from the standpoint of diversity; and
- contributing to the action plans, programs and collective bargaining agreements on gender equality.

Vivendi group managers receive regular awareness training on the group's hiring criteria, which are based on openness and diversity. This commitment is reflected in the social dialog and the signing of numerous agreements on issues such as professional gender equality, disability, employment of seniors, and the awareness policy pursued at all levels by the group on these concerns.

In accordance with the ILO fundamental conventions and Vivendi's Compliance Program (see Section 2.1 of this chapter), the group's subsidiaries are committed to equal opportunities for all in recruitment, mobility, promotion, training and compensation, without distinction as to gender, religion, origin, age, sexual orientation, personal life or disability.

The program states that, in each subsidiary, the Compliance Officers are in charge of responding to employees' concerns. At the US and UK subsidiaries, employees have access to a whistleblowing hotline, in accordance with applicable rules and regulations, for reporting any instances of discrimination or harassment.

Vivendi's values on diversity are clearly set out in Universal Music Group's Code of Conduct, which was updated in 2016. Virtually all employees have received training on this matter.

10,021 UMG employees have received training on the latest version of the company's Code of Conduct

For the second year running, Universal Music Group in the United Kingdom has conducted an employee survey to gauge advances in its diversity policy.

Universal Music Group, represented by Jody Gerson, Chairman and CEO of Universal Music Publishing Group in the United States, joined Annenberg Inclusion Initiative, the world's leading think tank on diversity, whose mission now extends to the music industry. This project follows on from the actions already undertaken by Universal Music Group, such as its commitment to eliminating all forms of discrimination, expressed in its Equal Opportunity policy, which applies to all employees, temporary workers and job applicants, and extends to its many contractors, suppliers and consultants (1).

3.3.2.1. Gender Equality

Vivendi's diversity policy gives special importance to equal career opportunities for men and women, both to nurture a culture of inclusion and to strengthen the group's capacity for innovation as a source of added value.

41% of group employees were women and 41% of managers were women

This proportion was 48% before the consolidation of Gameloft, because the video games sector is predominantly masculine.

The following are examples of measures taken to reinforce existing arrangements in favor of social progress:

- improving parity in recruitment, especially in certain sectors, and respecting equality in terms of access to employment;
- ensuring a uniform and equal breakdown of men and women across the company's jobs and job categories;
- promoting equal opportunities in career development;
- guaranteeing wage equality between men and women performing the same jobs at the same skills level and with the same level of accountability and results;
- guaranteeing equality in terms of professional development and pay increases in the event of a career interruption for parental, maternity or adoption leave; and
- striving for improvement in terms of reconciling personal and professional life, taking parental issues into account.

Parental agreements provide for career flexibility by allowing for periods of absence (maternity or parental leave). Both Vivendi Headquarters in Paris and Canal+ Group hold pre- and post-maternity leave interviews.

More generally, Vivendi aims for gender parity in succession plans and promotions. To encourage this, there are agreements in place which include measures to identify and remedy any pay differentials. For example, Canal+ Group has eliminated periods of maternity leave from the annual assessment and has identified pay differentials for equivalent posts and taken remedial action.

To develop gender parity in positions of responsibility, a factor in successful group performance, the Supervisory Board approved a top-level mentoring and networking program in 2011. The Andiamo network set up in March 2012 and currently comprising 36 women from all of the group's French entities, aims to support women in their professional development and help break the glass ceiling.

(1) Equal Opportunities: Our Policy, UMG internal publication, circa 2013.

To support and facilitate women's career development in the music industry, the Universal Music Women's Network provides an outlet for women to share experience and know-how and promote their potential. In 2017, 1,300 women took part in the thirty or so operations organized by the network.

Operations to prompt changes in behavior, and counter gender stereotyping include:

- development of female leadership and individualized support;
- participation of role-model personalities, enabling women employees to share their experiences and draw inspiration from those who have successfully entered male-dominated professions; and
- regular meetings with senior executives, to raise awareness on gender equality.

Most of the group's French companies have signed agreements on gender equality:

- agreements or action plans on gender equality at work, pursuant to French law of March 23, 2006 on the implementation of comprehensive measures (recruitment, promotion, compensation and maternity leave) and metrics to monitor the mechanisms put in place;
- parent-friendly agreements calling for equal treatment of fathers and mothers; and
- agreements on working hours to facilitate a work/life balance.

Six women (out of 12 members as of December 31, 2017) sit on the Vivendi Supervisory Board, representing 54.5% of the Board. In accordance with applicable Law (Law No. 2011-103 of January 27, 2011), the calculation does not include the employee representative.

The proportion of women on Vivendi's Management Committee is 44%, and the proportion of women attending co-founder seminars rose from 11% in 2014 to 23% in 2017.

In addition to the two women who joined the Executive Committee of Universal Music Group in 2015, and the seven women appointed to Executive Vice President or Senior Vice President positions in 2016, Universal Music France has appointed a woman to the head of France's leading record label.

The appointment of a fifth woman brought the proportion of women on the Canal+ Group Executive Committee to 26%, and the 94 members of the Canal+ Group Management Committee includes 35 women, representing a proportion of 37%.

Vivendi appeared in 69th position in an October 2017 survey (1) conducted by the French Ministry of Women's Rights on gender balance in the executive bodies of SBF120-listed companies.

3.3.2.2. Employment and integration of workers with disabilities

The definition of a "worker with disabilities" used in this indicator is the one defined by national legislation or, failing this, by Convention 159 of the International Labour Organization (ILO): "any individual whose prospects of securing, retaining and advancing in suitable employment are substantially reduced as a result of a duly recognized physical, sensory, intellectual or mental impairment".

The principles of inclusion and non-discrimination for individuals with disabilities are respected throughout the group. Group entities run regular awareness-raising campaigns on disability, for employees and managers.

- Canal+ Group's corporate social responsibility program has for several years included a long-term policy of hiring employees with disabilities entitled *Mission Handi+*. By implementing a series of agreements on the hiring of employees with disabilities and continuing an awareness program on this topic, co-workers are reminded of the group's commitments in this area to hire, integrate and retain disabled workers in jobs, as well as its participation in training disabled youth through internships and work/study programs.

  A new three-year agreement on employing workers with disabilities was signed in 2017, strengthening the commitments already made in previous years, including:

  - an objective of hiring 20 workers with a disability between 2017 and 2019, and a "discovery" policy for attracting young graduates with a disability through internships and work/study programs;
  - numerous communication initiatives carried out each year, during National Disabled Employment Week;
  - information and awareness campaigns on the Intranet, and a disability referral agent network created among employees;
  - disability awareness and training sessions held for employees and managers;
  - HR teams and managers trained in hiring disabled workers;
  - participating in recruitment forums and maintaining specific partnerships such as Handicafé, Forum Adapt, Tremplin and the GESAT (national network of workers with disabilities) trade fair;
  - increasing business with the protected sector through increased communication starting with the Purchasing department and involving all employees;
  - encouraging and assisting employees to report their disability, with the help of a social worker to provide administrative support; and
  - empowering disabled employees and keeping them on the payroll through various forms of assistance that have been upgraded:
    - paid authorized leaves of absence as part of procedures recognizing disabled worker status, for medical care or a disabled child who is ill;
    - technical and material support;
    - disability Universal Employment Service Checks (*Chèques Emploi Service Universel* – CESU) largely funded by the company;
    - mobility assistance; and
    - financing assistance provided to disabled workers within the company.
- In Poland, nc+, a subsidiary of Canal+ Group, allows ten additional days off per year to employees with a disability; they also benefit from special arrangements such as a shorter working week than the company's other employees.
- UMG Italy has five employees with a disability, i.e., 4% of the workforce.
- Digitick works closely with the association *Accompagner la réalisation des projets d'études de jeunes élèves et étudiants handicapés* (ARPEJEH) and is committed to attracting young trainees with disabilities.

(1) Study available on the *Ethics and Boards* website.

- MyBestPro took part in a week-long event on employment for people with disabilities, inviting ten sight-impaired IT students to participate in a research and development day.
- Vivendi Headquarters also took part in this event on employment for people with disabilities, running an awareness-raising campaign in the form of daily videos sent to employees. For certain operations, Vivendi Headquarters calls upon centers providing employment for people with disabilities.

SPOTLIGHT ON HAVAS

Havas is committed to providing discrimination-free work environments. Employees worldwide undertake training on ethics, diversity and harassment prevention.

The All In initiative, to be introduced in early 2018, seeks continuous development in corporate culture with a view to providing career advancement opportunities for all employees. This initiative focuses on a small number of leaders in selected Villages, whose experience will facilitate a thorough understanding of cultural change and diversity and inclusion challenges, and serve as an impetus for influencing behaviors in their Villages. All In will includes a series of programs on employee career advancement and guaranteeing equal opportunity regardless of ethnic origin.

Femmes Forward, a managerial program addressing women, will also be rolled out across a few Villages. This program aims to prepare high-potential women for fast-track career advancement, through appropriate training and meetings with women managers and leaders in their respective fields, plus mobilization of managers and executive teams in the Villages concerned.

All efforts at a local level will be compliant with the legal and cultural specificities of each country.

Here are some examples of the many initiatives run by Havas agencies on diversity, in all its forms:

- the UK Havas Village has drawn up a Diversity Charter to promote diversity in all its forms across the workforce. It works with charities and other organizations specializing in recruitment from diversity sectors in top-grade vacancies, apprenticeships, internships and work-study programs;
- BETC Brazil has committed to implementing the Women's Empowerment Principles established by the United Nations;
- in 2017, the Paris Puteaux Havas Village ran the Switch at Work Day event to raise awareness on the difficulties experienced by people with disabilities, along with other initiatives on work station adaptation;
- the New York Havas Village took part in many diversity-related career fairs: AAF Most Promising Minority Student, 4As Multicultural Advertising Internship Program, 4As Greenhouse (network for talent diversity in medium- and senior-grade positions in industry), and One Show HAABP (workforce evaluation from a diversity perspective);
- in 2017, the Chicago Havas Village took part in career fairs focused on women (3% Conference) and people of color (Here Are All the Black People); and
- the Madrid/Barcelona Havas Village is involved in various diversity initiatives, such as the National Diversity Career Fair, the Universia Foundation Agreement (foundation offering recruitment process support for diversity profiles), the Illunion Agreement (center for diversity in employment) and the Zauma Agreement (center for diversity in employment).

3.4. TAKING ACTION FOR LOCAL DEVELOPMENT

3.4.1. INVESTING IN LOCAL ECONOMIES AND SKILLS SHARING

Vivendi contributes to the development of the territories in which it operates, not only through direct or indirect employment but also by promoting local cultures and by sharing its know-how.

77% of purchases made from local suppliers

The group has analyzed the purchases made with suppliers and subcontractors accounting for at least 75% of the overall expenditure of each of the subsidiaries (see Note on Methodology note in Section 6.1). On average, 77% of purchases made by UMG, Canal+ Group, Gameloft, Dailymotion and Vivendi Village are from local suppliers. This has a positive impact on the local economic fabric by creating jobs, for example.

Vivendi also contributes to the development of the economic and cultural fabric, by involving local businesses in its operations. Canal+ Group entities, which are committed to promoting cultural diversity and supporting local creative projects, work with many audiovisual and film production companies. In France, no fewer than 427 local producers – of immediate broadcast shows, films, documentaries, Créations Originales, animations, series, shows – worked with the group's channels (excluding Studiocanal) in 2017, together billing an amount of more than €310 million. In Africa, Canal+ Group worked with some 120 local producers (including 90 from countries in the 2017 reporting scope) on the purchase and pre-purchase of rights and on the co-production of series, films and shows.

In Poland, more than 40 local production companies worked with nc+ to provide the group's various channels with programs. In Vietnam, K+ partners with three local studios, with which it co-produces movies and sports programs. In the Caribbean and Réunion, the group works with local producers on content for pop-up themed channels. The support fund set up in partnership with the Guadeloupe region (see Section 3.1.1.2) also participates in the development of audiovisual production.

Through its activities, Vivendi contributes to sustaining local cultural industries. In 2017, for instance, the group continued the training program for sound engineers launched in Mali in 2006. This program was selected by Unesco for its contribution to developing local production capacities. The program's 13th training course took place in the studio of singer-songwriter Salif Keita, the Moffou, in Bamako. Participants in the ten-day course learned mixing table techniques, a key component of their longer training program. In 2017, the program also received support from Canal+: Canal+ Mali filmed a feature on the program and the trainees met the channel's sales director.

Skills-sharing is central to many programs set up by Canal+ International in Africa with a view to enhancing the professional skill set available in the local cultural sector and identifying promising young talents. In 2017, Canal+ International continued its support for the Galaxie Presse production company and its pan-African journalist training program, by providing practical courses taught by professional reporters and in MOOC format (online courses). A magazine filmed during the program was presented at Discop 2017 in Abidjan, an audiovisual market specializing in emerging regions. Four of the fifteen trainees on the program are regularly invited to work with Galaxie Presse on the *Réussite* show produced for *Les Mardis de l'Afrique*, and others work with the Canal+ Sports Programs department.

Canal+ Group also supports the emergence of a local African production ecosystem in partnership with CFI, the French media cooperation agency. In this respect, training workshops for production teams have been set up for the development and filming of several series (*Flingue et Chocolat*, *Envoûtée*, *Invisibles*, *Kongossa Telecom*, *Sakho & Mangane*). The workshops are supervised by the Canal+ Afrique production manager. For the *Sakho & Mangane* series, for example, she oversaw development (from preparation to production of the series, with the producer), helped in the process for selecting a new script doctor specializing in TV series, and contributed to training and coaching for technicians and actors. The Vivendi Create Joy Fund also provided support for actors in a local Senegalese association. In a similar vein, the *Kongossa Telecom* series arose from a call for projects addressing African comics, launched by Canal+ International and CFI in 2015.

Canal+ International met local producers to set out the needs, editorial lines and working methods of the Canal+ and A+ channels, and the group issues a producers' handbook drawn up for this purpose. These meetings took place at festivals such as Fespaco in Burkina Faso, Écrans noirs in Cameroon and Emergence in Togo, and during the Discop market in Abidjan.

At Canal+ International, training activities also involve industry stakeholders other than creators and producers. In Africa, the group's Service+ program, which has been running for several years, trains and certifies technical installer contractors. In 2017, over 800 people in the ten regions included in the societal reporting scope received this training. Canal+ Group, with its extensive distribution network, also provides training in sales techniques to its partners' employees in all regions where the group operates. In Poland, for example, more than 400 salespeople received training.

The group also supports local cultural life by partnering with many festivals. Vivendi produces twelve music festivals worldwide (including the Blue Note Festival and the Brive Festival in France and the Love Supreme and Sundown Festivals in the UK), and supports many other music, comedy and cinema festivals such as Jazz in Marciac, the M Rire Festival in Marseille and the Clermont-Ferrand International Short Films Festival. In France, Digitick has established ties with local festivals that help nurture regional cultural life. Marsatac in Marseille and Hellfest in Clisson enjoy Digitick's financial and operational support. In Africa, in addition to film festivals (see Section 3.1.1), the Canal+ Group subsidiaries support many local events such as the Africa Stand Up Festival in Douala, Cameroon and, in the Democratic Republic of Congo, the Jazz Kiff Festival, in Kinshasa and the Amani festival, a music festival promoting peace, in the Great Lakes region.

3.4.2. SOLIDARITY INITIATIVES

Since 2008, the group-level Vivendi Create Joy Fund has been providing support for young people who are marginalized, disadvantaged, disabled or suffering from illness (see Section 3.1.2.1). Group employees work with partners on the program, either on occasional pro-bono workshops or providing volunteer skills input on a more recurrent basis.

Group subsidiaries in different territories run their own sponsorship and solidarity programs.

€7.7 million: 2017 group spending on enterprise foundations, solidarity programs, partnerships and sponsorship operations

In 2017, UMG launched a new philanthropic program, All Together Now. Through this initiative UMG seeks to support employees' good work and engagement in various important causes, and to maximize UMG's impact in key areas of need across education and health & well-being, especially those with a connection to music and the arts.

After the attack on the Manchester Arena during an Ariana Grande concert, Ariana Grande returned to host *One Love Manchester*, a concert featuring many UMG artists including Justin Bieber and Katy Perry. Millions around the world tuned into the concert in support of Manchester attack victims and their families. Between direct donations and funds generated through initiatives by Bravado, Republic and Universal Music UK, UMG raised over USD 2 million for the victims.

In September, Universal Music selected a new UK charity partner, Playlist for Life, which teaches skills to help family members and care staff find the right music for people with dementia. In addition to raising funds, UMG is advising the charity on the many technical and rights issues involved in making music available to people living with dementia. In addition, UMG employees use their musical knowledge and curation expertise to create playlists that will be used to trigger memories and start conversations. Playlists are added to the Playlist for Life musical library which is accessible throughout the United Kingdom.

Canal+ Group is also involved in a number of solidarity projects. In Africa, it supports many cultural events and youth initiatives, in sport and education. In Madagascar, for example, Canal+ Group financed the whole school fees for high-school students from underprivileged backgrounds in Antananarivo and provided sports equipment such as soccer jerseys for more than 300 school children. In Senegal, it again sponsored the *Foot pour Tous* (Football for All) tournament, during which children enjoyed football training sessions given by professional players. In Poland, nc+ also supported youth initiatives through cash donations and the purchase of sports equipment. The yearly Christmas charity auction raises money for local associations; in 2017, 300 employees of Canal+ Group's Polish subsidiary took part in the initiative.

Support for women is another focus of Canal+ International's solidarity commitment. The group encourages and supports women behind creative, ambitious and sustainable start-ups by contributing to the African Rethink Awards. In 2017, the group awarded the African Women's Entrepreneurship prize to Ms. Topé Omotolani for her business Farmcrowdy, a platform that enables Nigerians to become involved in farming by selecting the kind of farm they wish to sponsor. Canal+ International also supports the association RSE et PED, a network of information on CSR in emerging countries and works with it to run webinars on female leadership in the African economy.

Gameloft also took part in several solidarity operations in the territories it covers. In Canada, it made a donation to the *Montréal marche pour la santé mentale* (Montreal Walking for Mental Health) event and sponsored the participation of one of its employees in this annual three-kilometer walk, which aims to raise awareness on mental health and overcome prejudice against people affected by mental illness. In Indonesia and Vietnam, Gameloft provided active support to several NGOs working on children's education.

In 2017, L'Olympia hosted a major solidarity concert, *Agir en Scène*, run by ATD Quart Monde to mark the 30th World Day for Overcoming Poverty. The event alternated between music and speeches by members of the association to raise public awareness on this cause. Artists included Kery James, Alan Stivell and Laurent Voulzy, and 90% of ticket revenue went to ATD Quart Monde.

SPOTLIGHT ON HAVAS

Havas provides active support to many charitable and humanitarian organizations. This can take the form of direct donations or skills sponsorship.

In 2017, 45 agencies representing about 28% of the group's workforce provided pro-bono work or offered free advertising space for charity organizations and NGOs including: Reporters sans frontières, Cité nationale de l'histoire de l'immigration, Canadian Women's Foundation, Justice 61 and United Nations Bottom 100. The agencies provided a total of 3,885 days' work on producing the 112 campaigns involved.

In 2017, Havas Group's work with local communities continued to expand through CSR initiatives run by a number of agencies. Here are some examples of the many initiatives run:

- Havas Sydney partnered Fund for Peace on a global project entitled The Bottom 100. This, the first initiative of its kind, tells the personal life stories of a hundred people among the poorest on the planet, for whom day-to-day survival is an unrelenting challenge. The project took more than 12 months and involved over 100 interviews with people of 22 nationalities on five continents;
- Havas Canada worked with Habitat for Humanity on the problem of housing shortages in Toronto. By modernizing and rethinking its digital strategies, Havas Canada was able to increase public awareness and simplify its processes enabling people to donate money, personal belongings or time to this cause. In so doing, Havas Canada hopes to increase community engagement in favor of Habitat for Humanity;
- apart from being one of last year's most emblematic and followed campaigns, the pro-bono operation run by the partnership between BETC Paris and Addict Aide was also among the most award-winning campaigns at the 2017 Cannes Lions Festival. The campaign, on Instagram, featured the fictitious character Louise Delage, whose outwardly glamorous life concealed a terrible and most secret. The story was told on Louise's Instagram account, which clocked up thousands of followers in a matter of weeks and today registers at 110,000; and
- the Boondoggle agency joined up with the Wereldsolidariteit NGO to carry out an experimental undercover inquiry as part of the Clean Clothes campaign, which brought to light catastrophic working conditions in Cambodian textile factories. For this work, in April 2017, Boondoggle and Wereldsolidariteit won a Medialaan Fairtime Award, a distinction given to creative campaigns by humanitarian and social organizations.

A full list of pro-bono partnerships appears in the pro-bono section of the Havas website.

Section 4
Tables of indicators

4.1. SOCIETAL INDICATORS

The quantitative societal data set out below is based on the scopes described in the Note on Methodology (see Section 6.1 of this chapter).

	2017
STRATEGIC COMMITMENTS RELATING TO VIVENDI'S CORE BUSINESS	
Percentage of UMG sales accounted for by local repertoires in their own countries *(scope: 50 countries)*	59.4%
UMG recording and marketing investment dedicated to new talent (artists releasing their first album), as a percentage of the total investment *(scope: 5 countries)*	24.9%
Percentage of CNC-approved, original French-language films financed by Canal+ and associated amounts (a)	50% (€116.5 million)
Number of debut and second local films financed by Canal+ Group	
Films pre-purchased by Canal+ (France) (a)	35 debut films and 24 second films
Films financed and distributed by Studiocanal (Germany, France and the United Kingdom)	4 debut films and 6 second films
Investments by Canal+ International in local African, Vietnamese and Polish content (excluding sports rights), as an absolute value and as a percentage of total content investments	35% (€46.8 million)
Number of controversies relating to content ethics	6

In 2017, Canal+ Group, for all of its channels combined, was served two warnings and a summon (the latter related to the C8 and CStar channels exceeding the authorized advertising time for a given hour in 2016). In addition, the French broadcasting regulator (CSA) issued two advertising suspensions and a €3 million fine to C8, in relation to three sequences of the show Touche pas à mon poste, broadcast in 2016 and 2017. The three sanctions are being appealed before the French Council of State (Conseil d'État) and are more fully described in Note 23 "Litigation" in the Notes to the 2017 Consolidated Financial Statements (Chapter 4 of this Annual Report).

COMMITMENTS RELATING TO VIVENDI'S STATUS AS A LISTED COMPANY	
Breakdown of purchases by main categories and geographic regions (b)	
Categories	
Content	60%
Services	26%
Finished products	7%
Other	7%
Geographic regions	
France	52%
Europe (excluding France)	26%
North America	16%
Asia-Pacific	5%
Africa	1%
Share of purchases made from local suppliers (b)	77%
Amounts spent on corporate foundations, solidarity programs, and partnership and sponsorship initiatives	€7.729 million

(a) Subject to data consolidated by the French National Center for Cinema and Motion Pictures (CNC) to be published in spring 2018, in the 2017 Report on Cinematographic Production.
(b) Suppliers and subcontractors that account for at least 75% of total purchasing expenditure.

4.2. SOCIAL INDICATORS

The quantitative social data set out below is based on the scopes set out in the Note on Methodology (see Section 6.1 of this chapter). Havas employees are included in the tables below on (i) headcount as of December 31, 2017, (ii) headcount by gender and (iii) headcount by geographic region. For further detail on social indicators for Havas, see Section 4.4 of this chapter.

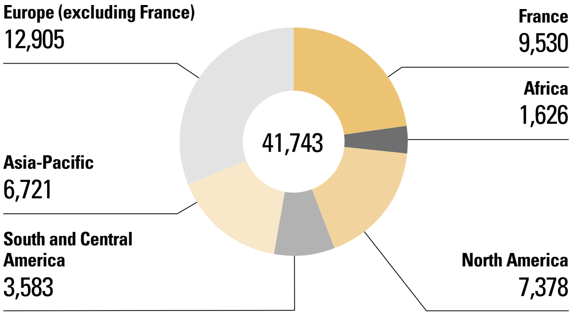
The social data for the Société d'Édition de Canal Plus (SECP) is consolidated into the Canal+ Group but presented separately, as required pursuant to paragraph 6, Article L. 225-102-1 of the French Commercial Code.

Headcount as of December 31, 2017 (a)	2017
Universal Music Group	7,912
Canal+ Group	7,707
Of which SECP	746
Havas	18,966
Gameloft	5,681
Vivendi Village	733
New Initiatives	490
Corporate	254
Total	**41,743**

	2017			
Headcount by Gender (a)	Women	% Women	Men	% Men
Universal Music Group	3,793	48%	4,119	52%
Canal+ Group	3,763	49%	3,944	51%
Of which SECP	240	32%	506	68%
Havas	10,703	56%	8,263	44%
Gameloft	1,173	21%	4,508	79%
Vivendi Village	378	52%	355	48%
New Initiatives	149	30%	341	70%
Corporate	145	57%	109	43%
Total	**20,104**	**48%**	**21,639**	**52%**

	2017					
Headcount by Geographic Region (a)	Africa	North America	South and Central America	Asia-Pacific	Europe (excluding France)	France
Universal Music Group	64	2,835	350	1,150	2,916	597
Canal+ Group	1,480	70	-	347	1,786	4,024
Of which SECP	-	-	-	-	-	746
Havas	71	3,679	2,923	2,719	5,807	3,767
Gameloft	2	652	310	2,500	2,120	97
Vivendi Village	9	38	-	-	271	415
New Initiatives	-	93	-	5	5	387
Corporate	-	11	-	-	-	243
Total	**1,626**	**7,378**	**3,583**	**6,721**	**12,905**	**9,530**
As a percentage	**3.9%**	**17.7%**	**8.6%**	**16.1%**	**30.9%**	**22.8%**

Headcount by Geographic Region (a)



(a) Including Havas employees.

Headcount by Age	2017					
	Under 25	25-34	35-44	45-54	55 and over	Total
Universal Music Group	515	2,635	2,195	1,878	689	7,912
Canal+ Group	525	2,932	2,512	1,378	360	7,707
Of which SECP	77	129	198	245	97	746
Gameloft	1,042	3,624	908	89	18	5,681
Vivendi Village	97	348	194	72	22	733
New Initiatives	34	264	151	34	7	490
Corporate	8	53	58	81	54	254
Total	**2,221**	**9,856**	**6,018**	**3,532**	**1,150**	**22,777**
As a percentage	**10%**	**43%**	**26%**	**16%**	**5%**	**100%**

New Hires	2017		
	Permanent	Temporary	Total
Universal Music Group	1,202	585	1,787
Canal+ Group	996	736	1,732
Of which SECP	106	10	116
Gameloft	865	1,201	2,066
Vivendi Village	103	158	261
New Initiatives	162	123	285
Corporate	33	18	51
Total	**3,361**	**2,821**	**6,182**
As a percentage	**54%**	**46%**	**100%**

Departures by Reason	2017						
	Resignation	Individual dismissal	Redundancy on economic grounds	End of temporary contract	Retirement	Other	Total
Universal Music Group	728	147	199	355	18	63	1,510
Canal+ Group	608	345	50	691	13	88	1,795
Of which SECP	15	22	-	111	1	1	150
Gameloft	1,560	188	75	175	3	326	2,327
Vivendi Village	183	29	25	32	-	26	295
New Initiatives	63	16	1	137	1	18	236
Corporate	3	3	-	17	3	4	30
Total	**3,145**	**728**	**350**	**1,407**	**38**	**525**	**6,193**
As a percentage	**51%**	**11%**	**6%**	**22%**	**1%**	**9%**	**100%**

Full-Time and Part-Time Employees	2017		
	Full-time employees	Part-time employees	Total
Universal Music Group	7,648	264	7,912
Canal+ Group	7,362	345	7,707
Of which SECP	730	16	746
Gameloft	5,654	27	5,681
Vivendi Village	626	107	733
New Initiatives	484	6	490
Corporate	237	17	254
Total	**22,011**	**766**	**22,777**
As a percentage	**97%**	**3%**	**100%**

Training	2017	
	Employees trained	Training hours
Universal Music Group	6,248	26,731
Canal+ Group	4,347	75,894
Of which SECP	215	4,205
Gameloft	3,452	102,007
Vivendi Village	187	5,414
New Initiatives	107	5,083
Corporate	81	2,338
Total	**14,422**	**217,466**
As a percentage of total headcount	**63%**	**-**

Proportion of Women in Management	2017		
	Total managers	Women managers	Percentage of women managers
Universal Music Group	4,697	2,000	43%
Canal+ Group	2,978	1,311	44%
Of which SECP	478	147	31%
Gameloft	705	160	23%
Vivendi Village	328	140	43%
New Initiatives	350	89	25%
Corporate	208	108	52%
Total	**9,266**	**3,808**	**41%**

	2017	% of total headcount
Headcount		
Total headcount	22,777	-
Men	13,376	59%
Women	9,401	41%
Permanent employees	19,498	86%
Temporary employees	3,279	14%
Headcount by age		
Under 25	2,221	10%
25-34	9,856	43%
35-44	6,018	26%
45-54	3,532	16%
55 and over	1,150	5%
New Hires and Departures		
Total new hires	6,182	-
Of which under permanent contracts	3,361 (54%)	-
Total departures	6,193	-
Of which individual dismissals	728 (12%)	-
Of which redundancy on economic grounds	350 (6%)	-
Training		
Number of employees trained	14,422	63%
Training hours	217,466	-
Average training hours per trainee	15.1	-
Compensation		
Personnel costs (a)	2,529.4	-
Payroll costs (a)	2,398.4	-
Payroll costs as a ratio of revenue	19.27%	-
Optional profit sharing (a)	8.8	-
Statutory profit sharing (a)	8.5	-
Absenteeism		
Total days of absence	145,700	-
Of which for illness	86,499 (60%)	-
Of which maternity, paternity or adoption leave	38,043 (26%)	-
Of which workplace or commuting accident	1,940 (1%)	-
Of which for occupational illness	31 (0%)	-
Of which for other reasons	19,187 (13%)	-
Total days of absence for SECP	4,170	-
Number of employees absent for at least one day	12,238	54%
Employee Relations and Collective Bargaining Agreements		
Collective bargaining agreements signed or renewed (France) (b)	37	-
Of which relating to compensation	7 (19%)	-
Of which relating to health and safety	3 (8%)	-
Of which relating to working conditions	2 (5%)	-
Of which relating to social dialog	2 (5%)	-
Of which relating to employee savings	14 (38%)	-
Of which relating to other topics	9 (25%)	-

(a) Figures in millions of euros.
(b) Including 11 agreements entered into by the UES of Canal+ of which SECP is a part.

	2017	% of total headcount
Health and Safety		
Number of workplace accidents resulting in lost work time	46	-
Of which SECP	4	-
Number of days lost due to workplace accidents	1,057	-
Of which SECP	54	-
Frequency rate (a)	0.1	-
Severity rate (b)	< 0.01	-
Organization of Working Time		
Full-time employees	22,011	97%
Part-time employees	766	3%
Career Development		
Number of temporary contracts converted into permanent contracts	808	-
Employees with Disabilities		
Number of employees with disabilities	179	-
ILO – Elimination of Forced or Compulsory Labor and Child Labor		
The Vivendi group complies with the principles of the ILO and prohibits all forms of forced labor. Child labor is strictly prohibited in the group. In certain very specific cases, such as film-making or recording music, where minors may be involved, all regulatory requirements are strictly complied with.		

(a) Calculation method for the workplace accident frequency rate:

$$\frac{\text{Number of workplace accidents resulting in lost work time} \times 1{,}000{,}000}{\text{Average annual headcount} \times \text{annual hours actually worked}}$$

(b) Calculation method for the workplace accident severity rate:

$$\frac{\text{Number of days lost due to workplace accidents} \times 1{,}000}{\text{Average annual headcount} \times \text{annual hours actually worked}}$$

4.3. ENVIRONMENTAL INDICATORS

The environmental data for the Société d'Édition de Canal Plus (SECP) is consolidated into the Canal+ Group but presented separately as required pursuant to paragraph 6, Article L. 225-102-1 of the French Commercial Code.

	Unit	2017	% of total headcount
Energy			
Electricity consumption	MWh	95,566	98%
Of which SECP	MWh	2,534	-
Consumption of electricity from renewable sources	MWh	12,339	14%
Natural gas consumption	MWh GCV	5,732	27%
Domestic fuel consumption	liters	71,738	39%
Of which SECP	liters	1,450	-
Consumption of steam used for space heating	MWh	7,330	29%
Of which SECP	MWh	121	-
Consumption of diesel by the vehicle fleet	liters	1,027,677	34%
Of which SECP	liters	16,764	-
Consumption of gasoline by the vehicle fleet	liters	553,205	35%
Consumption of LPG by the vehicle fleet (a)	liters	1,426	1%
Materials consumption			
Purchases of paper for internal use	metric tons	308	90%
Of which SECP	metric tons	8	-
Purchases of paper for external use (e.g., publications and magazines)	metric tons	3,877	55%
Purchases of plastics and acrylics used in the manufacture of products brought to market by a group entity	metric tons	18,883	41%
Purchases of cardboard packaging for products brought to market by a group entity	metric tons	1,362	48%
Waste			
Total professional electrical and electronic equipment waste (WEEE)	metric tons	66	78%
Of which SECP	metric tons	0.284	-
Recycled professional electrical and electronic equipment waste (WEEE)	metric tons	56	53%
Of which SECP	metric tons	0.281	-
Total household electrical and electronic equipment waste (WEEE) (b)	metric tons	61	9%
Recycled household electrical and electronic equipment waste (WEEE) (b)	metric tons	48	8%
Total hazardous waste (excluding WEEE)	metric tons	15	58%

(a) Only two group entities use this type of fuel.
(b) This indicator only applies to the Canal+ Group entities. It includes set-top boxes leased to Canal+ Group's final customers. In African countries, most of set-top boxes and Internet terminals are sold to households. The collection of set-top boxes is no longer the responsibility of Canal+ Group and is therefore not recorded by this indicator.

GREENHOUSE GAS EMISSIONS

	Unit	2017
Greenhouse Gas Emissions (excluding product use and purchases of content and services)		
GHG emissions relating to Scope 1 energy consumption (a)	metric tons of CO_2 eq.	**8,013**
Mobile sources	metric tons of CO_2 eq.	4,799
Stationary sources	metric tons of CO_2 eq.	3,214
Of which refrigerants	metric tons of CO_2 eq.	1,758
Of which domestic fuel	metric tons of CO_2 eq.	229
Of which natural gas	metric tons of CO_2 eq.	1,227
GHG emissions relating to Scope 2 energy consumption (b)	metric tons of CO_2 eq.	**29,456**
Of which electricity	metric tons of CO_2 eq.	28,012
Of which steam	metric tons of CO_2 eq.	1,444
GHG emissions relating to Scope 3 (c)	metric tons of CO_2 eq.	**110,518**
Waste (WEEE and hazardous waste)	metric tons of CO_2 eq.	59
Business travel	metric tons of CO_2 eq.	51,375
Purchases of raw materials	metric tons of CO_2 eq.	59,084
Of which plastics	metric tons of CO_2 eq.	53,439
Of which paper	metric tons of CO_2 eq.	4,202
Of which cardboard	metric tons of CO_2 eq.	1,444
Greenhouse Gas Emissions relating to SECP		
GHG emissions relating to Scope 1 energy consumption (a)	metric tons of CO_2 eq.	**58**
Mobile sources	metric tons of CO_2 eq.	53
Stationary sources	metric tons of CO_2 eq.	5
Of which domestic fuel	metric tons of CO_2 eq.	5
GHG emissions relating to Scope 2 energy consumption (a)	metric tons of CO_2 eq.	**188**
Of which electricity	metric tons of CO_2 eq.	164
Of which steam	metric tons of CO_2 eq.	24
GHG emissions relating to Scope 3 (c)	metric tons of CO_2 eq.	**8**
Waste (WEEE and hazardous waste)	metric tons of CO_2 eq.	0.12
Purchases of raw materials – Paper	metric tons of CO_2 eq.	8

(a) Scope 1 applies to direct emissions such as energy consumption (excluding electricity), fuel combustion and fugitive emissions (due to leaks of refrigerant fluid, for example).
(b) Scope 2 applies to indirect emissions relating to energy, such as the consumption of electricity or steam via distribution networks.
(c) Scope 3 applies to other emissions indirectly generated by the group's operations, which are not included in Scopes 1 and 2 but are related to the value chain as a whole, such as purchases of raw materials (e.g., paper, cardboard and plastic), management of waste generated by the operations of Vivendi subsidiaries, and employee business travel. The greenhouse gas emissions relating to purchases of services and content, and the emissions generated by the use of the products and services sold, are not included in the data mentioned above due to the high degree of uncertainty in the calculation of these emissions (see also Section 3.2.4 "Combating climate change").

The calculation method used is described in detail in the "Methodological details and limits in relation to indicators" section of the Note on Methodology (see Section 6.1), and in the document entitled "Note on Methodology for the Calculation of Vivendi group Greenhouse Gas Emissions", available on the Vivendi website.

4.4. HAVAS INDICATORS

The social and environmental data for Havas is based on the scope described in the note on methodology below.

SOCIAL INDICATORS

	2017	Percentage covered of the sample described in the note on methodology below
Headcount		
Headcount as of December 31 reported by the Havas Consolidation team	19,535	-
Percentage of permanent employees	92%	96%
Percentage of men	44%	82%
Percentage of women	56%	82%
New Hires and Departures		
Total number of new hires	5,975	92%
Of which under permanent contracts	4,314	92%
Total number of departures	7,205	92%
Of which redundancies and dismissals	1,614	92%
Organization of Working Time, Absenteeism		
Number of employees absent for at least one day	9,825	92%
Percentage of work days absent for illness	45%	91%
Percentage of work days absent for maternity/paternity leave	43%	91%
Health and Safety and Working Conditions		
Number of workplace accidents resulting in lost work time	59	93%
Number of work days lost due to workplace accidents	1,004	91%
Training		
Number of participants in training initiatives	9,466	90%
Percentage of employees who have benefited from at least one training initiative	55%	90%
Total number of training hours provided	129,195	89%
Average number of training hours per participant	14	89%

ENVIRONMENTAL INDICATORS

	Unit	2017	Percentage covered of the sample described in the note on methodology below
Energy			
Total electricity consumption	MWh	33,270	92%
Total energy consumption per employee	kWh	2,495	
Electricity consumption per employee	kWh	1,916	
Percentage of electricity in energy consumption	%	77	
Percentage of total employees working for entities that purchase electricity from renewable sources	%	17	100%
Air			
CO_2 emissions	metric tons of CO_2 eq.	142,683	100%
Of which transport-related	metric tons of CO_2 eq.	63,917	
Of which energy-related	metric tons of CO_2 eq.	18,337	
CO_2 emissions per employee	Kilograms of CO_2 eq.	7.3	
Waste			
Total waste	Metric tons	2,252	79%
Waste per employee	Kilograms	144	
Number of entities that have a paper sorting system	Number	218	100%
Percentage of total employees working for entities that have a paper sorting system	%	75	100%

Note on Methodology: Reporting Scope and Exceptions

Havas has a specialized sustainable development reporting software enabling the decentralized collection and consolidation of non-financial indicators.

The system is fully functional and has been deployed for the seventh consecutive year.

The methodology used for reporting is described below:

- **reporting protocol:** this document reviews the importance of the CSR reporting process and describes the respective roles and responsibilities of administrators and users in the organization of reporting campaigns. It is sent to all participants before the start of the reporting campaign and is also available via the reporting tool;
- **reporting unit:** the unit is the same as for financial reporting. Each agency, considered as a legal entity corresponding to a consolidation code, is included in the data collection system;
- **reporting scope:** 358 entities with active accounts (506 entities have been created in the tool since its launch in 2010, in line with changes to the financial consolidation scope). It was decided that only entities with employees would be active in the CSR reporting tool. Financial entities with no employees are included in the tool but their accounts are not active and are therefore not open to data entry. The information in this section is based on a sample of 18,966 employees, or 97% of the headcount reported by the consolidation team. The gap corresponds to marginal definition differences and to the absence of data reported by certain group agencies;
- **indicators and references:** a set of indicators has been defined, covering all areas of CSR and divided into five topics: Environmental, Social, Ethics and Governance, Economy, and Responsible Purchasing and Communication. Qualitative indicators other than social indicators were simplified in 2017 to compensate for the change in the level of data entry.

  Certain environmental indicators were deployed specifically to calculate Havas' Carbon Footprint (see "specific GHG calculator module" below). All of the indicators make reference in part to the French NRE Law (1), the Grenelle II Law and the GRI guidelines (2), as well as to specific indicators relating to the operations, challenges and tracking of commitments made by the group;
- **controls and consolidation:** coherency controls are included at the data entry level. By including thresholds for the acceptance of values and the mandatory entry of justifications, blocking controls filter out incorrect data. After validation, the data are consolidated by the Sustainable Development and Human Resources departments. During this stage, a final review is carried out on data that is outside the thresholds but nonetheless passed the automatic blocking controls. If no justification is provided to validate such data (via a comment or annexed document), they are eliminated from the calculation, hence the differences in scope among the indicators;

(1) New Economic Regulations Law.

(2) GRI: Global Reporting Initiative.

- **imports:** to limit data entry, a number of imports from certain existing group databases are programmed into the tool. For example, 70% of the social data relating to France is imported from the payroll management database. Data is also imported from the financial database for the calculation of the Carbon Footprint;
- **specific GHG calculation module:** this greenhouse gas emissions calculator is integrated into the system. It is based on specific indicators collected during the reporting process and the emission factors used in the ADEME V.6 method. The scope of the Carbon Footprint is that of the "office life" of agencies (excluding emissions relating to communication initiatives) and covers Energy, Purchases of External Products and Services, Travel, Freight, Waste, and Property, Plant and Equipment, or Scopes 1, 2 and 3 (partial) under ISO 14064. The module enables each agency to calculate its own Carbon Footprint every year and, through consolidation, to track GHG emissions at group level; and
- **currency:** all financial data entered locally is consolidated in euros at group level without taking into account any currency effect. Amounts are converted at constant exchange rates.

Among the indicators set out in Article R. 225-105-1 of the French Commercial Code, only those relevant to Havas's operations, challenges and commitments are included in the table.

Data are based on the headcount entered into the system as of December 31, 2017.

The scope provided for each indicator may vary in accordance with response rates.

Section 5
Concordance table

The concordance table below sets out the categories of information required pursuant to the French Law No. 2010-788 on national commitment for the environment of July 12, 2010, Article 225 (Grenelle II Law), Decree No. 2012-557 of April 24, 2012, Decree No. 2016-1138 of August 19, 2016, and Decree No. 2017-1174 of July 18, 2017.

It refers readers to the section of this chapter where information relating to each category can be found.

Category of Information (Article 225 of the Grenelle II Law)	Relevant Section in Chapter 2 of the 2017 Annual Report
SOCIAL INFORMATION	
Employment	
Total headcount and breakdown by gender, age and geographic region	4.2
New hires and dismissals	4.2
Compensation and changes to compensation	3.3.1.4
Organization of Work	
Work time status	3.3.1.1
Absenteeism	4.2
Social Relations	
Organization of social dialog, particularly employee information and consultation and bargaining procedures	3.3.1.4
Collective bargaining agreements	3.3.1.4
Health and Safety	
Occupational health and safety conditions	3.3.1.2
Agreements on occupational health and safety signed with trade unions or other employee representatives	4.2
Frequency and severity of workplace accidents	4.2
Occupational illnesses	4.2
Training	
Training policies	3.3.1.1
Total number of training hours	4.2
Equal Opportunity	
Measures taken to promote gender equality	3.3.2.1
Measures taken to promote the employment and integration of disabled people	3.3.2.2
Anti-discrimination policy	3.3.2
Promotion of and compliance with the principles of the ILO	
Respect for freedom of association and the right to collective bargaining	3.3.1.4
Elimination of discrimination in respect of employment and occupation	3.3.2
Elimination of forced or compulsory labor	4.2
Abolition of child labor	4.2

Category of information (Article 225 of the Grenelle II Law)	Relevant section in Chapter 2 of the 2017 Annual Report
ENVIRONMENTAL INFORMATION	
General Environmental Policy	
Organization of the company to take into account environmental issues and any environmental assessment or certification procedures	3.2.1.2
Employee training and information on environmental protection	3.2.2.1
Measures to prevent environmental risks and pollution	Not relevant – see Section 3.2.5
Amount of provisions and guarantees against environmental risks, provided that disclosing this information would not cause serious damage to the company in an ongoing dispute	Not relevant – see Section 3.2.5
Pollution	
Measures to prevent, reduce or remedy pollutants released into the air, water or soil seriously affecting the environment	Not relevant – see Section 3.2.5
Consideration shown for noise pollution and any other form of pollution specific to an activity	Not relevant – see Section 3.2.5
Circular Economy	
Waste Management	
Measures to prevent, recycle or reuse waste, and other forms of recovery and disposal	3.2.2.5
Measures to combat food waste	Not relevant – see Section 3.2.5
Sustainable Use of Resources	
Water consumption and supply in accordance with local constraints	Not relevant – see Section 3.2.5
Consumption of raw materials and measures taken to improve efficiency of use	3.2.2.4
Energy consumption, measures taken to improve energy efficiency and use of renewable energy	3.2.2.3
Land use	Not relevant – see Section 3.2.5
Climate Change	
Significant greenhouse gas emissions generated as a result of the company's activities, particularly through the use of the goods and services it produces	3.2.4
Adaptation to climate change	Not relevant – see Section 3.2.5
Preservation of Biodiversity	
Measures taken to preserve or develop biodiversity	Not relevant – see Section 3.2.5

Category of information (Article 225 of the Grenelle II Law)	Relevant section in Chapter 2 of the 2017 Annual Report
SOCIETAL INFORMATION	
Local, Economic and Social Impact of the Business Activity	
In terms of employment and regional development	3.4
Resident and local populations	3.4
Relations with Persons or Organizations Affected by the Company's Activities	
Dialog with these persons or organizations	1.3.3
Partnership or sponsorship initiatives	3.4
Subcontractors and Suppliers	
Integration of social and environmental challenges into the purchasing policy	2.2.1
Importance of subcontracting and consideration given to social and environmental responsibility in relations with suppliers and subcontractors	2.2.1
Fair Business Practices	
Measures taken to prevent corruption	2.2.2
Measures taken to promote consumer health and safety	2.2.4
Other Measures Taken to Promote Human Rights	**3.1**

Section 6
Verification of non-financial data

6.1. NOTE ON NON-FINANCIAL REPORTING METHODOLOGY

REFERENCE FRAMEWORKS

The reporting of non-financial indicators is based on internal guidelines drawn up by Vivendi with reference to the following national and international texts: the French Decree of April 24, 2012 and the Order of May 13, 2013 pursuant to the Law of July 12, 2010 (1) on national commitment for the environment (the Grenelle II Law), the guidelines of the Global Reporting Initiative (GRI) (2) and the GRI Media Sector Supplement issued on May 4, 2012 (3), the ten principles of the UN Global Compact, and the OECD Guidelines for Multinational Enterprises.

The internal reference, the "Reporting Protocol for Environmental, Social and Societal Data of the Vivendi group companies" (the "Reporting Protocol") is updated annually and ensures the consistent application of definitions and data gathering rules, validation and consolidation by all group companies.

In 2014, the Reporting Protocol was completely revised to take into account the group's shift in focus to content and media activities.

INDICATORS

Societal, social and environmental indicators are presented in Sections 3 and 4 of this chapter.

For 2017, Vivendi is presenting the non-financial indicators of the Société d'Édition de Canal Plus (SECP) in its Annual Report as required by Article L. 225-102-1, paragraph 6, of the French Commercial Code *(Code de commerce*). This company, which centralizes the operations of the Publishing Division, meets the threshold criteria provided by the Grenelle II Law. SECP social and environmental data is presented separately from Canal+ Group data. However, the societal data is included in the Canal+ Group data, given the publication of qualitative information which relates to all companies in this group and which reflects its various businesses.

Unless otherwise indicated, the societal, social and environmental indicators refer to data consolidated as of December 31, 2017.

The data presented for 2017 is consolidated. A breakdown of the 2017 data is provided by subsidiary for certain indicators.

REPORTING SCOPE

The reporting scope was established in accordance with Articles L. 233-1 and L. 233-3 of the French Commercial Code and, with the exception of certain companies, pertains to subsidiaries and controlled companies (see details at each reporting scope level).

Changes in reporting scope are the result of acquisitions or disposals of consolidated companies between January 1 and December 31 of the relevant reporting year:

- in the case of a disposal during the reporting year, the data for the company is not recognized in the scope for that year; and
- in the case of an acquisition during the reporting year, the data for the company is fully consolidated into the reporting from the following year, unless that company can provide the required information for the current reporting year. The acquired company's headcount is however incorporated into the scope of the current reporting year.

Societal Reporting Scope

The societal reporting scope corresponds to the group's business units, subject to the following clarifications:

- UMG: unless otherwise indicated, the reporting scope corresponds to nine entities that represent 81% of UMG's revenue (Australia, Brazil, France, Germany, Japan, the Netherlands, South Africa, the United Kingdom and the United States); the "Percentage of UMG marketing and recording investment dedicated to new talent" indicator is based on a scope limited to the group's top five markets; for the "Percentage of UMG sales accounted for by local repertoires in their own countries" and the "Percentage of physical and digital revenue generated by the catalog (works marketed for more than two years)" indicators, the scope has been extended to 50 countries;
- Canal+ Group: unless otherwise indicated, the reporting scope applies to the companies located in mainland France and its overseas departments and territories (the Caribbean and Réunion), Poland, Africa (a focus group of ten countries: Benin, Burkina Faso, Cameroon, Congo, the Democratic Republic of the Congo, Gabon, Ivory Coast, Madagascar, Mali and Senegal) and Vietnam. For some indicators that specifically apply to the French company, the scope "Canal+" is mentioned;

(1) Law No. 2010-788 on national commitment for the environment of July 12, 2010, Article 225 (Grenelle II Law), Decree No. 2012-557 of April 24, 2012 and the Order of May 13, 2013.

(2) Launched in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI is a long-term international, multi-stakeholder initiative that develops and issues guidelines for voluntary sustainability reporting by multi-national corporations wishing to disclose information regarding the economic, environmental and social impact of their activities, products and services. The GRI has not verified the content of this report or the validity of the information provided therein (www.globalreporting.org).

(3) The GRI Media Sector Supplement provides reporting guidance for global media industry corporations on an international scale. Several themes are included such as freedom of expression, media pluralism and content quality, the representation of cultures, independence, data protection, accessibility and media education.

- Gameloft: the reporting scope corresponds to the whole group;
- Vivendi Village: the reporting scope corresponds to Vivendi Ticketing (Digitick and See Tickets), MyBestPro and L'Olympia; and
- New Initiatives: the reporting scope corresponds to Dailymotion.

For the responsible purchasing indicators (see Sections 2.2.1, 3.4.1 and 4.1), the data relates to tier 1 suppliers and subcontractors that account for at least 75% of total purchasing expenditure, to facilitate reporting by the business units.

Social Reporting Scope

The social reporting scope covers all group companies and 100% of the workforce for the "headcount" indicators. In accordance with the Reporting Protocol for Environmental, Social and Societal Data of the Vivendi group companies, companies newly consolidated within the reporting scope during the year appear only in the tables related to headcount. For 2017, the entities are Havas, Olympia Production, Petit Olympia, CanalOlympia Talents & Spectacles Bénin, CanalOlympia Talents & Spectacles Cameroun, CanalOlympia Talents & Spectacles Guinée, CanalOlympia Talents & Spectacles Togo and Paddington Group for Vivendi Village.

In social reporting, unless otherwise indicated:

- "Vivendi Village" refers to L'Olympia, Olympia Production, Petit Olympia, CanalOlympia Talents & Spectacles Bénin, CanalOlympia Talents & Spectacles Cameroun, CanalOlympia Talents & Spectacles Guinée, CanalOlympia Talents & Spectacles Togo, MyBestPro, Paddington Group, Théâtre de l'Œuvre and Vivendi Ticketing;
- New Initiatives: the reporting scope refers to Dailymotion, Flab Prod, Flab Presse, Studio+ and Vivendi Content; and
- the "Corporate" heading refers to the Paris headquarters and the New York office, while "Headquarters" refers to the Paris headquarters only.

Environmental Reporting Scope

The environmental reporting scope (covering 93% of the headcount) is as follows:

- UMG: the reporting scope applies to 16 entities that account for 90% of the group's revenues (Australia, Brazil, Canada, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, Poland, Spain, Sweden, Taiwan, the United Kingdom and the United States);
- Canal+ Group: the reporting scope applies to companies located in mainland France and its overseas departments and territories, Poland, Africa (ten countries: Benin, Burkina Faso, Cameroon, Congo, the Democratic Republic of the Congo, Gabon, Ivory Coast, Madagascar, Mali and Senegal) and Vietnam. SECP data is identified separately from Canal+ Group data;
- Vivendi Village: the reporting scope applies to Vivendi Ticketing (Digitick and See Tickets), MyBestPro, Flab Prod and L'Olympia;
- New Initiatives: the reporting scope refers to Dailymotion (Paris and New York);
- Gameloft: the reporting scope applies to 13 entities: Belarus, Bulgaria, Canada, China, France, Hungary, Indonesia, Mexico, Philippines, Romania, Spain, Ukraine and Vietnam; and
- Vivendi Headquarters in Paris.

REPORTING PERIOD

Reporting of societal, social and environmental data is annual and covers the period from January 1 to December 31, 2017.

METHODOLOGICAL DETAILS AND LIMITS IN RELATION TO INDICATORS

Societal, social and environmental indicators may generally reflect methodological limits due to the lack of harmonization of international and national definitions and legislation, or due to the qualitative and therefore subjective nature of certain data.

Societal Indicators

With regard to the indicators "Breakdown of purchases by main categories and geographic regions", "Deployment of the responsible purchasing policy amongst suppliers and subcontractors" (see Sections 2.2.1 and 4.1) and "Share of purchases made from local suppliers" (see Sections 3.4.1 and 4.1), the subsidiaries reported on tier 1 suppliers and subcontractors representing at least 75% of total purchasing expenditure. For Dailymotion, purchases related to IT services and technical infrastructure were taken into account. For Gameloft, purchases of content corresponded to the main purchases, which accounted for 65% of the group's overall expenditure on content. For 2017, the purchases of Dailymotion and Gameloft represented a non-material portion of the consolidated amount.

Social Indicators

The total headcount for Havas used for reporting purposes was the headcount as of December 31, 2017.

Calculations of work-related accident rates (frequency and severity) take into account the number of hours actually worked and are based on average annual headcounts.

Environmental Indicators

For the environmental scope, the methodology used for data collection takes into account the nature of the site in terms of its contribution to electricity consumption. Data is primarily collected for sites that consume the most, in order to achieve a representation of over 90% of real data compared to total estimated electricity consumption.

Emissions are calculated using the emission factors in the December 2017 14.0 version of *Base Carbone*, the carbon database administered by the French Environment and Energy Management Agency (ADEME). When emission factors are not available in this database, or are deemed irrelevant, other recognized sources may be used, such as the GHG Protocol (www.ghgprotocol.org) or the factors published by DEFRA (www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017).

The list of emission factors used for its calculations is available on the group's website.

Any missing data on indicators such as electricity, gas, fuel and steam are estimated using methodologies based on ADEME factors where these are applicable, or are based on available data (e.g., ratios of 10 months out of 12 or ratio per square meter, per person).

With regard to data on electricity consumption, the quantities reported relate to the quantities invoiced. In cases where data is not available (in particular, for certain sites not owned by the group), consumption is estimated based on conversion factors (kW/m^2, kWh/ft^2). The conversion factors used for the energy consumption indicators are standard values. They differ depending on the geographic location of the entities and are taken from recognized reference guides. Total energy consumption is broken down to obtain a clearer explanation of the composition of the energy consumed.

In relation to fuel consumption (gasoline, diesel and propane), the scope of the indicator "CO_2 emissions from the use of mobile sources (tCO_2eq)" covers directly-owned vehicles or vehicles used by the site under long-term leases.

CO_2 emissions are divided into three categories:

- Scope 1 represents direct greenhouse gas emissions, including those associated with the consumption of natural gas and domestic fuel and injections of refrigerant fluids during site maintenance operations on air-conditioning installations. The emissions related to transport include consumption for each mobile source, such as directly owned vehicles or vehicles on long-term leases over which the group has operational control;
- Scope 2 includes indirect greenhouse gas emissions resulting from the use of electricity and steam; and
- in line with the changes to emissions reporting requirements brought in by the French Law on energy transition for green growth, published in the *Official Journal* on August 18, 2015, Scope 3 emissions are included in the reporting process as of 2017. Scope 3 applies to other indirect greenhouse gas emissions and notably includes emissions relating to employee business travel, purchases of paper, plastics and acrylics used in the manufacture of products intended for sale, and emissions related to WEEE treatment.

The selection of items for inclusion in Scope 3 emissions was determined in accordance with the reliability and completeness of the data available (e.g., units of mass and distance).

REPORTING TOOLS, CONSOLIDATION AND CONTROLS

The data gathering tools used by Vivendi, notably those developed by its Information Systems department, allow for the reporting of data which is consolidated and controlled at different levels:

- social data is gathered in the SIRIS tool, which automatically checks the data for coherency during input. An initial validation is performed by each subsidiary; coherency checks and a second validation are then performed by each business unit. These indicators are grouped together and checked at corporate headquarters, where a third validation is performed during consolidation. Finally, an analysis and a general review ensure the overall coherency of headcount flows between year N-1 and year N;
- in 2017, environmental data was collected via the Enablon tool, which automatically checks for consistency when the data is entered by the various contributors from the subsidiaries. A second consistency check is carried out by the correspondent in charge of consolidation at group headquarters. All of the answers provided to the questions asked by headquarters are recorded in the data collection tool; and
- societal data was gathered using Word and Excel spreadsheets, and a consistency check was performed by the correspondent in charge of consolidation at group headquarters. The answers to the questions asked by headquarters were tracked.

Report by one of the Statutory Auditors

Since 2008, a sample of the group's non-financial data has been the subject of a limited assurance review by one of Vivendi's Statutory Auditors (see Section 6.2). In 2017, pursuant to Articles L. 225-102-1 and R. 225-105-2 of the French Commercial Code, the certification and report address the societal, social and environmental information presented in Chapter 2 of this Annual Report, as set forth in the report on page 105.

6.2. INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Year ended the December 31, 2017

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Vivendi designated as an independent third party and accredited by the COFRAC (1), under the number n° 3-1065, we hereby present our report on the consolidated societal, social and environmental information for the year ended December 31, 2017, presented in Chapter 2 of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the Article L. 225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the Company

It is the responsibility of the Management Board to establish a management report including CSR Information referred to in the Article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the guidelines used by the company in its "Reporting Protocol for Environmental, Social and Societal Data of the Vivendi group companies – 2017" (hereafter referred to as the "Criteria"), and of which a summary is included in Chapter 2, Section 6.1 of the management report and available on request at Vivendi's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the Article L. 822-11-3 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria (Opinion on the fair presentation of CSR Information).

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n° 2016-1691 of December 9, 2016 (anti-corruption).

Our verification work mobilized the skills of six people between November 2017 and February 2018 for an estimated duration of twelve weeks. We were assisted by our specialists in Corporate Social Responsibility.

We conducted the work described below in accordance with the professional standards applicables in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and, concerning our opinion on the fair presentation of CSR information, in accordance with international standard ISAE 3000 (2).

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programs.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L. 233-1 and the entities which it controls, as aligned with the meaning of the Article L. 233-3 of the French Commercial code (*Code de commerce*) with the limitations specified in the introduction and in the Methodological Note (Section 6.1) in Chapter 2 of the management report.

Conclusion

Based on this work, and given the limitations mentioned above, notably concerning the social and environmental information of Havas, we confirm the presence in the management report of the required CSR information.

2. OPINION ON THE FAIR PRESENTATION OF CSR INFORMATION

Nature and scope of the work

We undertook six interviews at the consolidated entity level with the people responsible for the preparation of the CSR Information in the CSR and Human Resources departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important (3):

- at the level of the consolidated entity and for a selection of business units (4), we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information and also verified their coherence and consistency with the other information presented in the management report;

(3) **Societal indicators:**

– Quantitative information: amount of marketing and recording investments dedicated to new talents as percentage of total investment; percentage of CNC-approved French- initiative films financed by Canal+; number of first and second local films financed by Canal+ Group (France, UK, Germany); percentage of sales accounted for by local repertoires in their own countries; number and description of controversies relating to content ethics, and measures taken in response; investment in local African, Vietnamese, Polish and Overseas French content in absolute value and percentage terms (excluding sport rights).

– Qualitative information: initiatives taken for the promotion of local talent and of musical, cinematographic, audiovisual heritage; initiatives for enabling young people to express their creative talent and civic engagement through user-generated content; existence of policies and processes related to content ethics (production and/or distribution), part of which specifically concerns the protection of young audiences; description of the governance structure, the business model and the mechanisms deployed to guarantee the independence of editorial functions and pluralism of content; policies and processes put in place to protect customers' personal data; initiatives to raise the awareness of young users and their entourage as to the responsible use of products and services; measures taken in favor of the accessibility of offers, products and services (including customer services) and results obtained; initiatives taken against piracy and support given to public administrations' actions for the sustenance of artistic creation; integration of social and environmental issues in purchasing policies (existence of a formal commitment related to founding principles in the purchasing policy); importance of subcontracting and integration of CSR criteria in relations with suppliers and subcontractors (responsible purchasing policy governing suppliers and subcontractors that account for at least 75% of total purchasing expenditure).

Social indicators:

– Quantitative information: total headcount and breakdown by gender, age and geographic region; total new hires and breakdown of departures by reason.

– Qualitative information: new hires and redundancies; health and safety conditions in the workplace (business line policy on health and workplace safety); diversity policy; social relations and work organization.

Environmental indicators:

– Quantitative information: quantities of business and household WEEE produced; total energy consumption (e.g., electricity, natural gas, and fuel oil); consumption of fuel (e.g., gasoline, and diesel fuel).

– Qualitative information: general environmental policy, circular economy (prevention, recycling, other forms of waste recovery and disposal), energy consumption, measures taken to improve energy efficiency and the use of renewable energies, climate change (significant greenhouse gas emissions generated as a result of the company's activity, in particular the use of the goods and services it produces).

(4) Canal+ Group, Universal Music Group (UMG), Gameloft and Dailymotion.

- at the level of the representative selection of business units and operational entities that we selected (5), based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 24 % of the total workforce and 28% of the electricity consumption (6) that were considered as representative characteristics of the social and environmental domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the February 23, 2018

French original signed by:

Statutory Auditors

ERNST & YOUNG et Autres

Jacques Pierres	Éric Duvaud
Partner	CSR Expert

(5) For environmental indicators, the entities concerned include: SECP (Canal+ Group), Canal+ Congo (Canal+ Group), Canal+ Cameroun (Canal+ Group), UMG Japan (UMG), Gameloft Montréal (Gameloft) and Gameloft Ho-Chi-Minh City (Gameloft), Dailymotion France (Dailymotion); for social indicators, the entities concerned include: Canal+ Group (France) of which SECP, Canal+ Congo (Canal+ Group), Canal+ Cameroun (Canal+ Group), UMG Japan (UMG), Gameloft Montréal (Gameloft), Gameloft Ho-Chi-Minh City (Gameloft) and Dailymotion France; for societal indicators, the entities concerned include: Canal+ Group, Universal Music Group (UMG), Gameloft and Dailymotion France.

(6) These coverage rates are determined excluding Havas.

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Corporate Governance of Vivendi, Compensation of Corporate Officers of Vivendi, General information about the company, Internal control and risk management

CRÉATION ORIGINALE, CANAL+

Section 1
Corporate Governance of Vivendi

This section constitutes an integral part of the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code (Code de commerce) as amended by Executive Order No. 2017-1162 of July 12, 2017 and reviewed by the Supervisory Board at its meeting on February 15, 2018.

Since 2005, Vivendi has opted for a two-tier governance structure consisting of a Supervisory Board and a Management Board. This separated structure maintains a balance between management functions and oversight functions. It allows the Management Board to act with the promptness and efficiency required to perform its corporate management duties. The balanced and diversified composition of the Supervisory Board ensures that it is able to exercise the very best judgment and foresight and guarantees the integrity and engagement of its members in performing their supervisory and oversight duties.

In carrying out its management duties, the Management Board is supported by five internal committees: the Executive Committee, which assists General Management in implementing strategic activities and contributes to the action plans issued by the headquarters and the main business units; the Management Committees, in charge of reviewing business plans and monthly closures and on which the main operational managers of the group's entities participate; the Investment Committee, in charge of reviewing all investment and disposal transactions; the Risk and Compliance Committee, in charge of identifying and reviewing risk management systems; and the Financial Information and Communication Procedures Committee, in charge of reviewing and validating financial information before it is released. The composition, functions and activities of these committees are described in detail in Section 1.2.10 of this chapter.

In order to exercise its supervisory and control duties, the Supervisory Board reviews and determines the company's strategic guidelines. It authorizes the Management Board to implement substantial purchases, sales, internal restructuring transactions or those that could have an impact on the group's financial structure, as well as strategic partnership agreements.

The Supervisory Board carries out any verification or control checks it deems appropriate and is provided with all documents it deems useful to the fulfillment of its purpose and function. Upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, it appoints the members of the Management Board, who may be removed at any time, and sets the policy and criteria for determining, allocating and granting the fixed, variable and extraordinary components comprising their total compensation.

With respect to the relationship between the Management Board and the Supervisory Board, the Management Board prepares a status report every quarter, which is communicated and reviewed by the Supervisory Board. In addition, the Chairman of the Management Board must provide information on a regular basis to the Chairman of the Supervisory Board on the company's operations and significant events. More generally, members of the Supervisory Board are kept informed on a regular basis, by any means by either the Management Board or its Chairman, regarding the company's financial position, cash flow and obligations, as well as any significant events or transactions relating to the company.

In 2015, the Supervisory Board set in place a system of advisors whereby each member of the Management Board acts as the advisor to one or more members of the Supervisory Board. This system fosters greater dialog and exchange between Supervisory Board and Management Board members.

The Chairman of the Supervisory Board, who himself controls Vivendi's largest shareholder, also acts in this capacity in that he, like any core shareholder, helps define the strategic priorities that are in the group's best interest.

No other function is assigned to the Chairman of the Supervisory Board by the Supervisory Board, who performs the duties and exercises the powers prescribed by law and the company's by-laws.

1.1. ADMINISTRATION, SENIOR MANAGEMENT AND SUPERVISORY BODIES

Vivendi has referred to and fully applied the AFEP/MEDEF Code of Corporate Governance for Publicly Traded Companies, as amended in November 2016 (hereinafter the "AFEP/MEDEF Code").

1.1.1. SUPERVISORY BOARD

The Supervisory Board is a collegiate body. Its decisions are the responsibility of all of its members who must keep them confidential.

The Supervisory Board, taken as a whole, may make any public statement in the form of press releases to inform the market.

1.1.1.1. General Provisions

The Supervisory Board is made up of a maximum of 18 members. Each member serves a four-year term (Article 7 of Vivendi's by-laws). The Supervisory Board may appoint one or two non-voting members (*censeurs*) (Article 10-6 of Vivendi's by-laws). Non-voting members participate in an advisory capacity at meetings of the Supervisory Board and may attend meetings of the committees set up by the Supervisory Board. They are appointed for a maximum term of four years.

Except for the member representing employees and the member representing employee shareholders, each member of the Supervisory Board must own a minimum of 1,000 shares for his or her term of office (Article 7-2 of Vivendi's by-laws).

Each member of the Supervisory Board undertakes to regularly attend Supervisory Board meetings and Shareholders' Meetings. Members of the Supervisory Board may attend meetings by videoconferencing or other telecommunication means (Article 10 of Vivendi's by-laws).

At the end of each Annual Shareholders' Meeting, the number of members of the Supervisory Board over the age of 70, as of the closing date of the previous fiscal year, must not exceed one-third of the members. If this limit is exceeded, the oldest members are deemed to have resigned at the end of the Annual Shareholders' Meeting (Article 7-3 of Vivendi's by-laws).

1.1.1.2. Composition of the Supervisory Board – Independence and Expertise of Members

As of the date of publication of this Annual Report, the Supervisory Board has 12 members, including one member representing employee shareholders and one member representing employees.

Other than these two members, the Supervisory Board has 10 members, including six independent members (60%).

A member is independent if he or she has no direct or indirect relationship of any kind (other than a non-substantial shareholding in the company), with the company, its group or its management that could affect his or her independent judgment (as defined in the AFEP/MEDEF Code).

Classification of an independent member, and the criteria used to determine whether a Director meets such classification, are reviewed by the Corporate Governance, Nominations and Remuneration Committee when considering and discussing the appointment and re-election of members to the Supervisory Board. The Corporate Governance, Nominations and Remuneration Committee also reviews the situation of the Supervisory Board members regularly throughout their term of office and may change their classification if there is any doubt as to their continued independence.

Following its review of the independence of Tarak Ben Ammar, Chairman and Chief Executive Officer of Quinta Communications, which has a video and television rights license agreement with Studiocanal (an indirectly owned, wholly controlled subsidiary of Vivendi), the Corporate Governance, Nominations and Remuneration Committee concluded, having regard to Article 8.5 of the AFEP/MEDEF Code, that this business relationship was not material. In 2017, it represented €1.9 million charged by Studiocanal to the Quinta Communications company, i.e., less than 0.4% of Studiocanal's revenue over the period. Furthermore, the five-year term of this agreement, entered into in 2015, is typical for this type of business.

The Corporate Governance, Nominations and Remuneration Committee also reviewed the status of Aliza Jabès, Chief Executive Officer of the Nuxe Développement company whose subsidiary, the Laboratoire Nuxe SAS, entered into a one-year renewable partnership agreement with l'Olympia (an indirectly wholly-owned Vivendi subsidiary). The committee concluded, having regard to Article 8.5 of the AFEP/MEDEF Code, that this business relationship was not material. In 2017, it represented €65,000 charged by l'Olympia to the Laboratoire Nuxe company.

A description and quantification of these business relationships is provided in Note 21.2 "Other Related Parties" in the Notes to the Consolidated Financial Statements for the fiscal year ended December 31, 2017 presented in Section 4 of this Annual Report.

Vivendi's Supervisory Board examined the diversity policy applied to the members of the Supervisory Board after a review by the Corporate Governance, Nominations and Remuneration Committee. The Supervisory Board comprises six women (54%) (the employee representative is not counted in calculating this percentage, pursuant to Law No. 2011-103 of January 27, 2011 concerning gender parity on boards of directors and supervisory boards, and professional equality). One member of the Supervisory Board is a foreign national.

Other than the three Vivendi employees, nine members also have international experience, including three with expertise in emerging markets. Five Supervisory Board members have also acquired expertise in the areas of communications, media and content.

The terms of office of Aliza Jabès, Cathia Lawson-Hall, Virginie Morgon and Katie Stanton as well as Philippe Bénacin, as members of the Supervisory Board, will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018. Virginie Morgon, who will assume a new position at the Eurazeo group, will not stand for re-election.

The General Shareholders' Meeting of April 19, 2018 will be invited to re-elect Philippe Bénacin, Aliza Jabès, Cathia Lawson-Hall and Katie Stanton and to appoint Michèle Reiser as a new independent member of the Supervisory Board.

For detailed information about the current members of the Supervisory Board and the nominees proposed for election at the General Shareholders' Meeting of April 19, 2018, please refer to the sections "Main Activities of the Current Members of the Supervisory Board" and "Information about the nominees for the Supervisory Board submitted for the approval of the General Shareholders' Meeting to be held on April 19, 2018" below.

At the close of the General Shareholders' Meeting to be held on April 19, 2018 and subject to approval of the relevant resolutions, the Supervisory Board will have 12 members including six women, one member representing employee shareholders appointed pursuant to Article L. 225-71 of the French Commercial Code, and one member representing employees, appointed pursuant to Article L. 225-79-2 of the French Commercial Code, the other members having been appointed pursuant to Article L. 225-75 of the French Commercial Code. The Supervisory Board will have six independent members, two members of the Bolloré Group, one member of the Havas Group and three Vivendi employees.

Supervisory Board Members: Dates of Appointment and Number of Shares Held

Supervisory Board members	Position	Age	Date of initial appointment and most recent re-election to the Supervisory Board	Committee member	End of term	Number of shares held
Vincent Bolloré	Chairman of the Supervisory Board Member of the Supervisory Board	65	SB 04/25/2017 SB 06/24/2014 AGM 04/25/2017 AGM 04/30/2013 SB 12/13/2012	-	AGM 2021	6,000
Philippe Bénacin (1)	(a) Vice Chairman Member of the Supervisory Board	59	SB 06/24/2014 AGM 06/24/2014	B	AGM 2018	14,100
Tarak Ben Ammar	(a) Member of the Supervisory Board	68	AGM 04/17/2015	A	AGM 2019	1,003
Yannick Bolloré	Member of the Supervisory Board	38	SB 05/11/2016 AGM 04/25/2017	A, B	AGM 2020	3,616
Paulo Cardoso	(d) Member of the Supervisory Board	44	DUP 10/19/2017 WC 10/16/2014	B, C	10/18/2020 10/15/2017	n/a
Dominique Delport (*)	Member of the Supervisory Board	50	AGM 04/17/2015	B	AGM 2019	-
Véronique Driot-Argentin	Member of the Supervisory Board	55	AGM 04/25/2017	C	AGM 2021	1,138
Aliza Jabès (1)	(a) Member of the Supervisory Board	55	AGM 04/29/2010 AGM 06/24/2014	B	AGM 2018	7,833
Cathia Lawson-Hall (1)	(a) Member of the Supervisory Board	46	SB 09/02/2015 AGM 04/21/2016	A, C	AGM 2018	1,000
Sandrine Le Bihan	(c) Member of the Supervisory Board	47	AGM 04/25/2017	C	AGM 2021	2,967
Virginie Morgon (2)	(a) Member of the Supervisory Board	48	AGM 06/24/2014	B	AGM 2018	2,000
Katie Stanton (1)	(a) (b) Member of the Supervisory Board	48	AGM 06/24/2014	A	AGM 2018	1,000

n/a: not applicable.

(*) Since his appointment to the Supervisory Board, this member has been unable to acquire on the market the number of shares required to be held by him in his capacity as Board member pursuant to Article 7-2 of the company's by-laws due to the need to comply with blackout periods, pursuant to which he is prohibited from trading in Vivendi shares over such periods. He will comply with the shareholding requirement once he is permitted to trade in company shares.

(1) Member whose renewal of term is proposed to the General Shareholders' Meeting of April 19, 2018.
(2) Member whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018 (not standing for re-election).
(a) Independent member.
(b) Foreign member.
(c) Employee shareholder representative.
(d) Employee representative.

A: Audit Committee.
B: Corporate Governance, Nominations and Remuneration Committee.
C: CSR Committee.

Main Activities of the Current Members of the Supervisory Board

VINCENT BOLLORÉ

Chairman of the Supervisory Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Vincent Bolloré holds a Master's degree in Law and is the Chairman and Chief Executive Officer of the Bolloré Group. In 1970, he began his career as a representative at Banque de l'Union Européenne before joining Compagnie Financière Edmond de Rothschild in 1976.

In 1981, he became Chairman and Chief Executive Officer of the Bolloré Group and its paper business. Under Vincent Bolloré's management, the group became one of the world's 500 largest companies. As a listed company, the Bolloré Group holds a strong position in each of its businesses, which are organized into three divisions: Transport and Logistics, Communication and Media, and Electricity Storage. The Bolloré Group also manages a long-term investment portfolio.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Canal+ Group, Chairman of the Supervisory Board

Bolloré Group (in France)

- Bolloré (*), Chairman and Chief Executive Officer
- Bolloré Participations, Chairman and Chief Executive Officer
- Financière de l'Odet (*), Chairman of the Board of Directors (separate management)
- Blue Solutions (*), Chairman of the Board of Directors (separate management)
- Somabol, Chairman
- Omnium Bolloré, Chief Executive Officer and Director
- Financière V, Chief Executive Officer and Director
- Financière Moncey (*), Director
- Société Industrielle et Financière de l'Artois (*), permanent representative of Bolloré Participations on the Board of Directors
- Compagnie du Cambodge (*), permanent representative of Bolloré Participations on the Supervisory Board

Bolloré Group (outside France)

- Nord-Sumatra Investissements, Chairman and Deputy Director
- Financière du Champ de Mars, Chairman and Deputy Director
- BB Groupe SA, Chairman of the Board of Directors
- Plantations des Terres Rouges, Director

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Fred & Farid Group, permanent representative of Bolloré

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- SAFA Cameroun (*), permanent Representative of Bolloré Participations on the Board of Directors
- Société des Caoutchoucs de Grand Bereby (SOGB) (*), Vice Chairman
- Bereby Finances, Vice Chairman
- Socfinaf (*) (formerly Intercultures), Director
- Liberian Agricultural Company (LAC), Director
- Plantations Nord-Sumatra Ltd, Director
- Socfin (*) (formerly Socfinal), Director
- Socfinasia (*), Director
- Socfindo, Director
- Socfin KCD, Director
- Bereby Finances, permanent representative of Bolloré Participations on the Board of Directors
- Société Camerounaise de Palmeraies (Socapalm) (*), permanent representative of Bolloré Participations on the Board of Directors
- Société des Caoutchoucs de Grand Bereby (SOGB) (*), permanent representative of Bolloré Participations on the Board of Directors
- Brabanta, permanent representative of Bolloré Participations on the Board of Directors
- SOGB, Vice Chairman
- COVIPHAMA, Director
- Plantations Socfinaf Ghana, Director
- Socfin Agricultural Company, Director
- Socfinco FR, Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Studiocanal, Member of the Supervisory Board
- Havas, Chairman of the Board of Directors (separate management)
- Matin Plus, Director
- Société des Chemins de Fer et Tramways du Var et du Gard, permanent representative of Bolloré Participations on the Board of Directors
- Société Bordelaise Africaine, permanent representative of Bolloré Participations on the Board of Directors
- Compagnie des Tramways de Rouen, permanent representative of Bolloré Participations on the Board of Directors
- Fred & Farid Paris, France, permanent representative of Bolloré
- Havas Media France, Director
- Société Anonyme Forestière et Agricole (SAFA), permanent representative of Bolloré Participations on the Board of Directors

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Generali, Vice Chairman
- Socfinco, Director
- Palmeraies du Cameroun (Palmcam), permanent representative of Bolloré Participations on the Board of Directors
- Champ de Mars Investissements, Chairman of the Board of Directors
- Financière Nord-Sumatra, Chairman of the Board of Directors
- Bolloré Africa Logistics Gabon (formerly SDV Gabon), Director
- Bolloré Africa Logistics Sénégal (formerly SDV Sénégal), Director
- Bolloré Africa Logistics Cameroun (formerly Saga Cameroun), permanent representative of Bolloré Participations on the Board of Directors
- Brabanta, Co-Manager
- Centrages, Director
- Bolloré Transport & Logistics Congo, permanent representative of Bolloré Participations on the Board of Directors

(*) Listed on a regulated market.

Pursuant to Recommendation 18 of the AFEP/MEDEF Code, "an Executive Officer should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group."

The AFEP/MEDEF Code Application Guide further provides that "the limit above does not apply to directorships held by an Executive Officer in subsidiaries and holdings, held alone or together with others, of companies whose main activity is to acquire and manage such holdings."

All positions held by Vincent Bolloré within listed companies are:

- firstly, within the Bolloré Group, which is controlled by Vincent Bolloré (1) (Financière de l'Odet, Bolloré SA, Blue Solutions, Financière Moncey, Société Industrielle et Financière de l'Artois and Compagnie du Cambodge); and
- secondly, within equity interests (2) of Bolloré SA (Vivendi, Socfin and its subsidiaries), the main activity of which is to acquire or manage its subsidiaries and interests and where Vincent Bolloré serves as Corporate Officer (Chairman-CEO of Bolloré SA).

These positions, held outside the Bolloré Group but in interests held by Bolloré SA, meet the required conditions to benefit from the exemption and therefore need not be subject to application of the rules governing more than one directorship.

Thus Vincent Bolloré's situation is consistent with the provisions of the AFEP/MEDEF Code concerning the accumulation of positions, since the positions he holds in listed companies are either within his group, or are subject to the exemption provided for in the AFEP/MEDEF Code.

(1) Through the Group company Bolloré Participations, of which Mr. Bolloré is Chairman and Chief Executive Officer.
(2) Pursuant to Article L. 233-2 of the French Commercial Code, an "equity interest" is defined as an ownership interest of between 10% and 50% of the share capital.

PHILIPPE BÉNACIN

Independent member of the Supervisory Board whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018 and whose re-election will be proposed at this same meeting

Vice Chairman of the Supervisory Board and Chairman of the Corporate Governance Nominations and Remuneration Committee

French citizen.

Interparfums – 4, rond-point des Champs-Élysées – 75008 Paris – France

EXPERTISE AND EXPERIENCE

Philippe Bénacin graduated from Essec in 1983, the year in which he founded Interparfums with Jean Madar.
As Chairman and Chief Executive Officer of the company, Philippe Bénacin developed the company's portfolio of licensed brands, supply chain, international distribution and, more generally, the company's strategy and growth, including its IPO in 1995.

Interparfums is a major player in the Perfume and Cosmetics market and manages, among others, the brands Lanvin, Montblanc, Jimmy Choo, Karl Lagerfeld, Boucheron, Van Cleef & Arpels, Repetto, and Balmain.

Regularly recognized for the quality of its Financial Reporting, the Interparfums Group has earned a number of awards and prizes, including the prestigious *Prix Cristal de la transparence de l'information financière* and the *Prix de l'Audace Créatrice* for creativity, awarded to Philippe Bénacin by French Prime Minister François Fillon.

POSITIONS CURRENTLY HELD (IN FRANCE)

- Interparfums SA, Co-Founder and Chairman and Chief Executive Officer
- Interparfums Holding, Chairman of the Board of Directors

POSITIONS CURRENTLY HELD (OUTSIDE FRANCE)

- Interparfums Inc. (United States), President (non-executive) and Vice Chairman of the Board of Directors
- Interparfums Luxury Brands (United States), President (non-executive) and Vice Chairman of the Board of Directors
- Inter España Parfums & Cosmetiques SL (Spain), Director
- Interparfums Srl (Italy), Director
- Interparfums Switzerland, Director and Manager
- Interparfums Singapore Pte Ltd, Director
- Parfums Rochas Spain S.L., Chairman of the Board of Directors

OTHER POSITIONS AND OFFICES

None.

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Interparfums Ltd (Great Britain), Director

TARAK BEN AMMAR

Independent member of the Supervisory Board

French citizen.

Quinta Communications
32-34, rue Poussin – 75016 Paris – France

EXPERTISE AND EXPERIENCE

Tarak Ben Ammar is an entrepreneur in audiovisual media both within Europe and worldwide.

He began his career in 1974 by convincing a number of American producers to produce parts of their films in Tunisia. As a result, he participated in the production of a number of international films, including the blockbusters *Star Wars* (George Lucas) and *Raiders of the Lost Ark* (Steven Spielberg). He has also co-produced and distributed more than 70 movies, including the prestigious *La Traviata* (Franco Zeffirelli), *Pirates* (Roman Polanski), *The Passion of the Christ* (Mel Gibson) and *L'Or Noir* (Jean-Jacques Annaud).

Simultaneously, he developed a group present in several countries, including:

- in France, through his company Quinta Communications, he participated in the development of the French film industry, and, as an investor, he partnered with Luc Besson to found *Cité du Cinéma*, set to become a first-class international film studio;
- in Italy, his subsidiary Prima TV has rapidly established its position as the fourth-largest multimedia group, behind Mediaset, RAI and Sky, primarily through the company Eagle, the largest independent distributor in the country. In 2013, the telecommunications group Nabil Sawiris purchased a stake in Prima;
- in North Africa, he is committed to promoting the values of tolerance and freedom in his country of birth. He co-founded the TV channel Nessma, which has become the leading television channel in Tunisia, Algeria and Libya and the second biggest channel in Morocco. On account of its democratic positioning and independence, this channel played a central role in the Arab Spring and the fight against radical Islam; and
- in the United States, with the Weinstein brothers and Goldman Sachs, he co-founded the independent studio The Weinstein Company which has produced, among other films, *The King's Speech* and two major French films, *The Artist* and *La Môme*, which won a number of Oscar awards.

Tarak Ben Ammar is a Director of several companies, including The Weinstein Company in the United States and Mediobanca in Italy where he serves as an independent Director.

He graduated from Georgetown University in Washington, D.C. with a degree in international economics.

POSITIONS CURRENTLY HELD (IN FRANCE)

- Quinta Communications SA, Chairman of the Board of Directors and Managing Director
- A Prime Group SAS, member of the Supervisory Board
- Téléclair SARL, Manager

POSITIONS CURRENTLY HELD (OUTSIDE FRANCE)

- Holland Coordinator & Service Company B.V. (Netherlands), shareholder and Managing Director
- A1 International Investment B.V. (Netherlands), Supervisory Director
- Nessma SA (Luxembourg), Director
- Andromeda Tunisie SA (Tunisia), Chairman and Chief Executive Officer
- Quinta Communications Distribution Tunisie SARL (Tunisia), Manager
- Quinta Communications LTC Gammarth SARL (Tunisia), Manager
- Carthago Films Services SARL (Tunisia), Manager
- Empire Productions SARL (Tunisia), Manager
- Holland Coordinator & Service Company Italia SpA (Italy), Chairman of the Board of Directors and Director
- Eagle Pictures SpA (Italy), Chairman of the Board of Directors and Director
- Europa Network Srl (Italy), Director
- Prima TV SpA (Italy), Chairman of the Board of Directors and Director
- Delta Films Limited (UK), Director
- Delta (The Last Legion) Limited (UK), Director
- Delta (Young Hannibal) Limited (UK), Director
- The Weinstein Company Holdings LLC (USA), Board Member

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Mediobanca SpA (*) (Italy), member of the Supervisory Board

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Edison SAS (France), member of the Board of Directors

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Promotions et Participations International SA (Luxembourg), Chairman of the Board of Directors and Director
- Telecom Italia SpA (*) (Italy), Director
- Lux Vide Finanziaria per iniziative audiovisive e telematiche SpA (Italy), Director
- Europa TV SpA (Italy), Chairman of the Board of Directors and Director
- Quinta Communications USA, Inc. (USA), Director
- Quinta Communications Italia Srl (Italy), Chairman of the Board of Directors and Director
- Imperium SpA (Italy), Chairman of the Board of Directors and Director
- La Centrale Finanziare Generale SpA (Italy), Vice Chairman of the Board of Directors and Director

(*) Listed on a regulated market.

YANNICK BOLLORÉ

Member of the Supervisory Board

French citizen.

Havas – 29/30, quai de Dion-Bouton
92800 Puteaux – France

EXPERTISE AND EXPERIENCE

Yannick Bolloré is a graduate of Paris Dauphine University. He is Chairman and Chief Executive Officer of the Havas Group, one of the world's largest communications groups with revenue of $2 billion and more than 18,000 employees in 100 countries.

He co-founded the production company WY Productions in 2002 (Hell, Yves Saint Laurent). In 2006, he joined his family group, the Bolloré Group, to launch and develop its media division. Within five years, Bolloré Média (D8, D17) became the leading independent French TV group and was subsequently sold to Canal+, making the Bolloré Group a shareholder in Vivendi.

He then joined the Havas Group in 2011 and became Chairman and Chief Executive Officer in 2013. He initiated a major restructuring of the group to make it the most integrated and forward-thinking in its industry. In 2015, the Bolloré Group obtained majority control of the Havas Group.

Yannick Bolloré was named Young Global Leader in 2008 by the World Economic Forum. He has received numerous distinctions and awards from international associations and the business press. He was also named a *Chevalier de l'Ordre des Arts et des Lettres.*

POSITIONS CURRENTLY HELD

Havas Group (in France)

- Havas (*), Chairman and Chief Executive Officer
- Havas Media France, Director
- W & Cie, permanent representative of Havas on the Board of Directors
- Havas Media Africa, member of the Executive Board

Havas Group (outside France)

- Havas North America, Inc., Chairman
- Havas Worldwide LLC, Chairman and Executive Vice President
- Havas Worldwide Middle East FZ, LLC, Director

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Bolloré SA (*), Vice Chairman and Director
- Financière de l'Odet (*), Director
- Bolloré Participations, Director
- Financière V, Director
- Omnium Bolloré, Director
- JC Decaux Bolloré Holding, member of the Executive Board
- Sofibol, member of the Supervisory Board
- *Musée Rodin*, Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Havas 360, Chairman
- HA Pôle Ressources Humaines, Chairman and Chief Executive Officer and Director
- Mediamétrie, permanent representative of Havas on the Board of Directors
- Havas Paris, permanent representative of Havas on the Board of Directors
- Havas Paris, Chairman and Chief Executive Officer and Director
- Havas Life Paris, permanent representative of Havas on the Board of Directors
- MFG R&D, member of the Supervisory Board

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Havas Media Group Spain SA (Spain), Director
- Arena Communications Network SL (Spain), Director
- Havas Worldwide Brussels (Belgium), permanent representative of Havas on the Board of Directors

(*) Listed on a regulated market.

PAULO CARDOSO

Employee representative on the Supervisory Board

Chairman of the CSR Committee

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Paulo Cardoso, a trained accountant, joined Compagnie Générale des Eaux in 1997 as administrative manager in the Communications department.

In 2001, he joined the Finance department's accounting unit. In 2002, he moved to the Treasury department, where he is responsible for the Canal+ Group's cash management and the group's network systems.

POSITIONS CURRENTLY HELD

None.

OTHER POSITIONS AND OFFICES

None.

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Member and Treasurer of Vivendi's Works Council

DOMINIQUE DELPORT

Member of the Supervisory Board

French citizen.

Havas – 29/30, quai de Dion-Bouton
92800 Puteaux – France

EXPERTISE AND EXPERIENCE

Dominique Delport is a graduate of the EM Lyon (*École Supérieure de Commerce de Lyon*) and a winner of the MBA Moot Corp International Challenge hosted by the University of Texas, Austin. He is also the recipient of an Emmy Award.

He has had three distinct professional careers: television journalist, Internet entrepreneur, and head of a media agency, all of which give him expertise in content, digital and media at an international level.

Dominique Delport began his career as Deputy Chief Editor for the television channel M6 Lyon, and then became Chief Editor at M6 Lille. In 1996, he was appointed Chief Editor at M6, the second largest private television channel in France.

From 1996 to 2000, he directed the news program *6 Minutes* (four million daily viewers) and news reports including *Zone Interdite* and *Capital*.

In April 2000, he gave up his career in television to move into the world of startups, forming the streaming multimedia company Streampower, where he served as Chairman and Chief Executive Officer.

In October 2001, Streampower became a 75% subsidiary of the Rivaud Media group (Bolloré Group).

In 2003, Dominique Delport launched a daily program on Canal+, "Merci pour l'info", and in 2004, for France 5, he created and produced the program C.U.L.T., an interactive televised broadcast on urban cultures featuring live videos from bloggers.

After participating in the launch of Direct 8 (TNT), Dominique Delport hosted the weekly show titled 8-Fi, a live broadcast devoted to new media and technologies.

Dominique Delport joined Media Planning Group (MPG) on February 1, 2006 as Managing Director, while retaining his position as Chairman and Chief Executive Officer at Streampower. He was appointed Chief Executive of MPG France in June 2006 and then, in February 2007, Managing Director of Havas Media France.

In February 2008, he was promoted to the position of Chairman-Managing Director of Havas Media France, a position he held until the end of 2015.

In February 2009, he was elected to a two-year term as President of the Union of Media Consulting and Purchasing (UDECAM), the organization for all French media agencies.

Following the success of the integrated organization of Havas Media France, he was named Managing Director of the Havas Media Group global network.

As a member of the Executive Committee of Havas Media Group, he now supervises all brands, customers, commercial activities, research and business intelligence for the group's 126 markets, under the direction of Yannick Bolloré, Chairman and Chief Executive Officer of Havas.

In November 2013, he was given direct responsibility for Havas Media Group in the United Kingdom as Chairman.

On March 9, 2017, Dominique Delport was appointed Global Managing Director and Chief Client Officer of the Havas Group.

He is also a member of the Facebook Client Council.

Campaign magazine ranked him among the Top 3 UK Media Suits in 2013 and, according to the barometer TweetBosses, he is one of the most followed Chairmen and Chief Executive Officers on social media in France.

POSITIONS CURRENTLY HELD

Vivendi group (in France)
- Vivendi Content SAS, President
- Studio+, Chairman
- Studio+ France, Chairman
- Vivendi Entertainment, Chairman

Havas Group (in France)
- Havas (*), Global Managing Director and Chief Client Officer
- Havas Media Africa, Chairman and member of the Executive Board
- MFG R&D SA, Chairman of the Management Board
- Havas Productions SNC, Manager

Havas Group (outside France)
- Arena Media Communications, Co-Manager
- Havas Media Belgium, Director

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Ze Cake Group Ltd., Chairman
- Ze Ais Group Ltd., Chairman
- Havas Sports Limited, Chairman
- Arena Blm Ltd, Chairman
- Arena Quantum Ltd, Chairman
- Cake Group Ltd, Chairman
- Elisa Interactive Ltd, Chairman
- Cake Media Ltd, Chairman
- Media Planning Ltd, Chairman
- Ais Group Ltd, Chairman
- Arena Blm Holdings Ltd (United Kingdom), Chairman
- BLM Cliverd Ltd, Director
- Forward 1 UK Ltd, Director
- BLM Two Ltd, Director
- BLM Azure Ltd, Director
- BLM Red Ltd (United Kingdom), Director
- Forward Holding Spain, Sole Director
- S.L.U. (Spain), Sole Director
- Forward Média Peru, Director
- SAC, Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Havas Media France, Chairman and Chief Executive Officer
- Udecam, Chairman

(*) Listed on a regulated market.

VÉRONIQUE DRIOT-ARGENTIN

Member of the Supervisory Board – employee of Vivendi SA

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Véronique Driot-Argentin joined Compagnie Générale des Eaux in 1989 where she began her career in the press services group of the Corporate Communications department. In 1991, she joined the Île-de-France Regional Water Authority and then, in 1995, moved to the Human Resources department of Générale des Eaux as special assistant to the Group Head of Human Resources working in employee relations, a position she continues to hold at Vivendi.

In 2011, she began working with Vivendi's Head of Training, and has been a Training Manager in the Human Resources department since 2016.

Véronique Driot-Argentin has been the CFTC trade union delegate since 2006.

She sat on the Employment Tribunal in Paris from 2008 to 2015. Since 2014, she has been a town councillor in Villecresnes (Val-de-Marne *département*) and Vice President of the Social Housing and Action Management Committee.

POSITIONS CURRENTLY HELD

None.

OTHER POSITIONS AND OFFICES

Vivendi group (in France)
- Group Works Council, member
- IDSE, member of the *bureau*

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS

None.

ALIZA JABÈS

Independent member of the Supervisory Board whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018 and whose re-election will be proposed at this same meeting

Member of the Supervisory Board

French citizen.

Groupe NUXE – 19, rue Péclet
75015 Paris – France

EXPERTISE AND EXPERIENCE

Aliza Jabès is a graduate of the *Paris Institut d'Études Politiques*. She holds an MBA from New York University (NYU). She began her career as a financial analyst for the Eli Lilly laboratory in Indianapolis (USA). At the start of the 1990s, she decided to move into entrepreneurship and, led by her instincts, took over NUXE, then a small cosmetics laboratory in Paris, with the ambitious goal of developing a major natural beauty brand. In the space of just a few years, NUXE became a leading global cosmetics group. It also has a strong position in the wellbeing industry, with more than 46 deluxe spa centers in France and elsewhere.

In 2007 and 2011, NUXE's strategy in innovation and industrial property was recognized and rewarded twice by the French National Institute of Industrial Property (INPI).

Aliza Jabès has regularly won awards and distinctions for her exceptional career.

In 2011, she received the prestigious Entrepreneur of the Year award (*Prix de l'Entrepreneur de l'Année*), from EY-l'Express. In 2012, Cosmetic Executive Women (CEW) gave her the Achiever Award for her exceptional career in the cosmetics industry, and in 2014 she won the *Trophée Femmes en Or* (Havas International) in the Women in Business category, which rewarded her for her creativity and entrepreneurial spirit.

After being promoted to the rank of *Chevalier de la Légion d'Honneur* in 2008, she was named *Officier de l'Ordre National du Mérite* in 2015.

POSITIONS CURRENTLY HELD

NUXE Group (in France)

- NUXE Développement, Chairwoman

NUXE Group (outside France)

- NUXE Hong Kong Limited, Managing Director
- NUXE GmbH (Germany), Manager
- NUXE Polska sp. Zoo (Poland), Chairwoman
- NUXE UK Ltd, Managing Director
- NUXE Istanbul Kozmetik Ürünleri Ticaret Limited Sirketi (Turkey), Chairwoman
- Laboratoire NUXE Portugal Unipessoal Lda, Manager
- Laboratoire NUXE España S.L., Manager
- NUXE Suisse SA, Director
- NUXE Belgium SA, Director
- Laboratoire NUXE Italia S.r.l., Director
- NUXE Shanghai Cosmetic Co Ltd, Chairwoman

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Fédération des entreprises de la beauté (FEBEA), Director
- Pharmaceutical Council of the French Syndicate of Cosmetic Products (SFCP), Chairwoman
- Commission for the award of the French "Palace" status prize, Member

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS

None.

CATHIA LAWSON-HALL

Independent member of the Supervisory Board whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018 and whose re-election will be proposed at this same meeting

Member of the Supervisory Board and Chairwoman of the Audit Committee

French citizen.

Société Générale – 17, cours Valmy
92800 Paris-La Défense 7 – France

EXPERTISE AND EXPERIENCE

Cathia Lawson-Hall holds a postgraduate degree (DEA) in Finance from Paris Dauphine University in France. She is a Senior Banker at Société Générale, in charge of the overall relationship and strategic consulting with governments, large corporates and financial institutions in Africa. Cathia Lawson-Hall is also Head of Financial Institutions Group for Africa at Société Générale.

Previously she was Managing Director, Co-Head of Debt Capital Markets for large corporates in France, Belgium and Luxembourg. Cathia Lawson-Hall joined Société Générale in 1999 as a sales-side credit analyst covering the telecommunications and media sectors before moving into financial consulting. She has over 20 years' experience in corporate and investment banking.

POSITIONS CURRENTLY HELD

None.

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Société Générale, Senior Banker and Head of Financial Institutions Group for Africa

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS

None.

SANDRINE LE BIHAN

Member of the Supervisory Board, representing employee shareholders

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Sandrine Le Bihan, a trained accountant, joined Compagnie Générale des Eaux in 1992 as manager in the Securities department.

In 2003, she became Group Company Directory and Database Manager within Vivendi's Legal department. She works in corporate law, securities law and employee share ownership.

POSITIONS CURRENTLY HELD

None.

OTHER POSITIONS AND OFFICES

Vivendi group (in France)

- "Vivendi Groupe Épargne" collective investment fund, Chairwoman and member of the Supervisory Board
- "Opus Vivendi" collective investment fund, alternate member of the Supervisory Board representing the fund's unit holders
- Vivendi's Single Staff Delegation (DUP), representative and treasurer
- Group Works Council, member
- IDSE, member of the bureau

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Vivendi Works Council, Deputy Secretary and Treasurer

VIRGINIE MORGON

Member of the Supervisory Board whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018

Member of the Supervisory Board

French citizen.

Eurazeo – 1, rue Georges Berger
75017 Paris – France

EXPERTISE AND EXPERIENCE

Virginie Morgon is a graduate of the *Institut d'Études Politiques de Paris* and holds a Master's degree from the Bocconi University in Italy. From 1991 to 2008, she served as a senior banker with Lazard in New York, London and then Paris, where she was appointed Managing Partner in 2001. In 2006, she was promoted to Consumer Business Manager for Europe.
In January 2008, she joined Eurazeo as a member of the Management Board, before becoming Managing Director in March 2014 and from March 19, 2018, she will be appointed as Chairwoman of the Management Board.

She defines the group's investment strategy and is responsible for monitoring investments made by Eurazeo. She is also President and CEO of Eurazeo North America Inc.

POSITIONS CURRENTLY HELD (IN FRANCE)

- Eurazeo (*), Deputy Chief Executive Officer and member of the Management Board

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Eurazeo PME, Chairwoman of the Supervisory Board
- Asmodee Holding, Chairwoman of the Supervisory Board
- Grandir, member of the Supervisory Board
- CPK, Deputy Chairwoman of the Supervisory Board
- L'Oréal (*), Director

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Eurazeo North America Inc. (USA), President and CEO
- Moncler SpA (*) (Italy), Vice Chairwoman of the Board of Directors
- Abasic SI (Spain), Director
- Open Road Parent LLC (USA), Director
- Trader Interactive LLC (USA), Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Accor (*), Director
- Elis (*), Chairwoman and member of the Supervisory Board
- LH APCOA, Managing Director
- Holdelis, Chairwoman of the Board of Directors
- Legendre Holding 33, Chairwoman
- Legendre Holding 33, Chairwoman of the Supervisory Board
- Legendre Holding 43, Chairwoman
- Legendre Holding 44, Chairwoman
- Legendre Holding 45, Chairwoman
- Legendre Holding 46, Chairwoman
- Legendre Holding 47, Chairwoman
- Edenred, Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Broletto 1 Srl (Italy), Chairwoman of the Board of Directors
- Euraleo (Italy), Manager
- APCOA Parking AG (Germany), Chairwoman of the Supervisory Board
- APCOA Parking Holdings GmbH (Germany), Chairwoman of the Advisory Board
- APCOA Group GmbH (Germany), Managing Director
- Intercos SpA (Italy), Manager
- Sportswear Industries Srl (Italy), Director

(*) Listed on a regulated market.

KATIE STANTON

Independent member of the Supervisory Board whose term of office will expire at the close of the General Shareholders' Meeting to be held on April 19, 2018 and whose re-election will be proposed at this same meeting

Member of the Supervisory Board

American citizen.

Color Genomics – 1801 Murchison Dr # 128, Burlingame CA 94010
United States

EXPERTISE AND EXPERIENCE

In June 2016, Katie Stanton joined Color Genomics as Chief Marketing Officer. She is a graduate of Rhodes College (1991) and holds a Master's degree from the School of International Public Affairs (SIPA) at Columbia University.

Katie Stanton is the founding partner of #Angels, a Silicon Valley-based investment group. Until 2016, she was Global Media Vice President for Twitter. Previously, she served as Vice President for International Market Development with Twitter, responsible for partnerships, user growth and key operations in the strategic markets of Europe, Latin America, the Middle East and Africa. She participated in the setting up of a number of international offices, including in the United Kingdom, Japan, France, Spain, Brazil and Germany. Before joining Twitter, she worked at the White House, the US State Department, Google and Yahoo.

POSITIONS CURRENTLY HELD (OUTSIDE FRANCE)

- Color Genomics, Chief Marketing Officer
- Time Inc, Director

OTHER POSITIONS AND OFFICES

None.

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Twitter, Global Media Vice President

Information about the nominee for the Supervisory Board submitted for the approval of the General Shareholders' Meeting to be held on April 19, 2018

MICHÈLE REISER

French citizen.

MRC – 6, place Saint-Germain-des-Prés
75006 Paris – France

Michèle Reiser, 68, is a philosopher by profession. In 1975, she started a weekly literary show for young people on the FR3 television channel, which she hosted for eight years. She also had a literary column in *Le Monde de l'Éducation* and later worked regularly at *Ex Libris*.

As a filmmaker, producer and TV film author, she produced documentaries, profiles and major stories on key themes between 1983 and 2005, including:

- social issues – *Les Trois Mousquetaires à Shanghai* and *La Vie en rollers*;
- politics – she produced the *Un Maire, une Ville* collection with Alain Juppé in Bordeaux and Jean-Claude Gaudin in Marseille;
- psychiatric issues – *Le Cinéma de notre anxiété*, *Un homme sous haute surveillance*, and *Epilepsies*;
- romantic traditions – *Les Amoureux de Shanghai, L'Amour au Brésil,* and *Les Amoureux du Printemps de Prague*;
- child and adolescent development – *Premiers émois, Vis ta vie, ou les parents ça sert à rien, La vérité sort de la bouche des enfants;* and
- profiles – *Reiser, Juppé, François Truffaut, correspondance à une voix.*

She also directed musical and theatre shows as well as operas, including *Le Barbier de Séville* with Ruggero Raimondi.

She founded *Les Films du Pharaon* and served as its Director from 1998-2005.

In January 2005, she was appointed a member of France's Audiovisual Council by the French President and presided over the Audiovisual Production, Free Private Channels, Advertising and Cinema and Music working groups over her six-year term.

From 2008 to 2012, she founded and presided over the Commission on the image of women in the media. At the end of each year, the Commission published a report underscoring that although women have visibility, they are still confined to a particular role and that men are still the only ones whose knowledge is considered legitimate. This observation brought to light the notion of an "expert", which will be the subject of the second report presented in December 2011 during a symposium at the French National Assembly titled *"Les expertes, bilan d'une année d'autorégulation"* (Experts: Results of One Year of Self-Regulation). The Commission was awarded permanent status by the Prime Minister in 2011.

In 2010, she co-presided over the work of the Commission on associations' access to audiovisual media, which produced a report submitted to the Prime Minister in January 2011.

She was a member of the Gender Equality Observatory from 2010 to 2012.

In 2013, Michèle Reiser founded the consultancy firm, MRC.

She has chaired the jury of the Gulli Book Prize since 2014.

In 2015, she created the Paris-Mezzo classical music festival, which became *Festival de Paris* in 2017.

She published two novels with Albin Michel: *Dans le creux de ta main* in 2008, and *Jusqu'au bout du festin* in 2010, which won the *Prix de la révélation littéraire* in 2010 from Aufeminin.com.

She was promoted to the rank of *Chevalier de l'Ordre de la Légion d'honneur* in 2010 and named *Chevalier de l'Ordre National du Mérite* in 2004.

POSITIONS CURRENTLY HELD (IN FRANCE)

- Radio France, member of the Board of Directors
- Radio France, member of the Strategic Committee

OTHER POSITIONS AND OFFICES

- MRC, Manager

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS

None.

1.1.1.3. Family Relationships

Vincent Bolloré is the father of Yannick Bolloré, both of whom are members of the Supervisory Board. To the company's knowledge, there are no other family ties between any members of the Supervisory Board.

In addition, there is a family relationship between a Supervisory Board member and a Management Board member in the person of Cédric de Bailliencourt, the nephew of Vincent Bolloré. To the company's knowledge, there is no other family relationship between the Supervisory Board members and the Management Board members.

1.1.1.4. Absence of Conflicts of Interest

To the company's knowledge, there are no actual or potential conflicts of interest between Vivendi and any member of the Supervisory Board with regard to their personal interests or other responsibilities.

Pursuant to the internal rules of the Supervisory Board, its members have a duty to inform the Supervisory Board of any actual or potential conflict of interest they have encountered, or might encounter in the future. When the Supervisory Board discusses any matter relating, directly or indirectly, to one of its members, the member concerned may be asked to leave the Supervisory Board meeting during the voting and deliberations.

Vincent and Yannick Bolloré abstained from voting at the Supervisory Board's meeting on May 11, 2017 during which Vivendi's acquisition of the Bolloré Group's interest in Havas was reviewed, debated and approved.

Any business relationships between: the Havas Group (controlled by Vivendi since July 3, 2017) of which Yannick Bolloré is Chairman and Chief Executive Officer, the Bolloré Group of which Vincent Bolloré is Chairman and Chief Executive Officer and certain Vivendi subsidiaries are ordinary business relationships entered into on an arm's-length basis and are unlikely to create actual or potential conflicts of interest between Vivendi, Vincent and Yannick Bolloré. A description and quantification of these business relationships is provided in Note 21.2 "Other Related Parties" to the 2017 Consolidated Financial Statements presented in Chapter 4 of this Annual Report.

1.1.1.5. Absence of Any Conviction for Fraud, Liability Associated with a Business Failure, Public Accusation and/or Sanction

Over the past five years, to the company's knowledge:

- no member of the Supervisory Board has been convicted of any fraud-related matter;
- no member of the Supervisory Board has been associated with bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body;
- no official public accusation or sanction has been brought against or imposed on any member of the Supervisory Board; and
- no member of the Supervisory Board has been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in the management of a public issuer, with the exception, in the latter case, of the following:
  - in the context of the bankruptcy proceedings against Quinta Industries, of which Quinta Communications was an administrator at the time of the company's court-ordered liquidation on December 15, 2011, the Versailles Court of Appeal, in its decision issued on February 20, 2018, confirmed the decision of the Nanterre Commercial Court issued on December 16, 2016 prohibiting Tarak Ben Ammar from directing, managing, administering or controlling a company for a period of three years from the date of that decision. This decision has no effect on his function within the company, since that prohibition does not apply to his current mandates; and
  - on January 22, 2014, pursuant to Articles 187 *ter* and 187 *quinquies* of Italian Legislative Decree No. 58/1998 (*Testo Unico della Finanza*), Financière du Perguet and Financière de l'Odet, as well as Vincent Bolloré, were jointly and severally ordered to pay an administrative fine of €1 million each in relation to the companies' acquisition of 3% of the capital of the Italian company Premafin (excluding any personal acquisition), and were prohibited from holding Corporate Officer positions in Italy for a period of 18 months, which had no effect as the latter held no such Officer positions on that date.

1.1.1.6. Agreements between the Company and Members of the Supervisory Board – Service Agreements

At its meeting held on September 2, 2015, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board authorized a service agreement between Vivendi and Dominique Delport (non-independent member) for five years starting October 1, 2015.

Under the terms of this service agreement, Dominique Delport will provide services and advice in the field of creating, and use of, new digital content tools as part of the development of Vivendi Content and Dailymotion.

In the context of digital strategy development, which requires both internal Vivendi group resources and external services, particularly with regard to original and unique digital content formats, the Supervisory Board determined that it was in the company's interest to use Dominique Delport's services considering his vast experience in these fields.

Total annual fees were set at a fixed amount of €300,000.

Upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board decided, on May 11, 2017, to eliminate the €200,000 maximum variable component provided for under this agreement. The amendment to this agreement from which Dominique Delport benefits is referred to in the special Statutory Auditors' report prepared in accordance with Article L. 225-88 of the French Commercial Code and subject to the approval of the Combined Shareholders' Meeting held on April 19, 2018.

In 2017, the amount paid to Dominique Delport was therefore €300,000. In addition, under this agreement, Dominique Delport benefits from a long-term incentive plan open to executives of the group who are most involved in the development of Dailymotion which is indexed on the growth of Dailymotion's enterprise value as it will stand as of June 30, 2020, based on a third-party appraisal, compared to its acquisition value (€271.25 million). In the event of an increase in the value of Dailymotion, the amount of his compensation under the incentive plan would be capped at 1% of the increase (see the Statutory Auditors' special report on related-party agreements and commitments in Chapter 4.4.7. of this Annual Report.) This service agreement was approved by the General Shareholders' Meeting held on April 21, 2016.

1.1.1.7. Loans and Guarantees Granted to Members of the Supervisory Board

The company has not granted any loans or issued any guarantees to any member of the Supervisory Board.

1.1.1.8. Internal Regulations and Jurisdiction of the Supervisory Board

Authority and Functions of the Supervisory Board pursuant to French Law and the Company's By-Laws

The Chairman and Vice Chairman of the Supervisory Board, elected for a period not exceeding their terms as members of the Supervisory Board, are responsible for convening the Supervisory Board as often as is required in the interest of the company and for chairing its debates.

Upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board appoints the members of the Management Board and sets the policy and criteria for determining, allocating and granting the fixed, variable and extraordinary components comprising their total compensation. The members may be removed at any time.

The Supervisory Board reviews and determines the company's strategic guidelines, strategic partnerships and major internal restructuring operations. Once a year, it reviews the company's corporate social responsibility (CSR) policy.

The Supervisory Board oversees the Management Board's management of the company, in compliance with the law and the company's by-laws.

It may proceed with any verification or control checks it deems appropriate and is provided with all documents it deems useful to the fulfillment of its purpose and functions.

Internal Regulations

The Internal Regulations of the Supervisory Board is a purely internal document intended to supplement the company's by-laws by setting out the Supervisory Board's operational procedures and the rights and duties of its members. It is not enforceable against third parties and may not be invoked by them against members of the Supervisory Board.

Functions and Powers of the Supervisory Board under the Internal Regulations

Based upon the recommendations of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board issues opinions on the proposed candidacies of Vivendi's Corporate Officers for positions as Directors or members of the Supervisory Boards in third-party companies.

The following transactions require the prior approval of the Supervisory Board:

- disposals of real estate property or the sale of all or a portion of investments in companies, where any individual transaction exceeds €300 million;
- issues of securities that, directly or indirectly, give rights to the share capital of the company or issues of convertible bonds in excess of €100 million;
- issues of non-convertible bonds in excess of €500 million, except in respect of transactions for the purpose of renewing debt obligations on more favorable terms than those initially granted to the company;
- share repurchase programs proposed at the Ordinary Shareholders' Meeting, and financing transactions that are material or that may substantially alter the financial structure of the company, with the exception of financing to optimize the company's debt structure within previously approved thresholds;
- acquisitions, in any form, over €300 million;
- the grant of sureties, endorsements and guarantees by the Management Board in favor of third parties, provided that each individual obligation does not exceed €300 million and that together all obligations do not exceed €1 billion. This authorization, which is given to the Management Board for 12 months, is reviewed every year;
- substantial internal restructuring transactions together with transactions falling outside the company's publicly disclosed strategy and strategic partnership agreements;
- the setting up of stock option plans or performance share plans or any other mechanisms with a similar purpose or effect;
- the grant of stock options or performance shares to members of the Management Board, and determining the number of shares they must own during their terms of office;
- the submittal of proposals to the General Shareholders' Meeting to amend the company's by-laws, allocate profits and set the amount of the dividend; and
- the setting of the compensation policy and components for the members of the Management Board and drafting the corporate governance report and resolutions to be submitted to the General Shareholders' Meeting related to the foregoing.

1.1.1.9. Supervisory Board Information and Decisions

Members of the Supervisory Board receive all the information necessary to perform their duties. Before any meeting, they may request any documents which they consider useful. Members of the Supervisory Board have the right to obtain information under the procedures set forth below.

Information Provided Prior to Meetings of the Supervisory Board

The Chairman of the Supervisory Board, with the assistance of the General Counsel, must send the appropriate information to the other members of the Supervisory Board, depending on the matters on the agenda.

Information Provided to the Supervisory Board on a Regular Basis

In addition to the regular information provided to the Supervisory Board by the Management Board regarding the company's operations and significant events, as well as on Vivendi's financial position, cash flow and obligations, the Management Board provides a quarterly report to the Supervisory Board on its activities and the group's operations.

Requests for information from members of the Supervisory Board relating to specific matters are sent to the Chairman and General Counsel who, along with the Chairman of the Management Board, are responsible for responding to such requests as soon as reasonably practicable. To supplement the information provided to them, members of the Supervisory Board are entitled to meet with the Management Board and the senior managers of the company, with or without the presence of members of the Management Board, after notice has been given to the Chairman of the Supervisory Board.

Collective Nature of the Supervisory Board's Decisions and Confidentiality of Information

The Supervisory Board acts as a body with collective responsibility. Its decisions are the responsibility of all of its members. Members of the Supervisory Board and any person attending meetings of the Supervisory Board are bound by strict confidentiality obligations with respect to any company information they receive in the context of meetings of the Supervisory Board and any of its committees, or confidential information presented by the Chairman of the Supervisory Board or Management Board and identified as such.

If the Supervisory Board is aware of specific confidential information that, if made public, could have a material impact on the share price of the company or the companies under its control, as defined under Article L. 233-3 of the French Commercial Code, members of the Supervisory Board must refrain from both disclosing such information to any third party and dealing in the company's securities until such information has been made public.

Pursuant to Article 10.3 of the AFEP/MEDEF Code, the Supervisory Board meets at least once a year without any of the Management Board members being present. In addition, whenever members express the need, and depending on the agenda, the Supervisory Board is entitled to meet without the presence of its Chairman.

1.1.1.10. Activities of the Supervisory Board in 2017

In 2017, the Supervisory Board met five times. The average rate of attendance at meetings was 93.81%.

Its work primarily focused on the following:

- the review of the consolidated and statutory financial statements for fiscal year 2016, the 2017 budget, and information contained in the 2017 half-year and quarterly consolidated financial statements approved by the Management Board;
- the review and approval of the proposals and work of the Audit Committee;
- the review of the resolutions approved by the Management Board and submitted to the General Shareholders' Meeting held on April 25, 2017;
- the group cash position;
- the issuance of bonds under an EMTN program;
- the continuation of a share repurchase program;
- the review of the quarterly business reports prepared by the Management Board;
- the assessment of the quality and structure of the group's balance sheet;
- the review of the operational progress of the group's main business activities;
- the group's internal and external growth prospects, main strategic initiatives and opportunities;
- the follow-up of the "Co-Founders" seminar for the group's senior management;
- the regular review of acquisition and disposal projects;
- the acquisition of the interest in Havas held by the Bolloré Group;
- the public tender offer for Havas;
- the public repurchase offer followed by a squeeze-out for the balance of Havas's capital;
- the planned acquisition of Multichoice Africa Holdings B.V. and its Pay-TV activity in sub-Saharan Africa;
- the agreement on the tender price for the acquisition of sports rights;
- the planned creation of a joint-venture between Canal+ and Telecom Italia;
- the hedging of the interest held by Vivendi in the Fnac-Darty Group;
- the monitoring of ongoing investigations and legal proceedings, in particular the agreement resolving the Securities Class Action in the United States, the legal proceedings brought by shareholders in France, the disputes between Vivendi and Mediaset and Vivendi and Fininvest in Italy and the procedures related to the interest held by Vivendi in Telecom Italia;
- the review and approval of the proposals and work of the Corporate Governance, Nominations and Remuneration Committee, as applicable;
- the composition of the Supervisory Board and its committees;
- the composition of the Management Board;
- the review of succession plans within the group;
- the evaluation of the performance of the Supervisory Board and its committees;
- the compensation of the Chairman of the Supervisory Board;
- the setting of the compensation of the Chairman and members of the Management Board;
- the grant of performance shares to members of the Management Board;
- the review of the company's equal opportunities policy;
- the employee shareholding policy and status;
- the share capital increases reserved for employees in 2017 and 2018;
- the election of the employee shareholder representative to the Supervisory Board;
- the creation of a CSR Committee;
- the review and approval of the proposals and work of the CSR Committee, as applicable; and
- the review of the company's corporate social responsibility (CSR) policy.

1.1.1.11. Assessment of the Supervisory Board's Performance

On a regular basis, and at least once every three years, the Supervisory Board undertakes a formal assessment of its performance alongside the Corporate Governance, Nominations and Remuneration Committee.

The Supervisory Board meeting held on February 15, 2018 conducted an evaluation of its functioning based on a questionnaire given to each member of the Supervisory Board and through individual interviews led by Vivendi's General Counsel. The review highlighted the following points:

- the majority of Supervisory Board members were satisfied with the current size of the Board and its composition in terms of age, nationality and diversity of skills, culture and experience. Some members indicated areas that could be explored to bolster the Supervisory Board;
- the majority of Supervisory Board members were satisfied with the length of notice given for Board meetings, the way in which Board meetings are conducted, the consideration given to their requests, and the allocation of work between the Board and its Committees;
- the majority of Supervisory Board members considered that the Board dealt with issues and subjects within its scope, and that the involvement of the Board in major decisions was satisfactory. Some members indicated potential avenues worth investigating for the Board's future work, particularly with respect to the group's strategic roadmap and the impact of digital transformation;
- the Supervisory Board members broadly felt that they received sufficient information to fulfill their role; and
- the majority of the Supervisory Board members were satisfied with the organization and procedures of the committees.

Lastly, the vast majority of the Supervisory Board members were satisfied with the interactions between the Supervisory Board and the Management Board.

1.1.1.12. Committees of the Supervisory Board

Organization and Operating Procedures of the Committees

The Supervisory Board has established three specialized committees and has decided on their composition and functions: (i) the Audit Committee, (ii) the Corporate Governance, Nominations and Remuneration Committee, and (iii) the CSR Committee. The members of these committees are indicated in the respective Composition sections below. The functions of the committees may not include delegated powers granted to the Supervisory Board by law or pursuant to the company's by-laws, or reduce or limit the powers of the Management Board. Within the scope of the powers granted to it, each committee issues proposals, recommendations or advice, as required.

The Supervisory Board has appointed a Chairman for each committee. The three Committees of the Supervisory Board are comprised of Supervisory Board members, appointed by the Supervisory Board. The members are appointed on a personal basis and cannot be represented by a delegate. Each committee determines the frequency of its meetings, which are held at the registered office of the company or in any other place that may be agreed by the Chairman of the committee. Committee meetings can also be held using videoconferencing or other telecommunication means.

The Chairman of each committee sets the agenda for meetings after consultation with the Chairman of the Supervisory Board. Minutes of each committee meeting are taken by the General Counsel, under the authority of the Chairman of the relevant committee, and are sent to the members of the relevant committee and to all other members of the Supervisory Board. Information about the committees' work is included below.

Each committee may request from the Management Board any document it deems necessary to fulfill its role and carry out its function. The committee may carry out or commission surveys to provide information for the Supervisory Board's discussions, and may request external consulting expertise as required.

The Chairman of each committee may invite all members of the Supervisory Board to attend a committee meeting. However, only committee members can take part in its deliberations. Each committee may decide to invite any individual of its choice to its meetings, as needed.

In addition to permanent committees, the Supervisory Board may establish internal committees comprised of all or some of its members, each for a limited term for transactions or assignments that are exceptional in terms of their importance or nature.

Audit Committee

Composition

The Audit Committee is currently composed of four members, three of whom are independent and all of whom have finance or accounting expertise. Its members are: Cathia Lawson-Hall (Chairwoman), Tarak Ben Ammar, Yannick Bolloré and Katie Stanton.

Activity

Following their appointment, members of the committee are informed as required of the accounting, financial and operational standards used within the company and the group.

In 2017, the Audit Committee met four times, in the presence of the company's Statutory Auditors. The attendance rate was 95%. The Audit Committee received information from, among other sources, the company's Statutory Auditors, the Chief Financial Officer, the General Counsel, the Deputy Chief Financial Officers, the Senior Vice President of Taxes and the Senior Vice President of Audit and Risks.

Its work primarily consisted of a review of:

- the financial statements for fiscal year 2016, the 2017 quarterly and half-year financial statements and the Statutory Auditors' reports;
- the 2017 budget;
- the group's financial policy and financial position;
- asset impairment tests;
- the process for monitoring return on capital employed (ROCE);
- the group's financial management (investment, debt, foreign exchange);
- the process for monitoring changes in accounting standards;
- the full consolidation of Vivendi by the Bolloré Group and the main changes in scope;
- the internal audit of the headquarters and subsidiaries, and internal control procedures within the group;
- the analysis of risks and associated key audits;
- the report of the Supervisory Board on corporate governance;
- tax risks and changes in France's tax laws and regulations;

- the report on the General Data Protection Regulation;
- the insurance program;
- pension commitments;
- the re-election process for Statutory Auditors;
- the non-audit services provided by the Statutory Auditors and their fees;
- the changes in the CSR policy and integrated reporting; and
- the monitoring of ongoing investigations and legal proceedings, in particular the agreement resolving the Securities Class Action in the United States, the legal proceedings brought by shareholders in France, the disputes between Vivendi and Mediaset and Vivendi and Fininvest in Italy and the procedures related to the interest held by Vivendi in Telecom Italia.

Corporate Governance, Nominations and Remuneration Committee

Composition

The Corporate Governance, Nomination and Remunerations Committee currently comprises six members, three of whom are independent. Its members are: Philippe Bénacin (Chairman), Yannick Bolloré, Paulo Cardoso, Dominique Delport, Aliza Jabès and Virginie Morgon.

Activity

In 2017, the Corporate Governance, Nominations and Remuneration Committee met four times. The attendance rate was 91.66%.

Its work primarily focused on the following matters:

- the compensation of the Chairman of the Supervisory Board;
- the fixed and variable compensation of members of the Management Board and its Chairman;
- the 2016 bonuses paid in 2017;
- the expenses of the Corporate Officers;
- the compensation policy for 2017;
- review of the resolutions approved by the Management Board and submitted to the General Shareholders' Meeting held on April 25, 2017;
- the implementation of an annual performance share plan in 2017;
- the implementation of a capital increase reserved for employees in 2017;
- the main features of the capital increase and the leveraged plan reserved for group employees for 2018;
- the composition of the Supervisory Board and its committees;
- the governance of Telecom Italia;
- the integration of Havas;
- the creation of a new CSR Committee;
- the review of the independence of Supervisory Board members;
- the evaluation of the performance of the Supervisory Board and its committees;
- the review of the succession plans within the group and the retention of key employees;
- the review of the company's policy on equal opportunity and gender equality; and
- the follow-up of the "Co-Founders" seminar for the group's senior management.

Corporate Social Responsibility (CSR) Committee

Composition

Created by the Supervisory Board on May 11, 2017, the role of the CSR Committee is to analyze and assess the group's CSR strategy and challenges to create lasting value for all stakeholders. The Committee currently comprises four members, of which one is independent. Its members are: Paulo Cardoso (Chairman), Véronique Driot-Argentin, Cathia Lawson-Hall and Sandrine Le Bihan.

Activity

In 2017, the CSR Committee met once. The attendance rate was 100%.

Its work primarily focused on the following matters:

- the functions of the CSR Committee;
- the functioning of the CSR Committee;
- the "Create Joy" Solidarity program and links with the CSR Committee; and
- the choice of working theme for the year: diversity.

1.2. MANAGEMENT BOARD

1.2.1. GENERAL PROVISIONS

Pursuant to Article 12 of Vivendi's by-laws, the Management Board may be composed of a minimum of two and a maximum of seven members. Members of the Management Board are appointed by the Supervisory Board to serve four-year terms. The terms of office of members of the Management Board expire no later than at the close of the General Shareholders' Meeting held to approve the financial statements for the fiscal year during which the member reaches the age of 68. However, the Supervisory Board may extend that member's term, on one or more occasions, for a period not exceeding two years in total (Article 12 of Vivendi's by-laws).

Pursuant to Article 14 of Vivendi's by-laws, each member of the Management Board may choose to attend meetings by videoconferencing or other telecommunication means.

As of 2015, each member of the Management Board acts as an advisor to one or more members of the Supervisory Board. This system fosters greater dialog and exchange between Supervisory Board and Management Board members.

1.2.2. COMPOSITION OF THE MANAGEMENT BOARD

The Management Board currently has seven members, whose terms of office are due to expire on June 23, 2018. Its renewal will be subject to approval by the Supervisory Board upon the proposal of the Corporate Governance, Nominations and Remuneration Committee. Detailed information about the Management Board members is provided below under "Main Activities of the Current Members of the Management Board".

Management Board Members

Name	Primary position	Age	Date of first appointment	Individual attendance rate of Management Board members	Number of shares held directly or through the PEG (*)
Arnaud de Puyfontaine	Chairman of the Management Board Member of the Management Board and Executive Chairman of Telecom Italia	53	06/24/2014 11/26/2013	100%	147,145
Gilles Alix	Member of the Management Board and Senior Vice President responsible for inter-group coordination	59	09/01/2017	100%	200
Cédric de Bailliencourt	Member of the Management Board and Senior Vice President responsible for investor relations and inter-group financial communications	48	09/01/2017	100%	399
Frédéric Crépin	Member of the Management Board and Group General Counsel	48	11/10/2015	100%	120,552
Simon Gillham	Member of the Management Board, Chairman of Vivendi Village and Senior Executive Vice President, Communications of Vivendi	62	11/10/2015	100%	80,308
Hervé Philippe	Member of the Management Board and Chief Financial Officer	59	06/24/2014	100%	26,033
Stéphane Roussel	Member of the Management Board and Chief Operating Officer and Chairman and Chief Executive Officer of Gameloft	56	06/24/2014	100%	100,086

(*) Units held in the Group Savings Plan (PEG) are valued based on Vivendi's share price at the close of business on December 31, 2017, i.e., €22.420.

Main Activities of the Current Members of the Management Board

ARNAUD DE PUYFONTAINE

Chairman of the Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Arnaud de Puyfontaine is a graduate of the ESCP (1988), the Multimedia Institute (1992) and Harvard Business School (2000).

He started his career as a consultant at Arthur Andersen and then in 1989 worked as a project manager at Rhône-Poulenc Pharma in Indonesia.

In 1990, he joined Figaro as Deputy Director.

In 1995, as a member of the founding team of the Emap group in France, he headed Télé Poche and Studio Magazine, managed the acquisition of Télé Star and Télé Star Jeux, and launched the Emap Star Division, before becoming Chief Executive Officer of Emap France in 1998.

In 1999, he was appointed Chairman and Chief Executive Officer of Emap France, and, in 2000, joined the Executive Board of Emap plc. He led several M&A deals, and concomitantly, from 2000 to 2005, served as Chairman of EMW, the Emap/Wanadoo digital subsidiary.

In August 2006, he was appointed Chairman and Chief Executive Officer of Editions Mondadori France. In June 2007, he became General Manager of all digital business for the Mondadori group.

In April 2009, Arnaud de Puyfontaine joined the US media group Hearst as Chief Executive Officer of its UK subsidiary, Hearst UK.

In 2011, on behalf of the Hearst group, he led the acquisition of 102 magazines from the Lagardère group published abroad, and, in June 2011, was appointed Executive Vice President of Hearst Magazines International. In May 2012, he joined the Board of Directors of Schibsted. Then, in August 2013, he was appointed Managing Director of Western Europe. He has also been Chairman of ESCP Europe Alumni.

From January to June 2014, Arnaud de Puyfontaine was a member of the Vivendi Management Board and Senior Executive Vice President in charge of its media and content operations. Since June 24, 2014, he has been Chairman of the Management Board.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Universal Music France (SAS), Chairman of the Supervisory Board
- Canal+ Group, member of the Supervisory Board

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Innit, member of the Advisory Committee
- French-American Foundation, Chairman

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Telecom Italia SpA (*) (Italy), Executive Chairman and member of the Strategic Committee
- Gloo Networks plc. (*) (Great Britain), Non-Executive Chairman
- Schibsted Media group, Independent Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Studiocanal, Member of the Supervisory Board
- Canal+ Group, Chairman of the Supervisory Board
- Canal+ Group, Vice Chairman of the Supervisory Board
- Banijay Group (SAS), permanent representative of Vivendi on the Supervisory Committee
- Kepler, Independent Director
- ESCP Europe Alumni, Chairman
- Melty group, Director
- Iceberg lux, member of the Advisory Committee

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Telecom Italia SpA (*) (Italy), Director and Vice Chairman of the Board of Directors
- GVT Participaçoes SA (Brazil), Chairman of the Board of Directors
- The National Magazine Company Limited (United Kingdom), Director
- Hearst-Rodale UK Limited (United Kingdom), Director
- Handbag.com Limited (United Kingdom), Director
- Hearst Magazines UK 2012-1 (United Kingdom), Director
- F.E.P. (UK) Limited (United Kingdom), Director
- COMAG (Condé Nast Magazine Distributors Limited) (United Kingdom), Director
- PPA (Professional Publishers Association) (United Kingdom), Director
- Compagnie Internationale de Presse et de Publicité (Monaco), Director
- Hearst Magazines, S.L. (Spain), Director
- Hearst Magazines Italia S.p.A (Italy), Director

(*) Listed on a regulated market.

GILLES ALIX

Member of Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Gilles Alix is a graduate of the EM Lyon (*École Supérieure de Commerce de Lyon*) and is a certified public accountant. He has been the Chief Executive Officer of the Bolloré Group since 2006.

He began his auditing career at BEFEC in 1982. He joined the Bolloré Group in 1987 as Chief Financial Officer of the film division based in Brittany. His functions were then extended to all industrial divisions, after which he was appointed Director of Management Control of the group in 1994.

From 1997, Gilles Alix held various positions in the transport and logistics division of the group, notably with the SAGA and DELMAS where he served as Chairman from 1999 to 2006.

Gilles Alix was appointed to the Vivendi Management Board on September 1, 2017.

He is *Chevalier de la Légion d'Honneur* and *Chevalier de l'Ordre national du Mérite*.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Vivendi Africa (SAS), Chairman
- Havas Media France (SA), Director
- Havas Media Africa (SAS), member of the Executive Board
- Havas (*), permanent representative of Financière de Sainte-Marine on the Board of Directors

Bolloré Group (in France)

- BlueElec (SAS), Chief Executive Officer
- Bluecub (SAS), Chairman
- Bluely (SAS), Chairman
- Société Autolib' (SAS), Chairman
- Bluealliance (SAS), Chairman
- Blue Project (SAS), Chairman
- Bluelib (SAS), Chairman
- Société Bordelaise Africaine (SAS), Chairman
- BlueSun (SAS), Chairman
- Compagnie des Tramways de Rouen, Director
- Bolloré Africa Logistics, Director
- Whaller (SAS), Director
- Bolloré Logistics (SAS), Director
- Sofibol, member of the Supervisory Board
- Blue Project, member of the Management Committee
- Bolloré (*), permanent representative of Bolloré Participations on the Board of Directors
- Bolloré Energy, permanent representative of Bolloré on the Board of Directors
- Financière de Cézembre, permanent representative of Bolloré on the Board of Directors
- MP 42, permanent representative of Bolloré on the Board of Directors
- Société Française Donges-Metz, permanent representative of Bolloré on the Board of Directors
- Socotab, permanent representative of MP 42 on the Board of Directors

Bolloré Group (outside France)

- African Investment Company, Chairman of the Board of Directors
- Participaciones y Gestion Financiera SA, Chairman of the Board of Directors
- Pargefi Helios Iberica Luxembourg, Chairman of the Board of Directors
- Bolloré Transport & Logistics Gabon (ex-Bolloré Africa Logistics Gabon), Director
- Blue Solutions Canada Inc. (ex-Bathium Canada Inc.), Director
- Empresa de Manutencion y Consignation Maritima SA, Director
- Internacional de Desarrollo Portuarios SA, Director
- Movimientos Porturios Internacionales SA, Director
- Operativa Internacional Porturia SA, Director
- Participaciones e Inversiones Porturias SA, Director
- Participaciones Ibero Internacionales SA, Director
- PDI, Director
- Progosa Investment, Director
- P.T.R. Finances SA, Director
- Sorebol SA, Director
- SNO Investments Ltd, Director
- Pargefi Helios Iberica Luxembourg, Director
- Sorebol UK Ltd, Director
- Douala International Terminal, permanent representative of Socopao SA on the Board of Directors
- Bolloré Transport & Logistics Senegal (ex-Bolloré Africa Logistics Senegal), permanent representative of Société de Participations Africaines on the Board of Directors
- Conakry Terminal, permanent representative of Société de Participations Africaines on the Board of Directors
- Bolloré Transport & Logistics Congo (ex-Bolloré Africa Logistics Congo), permanent representative of Société d'Exploitation Portuaire Africaine on the Board of Directors
- Bolloré Transport & Logistics Cameroun (ex-Bolloré Africa logistics Cameroun), permanent representative of SDV Mining Antrak Africa on the Board of Directors
- Congo Terminal, permanent representative of SDV Mining Antrak Africa on the Board of Directors
- La Forestière Équatoriale, permanent representative of Société Bordelaise Africaine on the Board of Directors
- Camrail, permanent representative of SCCF on the Board of Directors
- JSA Holding B.V., Managing Director
- Blue Congo, Chairman of the Management Committee

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Fred & Farid Group (SAS)

(*) Listed on a regulated market.

CÉDRIC DE BAILLIENCOURT

Member of Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Cédric de Bailliencourt is a graduate of the Bordeaux *Institut d'Études Politiques*. He holds a Master's degree in Political and Social Communications from the Paris-Sorbonne I University.

He has served as the Bolloré Group's Chief Financial Officer since 2008, as Vice Chairman of Bolloré and, since 2002, as Vice Chairman and Chief Executive Officer of Financière de l'Odet. He joined the Bolloré Group in 1996 as Chairman of Bolloré Participations.

Cédric de Bailliencourt is a member of Vallourec's Supervisory Board, a Director of the *Musée national de la Marine* and a permanent representative of Compagnie du Cambodge on the Supervisory Board of Banque Hottinguer.

Cédric de Bailliencourt was appointed to the Vivendi Management Board on September 1, 2017.

POSITIONS CURRENTLY HELD

Bolloré Group (in France)

- Financière de l'Odet (*), Vice Chairman and Deputy Chief Executive Officer
- Bolloré (*),Vice Chairman of the Board of Directors
- Compagnie du Cambodge (*), Vice Chairman of the Board of Directors
- Compagnie des Tramways de Rouen, Chairman of the Board of Directors
- Financière Moncey (*), Chairman of the Board of Directors
- Société des Chemins de Fer et Tramways du Var et du Gard, Chairman of the Board of Directors
- Société Industrielle et Financière de l'Artois (*), Chairman of the Board of Directors
- Blueboat (ex-Compagnie de Bénodet), Chairman
- Compagnie des Glénans, Chairman
- Compagnie de Tréguennec, Chairman
- Compagnie de Guénolé, Chairman
- Compagnie de Guilvinec, Chairman
- Compagnie de Pleuven, Chairman
- Financière de Kerdevot, Chairman
- Financière V, Chairman
- Financière de Beg Meil, Chairman
- Financière d'Ouessant, Chairman
- Financière du Perguet, Chairman
- Financière de Sainte-Marine, Chairman
- Financière de Pont-Aven, Chairman
- Imperial Mediterranean, Chairman
- Compagnie de Pont-l'Abbé, Chairman
- Financière de Quimperlé, Chairman
- Compagnie de Concarneau, Chairman
- Compagnie de l'Argol, Chairman
- Socarfi, Manager
- Compagnie de Malestroit, Manager
- Bolloré Participations, Director
- Omnium Bolloré, Director
- Compagnie du Cambodge (*), Director
- Socotab, permanent representative of Bolloré on the Board of Directors
- Sofibol, member of the Supervisory Board
- SCI Lombertie, Co-Manager

Bolloré Group (outside France)

- Redlands Farm Holding, Chairman
- Plantations des Terres Rouges, Chairman of the Board of Directors
- PTR Finances, Chairman of the Board of Directors
- SFA, Chairman of the Board of Directors
- African Investment Company, Director
- Financière du Champ de Mars, Director
- La Forestière Équatoriale (*), Director
- BB Groupe, Director
- PTR Finances, Director
- Sorebol, Director
- Technifin, Director
- Pargefi Helios Iberica Luxembourg, Director
- Participaciones y gestion financiera SA, permanent representative of Pargefi Helios Iberica Luxembourg SA on the Board of Directors
- Nord-Sumatra Investissements, permanent representative of Bolloré Participations on the Board of Directors

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Musée National de la Marine, Director
- Vallourec (*), member of the Supervisory Board
- Banque Hottinguer (formerly the Banque Jean-Philippe Hottinguer & Cie), permanent representative of Compagnie du Cambodge on the Board of Directors

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Socfinasia (*), permanent representative of Bolloré Participations on the Board of Directors
- Socfinaf (ex-Intercultures) (*), permanent representative of Bolloré Participations on the Board of Directors
- Socfinde, permanent representative of Bolloré Participations on the Board of Directors
- Terrasia, permanent representative of Bolloré Participations on the Board of Directors
- Socfin (ex-Socfinal) (*), permanent representative of Bolloré Participations on the Board of Directors
- Induservices SA., permanent representative of Bolloré Participations on the Board of Directors

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Compagnie de Cornouaille, Chairman
- Financière de l'Odet (*), Chief Executive Officer
- Compagnie du Cambodge (*), Chairman of the Management Board

(*) Listed on a regulated market.

FRÉDÉRIC CRÉPIN

Member of the Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Frédéric Crépin is a graduate of the *Institut d'Études Politiques de Paris* (Sciences-Po), and holds a Master's degree in European business law from the *Université Panthéon-Assas* (Paris II), a Master's degree in labor and employment law from the *Université Paris Ouest Nanterre La Défense* (Paris X Nanterre), and an LLM degree (Master of Laws) from New York University School of Law.

Admitted to the bars of both Paris and New York, Frédéric Crépin began his career working as an attorney at several law firms. From 1995 to 1998, he was an attorney at Siméon & Associés in Paris and then, from 1999 to 2000, he was an associate at Weil Gotshal & Manges LLP in New York.

From July 2000 to August 2005, Frédéric Crépin served as a Special Advisor to the General Counsel and as a member of the Legal department of Vivendi Universal before being appointed Senior Vice President and Head of the Legal Department of Vivendi in August 2005. In June 2014, he was named General Counsel of the Vivendi group. In September 2015, he became General Counsel of Canal+ Group.

He was appointed to the Vivendi Management Board on November 10, 2015.

POSITIONS CURRENTLY HELD

Vivendi group (in France)
- Canal+ Group, member of the Supervisory Board
- Société d'édition de Canal+, permanent representative of the Canal+ Group on the Board of Directors
- Universal Music France (SAS), member of the Supervisory Board
- Gameloft, Director
- Dailymotion, Director
- MyBestPro (formerly Wengo), Director
- Canal Olympia, Director
- L'Olympia (SAS), Director
- SIG 116 (SAS), Chairman
- SIG 119 (SAS), Chairman
- SIG 120 (SAS), Chairman

Vivendi group (outside France)
- Vivendi Holding I LLC. (United States), Director

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Telecom Italia, SpA (*) (Italy) Director and member of the Strategy Committee and the Nominations and Remuneration Committee

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Studiocanal, Member of the Supervisory Board
- Canal+ France, member of the Supervisory Board
- SFR, Director
- SFR, permanent Vivendi Representative on the Board of Directors
- SIG 50, Chairman and Chief Executive Officer and Director
- SIG 73, Chairman and Chief Executive Officer and Director
- SIG 108 (SAS), Chairman
- SIG 114 (SAS), Chairman
- SIG 115 (SAS), Chairman
- SIG 117 (SAS), Chairman

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Activision Blizzard, Inc. (United States), Director, Chairman of the Governance and Nominations Committee and member of the Human Resources Committee

(*) Listed on a regulated market.

SIMON GILLHAM

Member of the Management Board

British citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Simon Gillham holds degrees from the Universities of Sussex and Bristol. In 1981, Simon Gillham began his career at Thomson where he was responsible for language and management training. In 1985 he formed his own training and communication company: York Consultants. In 1991 he was appointed Vice President, Communications of Thomson Consumer Electronics and subsequently joined the CarnaudMetalbox group in 1994. In early 1999, Simon Gillham became Vice President, Global Communications of the Valeo group before assuming the position of Vice President, Communications at Havas in April 2001. He joined Vivendi in 2007, serving as Senior Executive Vice President, Communications & CSR.

Simon Gillham is Chairman of Vivendi Village. In this role, he oversees the activities of Vivendi Ticketing (Digitik and See Tickets), MyBestPro (connecting individual consumers with professional service providers), Watchever (subscription video on demand), Radionomy (radio platform) and the legendary Paris theater, L'Olympia, of which he is the Chairman, as well as the *Théâtre de l'Œuvre*. He is also responsible for the Talent Management and Live Events activities at Vivendi Village.

He was appointed to the Vivendi Management Board on November 10, 2015.

He is Chairman of CA Brive Rugby Club.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Vivendi Village (SAS), Chairman
- Digitick, Director
- L'Olympia (SAS), Chairman
- UBU Productions (SAS), Chairman
- MyBestPro (formerly Wengo) (SAS), Chairman
- Canal+ Group, member of the Supervisory Board
- Dailymotion, Director
- Universal Music France (SAS), member of the Supervisory Board

Vivendi group (outside France)

- See Group Limited (United Kingdom), Chairman of the Board of Directors
- The Way Ahead Group (United Kingdom), Chairman of the Board of Directors
- UK Ticketing Ltd (United Kingdom), Chairman of the Board of Directors
- Vivendi Ticketing US LLC (USA), Director
- Paddington and Company Limited (United Kingdom), Director
- Marketreach Licencing Services Limited (United Kingdom), Director
- The Copyrights Group Limited (United Kingdom), Director

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Groupe Fnac (*), permanent representative of Compagnie Financière du 42 avenue de Friedland on the Board of Directors
- CA Brive Rugby Club, Chairman

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Digitick, Chairman of the Board of Directors
- Studiocanal, member of the Supervisory Board
- Canal+ France, member of the Supervisory Board
- Watchever, Chairman of the Board of Directors
- The Franco-British Chamber of Commerce, Director

(*) Listed on a regulated market.

HERVÉ PHILIPPE

Member of the Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Hervé Philippe is a graduate of the *Institut d'Études Politiques de Paris* and holds a degree in Economic Sciences. He began his career with Crédit National in 1982 as an account manager for business financing in the Île-de-France region.

In 1989, he joined the French market authority, the *Commission des opérations de bourse* (COB) as manager for the sector of French companies listed for trading. From 1992 to 1998, he served as Head of the Transactions and Financial Information department.

In 1998, he joined the Sagem group, where he held the positions of Director of Legal and Administrative Affairs at Sagem SA (1998-2000), Chief Administrative and Financial Officer at Sfim (1999-2000), and Director of Communication at Sagem SA (2000-2001). In 2001, he assumed the position of Chief Financial Officer and became a member of the Sagem SA Management Board in 2003.

Hervé Philippe was appointed Chief Financial Officer of the Havas Group in November 2005 and, in May 2010, was named Deputy Chief Executive Officer (*Directeur général délégué*) until December 31, 2013.

He has served as Vivendi's Chief Financial Officer since January 1, 2014 and as a member of its Management Board since June 24, 2014.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Canal+ Group, Vice Chairman of the Supervisory Board
- Compagnie Financière du 42 avenue de Friedland (SAS), Chairman
- Dailymotion, Director and member of the Audit Committee
- Universal Music France (SAS), member of the Supervisory Board
- Banijay Group (SAS), permanent representative of Vivendi Content on the Supervisory Committee

OTHER POSITIONS AND OFFICES (IN FRANCE)

- Harvest (**), Director
- Sifraba 2, Director

OTHER POSITIONS AND OFFICES (OUTSIDE FRANCE)

- Telecom Italia SpA (Italy) (*), Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Studiocanal, Member of the Supervisory Board
- SFR, Director
- Havas (*), permanent representative of Financière de Longchamp on the Board of Directors
- Havas Life Paris, permanent representative of Havas on the Board of Directors
- Havas Media France, permanent representative of Havas on the Board of Directors
- Providence, permanent representative of Havas on the Board of Directors
- BETC, permanent representative of Havas on the Supervisory Board
- OPCI de la Seine et de l'Ourcq, Chairman of the Board of Directors
- LNE, Chairman of the Board of Directors
- HA Pôle Ressources Humaines, Chairman and Chief Executive Officer and Director
- Havas 04, Chairman and member of the Supervisory Board
- Havas 08, Chairman
- Rosapark (formerly Havas 11), Chairman
- Havas 12, Chairman
- Havas 14, Chairman
- Havas 16, Chairman
- Havas Immobilier, Chairman
- Havas Participations, Chairman
- Financière de Longchamp, Chairman
- Havas RH, Chairman
- Havas Worldwide Paris, Director
- W & Cie, Director
- Havas Finances Services, Co-Manager
- Havas Publishing Services, Co-Manager
- Havas IT, Manager
- Havas, Deputy Chief Executive Officer
- Leg, Chairman
- MFG R&D, Vice Chairman and member of the Supervisory Board
- Sifraba, Director
- Jean Bal, Director

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- GVT Participações S.A. (Brazil), Director
- Maroc Telecom, member of the Supervisory Board
- GR.PO SA (Belgium), Director
- HR Gardens SA (Belgium), Director
- HR Gardens Belgium SA (Belgium), Director
- EMDS Group SA (Belgium), Director
- Banner Hills Systems Sprl (Belgium), Manager
- Field Research Corporation (United States), Chairman
- Havas Creative Inc. (United States), Senior Vice President and Director
- Havas North America Inc. (United States), Executive Vice President and Director
- Data Communique Inc. (United States), Director
- Havas Middle East FZ LLC (United Arab Emirates), Director
- Havas Management Portugal Unipessoal Lda (Portugal), Manager
- Havas Worldwide LLC (United States), Manager
- Washington Printing LLC (United States), Manager
- Havas Worldwide Brussels (Belgium), permanent representative of Havas on the Board of Directors

(*) Listed on a regulated market.
(**) Listed on a non-regulated market.

STÉPHANE ROUSSEL

Member of the Management Board

French citizen.

Vivendi – 42, avenue de Friedland
75008 Paris – France

EXPERTISE AND EXPERIENCE

Stéphane Roussel is a graduate of the *École des Psychologues Praticiens de Paris*.

Stéphane Roussel began his career working for the Xerox group from 1985 to 1997.

From 1997 to 2004, he held positions within the Carrefour group. He was first appointed Director of Human Resources for hypermarkets in France, before becoming Director of Human Resources Development for international business and then Director of Human Resources France for the entire Carrefour group.

From 2004 to 2009, he served as SFR's Vice President of Human Resources. From 2009 to 2012, Stéphane Roussel held the position of Executive Vice President of Human Resources at Vivendi before being appointed Chairman and Chief Executive Officer of SFR in June 2012, a position he held until May 2013, at which time he joined Vivendi's General Management.

Stéphane Roussel was appointed to the Vivendi Management Board on June 24, 2014. Since November 2015, he has been Vivendi's Chief Operating Officer, after serving as its Senior Executive Vice President, Development and Organization since October 2014.

In June 2016, he was appointed Chairman and Chief Executive Officer of Gameloft SE.

POSITIONS CURRENTLY HELD

Vivendi group (in France)

- Gameloft SE, Chairman and Chief Executive Officer
- Canal+ Group, member of the Supervisory Board
- Dailymotion, Director
- Universal Music France (SAS), member of the Supervisory Board
- Banijay Group (SAS), member of the Supervisory Committee

OTHER POSITIONS AND OFFICES (IN FRANCE)

- IMS, Director
- Groupe Fnac (*), permanent representative of Vivendi on the Board of Directors

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (IN FRANCE)

- Vivendi group Africa (SAS), Chairman
- Vivendi group Africa Bénin (SAS), Chairman
- Banijay Group (SAS), member of the Supervisory Committee
- Studiocanal, Member of the Supervisory Board
- Numericable-SFR, permanent representative of Compagnie Financière du 42 avenue de Friedland on the Board of Directors
- Fondation SFR, member of the Board of Directors
- SFR, Chairman and Chief Executive Officer
- Fondation SFR, Chairman of the Board of Directors
- Digitick S.A., Chairman of the Board of Directors
- Arpejeh, President

POSITIONS PREVIOUSLY HELD THAT HAVE EXPIRED DURING THE LAST FIVE YEARS (OUTSIDE FRANCE)

- Telecom Italia SpA (Italy) (*), Director
- GVT Participações S.A. (Brazil), Director
- Activision Blizzard, Director
- See Group Limited (United Kingdom), Director
- UK Ticketing Ltd (United Kingdom), Director

(*) Listed on a regulated market.

1.2.3. FAMILY RELATIONSHIPS

Cédric de Bailliencourt, member of the Management Board, is the nephew of Vincent Bolloré, Chairman of the Supervisory Board.

To the company's knowledge, no other family relationships exist between any of the members of the Management Board, or between any of them and any member of the Supervisory Board.

1.2.4. ABSENCE OF CONFLICTS OF INTEREST

To the company's knowledge, there are no actual or potential conflicts of interest between Vivendi and any member of the Management Board with regard to their personal interests or other responsibilities. Cédric de Bailliencourt and Gilles Alix, Vice Chairman and Chief Executive Officer of Bolloré SA, respectively, abstain during Management Board meetings from taking part in deliberations relating to transactions that could occur with the Bolloré Group.

1.2.5. ABSENCE OF ANY CONVICTION FOR FRAUD, LIABILITY ASSOCIATED WITH A BUSINESS FAILURE OR PUBLIC PROSECUTION AND/OR SANCTION

Over the past five years, to the company's knowledge, no member of the Management Board has been convicted of any fraud-related matter, no official public accusation or sanction has been brought against any member of the Management Board, no member of the Management Board has been associated with bankruptcy, receivership or liquidation while serving on an administrative, management or supervisory body, or has been prevented by a court from acting as a member of an administrative, management or supervisory body or from participating in the management of a public issuer.

1.2.6. AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGEMENT BOARD – SERVICE AGREEMENTS

As Corporate Officers, members of the Management Board are bound by an employment contract with the company, with the exception of Arnaud de Puyfontaine, who waived the benefit of his employment contract, in compliance with the recommendations of the AFEP/MEDEF Code, following his appointment as Chairman of the Management Board by the Supervisory Board, at its meeting held on June 24, 2014.

No member of the Management Board is party to a service agreement entered into with Vivendi or any of its subsidiaries, pursuant to which that member may be entitled to receive any benefits.

1.2.7. LOANS AND GUARANTEES GRANTED TO MEMBERS OF THE MANAGEMENT BOARD

The company has not granted any loans or issued any guarantees to any member of the Management Board.

1.2.8. JURISDICTION AND INTERNAL REGULATIONS OF THE MANAGEMENT BOARD

Authority of the Management Board Pursuant to Law and the company's by-laws

With respect to third parties, the Management Board is granted the broadest powers to act in any circumstance on behalf of the company, subject to the scope of the company's corporate purpose and to those situations where such power is expressly granted by law to the Supervisory Board or the Shareholders' Meetings, and to matters that require the prior approval of the Supervisory Board.

Internal Regulations

The Internal Regulations of the Management Board is a purely internal document intended to ensure that the company's Management Board functions properly and adheres to the most recent rules and regulations in furtherance of good corporate governance. It is not enforceable against third parties and may not be invoked by them against members of the Management Board.

1.2.9. FUNCTIONS AND ACTIVITIES OF THE MANAGEMENT BOARD IN 2017

The Management Board is responsible for the day-to-day management of the company and for the conduct of its business. Pursuant to applicable law, the company's by-laws and the Supervisory Board's internal rules, the Management Board must obtain prior authorization from the Supervisory Board for certain transactions and initiatives (see paragraph 1.1.1.8 above).

In carrying out its management duties, the Management Board is supported by several internal committees comprised of operational officers or directors at headquarters and the group's main subsidiaries.

In 2017, the Management Board met a total of 16 times. The attendance rate at meetings of the Management Board was 100%. It considered, among others, the following matters:

- the review and approval of the statutory and consolidated financial statements for the 2016 fiscal year, the 2017 and 2018 budgets, and the 2017 quarterly and half-year financial statements;
- the notice to the General Shareholders' Meeting held on April 25, 2017;
- the group's financial communications;
- the group's financial position;
- the quality and structure of the group's balance sheet;
- the group's cash position;
- the issuance of bonds under the EMTN program;
- the continuation of a share repurchase program;
- the preparation of quarterly activity reports for the Supervisory Board;
- the work of the group's Internal Audit department;
- the legal audit reform and its implications for the group;
- the group's internal and external growth prospects;

- the principal strategic opportunities and initiatives;
- the activities of the group's main subsidiaries;
- the acquisition of the interest in Havas held by the Bolloré Group;
- the public tender offer for Havas;
- the public repurchase offer followed by a squeeze-out for the balance of Havas's capital;
- the merger/absorption of Watchever in Dailymotion;
- the disposal of Nc+, a pay-TV subsidiary in Poland;
- the acquisition project of the Multichoice Africa Holdings B.V. Company and its Pay-TV activity in sub-Saharan Africa;
- the agreement on the tender price related to the acquisition of sports rights;
- the project for the creation of a joint-venture between Canal+ and Telecom Italia;
- the hedging of the interest held by Vivendi in the Fnac-Darty Group;
- the monitoring of ongoing investigations and legal proceedings, in particular the agreement resolving the Securities Class Action in the United States, the legal proceedings brought by shareholders in France, the disputes between Vivendi and Mediaset and Vivendi and Fininvest in Italy and the procedures related to the interest held by Vivendi in Telecom Italia;
- the group compensation policy;
- the implementation of an annual performance share plan and an annual capital increase reserved for group employees in 2017;
- the main features of the capital increase and the leveraged plan reserved for group employees for 2018;
- the development and retention of key talent; and
- diversity within the group.

1.2.10. INTERNAL COMMITTEES

In order to perform its management functions and duties, the Management Board relies on several internal committees comprised of operational officers or directors at headquarters and the group's main subsidiaries.

1.2.10.1. Management Committee

A Management Committee, presided over by the Chairman of the Management Board and comprising 17 members, including seven women (41%), meets each month with the Management Board members. Its members, each within their fields of expertise, assist the Management Board in implementing strategic activities and contribute to the action plans issued by the headquarters and the principal business units.

Its members are:

- Arnaud de Puyfontaine, Chairman of the Management Board;
- Bernard Bacci, Group Head of Taxes;
- Corinne Bach, Vice Chairwoman of Vivendi Village and Chairwoman of CanalOlympia;
- François Bisiaux, Vice President, Securities and Corporate Law;
- Florent de Cournuaud, Vice President, Management and Business Plan Control;
- Laurence Daniel, Senior Vice President, Mergers and Acquisitions;
- Marie-Annick Darmaillac, Vice President, Corporate Social Responsibility (CSR) and Compliance;
- Stéphanie Ferrier, Vice President, Facilities;
- Audrey Jannin, Vice President, Mergers and Acquisitions;
- Xavier Le Roy, Executive Vice President, Investor Relations;
- Caroline Le Masne, Senior Vice President, Head of Legal Affairs, Vivendi group;
- Ilenia Michelotti, Vice President, Mergers and Acquisitions;
- Mathieu Peycéré, Executive Vice President, Group Human Resources;
- Marc Reichert, Group Financing & Treasury Director;
- Pierre Le Rouzic, Senior Vice President, Group Consolidation and Financial Reporting;
- Bruno Thibaudeau, Vice President, Business Innovation; and
- Vincent Vallejo, Senior Vice President, Audit & Special Projects.

1.2.10.2. Management Committees

Every month, as part of a rigorous process for the review of the monthly closures, the executive managers of all group business units are required to present their results for the month to the Management Board, an analysis of their operational and strategic positioning, their financial targets, established in the budget and the monitoring of its completion, their action plans, and other key matters of interest.

1.2.10.3. Investment Committee

Composition

The Investment Committee comprises the Chairman and members of the Management Board, key managers at headquarters and, when appropriate, the Chief Operating Officers and Chief Financial Officers of the business units.

Powers

The Investment Committee reviews all investment and disposal transactions. This procedure applies to all transactions, whatever the amount, including the acquisition or disposal of equity interests and the launch of new businesses, and to any other financial commitment such as the purchase of rights or real estate agreements.

Any transaction involving amounts greater than €100 million and €300 million must receive the prior approval of the Management Board and the Supervisory Board, respectively.

Activity in 2017

The Investment Committee meets twice a month. The examination of any transaction relies on the work and presentation made beforehand by the Finance department.

1.2.10.4. Risk and Compliance Committee

The role of the Risk and Compliance Committee is to identify and review risk management systems within business units that are likely to have an influence on the achievement of the group's objectives.

Composition

The Committee is chaired by the Chairman of Vivendi's Management Board and has the following permanent members: the Chief Operating Officer; the Chief Financial Officer; the General Counsel; the Chairman of Vivendi Village; the Senior Vice President responsible for inter-group coordination, the Senior Vice President responsible for investor relations and inter-group financial communications, the Senior Vice President, Audit and Risks; the Vice President, CSR and Compliance; and the Head of Insurance. Business unit representatives are invited to committee meetings depending on the agenda.

Powers

The role of the Vivendi Risk and Compliance Committee is to make recommendations to the Management Board in the following areas:

- the identification and assessment of the risks potentially arising from activities carried out within the Vivendi group, such as social and environmental risks, risks related to compliance with laws and regulations, risks relating to ethics, competition and conflicts of interest, and risks related to the security of information systems;
- the examination of the adequacy of the risk coverage and the level of residual risk;
- the review of insurable risks and the insurance program; and
- the identification of risk factors and forward-looking statements in the documents issued by the group.

A report on the work of the Risk and Compliance Committee is brought before the Audit Committee of the Vivendi Supervisory Board.

All the documents submitted to the Risk and Compliance Committee were brought to the attention of the Statutory Auditors. The Statutory Auditors also receive, at the meetings of the Audit Committee, a summary of the work of the Risk and Compliance Committee.

Activity in 2017

The Committee met twice in 2017 and carried out a review of (i) digital security at UMG, Canal+ and Gameloft, (ii) the safety of persons, (iii) changes in the risks identified in the 2016 risk mapping and (iv) new risk mapping exercises at UMG, Canal+, Gameloft and Havas. The Committee also reviewed and monitored insurance and compliance programs at Canal+ and UMG as well as the group's compliance with the European General Data Protection Regulation (GDPR).

1.2.10.5. Financial Information and Communication Procedures Committee

This Committee is responsible for the review and validation of financial information before its release.

Composition

The Committee is presided over by the Group General Counsel. Its members are nominated by the Chairman of the Management Board. At a minimum, the Committee is made up of the Vivendi executives holding the following positions:

- Group General Counsel;
- Chief Financial Officer;
- Senior Vice President responsible for investor relations and inter-group financial communications;
- Senior Vice President, Communications;
- Senior Vice President, Consolidation and Financial Reporting;
- Senior Vice President, Financing and Treasury;
- Senior Vice President, Audit & Risks;
- Senior Vice President, Head of Legal Affairs; and
- Executive Vice President, Investor Relations and Corporate Development.

Members of the Committee may appoint additional members who are managers from the above-mentioned departments, or alternates. The Committee currently comprises 15 regular attendees.

Powers

The Committee assists the Chairman of the Management Board and the group's Chief Financial Officer in ensuring that Vivendi fulfills its disclosure requirements with respect to investors, the public and the regulatory and market authorities, specifically the AMF and Euronext Paris, in France.

In pursuing its duties and objectives, the committee ensures that Vivendi has established adequate controls and procedures so that:

- any financial information that must be disclosed to investors, the public or the regulatory authorities is reported within the deadlines set forth by applicable laws and regulations;
- all corporate communications are subject to appropriate verification pursuant to the procedures set up by the Committee;
- all information requiring disclosure to investors or appearing in the documents recorded or filed with any regulatory authority is communicated to the company's senior management, including the Chairman of the Management Board and the group's Chief Financial Officer, prior to disclosure so that decisions regarding such information can be made in a timely manner;
- assessments of Vivendi's procedures, and those of its business units, for controlling information as well as internal control procedures, are monitored under the supervision of the Chairman of the Management Board and the group's Chief Financial Officer;
- the Chairman of the Management Board and the group's Chief Financial Officer are advised of any major procedural issues of which the Committee should be informed, and which are likely to affect Vivendi's procedures for controlling information as well as its internal control procedures. The committee issues recommendations, where necessary, for changes to be made to these controls and procedures. The Committee monitors the implementation of changes approved by the Chairman of the Management Board and the group's Chief Financial Officer; and
- more generally, the Chairman of the Management Board and the group's Chief Financial Officer are assured that they will receive any information they might request.

Activity in 2017

The committee meets at the request of the Chairman of the Management Board, the Chief Financial Officer, the Chairman of the committee or of one of its members. Meetings are held prior to each meeting of the Audit Committee, and are coordinated with the schedule for disclosing financial information on the group's results. In 2017, the committee met six times. Its proceedings primarily consisted of:

- examining the annual and half-year financial statement certification letters signed by the Chairman and Chief Financial Officer of each of the group's business units;
- reviewing the financial information published in the annual, half-year and quarterly financial statements and information published in the Annual Report – *Document de référence;* and
- reviewing the business report and the environmental, corporate, and social data report.

The committee reports on its work to the Chairman of the Management Board and informs the Audit Committee, as necessary.

Section 2
Compensation of Corporate Officers of Vivendi

This section constitutes an integral part of the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code (Code de commerce) *as amended by Executive Order no. 2017-1162 of July 12, 2017 and reviewed by the Supervisory Board during its meeting on February 15, 2018.*

2.1. COMPENSATION POLICY FOR CORPORATE OFFICERS OF VIVENDI FOR 2018

This section presents the principles and criteria governing the determination, distribution and allocation of fixed, variable and extraordinary compensation and benefits of any kind payable to Corporate Officers of Vivendi, due to their mandate, which will be submitted to the Combined General Meeting of Shareholders of April 19, 2018, pursuant to Article L. 225-82-2 of the French Commercial Code. In accordance with this Article and Article L. 225-100 II of the French Commercial Code, payment of the variable component of the Management Board members' compensation for 2017 is subject to the approval of the General Shareholders' Meeting of April 19, 2018.

2.1.1. COMPENSATION POLICY FOR THE CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

2.1.1.1. Compensation policy for the Chairman of the Supervisory Board

Since the company became a *société anonyme* with a Management Board and Supervisory Board in 2005, the Chairman of the Supervisory Board has been awarded compensation based on (i) his level of involvement in defining and developing the group's strategy and, more recently, in refocusing the group on its core business of content and media and (ii) his role in the review of proposed acquisitions of controlling or minority interests. His compensation is set by the Supervisory Board upon the proposal of the Corporate Governance, Nominations and Remuneration Committee. The Chairman of the Supervisory Board receives director's fees, which are deducted from the amount of his compensation.

At its meeting held on February 15, 2018 and upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board decided to maintain the Chairman of the Supervisory Board's compensation for 2018 at €400,000, from which the amount of his director's fees (€60,000) is deducted. His compensation therefore remains unchanged from 2017.

2.1.1.2. Compensation of the Members of the Supervisory Board

Directors' fees

Within the overall limit of €1.5 million per year, unchanged since it was set by the Combined Shareholders' Meeting held on April 24, 2008, the payment of directors' fees to members of the Supervisory Board is based on attendance at meetings and the number of meetings held by the Supervisory Board and its committees. Payment of directors' fees is made on a half-yearly basis, in arrears.

At its meeting held on June 24, 2014, the Supervisory Board decided to pay directors' fees, subject to an attendance condition and calculated on a pro-rata basis, as follows: each member of the Supervisory Board receives a fixed annual director's fee of €60,000, each member of the Audit Committee receives an annual attendance fee of €40,000 (€55,000 for its Chairman); each member of the Corporate Governance, Nominations and Remuneration Committee receives an annual attendance fee of €30,000 (€45,000 for its Chairman); and (as decided by the Supervisory Board meeting of May 11, 2017) each member of the CSR Committee receives an annual attendance fee of €20,000 (€30,000 for its Chairman).

The gross amount of directors' fees (before tax and withholding) for 2017 was €1,117,500. This amount is itemized in Section 2.2.1.2 below.

Apart from directors' fees, members of the Supervisory Board may receive compensation from the company for special assignments or services (see Section 1.1.1.6 of this chapter).

Nominated pursuant to Articles L. 225-71 and L. 225-79-2 of the French Commercial Code, respectively, the employee shareholder representative and the employee representative have entered into employment contracts with Vivendi SA under the terms of which they receive compensation commensurate with their position in the company (salary, incentive plans and performance shares, as applicable).

Members of the Supervisory Board who exercise an executive function in a related company within the meaning of Article L. 225-197-2 of the French Commercial Code or who have an employment contract with Vivendi SA or a related company may be granted performance shares under the conditions provided for in Article L. 225-197-1 of the French Commercial Code.

2.1.1.3. Proposed Resolutions to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Thirteenth resolution: Approval of the principles and criteria for determining, allocating and awarding the components of compensation and benefits of any kind applicable to the members of the Supervisory Board and to its Chairman due to their mandate within the company, in respect of fiscal year 2018.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code describing the compensation policy for the company's Corporate Officers established pursuant to Article L. 225-82-2 of the French Commercial Code, approves the principles and the criteria for determining, allocating and awarding the fixed, variable and extraordinary components making up the total compensation and the benefits of any kind applicable to the members of the Supervisory Board and to its Chairman due to their mandate within the company, in respect of fiscal year 2018, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – Section 2.1.1.

2.1.2. COMPENSATION POLICY RELATING TO PRINCIPLES AND CRITERIA FOR SETTING THE COMPENSATION OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD

2.1.2.1. General

The compensation policy for the Chairman and members of the Management Board is set by the Corporate Governance, Nominations and Remuneration Committee and approved by the Supervisory Board.

Its purpose, in both the short- and long-term, is to better align the compensation of Corporate Officers with shareholder interests. With this in mind, close attention has been paid to three major elements:

- the quantitative balance of the compensation, with particular attention paid to variable and long-term factors which contribute to the group's development and growth;
- the quality of the criteria attached to setting the annual variable portion. These criteria are based on both quantitative and qualitative targets proposed by the Corporate Governance, Nominations and Remuneration Committee and are set by the Supervisory Board, giving special consideration to the issues defined in the company's corporate social responsibility (CSR) policy; and
- the group's long-term development, through the grant of performance shares subject to internal criteria related to the group's medium-term financial performance and external criteria related to strengthening the alignment of management interests with those of shareholders.

This policy is rolled out to the setting of compensation for the executive management of the major subsidiaries, with distinct weightings and criteria adapted to their business operations.

2.1.2.2. Compensation of the Members of the Management Board

Fixed Portion

Each year, upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board sets the compensation of the members of the Management Board based on the level of responsibility of each member and on benchmark studies of practices in a sample of French and international companies in the same business sectors (1) conducted by independent firms.

Annual Variable Portion

This is based on precise and adjusted quantitative and qualitative criteria. In order to provide dynamic support to the group's efforts, the weighting assigned to the quantitative and qualitative criteria used in calculating the reference annual variable portion of compensation is set as a reflection of the importance of, and progress made in, strategic efforts.

Quantitative Criteria

These are based on the financial indicators that the Corporate Governance, Nominations and Remuneration Committee has deemed most relevant to the assessment of the financial performance of the group and its major subsidiaries, whose businesses are based on a very similar economic model: the sale of content and services. These financial indicators are group EBIT and cash flow from operations after interest and income tax paid (group CFAIT). They allow for the accurate measurement of the performance and income recorded by each business unit.

Qualitative Criteria

These are based on a series of priority actions assigned to Corporate Officers and defined as a function of strategy at group level and the action plans approved for each business unit.

These criteria allow assessment of the ability of Officers to implement and complete planned sales or acquisitions, undertake the necessary strategic realignments in an increasingly competitive environment, and identify new directions with regard to offerings of content and services.

Criteria for 2018

At its meeting held on February 15, 2018 and upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board set the following weightings and targets for 2018:

- financial targets (60% weighting):
  - 40%: group EBIT, and
  - 20%: cash flow from operations after interest and tax (CFAIT);
- priority actions (40% weighting):
  - 20%: initiate external growth opportunities and integrate new entities, and
  - 20%: assure the group's organic growth, of which:
    - 8%: reduce the group's exposure to risk (legal and tax disputes),
    - 7%: continue to promote activity between business units and develop revenue and cost synergies, and
    - 5%: implement measures to integrate the group's corporate social responsibility (CSR)-related initiatives.

These qualitative criteria take into account the extent of the group's commitments to CSR, which are based on the implementation of measures to integrate the group's CSR-related initiatives. For 2018, the criteria will include promoting diversity.

Weighting of the Variable Portion (unchanged from 2017)

For 2018, the variable portion is equal to 80% of the fixed compensation if the targets are achieved, with a maximum of 100% if the targets are substantially exceeded and a threshold of 50%. For all of the targets, if the threshold of 50% is not reached, its weighting in the determination of the variable portion of compensation is zero.

Proration of the Reference Annual Fixed and Variable Compensation

To take into account the roles outside the Vivendi group of Management Board Chairman Arnaud de Puyfontaine and Management Board members Gilles Alix and Cédric de Bailliencourt, within Telecom Italia (2) and Bolloré Group (3), the Supervisory Board, at its meeting of February 15, 2018, decided, upon the recommendation of the Corporate Governance,

(1) Lagardère, Publicis (France), Pearson, Reed Elsevier, Sky plc, WPP (United Kingdom) and Rogers (Canada).

(2) Arnaud de Puyfontaine was appointed Executive Chairman of the Board of Directors of Telecom Italia on June 1, 2017.

(3) Gilles Alix is Chief Executive Officer of Bolloré Group and Permanent representative of Bolloré Participations on the Board of Directors of Bolloré SA; Cédric de Bailliencourt is Vice Chairman of the Board of Directors of Bolloré SA.

Nominations and Remuneration Committee, to apply a proration factor to the amount of their annual fixed and variable compensation (hereafter "reference compensation").

Extraordinary Compensation

No payment of extraordinary compensation or special award of performance shares is planned for 2018.

Grant of Performance Shares

Purpose

Annual compensation is supplemented by deferred compensation that reflects the company's longer-term challenges: the grant of performance shares, which vest subject to internal and external performance criteria applicable to both corporate management and other employee beneficiaries.

The Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, approves criteria for the final grant of performance shares and sets the limits (threshold, target and maximum) for calculating the level of performance to be achieved, to determine whether the shares are to vest in full or in part.

To better assess long-term performance, internal financial criteria related to the group's medium-term financial performance and external criteria, to take into account the alignment of the interests of management with those of the shareholders, are applied.

For the performance shares to be granted in May 2018, vesting is subject to the following criteria: the internal indicators (70% weighting) are group EBIT (35%) and Cash flow from operations after interest and tax (group CFAIT) (35%) between January 1, 2018 and December 31, 2020, and the external indicator (30% weighting) is linked to the change in Vivendi's share price between January 1, 2018 and December 31, 2020 relative to the STOXX® Europe Media index (20%) and the CAC 40 index (10%).

Achievement of the targets continues to be assessed over a three-year period.

Weighting	Indicators
70	**Financial targets**
35	Group EBIT
35	Cash flow from operations after interest and income tax paid (group CFAIT)
30	**Average stock market indices performance (1)**
20	STOXX® Europe Media
10	CAC 40

(1) Dividends reinvested.

Calculation

All performance shares vest after three years if the weighted sum of internal and external indicators meets or exceeds the 100% threshold, and 50% of the shares vest if the weighted sum of the indicators meets the 50% threshold, subject, in all cases, to the presence of the beneficiary within the company at the end of the period. An arithmetic calculation is made for interim results. For a calculation of the achievement rate of performance criteria set for the performance share plans granted in 2015, see Section 2.3.4 below.

The table below shows the impact, in previous years, of applying performance criteria and setting the threshold and target applicable to each of these criteria to the vesting rate of performance share plans.

Plan year	2012	2013	2014	2015
Reference period for the assessment of performance criteria	2012-2013	2013-2014	2014-2015	2015-2016-2017
Vesting rate	88%	76%	75%	75%

Performance Share Vesting Conditions

Following the assessment of achievement of the performance criteria linked to the plans, performance shares vest at the end of a three-year period (since 2015), subject to the beneficiaries being present in the company during the vesting period, and the shares must be held by the beneficiaries for an additional two-year period (holding period). Shares granted to US, British and Brazilian residents vest five years from the date on which the rights were granted.

Benefits of any Kind in Addition to Compensation

Benefits of any kind granted to the Chairman and members of the Management Board may include the use of a company car without a driver, profit sharing (under Vivendi SA's collective agreement), a time saving account (CET) and job-loss insurance and GSC coverage (job-loss insurance for the Chairman of the Management Board who has waived the benefit of his employment contract).

Signing Bonus – Deferred Compensation

Signing Bonus

When Management Board members are hired outside the company, the Supervisory Board may, upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, award them a signing bonus in cash or in performance shares to compensate for the loss of deferred compensation in their previous functions outside the Vivendi group.

Long-Term Cash Incentive

No long-term cash incentive plan has been granted to members of the Management Board.

Non-Compete Payments

The members of the Management Board are not entitled to non-compete benefits.

Severance Payments

Members of the Management Board who also have an employment contract are not entitled to any type of severance payment due to termination of their office. Except for the Chairman of Vivendi SA's Management Board (see Section 2.2.2.1), Corporate Officers are contractually entitled to a severance payment in the event of termination of their employment contract at Vivendi's initiative. These payments are limited to 18 months' salary and consist of a fixed amount and a target variable.

Supplemental Defined-Benefit Pension Plan

As is the case for a number of other senior executives of Vivendi SA, the Chairman and members of the Management Board are eligible for the supplemental defined-benefit pension plan, as implemented in December 2005 and approved by the Combined Shareholders' Meeting held on April 20, 2006.

The main terms of this pension plan include: (i) a minimum of three years' seniority with the company, (ii) progressive maximum acquisition of seniority rights, limited to 20 years, which, according to a sliding scale, is not to exceed 2.5% per year and is progressively reduced to 1%, (iii) a reference salary for calculating pension payments equal to the average of the last three years of fixed and variable compensation, recalculated on an annual basis where necessary, with a dual upper limit (the reference salary is capped at 60 times the social security limit (€2,353,680 in 2017) and the acquisition of rights is limited to 30% of the reference salary), (iv) entitlement to a 60% survivor pension in the event of death, (v) rights maintained in the event of retirement on the initiative of the company after the age of 55, and (vi) loss of benefits in the event of departure from the company, for any reason, before the age of 55.

Pursuant to Article L. 225-90-1 of the French Commercial Code, as amended by the Law No. 2015-990 of August 6, 2015 on Growth, Activity and Equal Economic Opportunity, known as the "Macron Law", the Supervisory Board resolved to submit the increase in the conditional rights of members of the Management Board under the group supplemental defined-benefit pension plan, for which they are eligible, to the following criteria, assessed each year: no increase in income shall apply if, for the year under consideration, the group's financial results (adjusted net income and operating cash flow) amount to less than 80% of the budget and if Vivendi's share performance is less than 80% of the average performance of a composite index (50% CAC 40 and 50% Euro STOXX Media).

The information required by Article D.225-104-1 of the French Commercial Code, deriving from Decree No. 2016-182 of February 23, 2016, is shown in Section 2.2.2.3 below.

2.1.2.3 Proposed Resolutions to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Fourteenth resolution: Approval of the principles and criteria for determining, allocating and awarding the components of compensation and benefits of any kind applicable to the Chairman of the Management Board due to his mandate within the company, in respect of fiscal year 2018.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code describing the compensation policy for the company's Corporate Officers established pursuant to Article L. 225-82-2 of the French Commercial Code, approves the principles and the criteria for determining, allocating and awarding the fixed, variable and extraordinary components making up the total compensation and the benefits of any kind applicable to the Chairman of the Management Board due to his mandate within the company, in respect of fiscal year 2018, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – Section 2.1.2.

Fifteenth resolution: Approval of the principles and criteria for determining, allocating and awarding the components of compensation and benefits of any kind applicable to the members of the Management Board due to their mandate within the company, in respect of fiscal year 2018.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code describing the compensation policy for the company's Corporate Officers established pursuant to Article L. 225-82-2 of the French Commercial Code, approves the principles and the criteria for determining, allocating and awarding the fixed, variable and extraordinary components making up the total compensation and the benefits of any kind applicable to the members of the Management Board due to their mandate within the company, in respect of fiscal year 2018, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – Section 2.1.2.

2.1.3. IMPACT OF THE POLICY IMPLEMENTED BY VIVENDI IN 2016 AND 2017 FOR A BETTER BALANCE AMONG THE FIXED AND VARIABLE PORTIONS OF COMPENSATION AND THE NUMBER OF PERFORMANCE SHARES AWARDED

As presented at the General Shareholders' Meeting of April 25, 2017, in 2016 and 2017, the Supervisory Board decided, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to create a better balance among the fixed and variable portions of compensation of the members of the Management Board and its Chairman and the long-term portion represented by awards of performance shares.

As a result, since 2016, the variable portion corresponds to a target of 80% and a maximum of 100% of the fixed portion, compared with 100% and 150% in 2015. Following the application of demanding, transparent, quantifiable and verifiable performance criteria on which payment is conditional, the variable portion for 2016, paid in 2017, was capped at 75%, below the target.

The re-balancing process, which started in 2016 and continued in 2017 (supplemented by a reduction in the number of performance shares awarded to each Management Board member), reached its full impact in 2017.

Based on the compensation paid in 2016 (fixed portion for 2016 and variable portion for 2015) and in 2017 (fixed portion for 2017 and variable portion for 2016), together with the value of the performance shares awarded in 2016 and 2017, the re-balancing process has resulted in a decline in the overall compensation.

Impacts of the compensation components re-balancing process in 2016 and 2017

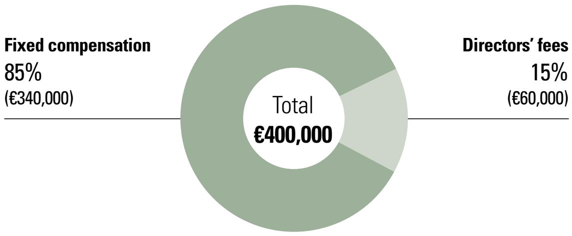
	Fixed + variable (annual basis)			Fixed + variable (annual basis) + Performance shares		
	Amount paid in 2016	**Amount paid** in 2017	**Change** (%)	**Amount paid** in 2016	**Amount paid** in 2017	**Change** (%)
Arnaud de Puyfontaine	€2,349,359	€2,124,831	-9.56%	€3,743,959	€2,843,331	-24.06%
Frédéric Crépin	€1,424,399	€1,331,524	-6.52%	€2,158,399	€1,906,324	-11.68%
Simon Gillham	€1,159,895	€1,167,111	0.62%	€1,893,895	€1,598,211	-15.61%
Hervé Philippe	€1,841,128	€1,671,696	-9.20%	€2,575,128	€2,246,496	-12.76%
Stéphane Roussel	€1,911,411	€1,778,529	-6.95%	€2,645,411	€2,353,329	-11.04%

2.2. ELEMENTS OF COMPENSATION PAID AND BENEFITS AWARDED DURING 2017 TO CORPORATE OFFICERS OF VIVENDI

This Section 2.2 presents the elements of the compensation policy applied to the Chairman and members of the Supervisory Board and to the Chairman and members of the Management Board in 2017, as approved by the General Shareholders' Meeting of April 25, 2017 (Resolutions 11 to 13).

2.2.1. ELEMENTS OF COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND ITS CHAIRMAN

2.2.1.1. Compensation of Vincent Bolloré in 2017, due to his mandate as Chairman of the Supervisory Board



At its meeting held on February 15, 2018 and upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board decided not to change Vincent Bolloré's compensation for 2018.

The Chairman of the Supervisory Board does not benefit from any other compensation or benefits of any kind for his service within the Vivendi group.

2.2.1.2. Directors' fees

Individual Amounts of Directors' Fees and Other Compensation Received by Members of the Supervisory Board (in euros – rounded to the nearest Euro) and Compensation of Non-Voting Directors (in euros – rounded to the nearest euro)

Members of the Supervisory Board	Amounts paid for 2016	Amounts paid for 2017	Individual attendance rate at Supervisory Board and Committee meetings in 2017: Supervisory Board	Audit Committee	Corporate Governance, Nominations and Remuneration Committee	CSR Committee
Vincent Bolloré, Chairman	60,000	60,000	100%	-	-	-
Philippe Bénacin, Vice Chairman	105,000	105,000	100%	-	100%	-
Tarak Ben Ammar	90,000	97,500	100%	-	100%	-
Yannick Bolloré (a) (1)	47,500	130,000	100%	100%	100%	-
Nathalie Bricault (b)	100,000	20,000	100%	100%	-	-
Pascal Cagni (b)	100,000	20,000	100%	100%	-	-
Paulo Cardoso	90,000	105,000	100%	-	100%	100%
Yseulys Costes (b)	50,000	10,000	100%	-	-	-
Dominique Delport (2)	90,000	90,000	100%	-	100%	-
Philippe Donnet (c)	30,000	na	na	-	-	-
Véronique Driot-Argentin (d) (3)	na	60,000	100%	-	-	100%
Aliza Jabès	80,000	90,000	100%	-	100%	-
Alexandre de Juniac (b)	70,000	20,000	100%	100%	-	-
Cathia Lawson-Hall	115,000	115,000	80%	100%	-	100%
Sandrine Le Bihan (d)	na	60,000	100%	100%	-	100%
Virginie Morgon	90,000	45,000	40%	-	50%	-
Katie Stanton	90,000	90,000	100%	75%	-	-
Total	**1,207,500**	**1,117,500**				

na: not applicable.

(a) Member of the Supervisory Board since May 11, 2016.
(b) Member of the Supervisory Board until April 25, 2017.
(c) Member of the Supervisory Board until May 11, 2016.
(d) Member of the Supervisory Board since April 25, 2017.

(1) In 2017, Yannick Bolloré received €1,408,993 in compensation, due to his mandate as Chairman and Chief Executive Officer of Havas, of which €780,000 was in fixed compensation, €620,000 was in variable compensation for 2016 and €8,993 was in benefits. He was not awarded any performance shares. He does not receive director's fees from the Havas' group.
(2) In 2017, Dominique Delport received €1,446,312 in compensation as an employee of Havas Media France (a subsidiary fully controlled by Havas SA), of which €700,000 was in fixed compensation, €740,000 was in variable compensation and €6,312 was in benefits. In 2017, he also benefited from a free grant of 50,000 Havas shares (with a three-year vesting period).
(3) In 2017, Véronique Driot-Argentin received €69,698 in compensation and €7,130 in incentive bonus as an employee of Vivendi SA.

2.2.2. ELEMENTS OF COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND ITS CHAIRMAN

2.2.2.1. Status and compensation of the Chairman of the Management Board

In compliance with the recommendations of the AFEP/MEDEF Code, Arnaud de Puyfontaine waived the benefit of his employment contract following his appointment as Chairman of the Management Board by the Supervisory Board, at its meeting held on June 24, 2014.

At its meeting held on February 23, 2017, the Supervisory Board set the fixed and variable elements of Arnaud de Puyfontaine's compensation and benefits of any kind for 2017 as follows:

- fixed compensation: €1,200,000;
- reference variable compensation: target of 80% and a maximum of 100% (50% threshold (1)), compared to 100% and 150% previously;
- eligibility for performance share grants subject to achievement of the conditions set by the Supervisory Board, which will vest and be transferable pursuant to the rules of the performance share plan;
- use of a company car;

(1) For all of the targets, if the threshold of 50% is not reached, its weighting in the determination of the variable portion of compensation is zero.

- payment of travel and other expenses incurred in the performance of his duties;
- eligibility for the Social Security, AGIRC and ARRCO pension plans, as well as accident insurance (mutual, disability and life insurance) under identical conditions as those subscribed to by other company employees; and
- eligibility for a supplemental defined-benefit pension plan set up in December 2005, as approved by the Combined General Shareholders' Meeting held on April 20, 2006, whereby the rate of increase in pension income is subject to performance criteria (see Section 2.1.2.2).

At its meeting held on February 15, 2018, the Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, reviewed the achievement rate of the financial targets and the priority actions set out in the table below to calculate the reference variable portion for fiscal year 2017.

Determination of variable compensation for 2017

Weighting (in points)			2017 targets (in € millions) (*)				
Targets met	Maximum	Indicators	Threshold 50%	Target 80%	Maximum 100%	Achieved in 2017	Points obtained
48	**60**	**Group financial targets**					**50**
32	40	Group EBIT	900	**951**	1,000	**943**	30
16	20	Growth in Cash flow from operations after interest and tax (group CFAIT)	600	**623**	650	**1,126**	20
32	**40**	**Priority actions of the Vivendi Management team**					**25**
16	20	Initiate external growth opportunities and integrate new entities					13
16	20	Ensure the group's organic growth					12
7	8	Reduce the group's exposure to risk (legal and tax disputes)					5
5	7	Continue to encourage activity between business units and develop revenue and cost synergies					3
4	5	Develop and obtain certification for CSR-related initiatives: promote cultural diversity, protect and empower young people, encourage knowledge sharing, reconcile the use of personal data with its protection					4
80	**100**						**75**

(*) At constant exchange rates.

At its meeting held on February 15, 2018, the Supervisory Board set the reference variable compensation for the Chairman of the Management Board in respect of fiscal year 2017 at 75% of his reference fixed compensation based on the points obtained for each criterion (i.e., a €900,000 reference variable compensation). To take into account his appointment as Executive Chairman of the Board of Directors of Telecom Italia on June 1, 2017 (1), the Supervisory Board decided at the same meeting, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 60% proration factor to the amount of the reference variable compensation for fiscal year 2017 to be paid in 2018, subject to the approval of the General Shareholders' Meeting on April 19, 2018 (Resolution 6), which would bring his variable compensation in respect of fiscal year 2017 to €540,000 before taxes and social security contributions.

On February 23, 2017, upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board granted 50,000 performance shares to Arnaud de Puyfontaine (2). Vesting of these performance shares is subject to the fulfillment, over three consecutive fiscal years (2017, 2018 and 2019) of performance conditions, assessed at the end of each period and based on criteria involving the following weighting: internal criteria (70% weighting), including group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%) to be recorded as of December 31, 2019, and an external criterion (30% weighting) linked to the change in Vivendi's share price relative to the STOXX® Europe Media index (20%) and the CAC 40 (10%) between January 1, 2017 and December 31, 2019.

(1) The Chairman of the Management Board receives compensation from Telecom Italia for his role as Executive Chairman of the Board of Directors, comprising a fixed portion and a variable portion based on objectives set by the Board of Directors of Telecom Italia. The amount of this compensation for 2017 was decided by the Board of Directors of Telecom Italia and is available on the Telecom Italia website (www.telecomitalia.com). Vivendi does not control Telecom Italia within the meaning of Article L. 233-16 of the French Commercial Code.

(2) The value of the benefit for each performance share awarded in 2017 is €14.37. This estimated value per share is given for indicative purposes only. It is calculated using the binomial model used to measure the value of share-based payments pursuant to IFRS 2. This theoretical value does not necessarily represent the gain that could be made on the future sale of the shares, which will depend on the share price on the vesting date in 2020 and on the date of sale of the shares (as of 2022).

Calculation of compensation for 2018

To take into account his appointment as Executive Chairman of the Board of Directors of Telecom Italia on June 1, 2017, the Supervisory Board decided, at its meeting of February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 60% proration factor to the reference amount of fixed and variable compensation for 2018 of the Chairman of the Management Board, whose compensation has therefore been set as follows:

- a fixed compensation equal to 60% of the fixed reference amount (€1,200,000): €720,000; and
- a variable compensation equal to 60% of the reference amount: target of 80% of fixed compensation if targets are achieved and a maximum of 100% if the targets are substantially exceeded (1).

Conditional Severance Package for the Chairman of the Management Board upon Termination of his Position

At its meeting held on February 27, 2015, the Supervisory Board noted that Arnaud de Puyfontaine no longer benefited from his employment contract, which was waived, or from any termination benefits in the event of dismissal. As a result, it decided, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, that, in the event of termination of his duties at the initiative of the company, he would be entitled to compensation, subject to performance conditions as recommended in the AFEP/MEDEF Code. This severance compensation would be capped at a gross amount equal to 18 months of the target compensation (on the basis of the last fixed compensation and the last annual bonus earned over a full year).

If the bonus paid during the reference period (the 12-month period preceding notification of departure) is:

- greater than the target bonus, the calculation of the compensation will only take into account the amount of the target bonus; or
- less than the target bonus, the amount of the compensation will be capped in any event at two years of the compensation actually received (in compliance with the AFEP/MEDEF Code), and may not exceed 18 months of the target compensation.

This indemnity would not be payable if the group's financial results (adjusted net income and operating cash flow) were less than 80% of the budget over the two years prior to the departure, and if Vivendi's share performance was less than 80% of the average performance of a composite index (50% CAC 40 and 50% Euro STOXX® Media) over the 24 months preceding the departure. At the same meeting, the Supervisory Board decided that, in the event of departure under the conditions defined above (giving a right to the indemnity), all rights to performance shares not yet vested on the departure date would be maintained, subject to the relevant performance conditions. This severance payment would not be payable in the event of resignation or retirement. This conditional commitment referred to in Article L. 225-90-1 of the French Commercial Code was approved by the General Shareholders' Meeting held on April 17, 2015 (Resolution 10).

(1) For all of the targets, if the threshold of 50% is not reached, its weighting in the determination of the variable portion of compensation is zero.

2.2.2.2. Status and Compensation of Members of the Management Board

With the exception of the Chairman, the members of the Management Board hold employment contracts. At its meeting held on February 15, 2018, the Supervisory Board, upon the proposal of the Corporate Governance, Nominations and Remuneration Committee, reviewed the achievement of the financial targets and priority actions to calculate the variable portion of the compensation for members of the Management Board (50% threshold (1), 80% target, capped at 100%) for fiscal year 2017. Based on the points obtained for each criterion, variable compensation of the Management Board members for fiscal year 2017 was set at 75% of fixed compensation (see table above – Determination of variable compensation for fiscal year 2017).

The amount of variable compensation due to each member of the Management Board in respect of 2017, subject to the approval of the General Shareholders' Meeting of April 19, 2018 (Resolutions 7 to 12), is provided below.

Fixed and variable compensation of Members of the Management Board for 2017 – Number of performance shares awarded in 2017

	Fixed compensation (in euros)	Variable compensation				Performance shares (1)
		Reference variable portion				
		Target	Achieved	Proration	Variable (*) (in euros)	
Gilles Alix (2)	(3) 166,667	80%	75%	(4) 50%	(3) 62,500	na
Cédric de Bailliencourt (2)	(3) 133,333	80%	75%	(4) 50%	(3) 50,000	na
Frédéric Crépin	750,000	80%	75%	na	562,500	40,000
Simon Gillham	675,000	80%	75%	na	506,250	30,000
Hervé Philippe	940,000	80%	75%	na	705,000	40,000
Stéphane Roussel	1,000,000	80%	75%	na	750,000	40,000

na: not applicable.

(*) Payment is subject to the approval of the General Shareholders' Meeting of April 19, 2018 (Resolutions 7 to 12).
(1) The value of the benefit for each performance share awarded in 2017 is €14.37. This estimated value per share is given for indicative purposes only. It is calculated using the binomial model used to measure the value of share-based payments pursuant to IFRS 2. This theoretical value does not necessarily represent the gain that could be made on the future sale of the shares, which will depend on the share price on the vesting date in 2020 and on the date of sale of the shares (as of 2022).
(2) Member of the Management Board since September 1, 2017.
(3) Amounts prorated.
(4) To take into account the roles played by Gilles Alix and Cédric de Bailliencourt within Bolloré Group, the Supervisory Board decided, at its meeting of February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 50% proration factor to the amount of their variable compensation in respect of fiscal year 2017, to be paid in 2018. Bolloré Group does not control Vivendi within the meaning of Article L. 233-16 of the French Commercial Code.

Determination of compensation for 2018

At its meeting of February 15, 2018, the Supervisory Board set the elements of fixed and variable compensation for Management Board members for 2018 as follows:

	Fixed compensation (in euros)		**Variable compensation** (in euros)		
			Reference variable portion		
	Reference fixed portion	**Proration**	**Target**	**Maximum**	**Proration**
Gilles Alix	500,000	(1) 50%	80%	100%	(1) 50%
Cédric de Bailliencourt	400,000	(1) 50%	80%	100%	(1) 50%
Frédéric Crépin	800,000	na	80%	100%	na
Simon Gillham	750,000	na	80%	100%	na
Hervé Philippe	940,000	na	80%	100%	na
Stéphane Roussel	1,000,000	na	80%	100%	na

na: not applicable.

(1) To take into account the roles played by Gilles Alix and Cédric de Bailliencourt within Bolloré Group, the Supervisory Board decided, at its meeting of February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 50% proration factor to the amount of their fixed and variable compensation in respect of fiscal year 2018.

2.2.2.3 Information required by Article D.225-104-1 of the French Commercial Code, deriving from Decree No. 2016-182 of February 23, 2016

	Seniority within the group as of 2017 (in years)	**Annuity growth rate (1)** (%)	**Total pension acquired in 2017** (in euros)	**Estimated pension acquired at the close of 2017 (before tax and contributions** – in euros)
Arnaud de Puyfontaine	4	2.50	52,500	216,000
Gilles Alix	1	2.50	4,167	(2) 22,500
Cédric de Bailliencourt	1	2.50	3,333	(2) 18,000
Frédéric Crépin	18	1.00	13,100	378,000
Simon Gillham	11	1.25	14,313	243,000
Hervé Philippe	4	2.50	41,125	169,200
Stéphane Roussel	14	1.25	21,875	427,500

(1) 1 to 5 years: 2.5%; 6 to 15 years: 1.25%; 16 to 20 years: 1%; over 20 years: 0%.
(2) Amount estimated using a reference annual basis.

Calculation of the increase in income applicable to the supplemental defined-benefit pension plan – fiscal year 2017

At its meeting held on February 15, 2018, the Supervisory Board noted the satisfaction of one of the criteria that determines the annuity growth rate. As the financial targets had been exceeded, the rate for 2017 was approved.

	Fiscal year 2017		
Financial criteria (in € millions)	**Targets**	**Achieved**	**Success rate**
Adjusted net income	819	1,312	160%
Operating cash flow	671	989	147%
Average stock market indices performance (1)	+6.6%	+26.9%	410%

(1) Composite weighted index – CAC 40 (50%) and STOXX® Europe Media (50%), reinvested dividends.

The provision for 2017 for members of the Management Board under this pension plan structure totaled €8.7 million.

2.2.3. HIGHEST COMPENSATION PAID WITHIN THE GROUP

In fiscal year 2017, the compensation of the ten highest-paid Vivendi SA employees in France totaled €10.96 million, including benefits of any kind.

In 2017, the total compensation for the ten highest-paid employees in the group as a whole was €57.93 million, including benefits of any kind. None of the Management Board members were among these ten highest-paid employees.

2.3. PERFORMANCE SHARES AWARDED TO THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD

In 2017, awards made under performance share plans consisted of 1.547 million shares, or 0.12% of the share capital. Performance shares granted to members of the Management Board are presented in the table below. They represent 0.015% of the share capital and 12.92% of the overall grant.

The number of performance shares to be awarded to the Chairman and members of the Management Board in 2018 will be decided by the next Supervisory Board meeting, following the General Shareholders' Meeting of April 19, 2018, within an overall limit of less than the aggregate number awarded in 2017 (200,000 shares).

2.3.1. PERFORMANCE SHARES GRANTED TO MEMBERS OF THE MANAGEMENT BOARD IN 2017: PLAN 2017-02-1 OF FEBRUARY 23, 2017 (AMF RECOMMENDATIONS, TABLE 6)

	Number of rights to shares granted during the fiscal year	Value of rights under the method used for Consolidated Financial Statements (in euros) (a)	Vesting date of the rights	Date of availability of shares	Performance conditions (b)
Arnaud de Puyfontaine	50,000	718,500	02/24/2020	02/25/2022	Yes
Gilles Alix (c)	na	na	na	na	na
Cédric de Bailliencourt (c)	na	na	na	na	na
Frédéric Crépin	40,000	574,800	02/24/2020	02/25/2022	Yes
Simon Gillham	30,000	431,100	02/24/2020	02/25/2022	Yes
Hervé Philippe	40,000	574,800	02/24/2020	02/25/2022	Yes
Stéphane Roussel	40,000	574,800	02/24/2020	02/25/2022	Yes
Total	**200,000**	**2,874,000**			

na: not applicable.

(a) The retained value of the unit right, pursuant to IFRS 2, was €14.37.
Vesting of performance shares granted in 2017 will be reviewed in 2020, pursuant to the regulations of the performance share plan, and these shares will not be available until 2022.

(b) Assessed over three years.

(c) Member of the Management Board since September 1, 2017.

2.3.2. HISTORY OF PERFORMANCE SHARES GRANTED (AMF RECOMMENDATIONS, TABLE 9)

	2017	2016	2015 (adjusted)	2014 (adjusted)	2013 (adjusted)
Date of the General Shareholders' Meeting approving the share grant	AGM 04/21/2016	AGM 04/21/2016	AGM 06/24/2014	AGM 04/21/2011	AGM 04/21/2011
Date of the Supervisory Board meeting	02/23/2017	05/11/2016	02/27/2015	02/21/2014	02/22/2013
Grant date	02/23/2017	05/11/2016	02/27/2015	02/21/2014	02/22/2013
Maximum number of shares that may be granted pursuant to the authorization of the General Shareholders' Meeting	12,870,878	13,686,208	13,516,006	13,396,099	13,239,624
Maximum number of shares that may be granted during the year based on grants already made	4,247,389	4,516,448	4,460,282	4,420,712	4,369,075
Total number of shares granted	1,547,750	1,320,440	1,565,880	400,796	(a) 3,097,719
Number of rights canceled due to the departure of beneficiaries	19,500	22,030	55,020	0	102,378
Number of Shares Granted to Members of the Management Board					
Arnaud de Puyfontaine, Chairman	50,000	95,000	(c) 70,000	(b) 105,497	na
Gilles Alix (d)	na	na	na	na	na
Cédric de Bailliencourt (d)	na	na	na	na	na
Frédéric Crépin	40,000	50,000	na	na	na
Simon Gillham	30,000	50,000	na	na	na
Hervé Philippe	40,000	50,000	(c) 50,000	0	na
Stéphane Roussel	40,000	50,000	(c) 50,000	0	na
Vesting date	02/24/2020	05/13/2019	02/28/2018	02/22/2016	02/23/2015
Date of availability	02/25/2022	05/14/2021	03/02/2020	02/23/2018	02/24/2017

na: not applicable.

(a) 2,269,592 shares vested in 2015, taking into account the percentage of achievement of the performance criteria linked to these plans (62% to 80% depending on the relevant subsidiaries, 76% for beneficiaries of Vivendi SA).
(b) The performance criteria achievement rate was 75% and, accordingly, 79,123 shares were vested in 2016.
(c) The performance criteria achievement rate was 75% for 2015, 2016 and 2017 and, accordingly, 52,500 shares (out of 70,000) and 37,500 shares (out of 50,000), were vested on February 28, 2018 (see Section 2.3.4).
(c) Member of the Management Board since September 1, 2017.

2.3.3. PERFORMANCE SHARES THAT BECAME AVAILABLE IN 2017, FOR MEMBERS OF THE MANAGEMENT BOARD DURING THEIR TERM OF OFFICE (AMF RECOMMENDATIONS, TABLE 7)

Performance shares that became available for each member of the Management Board (plans awarded in 2013)	Plan number and date	Number of shares that became available	Vesting conditions
Arnaud de Puyfontaine	na	na	na
Gilles Alix	na	na	na
Cédric de Bailliencourt	na	na	na
Frédéric Crépin	2013/02-2 02/22/2013	34,115	Yes
Simon Gillham	2013/02-2 02/22/2013	21,322	Yes
Hervé Philippe	na	na	na
Stéphane Roussel	2013/02-2 02/22/2013	34,115	Yes
	2013-10 10/21/2013	16,033	Yes

na: not applicable.

2.3.4. ASSESSMENT OF PERFORMANCE CRITERIA FOR FISCAL YEARS 2015, 2016 AND 2017 FOR VESTING OF SHARES IN 2018 UNDER THE 2015 PERFORMANCE SHARE PLANS – PLAN 02-2015

At its meeting held on February 15, 2018, the Supervisory Board, after review by the Corporate Governance, Nominations and Remuneration Committee, approved the level of achievement of objectives for the cumulative fiscal years 2015, 2016 and 2017 for the performance share plan granted to the members of the Management Board by the Supervisory Board on February 27, 2015. It confirmed that not all of the criteria that had been set were satisfied (see table below). Shares vested under the 2015 performance share plan represent 75% of the original grant, as adjusted. Consequently, 42,500 rights to performance shares granted to members of the Management Board in 2015 were canceled.

	Objectives 2015-2017							
Weighting	**Indicators**	**Threshold**	**Target**	**Maximum**	**Achievement**		**% weighting**	**Rate**
80	**Financial targets (1)**							
40	Group EBITA margin	8.6%	10.6%	12.6%	8.1%	77%	0%	0%
10	Growth in group EBITA	15.0%	20.0%	25.0%	6.0%	30%	0%	0%
30	Adjusted earnings per share (EPS) – group	0.50	0.56	0.62	0.58	104%	136%	41%
20	**Average stock market indices performance (2)**							
15	STOXX® Europe Media	7.3%	+10.5%	13.6%	+34.8%	332%	200%	30%
5	CAC 40	26.2%	+37.4%	48.6%	+34.8%	93%	88%	4%
							Total (3)	**75%**

(1) Achieved, restated of certain exceptional items.
(2) Reinvested dividends.
(3) Capped at 100%.

2.3.5. GRANT OF STOCK OPTIONS TO MEMBERS OF THE MANAGEMENT BOARD

The company has not granted any stock options since 2013.

2.3.6. STOCK OPTIONS EXERCISED IN 2017 BY CORPORATE OFFICERS (AMF RECOMMENDATIONS, TABLE 5)

In 2017, Stéphane Roussel exercised 10,000 stock options at a price of €20.15 (Plan 2008/04) and 40,000 stock options at a price of €16.06 (Plan 2009/04).

Simon Gillham exercised 79,819 stock options at a price of €20.15 (Plan 2008/04), 79,784 stock options at a price of €16.06 (Plan 2009/04), 68,292 stock options at a price of €15.80 (Plan 2010/04) and 46,378 stock options at a price of €17.19 (Plan 2011/04).

2.3.7. CONDITIONS FOR CORPORATE OFFICERS TO HOLD SHARES RECEIVED FROM THE EXERCISE OF STOCK OPTIONS AND GRANTS OF PERFORMANCE SHARES

At its meeting held on March 6, 2007, pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Supervisory Board approved rules for members of the Management Board in relation to the holding of shares received from the exercise of stock options and performance shares granted since 2007.

Members of the Management Board must hold, until the end of their term of office and in a registered account, a number of shares received from the exercise of stock options and the grant of performance shares since the implementation of the 2007 plan that is equal to at least 20% of the net capital gain recorded each year, if any, from exercise of the stock options or sale of the performance shares.

2.3.8. CONDITIONS SPECIFIC TO VIVENDI

At its meeting held on February 27, 2015, and upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board decided to amend the rules on the obligation for Corporate Officers and senior executives of the group to hold shares of the company as follows:

Within a maximum of five years after they assume their positions:

- the Chairman and the members of the Management Board must retain a number of shares equal to one year of their fixed gross compensation and target bonus in a registered account until they leave their positions; and
- members of General Management and the senior executives of each of the operational subsidiaries must retain a number of shares equal to six months of their fixed gross compensation and target bonus in a registered account until they leave their positions.

2.3.9. LARGEST GRANTS OF PERFORMANCE SHARES AND EXERCISES OF STOCK OPTIONS IN 2017, EXCLUDING CORPORATE OFFICERS (AMF RECOMMENDATIONS, TABLE 9)

The ten largest grants to beneficiaries other than Corporate Officers totaled 241,000 performance shares, representing 15.57% of the total number of performance shares granted in 2017, and 0.018% of the share capital. The ten largest exercises of stock options, other than by Corporate Officers, consisted of a total of 194,672 stock options at an average weighted price of €17.11.

2.4. COMPENSATION SUMMARY TABLES

2.4.1. SUMMARY OF GROSS COMPENSATION PAID (BEFORE TAXES AND SOCIAL SECURITY CONTRIBUTIONS) AND THE VALUE OF PERFORMANCE SHARES GRANTED TO EACH MEMBER OF THE MANAGEMENT BOARD DURING FISCAL YEAR 2017 (AMF RECOMMENDATIONS, TABLE 1)

(in euros)	2016	2017
Arnaud de Puyfontaine **Chairman of the Management Board**		
Gross compensation paid	2,349,359	2,124,831
Book value of stock options granted	na	na
Book value of performance shares granted (a)	1,394,600	718,500
Total	**3,743,959**	**2,843,331**
Gilles Alix (1) **Member of the Management Board and Senior Vice President in charge of inter-group coordination**		
Gross compensation paid	na	(2) 166,687
Book value of stock options granted	na	na
Book value of performance shares granted (a)	na	na
Total		**166,687**
Cédric de Bailliencourt (1) **Member of the Management Board and Senior Vice President in charge of investor relations and inter-group financial communication**		
Gross compensation paid	na	(3) 133,368
Book value of stock options granted	na	na
Book value of performance shares granted (a)	na	na
Total		**133,368**
Frédéric Crépin (4) **Member of the Management Board and Group General Counsel**		
Gross compensation paid	(5) 921,066	1,366,524
Book value of stock options granted	na	na
Book value of performance shares granted (a)	734,000	574,800
Total	**1,655,066**	**1,941,324**
Simon Gillham (4) **Member of the Management Board, Chairman of Vivendi Village and Senior Executive Vice President, Communications of Vivendi**		
Gross compensation paid	(6) 743,228	1,167,111
Book value of stock options granted	na	na
Book value of performance shares granted (a)	734,000	431,100
Total	**1,477,228**	**1,598,211**
Hervé Philippe (7) **Member of the Management Board and Chief Financial Officer**		
Gross compensation paid	1,841,128	1,671,696
Book value of stock options granted	na	na
Book value of performance shares granted (a)	734,000	574,800
Total	**2,575,128**	**2,246,496**
Stéphane Roussel (7) **Member of the Management Board and Chief Operating Officer**		
Gross compensation paid	2,096,411	2,153,529
Book value of stock options granted	na	na
Book value of performance shares granted (a)	734,000	574,800
Total	**2,830,411**	**2,728,329**

na: not applicable.

(1) Member of the Management Board since September 1, 2017. Gilles Alix and Cédric de Bailliencourt receive compensation from Bolloré Group, which does not control Vivendi within the meaning of Article L. 233-16 of the French Commercial Code.
(2) Amount prorated; annual basis: €500,000.
(3) Amount prorated; annual basis: €400,000.
(4) Member of the Management Board since November 10, 2015.
(5) Prorated amount of the variable compensation in respect of fiscal year 2015, paid in 2016: €114,584; (annual basis: €635,417).
(6) Prorated amount of the variable compensation in respect of fiscal year 2015, paid in 2016: €93,750; (annual basis: €510,417).
(7) Member of the Management Board since June 24, 2014.

(a) The book value is calculated based on the adjusted number of stock options and performance shares. The retained value of the unit right is shown in the financial statements pursuant to IFRS 2 (for a description of the valuation of securities settled through the issuance of shares, see Note 22 to the Consolidated Financial Statements in Chapter 4). The value is €14.68 for each performance share granted in May 2016 and €14.37 for each performance share granted in February 2017.

2.4.2. SUMMARY TABLE OF COMPENSATION (BEFORE TAXES AND SOCIAL SECURITY CONTRIBUTIONS) OF EACH MEMBER OF THE MANAGEMENT BOARD DURING FISCAL YEARS 2016 AND 2017 (AMF RECOMMENDATIONS, TABLE 2)

	Fiscal year 2016		Fiscal year 2017	
(in euros)	Amounts paid	Amounts owed	Amounts paid	Amounts owed
Arnaud de Puyfontaine, Chairman of the Management Board				
Fixed compensation	1,200,000	1,200,000	1,200,000	1,200,000
Variable compensation for 2015	1,125,000	-	-	-
Variable compensation for 2016	-	900,000	900,000	-
Variable compensation for 2017			-	(1) 540,000
Other compensation	na	na	na	na
Director's fees	na	na	na	na
Benefits of any kind (*)	24,359	24,359	24,831	24,831
Total	**2,349,359**	**2,124,359**	**2,124,831**	**1,764,831**
Gilles Alix, Member of the Management Board (2)				
Fixed compensation	-	-	(3) 166,667	166,667
Variable compensation for 2017	-	-	0	(4) 62,500
Other compensation	na	na	na	na
Director's fees	na	na	na	na
Benefits of any kind (**)	-	-	20	20
Total			**166,687**	**229,187**
Cédric de Bailliencourt, Member of the Management Board (2)				
Fixed compensation	-	-	(5) 133,333	133,333
Variable compensation for 2017	-	-	-	(4) 50,000
Other compensation	na	na	na	na
Director's fees	na	na	na	na
Benefits of any kind (**)	-	-	35	35
Total			**133,368**	**183,368**
Frédéric Crépin, Member of the Management Board (6)				
Fixed compensation	750,000	750,000	750,000	750,000
Variable compensation for 2015	(7) 114,584	-	-	-
Variable compensation for 2016	-	560,000	560,000	-
Variable compensation for 2017	-	-	-	562,500
Other compensation	na	na	na	na
Director's fees	(8) 17,500	17,500	(9) 35,000	35,000
Benefits of any kind (**)	38,982	38,982	21,524	21,524
Total	**921,066**	**1,366,482**	**1,366,524**	**1,369,024**
Simon Gillham, Member of the Management Board (6)				
Fixed compensation	625,000	625,000	675,000	675,000
Variable compensation for 2015	(10) 93,750	-	-	-
Variable compensation for 2016	-	470,000	470,000	-
Variable compensation for 2017	-		-	506,250
Other compensation	na	na	na	na
Director's fees	na	na	na	na
Benefits of any kind (**)	24,478	24,478	22,111	22,111
Total	**743,228**	**1,119,478**	**1,167,111**	**1,203,361**

(in euros)	Fiscal year 2016 Amounts paid	Fiscal year 2016 Amounts owed	Fiscal year 2017 Amounts paid	Fiscal year 2017 Amounts owed
Hervé Philippe, Member of the Management Board (11)				
Fixed compensation	940,000	940,000	940,000	940,000
Variable compensation for 2015	875,000	-	-	-
Variable compensation for 2016	-	705,000	705,000	-
Variable compensation for 2017	-	-	-	705,000
Other compensation	na	na	na	na
Director's fees	na	na	na	na
Benefits of any kind (**)	26,128	26,128	26,696	26,696
Total	**1,841,128**	**1,671,128**	**1,671,696**	**1,671,696**
Stéphane Roussel, Member of the Management Board (11)				
Fixed compensation	1,000,000	1,000,000	1,000,000	1,000,000
Variable compensation for 2015	885,417	-	-	-
Variable compensation for 2016	-	750,000	750,000	-
Variable compensation for 2017	-	-	-	750,000
Other compensation	(8) 167,500	167,500	(9) 340,000	340,000
Director's fees	(8) 17,500	17,500	(9) 35,000	35,000
Benefits of any kind (**)	25,994	25,994	28,529	28,529
Total	**2,096,411**	**1,775,994**	**2,153,529**	**2,153,529**

na: not applicable.

(1) To take into account his appointment as Executive Chairman of the Board of Directors of Telecom Italia on June 1, 2017, the Supervisory Board decided at its meeting of February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 60% proration factor to his variable compensation in respect of 2017, to be paid in 2018.
(2) Member of the Management Board since September 1, 2017.
(3) Amount prorated; annual basis: €500,000.
(4) To take into account the roles played by Gilles Alix and Cédric de Bailliencourt within Bolloré Group, the Supervisory Board decided at its meeting of February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, to apply a 50% proration factor to their variable compensation in respect of 2017, to be paid in 2018.
(5) Amount prorated; annual basis: €400,000.
(6) Member of the Management Board since November 10, 2015.
(7) Amount prorated; annual basis: €635,417.
(8) Directors' fees and compensation paid by Gameloft SE (pro rata temporis).
(9) Directors' fees and compensation paid by Gameloft SE.
(10) Amount prorated; annual basis: €510,417.
(11) Member of the Management Board since June 24, 2014.
(*) Benefits of any kind include the use of a company car without a driver and GSC coverage (job-loss insurance for Corporate Officers).
(**) Benefits of any kind include, depending on the case, the use of a company car without a driver, profit sharing, job-loss insurance and the partial liquidation of the time savings account (CET).

2.4.3 SUMMARY OF COMMITMENTS ISSUED IN FAVOR OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD (AMF RECOMMENDATIONS, TABLE 10)

	Employment contract		Eligibility for supplemental pension plan (1)		Compensation or other benefits due or that may become due at the end of a term in office		Non-compete payment	
	Yes	No	Yes	No	Yes	No	Yes	No
Arnaud de Puyfontaine Chairman of the Management Board		(2) X	X		(3) X			X
Gilles Alix Member of the Management Board	X		X			X		X
Cédric de Bailliencourt Member of the Management Board	X		X			X		X
Frédéric Crépin Member of the Management Board	X		X			X		X
Simon Gillham Member of the Management Board	X		X			X		X
Hervé Philippe Member of the Management Board	X		X			X		X
Stéphane Roussel Member of the Management Board	X		X			X		X

(1) Subject to plan terms and conditions and to the criteria governing the annual annuity growth rate (see Sections 2.1.2.2 and 2.2.2.3).
(2) Arnaud de Puyfontaine waived the benefit of his employment contract following his appointment as Chairman of the Management Board by the Supervisory Board on June 24, 2014.
(3) Commitment approved at the General Shareholders' Meeting held on April 17, 2015.

2.5. FIXED AND VARIABLE COMPONENTS OF COMPENSATION AND OTHER BENEFITS OF ANY KIND PAID OR AWARDED TO CORPORATE OFFICERS DUE TO THEIR MANDATE WITHIN THE COMPANY, IN RESPECT OF FISCAL YEAR 2017, AND SUBMITTED TO THE COMBINED GENERAL MEETING OF SHAREHOLDERS OF APRIL 19, 2018

2.5.1. VINCENT BOLLORÉ – CHAIRMAN OF THE SUPERVISORY BOARD (RESOLUTION 5)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€340,000	Gross fixed compensation set by the Supervisory Board on February 23, 2017 upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the Chairman and members of the Supervisory Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 11).
2017 variable compensation	na	The Chairman of the Supervisory Board does not receive any variable compensation.
Variable deferred compensation	na	The Chairman of the Supervisory Board does not receive any variable deferred compensation.
Multi-year variable compensation	na	The Chairman of the Supervisory Board does not receive any multi-year variable compensation.
Extraordinary compensation	na	The Chairman of the Supervisory Board does not receive any extraordinary compensation.
Stock options	na	The company has not granted any stock options since 2013. In addition, pursuant to French law, the Chairman of the Supervisory Board is not eligible for grants of stock options.
Performance shares	na	Pursuant to French law, the Chairman of the Supervisory Board is not eligible for grants of performance shares.
Director's fees	€60,000	Fixed amount.
Benefits of any kind	na	The Chairman of the Supervisory Board does not receive any benefits.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	na	The Chairman of the Supervisory Board will not receive a severance payment in respect of his term of office.
Non-compete payment	na	The Chairman of the Supervisory Board receives no payment of this kind.
Supplemental pension plan	na	The Chairman of the Supervisory Board is not eligible for Vivendi's defined-benefit pension plan

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Fifth Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Vincent Bolloré due to his mandate as Chairman of the Supervisory Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Vincent Bolloré due to his mandate as Chairman of the Supervisory Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.1 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.2. ARNAUD DE PUYFONTAINE – CHAIRMAN OF THE MANAGEMENT BOARD (RESOLUTION 6)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€1,200,000	Gross fixed compensation set by the Supervisory Board on February 23, 2017 upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the Chairman of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 12).
2017 variable compensation	€540,000	At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the reference amount of variable compensation to be paid to the Chairman of the Management Board in respect of fiscal year 2017. It amounted to 75% of his fixed compensation, i.e., a €900,000 reference variable compensation. The variable compensation amounted to €540,000, for fiscal year 2017, after a 60% proration (see Section 2.2.2.1 of this Annual Report).
Variable deferred compensation	na	The Chairman of the Management Board does not receive any variable deferred compensation.
Multi-year variable compensation	na	The Chairman of the Management Board does not receive any multi-year variable compensation.
Extraordinary compensation	na	The Chairman of the Management Board does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	€718,500 (book value)	Grant of 50,000 performance shares by the Supervisory Board on February 23, 2017 at the proposal of the Corporate Governance, Nominations and Remuneration Committee. Vesting of these performance shares is subject to the fulfillment of performance conditions over three consecutive fiscal years (2017-2019) which requires satisfaction of two internal indicators (70%): Group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%), to be determined as of December 31, 2019 based on the cumulative fiscal years 2017, 2018 and 2019; and an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019 relative to two indices: the STOXX Europe Media (20%) and the CAC 40 (10%). See Section 2.2.2.1 of this Annual Report.
Director's fees	na	Arnaud de Puyfontaine does not receive director's fees for his role as Chairman of the Management Board.
Benefits of any kind	€24,831	Company car without a driver and GSC job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Conditional commitment in the event of termination at the initiative of the company, subject to performance conditions (see Section 2.2.2.1 of this Annual Report).
Non-compete payment	None	The Chairman of the Management Board receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, the Chairman of the Management Board is eligible for the defined-benefit supplemental pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 2.50% subject to performance criteria. Amount of potential income acquired in 2017: €52,500 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Sixth Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Arnaud de Puyfontaine due to his mandate as Chairman of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Arnaud de Puyfontaine due to his mandate as Chairman of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.2 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.3. GILLES ALIX – MEMBER OF THE MANAGEMENT BOARD AND SENIOR VICE PRESIDENT IN CHARGE OF INTER-GROUP COORDINATION SINCE SEPTEMBER 1, 2017 (RESOLUTION 7)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€166,667	Prorated amount based on the gross fixed compensation set by the Supervisory Board on August 31, 2017 upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€62,500	Prorated amount. At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the reference amount of variable compensation to be paid to Gilles Alix in respect of fiscal year 2017. It amounted to 75% of his fixed compensation, i.e., a €125,000 reference variable compensation. The variable compensation amounted to €62,500, for fiscal year 2017, after a 50% proration (see Section 2.2.2.2 of this Annual Report).
Variable deferred compensation	na	Gilles Alix does not receive any variable deferred compensation.
Multi-year variable compensation	na	Gilles Alix does not receive any multi-year variable compensation.
Extraordinary compensation	na	Gilles Alix does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	na	Gilles Alix was not awarded any performance shares in 2017.
Director's fees	na	Gilles Alix does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€20	Job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Gilles Alix does not benefit from any commitment to receive a severance payment in respect of his corporate office.
Non-compete payment	None	Gilles Alix receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Gilles Alix is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 2.50% subject to performance criteria. Amount of potential income acquired in 2017: €4,167 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Seventh Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Gilles Alix due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Gilles Alix due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.3 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.4. CÉDRIC DE BAILLIENCOURT – MEMBER OF THE MANAGEMENT BOARD AND SENIOR VICE PRESIDENT IN CHARGE OF INVESTOR RELATIONS AND INTER-GROUP FINANCIAL COMMUNICATION SINCE SEPTEMBER 1, 2017 (RESOLUTION 8)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€133,333	Prorated amount based on the gross fixed compensation set by the Supervisory Board on August 31, 2017 upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€50,000	Prorated amount. At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the reference amount of variable compensation to be paid to Cédric de Bailliencourt in respect of fiscal year 2017. It amounted to 75% of his fixed compensation, i.e., a €100,000 reference variable compensation. The variable compensation amounted to €50,000, for fiscal year 2017, after a 50% proration (see Section 2.2.2.1 of this Annual Report).
Variable deferred compensation	na	Cédric de Bailliencourt does not receive any variable deferred compensation.
Multi-year variable compensation	na	Cédric de Bailliencourt does not receive any multi-year variable compensation.
Extraordinary compensation	na	Cédric de Bailliencourt does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	na	Cédric de Bailliencourt was not awarded any performance shares in 2017.
Director's fees	na	Cédric de Bailliencourt does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€35	Job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Cédric de Bailliencourt does not benefit from any commitment to receive a severance payment in respect of his corporate office.
Non-compete payment	None	Cédric de Bailliencourt receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Cédric de Bailliencourt is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 2.50% subject to performance criteria. Amount of potential income acquired in 2017: €3,333 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Eighth Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Cédric de Bailliencourt due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Cédric de Bailliencourt due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.4 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.5. FRÉDÉRIC CRÉPIN – MEMBER OF THE MANAGEMENT BOARD AND GROUP GENERAL COUNSEL (RESOLUTION 9)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€750,000	Gross fixed annual compensation set by the Supervisory Board on February 23, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€562,500	At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the amount of variable compensation to be paid to Frédéric Crépin in respect of 2017. It amounted to 75% of his fixed compensation (see Section 2.2.2.2 of this Annual Report).
Variable deferred compensation	na	Frédéric Crépin does not receive any variable deferred compensation.
Multi-year variable compensation	na	Frédéric Crépin does not receive any multi-year variable compensation.
Extraordinary compensation	na	Frédéric Crépin does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	€574,800 (book value)	Grant of 40,000 performance shares by the Supervisory Board on February 23, 2017 at the proposal of the Corporate Governance, Nominations and Remuneration Committee. Vesting of these performance shares is subject to the fulfillment of performance conditions over three consecutive fiscal years (2017-2019), which requires satisfaction of two internal indicators (70%): Group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%), to be determined as of December 31, 2019 based on the cumulative fiscal years 2017, 2018 and 2019; and an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019 relative to two indices: the STOXX Europe Media (20%) and the CAC 40 (10%).
Director's fees	na	Frédéric Crépin does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€21,524	No company car. Profit share (under Vivendi SA's collective agreement) and job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Frédéric Crépin does not benefit from any commitment to receive a severance payment in respect of his corporate office. 18 months (fixed salary plus target bonus) under his employment contract.
Non-compete payment	None	Frédéric Crépin receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Frédéric Crépin is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 1.00% subject to performance criteria. Amount of potential income acquired in 2017: €13,100 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Ninth Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Frédéric Crépin due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Frédéric Crépin due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.5 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.6. SIMON GILLHAM – MEMBER OF THE MANAGEMENT BOARD, CHAIRMAN OF VIVENDI VILLAGE AND SENIOR EXECUTIVE VICE PRESIDENT, COMMUNICATIONS OF VIVENDI (RESOLUTION 10)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€625,000	Gross fixed annual compensation set by the Supervisory Board on February 23, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€506,250	At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the amount of variable compensation to be paid to Simon Gillham in respect of 2017. It amounted to 75% of his fixed compensation (see Section 2.2.2.2 of this Annual Report).
Variable deferred compensation	na	Simon Gillham does not receive any variable deferred compensation.
Multi-year variable compensation	na	Simon Gillham does not receive any multi-year variable compensation.
Extraordinary compensation	na	Simon Gillham does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	€431,100 (book value)	Grant of 30,000 performance shares by the Supervisory Board on February 23, 2017 at the proposal of the Corporate Governance, Nominations and Remuneration Committee. Vesting of these performance shares is subject to the fulfillment of performance conditions over three consecutive fiscal years (2017-2019), which requires satisfaction of two internal indicators (70%): Group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%), to be determined as of December 31, 2019 based on the cumulative fiscal years 2017, 2018 and 2019; and an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019 relative to two indices: the STOXX Europe Media (20%) and the CAC 40 (10%).
Director's fees	na	Simon Gillham does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€22,111	Company car without a driver, profit share (under Vivendi SA's collective agreement) and job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Simon Gillham does not benefit from any commitment to receive a severance payment in respect of his corporate office. 18 months (fixed salary plus target bonus) under his employment contract.
Non-compete payment	None	Simon Gillham receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Simon Gillham is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting of April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 1.25% subject to performance criteria. Amount of potential income acquired in 2017: €14,313 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Tenth Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Simon Gillham due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Simon Gillham due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.6 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.7. HERVÉ PHILIPPE – MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER (RESOLUTION 11)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€940,000	Gross fixed annual compensation set by the Supervisory Board on February 23, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€705,000	At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the amount of variable compensation to be paid to Hervé Philippe in respect of 2017. It amounted to 75% of his fixed compensation (see Section 2.2.2.2 of this Annual Report).
Variable deferred compensation	na	Hervé Philippe does not receive any variable deferred compensation.
Multi-year variable compensation	na	Hervé Philippe does not receive any multi-year variable compensation.
Extraordinary compensation	na	Hervé Philippe does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	€574,800 (book value)	Grant of 40,000 performance shares by the Supervisory Board on February 23, 2017 at the proposal of the Corporate Governance, Nominations and Remuneration Committee. Vesting of these performance shares is subject to the fulfillment of performance conditions over three consecutive fiscal years (2017-2019), which requires satisfaction of two internal indicators (70%): Group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%), to be determined as of December 31, 2019 based on the cumulative fiscal years 2017, 2018 and 2019; and an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019 relative to two indices: the STOXX Europe Media (20%) and the CAC 40 (10%).
Director's fees	na	Hervé Philippe does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€26,696	Company car without a driver, profit share (under Vivendi SA's collective agreement) and job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Hervé Philippe does not benefit from any commitment to receive a severance payment in respect of his corporate office. 18 months (fixed salary plus target bonus) under his employment contract.
Non-compete payment	None	Hervé Philippe receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Hervé Philippe is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 2.50% subject to performance criteria. Amount of potential income acquired in 2017: €41,125 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Eleventh Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Hervé Philippe due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Hervé Philippe due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.7 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.5.8. STÉPHANE ROUSSEL – MEMBER OF THE MANAGEMENT BOARD AND CHIEF OPERATING OFFICER (RESOLUTION 12)

Compensation elements for fiscal year 2017	Amount or value (before taxes and social security contributions)	Description
Fixed compensation	€1,000,000	Gross fixed annual compensation set by the Supervisory Board on February 23, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, under the principles and criteria for setting the compensation of the members of the Management Board for 2017, as approved by the Supervisory Board at the same meeting and by the General Shareholders' Meeting of April 25, 2017 (Resolution 13).
2017 variable compensation	€750,000	At its meeting on February 15, 2018, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board reviewed the achievement rate of the quantitative and qualitative criteria used to determine the amount of variable compensation to be paid to Stéphane Roussel in respect of 2017. It amounted to 75% of his fixed compensation (see Section 2.2.2.2 of this Annual Report).
Variable deferred compensation	na	Stéphane Roussel does not receive any variable deferred compensation.
Multi-year variable compensation	na	Stéphane Roussel does not receive any multi-year variable compensation.
Extraordinary compensation	na	Stéphane Roussel does not receive any extraordinary compensation.
Stock options	na	The company ceased awarding stock options in 2013.
Performance shares	€574,800 (book value)	Grant of 40,000 performance shares by the Supervisory Board on February 23, 2017 at the proposal of the Corporate Governance, Nominations and Remuneration Committee. Vesting of these performance shares is subject to the fulfillment of performance conditions over three consecutive fiscal years (2017-2019), which requires satisfaction of two internal indicators (70%): Group EBIT (35%) and growth in Cash flow from operations after interest and tax (group CFAIT) (35%), to be determined as of December 31, 2019 based on the cumulative fiscal years 2017, 2018 and 2019; and an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019 relative to two indices: the STOXX Europe Media (20%) and the CAC 40 (10%).
Director's fees	na	Stéphane Roussel does not receive director's fees for his role as a member of the Management Board.
Benefits of any kind	€28,529	Company car without a driver, profit share (under Vivendi SA's collective agreement) and job-loss insurance.

Deferred compensation elements owed or granted in 2017 that were subject to the prior approval of the General Shareholders' Meeting under the procedure applying to related-party agreements and commitments	Amount	Description
Severance payment	None	Stéphane Roussel does not benefit from any commitment to receive a severance payment in respect of his corporate office. 18 months (fixed salary plus target bonus) under his employment contract.
Non-compete payment	None	Stéphane Roussel receives no payment of this kind.
Supplemental pension plan	None	As is the case for a number of the Vivendi group's senior executives, Stéphane Roussel is eligible for the supplemental defined-benefit pension plan set up in December 2005, approved by the Combined General Shareholders' Meeting held on April 20, 2006. Upper limit: 30% of reference salary (fixed plus variable) capped at 60 times the social security maximum. Presence at the company at the time of retirement is required. Annuity growth rate in 2017, including a seniority-based increase within the group: 1.25% subject to performance criteria. Amount of potential income acquired in 2017: €21,875 (see Section 2.2.2.3 of this Annual Report).

na: not applicable.

Proposed resolution to be submitted to the Combined General Meeting of Shareholders of April 19, 2018

Eleventh Resolution: Approval of the fixed and variable components of compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Stéphane Roussel due to his mandate as a member of the Management Board.

The General Shareholders' Meeting, after having reviewed the report on corporate governance referred to in Article L. 225-68 of the French Commercial Code, approves, pursuant to Article L. 225-100 II. of the French Commercial Code, the fixed and variable components of the total compensation and the benefits of any kind paid or awarded in respect of fiscal year 2017 to Stéphane Roussel due to his mandate as a member of the Management Board, as set out in the Annual Report – 2017 *Document de référence* – Chapter 3 – paragraph 2.5.8 of Section 2.5 titled *"Fixed and variable components of compensation and benefits of any kind paid or awarded to Corporate Officers due to their mandate within the company, in respect of fiscal year 2017, and submitted to the Combined General Meeting of Shareholders of April 19, 2018"*.

2.6. TRADING IN COMPANY SECURITIES

Stock Trading Ethics

In compliance with the European Market Abuse Regulation No. 596/2014 of April 16, 2014, the recommendations of the AFEP/MEDEF Code and the internal rules applicable within Vivendi, purchase and sale transactions involving the company's securities are prohibited during the period from the date when a member of the Supervisory Board or Management Board becomes aware of precise information concerning the company's day-to-day business or prospects which, if it were made public, would be likely to have a significant effect on the company's share price, up to the date when this information is made public.

In addition, pursuant to Vivendi's internal rules, such transactions are prohibited for a period of 30 calendar days up to and including the date of publication of the company's quarterly, half-year and annual financial statements.

Vivendi prepares and distributes a summary schedule setting out the blackout periods during which transactions involving the company's shares are prohibited. This schedule also makes clear that the periods indicated do not preclude the existence of other blackout periods that may apply, due to awareness of specific market information concerning developments in Vivendi's business or prospects which, if made public, would be likely to have a material impact on the company's share price.

At its meeting held on January 24, 2007, Vivendi's Management Board prohibited the use of all hedge transactions on stock options, shares resulting from the exercise of stock options, performance shares, and the company's securities in general, through the hedged purchase or sale of shares or the use of any other option mechanism.

These prohibitions appear in the rules of the stock option and performance share plans, and beneficiaries of these plans are reminded of them in individual grant letters. This prohibition also appears in the internal rules of the Supervisory Board and Management Board.

2.6.1. TRADING IN SECURITIES BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD IN 2017

Pursuant to Article 223-26 of the General Regulations of the AMF (*Autorité des marchés financiers*), the table below sets out transactions involving the company's securities in 2017 up to the date of registration of this Annual Report that were reported to the company and to the AMF:

	(1) Awards/(2) Purchases			Exercise of stock subscription options			Sales			Subscriptions (Group's Savings Plan)		
Name	Date	Quantity	Unit price (in euros)	Date	Quantity	Unit price (in euros)	Date	Quantity	Unit price (in euros)	Date	Quantity	Unit price (in euros)
Compagnie de Cornouaille (Bolloré Group)	03/02/2018	(2) 2,000,000	20.4250									
Arnaud de Puyfontaine	02/28/2018	(1) 52,500	na							07/25/2017 07/25/2017	(3) 50,895.1797 (4) 135.3930	9.96 16.249
Gilles Alix	02/22/2018	(2) 200	20.8500									
Frédéric Crépin	02/28/2018	(1) 37,500	na							07/25/2017 07/25/2017	(3) 5,689.2730 (4) 135.3930	9.96 16.249
Simon Gillham	02/28/2018	(1) 18,750	na	(5) 10/12/2017 (6) 10/12/2017 (7) 10/12/2017 (8) 10/12/2017	79,819 79,784 68,292 46,378	20.15 16.06 15.80 17.19	10/12/2017 10/12/2017 10/12/2017 10/12/2017	79,819 79,784 68,292 46,378	21.50 21.5018 21.4692 21.4986	07/25/2017 07/25/2017	(3) 11,923.7298 (4) 135.3930	9.96 16.249
Hervé Philippe	02/28/2018	(1) 37,500	na							07/25/2017 07/25/2017	(3) 11,923.7298 (4) 135.3930	9.96 16.249
Stéphane Roussel	02/28/2018	(1) 37,500	na	(5) 09/18/2017 (6) 09/18/2017	10,000 40,000	20.15 16.06	09/18/2017 09/18/2017	10,000 40,000	21.0431 21.0146	07/25/2017 07/25/2017	(3) 6,887.92 (4) 135.2980	9.96 16.249

na: not applicable.

(1) Vesting of performance shares (Plan 02-2015).
(2) Purchased on the market.
(3) Groupe Vivendi Relais 2017 mutual fund units (as part of the capital increase reserved for employees and corporate officers of the Vivendi group who are members of the Group's Savings Plan).
(4) Opus 17 Levier Vivendi units (as part of the capital increase reserved for employees and corporate officers of the Vivendi group who are members of the Group's Savings Plan).
(5) Exercise of stock options (April 2008 plan).
(6) Exercise of stock options (April 2009 plan).
(7) Exercise of stock options (April 2010 plan).
(8) Exercise of stock options (April 2011 plan).

Section 3
General information about the company

3.1. CORPORATE AND COMMERCIAL NAME

Pursuant to Article 1 of Vivendi's by-laws, the corporate name of the company is Vivendi.

3.2. PLACE OF REGISTRATION AND REGISTRATION NUMBER

The company is registered with the Paris Trade and Companies Registry under reference number 343 134 763. Its Siret number is 343 134 763 00048 and its APE code is 6420Z.

3.3. DATE OF INCORPORATION AND TERM

As set forth in Article 1 of Vivendi's by-laws, the company's term is 99 years beginning on December 18, 1987. It will therefore expire on December 17, 2086, except in the event of extension or early dissolution.

3.4. REGISTERED OFFICE, LEGAL FORM AND LAWS APPLICABLE TO VIVENDI'S BUSINESS

Pursuant to Article 3 of Vivendi's by-laws, the company's registered and head offices are located at 42, avenue de Friedland, 75380 Paris Cedex 08, France.

The company does not have any branches in France or internationally.

Pursuant to Article 1 of Vivendi's by-laws, Vivendi is a French limited liability company (*société anonyme*) with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de surveillance*). The company is governed by all French legislative and regulatory provisions relating to corporations and in particular the provisions of the French Commercial Code (*Code de commerce*).

3.5. FISCAL YEAR

Pursuant to Article 18 of Vivendi's by-laws, the company's fiscal year begins on January 1 and ends on December 31 of each year.

3.6. ACCESS TO LEGAL DOCUMENTS AND REGULATED INFORMATION

Legal documents relating to the company are available for review at the company's registered office. Permanent and ongoing regulated information may be found on the company's website (www.vivendi.com) under "Regulated Information".

3.7. MEMORANDUM AND BY-LAWS

3.7.1. CORPORATE PURPOSE

Pursuant to Article 2 of Vivendi's by-laws, the company's main corporate purpose, directly and indirectly, both in France and in all other countries, is: to provide communication and telecommunication services, and interactive services (directly or indirectly) to individual, business or public sector customers; to market products and services related to the foregoing; to engage (whether directly or indirectly), in commercial, industrial, financial, securities and real estate transactions, which (i) are related (directly or indirectly) to the aforementioned purpose or to any other similar or related purpose, or (ii) contribute to the achievement of such purpose; and more generally the management and acquisition, either by subscription, purchase, contribution, exchange or through any other means, of shares, bonds and any other securities of companies already existing or yet to be formed, including the possibility of selling such securities.

3.7.2. RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO THE COMPANY'S SHARES AND TO EACH CLASS OF EXISTING SHARES, IF APPLICABLE

Pursuant to Articles 4 and 5 of Vivendi's by-laws, the shares are all of the same class and may be held in either registered or bearer form, unless stipulated otherwise by law.

Pursuant to Article 6 of Vivendi's by-laws, each share carries a right of ownership to the company's assets and liquidation surplus, in a proportion equal to the portion of the share capital it represents. Whenever a certain number of shares is necessary to exercise a right, shareholders who do not own the said number of shares shall be responsible, if necessary, for grouping the shares corresponding to the required quantity. Subscription rights attached to shares belong to the holder of the usufruct rights (*usufruitier*).

3.7.3. ACTIONS NECESSARY TO CHANGE THE RIGHTS OF SHAREHOLDERS

Regarding rights attached to the company's shares and changes to the company's share capital, Vivendi's by-laws do not contain any provisions which are more restrictive than those required by law.

3.7.4. SHAREHOLDERS' MEETINGS

Pursuant to Article 16 of Vivendi's by-laws, Shareholders' Meetings are convened and held in accordance with applicable law.

Shareholders' Meetings are held at the company's registered office or at any other place indicated in the meeting notice. When convening such a meeting, the Management Board may decide to publicly broadcast the Shareholders' Meeting in full by videoconference or by another form of remote transmission. If applicable, this decision shall be published in the meeting notice and convening notice.

The Works Council may also appoint two of its members to attend Shareholders' Meetings. The Chairman of the Management Board or any other authorized person will notify the Works Council, by any means, of the date and location of any Shareholders' Meeting which has been convened.

Each shareholder, without regard to the number of shares held, is entitled, upon proof of his or her identity and standing as a shareholder, to participate in the Shareholders' Meetings, subject to: (i) the recording of his or her shares on or before midnight (Paris time) on the second business day (1) preceding the Shareholders' Meeting (the "Record Date"), whereby:

- registered shareholders are recorded, under their name, in the nominative share register on file with the company; or
- bearer shareholders are recorded, under the name of their financial intermediary acting as holder of record, in the bearer share register on file with the authorized intermediary;

and (ii) if necessary, the provision of relevant documents to the company to prove his or her identity as a shareholder in accordance with applicable law.

The registration or recording of shares in the bearer share account held by the authorized intermediary is authenticated by a shareholding certificate (*attestation de participation*) delivered by said intermediary in accordance with applicable laws and regulations.

Pursuant to Article 17 of Vivendi's by-laws, voting rights attached to shares belong to usufruct holders (*usufruitiers*) in Ordinary Shareholders' Meetings and to legal owners of title (*nu-propriétaires*) in Extraordinary or Special Shareholders' Meetings, unless otherwise agreed by both parties and provided that the company is notified of such agreement by said parties.

Subject to applicable laws and regulations, shareholders may send their proxy and voting forms by mail, either in paper form or, where approved by the Management Board and published in the meeting notice and the convening notice, by fax or e-mail. Proxy or voting forms sent by mail must be received by the company by 3:00 p.m. (Paris time) on the day prior to the Shareholders' Meeting.

The proxy or voting form may, if necessary, contain the shareholder's electronic signature, authenticated by a reliable and secure process, enabling identification of the shareholder as well as authentication of his or her vote.

Shareholders' Meetings are chaired by the Chairman of the Supervisory Board.

Pursuant to Article 7 of Law No. 2014-384 of March 29, 2014 – the "Loi Florange", codified under Article L. 225-123 paragraph 3 of the French Commercial Code – as from April 3, 2016, a double voting right is automatically granted to each share that has been continuously held in registered form for more than two years.

3.7.5. DETERMINATION, ALLOCATION AND DISTRIBUTION OF EARNINGS

Pursuant to Article 19 of its by-laws, Vivendi's statement of earnings summarizes the difference between its income and charges for the fiscal year, less amortization, depreciation and any provisions, and the resulting net income.

Where applicable, at least 5% of the group's fiscal year's earnings, less any deferred losses, are withheld for allocation to statutory reserves. This ceases to be mandatory when the statutory reserves reach an amount equal to 10% of the share capital, and enters into effect again, if, for any reason, the same statutory reserves fall below this percentage.

(1) Decree No. 2014-1466 of December 8, 2014, Article 4.

The Shareholders' Meeting may set aside such sums as the Management Board deems appropriate for transfer to contingency funds, ordinary or extraordinary reserves, retained earnings, or for distribution.

In accordance with applicable law and Vivendi's by-laws, distributable earnings are equal to earnings for the fiscal year, less losses carried forward and allocations to reserves, plus earnings carried forward from previous fiscal years.

Dividends are first paid out of current earnings.

Except in the event of a reduction in share capital, dividends shall not be distributed to shareholders when said capital is, or would subsequently become, less than the amount of the share capital plus the amount of reserves that may not be distributed under applicable law or Vivendi's by-laws. Revaluation surpluses may not be distributed, but may be wholly or partially capitalized.

The Shareholders' Meeting may resolve to distribute funds deducted from available reserves by specifically identifying the reserve line items from which said deductions are to be made.

The manner in which dividends will be paid is determined by Vivendi's General Meeting of Shareholders or, failing that, by the Management Board. Dividends must be paid no later than nine months after the end of the fiscal year, unless extended by court order.

The General Meeting of Shareholders has the right to grant each shareholder the option to receive all or part of the annual dividend or interim dividend distributed in the form of cash, shares, or payment in kind.

Dividends which remain unclaimed five years after the date of payment are no longer distributable.

3.7.6. PROVISIONS HAVING THE EFFECT OF DELAYING, DEFERRING OR PREVENTING A CHANGE IN CONTROL

Vivendi's by-laws do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of the company.

3.7.7. PROVISIONS GOVERNING THE THRESHOLD ABOVE WHICH SHAREHOLDER OWNERSHIP MUST BE DISCLOSED

Pursuant to Article 5 of Vivendi's by-laws, the company may, at any time and in accordance with applicable laws and regulations, request that the relevant central depository for financial instruments provide it with information in relation to any of the company's securities that confer a right to vote (either immediately or in the future) at Shareholders' Meetings.

Any personal data or information obtained are used solely for the purpose of identifying the owners of bearer shares and analyzing Vivendi's share ownership structure on any given date. In accordance with the provisions of the French Law No. 78-17 of January 6, 1978, owners of securities have the right to access, amend and delete any personal information about themselves. To do so, a request must be submitted to Vivendi's legal department or to the following e-mail address: tpi@vivendi.com.

Failure by shareholders or their intermediaries to disclose such information may, under the conditions determined by law, lead to the suspension or forfeiture of dividends or voting rights attached to such shares.

Any person, acting alone or in concert, who becomes the direct or indirect holder of a fraction of the share capital, voting rights or securities giving rights to the share capital of the company which are equivalent to or in excess of 0.5%, or a multiple thereof, shall send a notice to the company, by registered letter with acknowledgment of receipt, within 15 calendar days of crossing any of these thresholds. This notice shall specify the aggregate number of shares, voting rights or securities giving future rights to the share capital of the company that said person holds, whether directly or indirectly and alone or in concert.

Any person who fails to comply with this notification requirement is, upon request by one or more shareholders holding at least 0.5% of the company's share capital, subject to penalties in accordance with applicable law.

Any person, acting alone or in concert, is also required to inform the company within 15 calendar days if the percentage of share capital or voting rights that such person holds falls below any of the above-mentioned thresholds.

3.7.8. PROVISIONS GOVERNING CHANGES IN SHARE CAPITAL WHERE SUCH CONDITIONS ARE MORE STRINGENT THAN REQUIRED BY LAW

None.

3.8. SHARE CAPITAL

3.8.1. AMOUNT OF ISSUED SHARE CAPITAL

As of December 31, 2017, the company's share capital amounted to €7,128,323,856.50, divided into 1,296,058,883 shares with a par value of €5.50 each, and the number of gross voting rights totaled 1,513,250,114.

All shares may be held in registered or bearer form and are transferable. The shares are traded on Euronext Paris (Compartment A) (ISIN code: FR0000127771). LEI n° 969500FU4DRAEVJW7U54.

3.8.2. SHARES NOT REPRESENTING CAPITAL

None.

3.8.3. AUTHORIZED BUT NON-ISSUED SHARE CAPITAL

The details of the delegations of authority and authorizations approved by the Shareholders' Meetings of April 21, 2016 and April 25, 2017, and submitted for approval by the Shareholders' Meeting of April 19, 2018, are presented below.

ISSUES OF SECURITIES WITH PREFERENTIAL SUBSCRIPTION RIGHTS

Transactions	Source Resolution number	Duration of the authorization (expiry date)	Maximum nominal amount of share capital increase
Capital increase (ordinary shares and marketable securities giving right to the share capital)	21 – 2017	26 months (June 2019)	(a) 750 million, i.e. ≈ 10.60% of the share capital
Capital increase by incorporation of reserves	22 – 2017	26 months (June 2019)	375 million, i.e. ≈ 5.25% of the share capital

ISSUES OF SECURITIES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS

Transactions	Source Resolution number	Duration of the authorization (expiry date)	Maximum nominal amount of share capital increase
Contributions in kind to the company	**26 – 2018** 18 – 2016	**26 months (June 2020)** 26 months (June 2018)	(b) **5% of the share capital** 5% of the share capital

ISSUES RESERVED FOR EMPLOYEES OF VIVENDI

Transactions	Source Resolution number	Duration of the authorization (expiry date)	Main Terms
Share capital increase reserved for employees that are members of the Employee Stock Purchase Plan (ESPP)	**28 – 2018** (c) 23 – 2017	**26 months (June 2020)** 26 months (June 2019)	(b) **Maximum of 1% of the share capital on the Management Board's decision date**
	29 – 2018 (d) 24 – 2017	**18 months (Oct. 2019)** 18 months (Oct. 2018)	
Grant of existing or future performance shares	**27 – 2018** (e) 19 – 2016	**38 months (June 2021)** 38 months (June 2019)	**Maximum of 1% of the share capital on the grant date**

SHARE REPURCHASE PROGRAM

Transactions	Source Resolution number	Duration of the authorization (expiry date)	Main Terms
Share repurchases	**24 – 2018**	**18 months (Oct. 2019)**	**5% of the share capital Maximum purchase price per share: 24 euros (64.8 million shares)**
	(f) 19 – 2017	18 months (Oct. 2018)	10% of the share capital Maximum purchase price per share: €20 (128.7 million shares)
Share cancellations	**25 – 2018**	**18 months (Oct. 2019)**	**10% of the share capital over a 24-month period**
	20 – 2017	18 months (Oct. 2018)	10% of the share capital over a 24-month period

(a) Aggregate maximum amount for capital increases, all transactions included.
(b) This amount is applied to the maximum aggregate amount of €750 million, set in the 21st resolution of the 2017 Shareholders' Meeting.
(c) Used for 0.24% of the share capital in July 2017.
(d) Used for 0.08% of the share capital in July 2017.
(e) Used for 0.10% of the share capital in 2016 and for 0.12% of the share capital in 2017.
(f) Not used.

3.8.4. SHARES HELD BY THE COMPANY

3.8.4.1. Summary of the Previous Share Repurchase Program (2016/2017)

Following the decision of the Management Board at its meeting held on May 23, 2016, and pursuant to the authorization granted in Resolution 15 of the Ordinary General Shareholders' Meeting of April 21, 2016, Vivendi launched a share repurchase program on July 3, 2016.

The maximum authorized repurchase price was, within the statutory limit of 10% of the share capital, set at a maximum price of €20 per share, which is consistent with the upper limit of €20 approved by the Shareholders' Meeting.

The objective of the share repurchase program was:

- the repurchase of 20 million shares under market conditions for their exchange or delivery for purposes of external growth transactions.

Aggregate Number of Purchases and Sales/Transfers of Shares from April 21, 2016 to April 25, 2017 (other than Shares Purchased under the Liquidity Agreement)

Number of shares held as of April 21, 2016: 98,736,057 (of which 342,737 cover performance share plans, 86,874,701 for cancellation and 11,518,619 for external growth transactions).

	Number of shares	Value/share price/ average price per share (in euros)	Total value (in euros)
Period from April 22, 2016 to December 31, 2016 (a)			
Purchase	15,752,511	16.18	254,846,701
Sale/Transfer	-	-	-
Cancellation by way of capital reduction (June 17, 2016)	(86,874,701)	18.78	(1,631,538,150)
Period from January 1, 2017 to April 25, 2017 (b)			
Purchase	12,135,810	18.64	202,061,554
Sale/Transfer	(*) (330,007)	18.04	(5,953,656)

(*) Transfer to certain beneficiaries of free performance share plans.
(a) As of December 31, 2016, Vivendi directly held 27,613,867 treasury shares with a nominal value of €5.50 per share, i.e., 2.15% of its share capital, allocated to covering free performance share plans (342,737 shares) and for external growth transactions (27,271,130 shares).
(b) As of April 25, 2017, Vivendi directly held 39,419,670 treasury shares with a nominal value of €5.50 per share, i.e., 3.06% of its share capital, allocated to covering free performance share plans (12,730 shares) and for external growth transactions (39,406,940 shares).

3.8.4.2. Current Share Repurchase Program (2017/2018)

The Combined General Shareholders' Meeting of April 25, 2017, pursuant to Resolution 19, authorized the Management Board to implement a share repurchase program for 10% of the share capital at a maximum price per share of €20.

The Management Board did not use this authorization.

Aggregate Number of Purchases and Sales/Transfers of Shares from April 26, 2017 to February 28, 2018 (other than Shares Purchased under the Liquidity Agreement)

Number of shares held as of April 26, 2017: 39,419,670.

	Number of shares	Value/share price/ Average price per share (in euros)	Total value (in euros)
Period from April 26, 2017 to December 31, 2017			
Purchase	-	-	-
Sale/Transfer	(*) 12,018	18.04	216,816
Period from January 1, 2018 to February 28, 2018			
Purchase	-	-	-
Sale/Transfer	(*) 760,781	18.25	13,883,960

(*) Transfer to certain beneficiaries of free performance share plans.

3.8.4.3. Cancellation of Shares by Reduction of Share Capital during the last 24 months

Under the authorization given in Resolution 16 of the Combined General Shareholders' Meeting held on April 21, 2016, the Management Board, at its meeting held on June 17, 2016, voted to:

- cancel 86,874,701 treasury shares purchased on the market under the share repurchase program approved by the Management Board on August 26, 2015, in accordance with the summary terms and conditions of the repurchase program as published on October 5, 2015 and Article L. 225-209 of the French Commercial Code; and
- deduct the difference between the nominal value of the canceled shares (€477,810,855.50) and the purchase price of the shares (€1,631,538,150.01), namely €1,153,727,294.51, from the "additional paid-in capital" account in the statement of financial position.

As a result, on June 17, 2016, the share capital of the company was reduced from €7,527,414,631.00 to €7,049,603,775.50.

3.8.4.4. Treasury Shares (Other than Shares Held Pursuant to the Liquidity Agreement)

Position as of December 31, 2017

At its meeting on December 18, 2017, the Management Board decided to allocate 4,313,431 of the 39,406,940 shares held for external growth transactions to covering performance share plans.

At the same meeting, the Management Board decided that, pursuant to the liquidity commitment made by Vivendi to beneficiaries of Havas's free and performance share plans, if any of the beneficiaries opt to waive their rights under said plans and opt to take delivery of Vivendi shares in accordance with the exchange conditions set out in the liquidity agreement (0.44 Vivendi shares for 1 Havas share), then the delivery would be made using treasury shares.

As of December 31, 2017, Vivendi directly held 39,407,652 of its own shares with a nominal value of €5.50 each, representing 3.04% of the share capital, including 4,314,143 shares allocated to performance share plans and 35,093,509 shares held for external growth transactions.

As of December 31, 2017, the book value of the portfolio totaled €667.8 million and the market value was €883.5 million as of the same date.

Position as of February 28, 2018

As of February 28, 2018, Vivendi held 38,646,871 of its own shares representing 2.98% of its share capital, including 35,093,509 shares held for external growth transactions, and 3,553,362 shares allocated to covering free performance share plans.

3.8.4.5. Liquidity Agreement

Since January 3, 2005, Vivendi has been party to a liquidity agreement that complies with the AMAFI's Code of Ethics. The term of this agreement is one year, renewable by tacit agreement.

The liquidity agreement has been suspended since 2016.

3.8.4.6. Treasury Shares held by the Group

As of December 31, 2017, Vivendi's subsidiaries held 465 shares of the company.

3.8.4.7. Open Positions on Derivative Financial Instruments as of December 31, 2017

None.

3.8.5. CONVERTIBLE SECURITIES, EXCHANGEABLE SECURITIES OR WARRANT SECURITIES

3.8.5.1. Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (OCEANE)

No OCEANEs are outstanding.

3.8.5.2. Bonds Mandatorily Redeemable in Shares (ORA)

No ORAs are outstanding.

3.8.5.3. Warrants (BSA)

No BSAs are outstanding.

3.8.6. STOCK PURCHASE OR SUBSCRIPTION PLANS (STOCK OPTIONS)

Since 2013, Vivendi has not granted any stock options.

3.8.7. PERFORMANCE SHARE GRANTS

Grants of performance shares are subject to the achievement of internal financial targets (with a weighting of 70%) and the performance of Vivendi shares against two trading indices (with a weighting of 30%) (see Section 2.1.2.2 of this chapter).

In 2017, 342,025 shares were definitively granted to UK-, US- and Brazil-resident beneficiaries under the 2013 plans.

3.8.8. ACQUISITION RIGHTS OR OBLIGATIONS IN RESPECT OF AUTHORIZED BUT NON-ISSUED CAPITAL

None.

3.8.9. OPTIONS OR CONDITIONAL OR UNCONDITIONAL AGREEMENTS OVER A GROUP MEMBER

None.

3.8.10. CHANGES IN SHARE CAPITAL OVER THE LAST FIVE YEARS

		Amount		Share capital amounts		
Transactions	**Date**	**Nominal value** (in euros)	**Premium (*)** (in euros)	**Number of issued shares**	**In shares**	**In euros**
Share capital as of December 31, 2012					1,323,962,416	7,281,793,288.00
Stock option exercise	04/29/2013	5.50	7.46	1,011,658	1,324,974,074	7,287,357,407.00
Stock option exercise	06/18/2013	5.50	6.68	1,761,095	1,326,735,169	7,297,043,429.50
2013 Employee stock purchase plan	07/25/2013	5.50	6.602	12,285,542	1,339,020,711	7,364,613,910.50
Stock option exercise	01/29/2014	5.50	11.75	589,220	1,339,609,931	7,367,854,620.50
Stock option exercise	05/12/2014	5.50	11.89	5,101,160	1,344,711,091	7,395,911,000.50
Stock option exercise	06/16/2014	5.50	11.97	3,082,646	1,347,793,737	7,412,865,553.50
AGA 50 Plan	07/17/2014	5.50	-	727,118	1,348,520,855	7,416,864,702.50
Stock option exercise	01/13/2015	5.50	11.78	3,079,783	1,351,600,638	7,433,803,509.00
Performance share plans 2013-02	03/03/2015	5.50	-	1,481,884	1,353,082,522	7,441,953,871.00
Stock option exercise	04/16/2015	5.50	13.03	9,214,291	1,362,296,813	7,492,632,471.50
Performance share plan 2011-04	04/16/2015	5.50	-	270,925	1,362,567,738	7,494,122,559.00
Performance share plan 2011-04-3	04/22/2015	5.50	-	77,514	1,362,645,252	7,494,548,886.00
Stock option exercise	06/22/2015	5.50	12.57	1,115,534	1,363,760,786	7,500,684,323.00
2015 Employee stock purchase plan	07/16/2015	5.50	13.707	3,914,166	1,367,674,952	7,522,212,236.00
Performance share plan 2013-10	10/22/2015	5.50	-	39,577	1,367,714,529	7,522,429,909.50
Performance share plan 2013-12-1	12/14/2015	5.50	-	56,109	1,367,770,638	7,522,738,509.00
Stock option exercise	01/11/2016	5.50	9.60	551,932	1,368,322,570	7,525,774,135.00
Performance share plans 2014/02-1 and 2	02/22/2016	5.50	-	96,137	1,368,418,707	7,526,302,888.50
Stock option exercise	04/11/2016	5.50	10.06	202,135	1,368,620,842	7,527,414,631.00
Cancellation of treasury shares by way of capital reduction	06/17/2016	5.50	-	86,874,701	1,281,746,141	7,049,603,775.50
2016 Employee stock purchase plan	07/28/2016	5.50	9.076	4,869,781	1,286,615,922	7,076,387,571.00
Stock option exercise	01/09/2017	5.50	7.56	471,922	1,287,087,844	7,078,983,142.00
Stock option exercise	04/18/2017	5.50	6.97	220,974	1,287,308,818	7,080,198,499.00
2017 Employee stock purchase plan	07/25/2017	5.50	10.749	4,160,092	1,291,468,910	7,103,079,005.00
Stock option exercise	10/16/2017	5.50	11.43	2,946,981	1,294,415,891	7,119,287,400.50
Stock option exercise	12/31/2017	5.50	13.34	1,642,992	1,296,058,883	7,128,323,856.50

(*) Weighted average premium in euros.

As of December 31, 2017, the potential share capital of the company totaled €7,200,934,361.50, divided into 1,309,260,793 shares after taking into account 13,201,910 stock options which may give rise to the issuance of 13,201,910 shares.

3.8.11. MARKET INFORMATION

3.8.11.1. Places of Listing – Stock Exchange Price

Source: Euronext Paris.

STOCK EXCHANGE PRICE FOR VIVENDI ORDINARY SHARES – EURONEXT PARIS

Compartment A (code FR0000127771) (in euros)	Average price	High	Low	Number of shares traded	Transactions
2016					
January	19.1733	20.3150	18.0950	130,534,174	2,500,928,304
February	17.9924	19.1900	16.2950	155,903,010	2,797,896,313
March	19.0026	19.6800	18.3950	91,026,515	1,732,575,480
April	18.2079	18.9400	16.7050	100,935,949	1,823,546,720
May	17.1368	17.9900	16.3750	93,612,385	1,602,979,892
June	16.2893	17.8800	14.8700	166,944,966	2,704,764,904
July	17.1552	18.0850	16.3250	86,137,466	1,471,786,732
August	17.6407	18.1550	16.5100	64,264,867	1,126,136,544
September	17.6611	18.1400	16.9250	88,142,924	1,545,343,088
October	18.2598	18.8350	17.6350	74,655,666	1,361,383,244
November	18.4130	20.0900	17.4250	93,345,839	1,729,868,158
December	18.0702	18.9600	17.4700	86,417,052	1,564,775,679
2017					
January	17.8148	18.3800	16.9400	73,600,229	1,308,266,113
February	16.9395	17.4550	15.9600	72,386,174	1,218,917,397
March	17.1254	18.2500	16.3300	88,403,509	1,512,739,023
April	18.1047	19.2350	17.3550	77,498,800	1,408,879,260
May	18.9393	19.6800	17.8950	100,909,082	1,907,645,934
June	20.1302	20.8200	19.2850	97,650,866	1,968,328,857
July	19.7455	20.2800	19.2500	68,230,124	1,346,857,797
August	19.3524	20.3700	18.3950	77,938,181	1,506,179,943
September	20.6740	21.4200	19.8200	78,615,487	1,626,846,792
October	21.0855	21.6200	20.3550	60,456,999	1,272,539,146
November	22.0657	23.4950	20.5600	86,429,542	1,912,949,153
December	22.4861	23.2700	21.7950	66,036,366	1,475,744,398
2018					
January	23,6227	24,8700	22,2400	90,844,949	2,149,880,207
February	21,6260	23,5600	20,2600	97,135,806	2,094,050,396

3.8.11.2. Financial securities intermediary

BNP Paribas Securities Services
GCT – Service Émetteurs
Les Grands Moulins de Pantin
9, rue du Débarcadère
93761 Pantin Cedex

3.8.12. AMERICAN DEPOSITARY RECEIPT (ADR) PROGRAM

Vivendi does not sponsor any American Depositary Receipt (ADR) program for its shares. Any ADR program currently in existence is "unsponsored" and is not linked in any way to Vivendi. Vivendi denies any responsibility or liability in relation to any such program.

3.9. MAJOR SHAREHOLDERS

3.9.1. SHARE OWNERSHIP AND VOTING RIGHTS

As of December 31, 2017, the company's share capital amounted to €7,128,323,856.50, divided into 1,296,058,883 shares, and the number of gross voting rights (1) totaled 1,513,250,114 and the number of net voting rights (2) totaled 1,473,841,997 taking into consideration the number of treasury shares held on that date.

As of December 31, 2017, to the Management Board's knowledge, the major shareholders who held shares in registered form or had sent a share ownership notice to the company were as follows:

Groups	% of share capital	% of gross voting rights	Number of shares	Gross number of voting rights
Bolloré Group (3) (4)	20.51	29.56	(*) 265,832,839	(*) 447,265,678
BlackRock, Inc. (UK)	4.94	4.23	63,977,450	63,977,450
Société Générale	4.79	4.10	62,039,274	62,039,274
Lansdowne Partners LLP (UK)	3.50	3.00	45,370,997	45,370,997
CDC-BPI	2.99	2.62	38,726,199	39,575,649
PEG Vivendi	2.75	3.65	35,703,280	55,277,373
Amundi	2.53	2.17	32,853,500	32,853,500
State Street Corporation (SSC) (US)	2.34	2.00	30,283,853	30,283,853
Lyxor International Asset Management	1.99	1.70	25,762,883	25,762,883
NBIM (Norges Bank Investment Management) (Norway)	1.60	1.37	20,672,783	20,672,783
Newton (UK)	1.54	1.32	19,947,235	19,947,235
Artisan Partners Limited Partnership (US)	1.51	1.29	19,565,808	19,565,808
Mason Capital Management LLC (US)	1.13	0.97	14,653,671	14,653,671
Natixis Asset Management	1.05	0.90	13,610,809	13,610,809
DNCA Finance	0.99	1.50	12,781,345	22,626,345
Treasury shares	3.04	2.60	39,408,117	39,408,117
Other shareholders	42.81	37.03	554,868,840	560,358,689
Total	**100.00**	**100.00**	**1,296,058,883**	**1,513,250,114**

(*) Including (i) 34,700,000 Vivendi shares held temporarily by Compagnie de Cornouaille pursuant to a temporary share sale agreement in respect of an equal number of Vivendi shares for its benefit which may be returned, in whole or in part, at any time until June 25, 2019, and (ii) 34,700,000 Vivendi shares classified as assimilated shares by Compagnie de Cornouaille pursuant to Article L. 233-9 I, paragraph 4 of the French Commercial Code as a result of the off-market acquisition of physically-settled call options that are exercisable at any time until June 25, 2019. On February 16, 2018, the Bolloré Group exercised 21,355,170 call options and acquired an equivalent number of Vivendi shares.

(1) After taking into account the number of shares with double voting rights and the number of treasury shares held on these dates.

(2) Total number of voting rights attached to the total number of shares less shares deprived of voting rights.

(3) On March 6, 2017, the Bolloré Group exceeded the threshold of 25% of Vivendi's voting rights following the grant of double voting rights and held, directly and indirectly, 265,832,839 Vivendi shares, representing 375,994,292 voting rights, i.e., 20.65% of the share capital and 26.37% of the voting rights.
"Upon crossing the 25% threshold of Vivendi's voting rights on March 6, 2017, and in accordance with Article L. 233-7, paragraph VII of the French Commercial Code and Article 223-17 of the General Regulation (*Règlement général*) of the French Financial Markets Authority (AMF), Mr. Vincent Bolloré both for himself and for Compagnie de Cornouaille, which he controls and with whom he is legally deemed to be acting in concert, made the following statement of intent with respect to Vivendi for the next six months:
- on March 6, 2017, Compagnie de Cornouaille acquired 40,548,020 additional double voting rights pursuant to Article L. 225123, paragraph 3 of the French Commercial Code. The issue of the financing of the transaction giving rise to the crossing of the threshold is therefore irrelevant;
- the declarant has not entered into any agreement establishing a concerted action with respect to Vivendi;
- the declarant contemplates continuing to purchase Vivendi shares depending primarily on market opportunities;
- without the intent of gaining control, the foreseeable change in its voting rights, all of which are expected to double on April 20, 2017 (except for those on borrowed shares), could put the declarant in a position to determine decisions at General Shareholders' Meetings;
- the investment in Vivendi reflects Bolloré Group's confidence in Vivendi's capacity to develop and its willingness to support Vivendi in its strategy;
- with regard to the transactions referred to in Article 223-17 I, paragraph 6 of the AMF's General Regulation (*Règlement général*), the declarant, together with Vivendi, plans to explore synergies or possible combination transactions between their respective activities in the field of media and communication;
- the declarant holds 34,700,000 call options that enable it to acquire 34,700,000 Vivendi shares, at any time until June 25, 2019, and it plans to exercise them depending, in particular, on market conditions;
- the declarant is party to a temporary sale agreement, as borrower, in respect of 34,700,000 Vivendi shares carrying an equal amount of voting rights; the declarant is not a party to any other temporary sale agreement; and
- the declarant plans to request additional supervisory directorships on the company's Supervisory Board" (see AMF notice No. 217C0619 dated March 8, 2017).

(4) On March 2, 2018, the Bolloré Group stated that it had acquired 2,000,000 Vivendi shares and that it held, directly and indirectly, 267,832,839 Vivendi shares, representing 449,265,678 voting rights, i.e., 20.63% of the share capital and 29.67% of the voting rights.

3.9.2. PLEDGE OF COMPANY SHARES HELD IN REGISTERED FORM

As of December 31, 2017, 109,463,737 shares held in registered form were pledged, representing 8.45% of the share capital of the company as of that date.

3.9.3. CONTROL OF THE COMPANY – SHAREHOLDERS' AGREEMENTS

As of December 31, 2017, to the company's knowledge, no shareholder, other than those listed in the table above, held 5% or more of the company's share capital or voting rights and there were no Shareholders' agreements, whether publicly disclosed or not, which related to Vivendi's securities.

3.9.4. NOTICES MADE TO THE COMPANY IN RELATION TO THE CROSSING OF THRESHOLDS SET OUT BY LAW OR THE BY-LAWS

In 2017, the company received several notices in relation to the crossing of statutory thresholds (upwards) from the Bolloré Group and (upwards and downwards) from BlackRock, Inc. and from Société Générale. As required pursuant to its by-laws, the company also received notices in relation to the crossing of shareholding thresholds (namely 0.5% or any multiple of this percentage), both upwards and downwards, including notices from Amundi AM, Artisan Partners Limited Partnership, BlackRock, Inc., DNCA Finance, Lansdowne Partners (UK) LLP, Lyxor International Asset Management and Newton.

3.9.5. CHANGES IN SHARE OWNERSHIP OVER THE LAST THREE YEARS (AS OF DECEMBER 31)

	2017			2016			2015		
	Number of shares	% of capital	% of voting rights (gross)	Number of shares	% of capital	% of voting rights (gross)	Number of shares	% of capital	% of voting rights
Bolloré Group	265,832,839	20.51	29.56	265,832,839	20.65	24.70	196,426,839	14.36	14.63
BlackRock, Inc.	63,977,450	4.94	4.23	59,279,286	4.61	4.37	66,041,345	4.83	4.92
Société Générale	62,039,274	4.79	4.10						
Lansdowne Partners LLP	45,370,997	3.50	3.00						
CDC-BPI	38,726,199	2.99	2.62	38,726,199	3.01	2.92	46,624,217	3.41	3.47
Vivendi employees	35,703,280	2.75	3.65	42,061,381	3.27	4.65	45,161,226	3.30	3.36
Amundi	32,853,500	2.53	2.17	39,072,755	3.04	2.88	40,759,304	2.98	3.04
State Street Corporation (SSC)	30,283,853	2.34	2.00	14,954,691	1.16	1.10	30,283,853	2.21	2.26
Lyxor International Asset Management	25,762,883	1.99	1.70	-	-	-	-	-	-
NBIM (Norges Bank Investment Management)	20,672,783	1.60	1.37	20,672,783	1.61	1.52	13,786,664	1.01	1.03
Newton	19,947,235	1.54	1.32	28,077,803	2.18	2.07	26,914,447	1.97	2.01
Artisan Partners Limited Partnership	19,565,808	1.51	1.29	13,246,118	1.03	0.98	-	-	-
Mason Capital Management LLC	14,653,671	1.13	0.97	14,653,671	1.14	1.08	14,653,671	1.07	1.09
Natixis Asset Management	13,610,809	1.05	0.90	13,610,809	1.06	1.00	13,610,809	0.99	1.01
DNCA France	12,781,345	0.99	1.50						
Treasury shares	39,408,117	3.04	2.60	27,614,332	2.15	2.15	25,985,430	1.90	0.00
Other shareholders	554,868,840	42.81	37.03	684,647,264	53.19	48.78	802,972,888	58.69	59.82
Total	**1,296,058,883**	**100**	**100**	**1,287,087,844**	**100**	**100**	**1,368,322,570**	**100**	**100**

APPENDIX: STOCK SUBSCRIPTION OPTION PLANS AND PERFORMANCE SHARE PLANS

Details of Stock Subscription Option Plans and Performance Share Plans

Stock option plans (in euros)

			Number of options granted							Number of options		
			Total number		of which, number granted to members of governing bodies							
Date of the Shareholders' Meeting	Date of the Supervisory Board's or the Management Board's Meeting	Grant date	of beneficiaries	of options	Number of beneficiaries	Number of options	Vesting date for options	Expiration date	Adjusted exercise price	exercised in 2017 (*)	canceled in 2017 (*)	outstanding as of Dec. 31, 2017 (*)
04/28/2005	03/06/2007	04/23/2007	6	1,304,000	6	1,304,000	04/24/2010	04/23/2017	24.70		1,625,525	0
04/28/2005	02/27/2007	04/23/2007	570	4,414,220	5	528,000	04/24/2010	04/23/2017	24.70		4,830,352	0
04/28/2005	09/17/2007	09/17/2007	7	42,400	0	0	09/18/2010	09/17/2017	24.70		42,893	0
04/28/2005	10/25/2007	10/25/2007	4	63,200	0	0	10/26/2010	10/25/2017	24.70		58,844	0
04/28/2005	02/26/2008	04/16/2008	646	4,839,200	3	304,000	04/17/2011	04/16/2018	20.15	991,477	49,888	3,373,062
04/28/2005	02/28/2008	04/16/2008	7	732,000	7	732,000	04/17/2011	04/16/2018	20.15	603,626		0
04/28/2005	02/28/2008	04/16/2008	7	732,000	7	732,000	04/17/2011	04/16/2018	20.15	503,852		139,682
04/24/2008	02/26/2009	04/16/2009	6	1,240,000	6	1,240,000	04/17/2012	04/16/2019	16.06	368,768		418,855
04/24/2008	02/24/2009	04/16/2009	707	5,321,120	4	368,000	04/17/2012	04/16/2019	16.06	772,010		2,885,601
04/24/2008	10/23/2009	10/23/2009	12	40,000	0	0	10/24/2012	10/23/2019	16.60			36,679
04/24/2008	02/25/2010	04/15/2010	5	1,148,000	5	1,148,000	04/16/2013	04/15/2020	15.80			728,525
04/24/2008	02/24/2010	04/15/2010	775	4,149,200	4	368,000	04/16/2013	04/15/2020	15.80	578,136		2,433,942
04/24/2008	04/28/2010	06/04/2010	11	40,000	0	0	06/05/2013	06/04/2020	16.99			34,231
04/24/2008	09/21/2010	09/21/2010	1	5,000	0	0	09/22/2013	09/21/2020	16.34			5,800
04/24/2008	02/28/2011	04/13/2011	5	717,500	5	717,500	04/14/2014	04/13/2021	17.19	212,316		489,123
04/24/2008	02/22/2011	04/13/2011	556	1,809,200	5	270,000	04/14/2014	04/13/2021	17.19	347,796		1,234,955
04/21/2011	08/30/2011	08/30/2011	3	36,600	0	0	08/31/2014	08/30/2021	17.19	1,393		466
04/21/2011	10/25/2011	10/25/2011	2	2,000	0	0	10/26/2014	10/25/2021	17.19			1,162
04/21/2011	02/29/2012	04/17/2012	5	633,625	5	633,625	04/18/2015	04/17/2022	11.76	135,653		304,710
04/21/2011	02/28/2012	04/17/2012	544	1,880,259	5	270,000	04/18/2015	04/17/2022	11.76	286,047		1,064,177
04/21/2011	07/16/2012	07/16/2012	1	1,600	0	0	07/17/2015	07/16/2022	12.80			1,580
04/21/2011	09/27/2012	09/27/2012	4	135,000	4	135,000	09/28/2015	09/27/2022	13.88	9,873		49,360
									Total	**4,810,947**	**6,607,502**	**13,201,910**

(*) Adjustment following payment in 2010 of the dividend for fiscal year 2009 by withholding from reserves, the grant of one new share for 30 old shares in 2012, the payment in 2013 of the dividend for fiscal year 2012 by withholding from reserves, and the ordinary distribution of €1 per share in 2014 from additional paid-in capital.

Performance share plans

Date of the Shareholders' Meeting	Date of the Supervisory Board's or the Management Board's Meeting	Grant date	Number of rights to performance shares – Total number – of beneficiaries	Number of rights to performance shares – Total number – of performance shares	Number of rights to performance shares – of which, number granted to members of governing bodies – Number of beneficiaries	Number of rights to performance shares – of which, number granted to members of governing bodies – Number of rights to performance shares	Vesting date (*)	Date of availability of shares	Number of rights to performance shares – Number of rights canceled in 2017	Number of rights to performance shares – Number of issued shares at the end of the vesting period in 2017	Number of rights to performance shares – Number of rights outstanding as of Dec. 31, 2017, after adjustments
04/21/2011	02/18/2013	02/22/2013	773	2,413,444	6	200,000	02/23/2015	02/24/2017		330,007	0
04/21/2011	07/22/2013	07/22/2013	4	17,816	0	0	07/23/2015	07/24/2017		12,018	0
04/21/2011	01/29/2014	01/29/2014	1	100,000	0	0	01/01/2017	01/31/2018	26,365		(a) 79,097
04/21/2011	01/29/2014	01/29/2014	1	50,000	0	0	01/02/2019	01/03/2019			(b) 52,731
04/21/2011	01/29/2014	01/29/2014	1	100,000	0	0	01/30/2016	01/31/2018			(a) 62,223
06/24/2014	02/27/2015	02/27/2015	3	170,000	3	170,000	02/28/2018	03/02/2020			(f)170,000
06/24/2014	02/11/2015	02/27/2015	245	857,680	2	75,000	02/28/2018	03/02/2020	34,300		(f) 650,310
06/24/2014	02/11/2015	02/27/2015	86	319,040	0	0	02/28/2018	03/02/2020	5,370		(c) (f) 278,040
06/24/2014	02/11/2015	02/27/2015	2	102,080	0	0	02/28/2018	03/02/2020			(c) (f) 100,000
06/24/2014	05/05/2015	05/05/2015	1	100,000	0	0	05/06/2018	05/07/2020			(c) (f) 100,000
06/24/2014	07/06/2015	07/06/2015	9	12,000	0	0	07/09/2018	07/10/2020	1,500		(f) 10,500
06/24/2014	07/06/2015	07/06/2015	1	2,080	0	0	07/07/2018	07/08/2020			(c) 2,080
06/24/2014	08/26/2015	08/26/2015	1	3,000	0	0	08/27/2018	08/28/2020			(f) 3,000
04/21/2016	05/11/2016	05/11/2016	5	295,000	5	295,000	05/13/2019	05/14/2021			295,000
04/21/2016	05/09/2016	05/11/2016	252	695,410	0	0	05/13/2019	05/14/2021	25,690		650,270
04/21/2016	05/09/2016	05/11/2016	81	322,030	0	0	05/13/2019	05/13/2021	5,640		(d) 313,810
04/21/2016	11/07/2016	11/07/2016	1	8,000	0	0	11/08/2019	11/09/2021			8,000
04/21/2016	02/23/2017	02/23/2017	5	200,000	5	200,000	02/24/2020	02/25/2022			200,000
04/21/2016	02/16/2017	02/23/2017	320	902,940	7	135,000	02/24/2020	02/25/2022	18,500		884,440
04/21/2016	02/16/2017	02/23/2017	105	440,810	2	60,000	02/24/2020	02/25/2022	1,000		(e) 439,810
04/21/2016	06/12/2017	06/12/2017	1	4,000	0	0	06/15/2020	06/16/2022			4,000
								Total	**118,365**	**342,025**	**4,303,311**

(*) The first day following the end of the vesting period of 2 years (3 years from 2015).
(a) Granted to two Brazil- and US-resident beneficiaries to be registered in an account in 2018.
(b) Granted to a Brazil-resident beneficiary to be registered in an account in 2019.
(c) Granted to Brazil-, US- and UK-resident beneficiaries to be registered in an account in 2020.
(d) Granted to US- and UK-resident beneficiaries to be registered in an account in 2021.
(e) Granted to certain foreign-resident beneficiaries to be registered in an account in 2022.
(f) These plans were adjusted following calculation of the achievement rate of the associated performance criteria after the Supervisory Board meeting of February 15, 2018 (see Section 2.34 of this Chapter). 243,464 rights, including 42,500 rights granted to members of the Management Board, were canceled due to the partial achievement of performance conditions.

SAR and ex-ADS plans converted into SAR plans (in US dollars)

Date of the Shareholders' Meeting	Date of the Supervisory Board's or the Management Board's Meeting	Grant date	Number of SAR granted – Total number – of beneficiaries	Number of SAR granted – Total number – of SAR	Number of SAR granted – of which, number granted to members of governing bodies – Number of beneficiaries	Number of SAR granted – of which, number granted to members of governing bodies – Number of SAR	Vesting date of SAR	Expiration date	Adjusted exercise price	Number of SAR – exercised in 2017 (adjusted)	Number of SAR – rights canceled in 2017 (adjusted)	Number of SAR – outstanding as of Dec. 31, 2017 (adjusted)
04/28/2005	03/06/2007	04/23/2007	1	112,000	1	112,000	04/24/2010	04/23/2017	33.17		139,588	0
04/28/2005	02/27/2007	04/23/2007	177	1,168,660	0	0	04/24/2010	04/23/2017	33.17		1,342,765	0
									Total	**0**	**1,482,353**	**0**

Section 4
Internal control and risk management

4.1. INTERNAL CONTROL PROCEDURES

Vivendi strives to maintain the highest standards of internal control and financial disclosure. To ensure this, the Financial Information and Communication Procedures Committee meets regularly (six times in 2017).

This committee assists the Chairman of the Management Board and the Chief Financial Officer in their mission to ensure that Vivendi fully complies with its disclosure obligations to investors, the public and the French regulatory and market authorities. It is chaired by the General Counsel and is comprised of representatives from all of the company's corporate operational departments.

It is responsible for the assessment of information which Vivendi is required to make publicly available and includes: (i) periodic information, including disclosure of documents to investors and financial markets in compliance with French financial market regulations, (ii) press releases related to quarterly financial results, and (iii) presentations to investors and analysts.

For a description of the functions and activities of this committee in 2017, see Section 1.2.10.5 of Chapter 3 of this Annual Report.

4.1.1. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

The company manages internal control through a set of procedures established by Vivendi's Management Board and implemented by its employees to ensure that the following objectives are met:

- compliance with laws and regulations as well as adherence to the group's corporate values;
- the implementation of guidelines and strategies established by the Management Board;
- the prevention and monitoring of operational and financial risks as well as the management of the risk of error, the risk of fraud, the risk to the company's reputation and risks associated with corporate social responsibility;
- the optimization of internal processes to ensure the effectiveness of operations and efficient use of resources; and
- the completeness and accuracy of accounting, financial and management information.

Since Vivendi's delisting from the New York Stock Exchange and the termination of its registration with the U.S. Securities and Exchange Commission (SEC) in 2007, Vivendi has worked with its Statutory Auditors to gradually update its objectives and general principles of internal control, which are based to a large degree on the framework established by the AMF and its recommendations.

These principles are based upon:

- a policy that contributes to promoting a culture of internal control and principles of integrity;
- the identification and analysis of risk factors that may adversely impact the achievement of the group's objectives;
- the organization and establishment of procedures aimed at ensuring the implementation of the goals set by the Management Board;
- the periodic review of control measures and an ongoing search for areas of improvement; and
- the process of channeling information relating to internal control.

However, as with any system of control, the application of these principles cannot provide absolute certainty that all risks will be completely eliminated or controlled.

4.1.2. SCOPE OF INTERNAL CONTROL

Vivendi is currently organized into seven business units (Canal+ Group, Universal Music Group, Havas, Gameloft, Vivendi Village (1), Vivendi Content and Dailymotion). Each of these entities must implement the strategies set by the Management Board, including objectives in the area of internal control. Each entity has a tailored set of internal control measures that includes the implementation of the group's procedures and the definition and implementation of procedures specific to each business unit, depending on its organization, culture, risk factors and operational requirements. As the parent company, Vivendi ensures the internal control measures in question exist and adequately address the needs of each entity, particularly with respect to the accounting and financial procedures applied by group entities that are fully consolidated. Work continued at Gameloft in 2017 to enable it to integrate the group's internal control processes.

4.1.3. COMPONENTS OF INTERNAL CONTROL

Control Environment

Rules of Conduct and Ethics Applicable to All Employees

Vivendi ensures that all aspects of corporate responsibility are taken into account. It has a Charter of Values that focuses on consumers, creativity, ethics, cultural diversity and corporate and social responsibility. Vivendi is a signatory to the United Nations Global Compact.

A Compliance Program also sets general rules of ethics applicable to all group employees regardless of their seniority and position. These rules, available on the Vivendi website at www.vivendi.com, cover the following areas: employee rights, honesty and the protection of information and personal data, prevention of conflicts of interest, commercial and financial ethics, protection of the group's assets and resources, respect for the environment and corporate social responsibility.

(1) Vivendi Village includes Vivendi Ticketing, MyBestPro, L'Olympia, Théâtre de l'Œuvre, CanalOlympia, Olympia Production and Festival Production.

The Compliance Program has two core purposes:

- to raise awareness among group employees and provide them with a reference tool and guidance in determining appropriate courses of action; and
- to minimize the risk of civil and criminal liability for both the group's employees and companies.

The Compliance Program establishes rules of conduct based on general principles of international law, including those established by the OECD, ILO and the European Union. They are also based on legislation in Europe and various other countries, primarily France and countries with legal systems based on common law. Following this approach, each business unit has also established its own Code of Ethics reflecting the principles of the Compliance Program.

The Group General Counsel and the Compliance Officers of the principal business units work to ensure the overall consistency of the program. Each year, an Activity Report is presented to the Audit Committee, which then reports to the Supervisory Board.

The protection of personal data remains a major concern for Vivendi. Accordingly, the general counsels of the various business units and legal departments within the group are sensitized on the need to update the latest Charters on data and content protection and good practice guidelines in matters of sensitive data protection. Against this backdrop, in 2016, the group once again reinforced these controls by appointing a Data Officer reporting to the Group General Counsel. Controls were further strengthened in 2017 by the appointment of Data Officers in each business unit. Inspections and audits are conducted on a regular basis to ensure that the safeguard procedures have been properly applied. Details of the measures taken to ensure the group's compliance with personal data protection regulations are presented in Section 2 of Chapter 2 of this Annual Report.

Responsibilities and Commitments of each Business Unit's General Management

Every six months, the Chairman and Chief Financial Officer of each business unit sign a representation letter certifying compliance with internal control procedures used in the preparation of financial statements and financial and industry-based information that guarantees the accuracy, integrity and reliability of financial disclosure.

Upon the proposal of the Audit Committee, Vivendi has established a Code of Financial Ethics that applies to Vivendi SA senior executives responsible for communications and financial and accounting reporting.

Rules on Market Ethics

Vivendi complies with the regulatory requirements of the European Directive 2014/57 of April 16, 2014 and European Regulation 596/2014 of the same date, effective July 3, 2016 (Market Abuse Regulation), the positions and recommendations of the AMF published on October 26, 2016 and the recommendations of the AFEP/MEDEF Code as revised in November 2016. Consequently, the purchase or sale of company securities by a member of the Supervisory Board or the Management Board is prohibited during the period from the date on which such a member becomes aware of precise market information concerning the company's day-to-day business or prospects which, if made public, would likely have a material impact on the company's share price, up to the date on which this information is made public. In addition, such transactions are prohibited for 30 calendar days preceding and including the day of publication of the company's quarterly, half-yearly and annual financial statements. The company prepares and distributes a summary schedule setting out the periods during which transactions on company shares are prohibited ("blackout periods"). Pursuant to the AFEP/MEDEF Code, hedging transactions of any kind on the company's securities or following the exercise of stock options are prohibited.

Blackout periods are the subject of individual reminders sent via e-mail whenever necessary including before each identified Financial Reporting period.

Delegation of Powers

The delegation of operational powers, whether on a single occasion or on a recurring basis, is one of the responsibilities of Vivendi's Management Board and of the general management of each of the group's business units. These delegations of powers are updated and formalized on a regular basis in accordance with the evolving role and responsibilities of the relevant delegates.

Segregation of Duties

A segregation of operating and financial duties is implemented both at headquarters and in the group's business units.

Human Resources Policy

The group's human resources policy helps to strengthen internal control procedures, notably via a recruitment and promotion methodology that is in line with the delegations of powers in place and based on an assessment and remuneration system that uses predefined criteria.

Compliance with Laws and Regulations

The Legal departments at headquarters and in the group's business units enable the key managers and relevant employees to be aware of the applicable laws and regulations and to be informed, when necessary, of any changes, so that the group's internal procedures can be kept up-to-date.

Internal Processes Contributing to Asset Protection

The IT departments at headquarters and in the group's business units implement backup and security procedures to ensure the quality and security of operations, including in the event of a major incident.

4.2. RISK MONITORING AND MANAGEMENT

Vivendi's Risk and Compliance Committee, created in July 2016, is responsible for identifying and reviewing measures to manage risks within business units that are likely to affect the achievement of the group's objectives. It is chaired by the Chairman of Vivendi's Management Board and has the following permanent members: the Management Board members, the Senior Vice President for Audit and Risk, the Vice President, Corporate Social Responsibility and Compliance and the Head of Insurance. The business units are invited to attend the Committee meetings depending on the agenda. A report on the work of the Risk and Compliance Committee is made before the Audit Committee of Vivendi's Supervisory Board.

The role of the Vivendi Risk and Compliance Committee is to make recommendations to the Management Board in the following areas:

- the identification and assessment of the risks potentially arising from activities carried out within the Vivendi group, such as social and environmental risks, risks related to compliance with laws and regulations, risks relating to ethics, competition and conflicts of interest, and risks related to the security of information systems;
- the examination of the adequacy of the risk coverage and the level of residual risk;
- the review of insurable risks and the insurance program; and
- the identification of risk factors and forward-looking statements in the documents issued by the group.

The Committee met twice in 2017. The main topics covered included:

- monitoring of the risks identified during the risk mapping process carried out in 2016 and review of the new risk maps prepared in 2017 at UMG, Canal+, Havas and Gameloft;
- the vigilance and compliance programs at Canal+ and UMG;
- the group's compliance with the European General Data Protection Regulation (GDPR);
- IT security at UMG, Canal+ and Gameloft; and
- personal safety.

The assessment of risks at a group level is based on a qualitative and quantitative approach within each business unit. In 2017, risk mapping was updated at Canal+ Group, Universal Music Group and Gameloft by the Audit and Risk department, based on interviews held with senior and operating managers. These risk maps, as well as those prepared by Havas, were then reviewed by the heads of the business units, the Risk and Compliance Committee, Vivendi's Management Board and the Statutory Auditors, and, on November 14, 2017, presented to the Vivendi Audit Committee.

The major risks faced by the company are described in Section 3 on Risk Factors in Chapter 1 of this Annual Report and in Chapter 4, Notes 12, 14 and 19 to the Consolidated Financial Statements for the fiscal year ended December 31, 2017 relating to market risk management and derivative instruments.

Vivendi's General Counsel and legal department are responsible for the prevention and management of risks relating to ethics, competition and conflicts of interest. Financial risks, including liquidity, interest rate risks and exchange rate risks, are managed by Vivendi's Finance, Risk Management and Treasury departments through a centralized organization at the company's headquarters.

Operational risks are managed by each business unit, taking into account the specific characteristics of their operations (e.g., regulatory risks in the pay-TV business, risks associated with infringement of intellectual property rights in the music business and risks associated with piracy and counterfeiting in the film and music businesses).

The policy of covering insurable risks, such as risk of damage and operating losses from accidents or natural disasters or civil liability risks, is monitored by Vivendi's Insurance department in collaboration with the Finance department and the General Counsel. For a description of the current insurance programs, see Chapter 1 of this Annual Report.

In 2017, all the documents submitted to the Risk and Compliance Committee were brought to the attention of the Statutory Auditors. The Statutory Auditors also receive a summary of the work of the Risk and Compliance Committee at Audit Committee meetings.

4.2.1. INTERNAL CONTROL ACTIVITIES

Control operations are conducted primarily by the functional and operational management teams in accordance with existing reference procedures.

The following bodies ensure the monitoring of internal control measures:

Supervisory Board

Vivendi's Supervisory Board ensures the effectiveness of the internal control and risk management measures defined and implemented by the Management Board. If necessary, the Supervisory Board may use its general powers to carry out any actions or verifications it deems appropriate.

Audit Committee

The Audit Committee comprises independent members of the Supervisory Board. Pursuant to the powers conferred upon it, the Audit Committee prepares the decisions of the Supervisory Board and provides recommendations or issues opinions to the Supervisory Board on a wide range of matters. In February 2017, upon the proposal of its Chairman, the Audit Committee reviewed and strengthened its multi-year program. This program includes the review of:

- the quarterly Consolidated Financial Statements and annual financial statements of Vivendi SA, prepared by the Management Board;
- impairment tests;
- the company's financial management (debt, investments and foreign exchange) and pension commitments;
- the assessment and coverage of operational and financial risks;
- pension commitments;
- changes in accounting standards, methods and accounting principles, the company's scope of consolidation and the company's off-balance sheet commitments;
- the consistency and effectiveness of internal control procedures and a review of this report;
- tax-related risks;
- major legal proceedings including legal and regulatory issues;
- insurance programs;
- the CSR policy;
- material internal control weaknesses and corruption and fraud cases where applicable; and

- the appointment and compensation of the Statutory Auditors.
- a report is systematically presented by the Chairman of the Audit Committee to Vivendi's Supervisory Board and sent to every member of the Audit Committee and Supervisory Board.

Executive Order No. 2016-315 of March 17, 2016 implements the EU Directive on the reform of statutory audits into French law, and came into force in France on June 17, 2016. Vivendi's Audit Committee has a long-established and specific procedure to control or limit engagements in respect of "Non-Audit Services" (NAS) entrusted to the auditors, in accordance with a pre-approved procedure and specific reporting:

- all NAS engagements must be pre-approved by the Chairman of the Audit Committee; by exception, the Chairman of the Audit Committee may delegate the pre-approval of NAS engagements with a unit value of less than €500,000 to the Senior Vice President – Group Consolidation and Financial Reporting; and
- at each meeting of the Audit Committee, the Senior Vice President – Group Consolidation and Financial Reporting reports to the Audit Committee on the list (type, amount, auditor in question) of NAS engagements pre-approved by the Chairman of the Audit Committee, as applicable, or by the Senior Vice President – Group Consolidation and Financial Reporting since the last meeting of the Audit Committee.

In practice, Vivendi caps NAS engagements at 20-25% of statutory audit fees.

In 2017, Vivendi's Audit Committee met four times, with an attendance rate of 95%. For a description of its work, see Section 1.1.1.12 of Chapter 3 of this Annual Report.

Management Board

The Management Board is responsible for defining, implementing and monitoring internal control and risk management procedures that are both suitable and effective. In the event of a problem with any of these measures, the Management Board ensures that the necessary corrective action is taken.

Management Committees

Each division presents the operating and financial indicators for all of the activities within its scope to the Management Board and the group's corporate operational departments monthly.

Audit and Risk Department

The Vivendi Audit and Risk department (15 auditors for financial audits and external resources for IT audits) reports to the Chief Financial Officer of Vivendi, and is responsible for independently assessing the quality of internal controls at every level of the organization. Its activities are governed by a Charter approved by the Audit Committee. In addition, Havas has an Audit Committee and an audit team comprising a Deputy Director and four auditors.

The Audit and Risk department is responsible for performing an independent assessment of the effectiveness of internal control processes, based on an annual audit plan approved by the group's Management Board and presented to the Audit Committee. This plan stems from both an independent analysis of the operational, IT, legal and financial risks of each business unit and in consultation with the general management of each business unit. Reports on the audit work carried out are sent to Vivendi's General Management, as well as to operational and functional management and their superiors. Summary reports are presented at each Audit Committee meeting along with any comments made by the Statutory Auditors. Follow-up audits are performed within 12 months to ensure that recommended action plans and agreed corrective measures (if any) have been implemented. A status report on the implementation of the recommendations following an audit is presented to the Audit Committee. A semi-annual internal audit report is presented to the Management Board and the Supervisory Board.

The group may encounter cases of fraud in connection with its operations which, as soon as they are identified, are systematically reported to the Audit Committee. They may also be the subject of special investigations and may result in penalties.

4.2.2. INTERNAL CONTROL MONITORING

The work performed by the Statutory Auditors as part of their review and assessment of internal control is described in a detailed presentation to the General Management and the Audit Committees of the business units concerned. A summary of their conclusions was presented to Vivendi's Audit Committee.

4.3. KEY PROCEDURES FOR FINANCIAL AND ACCOUNTING INFORMATION

The procedures listed below help reinforce internal controls regarding processing of financial and accounting information disclosed by Vivendi. In updating these procedures, the provisions of the guide on applying internal control procedures in relation to financial disclosures, contained in the internal control standards published by the AMF, were taken into account.

Consolidation and Financial Reporting: the group's Consolidated Financial Statements and its Financial Reports are prepared in accordance with International Financial Reporting Standards (IFRS), based on accounting data prepared by the management of each business unit. The IFRS standards used are those adopted by the European Union, published by the IASB (International Accounting Standards Board) and are compulsory at the end of the accounting period, except in the event of early application. The most significant elements used in the preparation of the Consolidated Financial Statements and the Financial Report are subject to specific procedures. These include: the impairment test on assets held by the company, carried out during the fourth quarter of each fiscal year, the assessment of liquidity risk, the valuation of employee benefits, duties and taxes (see below) and off-balance sheet commitments. The Consolidated Financial Statements and the Financial Report are closed and approved by the Management Board each quarter and are then reviewed by the Audit Committee. The annual and half-year Consolidated Financial Statements and Financial Report are reviewed by the Supervisory Board, which consults with the Audit Committee. The statements and report are published each quarter. The Consolidated Financial Statements are subject to an annual audit and a limited semi-annual review by the group's Board of Statutory Auditors.

Budget and management control: every year, each business unit presents its strategy and annual budget for the following year to the group's General Management. After approval by Vivendi's Management Board, a summary is then presented to the Supervisory Board and to the Audit Committee. Quantitative and qualitative targets used as a basis to assess annual performance are then set for each business unit's management. Budgets are reviewed each month and updated three times per year.

Investments/divestments: any investments or divestments must receive prior approval from the Investment Committee, which comprises the Chairman and members of the Management Board, and supplemented, when appropriate, by key managers at headquarters and the Chief Operating Officers and Chief Financial Officers of the business units. This procedure applies, subject to specific thresholds, to all investment transactions (e.g., acquisitions of businesses or equity interests, the launch of new businesses through joint ventures or alliances with minority partners, license agreements, the purchase of rights) and to all divestitures of a subsidiary, an equity interest or an intangible asset. The Investment Committee meets twice a month. Each project is reviewed by the Finance department. Any transaction involving amounts greater than €100 million and €300 million must receive the prior approval of the Management Board and the Supervisory Board, respectively, pursuant to their Internal Regulations.

Monitoring of investment transactions: in connection with the regular follow-up of value creation, Vivendi's Management Board has strengthened the process of post-completion analysis of investment transactions, supplementing the existing budgetary reviews and quarterly Financial Reporting. The purpose of this analysis is to validate the control implementation as well as actual financial performance under the business plan approved for the acquisition. It takes into account both the progressive integration of companies acquired by the business units and the impact of changing market conditions following the acquisition date. Vivendi's Audit and Risk department reviews the conclusions, which are then presented to Vivendi's General Management and, for major action plans, to the Management Board. An annual summary is presented to Vivendi's Audit Committee.

Monitoring of financial commitments: as part of the Financial Reporting process, the business units prepare a list of commitments given and received on a quarterly basis. These commitments are presented by the Legal and Financial Officers of the business units at meetings held with Vivendi's Management, which take place as part of the closing process for the annual financial statements. They are also presented to the Audit Committee once a year.

Sureties, endorsements and guarantees: pursuant to the company's by-laws and the Internal Regulations of the Supervisory Board, the grant of sureties, endorsements and guarantees by Vivendi to its subsidiaries is subject to prior approval in accordance with the following dual limitation:

- any commitment equal to or less than €300 million, which is part of an aggregate commitment for €1 billion, is subject to the approval of the Management Board, which may delegate such power. The approval requires the signatures of both the Chief Financial Officer and the General Counsel, who may delegate this power; and
- any commitment higher than €300 million and any commitment, regardless of the amount, where the cumulative amount of commitments is higher than €1 billion, is subject to the approval of the Supervisory Board. The approval requires the signature of the Chairman of the Management Board.

Cash flow, financing and liquidity: Vivendi SA has an international cash pooling arrangement pursuant to which it centralizes the cash surpluses and shortages of its controlled subsidiaries on a daily or weekly basis. Vivendi's investment management policy is aimed at minimizing and diversifying its exposure to counterparty risk with low-risk mutual funds (*fonds commun de placements*) and commercial banks that have high credit ratings. Vivendi SA also centralizes hedge transactions (foreign currency and exchange rates) for all its controlled subsidiaries, except in certain cases where a subsidiary is authorized, during a transition period, to continue to carry out foreign exchange spot transactions or standard currency hedges. The cash positions of business units, the weekly variations in cash flow and the cash flow forecasts over 13 rolling months are monitored on a bi-monthly basis by a Treasury Committee. Exposure to foreign exchange and interest rate risk is reported monthly to the Treasury Committee, it being specified that foreign exchange positions are monitored daily. The majority of medium and long-term financing transactions are managed at headquarters and are subject to the prior approval of the Management Board and Supervisory Board, in accordance with their Internal Regulations. A financial management presentation is made to the Audit Committee at least once a year. Monthly reporting on the net financial cash position, to the Chairman of the Supervisory Board and the Management Board, is supplemented by regular budget forecasting of cash flow for the year. The monthly update on the net financial cash position is provided to members of the Supervisory Board in a monthly activity report. As part of the quarterly procedure for approving Vivendi's consolidated accounts, the Financing and Treasury department reviews and approves all the notes to the Consolidated Financial Statements relating to cash, debt and financial risks.

Taxes: the Vivendi SA Tax department also provides advisory services for the group's subsidiaries and defends their tax interests before the local tax authorities.

Litigation: major disputes are monitored directly or coordinated by the Group General Counsel. A report relating to litigation involving Vivendi and its business units is prepared by the group's legal department in collaboration with the general counsels and heads of the legal departments of the main business units. A summary litigation report is provided to the Management Board on a monthly basis. A table of current litigation and disputes is updated for each quarterly closing date based on information provided by the business units; a summary of this table is included in the Management Board's quarterly business report to the Supervisory Board. The Audit Committee, Supervisory Board and Management Board are kept informed of material ongoing litigation matters by the General Counsel at all times.

4.4. INFORMATION AND COMMUNICATION

The group's values, Compliance Program, Data and Content Protection Charter and CSR policy are made available to employees and to the public on the Vivendi website at www.vivendi.com.

Group procedures designed to assist with the preparation of financial and accounting information are updated once a year and are available in French and English on the group's Intranet site. These procedures, which must be applied by each of the business units and headquarters, include: the IFRS accounting principles and the chart of accounts for the Vivendi group; the principles and procedures applicable to treasury transactions (banking relationships, foreign exchange and finance/investment); the procedures applicable to investment transactions, sales of assets, short-term and long-term financing transactions, the monitoring of disputes, the monitoring of sureties, endorsements and guarantees; and the rules relating to the prior approval of assignments entrusted to the Statutory Auditors of Vivendi SA.

Training materials relating to the application of IFRS standards within the group are available online and are accessible to all employees. Training is organized each year by the Corporate Consolidation and Financial Reporting department.

4.5. OUTLOOK

In 2018, Vivendi will continue to assist and promote the responsibility of its business units with regard to internal control. Four principal themes (securing sources of revenue and revenue assurance, operating cost control, IT security and data protection) will be the focus of a cross-disciplinary initiative by the Audit and Risk department.

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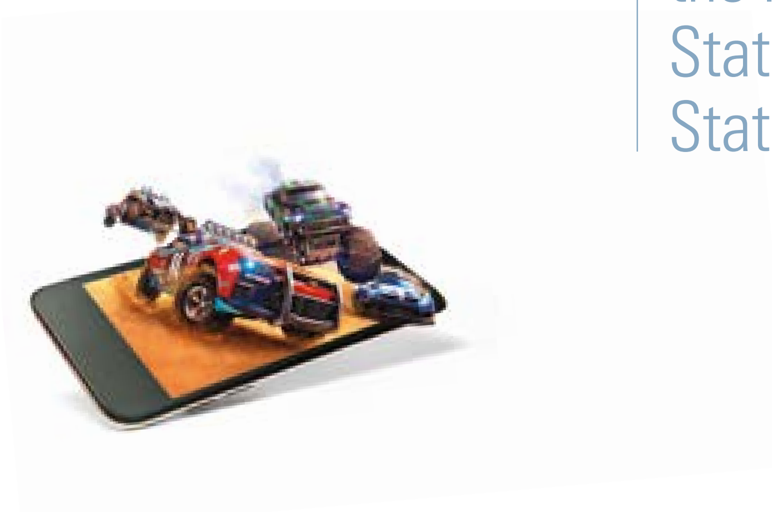
Financial Report, Statutory Auditors' Report on the Consolidated Financial Statements, Consolidated Financial Statements, Statutory Auditors' Report on the Financial Statements, Statutory Financial Statements



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 2016 Financial Report, the Consolidated Financial Statements for the year ended December 31, 2016, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements, presented on pages 182 to 299 of the Document de référence No. D.17-0170, which was filed on March 14, 2017 with the French *Autorité des marchés financiers* (AMF) and on pages 182 to 299 of the English translation of the *Document de référence* No. D.17-0170; and
- the 2015 Financial Report, the Consolidated Financial Statements for the year ended December 31, 2015, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements, presented on pages 168 to 279 of the Document de référence No. D.16-0135, which was filed on March 15, 2016 with the French *Autorité des marchés financiers* (AMF) and on pages 168 to 279 of the English translation of the *Document de référence* No. D.16-0135.

KEY CONSOLIDATED FINANCIAL DATA FOR THE LAST FIVE YEARS

PRELIMINARY COMMENTS

Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28 to the Consolidated Financial Statements for the year ended December 31, 2017, respectively.

In addition, Vivendi changed its definition of Financial Net Debt (or Net Cash Position) during the fourth quarter of 2017. For a reconciliation to previously published financial data, please refer to Note 28 to the Consolidated Financial Statements for the year ended December 31, 2017.

Vivendi deconsolidated GVT, SFR, Maroc Telecom group and Activision Blizzard as from May 28, 2015, November 27, 2014, May 14, 2014, and October 11, 2013, respectively, i.e., the date of their effective sale by Vivendi. In compliance with IFRS 5, these businesses have been reported as discontinued operations for the relevant periods 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,				
	2017	2016	2015	2014	2013
Consolidated data					
Revenues	12,444	10,819	10,762	10,089	10,252
Income from operations (a)	1,116	853	1,061	1,108	1,131
Adjusted earnings before interest and income taxes (EBITA) (a)	987	724	942	999	955
Earnings before interest and income taxes (EBIT)	1,036	887	521	545	578
Earnings attributable to Vivendi SA shareowners	1,228	1,256	1,932	4,744	1,967
of which earnings from continuing operations attributable to Vivendi SA shareowners	1,228	1,236	699	(290)	43
Adjusted net income (a)	1,312	755	697	626	454
Financial Net Debt / (Net Cash Position) (a)	2,340	(1,231)	(7,172)	(4,681)	11,094
Total equity	17,878	19,612	21,086	22,988	19,030
of which Vivendi SA shareowners' equity	17,656	19,383	20,854	22,606	17,457
Cash flow from operations (CFFO) (a)	989	729	892	843	894
Cash flow from operations after interest and income tax paid (CFAIT) (a)	1,346	341	(69)	421	503
Financial investments	(3,685)	(4,084)	(3,927)	(1,244)	(107)
Financial divestments	976	1,971	9,013	17,807	3,471
Dividends paid by Vivendi SA to its shareholders	499	(b) 2,588	(c) 2,727	(d) 1,348	1,325
Purchases/(sales) of Vivendi SA's treasury shares	203	1,623	492	32	-
Per share data					
Weighted average number of shares outstanding	1,252.7	1,272.6	1,361.5	1,345.8	1,330.6
Earnings attributable to Vivendi SA shareowners per share – basic	0.98	0.99	1.42	3.52	1.48
Adjusted net income per share	1.05	0.59	0.51	0.46	0.34
Number of shares outstanding at the end of the period (excluding treasury shares)	1,256.7	1,259.5	1,342.3	1,351.6	1,339.6
Equity per share, attributable to Vivendi SA shareowners	14.05	15.39	15.54	16.73	13.03
Dividends per share paid	0.40	(b) 2.00	(c) 2.00	(d) 1.00	1.00

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, Financial Net Debt (or Net Cash Position), 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) On April 21, 2016, Vivendi's General Shareholders' Meeting approved the payment of an ordinary dividend of €3 per share with respect to fiscal year 2015, i.e., an aggregate dividend payment of €3,951 million. This amount included €2,588 million paid in 2016: of which, €1,318 million for the second interim dividend of €1 per share, paid on February 3, 2016, and €1,270 million representing the balance of €1 per share, paid on April 28, 2016.

(c) In 2015, Vivendi paid a dividend with respect to fiscal year 2014 (€1 per share, i.e., €1,363 million) and a first interim dividend with respect to fiscal year 2015 (€1 per share, i.e., €1,364 million).

(d) On June 30, 2014, Vivendi SA paid an ordinary dividend of €1 per share to its shareholders from additional paid-in capital, treated as a return of capital distribution to shareholders.

I - 2017 Financial Report

PRELIMINARY COMMENTS

On February 12, 2018, the Management Board approved the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2017. Upon the recommendation of the Audit Committee, which met on February 13, 2018, the Supervisory Board, at its meeting held on February 15, 2018, reviewed the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2017 as approved by the Management Board on February 12, 2018.

The Consolidated Financial Statements for the year ended December 31, 2017 have been 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

Changes in the presentation of the Consolidated Statement of Earnings

Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28 to the Consolidated Financial Statements for the year ended December 31, 2017, respectively.

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 the Financial Report. Vivendi considers these to be relevant indicators of 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, the income from equity affiliates, as well as the impacts of transactions with shareowners;
- income from operations is calculated as EBITA as presented in the Adjusted Statement of Earnings, before share-based compensation costs related to equity-settled plans, and special items due to their unusual nature and particular significance; and
- adjusted net income includes the following items: EBITA; income from equity affiliates; 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 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 related to risks extinguished over the period).

Moreover, 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. STATEMENT OF EARNINGS

FOURTH QUARTER

	Three months ended December 31,		
	2017	2016	% Change
Revenues	**3,823**	**3,107**	**+23.0%**
Cost of revenues	(2,119)	(2,112)	
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(1,329)	(872)	
Income from operations (*)	**375**	**123**	**x 3.1**
Restructuring charges	(28)	(32)	
Other operating charges and income	(5)	(31)	
Adjusted earnings before interest and income taxes (EBITA) (*)	**342**	**60**	**x 5.8**
Amortization and depreciation of intangible assets acquired through business combinations	(32)	(78)	
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States	-	-	
Income from equity affiliates	54	81	
Earnings before interest and income taxes (EBIT)	**364**	**63**	**x 5.8**
Interest	(15)	(13)	
Income from investments	1	19	
Other financial charges and income	(53)	(87)	
	(67)	***(81)***	
Earnings before provision for income taxes	**297**	**(18)**	**na**
Provision for income taxes	536	73	
Earnings from continuing operations	**833**	**55**	**x 15.1**
Earnings from discontinued operations	-	22	
Earnings	**833**	**77**	**x 10.9**
Non-controlling interests	(5)	4	
Earnings attributable to Vivendi SA shareowners	**828**	**81**	**x 10.3**
Earnings attributable to Vivendi SA shareowners per share – basic (in euros)	0.66	0.06	
Earnings attributable to Vivendi SA shareowners per share – diluted (in euros)	0.63	0.05	
Adjusted net income (*)	**719**	**130**	**x 5.6**
Adjusted net income per share – basic (in euros) (*)	0.57	0.10	
Adjusted net income per share – diluted (in euros) (*)	0.53	0.10	

In millions of euros, except per share amounts.

na: not applicable.
(*) non-GAAP measures.

YEAR ENDED DECEMBER 31

	Year ended December 31,		
	2017	2016	% Change
Revenues	**12,444**	**10,819**	**+15.0%**
Cost of revenues	(7,210)	(6,829)	
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(4,118)	(3,137)	
Income from operations (*)	**1,116**	**853**	**+30.9%**
Restructuring charges	(88)	(94)	
Other operating charges and income	(41)	(35)	
Adjusted earnings before interest and income taxes (EBITA) (*)	**987**	**724**	**+36.4%**
Amortization and depreciation of intangible assets acquired through business combinations	(124)	(246)	
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States	27	240	
Income from equity affiliates	146	169	
Earnings before interest and income taxes (EBIT)	**1,036**	**887**	**+16.8%**
Interest	(53)	(40)	
Income from investments	29	47	
Other financial charges and income	(100)	438	
	(124)	***445***	
Earnings before provision for income taxes	**912**	**1,332**	**- 31.6%**
Provision for income taxes	349	(77)	
Earnings from continuing operations	**1,261**	**1,255**	**+0.4%**
Earnings from discontinued operations	-	20	
Earnings	**1,261**	**1,275**	**-1.1%**
Non-controlling interests	(33)	(19)	
Earnings attributable to Vivendi SA shareowners	**1,228**	**1,256**	**-2.2%**
Earnings attributable to Vivendi SA shareowners per share – basic (in euros)	0.98	0.99	
Earnings attributable to Vivendi SA shareowners per share – diluted (in euros)	0.95	0.95	
Adjusted net income (*)	**1,312**	**755**	**+ 73.9%**
Adjusted net income per share – basic (in euros) (*)	1.05	0.59	
Adjusted net income per share – diluted (in euros) (*)	1.01	0.54	

In millions of euros, except per share amounts.

(*) non-GAAP measures.

1.2. STATEMENT OF EARNINGS ANALYSIS

1.2.1. OPERATING RESULTS FOR THE FOURTH QUARTER OF 2017

Revenues amounted to €3,823 million, compared to €3,107 million for the fourth quarter of 2016, an increase of €716 million (+23.0%), notably as the result of the consolidation of Havas on July 3, 2017 (+€626 million). At constant currency and perimeter **(1)**, revenues increased by 6.8%, driven by the growth of Universal Music Group (+8.2%) and Canal+ Group (+5.7% compared to the fourth quarter of 2016), which confirms its recovery.

Income from operations amounted to €375 million, compared to €123 million for the fourth quarter of 2016, an increase of €252 million, notably resulting from the consolidation of Havas (+€91 million). At constant currency and perimeter, income from operations increased by €184 million driven by the recovery of Canal+ Group (an increase of €147 million compared to the fourth quarter of 2016) and Universal Music Group's growth (+€46 million), partially offset by development costs incurred by New Initiatives. This improvement resulted in the acceleration of Canal+ Group's reorganization plans, including, in particular, the closure of a call center in Saint Denis and the restructuring of a call center in Rennes whose costs were twice those for services provided by third parties. In the aggregate, exceptional restructuring costs represented a charge of nearly €40 million for the fourth quarter of 2017, of which €26 million was recorded in income from operations and €14 million in restructuring charges.

EBITA amounted to €342 million, compared to €60 million for the fourth quarter of 2016, an increase of €282 million notably resulting from the consolidation of Havas (+€77 million). At constant currency and perimeter, EBITA increased by €226 million, driven by the recovery of Canal+ Group (+€181 million compared to the fourth quarter of 2016) and the growth of Universal Music Group (+€43 million). EBITA included:

- **restructuring charges** of €28 million, compared to €32 million for the fourth quarter of 2016, mainly incurred by Canal+ Group (€14 million, compared to €25 million for the fourth quarter of 2016) and Havas (€7 million for the fourth quarter of 2017); and
- **other operating charges and income** excluded from income from operations, which amounted to a net charge of €5 million, compared to a net charge of €31 million for the fourth quarter of 2016. They notably included the charge related to equity-settled share-based compensation plans (-€5 million, stable compared to the fourth quarter of 2016). For the fourth quarter of 2016, they notably included reserve accruals related to certain broadcasting rights and contractual penalties at Canal+ Group.

EBIT amounted to €364 million, compared to €63 million for the fourth quarter of 2016, a €301 million increase, mainly resulting from the increase in EBITA (+€282 million). In addition, EBIT included the following:

- **amortization and depreciation of intangible assets acquired through business combinations,** which amounted to €32 million, compared to €78 million for the fourth quarter of 2016, a €46 million improvement mainly due to the change in estimate of the amortization period of Universal Music Group's music rights and catalogs which was notably extended from 15 to 20 years as from January 1, 2017 (please refer to Note 1.3.5.3 to the Consolidated Financial Statements for the year ended December 31, 2017); and
- **income from equity affiliates,** which amounted to a profit of €54 million, compared to a profit of €81 million for the fourth quarter of 2016, a €27 million decrease. These amounts primarily included Vivendi's share of Telecom Italia's net earnings calculated based on the financial information disclosed by Telecom Italia **(2)**, representing a profit of €53 million for the fourth quarter of 2017 (corresponding to the third quarter of 2017 due to a three-month reporting lag), compared to a profit of €82 million for the fourth quarter of 2016 (corresponding to the third quarter of 2016 due to a three-month reporting lag).

1.2.2. OPERATING RESULTS FOR FISCAL YEAR 2017

Revenues amounted to €12,444 million, compared to €10,819 million in 2016, an increase of €1,625 million (+15.0%), notably resulting from the consolidation of Havas on July 3, 2017 (+€1,151 million). At constant currency and perimeter **(3)**, revenues increased by 4.9%, primarily driven by Universal Music Group's growth (+10.0%) and the recovery of Canal+ Group (stable in 2017, compared to a decrease of 4.2% in 2016).

Cost of revenues amounted to €7,210 million, compared to €6,829 million in 2016, an increase of €381 million (+5.6%).

Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations amounted to €4,118 million, compared to €3,137 million in 2016, an increase of €981 million (+31.3%).

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, excluding amortization of intangible assets acquired through business combinations, amounted to €337 million (compared to €309 million in 2016), and notably related to Canal+ Group's set-top boxes, as well as Studiocanal's catalogs, films and television programs.

(1) Constant perimeter for the fourth quarter of 2017 reflects the impacts of the sale of Radionomy (August 17, 2017), which was integrated into Vivendi Village and the acquisition of Havas (July 3, 2017).

(2) On November 10, 2017 (Financial Statements for the first nine months ended September 30, 2017): please refer to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2017.

(3) Constant perimeter in 2017 reflects the impacts of the sale of Radionomy (August 17, 2017), which was integrated into Vivendi Village, and the acquisition of Havas (July 3, 2017), Paddington (June 30, 2016), which has been integrated into Vivendi Village, Gameloft (June 29, 2016) and the acquisition of Thema America (April 7, 2016) by Canal+ Group.

Income from operations amounted to €1,116 million, compared to €853 million in 2016, an increase of €263 million (+30.9%), notably resulting from the consolidation of Havas (+€135 million). At constant currency and perimeter, income from operations increased by €145 million (+17.0%) driven by Universal Music Group's growth (+€127 million) and the recovery of Canal+ Group (+€61 million), partially offset by development costs incurred by New Initiatives. This improvement resulted in the acceleration of Canal+ Group's reorganization plans, including, in particular, the closure of a call center in Saint Denis and the restructuring of a call center in Rennes whose costs were twice those for services provided by third parties. In the aggregate, exceptional restructuring costs represented a charge of nearly €40 million for the fourth quarter of 2017, of which €26 million was recorded in income from operations and €14 million in restructuring charges.

EBITA amounted to €987 million, compared to €724 million in 2016, an increase of €263 million (+36.4%), notably resulting from the consolidation of Havas (+€111 million). At constant currency and perimeter, EBITA increased by €168 million (+23.1%), driven by Universal Music Group' growth (+€133 million) and the recovery of Canal+ Group (+€75 million), partially offset by development costs incurred by New Initiatives. In addition, EBITA included:

- **restructuring charges** of €88 million, compared to €94 million in 2016, primarily incurred by Canal+ Group (€49 million, compared to €41 million in 2016), where the increase was mainly due to the reorganization of customer relation centers, Universal Music Group (€17 million, compared to €44 million in 2016) and Havas (€15 million for the second half of 2017); and
- **other operating charges and income** excluded from income from operations, which amounted to a net charge of €41 million, compared to a net charge of €35 million in 2016. They notably included the charge related to equity-settled share-based compensation plans (-€28 million, compared to -€14 million in 2016) and the write-off of Watchever's streaming platform in 2017 (-€9 million). In 2016, they also included reserve accruals related to certain broadcasting rights and contractual penalties at Canal+ Group, partially offset by legal settlement income in the United States at Universal Music Group (+€16 million).

EBIT amounted to €1,036 million, compared to €887 million in 2016, an increase of €149 million (+16.8%) notably resulting from the increase in EBITA (+€263 million). In addition, EBIT included the following:

- **amortization and depreciation of intangible assets acquired through business combinations,** which amounted to €124 million, compared to €246 million in 2016, a €122 million improvement mainly as a result of the change in estimate of the amortization period of Universal Music Group's music rights and catalogs which was notably extended from 15 to 20 years as from January 1, 2017 (please refer to Note 1.3.5.3 to the Consolidated Financial Statements for the year ended December 31, 2017);
- **the reversal of reserve** related to the Securities Class Action litigation in the United States, which represented a net profit of €27 million in 2017. On April 6, 2017, Vivendi announced that it had entered into an agreement to settle the remaining claims still in dispute with certain class plaintiffs for $26 million, which together with the judgments previously entered, resolved the entire litigation for an aggregate amount of $78 million (please refer to Note 23 to the Consolidated Financial Statements for the year ended December 31, 2017).

  In 2016, the reversal of reserve related to the Liberty Media litigation in the United States represented a net profit of €240 million. By way of reminder, on February 23, 2016, Vivendi agreed on a settlement with Liberty Media and paid it $775 million (€705 million); and
- **income from equity affiliates,** which amounted to a profit of €146 million, compared to a profit of €169 million in 2016, a decrease of €23 million. These amounts primarily included Vivendi's share of Telecom Italia's net earnings calculated based on the financial information disclosed by Telecom Italia (1), representing a profit of €144 million in 2017 (corresponding to the fourth quarter of 2016 and the first nine months of 2017 due to a three-month reporting lag), compared to a profit of €173 million in 2016 (corresponding to the period from December 15, 2015 the date when Vivendi started accounting for Telecom Italia under the equity method until September 30, 2016 due to a three-month reporting lag).

1.2.3. FINANCIAL RESULTS

In 2017, **interest** amounted to an expense of €53 million, compared to €40 million in 2016, an increase of €13 million. It included:

- interest expense on borrowings for €68 million, compared to €63 million in 2016. This change reflected the increase in the average outstanding borrowings to €4.3 billion (compared to €3.0 billion in 2016) as a result of the issuance of bonds in May and November 2016 for €2.1 billion and in September 2017 for €850 million, net of the redemption of a bond at maturity in March 2017 for €750 million, as well as the consolidation of bonds issued by Havas for an aggregate amount of €500 million, partially offset by the decrease in the average interest rate on borrowings to 1.60% (compared to 2.12% in 2016); and
- interest income earned on the investment of cash surpluses for €15 million, compared to €23 million in 2016. This change reflected the decrease in the average outstanding cash investments to €3.7 billion (compared to €6.7 billion in 2016), primarily due to the acquisition of Havas for an aggregate amount of €3,925 million, partially offset by the increase in the average interest rate on cash investments to 0.40% (compared to 0.34% in 2016).

(1) On November 10, 2017 (Financial Statements for the nine months ended September 30, 2017) and on March 23, 2017 (Financial Statements for the year ended December 31, 2016): please refer to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2017.

Income from investments amounted to €29 million, compared to €47 million in 2016. This mainly included dividends received from Telefonica for €20 million, compared to €34 million received from Telefonica and €4 million received from Telefonica Brasil in 2016, as well as the interest from the bonds issued by Banijay Group Holding and Lov Banijay and subscribed to by Vivendi for €7 million (compared to €5 million in 2016).

Other financial charges and income amounted to a net charge of €100 million, compared to a net income of €438 million in 2016. In 2016, they primarily included the net capital gain on the sale of Vivendi's remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes) partially offset by the depreciation of financial investments.

1.2.4. PROVISION FOR INCOME TAXES

In 2017, **provision for income taxes reported to adjusted net income** was a net income of €189 million, compared to a net charge of €162 million in 2016, a favorable change of €351 million. This change notably included a current tax income of €409 million recorded in the fourth quarter of 2017 following the settlement favorable to Vivendi SA of the litigation related to the Consolidated Global Profit Tax System of 2011 (please refer to Note 6.1 to the Consolidated Financial Statements for the year ended December 31, 2017). This change also included a current tax income of €25 million corresponding to moratorium interest related to the refund to Vivendi SA and its subsidiaries of the amounts paid under the 3% tax on dividend distributions, following the decision of the French Constitutional Council dated October 6, 2017 ruling that this tax contribution is unconstitutional (please refer to Note 6.5 to the Consolidated Financial Statements for the year ended December 31, 2017). Excluding these two non-recurring favorable impacts, provision for income taxes reported to adjusted net income was a net charge of €245 million, an unfavorable change of €83 million, which resulted primarily from the growth in the taxable income of the business segments, due to the good performance of Universal Music Group in all of its territories and the recovery of Canal+ Group in France, as well as the consolidation of Havas as from the second half of 2017. Excluding these two impacts, the effective tax rate reported to adjusted net income would be 25.5% in 2017, compared to 22.2% in 2016. This change reflected lower expected current tax savings resulting from the utilization of the group's tax losses carried forward in France (€86 million, compared to €97 million in 2016) mainly due to the unrecognized tax losses related to the ongoing development of activities, in particular free-to-air TV and short formats, as well as the reconfiguration of Dailymotion. This change was partially offset by the increase in 2017 of expected current tax savings resulting from the utilization of the group's tax losses carried forward in the United States (€96 million, compared to €90 million in 2016).

In 2017, **provision for income taxes** was a net income of €349 million, compared to a net charge of €77 million in 2016, a favorable change of €426 million. This change was mainly due to a current tax income of €409 million recorded in the fourth quarter of 2017 following the settlement favorable to Vivendi SA of the litigation related to the Consolidated Global Profit Tax System of 2011, as well as a current tax income of €243 million corresponding to the refund to Vivendi SA (€207 million principal and €24 million moratorium interest) and to its subsidiaries (€11 million principal and €1 million moratorium interest) of the amounts paid under the 3% tax on dividend distributions, following the decision of the French Constitutional Council dated October 6, 2017 ruling that this tax contribution is unconstitutional (please refer to Note 6.5 to the Consolidated Financial Statements for the year ended December 31, 2017). In 2017, provision for income taxes also included a net deferred tax income of €79 million following the change of the corporate federal tax rate applicable in the United States since January 1, 2018, as well as a deferred tax charge of -€119 million corresponding to the write-off of deferred tax assets related to losses carried forward by Havas, primarily in France. Provision for income taxes also included the 3% tax on dividends paid by Vivendi SA (-€8 million, compared to -€38 million in 2016). In addition, provision for income taxes included an unfavorable change of €30 million in deferred tax savings related to Vivendi SA's Tax Group System (which was an income of €3 million in 2017, compared to an income of €33 million in 2016), as well as the unfavorable change of €29 million in expected deferred tax savings resulting from the utilization of the group's tax losses carried forward in the United States, which was an income of €29 million in 2016 (nil in 2017, as ordinary tax losses carried forward by the group in the United States were entirely used at year-end 2017).

1.2.5. NON-CONTROLLING INTERESTS

In 2017, **earnings attributable to non-controlling interests** amounted to €33 million, compared to €19 million in 2016, an increase of €14 million mainly resulting from the consolidation of Havas. In addition, they included the non-controlling interests of nc+ in Poland, Canal+ International and VTV in Vietnam.

1.2.6. EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS

In 2017, **earnings attributable to Vivendi SA shareowners** amounted to a profit of €1,228 million (or €0.98 per share – basic), compared to €1,256 million in 2016 (or €0.99 per share – basic), a decrease of €28 million (-2.2%). In 2017, the increase in EBIT (+€149 million), resulting from the consolidation of Havas, the good performance of Universal Music Group and the recovery of Canal+ Group, as well as the current tax income of €409 million following the settlement of the litigation related to the Consolidated Global Profit Tax System of 2011, and the tax income of €243 million (€231 million for Vivendi SA and €12 million for its subsidiaries) corresponding to the refund of the amounts paid by Vivendi SA and its subsidiaries with respect to the 3% tax on dividend distributions, were offset by the favorable impact of certain non-recurring items in 2016, including the reversal of reserve related to the Liberty Media litigation in the United States (€240 million) as well as the net capital gain on the sale of Vivendi's remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes).

1.2.7. ADJUSTED NET INCOME

(in millions of euros)	Year ended December 31, 2017	2016	% Change
Revenues	**12,444**	**10,819**	**+15.0%**
Income from operations	**1,116**	**853**	**+30.9%**
EBITA	**987**	**724**	**+36.4%**
Income from equity affiliates	205	214	
Interest	(53)	(40)	
Income from investments	29	47	
Adjusted earnings from continuing operations before provision for income taxes	**1,168**	**945**	
Provision for income taxes	189	(162)	
Adjusted net income before non-controlling interests	**1,357**	**783**	
Non-controlling interests	(45)	(28)	
Adjusted net income	**1,312**	**755**	**+73.9%**

In 2017, **adjusted net income** amounted to a profit of €1,312 million (or €1.05 per share – basic), compared to €755 million in 2016 (or €0.59 per share – basic), an increase of €557 million (+73.9%). The increase in EBITA (+€263 million) and the favorable change in provision for income taxes (+€351 million, including the €409 million current tax income following the settlement of the litigation related to the Consolidated Global Profit Tax System of 2011), more than offset the decrease in income from investments (-€18 million), the increase in interest expense (-€13 million), the decrease in income from equity affiliates (-€9 million, including -€12 million in Telecom Italia's contribution) and the increase in non-controlling interests (-€17 million).

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

(in millions of euros)	Year ended December 31, 2017	2016
Earnings attributable to Vivendi SA shareowners (a)	**1,228**	**1,256**
Adjustments		
Amortization and depreciation of intangible assets acquired through business combinations	124	246
Amortization of intangible assets related to equity affiliates	59	45
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States (a)	(27)	(240)
Other financial charges and income	100	(438)
Earnings from discontinued operations (a)	-	(20)
Provision for income taxes on adjustments	(160)	(85)
Non-controlling interests on adjustments	(12)	(9)
Adjusted net income	**1,312**	**755**

(a) As reported in the Consolidated Statement of Earnings.

Adjusted net income per share

	Year ended December 31, 2017		2016	
	Basic	Diluted	Basic	Diluted
Adjusted net income (in millions of euros) (a)	**1,312**	**1,265**	**755**	**693**
Number of shares (in millions)				
Weighted average number of shares outstanding (b)	1,252.7	1,252.7	1,272.6	1,272.6
Potential dilutive effects related to share-based compensation	-	4.8	-	3.1
Adjusted weighted average number of shares	**1,252.7**	**1,257.5**	**1,272.6**	**1,275.7**
Adjusted net income per share (in euros)	**1.05**	**1.01**	**0.59**	**0.54**

(a) Corresponded only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information disclosed by Telecom Italia with a three-month reporting lag (please refer to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2017).
(b) Net of the weighted average number of treasury shares (37.5 million shares in 2017, compared to 51.4 million in 2016).

1.3. PERFORMANCE ANALYSIS: BUSINESS SEGMENTS

FOURTH QUARTER

	Three months ended December 31,				
(in millions of euros)	2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues					
Universal Music Group	1,688	1,644	+2.7%	+8.2%	+8.2%
Canal+ Group	1,421	1,351	+5.1%	+5.7%	+5.7%
Havas	626	-	na	na	na
Gameloft	65	69	-5.6%	-2.3%	-2.3%
Vivendi Village	28	33	-14.4%	-13.5%	-5.4%
New Initiatives	17	27	-38.2%	-38.2%	+1.2%
Elimination of intersegment transactions	(22)	(17)			
Total Vivendi	**3,823**	**3,107**	**+23.0%**	**+27.3%**	**+6.8%**
Income from operations					
Universal Music Group	326	296	+10.6%	+15.4%	+15.4%
Canal+ Group	7	(136)	na	na	na
Havas	91	-	na	na	na
Gameloft	7	6	+8.2%	+82.0%	+82.0%
Vivendi Village	2	2	-22.7%	-22.7%	-32.0%
New Initiatives	(29)	(19)			
Corporate	(29)	(26)			
Total Vivendi	**375**	**123**	**x 3.1**	**x 3.3**	**x 2.5**
EBITA					
Universal Music Group	319	291	+9.9%	+14.6%	+14.6%
Canal+ Group	(8)	(187)	na	na	na
Havas	77	-	na	na	na
Gameloft	4	5	na	+93.6%	+93.6%
Vivendi Village	1	-	na	na	-25.0%
New Initiatives	(33)	(21)			
Corporate	(18)	(28)			
Total Vivendi	**342**	**60**	**x 5.8**	**x 6.2**	**x 4.8**

na: not applicable.

(a) Constant perimeter reflects the impacts of the sale of Radionomy (August 17, 2017), which was integrated into Vivendi Village, and the acquisition of Havas (July 3, 2017).

YEAR ENDED DECEMBER 31

(in millions of euros)	Year ended December 31, 2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues					
Universal Music Group	5,673	5,267	+7.7%	+10.0%	+10.0%
Canal+ Group	5,246	5,253	-0.1%	+0.3%	+0.3%
Havas	1,151	-	na	na	na
Gameloft	258	132	na	na	-0.1%
Vivendi Village	109	111	-1.4%	+1.4%	+4.5%
New Initiatives	51	103	-50.5%	-50.5%	-24.0%
Elimination of intersegment transactions	(44)	(47)			
Total Vivendi	**12,444**	**10,819**	**+15.0%**	**+16.8%**	**+4.9%**
Income from operations					
Universal Music Group	798	687	+16.2%	+18.5%	+18.5%
Canal+ Group	367	303	+21.0%	+20.4%	+20.2%
Havas	135	-	na	na	na
Gameloft	10	10	na	na	+12.6%
Vivendi Village	(6)	(7)			
New Initiatives	(87)	(44)			
Corporate	(101)	(96)			
Total Vivendi	**1,116**	**853**	**+30.9%**	**+33.4%**	**+17.0%**
EBITA					
Universal Music Group	761	644	+18.3%	+20.6%	+20.6%
Canal+ Group	318	240	+32.1%	+31.3%	+31.1%
Havas	111	-	na	na	na
Gameloft	4	7	na	na	+12.5%
Vivendi Village	(18)	(9)			
New Initiatives	(92)	(56)			
Corporate	(97)	(102)			
Total Vivendi	**987**	**724**	**+36.4%**	**+39.1%**	**+23.1%**

na: not applicable.

(a) Constant perimeter reflects the impacts of the sale of Radionomy (August 17, 2017), which was integrated into Vivendi Village, and the acquisition of Havas (July 3, 2017), Paddington (June 30, 2016), which has been integrated into Vivendi Village, Gameloft (June 29, 2016), and the acquisition of Thema America (April 7, 2016) by Canal+ Group.

1.3.1. UNIVERSAL MUSIC GROUP (UMG)

	Year ended December 31,				
(in millions of euros)	2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter
Recorded music	4,559	4,188	+8.9%	+11.3%	+11.3%
Digital sales	*2,656*	*2,238*	*+18.6%*	*+20.9%*	*+20.9%*
Of which subscriptions and streaming	*1,971*	*1,483*	*+32.9%*	*+35.4%*	*+35.4%*
Physical sales	*1,156*	*1,225*	*-5.6%*	*-3.3%*	*-3.3%*
License and other	*747*	*725*	*+3.2%*	*+5.9%*	*+5.9%*
Music publishing	854	792	+7.7%	+9.6%	+9.6%
Merchandising and other	283	313	-9.8%	-7.1%	-7.1%
Elimination of intersegment transactions	(23)	(26)			
Revenues	**5,673**	**5,267**	**+7.7%**	**+10.0%**	**+10.0%**
Income from operations	**798**	**687**	**+16.2%**	**+18.5%**	**+18.5%**
Income from operations margin	*14.1%*	*13.0%*	*+1.1 pts*		
Restructuring charges	(17)	(44)			
Charges related to equity-settled share-based compensation plans	(9)	(3)			
Other special items excluded from income from operations	(11)	4			
EBITA	**761**	**644**	**+18.3%**	**+20.6%**	**+20.6%**
EBITA margin	*13.4%*	*12.2%*	*+1.2 pts*		
Recorded music revenues by geographical area					
North America	2,090	1,806	+15.7%	+18.0%	+18.0%
Europe	1,513	1,481	+2.2%	+4.3%	+4.3%
Asia	563	542	+4.0%	+8.3%	+8.3%
Latin America	155	135	+15.5%	+17.8%	+17.8%
Rest of the world	238	224			
	4,559	**4,188**	**+8.9%**	**+11.3%**	**+11.3%**

Recorded music best sellers, in value (source: *MusicMart*)

Year ended December 31, 2017		Year ended December 31, 2016	
Artist	**Title**	**Artist**	**Title**
Taylor Swift	Reputation	Drake	Views
Kendrick Lamar	DAMN	Justin Bieber	Purpose
Drake	More Life	Rihanna	Anti
The Weeknd	Starboy	Ariana Grande	Dangerous Woman
Luis Fonsi	Despacito & Mis Grandes Éxitos	The Rolling Stones	Blue & Lonesome
Various Artists	Moana	Utada Hikaru	Fantôme
Imagine Dragons	Evolve	Metallica	Hardwired…To Self-Destruct
The Beatles	Sgt. Pepper's	The Weeknd	Starboy
Post Malone	Stoney	back number	Encore
Sam Smith	The Thrill Of It All	The Weeknd	Beauty Behind The Madness

Universal Music Group's (UMG) revenues amounted to €5,673 million, up 10.0% at constant currency and perimeter compared to 2016 (+7.7% on an actual basis).

Recorded music revenues grew by 11.3% at constant currency and perimeter as growth in subscription and streaming revenues (+35.4%) more than offset the decline in both download and physical sales.

Music publishing revenues grew by 9.6% at constant currency and perimeter, also driven by increased subscription and streaming revenues, as well as growth in synchronization and performance revenues.

Merchandising and other revenues were down 7.1% at constant currency and perimeter, due to lower touring activity.

Recorded music best sellers for the year included new releases from Taylor Swift, Kendrick Lamar and Drake, carryover sales from The Weeknd, the *Despacito* single from Luis Fonsi and the 50th Anniversary edition of *Sgt. Pepper's Lonely Hearts Club Band* by the Beatles, as well as soundtrack releases from the movies *Moana* and *La La Land*.

UMG's income from operations amounted to €798 million, up 18.5% at constant currency and perimeter compared to 2016 (+16.2% on an actual basis) as a result of higher revenues.

UMG's EBITA amounted to €761 million, up 20.6% at constant currency and perimeter compared to 2016 (+18.3% on an actual basis) as a result of higher revenues and lower restructuring charges. 2016 EBITA included legal settlement income.

In 2017, UMG entered into a number of innovative agreements with both new and established streaming partners. After announcing a landmark deal with Tencent in May 2017, and re-setting its relationship with Spotify in April 2017 and YouTube in December 2017, UMG entered into a ground-breaking deal with Facebook, also in December 2017. This deal, for the first time forged a true commercial partnership between a major music company and the world's largest social platform. In conjunction with UMG's existing partnerships with Amazon and Apple, UMG is fostering an increasingly competitive and dynamic market for music among the biggest tech platforms and music services in the world.

In 2018, UMG should be able to benefit from the growth of the market particularly as a result of the development of subscription and streaming services.

1.3.2. CANAL+ GROUP

	Year ended December 31,				
(in millions of euros)	2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
TV in Mainland France (b)	3,267	3,395	-3.8%	-3.8%	-3.8%
International TV	1,512	1,442	+4.8%	+6.0%	+5.8%
Africa	*511*	*450*	*+13.6%*	*+19.1%*	*+19.1%*
Poland	*505*	*492*	*+2.7%*	*+0.7%*	*+0.7%*
Overseas	*406*	*411*	*-1.4%*	*-1.3%*	*-1.3%*
Vietnam	*44*	*49*	*-10.3%*	*-7.2%*	*-7.2%*
Other	*46*	*40*	*+13.1%*	*+13.5%*	*+7.5%*
Studiocanal	467	416	+12.2%	+13.9%	+13.9%
Revenues	**5,246**	**5,253**	**-0.1%**	**+0.3%**	**+0.3%**
Income from operations	**367**	**303**	**+21.0%**	**+20.4%**	**+20.2%**
Income from operations margin	*7.0%*	*5.8%*	*+1.2 pts*		
Charges related to equity-settled share-based compensation plans	(6)	(3)			
Other special items excluded from income from operations	6	(19)			
EBITA before restructuring charges	**367**	**281**	**+30.3%**	**+29.6%**	**+29.5%**
Restructuring charges	(49)	(41)			
EBITA	**318**	**240**	**+32.1%**	**+31.3%**	**+31.1%**
EBITA margin	*6.1%*	*4.6%*	*+1.5 pts*		
Pay-TV subscribers (in thousands)					
Self-distributed individual subscribers in Mainland France	4,950	5,254	-304		
Canal customers via wholesale partnerships (c)	3,117	2,928	+189		
International individual subscribers	6,948	6,247	+701		
Africa	*3,458*	*2,765*	*+693*		
Poland	*2,171*	*2,119*	*+52*		
Overseas	*530*	*508*	*+22*		
Vietnam	*789*	*855*	*-66*		
Total Canal+ Group's individual subscribers	**15,015**	**14,429**	**+586**		
Collective subscribers	579	565	+14		
Total Canal+ Group's subscribers	**15,594**	**14,994**	**+600**		
Mainland France Pay-TV (d)					
Churn (over a 12-month rolling period)	16.1%	16.7%	-0.6 pts		
Net ARPU (in euros)	45.7	45.3	+0.4		
Mainland France Free-to-air TV's audience shares (e)					
C8	4.1%	4.4%	-0.3 pts		
CStar	1.5%	1.5%	-		
CNews	0.5%	0.8%	-0.3 pts		
Total	**6.1%**	**6.7%**	**-0.6 pts**		

(a) Constant perimeter reflects the impacts of the acquisition of Thema America (April 7, 2016).
(b) Corresponds to pay-TV and free-to-air channels (C8, CStar and CNews) in mainland France.
(c) Notably includes the strategic partnership agreements with Free and Orange, and, more recently, the one with Bouygues Telecom. Certain subscribers may also have subscribed to a Canal+ offer.
(d) Indicators calculated on the basis of the individual subscriber base with commitment, excluding wholesale partnerships.
(e) Source: Médiamétrie. Population aged 25 to 49 years old.

Canal+ Group's revenues amounted to €5,246 million, up 0.3% at constant currency and perimeter compared to 2016. This amount, almost stable compared to 2016, confirms the recovery observed quarter after quarter. In the fourth quarter of 2017, Canal+ Group's revenues amounted to €1,421 million, up 5.7% at constant currency and perimeter compared to the fourth quarter of 2016.

At the end of December 2017, Canal+ Group recorded an increase in its subscriber base of 586,000 net additions year-on-year, and had nearly 11.9 million individual subscribers, plus an additional 3.1 million customers from wholesale partnerships with telecom operators in France, in particular Free and Orange. At the end of December 2017, Canal+ Group's overall portfolio (individual and collective) amounted to 15.6 million subscribers, compared to 15.0 million at the end of December 2016.

Revenues from television operations in mainland France were down 3.8% compared to 2016. The situation is improving quarter-by-quarter with a slowdown in the decline.

In 2017, with an audience share of 4.1% among 25-49 year olds, C8 was the leading DTT channel in France for the fourth consecutive year despite slightly lower revenues, which had been negatively impacted by the significant sanctions (fine and advertising ban), imposed by the French Broadcasting Authority (*Conseil supérieur de l'audiovisuel*) in June-July 2017.

Revenues from international TV operations grew by 4.8% compared to 2016 (+5.8% at constant currency and perimeter), thanks to continued growth in the individual subscriber base, particularly in Africa with a year-on-year increase of nearly 700,000, which reached nearly 3.5 million subscribers at the end of December 2017.

Studiocanal's revenues amounted to €467 million, up 12.2% compared to 2016 (+13.9% at constant currency and perimeter). This increase reflected strong theatrical performances, notably in France, where Studiocanal was number one among French distributors with a total of 15.5 million tickets sold, including five movies with over one million tickets sold (*Alibi.com, Marry Me Dude (Épouse-Moi Mon Pote), Sahara, The School of Life (L'École Buissonnière), and Paddington 2*). This is the best theatrical performance recorded by Studiocanal since 2006.

Canal+ Group's income from operations amounted to €367 million, compared to €303 million in 2016 (+20.2% at constant currency and perimeter).

EBITA before restructuring charges amounted to €367 million up nearly 30% at constant currency and perimeter year-on-year. The higher than expected restructuring charges mainly reflected the reorganization of customer relation centers. EBITA after restructuring charges amounted to €318 million, compared to €240 million in 2016 (+32.1%).

The strong growth in EBITA was notably driven by the cost savings plan initiated in 2016, the improvement of TV in mainland France, the sustained international growth and the strong performance of Studiocanal.

The target EBITA before restructuring charges is around €450 million for Canal+ Group in 2018.

In early 2018 Canal+ Group launched a new state-of-the-art 4K-Ultra HD satellite and Internet set-top box in France. It has also secured the broadcasting rights for Africa to major football competitions for several seasons: the UEFA Champions League, all French football including the French Football Cup, the 2018 FIFA World Cup Russia, and the Africa Cup of Nations whose entire CAN 2019 will be available to Canal+ subscribers in Africa.

1.3.3. HAVAS

As a reminder, Vivendi has fully consolidated Havas since July 3, 2017.

		12-month pro forma data			
(in millions of euros)	Year ended December 31, 2017 (a)	2017	2016 (b)	% Change	% Change at constant currency and perimeter
Revenues	**1,151**	**2,259**	**2,276**	**-0.7%**	**-0.8%**
Income from operations	**135**	**254**	**331**		
Income from operations margin	*11.7%*	*11.2%*	*14.5%*		
Restructuring charges	(15)				
Charges related to equity-settled share-based compensation plans	(3)				
Other special items excluded from income from operations	(6)				
EBITA	**111**				
EBITA margin	*9.6%*				
Revenues by geographical area					
Europe	50%	50%	50%		
Of which France	*20%*	*20%*	*19%*		
North America	34%	35%	36%		
Asia Pacific and Africa	10%	9%	8%		
Latin America	6%	6%	6%		
	100%	**100%**	**100%**		

(a) Corresponds to the financial data consolidated by Vivendi since July 3, 2017.
(b) As published by Havas and restated by Vivendi (please refer to Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2017).

Vivendi has fully consolidated Havas since July 3, 2017. For fiscal year 2017, Havas's contribution corresponds to the last six months of 2017 and amounted to €1,151 million in revenues and €111 million in EBITA.

For the second half of 2017, Havas's revenues (gross margin) amounted to €1,151 million. This represents an increase of 8% at constant currency compared to the first half of 2017.

In the second half of 2017, organic growth decreased by 1.1% compared to the second half of 2016 (-2.1% for the fourth quarter of 2017), due in particular to an unfavorable base effect compared to 2016. By way of reminder, the second half of 2016 included a strong fourth quarter (+ 4.2%), the strongest of 2016. At constant currency, revenue (gross margin) for the second half of 2017 was stable compared to the second half of 2016.

For the full year 2017, revenue (gross margin) amounted to €2,259 million, a slight decrease of 0.7% compared to 2016. Annual organic growth was negative at -0.8%, due to the sectoral market environment that penalizes all players in the communication industry. At constant currency, annual growth was positive at +0.5%. Acquisitions contributed +1.0% in the second half of 2017 and +1.3% for the full year.

By geographical area, Europe remains weak despite the strong dynamism of French agencies. The Media business is experiencing a slowdown especially in Spain and the United Kingdom. North America recorded a decline, due to a very unfavorable base effect. The Latin America region as well as the Asia Pacific and Africa region both recorded double-digit organic growth.

In terms of profitability, the second half was better than the first, thanks to the first effects of cost savings. As a result, income from operations reached €135 million in the second half of 2017, representing a margin of 11.7% (versus 10.7% in the first half of 2017). For the full year of 2017, income from operations amounted to €254 million.

For the second half of 2017, EBITA amounted to €111 million. It included €24 million of exceptional charges (including restructuring charges of €15 million). For the full year 2017, EBITA amounted to €212 million.

In 2017, various Havas agencies won a total of 1,500 awards, including 41 Lions in Cannes (compared to 23 in 2016). Several agencies received an Agency of the Year award from the prestigious trades AdWeek and Media Post, including Havas Media in North America.

During the second half of 2017, Havas pursued its dynamic external growth strategy. The most significant acquisitions included Blink, a social network agency in Israel; The88, a digital and social agency based in New York renamed Annex88; Ganfood, a creative and advice agency, and HVS, a media agency, both based in Algeria; So What Global, a healthcare communication agency in the United Kingdom and Immerse, a Malaysian digital agency.

The integration into the Vivendi group will accelerate the creation of a world leader in content, media and communications.

1.3.4. GAMELOFT

As a reminder, Vivendi has fully consolidated Gameloft since June 29, 2016.

	Year ended December 31,		12-month pro forma data		
(in millions of euros)	2017	2016 (a)	2016	% Change	% Change at constant currency
Revenues	**258**	**132**	**257**	**+0.4%**	**+1,0%**
Of which advertising revenues	*37*	*11*	*18*		
Income from operations	**10**	**10**			
Restructuring charges	(1)	-			
Charges related to equity-settled share-based compensation plans	(2)	(3)			
Other special items excluded from income from operations	(3)	-			
EBITA	**4**	**7**			
Revenues by geographical area					
EMEA (Europe, the Middle East, Africa)	34%	33%	33%		
Asia Pacific	28%	28%	29%		
North America	27%	26%	25%		
Latin America	11%	13%	13%		
	100%	**100%**	**100%**		
Average Unique Users (in millions)					
Monthly Active Users (MAU)	128	136	142		
Daily Active Users (DAU)	15	16	17		

(a) Corresponds to the financial data consolidated by Vivendi since June 29, 2016.

With more than 2.5 million downloads per day across all platforms in 2017, Gameloft is the world's largest mobile video game publisher.

Gameloft's revenues amounted to €258 million in 2017. The revenues derived from the market segments identified as priority in terms of development (advertising and app stores) increased by 12% year-on-year.

Revenues generated by *Gameloft Advertising Solutions* grew significantly, by 93% compared to 2016, and represent 14.1% of global revenues. Revenues generated by the Apple, Google and Microsoft stores (in-App sales) were up 5% compared to 2016.

The breakdown of revenues by geographical market was as follows: 34% in the EMEA region (Europe, the Middle East and Africa), 28% in Asia Pacific, 27% in North America, and 11% in Latin America.

In 2017, the number of Gameloft's monthly active users (MAU) reached an average of 128 million and its daily active users (DAU) reached an average of 15 million.

65% of Gameloft's revenues were generated by internally developed franchises. Gameloft has benefited from the strong performance of its catalog, with a strong revenue growth of its bestselling games such as *Dragon Mania Legends, Disney Magic Kingdoms, March of Empires, Asphalt 8: Airborne* and *Dungeon Hunter 5*.

Gameloft released ten new games on smartphone in 2017: *Gangstar New Orleans, N.O.V.A. Legacy, City Mania, Blitz Brigade: Rival Tactics, Iron Blade, Asphalt Street Storm Racing, War Planet Online, Modern Combat Versus, Paddington™ Run* and *Sonic Runners Adventure*.

Thanks to the good control of operating costs, Gameloft's income from operations amounted to €10 million, up 12.6% at constant currency and perimeter compared to 2016, and EBITA amounted to €4 million in 2017.

1.3.5. VIVENDI VILLAGE

(in millions of euros)	2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
	Year ended December 31,				
Revenues	**109**	**111**	**-1.4%**	**+1.4%**	**+4.5%**
Of which Vivendi Ticketing	*52*	*52*	*+1.4%*	*+6.6%*	*+6.6%*
MyBestPro	*27*	*25*	*+8.9%*	*+8.9%*	*+8.9%*
Income from operations	**(6)**	**(7)**			
Restructuring charges	(2)	(2)			
Charges related to equity-settled share-based compensation plans	-	-			
Other special items excluded from income from operations	(b) (10)	-			
EBITA	**(18)**	**(9)**			

(a) Constant perimeter reflects the impacts of the sale of Radionomy (August 17, 2017) and the acquisition of Paddington (June 30, 2016).
(b) Includes the write-off of Watchever's streaming platform (-€9 million).

Vivendi Village's annual revenues amounted to €109 million, down 1.4% compared to 2016, but up 4.5% at constant currency and perimeter.

Over the same period, Vivendi Village's income from operations amounted to a loss of €6 million, an improvement of 7.1% compared to 2016 and of 60.5% at constant currency and perimeter. EBITA amounted to -€18 million (-€9 million in 2016) due to Watchever's discontinuation charges.

Vivendi Ticketing, with revenues of €52 million in 2017, recorded very strong ticket sales during the fourth quarter (4.6 million compared to 4 million in 2016). MyBestPro, which offers web-based expert counseling, recorded revenues of €27 million in 2017, up 8.9%.

As for live activities, Olympia Production, which supports around twenty artists in the fields of music and comedy, acquired two major music festivals, Les Déferlantes and Live au Campo, located in the South of France. In total, Vivendi now holds majority interests in 12 festivals in France and around the world.

In Africa, CanalOlympia currently operates eight cinema and entertainment venues in sub-Saharan countries. Four more venues are under construction and negotiations are underway for several additional sites. In addition, a new activity, Vivendi Sports, was launched, to plan and organize sporting events in Africa. The first was the *Tour de l'Espoir*, a cycling race for people under 23 years-old, which took place in Cameroon at the end of January 2018 under the aegis of the *Union Cycliste Internationale*.

The many projects developed around Paddington Bear perfectly illustrate the collaboration and synergies implemented across the Group to build a powerful entertainment franchise. All of the Group's businesses contributed to this franchise: movies, TV series and other programs, music, mobile games, live events and merchandising.

Paddington 2, a movie produced by Studiocanal in the wake of the success of the first movie in 2014, was released on November 10, 2017 in the United Kingdom, on December 6, 2017 in France, and then distributed in a hundred or so countries around the world. To date, it has generated over $200 million in global revenues.

Gameloft developed *Paddington™ Run*, the official game of the second movie, available in 15 languages since October 26, 2017. Its studios worked closely with the creative teams of Studiocanal and The Copyrights Group, the Vivendi Village subsidiary managing the Paddington Bear licensing rights. The latter has entered into several important partnerships related to the franchise, notably with Harper Collins, the world's second largest publishing company, with Marks & Spencer for its Christmas campaign, with Europapark, Europe's second largest theme park, and with UNICEF. In addition, Havas created several communication campaigns for the brand and its digital ecosystem.

1.3.6. NEW INITIATIVES

New Initiatives, which groups together projects being launched or under development including Dailymotion, Vivendi Content (Studio+, Vivendi Entertainment) and GVA (Group Vivendi Africa), recorded revenues amounting to €51 million. In 2017, these investments for the future lead to an income from operations amounting to a loss of €87 million.

Dailymotion transformed its offer by launching a new customer experience in July 2017, making it easier to discover and watch videos, tapping directly into users' interests and desires. This new offer, primarily targeting the 25-49 age group, relies on premium content provided by hundreds of first-class partners around the world, including Universal Music Group, CNN and Vice.

Since its launch, the new Dailymotion app recorded 3.3 million downloads. Premium video consumption increased by 50% and the number of videos viewed during any given session increased by 20%.

Studio+ has developed its offers and expanded its distribution territories through a launch in the United States in November 2017 and through the strengthening of distribution agreements with telecom partners, notably Vivo in Brazil and TIM in Italy. In addition, as a result of their success (40 international awards, including two Emmy nominations), the Studio+ original series benefit from a second broadcast window in a long format, either on Pay-TV (Canal+) or on OTT (TIM Vision, MyCanal). An international television distribution agreement also has been entered into with Gaumont.

Vivendi Entertainment is the creator of TV games such as *Guess My Age*, to date sold in 10 countries, including Italy where it is broadcast daily in the early evening and live in the evening (prime time). A new format, *Couple or not Couple* (*Couple ou Pas Couple*), was successfully launched on the French channel C8 in December 2017 and has already been sold in three additional countries.

After launching a first ultra-high-speed fiber optic offer in Libreville, Gabon, on October 26, 2017, GVA, which invests in, builds and manages its own network, plans to launch a second offer in Lomé, Togo, in the coming weeks in partnership with Canal+ Group for the distribution.

1.3.7. CORPORATE

Corporate's income from operations was a net charge of €101 million, compared to a net charge of €96 million in 2016, an increase of €5 million, primarily due to the increase in legal fees, notably relating to ongoing litigations, partially offset by non-recurring positive items.

Corporate's EBITA was a net charge of €97 million, compared to a net charge of €102 million in 2016, a favorable change of €5 million notably relating to non-recurring exceptional positive items, partially offset by the unfavorable change in income from operations and an increase in charges related to share-based compensation plans.

2. Liquidity and capital resources

2.1. FINANCIAL NET DEBT AND EQUITY PORTFOLIO

PRELIMINARY COMMENTS

- "Financial Net Debt" and "Net Cash Position", non-GAAP measures, should be considered in addition to, and not as a substitute for, other GAAP measures as presented in the Consolidated Statement of Financial Position, as well as any other measures 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.
- To ensure the consistency of the definition of the Financial Net Debt with Bolloré Group, which has fully consolidated Vivendi in its Consolidated Financial Statements as from April 26, 2017, Vivendi changed its definition of Financial Net Debt (or Net Cash Position) during the fourth quarter of 2017; the derivative financial instruments (assets or liabilities) that are not borrowings hedging instruments, as well as commitments to purchase non-controlling interests, are now excluded from the Financial Net Debt (or Net Cash Position). For a reconciliation to previously published financial data, please refer to Note 28 to the Consolidated Financial Statements for the year ended December 31, 2017.
- Financial Net Debt (and Net Cash Position) are now calculated as follows:

  i. value of borrowings at amortized cost;

  less:

  ii. cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, corresponding to cash in banks, money market funds and bond funds, complying with the criteria set forth in AMF position No. 2011-13, 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 1.3.5.11 to the Consolidated Financial Statements for the year ended December 31, 2017);

  iii. cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", corresponding to financial investments which do not comply with the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, the criteria set forth in AMF position No. 2011-13; and

  iv. derivative financial instruments, net (assets and liabilities) whose underlying instruments are Financial Net Debt items, as well as cash deposits backing borrowings included in the Consolidated Statement of Financial Position under "financial assets".

2.1.1. FINANCIAL NET DEBT AS OF DECEMBER 31, 2017

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	December 31, 2017	December 31, 2016
Bonds		4,150	3,550
Short-term marketable securities issued		-	100
Bank overdrafts		75	77
Accrued interest to be paid		18	36
Cumulative effect of amortized cost		(18)	(13)
Other		141	101
Value of borrowings at amortized cost	19	**4,366**	**3,851**
Cash and cash equivalents (a)	14	(1,951)	(4,072)
Cash management financial assets	14	(75)	(998)
Cash Position		**(2,026)**	**(5,070)**
Borrowings hedging instruments, net	19	-	(12)
Cash deposits backing borrowings	12	-	-
Financial Net Debt/(Net Cash Position)		**2,340**	**(1,231)**
Other financial assets and liabilities:			
Derivative financial instruments in assets		*(19)*	*(62)*
Derivative financial instruments in liabilities		*126*	*140*
Commitments to purchase non-controlling interests	19	*144*	*85*
		2,591	**(1,068)**

(a) As presented in the Consolidated Statement of Financial Position.

As of December 31, 2017, Vivendi's Financial Net Debt amounted to €2,340 million, compared to a Net Cash Position of €1,231 million as of December 31, 2016. The increase of €3,571 million in Financial Net Debt mainly resulted from the acquisition of Havas starting on July 3, 2017, representing an overall impact of €3,998 million as of December 31, 2017, comprising the acquisition price of 100% of Havas's share capital for €3,925 million (including the financial transaction tax) and the Financial Net Debt of Havas as of July 3, 2017 in the amount of €73 million.

As of December 31, 2017, the group's cash position amounted to €2,026 million (compared to €5,070 million as of December 31, 2016) of which €1,072 million was held by Vivendi SA (compared to €4,709 million as of December 31, 2016), and primarily invested as follows:

- €273 million invested in money market funds and classified as "cash and cash equivalents";
- €739 million invested in term deposits, interest-bearing current accounts and Medium Term Notes (MTN), of which €689 million is classified as "cash and cash equivalents" and €50 million as "financial assets"; and
- €55 million invested in bond funds, of which €30 million is classified as "cash and cash equivalents" and €25 million as "financial assets".

As of December 31, 2017, the value of borrowings at amortized cost amounted to €4,366 million (compared to €3,851 million as of December 31, 2016) and mainly comprised bonds for a nominal value of €4,150 million issued by Vivendi SA (€3,650 million) and Havas SA (€500 million, including €400 million maturing in December 2020 and €100 million maturing in July 2018). Vivendi SA's bonds increased by €100 million following the issuance of a new bond in September 2017 (+€850 million), under the Euro Medium-Term Note (EMTN) program, net of the redemption at maturity in March 2017 of a bond issued in March 2010 (-€750 million).

Vivendi SA has a €2 billion bank credit facility, maturing in October 2021, undrawn as of December 31, 2017. Taking into account the absence of short-term marketable securities (1) issued and backed by this bank credit facility, €2 billion of this facility was available as of December 31, 2017. As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), taking into account the short-term marketable securities issued for €100 million, €1.9 billion of this facility was available.

Moreover, Havas SA has committed credit facilities, undrawn as of December 31, 2017, granted by leading banks for an aggregate amount of €510 million, including €150 million maturing in 2018, €330 million maturing in 2020 and €30 million maturing in 2021.

(1) Since June 1, 2016, in accordance with the French Monetary and Financial Code (*Code monétaire et financier*), "short-term marketable securities" have replaced "commercial papers".

In addition, on March 22, 2017, Vivendi set up a €3 billion Euro Medium-Term Note (EMTN) program, which was filed with the AMF (*Autorité des marchés financiers*) and received visa n°17-104, allowing Vivendi full flexibility to issue bonds, if it decides to do so.

Finally, the depreciation of the British pound (GBP) against the euro, following the referendum held on June 23, 2016 endorsing the United Kingdom's exit from the European Union ("Brexit"), mainly impacted Universal Music Group's revenues. In addition, Vivendi has thoroughly reviewed the impact of interest and foreign exchange rate changes on the group's debt and financial assets, as well as on pension funds, and a report was submitted to Vivendi's Audit Committee to that effect. As of the date of this report, no significant impact on Vivendi's consolidated financial position has been recognized. Other potential effects that could impact the group as a result of the Brexit will be assessed once the terms of the United Kingdom's departure from the European Union are known.

2.1.2. EQUITY PORTFOLIO

As of December 31, 2017, Vivendi held a portfolio of listed non-controlling equity interests, mainly in Telecom Italia, Mediaset, Ubisoft, Telefonica and Fnac Darty. As of that date, this equity portfolio represented an aggregate market value of approximately €6.4 billion (before taxes), compared to €6.1 billion as of December 31, 2016: please refer to Notes 11 and 12 to the Consolidated Financial Statements for the year ended December 31, 2017.

As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), the value of Vivendi's portfolio of listed non-controlling equity interests amounted to approximately €6.2 billion (before taxes).

2.2. CHANGES IN LIQUIDITY

(in millions of euros)	Cash and cash equivalents	Value of borrowings at amortized cost and other financial items (a)	Financial Net Debt / (Net Cash Position)
(Net Cash Position) as of December 31, 2016	**(4,072)**	**2,841**	**(1,231)**
Outflows / (inflows):			
Operating activities	(1,690)	-	(1,690)
Investing activities	2,939	1,546	4,485
Financing activities	827	(106)	721
Foreign currency translation adjustments	45	10	55
Financial Net Debt as of December 31, 2017	**(1,951)**	**4,291**	**2,340**

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

As of December 31, 2017, Vivendi's Financial Net Debt amounted to €2,340 million, compared to a Net Cash Position of €1,231 million as of December 31, 2016, a -€3,571 million change mainly attributable to the following transactions:

- -€3,998 million (including the financial transaction tax) related to the acquisition of Havas, including (i) the acquisition of Bolloré Group's majority interest in Havas on July 3, 2017 (€2,324 million), (ii) the simplified tender offer that ran from September 21 until October 4, 2017 (€1,389 million), (iii) the additional purchase of 1.56% of Havas's share capital on October 11, 2017 (€61 million), (iv) the public buyout offer for the remaining Havas shares that ran from November 30 until December 13, 2017 followed by a mandatory squeeze-out (€151 million), and (v) the consolidation of the Financial Net Debt of Havas as of July 3, 2017 (€73 million);
- -€487 million related to other investments made in 2017, which mainly included capital expenditures for €259 million, the payment of a €70 million deposit as part of an agreement to purchase a piece of land on the île Seguin in the Parisian suburb Boulogne-Billancourt and the acquisition of additional Ubisoft shares for €38 million; and
- -€721 million related to financial activities, primarily the dividend paid in May 2017 with respect to fiscal year 2016 for €499 million and the share repurchase program for €203 million.

These outflows were partially offset by the net cash provided by operating activities (after taxes) for €1,690 million.

2.3. CASH FLOW FROM OPERATIONS ANALYSIS

PRELIMINARY COMMENT

"Cash flow from operations" (CFFO) and "cash flow from operations after interest and taxes" (CFAIT), 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)	2017	2016	% Change
Revenues	12,444	10,819	+15.0%
Operating expenses excluding depreciation and amortization	(11,049)	(9,688)	-14.0%
	1,395	***1,131***	***+23.4%***
Restructuring charges paid	(73)	(99)	+26.2%
Content investments, net	(317)	(55)	x 5.8
Of which payments to artists and repertoire owners, net at UMG:			
Payments	*(834)*	*(626)*	*-33.2%*
Recoupment and other	*691*	*673*	*+2.8%*
	(143)	***47***	***na***
Of which film and television rights, net at Canal+ Group:			
Acquisition paid	*(615)*	*(646)*	*+4.8%*
Consumption	*708*	*742*	*-4.6%*
	93	***96***	***-3.2%***
Of which sports rights, net at Canal+ Group:			
Acquisition paid	*(911)*	*(850)*	*-7.3%*
Consumption	*941*	*890*	*+5.7%*
	30	***40***	***-27.2%***
Neutralization of change in provisions included in operating expenses	(30)	(40)	+24.6%
Other cash operating items	(3)	(1)	x 2.7
Other changes in net working capital	247	(7)	na
Net cash provided by/(used for) operating activities before income tax paid	***1,219***	***929***	***+31.3%***
Dividends received from equity affiliates and unconsolidated companies	29	33	-11.4%
Capital expenditures, net (capex, net)	(259)	(233)	-11.4%
Cash flow from operations (CFFO)	**989**	**729**	**+35.7%**
Interest paid, net	(53)	(40)	-32.7%
Other cash items related to financial activities	(61)	(77)	+21.1%
Income tax (paid)/received, net	471	(271)	na
Cash flow from operations after interest and income tax paid (CFAIT)	**1,346**	**341**	**x 3.9**

na: not applicable.

2.3.1. CHANGES IN CASH FLOW FROM OPERATIONS (CFFO)

In 2017, cash flow from operations (CFFO) generated by the group's business segments amounted to €989 million (compared to €729 million in 2016), a €260 million increase (+35,7%). This change notably resulted from the consolidation of Havas on July 3, 2017 (+€308 million), as well as the operating performance of Universal Music Group and the recovery of Canal+ Group. EBITDA net of the change in working capital has improved (+€518 million, including Havas +€327 million, Universal Music Group +€132 million and Canal+ Group +€128 million), offset by the increase in content investments (-€327 million, including Universal Music Group -€199 million and Canal+ Group -€155 million, notably due to Studiocanal).

2.3.2. CASH FLOW FROM OPERATIONS (CFFO) BY BUSINESS SEGMENT

	Year ended December 31,		
(in millions of euros)	2017	2016	% Change
Cash flow from operations (CFFO)			
Universal Music Group	646	663	-2.6%
Canal+ Group	238	244	-2.6%
Havas	308	-	na
Gameloft	7	14	na
Vivendi Village	(20)	(26)	
New Initiatives	(90)	(73)	
Corporate	(100)	(93)	
Total Vivendi	**989**	**729**	**+35.7%**

na: not applicable

2.3.3. CHANGES IN CASH FLOW FROM OPERATIONS AFTER INTEREST AND INCOME TAX PAID (CFAIT)

In 2017, cash flow from operations after interest and income tax paid (CFAIT) represented a €1,346 million net inflow, compared to a €341 million net inflow in 2016, i.e., an improvement of €1,005 million. In addition to the increase in cash flow from operations (CFFO), this improvement mainly resulted from the favorable change in cash flow related to income taxes.

Cash flow related to income taxes amounted to a €471 million net inflow, compared to a €271 million net outflow in 2016, i.e., an improvement of €742 million. In 2017, it notably included a €346 million inflow received on April 18, 2017 as part of the settlement of a litigation related to the foreign tax receivables utilized by Vivendi SA in fiscal year 2012, as well as a €223 million inflow corresponding to the refund to Vivendi SA of the amounts paid with respect to the 3% tax on dividend distributions following the decision of the French Constitutional Council dated October 6, 2017 ruling that this tax contribution is unconstitutional. In addition, the payment relating to the 3% tax on dividends paid by Vivendi SA decreased by €70 million (€8 million, compared to €78 million in 2016). In 2017, cash flow related to income taxes also included a €136 million refund of tax installments paid in 2016 under the French Tax Group System for fiscal year 2016.

Financial activities generated a €114 million net outflow, compared to a €117 million net outflow in 2016, i.e., a decrease of €3 million. They mainly included cash outflows generated by foreign exchange risk hedging instruments for -€52 million notably as a result of the depreciation of the dollar (USD) against the euro, compared to -€60 million in 2016 which period also included the depreciation of the British pound (GBP) against the euro following the announcement of Brexit. In addition, net interest paid increased by €13 million (€53 million, compared to €40 million in 2016).

2.3.4. RECONCILIATION OF CFAIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Year ended December 31,	
(in millions of euros)	2017	2016
Cash flow from operations after interest and income tax paid (CFAIT)	**1,346**	**341**
Adjustments		
Capital expenditures, net (capex, net)	259	233
Dividends received from equity affiliates and unconsolidated companies	(29)	(33)
Interest paid, net	53	40
Other cash items related to financial activities	61	77
Net cash provided by operating activities (a)	**1,690**	**658**

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

2.4. ANALYSIS OF INVESTING AND FINANCING ACTIVITIES

2.4.1. INVESTING ACTIVITIES

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2017
Financial investments		
Acquisition of Havas	2	(3,354)
Of which acquisition of Bolloré Group's majority interest in Havas		*(2,324)*
acquisition of Havas shares as part of the simplified tender offer		*(1,389)*
additional purchase of 1.56% of Havas's share capital		*(61)*
acquisition of Havas shares as part of the public buyout offer followed by a mandatory squeeze-out		*(151)*
cash and cash equivalents acquired from Havas (a)		*571*
Deposit paid as part of a land purchase agreement in Boulogne-Billancourt	22	(70)
Acquisition of Ubisoft shares		(38)
Acquisition of the remaining interest in Dailymotion	22	(26)
Acquisition of cash management financial assets	14	(50)
Other		(147)
Total financial investments		***(3,685)***
Financial divestments		
Disposal of cash management financial assets	14	953
Partial redemption of the ORAN 1 by Banijay Group	11	39
Other		(16)
Total financial divestments		***976***
Dividends received from equity affiliates and unconsolidated companies		29
Capital expenditures, net	3	(259)
Net cash provided by/(used for) investing activities (b)		**(2,939)**

(a) The Financial Net Debt of Havas acquired by Vivendi on July 3, 2017 amounted to €73 million (please refer to Section 2.2).
(b) As presented in the Consolidated Statement of Cash Flows.

2.4.2. FINANCING ACTIVITIES

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2017
Transactions with shareowners		
Distribution to Vivendi SA's shareowners	15	(499)
Sale/(purchase) of Vivendi SA's treasury shares	15	(203)
Capital increase subscribed by employees as part of the Stock Purchase Plan	18	68
Exercise of stock options by executive management and employees	18	84
Other		(50)
Total transactions with shareowners		***(600)***
Transactions on borrowings and other financial liabilities		
Issuance of bonds	19	850
Redemption of bonds	19	(750)
Issuance / (redemption) of short-term marketable securities	19	(100)
Interest paid, net	5	(53)
Other		(174)
Total transactions on borrowings and other financial liabilities		***(227)***
Net cash provided by/(used for) financing activities (a)		**(827)**

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

3. Outlook

Dividend

Vivendi's Supervisory Board approved the Management Board's proposal to pay an ordinary dividend of €0.45 per share with respect to fiscal year 2017, up 12.5%, representing a return of approximately 2%. This proposed dividend will be submitted to the Annual General Shareholders' Meeting to be held on April 19, 2018 for approval.

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 of Vivendi, including the impact of certain transactions, 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, the risks related to antitrust and other regulatory approvals, and to any other approvals which may be required in connection with certain transactions, as well as the risks described in the documents of the group 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

QUARTERLY REVENUES, INCOME FROM OPERATIONS AND EBITA BY BUSINESS SEGMENT

	2017			
(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	1,284	1,382	1,319	1,688
Canal+ Group	1,278	1,290	1,257	1,421
Havas	-	-	525	626
Gameloft	68	62	63	65
Vivendi Village	26	30	25	28
New Initiatives	10	13	11	17
Elimination of intersegment transactions	(3)	(3)	(16)	(22)
Total Vivendi	**2,663**	**2,774**	**3,184**	**3,823**
Income from operations				
Universal Music Group	141	170	161	326
Canal+ Group	51	135	174	7
Havas	-	-	44	91
Gameloft	4	(2)	1	7
Vivendi Village	(4)	(3)	(1)	2
New Initiatives	(16)	(22)	(20)	(29)
Corporate	(23)	(30)	(19)	(29)
Total Vivendi	**153**	**248**	**340**	**375**
EBITA				
Universal Music Group	134	152	156	319
Canal+ Group	57	114	155	(8)
Havas	-	-	34	77
Gameloft	3	(4)	1	4
Vivendi Village	(4)	(5)	(10)	1
New Initiatives	(16)	(22)	(21)	(33)
Corporate	(25)	(32)	(22)	(18)
Total Vivendi	**149**	**203**	**293**	**342**

	2016			
(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	1,119	1,196	1,308	1,644
Canal+ Group	1,328	1,311	1,263	1,351
Gameloft	-	-	63	69
Vivendi Village	25	29	24	33
New Initiatives	30	28	18	27
Elimination of intersegment transactions	(11)	(11)	(8)	(17)
Total Vivendi	**2,491**	**2,553**	**2,668**	**3,107**
Income from operations				
Universal Music Group	102	115	174	296
Canal+ Group	164	133	142	(136)
Gameloft	-	-	4	6
Vivendi Village	(4)	(4)	(1)	2
New Initiatives	(9)	(8)	(8)	(19)
Corporate	(25)	(24)	(21)	(26)
Total Vivendi	**228**	**212**	**290**	**123**
EBITA				
Universal Music Group	79	98	176	291
Canal+ Group	169	119	139	(187)
Gameloft	-	-	2	5
Vivendi Village	-	(4)	(5)	-
New Initiatives	(10)	(14)	(11)	(21)
Corporate	(25)	(25)	(24)	(28)
Total Vivendi	**213**	**174**	**277**	**60**

III - Audited Consolidated Financial Statements for the year ended December 31, 2017

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

OPINION

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying consolidated financial statements of Vivendi for the year ended December 31, 2017.

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 December 31, 2017 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 January 1, 2017 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 (*Code de déontologie*) for statutory auditors.

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, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of goodwill (notes 1.3.5.2, 1.3.5.7 and 9 to the consolidated accounts)

<table>
<tr><th>Key audit matter</th><th>Our response</th></tr>
<tr><td>
As at 31 December 2017, goodwill is recorded in the balance sheet for a net carrying amount of €12,084 million, for a total balance sheet of €34,333 million. It has been allocated to the cash generating units (CGUs) of the activities into which the companies acquired have been integrated.
Each year, Management ensures that the carrying amount of the goodwill does not exceed its recoverable amount and does not present any risk of impairment. The impairment test methods thus implemented by Management are described in the notes to the consolidated accounts; they involve a significant amount of judgements and assumptions, notably concerning:

Future cash flow forecasts;
Perpetual growth rates used for projected flows;
Discount rates (WACC) applied to estimated cash flows.

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.
We consider the valuation of goodwill to be a key audit matter due to (i) its materiality in the group's accounts, (ii) the judgements and assumptions required to determine its recoverable amount, based on forecasts of discounted cash flows whose outcome is, by nature, uncertain.
</td><td>
We analyzed the compliance of the methods adopted by the company with the accounting standards in force, in particular concerning the determination of the cash generating units (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 where the carrying amount is close to the estimated recoverable amount, those where 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 the company and discussed with Management so as to gain an understanding of the experts' scope of action.
We took note of the key assumptions used for all the CGUs or groups of CGUs and:

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) as presented to the Supervisory Board within the scope of the budget process;
compared the perpetual growth rates used for the projected flows with market analyses and the consensus of the main professionals concerned.

We compared the discount rates used (WACC) with our internal database, accompanied when necessary by our financial valuation specialists.
We obtained and reviewed the sensitivity analyses performed by Management, which we compared with our own calculations to verify that only an unreasonable variation in the assumptions would require the recognition of goodwill impairment.
Lastly, we verified that the notes to the consolidated accounts provided the appropriate disclosures.
</td></tr>
</table>

Valuation of the Telecom Italia equity affiliate (notes 1.3.2 and 11.2 to the consolidated accounts)

Key audit matter	Our response
The Telecom Italia equity-accounted investment amount to €4,256 million as at 31 December 2017. At year-end, the 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 accounts. The recoverable amount has been estimated using usual valuation methods (discounted cash flows; market comparables model). Vivendi used the services of an expert to evaluate the recoverable amount of this asset. In particular, given the volatility observed in the stock market performance of Telecom Italia during the last financial year and the income from equity affiliates received by Vivendi each year in respect of its holding, we consider that the assessment of this equity-accounted investment represents a key audit matter.	We obtained the documentation relating to the valuation of Telecom Italia. We assessed the competence of the expert appointed by the company and discussed with Management in order to gain an understanding of the expert's scope of action. With the assistance of our valuation specialists: ➜ we took note of the models and key assumptions used to determine discounted cash flows (long-term growth rate, forecast margin rate, discount rate), comparing these items with the information in our internal databases; ➜ we took note of the market multiples used to assess the relevance of the estimates resulting from the discounted cash flows method, comparing these items with market practice and data. For this class of asset, we verified that the notes to the consolidated accounts provided the appropriate disclosure.

Recognition and valuation of listed and non-listed equity securities (notes 1.3.5.8 and 12 to the consolidated accounts)

Key audit matter	Our response
Listed and non-listed equity securities amount to €4,115 million as at 31 December 2017. Unrealized gains and losses on available-for-sale financial assets are accounted for in other income and expenses recognized directly in shareholders' equity until the financial asset is sold, collected or otherwise derecognized, or when there is an objective indication that the financial asset has lost all or part of its value, date at which the cumulative gain or loss, recorded until then in other income and expenses recognized directly in shareholders' equity, is transferred to other financial income and expenses in the profit and loss account. These assets are recognized at the closing market price. It is up to Management to identify any potential impairment losses and, where applicable, to recognize a corresponding amount through profit or loss, if it considers these capital losses to be significant or prolonged. We therefore consider that the method of accounting for variations in the fair value of available-for-sale assets constitutes a key audit matter.	In the particular case of available-for-sale assets measured at fair value, we verified that the value recorded in the accounts corresponded to the valuation of the securities held at the closing market price when said securities were listed on an organized market. In addition, we studied Management's analyses justifying the recognition of unrealized gains or losses relating to these assets, via shareholders' equity or profit and loss in the event of a material or long-term impairment loss. For this class of asset, we verified that the notes to the consolidated accounts provide the appropriate disclosure.

Assessment of the nature of the influence exercised over Telecom Italia with regard to IFRS 10 (note 2.2 to the consolidated accounts)

Key audit matter	Our response
The Group holds 17.2% of the capital and 23.94% of the voting rights of Telecom Italia as at 31 December 2017. Vivendi has opted for the equity method to account for this holding in Telecom Italia, as it considers that it does not exercise any de facto control over the company within the meaning of IFRS 10. We consider that the assessment of whether there is de facto control within the meaning of IFRS 10, a determining factor in the choice of method to account for this holding, is a key audit matter, due to the particularly significant impact that the integration of Telecom Italia's accounts would have on the presentation of the consolidated accounts and the consolidated financial aggregates as at 31 December 2017, if this company were to be fully consolidated.	We obtained the documentation prepared by the Group and the analyses performed by its advisers to justify, as at 31 December 2017, the significant influence exercised by Vivendi over Telecom Italia. Accompanied by our own specialists, we analyzed the arguments of Management and its advisers, as well as the de jure and de facto elements observed, in particular the following elements taken as a whole: ➜ the judicial decisions; ➜ the shareholder structure of Telecom Italia; ➜ the methods of governance, the percentage of votes cast at general meetings of shareholders and the nature of the relationships established between Vivendi and Telecom Italia; ➜ the decision of the Consob of 13 September 2017; ➜ the impact of the decrees issued by the Italian Government on 16 October and 2 November 2017; to confirm that Vivendi did not possess effective rights giving it the ability to direct the relevant activities of Telecom Italia, and therefore confirm the application of the equity method as at 31 December 2017.

Analysis of the disputes, in particular with Mediaset and with the former minority shareholders (notes 1.3.8, 1.5, 6.5, 16, 22.4 and 23 to the consolidated accounts)

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 stemming from its development strategy. Consequently, the Group exercises its judgement in assessing the risks run relative to the disputes with Mediaset 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 this subject to be a key audit matter given the amounts at stake and the level of judgement required for the determination of the provisions.	Our work notably consisted in reviewing the procedures implemented by the Group to identify and list all the risks. In particular, we analyzed all the information made available to us, including, when applicable, written confirmations from external advisors mandated by the company, relating to (i) the dispute between the Vivendi Group and the Mediaset Group and its shareholders and (ii) the dispute between the Vivendi Group and certain foreign institutional investors concerning alleged harm resulting from the financial communication of Vivendi and its former CEO between 2000 and 2002. We examined the estimates of the risk assessed by the Group and verified that they were consistent with the information made available to us by the Group's advisers. In addition, we analyzed the lawyers' answers received concerning these disputes. Finally, we verified the information concerning these risks disclosed in the notes to the consolidated accounts.

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Management Board.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Vivendi by the Annual General meeting held on April 25, 2017 for DELOITTE & ASSOCIES and on June 15, 2000 for ERNST & YOUNG et Autres.

As at December 31, 2017, DELOITTE & ASSOCIES and ERNST & YOUNG et Autres were in the 1st year and 18th 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 risks 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

Objectives 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 (*Code de commerce*), 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, if any, significant deficiencies 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 such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) 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.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2018

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIÉS
Jean Paul Séguret

ERNST & YOUNG et Autres
Jacques Pierres

CONSOLIDATED STATEMENT OF EARNINGS

		Year ended December 31,	
	Note	2017	2016
Revenues	4	**12,444**	**10,819**
Cost of revenues	4	(7,210)	(6,829)
Selling, general and administrative expenses		(4,281)	(3,395)
Restructuring charges	3	(88)	(94)
Impairment losses on intangible assets acquired through business combinations	3	(2)	(23)
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States	23	27	240
Income from equity affiliates	11	146	169
Earnings before interest and income taxes (EBIT)	3	**1,036**	**887**
Interest	5	(53)	(40)
Income from investments		29	47
Other financial income	5	43	692
Other financial charges	5	(143)	(254)
		(124)	***445***
Earnings before provision for income taxes		**912**	**1,332**
Provision for income taxes	6	349	(77)
Earnings from continuing operations		**1,261**	**1,255**
Earnings from discontinued operations		-	20
Earnings		**1,261**	**1,275**
Of which			
Earnings attributable to Vivendi SA shareowners		**1,228**	**1,256**
Non-controlling interests		33	19
Earnings attributable to Vivendi SA shareowners per share – basic	7	**0.98**	**0.99**
Earnings attributable to Vivendi SA shareowners per share – diluted	7	0.95	0.95

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

Note: Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28, respectively.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
(in millions of euros)	Note	2017	2016
Earnings		**1,261**	**1,275**
Actuarial gains/(losses) related to employee defined benefit plans, net		29	(80)
Actuarial gains/(losses) related to employee defined benefit plans of equity affiliates		14	(15)
Items not reclassified to profit or loss		**43**	**(95)**
Foreign currency translation adjustments		(848)	43
Unrealized gains/(losses), net		685	(217)
Comprehensive income from equity affiliates, net	11	(46)	128
Other impacts, net		(40)	14
Items to be subsequently reclassified to profit or loss		**(249)**	**(32)**
Charges and income directly recognized in equity	8	**(206)**	**(127)**
TOTAL COMPREHENSIVE INCOME		**1,055**	**1,148**
Of which			
Total comprehensive income attributable to Vivendi SA shareowners		**1,014**	**1,122**
Total comprehensive income attributable to non-controlling interests		41	26

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euros)	Note	December 31, 2017	December 31, 2016
ASSETS			
Goodwill	9	12,084	10,987
Non-current content assets	10	2,087	2,169
Other intangible assets		440	310
Property, plant and equipment		930	671
Investments in equity affiliates	11	4,540	4,416
Non-current financial assets	12	4,583	3,900
Deferred tax assets	6	619	752
Non-current assets		**25,283**	**23,205**
Inventories		177	123
Current tax receivables	6	406	536
Current content assets	10	1,160	1,054
Trade accounts receivable and other	13	5,218	2,273
Current financial assets	12	138	1,102
Cash and cash equivalents	14	1,951	4,072
Current assets		**9,050**	**9,160**
TOTAL ASSETS		**34,333**	**32,365**
EQUITY AND LIABILITIES			
Share capital		7,128	7,079
Additional paid-in capital		4,341	4,238
Treasury shares		(670)	(473)
Retained earnings and other		6,857	8,539
Vivendi SA shareowners' equity		**17,656**	**19,383**
Non-controlling interests		222	229
Total equity	15	**17,878**	**19,612**
Non-current provisions	16	1,515	1,785
Long-term borrowings and other financial liabilities	19	4,263	2,977
Deferred tax liabilities	6	589	726
Other non-current liabilities		226	126
Non-current liabilities		**6,593**	**5,614**
Current provisions	16	412	356
Short-term borrowings and other financial liabilities	19	373	1,104
Trade accounts payable and other	13	9,001	5,614
Current tax payables	6	76	65
Current liabilities		**9,862**	**7,139**
Total liabilities		**16,455**	**12,753**
TOTAL EQUITY AND LIABILITIES		**34,333**	**32,365**

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, 2017	2016
Operating activities			
EBIT	4	1,036	887
Adjustments	20	253	104
Content investments, net		(317)	(55)
Gross cash provided by operating activities before income tax paid		***972***	***936***
Other changes in net working capital		247	(7)
Net cash provided by operating activities before income tax paid		***1,219***	***929***
Income tax (paid)/received, net	6.2	471	(271)
Net cash provided by operating activities		**1,690**	**658**
Investing activities			
Capital expenditures	3	(261)	(235)
Purchases of consolidated companies, after acquired cash	2	(3,481)	(553)
Investments in equity affiliates	11	(2)	(772)
Increase in financial assets	12	(202)	(2,759)
Investments		***(3,946)***	***(4,319)***
Proceeds from sales of property, plant, equipment and intangible assets	3	2	2
Proceeds from sales of consolidated companies, after divested cash		(5)	3
Disposal of equity affiliates		-	1
Decrease in financial assets	12	981	1,967
Divestitures		***978***	***1,973***
Dividends received from equity affiliates	11	6	8
Dividends received from unconsolidated companies	12	23	25
Net cash provided by/(used for) investing activities		**(2,939)**	**(2,313)**
Financing activities			
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	18	152	81
Sales/(purchases) of Vivendi SA's treasury shares	15	(203)	(1,623)
Distributions to Vivendi SA's shareowners	15	(499)	(2,588)
Other transactions with shareowners		(10)	(3)
Dividends paid by consolidated companies to their non-controlling interests		(40)	(34)
Transactions with shareowners		***(600)***	***(4,167)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	19	855	2,101
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		(8)	(16)
Principal payment on short-term borrowings	19	(1,024)	(557)
Other changes in short-term borrowings and other financial liabilities	19	64	260
Interest paid, net	5	(53)	(40)
Other cash items related to financial activities		(61)	(77)
Transactions on borrowings and other financial liabilities		***(227)***	***1,671***
Net cash provided by/(used for) financing activities		**(827)**	**(2,496)**
Foreign currency translation adjustments of continuing operations		(45)	(2)
Change in cash and cash equivalents		**(2,121)**	**(4,153)**
Cash and cash equivalents			
At beginning of the period	14	4,072	8,225
At end of the period	14	1,951	4,072

Note: Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28, respectively.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

		Capital					Retained earnings and other			
		Common shares								
(in millions of euros, except number of shares)	Note	*Number of shares (in thousands)*	Share capital	Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	Total equity
BALANCE AS OF DECEMBER 31, 2016		**1,287,088**	**7,079**	**4,238**	**(473)**	**10,844**	**8,004**	**764**	**8,768**	**19,612**
Attributable to Vivendi SA shareowners		*1,287,088*	*7,079*	*4,238*	*(473)*	*10,844*	*7,748*	*791*	*8,539*	*19,383*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*256*	*(27)*	*229*	*229*
Contributions by/distributions to Vivendi SA shareowners		***8,971***	**49**	**103**	**(197)**	**(45)**	**(481)**	**-**	**(481)**	**(526)**
Sales/(purchases) of treasury shares	15	-	-	-	(203)	(203)	-	-	-	(203)
Dividend paid on May 4, 2017 with respect to fiscal year 2016 (€0.40 per share)	15	-	-	-	-	-	(499)	-	(499)	(499)
Capital increase related to share-based compensation plans	18	8,971	49	103	6	158	18	-	18	176
Of which employee Stock Purchase Plans (July 25, 2017)		*4,160*	*23*	*45*	-	*68*	-	-	-	*68*
exercise of stock-options by executive management and employees		*4,811*	*26*	*58*	-	*84*	-	-	-	*84*
Changes in Vivendi SA's ownership interest related to a combination of businesses under common control		**-**	**-**	**-**	**-**	**-**	**(2,155)**	**(65)**	**(2,220)**	**(2,220)**
Acquisition of Havas	2.1	-	-	-	-	-	(2,155)	(65)	(2,220)	(2,220)
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**	**4**
Changes in equity attributable to Vivendi SA shareowners (A)		***8,971***	**49**	**103**	**(197)**	**(45)**	**(2,632)**	**(65)**	**(2,697)**	**(2,742)**
Contributions by/distributions to non-controlling interests		-	-	-	-	-	(34)	-	(34)	(34)
Changes in non-controlling interests related to a combination of businesses under common control		-	-	-	-	-	(4)	(4)	(8)	(8)
Recognition of Havas's non-controlling interests		-	-	-	-	-	*19*	*(4)*	*15*	*15*
Changes in non-controlling interests that result in a gain/(loss) of control		-	-	-	-	-	(5)	-	(5)	(5)
Changes in equity attributable to non-controlling interests (B)		**-**	**-**	**-**	**-**	**-**	**(43)**	**(4)**	**(47)**	**(47)**
Earnings		-	-	-	-	-	1,261	-	1,261	1,261
Charges and income directly recognized in equity	8	-	-	-	-	-	(41)	(165)	(206)	(206)
Total comprehensive income (C)		**-**	**-**	**-**	**-**	**-**	**1,220**	**(165)**	**1,055**	**1,055**
Total changes over the period (A+B+C)		***8,971***	***49***	***103***	***(197)***	***(45)***	***(1,455)***	***(234)***	***(1,689)***	***(1,734)***
Attributable to Vivendi SA shareowners		*8,971*	*49*	*103*	*(197)*	*(45)*	*(1,442)*	*(240)*	*(1,682)*	*(1,727)*
Attributable to non-controlling interests		-	-	-	-	-	*(13)*	*6*	*(7)*	*(7)*
BALANCE AS OF DECEMBER 31, 2017		***1,296,059***	**7,128**	**4,341**	**(670)**	**10,799**	**6,549**	**530**	**7,079**	**17,878**
Attributable to Vivendi SA shareowners		*1,296,059*	*7,128*	*4,341*	*(670)*	*10,799*	*6,306*	*551*	*6,857*	*17,656*
Attributable to non-controlling interests		-	-	-	-	-	*243*	*(21)*	*222*	*222*

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

YEAR ENDED DECEMBER 31, 2016

		Capital					Retained earnings and other			
		Common shares								
(in millions of euros, except number of shares)	Note	*Number of shares (in thousands)*	Share capital	Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	Total equity
BALANCE AS OF DECEMBER 31, 2015		***1,368,323***	**7,526**	**5,343**	**(702)**	**12,167**	**8,014**	**905**	**8,919**	**21,086**
Attributable to Vivendi SA shareowners		*1,368,323*	*7,526*	*5,343*	*(702)*	*12,167*	*7,764*	*923*	*8,687*	*20,854*
Attributable to non-controlling interests		-	-	-	-	-	*250*	*(18)*	*232*	*232*
Contributions by/distributions to Vivendi SA shareowners		***(81,235)***	**(447)**	**(1,105)**	**229**	**(1,323)**	**(1,269)**	**-**	**(1,269)**	**(2,592)**
Capital reduction through cancellation of treasury shares (June 17, 2016)		*(86,875)*	(478)	(1,154)	1,632	-	-	-	-	-
Sales/(purchases) of treasury shares	15	-	-	-	(1,409)	(1,409)	(4)	-	(4)	(1,413)
Distribution to shareowners (balance of the dividend paid on April 28, 2016 with respect to fiscal year 2015)		-	-	-	-	-	(1,270)	-	(1,270)	(1,270)
Capital increase related to share-based compensation plans	18	*5,640*	31	49	6	86	5	-	5	91
Of which employee Stock Purchase Plans (July 28, 2016)		*4,870*	*27*	*44*	-	*71*	-	-	-	*71*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		-	-	-	-	-	**(2)**	-	**(2)**	**(2)**
Changes in equity attributable to Vivendi SA shareowners (A)		***(81,235)***	**(447)**	**(1,105)**	**229**	**(1,323)**	**(1,271)**	**-**	**(1,271)**	**(2,594)**
Contributions by/distributions to non-controlling interests		-	-	-	-	-	(35)	-	(35)	(35)
Changes in non-controlling interests that result in a gain/(loss) of control		-	-	-	-	-	7	-	7	7
Changes in equity attributable to non-controlling interests (B)		-	-	-	-	-	**(28)**	-	**(28)**	**(28)**
Earnings		-	-	-	-	-	1,275	-	1,275	1,275
Charges and income directly recognized in equity	8	-	-	-	-	-	14	(141)	(127)	(127)
Total comprehensive income (C)		-	-	-	-	-	**1,289**	**(141)**	**1,148**	**1,148**
Total changes over the period (A+B+C)		***(81,235)***	***(447)***	***(1,105)***	***229***	***(1,323)***	***(10)***	***(141)***	***(151)***	***(1,474)***
Attributable to Vivendi SA shareowners		*(81,235)*	*(447)*	*(1,105)*	*229*	*(1,323)*	*(16)*	*(132)*	*(148)*	*(1,471)*
Attributable to non-controlling interests		-	-	-	-	-	*6*	*(9)*	*(3)*	*(3)*
BALANCE AS OF DECEMBER 31, 2016		***1,287,088***	**7,079**	**4,238**	**(473)**	**10,844**	**8,004**	**764**	**8,768**	**19,612**
Attributable to Vivendi SA shareowners		*1,287,088*	*7,079*	*4,238*	*(473)*	*10,844*	*7,748*	*791*	*8,539*	*19,383*
Attributable to non-controlling interests		-	-	-	-	-	*256*	*(27)*	*229*	*229*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Vivendi is a limited liability company (*société anonyme*) incorporated under French law and subject to French commercial company law including 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 engaged in Africa, Poland and Vietnam. Its subsidiary Studiocanal is a leading European player in the production, sale and distribution of movies and TV series. Havas is one of the world's largest global communications group covering all the communications disciplines: creativity, media expertise and healthcare/wellness. Gameloft is a worldwide leader in mobile games, with 2.5 million games downloaded daily. Vivendi Village brings together Vivendi Ticketing (in the United Kingdom, the United States and France), MyBestPro (expert counseling), the companies that own and manage all Paddington intellectual property rights (except for the publishing rights), as well as live performance through the venues L'Olympia and Théâtre de L'Œuvre in Paris and CanalOlympia in Africa, Olympia Production and Festival Production. With 300 million unique users per month, Dailymotion is one of the biggest video content aggregation and distribution platforms in the world.

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 12, 2018, 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, 2017. They were reviewed by the Audit Committee at its meeting held on February 13, 2018 and the Supervisory Board at its meeting held on February 15, 2018.

The Consolidated Financial Statements for the year ended December 31, 2017 will be submitted to Vivendi's shareholders for approval at the Annual General Shareholders' Meeting to be held on April 19, 2018.

NOTE 1. ACCOUNTING POLICIES AND VALUATION METHODS

1.1. COMPLIANCE WITH ACCOUNTING STANDARDS

The 2017 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, 2017.

The new IFRS standards and IFRIC interpretations applicable from January 1, 2017, have no significant impact on the Consolidated Financial Statements of Vivendi.

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 those financing activities, discontinued or held for sale operations, and income taxes).

The charges and income related 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 presentation of its Consolidated Statement of Earnings as from January 1, 2017:

- income from equity affiliates is reclassified to "Earnings Before Interest and Income Taxes" (EBIT), given that the companies over which Vivendi exercises a significant influence engage in operations that are similar in nature to the group's operations. For the year ended December 31, 2016, this reclassification applies to a net income of €169 million; 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. For the year ended December 31, 2016, the reclassification applies to a net income of €476 million.

Moreover, the impacts of transactions with shareowners (except when directly recognized in equity), in particular the €240 million reversal of reserve recorded as of December 31, 2016 relating to the Liberty Media litigation in the United States, continue to be recorded in EBIT.

In accordance with IAS 1, Vivendi has applied these changes in presentation to all periods previously published. Taking into account these reclassifications, EBIT for the year ended December 31, 2016 amounted to €887 million (compared to €1,194 million as published in 2016). The reconciliations to previously published financial data are provided in Note 28.

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), 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;
- income from equity affiliates; and
- other income and charges related to transactions with shareowners, which include gains and losses recognized in business combinations, as well as gains or losses incurred from the gain or loss of control in a business.

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 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 provides a better illustration of the underlying performance of continuing operations by excluding most non-recurring and non-operating items. Adjusted net income includes the following items:

- EBITA (2);income from equity affiliates (1);
- interest (1), equal to interest expense on borrowings net of interest income earned on cash and cash equivalents;
- income from investments (1), 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 (2) as well as impairment losses on goodwill and other intangibles acquired through business combinations (1) (2);
- other income and charges related to transactions with shareowners (1), as defined above;
- other financial charges and income (1), equal to capital gains or losses related to divestitures, or the depreciation of equity affiliates and other financial investments, 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 (1); 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).

(1) Items as presented in the Consolidated Statement of Earnings.
(2) 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. The CFFO includes net cash provided by operating activities, before income tax paid, as presented in the Statement of Cash Flows, as well as dividends received from equity affiliates and unconsolidated companies. 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 have been made to the 2016 and 2015 Consolidated Financial Statements to conform to the presentation of the 2017 and 2016 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, for which 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);
- 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 16);
- 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 17);
- 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 18);
- deferred taxes: estimates concerning 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);
- goodwill and other intangible assets: valuation methods adopted for the identification of 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 are updated annually relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates (please refer to Notes 1.3.5.7 and 9);
- UMG content assets: estimates of the future performance of beneficiaries who were granted advances are recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10); and
- certain financial instruments: valuation method at fair value defined according to the three following classification levels (please refer to Notes 1.3.5.8, 1.3.7, 12, 14 and 19):
  - 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 within Level 1); and
  - Level 3: fair value measurement based on valuation techniques that use 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 approximation of fair value, due to the short maturity of these instruments.

1.3.2. Principles of consolidation

A list of Vivendi's major subsidiaries, joint ventures and associated entities is provided in Note 24.

Consolidation

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

Control as defined by IFRS 10 – *Consolidated. Financial Statements* is based on the following three criteria to be fulfilled simultaneously to conclude that 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., they shall be exercisable at any time without limitation, particularly during decision making related to significant activities. The 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. 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 does not change within the economic entity. 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 refer 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 from operations and associated costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the group and when they can be reliably measured. Revenues are reported net of discounts.

1.3.4.1. Universal Music Group (UMG)

Recorded music

Revenues from the physical sale of recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.5) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

Revenues from the digital sale of recorded music, for which UMG has sufficient, accurate, and reliable data from certain distributors, are recognized based on their estimate at the end of the month in which those sales were made to the final customer. In the absence of such data, revenues are recognized upon notification by the distribution platform (on-line or mobile music distributor) to UMG of a sale to the final customer.

Music publishing

Revenues from the third-party use of copyright on musical compositions owned or administered by UMG are recognized when royalty statements are received and collectability is assured.

Costs of revenues

Costs of revenues include manufacturing and distribution costs, royalty and copyright expenses, artists' costs, recording costs, and direct overheads. Selling, general and administrative expenses primarily include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.

1.3.4.2. Canal+ Group

Pay and free-to-air television

Revenues from television subscription services for terrestrial, satellite or cable pay-television platforms are recognized over the service period, net of gratuities granted. Revenues from advertising are recognized over the period during which the advertising commercials are broadcast. Revenues from ancillary services (such as interactive or video-on-demand services) are recognized when the service is rendered. Subscriber management and acquisition costs, as well as television distribution costs, are included in selling, general and administrative expenses.

Equipment rentals

IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* applies to equipment for which a right of use is granted. Equipment lease revenues are generally recognized on a straight-line basis over the life of the lease agreement.

Film and television programming

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and free-to-air or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.5) and rebates, are recognized upon shipment and availability of the product for retail sale. Amortization of capitalized film and television production and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in costs of revenues.

1.3.4.3. Havas

Revenues from Havas derive substantially from fees and commissions for its advice and services in the fields of communications, media strategy, media planning and media buying.

Commissions are recognized at the date that the service is performed (net of costs incurred for production) or at the date the media is aired or published. In the case of long-term contracts, commissions are billed as and when services are rendered.

Fees are recognized in revenue as follows:

- one-off or project fees are recognized when the service is performed;
- fixed fees are generally recognized on a straight-line basis reflecting the expected duration of the service; and
- fees based on time spent are recognized as work is performed.

Some of the contractual arrangements with clients also include performance incentives that entitle Havas to receive additional payments based upon its performance for the client, measured against specified qualitative and quantitative objectives. Havas recognizes the incentive portion of the revenue under these contractual arrangements when these qualitative and quantitative goals are achieved in accordance with the arrangements.

1.3.4.4. Gameloft

Video Games

Revenues from mobile game activity are determined using information from the distribution network (e.g., operators, affiliates and manufacturers) showing the number of downloaded games from their various servers and based on the terms of the contracts.

The accounting method for revenues related to home console game download services (Xbox LIVE Arcade, 3DS, PS Vita and PlayStation(R)Network), the latest generation of set-top boxes and Smart TVs is the same as for mobile game activity.

Revenues from video, mobile and console games are measured at the fair value of the consideration received or receivable, net of VAT and other taxes.

For every contract signed, Gameloft determines whether the company is acting as principal or, on the contrary, as agent. The principal recognizes as revenue the amount invoiced to the final customers, net of service fees rendered by the agent. Determining whether the company is acting as principal or as agent requires an evaluation of the risks and responsibilities taken by the entity during the transaction to deliver the goods or to provide a service.

Cost of sales

Cost of sales includes game hosting and production costs, royalties and costs related to the sale of games based on the various download options.

1.3.4.5. 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 1.3.5.7 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 the end of 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.

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 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.

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future lease payments and of the market value and the related debt is recorded as "Borrowings and other financial liabilities". In general, these assets are amortized on a straight-line basis over their estimated useful life, corresponding to the duration applicable to property, plant and equipment from the same category. Amortization expenses on assets acquired under such leases are included in amortization expenses.

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.

On January 1, 2004, in accordance with IFRS 1, Vivendi decided 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. 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 the 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. Vivendi's CGUs and groups of CGUs are presented in Note 9.

The recoverable amount is determined as the higher of: (i) the value in use; and (ii) the fair value (less costs to sell) as described hereafter, for each individual asset. 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 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 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.

1.3.5.8. 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.

Financial assets at fair value

Financial assets at fair value include available-for-sale securities, 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 public markets, their fair value being calculated by reference to the published market price at 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.

Available-for-sale securities consist of unconsolidated interests and other securities that cannot be classified in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities 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, or until there is objective evidence that the investment is impaired, 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). 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 loans and receivables (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables, and other loans and receivables, and debtors) and held-to-maturity investments (financial assets with fixed or determinable payments and fixed maturity). 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.

1.3.5.9. 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. They 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.

1.3.5.10. Trade accounts receivable

Trade accounts receivable are initially recognized at fair value, which is generally equal to their nominal value. Provisions for the impairment of receivables are specifically valued in each business unit, generally using a default percentage based on the unpaid amounts during a reference period. For the group's businesses which have an economic model based partly or fully on subscription (Canal+ Group), the depreciation rate of trade account receivables is assessed on the basis of historical account receivables from former customers, primarily on a statistical basis. 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.

1.3.5.11. 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 AMF position No. 2011-13, 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.

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 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. 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. 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 in 2015 and 2016, and the means of determining these assumptions, are presented in Note 17. 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 18 for details of the features of these plans and for the status of the plans initially granted by Gameloft S.E. and by Havas.

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.
- 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.
- 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 realized 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 24). 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

Among IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC 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, the main standards which may have an impact on Vivendi are:

Standards which apply mandatorily from January 1, 2018

- IFRS 15 – *Revenue from Contracts with Customers*, was issued by the IASB on May 28, 2014, endorsed by the EU on September 22, 2016, and published in the Official Journal of the EU on October 29, 2016; the main subject of attention for Vivendi relates to the accounting of intellectual property licensing revenues (musical and audiovisual works); subject to the finalization of the analysis of Havas' revenue recognition, of which Vivendi acquired the exclusive control recently, on July 3, 2017, the application of IFRS 15 is expected to have no material impact on Vivendi's Statement of Earnings, aggregate comprehensive income, Statement of Financial Position, and Statement of Cash Flows; and
- IFRS 9 – *Financial Instruments*, was issued by the IASB on July 24, 2014, endorsed by the EU on November 22, 2016 and published in the Official Journal of the EU on November 29, 2016; the only material impact for Vivendi relates to the election of the accounting classification for the equity portfolio held as of December 31, 2017, for each equity interest, in the "fair value through other comprehensive income not reclassified to profit or loss" category, excluding exceptions, considering the removal of the "available-for-sale" category in which these interests are accounted until December 31, 2017.

Standard which will apply mandatorily from January 1, 2019

- IFRS 16 – *Leases*, 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; Vivendi is in the process of determining the potential impact of the application of this standard on the Statement of Earnings, the aggregate comprehensive income, the Statement of Financial Position, the Statement of Cash Flows (presentation), and the content of the Notes to the Consolidated Financial Statements.

NOTE 2. MAJOR EVENTS

2.1. ACQUISITION OF HAVAS

On June 6, 2017, after obtaining positive opinions from the employee representative bodies of Vivendi, Havas and Bolloré, and following completion of the due diligence process, Vivendi entered into a share purchase agreement with Bolloré Group to acquire its majority interest of 59.21% in Havas, subject to approval by the relevant competition authorities.

On July 3, 2017, pursuant to the agreement entered into on June 6, 2017 and following the approval granted by the relevant competition authorities, Vivendi acquired the 59.21% interest in Havas held by Bolloré Group, at a price of €9.25 per share, i.e., €2,324 million (including the financial transaction tax) paid in cash.

In accordance with market regulations, Vivendi launched a simplified tender offer that ran from September 21 until October 4, 2017 for the remaining interest in Havas at a price of €9.25 per share. During this tender offer, Vivendi acquired 149,684,002 additional Havas shares for €1,389 million (including the financial transaction tax) paid in cash. At closing of the simplified tender offer, Vivendi held 94.59% of Havas's share capital.

On October 11, 2017, following receipt of an additional share purchase request made after completion of the simplified tender offer, Vivendi purchased 1.56% of Havas's share capital at a price of €9.25 per share, i.e., €61 million (including the financial transaction tax) paid in cash. Upon completion of this transaction, Vivendi held 96.15% of Havas's share capital.

Due to the sharply reduced free float, Vivendi decided to implement a public buyout offer for Havas shares, followed by a mandatory squeeze-out. During this tender offer that ran from November 30 until December 13, 2017, Vivendi acquired 5,857,556 additional Havas shares on the stock market at a price of €9.25 per share for €54 million (including the financial transaction tax) paid in cash. At closing of the public buyout offer, Vivendi held 97.54% of Havas's share capital.

On December 14, 2017, Havas shares were delisted from Euronext Paris in accordance with Articles 237-1 *et seq.* of the *Autorité des marchés financiers* (AMF) General Regulations (*Règlement général*) and the shares that were tendered into the public buyout offer by the minority shareholders were transferred to Vivendi. As of that date, Vivendi held 100% of Havas's share capital.

Consolidation of Havas by Vivendi

Given that Vivendi acquired exclusive control of Havas from Bolloré Group on July 3, 2017, Vivendi has fully consolidated Havas since that date. Because Vivendi and Havas are both fully consolidated by Bolloré Group, the acquisition of Havas by Vivendi is a combination of businesses under common control, excluded from the scope of IFRS 3 (paragraph 2.c). Vivendi accounted for this combination using the historical carrying values recorded in Havas's Consolidated Financial Statements. The difference between the acquisition price (€3,925 million) and the value of Havas's net assets acquired by Vivendi (€1,705 million) has been recorded as a deduction from Vivendi SA shareowners' equity for €2,220 million, of which (i) €1,318 million following the acquisition of Bolloré Group's 59.21% majority interest on July 3, 2017, (ii) €782 million following the acquisition of a 35.38% interest as part of the simplified tender offer, and (iii) €120 million under the public buyout offer followed by a squeeze-out for 5.41% of Havas's share capital.

Supplementary information related to Havas

For illustrative purposes, pro forma Statements of Earnings for the year ended December 31, 2017 and December 31, 2016, as well as a pro forma Statement of Cash Flows for the year ended December 31, 2017 are set out below. This financial information was prepared in accordance with Annex II "Pro forma financial information building block" of European Commission Regulation (EC) No. 809/2004 and in accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) in 2005, as well as to the AMF recommendation No. 2013-08 on pro forma financial information falling within the scope of regulation No. 809/2004.

These pro forma figures have been calculated as though Vivendi had acquired 100% of Havas's share capital on January 1, 2016, and therefore do not necessarily reflect the results that would have been achieved if the acquisition had actually been completed on that date. In addition to the reclassifications made to ensure the consistency of the presentation of Havas's Statement of Earnings and Statement of Financial Position with the ones prepared by Vivendi, the pro forma adjustments primarily related to:

- the lower interest income that would have been earned by Vivendi on the investment of cash surpluses if the acquisition price of 100% of Havas's share capital had been paid on January 1, 2016;
- acquisition costs incurred by Vivendi;
- the tax effect of these adjustments;
- the elimination of Havas's non-controlling interests recorded by Vivendi with respect to the second half of 2017; and
- the elimination of intersegment transactions between Havas and Vivendi's other business segments.

	Year ended December 31, 2017	Half-year ended June 30, 2017			Year ended December 31, 2017
	Vivendi Published	**Havas Published Restated (a)**	**Adjustments (b)**	**Elimination of intersegment transactions (c)**	**Vivendi + Havas Pro forma**
Revenues	**12,444**	**1,108**	**-**	**(29)**	**13,523**
Income from operations (*)	**1,116**	**119**	**-**	**-**	**1,235**
Restructuring charges	(88)	(9)			(97)
Other operating charges and income	(41)	(9)			(50)
Adjusted earnings before interest and income taxes (EBITA) (*)	**987**	**101**	**-**	**-**	**1,088**
Amortization and depreciation of intangible assets acquired through business combinations	(124)	(1)			(125)
Reversal of reserve related to the Securities Class Action litigation in the United States	27	-			27
Income from equity affiliates	146	-			146
Earnings before interest and income taxes (EBIT)	**1,036**	**100**	**-**	**-**	**1,136**
Interest	(53)	(8)	(5)		(66)
Income from investments	29	-			29
Other financial charges and income	(100)	(10)	na		(110)
	(124)	***(18)***	***(5)***	-	***(147)***
Earnings before provision for income taxes	**912**	**82**	**(5)**	**-**	**989**
Provision for income taxes	349	(25)	1		325
Earnings from continuing operations	**1,261**	**57**	**(4)**	**-**	**1,314**
Earnings from discontinued operations	-	-	-		-
Earnings	**1,261**	**57**	**(4)**	**-**	**1,314**
Non-controlling interests	(33)	(3)	6		(30)
Earnings attributable to shareowners	**1,228**	**54**	**2**	**-**	**1,284**
Earnings attributable to Vivendi SA shareowners per share – basic (in euros)	0.98				1.02
Earnings attributable to Vivendi SA shareowners per share – diluted (in euros)	0.95				0.99
Adjusted net income (*)	**1,312**	**65**	**2**	**-**	**1,379**
Adjusted net income per share – basic (in euros) (*)	1.05				1.10
Adjusted net income per share – diluted (in euros) (*)	1.01				1.06

	Year ended December 31, 2016				
	Vivendi Restated (d)	Havas Published Restated (a)	Adjustments (b)	Elimination of intersegment transactions (c)	Vivendi + Havas Pro forma
Revenues	**10,819**	**2,276**	**-**	**(53)**	**13,042**
Income from operations (*)	**853**	**331**	**-**	**-**	**1,184**
Restructuring charges	(94)	(28)			(122)
Other operating charges and income	(35)	(12)			(47)
Adjusted earnings before interest and income taxes (EBITA) (*)	**724**	**291**	**-**	**-**	**1,015**
Amortization and depreciation of intangible assets acquired through business combinations	(246)	(2)			(248)
Reversal of reserve related to the Liberty Media litigation in the United States	240	-			240
Income from equity affiliates	169	1			170
Earnings before interest and income taxes (EBIT)	**887**	**290**	**-**	**-**	**1,177**
Interest	(40)	(17)	(9)		(66)
Income from investments	47	-			47
Other financial charges and income	438	(4)	(10)		424
	445	***(21)***	***(19)***	**-**	***405***
Earnings before provision for income taxes	**1,332**	**269**	**(19)**	**-**	**1,582**
Provision for income taxes	(77)	(75)	-		(152)
Earnings from continuing operations	**1,255**	**194**	**(19)**	**-**	**1,430**
Earnings from discontinued operations	20	-			20
Earnings	**1,275**	**194**	**(19)**	**-**	**1,450**
Non-controlling interests	(19)	(17)			(36)
Earnings attributable to shareowners	**1,256**	**177**	**(19)**	**-**	**1,414**
Earnings attributable to Vivendi SA shareowners per share – basic (in euros)	0.99				1.11
Earnings attributable to Vivendi SA shareowners per share – diluted (in euros)	0.95				1.07
Adjusted net income (*)	**755**	**183**	**(9)**	**-**	**929**
Adjusted net income per share – basic (in euros) (*)	0.59				0.73
Adjusted net income per share – diluted (in euros) (*)	0.54				0.68

In millions of euros, except per share amounts.

na: not applicable.

(*) Non-GAAP measures.
(a) To ensure the consistency of the presentation of Havas's Statement of Earnings with the one prepared by Vivendi, the financial data published by Havas on August 25, 2017 (Financial Statements for the half-year ended June 30, 2017) and on February 28, 2017 (Financial Statements for the year ended December 31, 2016) have been restated.
(b) The adjustments are described above.
(c) Relates to the elimination of intersegment transactions between Havas and Vivendi's other business segments, primarily Canal+ Group's entities, over the period.
(d) Vivendi made changes in the presentation of the Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations, please refer to Note 1.2.1 and Note 28.

(in millions of euros)	Year ended December 31, 2017 Vivendi Published	Half-year ended June 30, 2017 Havas Published Restated (a)	Adjustements	Year ended December 31, 2017 Vivendi + Havas Pro forma
Operating activities				
EBIT	1,036	100		1,136
Adjustments	253	(15)		238
Content investments, net	(317)	-		(317)
Gross cash provided by operating activities before income tax paid	***972***	***85***	***-***	***1,057***
Other changes in net working capital	247	(151)	30	126
Net cash provided by operating activities before income tax paid	***1,219***	***(66)***	***30***	***1,183***
Income tax (paid)/received, net	471	-	(30)	441
Net cash provided by operating activities	**1,690**	**(66)**	**-**	**1,624**
Investing activities				
Capital expenditures	(261)	(38)		(299)
Purchases of consolidated companies, after acquired cash	(3,481)	(36)	(b) (571)	(4,088)
Investments in equity affiliates	(2)	-		(2)
Increase in financial assets	(202)	(2)		(204)
Investments	***(3,946)***	***(76)***	***(571)***	***(4,593)***
Proceeds from sales of property, plant, equipment and intangible assets	2	2		4
Proceeds from sales of consolidated companies, after divested cash	(5)	3		(2)
Disposal of equity affiliates	-	-		-
Decrease in financial assets	981	2		983
Divestitures	***978***	***7***	***-***	***985***
Dividends received from equity affiliates	6	-		6
Dividends received from unconsolidated companies	23	-		23
Net cash provided by/(used for) investing activities	**(2,939)**	**(69)**	**(571)**	**(3,579)**
Financing activities				
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	152	-		152
Sales/(purchases) of Vivendi SA's treasury shares	(203)	-		(203)
Distributions to Vivendi SA's shareowners	(499)	-		(499)
Other transactions with shareowners	(10)	(50)		(60)
Dividends paid by consolidated companies to their non-controlling interests	(40)	(5)		(45)
Transactions with shareowners	***(600)***	***(55)***	***-***	***(655)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	855	-		855
Principal payment on long-term borrowings and decrease in other long-term financial liabilities	(8)	-		(8)
Principal payment on short-term borrowings	(1,024)	(17)		(1,041)
Other changes in short-term borrowings and other financial liabilities	64	(4)		60
Interest paid, net	(53)	(4)		(57)
Other cash items related to financial activities	(61)	(3)		(64)
Transactions on borrowings and other financial liabilities	***(227)***	***(28)***	***-***	***(255)***
Net cash provided by/(used for) financing activities	**(827)**	**(83)**	**-**	**(910)**
Foreign currency translation adjustments of continuing operations	(45)	(21)		(66)
Change in cash and cash equivalents	**(2,121)**	**(239)**	**(571)**	**(2,931)**
Cash and cash equivalents				
At beginning of the period	4,072	810	-	4,882
At end of the period	1,951	571	(571)	1,951

(a) To ensure the consistency of the presentation of Havas's statement of Cash Flows with the one prepared by Vivendi, the financial data published by Havas on August 25, 2017 (Financial Statements for the half-year ended June 30, 2017) have been restated.
(b) Related to Havas's cash and cash equivalents acquired by Vivendi on July 3, 2017.

2.2. TELECOM ITALIA

On December 15, 2015, Telecom Italia's Extraordinary Shareholders' Meeting appointed four members to Telecom Italia's Board of Directors who were proposed by Vivendi, including three representatives of Vivendi and one independent member, bringing the total number of members of Telecom Italia's Board of Directors to 16, including nine independent members. At this Shareholders' Meeting, Vivendi held 2,772 million Telecom Italia ordinary shares with voting rights, i.e., 20.5% of the ordinary shares, representing 14.2% of the total share capital, and, given the quorum present at this meeting, Vivendi's interest represented approximately 36% of the votes cast during this meeting. At Telecom Italia's Ordinary Shareholders' Meeting held on May 25, 2016, Vivendi held 3,331 million Telecom Italia ordinary shares with voting rights, i.e., 24.7% of the ordinary shares, representing 17.1% of the total share capital, and, given the quorum present at this meeting, Vivendi's interest represented approximately 40% of the votes cast during this meeting. In addition, on April 27, 2016, Mr. Arnaud de Puyfontaine, Chairman of Vivendi's Management Board, was appointed Deputy Chairman of Telecom Italia's Board of Directors.

On May 4, 2017, Telecom Italia's Ordinary Shareholders' Meeting appointed, out of the newly constituted 15-member Board of Directors, the ten members who were included in the slate submitted by Vivendi, i.e., (i) five non-independent members, including Mr. Giuseppe Recchi, Executive Chairman of the Board of Directors, and Mr. Flavio Cattaneo, *Amministratore delegato*, as well as three representatives of Vivendi, including Mr. Arnaud de Puyfontaine, Chairman of Vivendi's Management Board and Deputy Chairman of Telecom Italia's Board of Directors and (ii) five independent members (among the ten directors who are deemed independent within the meaning of Italian law and the Corporate Governance Code for listed companies). At this Shareholders' Meeting, Vivendi held 3,640.1 million ordinary shares with voting rights, i.e., 23.9% of the ordinary shares, representing 17.2% of Telecom Italia's total share capital, and, given the quorum present at this meeting, Vivendi's interest represented approximately 41% of the votes cast during this meeting.

On June 1, 2017, Mr. Arnaud de Puyfontaine was appointed Executive Chairman of Telecom Italia's Board of Directors. Concomitantly, Mr. Giuseppe Recchi was appointed Deputy Chairman of Telecom Italia's Board of Directors and Mr. Flavio Cattaneo was confirmed as *Amministratore delegato*. As such, in accordance with Italian regulations and the company's bylaws, Mr. Flavio Cattaneo was, until his departure from the company, responsible for Telecom Italia's financial and operational management, including mainly the development and implementation of the strategic, industrial and financial plan (after review by the company's Board of Directors), as well as the organization of Telecom Italia's businesses in Italy and South America. In his capacity as Executive Chairman of the Board of Directors, Mr. Arnaud de Puyfontaine was given responsibility for the supervision and coordination of the work of the Board of Directors, notably including:

- in coordination with the *Amministratore delegato*, identification of the guidelines of the group's development plan; advice and supervision as part of (i) the development and implementation of the strategic, industrial and financial plan and (ii) the organization of businesses and monitoring of Telecom Italia's economic and financial performance;
- representation of Telecom Italia in its external relations with regulators, Italian and international institutions, as well as investors; and
- supervision of brand and media strategy, institutional communication, legal and public affairs, as well as value creation.

In addition, Vivendi has not entered into any agreement with other shareholders of Telecom Italia and does not hold any potential voting rights in Telecom Italia. In particular, Vivendi is not acting in concert with any third party and has not entered into a temporary sale agreement concerning Telecom Italia shares or voting rights. Moreover, Vivendi neither holds instruments nor is a party to agreements which could enable it to obtain Telecom Italia shares or voting rights.

Moreover, Vivendi does not have the power to unilaterally appoint the Executive Chairman of Telecom Italia's Board of Directors or the *Amministratore delegato* and no agreements exist between Vivendi and Telecom Italia that would enable Vivendi to appoint the majority of the members to Telecom Italia's Board of Directors or to obtain the majority of votes at meetings of Telecom Italia's Board of Directors.

On July 24, 2017, Telecom Italia's Board of Directors and Mr. Flavio Cattaneo mutually agreed on his departure as *Amministratore delegato* of the company.

On July 27, 2017, Telecom Italia's Board of Directors:

- temporarily granted the powers held by Mr. Flavio Cattaneo (resigned *Amministratore delegato*) to Mr. Arnaud de Puyfontaine (Executive Chairman of the Board of Directors), except for those powers related to Italian national security matters and the subsidiary Telecom Italia Sparkle, which powers were temporarily granted to Mr. Giuseppe Recchi, Deputy Chairman of the Board of Directors; and
- acknowledged the commencement of the exercise by Vivendi of "management and coordination activities" (*attività di direzione e coordinamento*) of Telecom Italia, within the meaning of Article 2497-bis of the Italian Civil Code.

On July 28, 2017, Mr. Amos Genish was appointed *Direttore Operativo* (General Manager for operations) of Telecom Italia, overseeing all of Telecom Italia's operations.

On September 13, 2017, Vivendi took note of the position expressed by the Consob that Vivendi exercises *de facto* control over Telecom Italia, under Article 93 of the Consolidated Law on Finance and Article 2359 of the Italian Civil Code. Vivendi formally contests this interpretation and has appealed before the competent courts.

On September 28, 2017, Mr. Amos Genish was appointed *Amministratore delegato* of Telecom Italia.

On the same day, as part of the investigation launched by the Italian Government 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 and to activities of strategic importance in the fields of energy, transport and communications, had been complied with by Telecom Italia and Vivendi, the Italian Government found that the notification made by Vivendi as a precautionary measure under Article 1 of the aforementioned legislative decree was made late, without consequences for Vivendi. In addition, a procedure was launched against Telecom Italia for failing to make the required notification under Article 2 of the same legislative decree.

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.

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 in order 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.

Based on the foregoing, Vivendi considers that it does not have the power to unilaterally direct the relevant activities of Telecom Italia, according to IFRS 10. Vivendi considers that it has the power to participate in Telecom Italia's financial and operating policy decisions, according to IAS 28, and, consequently, it is deemed to exercise a significant influence over Telecom Italia. Since December 15, 2015 and as of December 31, 2017, Vivendi's interest in Telecom Italia has been accounted for under the equity method.

NOTE 3. SEGMENT DATA

3.1. OPERATING 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, Poland, Africa and Vietnam, as well as production, sales and distribution of movies and TV series;
- **Havas:** communications group covering all the communications disciplines (creativity, media expertise and healthcare/wellness);
- **Gameloft:** creation and publishing of downloadable video games for mobile phones, tablets, triple-play boxes and smart TVs;
- **Vivendi Village:** Vivendi Ticketing (See Tickets in the United Kingdom and the United States, and Digitick in France), MyBestPro (experts counseling), the companies that own and manage all Paddington intellectual property rights (except for the publishing rights), as well as live performance through the venues L'Olympia and Théâtre de L'Œuvre in Paris and CanalOlympia in Africa, Olympia Production and Festival Production;
- **New Initiatives:** Dailymotion (video content aggregation and distribution platform), Vivendi Content (in particular Studio+) and Group Vivendi 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.

Main aggregates of the Statement of Earnings

	Year ended December 31,	
(in millions of euros)	2017	2016
Revenues		
Universal Music Group	5,673	5,267
Canal+ Group	5,246	5,253
Havas	1,151	-
Gameloft	258	132
Vivendi Village	109	111
New Initiatives	51	103
Elimination of intersegment transactions	(44)	(47)
	12,444	**10,819**
Income from operations		
Universal Music Group	798	687
Canal+ Group	367	303
Havas	135	-
Gameloft	10	10
Vivendi Village	(6)	(7)
New Initiatives	(87)	(44)
Corporate	(101)	(96)
	1,116	**853**
Restructuring charges		
Universal Music Group	(17)	(44)
Canal+ Group	(49)	(41)
Havas	(15)	-
Gameloft	(1)	-
Vivendi Village	(2)	(2)
New Initiatives	(3)	(6)
Corporate	(1)	(1)
	(88)	**(94)**
Charges related to equity-settled share-based compensation plans		
Universal Music Group	(9)	(3)
Canal+ Group	(6)	(3)
Havas	(3)	-
Gameloft	(2)	(3)
Vivendi Village	-	-
New Initiatives	-	-
Corporate	(8)	(5)
	(28)	**(14)**
Other non-current operating charges and income		
Universal Music Group	(11)	4
Canal+ Group	6	(19)
Havas	(6)	-
Gameloft	(3)	-
Vivendi Village	(10)	-
New Initiatives	(2)	(6)
Corporate	13	-
	(13)	**(21)**
Adjusted earnings before interest and income taxes (EBITA)		
Universal Music Group	761	644
Canal+ Group	318	240
Havas	111	-
Gameloft	4	7
Vivendi Village	(18)	(9)
New Initiatives	(92)	(56)
Corporate	(97)	(102)
	987	**724**

Reconciliation of EBIT to EBITA and to income from operations

(in millions of euros)	Year ended December 31, 2017	2016
EBIT (a)	**1,036**	**887**
Adjustments		
Amortization of intangible assets acquired through business combinations	122	223
Impairment losses on intangible assets acquired through business combinations (a)	2	23
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States (a)	(27)	(240)
Income from equity affiliates (a)	(146)	(169)
EBITA	**987**	**724**
Adjustments		
Restructuring charges (a)	88	94
Charges related to equity-settled share-based compensation plans	28	14
Other non-current operating charges and income	13	21
Income from operations	**1,116**	**853**

(a) As reported in the Consolidated Statement of Earnings.

Statement of Financial Position

(in millions of euros)	December 31, 2017	December 31, 2016
Segment assets (a)		
Universal Music Group	8,512	9,310
Canal+ Group	7,636	7,546
Havas	5,327	-
Gameloft	715	718
Vivendi Village	225	264
New Initiatives	551	587
Corporate	8,391	8,579
Of which investments in equity affiliates	*4,256*	*4,156*
listed equity securities	*3,751*	*3,011*
	31,357	**27,004**
Segment liabilities (b)		
Universal Music Group	3,647	3,701
Canal+ Group	2,515	2,588
Havas	3,761	-
Gameloft	71	65
Vivendi Village	139	154
New Initiatives	64	94
Corporate	957	1,279
	11,154	**7,881**

(a) Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, equity affiliates, financial assets, inventories and trade accounts receivable, and other.
(b) Segment liabilities include provisions, other non-current liabilities, 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”.

Capex, depreciation and amortization

	Year ended December 31,	
(in millions of euros)	2017	2016
Capital expenditures, net (capex net) (a)		
Universal Music Group	63	49
Canal+ Group	144	150
Havas	21	-
Gameloft	6	4
Vivendi Village	11	14
New Initiatives	13	15
Corporate	1	1
	259	**233**
Increase in tangible and intangible assets		
Universal Music Group	73	50
Canal+ Group	138	137
Havas	21	-
Gameloft	7	3
Vivendi Village	15	15
New Initiatives	9	14
Corporate	1	1
	264	**220**
Depreciation of tangible assets		
Universal Music Group	53	58
Canal+ Group	154	156
Havas	20	-
Gameloft	8	4
Vivendi Village	2	2
New Initiatives	6	7
Corporate	-	-
	243	**227**
Amortization of intangible assets excluding those acquired through business combinations		
Universal Music Group	-	-
Canal+ Group	66	77
Havas	4	-
Gameloft	1	-
Vivendi Village	13	4
New Initiatives	10	1
Corporate	-	-
	94	**82**
Amortization of intangible assets acquired through business combinations		
Universal Music Group	84	208
Canal+ Group	12	10
Havas	1	-
Gameloft	21	-
Vivendi Village	2	2
New Initiatives	2	3
Corporate	-	-
	122	**223**
Impairment losses on intangible assets acquired through business combinations		
Universal Music Group	-	-
Canal+ Group	2	2
Havas	-	-
Gameloft	-	-
Vivendi Village	-	(b) 21
New Initiatives	-	-
Corporate	-	-
	2	**23**

(a) Relates to cash used for capital expenditures, net of proceeds from sales of property, plant and equipment, and intangible assets.
(b) Related to the goodwill impairment loss for Radionomy (please refer to Note 9).

3.2. GEOGRAPHIC INFORMATION

Revenues are broken down by customer location.

(in millions of euros)	Year ended December 31, 2017		2016	
Revenues				
France	4,396	*35%*	4,273	*40%*
Rest of Europe	2,836	*23%*	2,476	*23%*
United States	3,008	*24%*	2,300	*21%*
Rest of the world	2,204	*18%*	1,770	*16%*
	12,444	***100%***	**10,819**	***100%***

(in millions of euros)	December 31, 2017		December 31, 2016	
Segment assets				
France	11,600	*37%*	10,270	*38%*
Rest of Europe	10,096	*32%*	8,215	*30%*
United States	7,971	*25%*	7,769	*29%*
Rest of the world	1,690	*6%*	750	*3%*
	31,357	***100%***	**27,004**	***100%***

NOTE 4. EBIT

BREAKDOWN OF REVENUES AND COST OF REVENUES

(in millions of euros)	Year ended December 31, 2017	2016
Product sales, net	5,736	5,325
Services revenues	6,694	5,484
Other	14	10
Revenues	**12,444**	**10,819**
Cost of products sold, net	(3,044)	(2,839)
Cost of service revenues	(4,203)	(3,992)
Other	37	2
Cost of revenues	**(7,210)**	**(6,829)**

PERSONNEL COSTS AND AVERAGE EMPLOYEE NUMBERS

(in millions of euros)	Note	Year ended December 31, 2017	2016
Salaries		1,962	1,248
Social security and other employment charges		451	303
Capitalized personnel costs		(15)	-
Wages and expenses		**2,398**	**1,551**
Share-based compensation plans	18	31	14
Employee benefit plans	17	69	41
Other		31	50
Personnel costs		**2,529**	**1,656**
Annual average number of full-time equivalent employees (in thousands)		*33.2*	*20.3*

ADDITIONAL INFORMATION ON OPERATING EXPENSES

Advertising costs amounted to €379 million in 2017 (compared to €350 million in 2016).

Expenses recorded in the Statement of Earnings, with respect to service contracts related to satellite transponders amounted to €104 million in 2017 (compared to €129 million in 2016).

Net expense recorded in the Statement of Earnings, with respect to operating leases amounted to €202 million in 2017 (compared to €112 million in 2016). This increase of €90 million mainly resulted from the consolidation of Havas on July 3, 2017.

Research and development costs amounted to a net charge of €154 million in 2017 (compared to €77 million in 2016), mainly attributable to Gameloft, consolidated since June 29, 2016.

TAXES ON PRODUCTION

Taxes on production amounted to €149 million in 2017 (compared to €175 million in 2016), of which €63 million related to taxes on television services (compared to €91 million in 2016).

NOTE 5. FINANCIAL CHARGES AND INCOME

INTEREST

(in millions of euros)	Note	Year ended December 31, 2017	2016
(Charge)/Income			
Interest expense on borrowings	19	(68)	(63)
Interest income from cash, cash equivalents and investments		15	23
Interest		**(53)**	**(40)**
Fees and premium on borrowings and credit facilities issued		*(2)*	*(3)*
		(55)	**(43)**

OTHER FINANCIAL INCOME AND CHARGES

		Year ended December 31,	
(in millions of euros)	Note	2017	2016
Capital gain on financial investments		12	(a) 657
Effect of undiscounting assets (b)		5	11
Expected return on plan assets related to employee benefit plans	17.2	10	11
Foreign exchange gain		7	-
Change in value of derivative instruments		8	7
Other		1	6
Other financial income (c)		**43**	**692**
Downside adjustment on financial investments		(40)	(170)
Effect of undiscounting liabilities (b)		(12)	(14)
Interest cost related to employee benefit plans	17.2	(22)	(27)
Fees and premium on borrowings and credit facilities issued		(2)	(3)
Foreign exchange loss		(9)	(8)
Change in value of derivative instruments		(7)	(12)
Other		(51)	(20)
Other financial charges (c)		**(143)**	**(254)**
Net total		**(100)**	**438**

(a) Primarily included the net capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes).
(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 corresponding 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.
(c) Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and the reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28, respectively.

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 considers that, 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 has only benefited 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 French subsidiaries that are at least 95% owned, directly or indirectly, by it. As of December 31, 2017, this mainly applies to Universal Music Group, Canal+ Group and Gameloft entities in France, as well as the companies involved in the group's development projects in France (e.g., Vivendi Village, Vivendi Content and Studio+).
- Until December 31, 2011, the Consolidated Global Profit Tax System, for which Vivendi obtained a tax authorization, enabled Vivendi 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 located in France or abroad. This authorization was granted for an initial five-year period, from January 1, 2004 to December 31, 2008, and then was 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 lodged 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 capped at 60% of taxable income. Since 2012, the deduction for tax losses carried forward has been capped at 50% of taxable income and the deductibility of interest limited to 85% of financial charges, net (75% as from January 1, 2014).

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

- As Vivendi considers that its entitlement to use the Consolidated Global Profit Tax System was effective until the end of the authorization granted by the French Ministry of Finance (i.e., until December 31, 2011), on November 30, 2012, Vivendi submitted a €366 million refund request with respect to the tax saving for fiscal year ended December 31, 2011. This request was denied by the tax authorities and, as a result, Vivendi accrued a €366 million provision for the associated risk in its Financial Statements for the year ended December 31, 2012. On October 6, 2014, the Administrative Court of Montreuil ruled in favor of Vivendi. Pursuant to this ruling, on December 23, 2014, Vivendi received a €366 million refund payment and, on January 16, 2015, moratorium interest of €43 million. On

December 2, 2014, the tax authorities lodged an appeal against this ruling. On July 5, 2016, the Versailles Administrative Court of Appeal ruled in favor of Vivendi, against which the Ministry filed an appeal. In a decision dated October 25, 2017, the French Council of State (*Conseil d'État*) denied the Ministry's appeal, therefore ruling as final the favorable decision of the Versailles Administrative Court of Appeal. Consequently, in its Financial Statements for the year ended December 31, 2017, Vivendi recorded a tax income of €409 million in this respect.

- Moreover, considering that Vivendi's foreign tax receivables available at the exit from the Consolidated Global Profit Tax System can be carried forward upon the end of the authorization, Vivendi requested a tax refund with respect to 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. As part of this audit, on March 31, 2015, 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 completion of the tax audit, Vivendi challenged before the tax authorities the tax paid and default interest as well as penalties, for which no provision has 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. Pursuant to this decision, on April 18, 2017, Vivendi received (i) a €315 million refund corresponding 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), representing an aggregate amount of €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 related to the principal refund (€218 million), the default interest (€10 million), and the moratorium interest (€23 million), i.e., an aggregate 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, corresponding to the portion of moratorium interest irrevocably earned by Vivendi.
- On June 15, 2017, following the Administrative Court of Montreuil ruling of March 16, 2017, Vivendi made a claim for payment of the tax amount due for the year ended December 31, 2015 (€203 million). As the appeal against the March 16, 2017 ruling of the Administrative Court of Montreuil could potentially affect this claim, Vivendi recorded a provision as of December 31, 2017 in the amount of the refund requested (€203 million).
- In the Financial Statements for the year ended December 31, 2017, 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, 2017 could not be reliably determined. As of December 31, 2017, taking into account the impact of the estimated 2017 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 €875 million in tax savings from tax attributes (based on the income tax rate applicable as of December 31, 2017, i.e., 34.43%). At a rate of 25.83% applicable in 2022, it is anticipated that Vivendi would achieve €656 million in tax savings from tax attributes.
- Nonetheless, 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 2018, considering that its consolidation scope now includes Havas and Dailymotion as from January 1, 2018, it is anticipated that Vivendi will likely be able to achieve tax savings of €120 million from the French Tax Group System (based on the income tax rate applicable in 2018, i.e., 34.43%).

6.2. PROVISION FOR INCOME TAXES AND INCOME TAX PAID BY GEOGRAPHIC AREA

Provision for income taxes

	Year ended December 31,	
(in millions of euros)	2017	2016
(Charge)/Income		
Current		
France	(a) 572	(75)
Rest of Europe	(37)	(29)
United States	(16)	3
Rest of the world	(87)	(54)
	432	**(155)**
Deferred		
France	(b) (122)	39
Rest of Europe	-	(18)
United States	(c) 34	24
Rest of the world	5	33
	(83)	**78**
Provision for income taxes	**349**	**(77)**

Income tax paid

	Year ended December 31,	
(in millions of euros)	2017	2016
France	(d) 622	(203)
Rest of Europe	(20)	(24)
United States	(53)	5
Rest of the world	(78)	(49)
Income tax (paid)/collected	**471**	**(271)**

(a) Included a current tax income of €409 million from the settlement in favor of Vivendi SA of the litigation related to the Consolidated Global Profit Tax System of 2011, as well as a current tax income of €243 million corresponding to the refund to Vivendi SA and its subsidiaries of the amounts paid with respect to the 3% tax on dividend distributions

(b) Included a deferred tax charge of -€106 million corresponding to the write-off of deferred tax assets related to tax losses carried forward by Havas in France.

(c) Included a net deferred tax income of €79 million following changes in the federal corporate tax rate applicable in the United States from January 1, 2018. More generally, the impacts of the tax reform in the United States recorded as of December 31, 2017 reflect Vivendi's best estimate, based on a preliminary analysis of the "Tax Cuts and Jobs Act", which was signed into law on December 22, 2017. The final impacts of this reform may differ from those taken into account as of December 31, 2017. As appropriate, the amounts recorded may therefore be adjusted in 2018 to reflect, among other things, changes in interpretations and assumptions made by Vivendi, as well as clarifications or additional instructions from the US legislator or tax authorities.

(d) Included an inflow of €346 million pursuant to the settlement of litigation related to foreign tax receivables utilized by Vivendi SA in fiscal year 2012, as well as a €223 million inflow corresponding to the refund to Vivendi SA of amounts paid with respect to the 3% tax on dividend distributions.

6.3. EFFECTIVE TAX RATE

	Year ended December 31,	
(in millions of euros, except %)	2017	2016
Earnings (before non-controlling interests)	**1,261**	**1,275**
Eliminations		
Income from equity affiliates	(146)	(169)
Earnings from discontinued operations	-	(20)
Provision for income taxes	(349)	77
Earnings from continuing operations before provision for income taxes	**766**	**1,163**
French statutory tax rate	***34.43%***	***34.43%***
Theoretical provision for income taxes based on French statutory tax rate	**(264)**	**(400)**
Reconciliation of the theoretical and effective provision for income taxes		
Earnings tax rates differences	41	28
Impacts of the changes in tax rates	(a) 89	6
Use or recognition of tax losses	178	239
Depreciation or non-recognition of tax losses	(b) (258)	(200)
Changes in deferred tax assets related to Vivendi SA's French Tax Group and the Consolidated Global Profit Tax Systems	3	33
Adjustments to tax expense from previous years	9	6
Capital gain or loss on the divestiture of or downside adjustments on financial investments or businesses	-	(c) 301
Favorable settlement of the litigation related to the Consolidated Global Profit Tax System of 2011	(d) 409	-
3% tax on Vivendi SA's dividends	(8)	(38)
Refunds received with respect to the 3% tax on dividends paid by Vivendi SA and its subsidiaries	(e) 243	-
Other	(93)	(52)
Provision for income taxes	**349**	**(77)**
Effective tax rate	***-45.6%***	***6.6%***

(a) Included a net deferred tax income of €79 million following changes in the federal corporate tax rate applicable to the United States from January 1, 2018. More generally, the impacts of the tax reform in the United States recorded as of December 31, 2017 reflect Vivendi's best estimate, based on a preliminary analysis of the "Tax Cuts and Jobs Act", which was signed into law on December 22, 2017. The final impacts of this reform may differ from those taken into account as of December 31, 2017. As appropriate, the amounts recorded may therefore be adjusted in 2018 to reflect, among other things, changes in interpretations and assumptions made by Vivendi, as well as clarifications or additional instructions from the US legislator or tax authorities.
(b) Included a deferred tax charge of -€119 million corresponding to the write-off of deferred tax assets related to tax losses carried forward by Havas, primarily in France.
(c) The sale of the remaining interest in Activision Blizzard includes a long-term capital gain of €995 million, non-taxable except for the non-deductible share of fees and charges (12%), i.e., a non-taxable net amount of €875 million.
(d) Related to a current tax income of €409 million from the settlement in favor of Vivendi SA of the litigation related to the Consolidated Global Profit Tax System of 2011 (please refer to Note 6.1).
(e) Related to a current tax income of €243 million from the refund to Vivendi and its subsidiaries of amounts paid with respect to the 3% tax on dividend distributions (please refer to Note 6.5).

6.4. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets/(liabilities), net

	Year ended December 31,	
(in millions of euros)	2017	2016
Opening balance of deferred tax assets/(liabilities), net	**26**	**(83)**
Consolidation of Havas	106	-
Provision for income taxes	(83)	78
Charges and income directly recorded in equity	(7)	40
Other business combinations	(27)	(27)
Changes in foreign currency translation adjustments and other	15	18
Closing balance of deferred tax assets/(liabilities), net	**30**	**26**

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes – Vivendi SA Tax Group (a) (b)	875	889
Tax attributes – US Tax Group (a) (c)	233	356
Tax attributes – Havas Group (a) (d)	315	-
Tax attributes – Other subsidiaries (a)	441	498
Other	581	714
Of which non-deductible provisions	*94*	*126*
employee benefits	*186*	*218*
working capital	*148*	*168*
Total gross deferred taxes	**2,445**	**2,457**
Deferred taxes, unrecognized		
Tax attributes – Vivendi SA Tax Group (a) (b)	(755)	(772)
Tax attributes – US Tax Group (a) (c)	(233)	(327)
Tax attributes – Havas Group (a) (d)	(297)	-
Tax attributes – Other subsidiaries (a)	(396)	(440)
Other	(145)	(166)
Total deferred tax assets, unrecognized	**(1,826)**	**(1,705)**
Recorded deferred tax assets	**619**	**752**
Deferred tax liabilities		
Asset revaluations (e)	(340)	(422)
Other	(249)	(304)
Recorded deferred tax liabilities	**(589)**	**(726)**
Deferred tax assets/(liabilities), net	**30**	**26**

(a) The amounts of tax attributes 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 of the following year at the latest, respectively. As a result, the amounts of tax attributes showed in this table and the amounts reported to tax authorities may therefore 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, representing €875 million as of December 31, 2017 (please refer to Note 6.1), in respect of tax losses only, taking into account the estimated impact (-€14 million) of 2017 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 Vivendi considers that the foreign tax receivables can be carried forward for a minimum period of five years upon exit from the Consolidated Global Profit Tax System.

(c) Related to deferred tax assets recognizable in respect of tax attributes carried forward by Universal Music Group, Inc. in the United States as head of the US Tax Group, representing $278 million as of December 31, 2017, taking into account the estimated impact (-$95 million) of 2017 transactions (taxable income, expired tax credits and tax credits generated), but before taking into account the final contingent outcome of ongoing tax audits (please refer to Note 6.5). As of December 31, 2017, it is anticipated that the cumulative amount of ordinary tax losses carried forward by the group in the United States would be fully consumed and the amount of recognizable deferred tax assets as of that date primarily relates to tax credits that can be carried forward.

(d) As of December 31, 2017, Havas recorded a deferred tax charge of -€119 million from the write-off of deferred tax assets related to tax losses carried forward, primarily in France. Havas SA's Tax Group ended on December 31, 2017. As from January 1, 2018, Havas SA and its subsidiaries located in France have been included in Vivendi SA's Tax Group.

(e) These tax liabilities, stemming from asset revaluations 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 financials results reported by Vivendi and its subsidiaries for fiscal year 2017 and prior years, under statutes of limitation applicable to Vivendi and its subsidiaries. The potential charges that may result from these audits give rise to provisions to the extent that they are considered as probable and quantifiable. Regarding ongoing tax audits as of December 31, 2017, no provision is recorded where the impact that could result from an unfavorable outcome of such audits cannot be reliably assessed. Vivendi Management believes that these tax audits are unlikely to have a material impact on the group's financial position or liquidity.

Regarding Vivendi SA, in respect of the Consolidated Global Profit Tax System, the tax audit for fiscal years 2006, 2007, 2008, 2009 and 2010 is still ongoing as of December 31, 2017, as are the tax audits for fiscal years 2011 and 2012, related to Vivendi SA or its tax group. Under these audits, the tax authorities challenged Vivendi's right to use its foreign tax receivables for the payment of its 2012 tax obligation year. Similarly, Vivendi requested the reimbursement of its 2015 tax payment. In any event, the impacts in relation to the use of foreign tax receivables upon exit from the Global Profit Tax System of 2012 and 2015 were recorded as provisions as of December 31, 2017, for €251 million and €203 million, respectively.

Regarding more specifically the tax audit for fiscal years 2008 to 2011, Vivendi SA is subject to a rectification procedure for which the tax authorities challenge the accounting and fiscal treatment of NBC Universal shares received in consideration of the sale of Vivendi Universal Entertainment shares in 2004, and they challenge the deduction of the €2.4 billion loss recorded as part of the sale of these shares in 2010 and 2011. The National Direct Tax System (*Commission Nationale des Impôts Directs*) before which proceedings were brought, 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, the disagreement finding its basis in an 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'État)* favorably received Vivendi's appeal for misuse of authority. As of December 31, 2017, this audit was still ongoing and Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit.

In respect of the US Tax Group, the tax audit for fiscal years 2008, 2009 and 2010 are now settled through a tax reimbursement of $6 million. The tax audit for fiscal years 2011, 2012, and 2013 was ongoing as of December 31, 2017. On January 31, 2018, Vivendi was informed by the US tax authorities that fiscal years 2014, 2015 and 2016 were under audit. Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit.

Regarding the additional tax contribution of 3% on dividend distributions paid by Vivendi SA for an aggregate amount of €214 million with respect to dividends paid in fiscal year 2013 and in fiscal years 2015 to 2017, these contributions have been challenged before the tax authorities and then the Administrative Court of Montreuil. Following a decision of the French Constitutional Council (*Conseil constitutionnel*) dated October 6, 2017, pursuant to which it determined that the 3% tax on dividend distributions was unconstitutional, the tax authorities proceeded to carry out a rebate of the litigious contributions and refunded these contributions on December 22 and 28, 2017, except for the 2017 contribution (€7 million). Consequently, Vivendi withdrew from its actions before the administrative court. In addition, in accordance with applicable law, these refunds gave or will give rise to the payment of moratorium interest to Vivendi, to be applied through the effective restitution date. In its Financial Statements for the year ended December 31, 2017, Vivendi SA recorded a tax income of €207 million from the settlement of this litigation, and moratorium interest of €24 million. Regarding the tax contributions paid by Canal+ Group (€4 million) and Havas (€7 million), these contributions have been challenged before the tax authorities. To date, Canal+ Group and Havas are awaiting a refund payment, as well as moratorium interest of €1 million.

Regarding the dispute over the validity of the merger between SFR and Vivendi Telecom International (VTI), which was completed in December 2011, which entails a potential challenge of the integration of SFR within the Vivendi tax group in respect of fiscal year 2011, SFR was informed, in a letter dated November 8, 2017, that the tax authorities were withdrawing their adjustment proposal, confirming Vivendi's position that it had solid legal grounds upon which to challenge the tax authorities' position. As a reminder, in this case, the tax authorities contemplated requiring that SFR be carved-out from Vivendi's tax group for fiscal year 2011 and made a claim against SFR for a total amount of €1,374 million, representing a principal tax amount of €711 million plus default interest and penalties of €663 million. It is also reminded that under the agreement entered into on February 27, 2015 by and among Vivendi, Altice and Numericable-SFR, Vivendi agreed to return to SFR, if applicable, taxes and contributions that could be borne by SFR for fiscal year 2011 and that SFR would have already paid at that time to Vivendi, up to a maximum amount of €711 million (including €154 million corresponding to the use by SFR of VTI's tax losses in 2011 or 2012), if the 2011 merger of SFR and VTI were to be ultimately invalidated for tax purposes. The abandonment of the recalls by the tax authorities brings down this commitment, which has become irrelevant.

With regard to the Havas Group, Havas SA filed a contentious claim 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). Following the filing of the case before the Administrative Court, the Paris Court of Appeal and the Versailles Court of Appeal, on July 28, 2017, the French Council of State (*Conseil d'État*) 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 deprived Havas of a refund of the withholding tax. To restore Havas's right to compensation, three combined actions were taken: (i) a new 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 state. Vivendi Management believes that it had solid legal grounds to defend the positions for determining the taxable income for the fiscal years under audit.

In addition, under Havas SA and Havas International's tax audits for fiscal years 2002 to 2005, the French Administration rectified the tax result of Havas SA tax group, reducing the overall deficit reported by the tax group by €267 million. This rectification has been challenged before the tax authorities. Following the filing before the Administrative Court of Montreuil and then the Versailles Court of Appeal, on July 12, 2017, the French Council of State (*Conseil d'État*) overturned the Court of Appeal's ruling, which was unfavorable to Havas, and remanded the case to that same court. On August 28, 2017, Havas filed an appeal before the Versailles Court of Appeal. 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,			
	2017		2016	
	Basic	Diluted	Basic	Diluted
Earnings (in millions of euros)				
Earnings from continuing operations attributable to Vivendi SA shareowners (a)	1,228	1,194	1,236	1,186
Earnings from discontinued operations attributable to Vivendi SA shareowners	-	-	20	20
Earnings attributable to Vivendi SA shareowners	**1,228**	**1,194**	**1,256**	**1,206**
Number of shares (in millions)				
Weighted average number of shares outstanding (b)	1,252.7	1,252.7	1,272.6	1,272.6
Potential dilutive effects related to share-based compensation	-	4.8	-	3.1
Adjusted weighted average number of shares	**1,252.7**	**1,257.5**	**1,272.6**	**1,275.7**
Earnings per share (in euros)				
Earnings from continuing operations attributable to Vivendi SA shareowners per share	0.98	0.95	0.97	0.93
Earnings from discontinued operations attributable to Vivendi SA shareowners per share	-	-	0.02	0.02
Earnings attributable to Vivendi SA shareowners per share	**0.98**	**0.95**	**0.99**	**0.95**

(a) Corresponded only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information disclosed by Telecom Italia with a three-month reporting lag (please refer to Note 11.2).
(b) Net of the weighted average number of treasury shares (37.5 million shares in 2017, compared to 51.4 million in 2016).

NOTE 8. CHARGES AND INCOME DIRECTLY RECOGNIZED IN EQUITY

DETAILS OF CHANGES IN EQUITY RELATED TO OTHER COMPREHENSIVE INCOME

(in millions of euros)	Actuarial gains/(losses) related to employee defined benefit plans (a)	Unrealized gains/(losses)			Foreign currency translation adjustments	Other comprehensive income from equity affiliates, net	Other comprehensive income
		Available-for-sale securities (b)	Hedging instruments (c)	Total			
Balance as of December 31, 2015	**(167)**	**852**	**(102)**	**750**	**322**	**-**	**905**
Charges and income directly recognized in equity	(89)	(d) 267	155	422	43	115	491
Items to be reclassified to profit or loss	na	(e) (661)	(9)	(670)	-	(2)	(672)
Tax effect	9	31	-	31	-	-	40
Balance as of December 31, 2016	**(247)**	**489**	**44**	**533**	**365**	**(f) 113**	**764**
Charges and income directly recognized in equity	29	(d) 650	35	685	(848)	(31)	(165)
Items to be reclassified to profit or loss	na	-	(3)	(3)	-	-	(3)
Tax effect	-	2	1	3	-	-	3
Consolidation of Havas	(54)	-	-	-	(14)	(1)	(69)
Balance as of December 31, 2017	**(272)**	**1,141**	**77**	**1,218**	**(497)**	**(f) 81**	**530**

na: not applicable.

(a) Please refer to Note 17.
(b) Please refer to Note 12.
(c) Please refer to Note 19.
(d) Included unrealized capital gain on Vivendi's listed equity portfolio.
(e) Attributable to the net capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million), as well as the revaluation of Gameloft shares to €8 in June 2016 (€76 million).
(f) Mainly included foreign currency translation from Telecom Italia for €111 million as of December 31, 2017, compared to €134 million at year-end 2016.

NOTE 9. GOODWILL

(in millions of euros)	December 31, 2017	December 31, 2016
Goodwill, gross	26,084	25,630
Impairment losses	(14,000)	(14,643)
Goodwill	**12,084**	**10,987**

9.1. CHANGES IN GOODWILL

(in millions of euros)	December 31, 2016	Impairment losses	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2017
Universal Music Group	5,401	-	13	(a) (678)	4,736
Canal+ Group	4,573	-	11	(8)	4,576
Havas	-	-	(b) 1,918	(40)	1,878
Gameloft	609	-	(c) (26)	-	583
Vivendi Village	196	-	(d) (65)	(e) (28)	103
New Initiatives	208	-	-	-	208
Total	**10,987**	**-**	**1,851**	**(754)**	**12,084**

(in millions of euros)	December 31, 2015	Impairment losses	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2016
Universal Music Group	5,172	-	7	222	5,401
Canal+ Group	4,582	-	7	(16)	4,573
Gameloft	-	-	(c) 609	-	609
Vivendi Village	160	(e) (21)	(d) 76	(19)	196
New Initiatives	263	-	(f) (55)	-	208
Total	**10,177**	**(21)**	**644**	**187**	**10,987**

(a) Primarily included the foreign currency translation of the dollar (USD) against the euro.
(b) Related to the carrying value of Havas's goodwill acquired by Vivendi on July 3, 2017 (please refer to Note 2.1).
(c) Related to the purchase price for Gameloft as of June 29, 2016, which was allocated to the technology and the game engines (€42 million; useful life estimated at 3 years) net of the resulting deferred tax liabilities (€15 million), based on analyses and estimates prepared by Vivendi. The final amount of goodwill attributable to Gameloft amounted to €583 million (compared to a provisional goodwill of €609 million recorded as of June 29, 2016).
(d) Related to the purchase price for Paddington as of June 30, 2016 which was allocated to the brand (€77 million; indefinite useful life) net of the resulting deferred tax liabilities (€12 million), valued based on analyses and estimates prepared by Vivendi. The provisional goodwill of €65 million recorded as of June 30, 2016 was fully allocated.
(e) Notably related to the sale of Radionomy on August 17, 2017. In 2016, it corresponded to the partial goodwill impairment attributable to Radionomy.
(f) Related to the impact of the purchase price allocation for Dailymotion on June 30, 2015, including the brand (€80 million; indefinite useful life) and technology revaluation (€9 million; useful life estimated at 7 years), as well as the resulting deferred tax liabilities (€31 million), based on analyses and estimates prepared with the assistance of an independent third party expert. The final amount of goodwill amounted to €207 million (compared to a provisional goodwill of €262 million recorded as of June 30, 2015).

9.2. GOODWILL IMPAIRMENT TEST

In 2017, 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 1.3.5.7.

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), Africa, Poland and Vietnam, and free-to-air TV in France (a)
	Canal+ International (b)	
	nc+ (Poland)	
	Free-to-air TV in France	
	Studiocanal	Studiocanal
Havas	Spain (c)	Spain
	North America	North America
	France	France
	Other territories	Other territories
Gameloft	Gameloft	Gameloft (d)
Vivendi Village	See Tickets	See Tickets
	Digitick	Digitick
	MyBestPro	MyBestPro
	L'Olympia	L'Olympia
	Paddington	Paddington (d)
	CanalOlympia	CanalOlympia
New Initiatives	Dailymotion	Dailymotion
	Vivendi Content	Vivendi Content
	Group Vivendi Africa	Group Vivendi Africa

(a) Corresponds to the level of monitoring return on investments.
(b) Relates to pay-TV in France overseas, Africa and Vietnam.
(c) Includes entities under the same management.
(d) As of December 31, 2016, no goodwill impairment tests attributable to Gameloft and Paddington were completed given that the acquisition dates of Gameloft and Paddington (June 29, 2016 and June 30, 2016, respectively) were close to the financial closing date.

During the fourth quarter of 2017, Vivendi performed a goodwill impairment test on each CGU or group of CGU, on the basis of (i) valuations of recoverable amounts determined with the assistance of third-party appraisers, for pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France, as well as for Universal Music Group, Gameloft and Dailymotion; (ii) internal valuations for other CGU or groups of CGU tested, in particular Studiocanal, Havas and See Tickets. As a result, Vivendi Management concluded that, as of December 31, 2017, 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 determined as the discounted value of future cash flows by using cash flow projections consistent with the 2018 budget and the most recent forecasts prepared by the operating segments. These forecasts are prepared for each operating segment, 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. The recoverable amount for each CGU or group of CGU was determined based on its value in use in accordance with the main key assumptions set out below.

		Valuation method		Discount rate (a)		Perpetual growth rate	
Operating segments	CGU or groups of CGU tested	2017	2016	2017	2016	2017	2016
Universal Music Group	Universal Music Group	DCF & comparables model	DCF & comparables model	9.00%	8.50%	2.125%	1.75%
Canal+ Group	Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	DCF & comparables model	DCF & comparables model	(b)	(b)	(b)	(b)
	Studiocanal	DCF	DCF	8.80%	9.25%	0.50%	0.50%
Havas	Spain	DCF	na	7.90%	na	2.00%	na
	North America	DCF	na	8.20%	na	2.00%	na
	France	DCF	na	7.80%	na	2.00%	na
Gameloft	Gameloft	DCF & comparables model	na	8.50%	na	2.00%	na
Vivendi Village	See Tickets	DCF	DCF	11.00%	11.00%	2.00%	2.00%
New Initiatives	Dailymotion	DCF & comparables model	DCF & comparables model	11.50%	16.00%	2.00%	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) Discount rates and perpetual growth rates applied to test this group of UGT were as follows:

	Discount rate		Perpetual growth rate	
	2017	2016	2017	2016
Pay-TV				
Mainland France	6.70%	8.14%	1.00%	1.20%
France overseas	7.70%	8.64%	1.00%	1.20%
Africa	11.20%	10.14%	2.00%	3.00%
Poland	7.00%	8.62%	1.50%	2.25%
Vietnam	9.20%	11.25%	2.00%	3.00%
Free-to-air TV in France	(c) 8.10%	8.58%	1.00%	1.50%

(c) With respect to free-to-air TV in France, the recoverable amount was determined on the basis of market data (comparable listed companies and comparison with the value attributed to similar companies in recent acquisition transactions).

Sensitivity of recoverable amounts

	December 31, 2017				
	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	9.00%	+8.68 pts	2.125%	-21.25 pts	-57%
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	(a)	+1.45 pts	(a)	-3.07 pts	-19%
Studiocanal	8.80%	+1.67 pts	0.50%	-2.48 pts	-20%
Havas					
Spain	7.90%	+7.86 pts	2.00%	-15.06 pts	-58%
North America	8.20%	+4.05 pts	2.00%	-6.89 pts	-39%
France	7.80%	+6.13 pts	2.00%	-10.24 pts	-53%
Gameloft (b)	**na**	**na**	**na**	**na**	**na**
Dailymotion (b)	**na**	**na**	**na**	**na**	**na**

	December 31, 2016				
	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	8.50%	+3.30 pts	1.75%	-4.56 pts	-33%
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa and Vietnam, and free-to-air TV in France	(a)	+1.82 pts	(a)	-3.69 pts	-23%
Studiocanal	9.25%	+1.02 pts	0.50%	-1.60 pts	-13%

na not applicable.

(a) For a presentation of the applied rates, please refer to the table in reference (b) immediately above.

(b) The acquisitions of Gameloft and Dailymotion, on June 29, 2016 and June 30, 2015, respectively, were part of Vivendi's strategy to build a global content and media group. Gameloft and Dailymotion were fully consolidated into the group and they are being reconfigured. With the assistance of a third-party appraiser, Vivendi ensured that the recoverable amounts of Gameloft and Dailymotion as of December 31, 2017, 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 acquisition prices

NOTE 10. CONTENT ASSETS AND COMMITMENTS

10.1. CONTENT ASSETS

	December 31, 2017		
(in millions of euros)	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	8,105	(6,767)	1,338
Advances to artists and repertoire owners	704	-	704
Merchandising contracts and artists services	21	(21)	-
Film and television costs	6,503	(5,713)	790
Sports rights	408	-	408
Other	42	(35)	7
Content assets	**15,783**	**(12,536)**	**3,247**
Deduction of current content assets	(1,177)	17	(1,160)
Non-current content assets	**14,606**	**(12,519)**	**2,087**

	December 31, 2016		
(in millions of euros)	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	9,153	(7,596)	1,557
Advances to artists and repertoire owners	549	-	549
Merchandising contracts and artists services	21	(20)	1
Film and television costs	6,312	(5,605)	707
Sports rights	404	-	404
Other	39	(34)	5
Content assets	**16,478**	**(13,255)**	**3,223**
Deduction of current content assets	(1,068)	14	(1,054)
Non-current content assets	**15,410**	**(13,241)**	**2,169**

Changes in content assets

	Year ended December 31,	
(in millions of euros)	2017	2016
Opening balance	**3,223**	**3,374**
Amortization of content assets excluding those acquired through business combinations	(27)	(27)
Amortization of content assets acquired through business combinations	(83)	(208)
Impairment losses on content assets acquired through business combinations	-	-
Increase	2,762	2,480
Decrease	(2,537)	(2,473)
Business combinations	36	6
Changes in foreign currency translation adjustments and other	(127)	71
Closing balance	**3,247**	**3,223**

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, 2017				
		Due in			Total minimum future payments as of December 31, 2016
(in millions of euros)	Total	2018	2019-2022	After 2022	
Music royalties to artists and repertoire owners	1,843	1,830	13	-	1,938
Film and television rights (a)	139	139	-	-	175
Sports rights	468	468	-	-	461
Creative talent, employment agreements and others	132	42	88	2	69
Content liabilities	**2,582**	**2,479**	**101**	**2**	**2,643**

Off-balance sheet commitments given/(received)

	Minimum future payments as of December 31, 2017				
		Due in			Total minimum future payments as of December 31, 2016
(in millions of euros)	Total	2018	2019-2022	After 2022	
Film and television rights (a)	2,724	1,086	1,600	38	2,785
Sports rights	(b) 2,022	804	1,200	18	2,661
Creative talent, employment agreements and others (c)	1,112	481	553	78	1,003
Given commitments	**5,858**	**2,371**	**3,353**	**134**	**6,449**
Film and television rights (a)	(212)	(109)	(103)	-	(189)
Sports rights	(16)	(7)	(9)	-	(25)
Creative talent, employment agreements and others (c)			not available		
Received commitments	**(228)**	**(116)**	**(112)**	**-**	**(214)**
Total net	**5,630**	**2,255**	**3,241**	**134**	**6,235**

(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 nc+ 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, 2017, provisions recorded in respect of these commitments amounted to €27 million (compared to €25 million as of December 31, 2016).
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 €630 million as of December 31, 2017, compared to €768 million as of December 31, 2016. These amounts notably included the renewal of the distribution agreement with beIN Sports on July 11, 2016, for a four-year period.
Moreover, on May 7, 2015, Société d'Edition de Canal Plus (SECP) renewed its agreement with all the cinema professional organizations (ARP, BLIC, BLOC and UPF). This five-year agreement (2015/2019) further strengthened the historical and strong partnership between Canal+ and the French cinema. Pursuant to this agreement, SECP is required to invest every year 12.5% of its annual revenues in the financing of European cinematographic works. With respect to audiovisual, pursuant to the agreements entered into with producers' and authors' organizations in France, Canal+ Group 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 for the following sport events:
- the French professional Soccer League 1, for the two seasons 2018/2019 and 2019/2020 for the two premium lots (€1,097 million);
- the National French Rugby Championship "TOP 14", on an exclusive basis, for the four seasons 2019/2020 to 2022/2023 awarded on May 12, 2016. It also included the broadcasting rights for the season 2018/2019 awarded on January 19, 2015; and
- Formula 1, Formula 2 and GP3 racings, on an exclusive basis, for the seasons 2018, 2019 and 2020 awarded on May 4, 2017.
- 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.

(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. INVESTMENTS IN EQUITY AFFILIATES

11.1. MAIN INVESTMENTS IN EQUITY AFFILIATES

As of December 31, 2017, 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Telecom Italia (a)	23.9%	23.9%	4,256	4,131
Banijay Group Holding (b)	31.4%	26.2%	142	129
Vevo	49.4%	49.4%	80	95
Other	na	na	62	61
			4,540	**4,416**

na: not applicable.

(a) As of December 31, 2017, Vivendi held 3,640 million Telecom Italia ordinary shares with voting rights, i.e., 23.9%, representing 17.2% of total share capital (please refer to Note 2.2). At the stock market price as of December 31, 2017 (€0.7205 per share), the market value of this interest amounted to €2,623 million.

(b) On June 22, 2017, Vivendi's interest in Banijay Group was transferred to a new joint holding company called Banijay Group Holding which owns 90.3% of Banijay Group, the remaining interest being held by certain managers of Banijay Group. The ORAN 1 previously issued by Banijay Group was replaced with a "new" ORAN 1 issued by Banijay Group Holding.
Following the successful refinancing of Banijay Group on July 6, 2017, a portion of the "new" ORAN 1 was early redeemed in cash for €39 million and converted into Banijay Group Holding shares, bringing Vivendi's interest in Banijay Group Holding from 26.2% to 31.4%. Upon maturity of the "new" ORAN 1, Banijay Group Holding will have the option of either redeeming the balance (€25 million) in cash or converting it into a number of shares which, in addition to the Banijay Group Holding shares already held by Vivendi, would bring Vivendi's interest in Banijay Group to a maximum of 49.9% (either directly or indirectly).

Change in value of investments in equity affiliates

	Year ended December 31,	
(in millions of euros)	2017	2016
Opening balance	**4,416**	**3,435**
Acquisitions	40	(a) 769
Sales	-	-
Income from equity affiliates (b)	146	169
Change in other comprehensive income	(32)	93
Dividends received	(6)	(8)
Other	(24)	(42)
Closing balance	**4,540**	**4,416**

(a) Mainly included the acquisitions of Telecom Italia ordinary shares for €610 million in 2016 as well as the acquisition of the interest in Banijay Group on February 23, 2016 for €100 million.

(b) Primarily included Vivendi's share of Telecom Italia's net earnings for €144 million in 2017 (please refer below), compared to €173 million in 2016.

11.2. 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 dates of publication 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 2017, Vivendi's earnings take into account its share of Telecom Italia's net earnings for the fourth quarter of 2016 and for the first nine months of 2017 which amounted to an aggregate of €144 million, calculated as follows:

- €47 million, attributable to Vivendi's share of Telecom Italia's profit for the fourth quarter of 2016, calculated based on the financial information for the year ended December 31, 2016, as disclosed by Telecom Italia on March 23, 2017;
- €157 million, attributable to Vivendi's share of Telecom Italia's profit for the first nine months of 2017, calculated based on the financial information for the first nine months ended September 30, 2017, as disclosed by Telecom Italia on November 10, 2017; and
- -€60 million, excluded from the adjusted net income, corresponding 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 -€18 million in 2017, including -€23 million related to foreign currency translation adjustments.

Value of Vivendi's interest in Telecom Italia as of December 31, 2017

In Vivendi's Consolidated Financial Statements for the year ended December 31, 2017, taking into account Vivendi's share of Telecom Italia's net earnings, the value of Telecom Italia shares accounted for under the equity method amounted to €4,256 million (for a purchase consideration of €3,899 million). As of December 31, 2017, the stock market price of Telecom Italia ordinary shares (€0.7205 per ordinary share) had decreased compared to the average purchase price paid by Vivendi (€1.0709 per ordinary share). However, Vivendi does not consider such decrease to be permanent, taking into account (i) the expected improvement of Telecom Italia's outlook, notably given the recent changes in the company's General Management; (ii) the volatility of Telecom Italia's stock market price following Vivendi's entry into its share capital; and (iii) the recent unfavorable trend of telecom securities in Europe. As of December 31, 2017, Vivendi performed an impairment test to determine whether the recoverable amount of its 17.2% interest in Telecom Italia exceeded its carrying value. With the assistance of a third-party appraiser, Vivendi Management concluded that the recoverable amount of its interest in Telecom Italia, which was 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), exceeded its carrying value.

Financial information related to 100% of Telecom Italia

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

(in millions of euros)	Nine months Financial Statements as of September 30, 2017	Annual Financial Statements as of December 31, 2016
Date of publication by Telecom Italia:	*November 10, 2017*	*March 23, 2017*
Non-current assets	58,014	58,784
Current assets	9,882	11,662
Total assets	**67,896**	**70,446**
Total equity	24,059	23,553
Non-current liabilities	32,655	34,554
Current liabilities	11,182	12,339
Total liabilities	**67,896**	**70,446**
Of which net financial debt (a)	*26,958*	*25,955*
Revenues	14,679	19,025
EBITDA (a)	6,213	8,002
Earnings attributable to Telecom Italia shareowners	1,033	1,808
Total comprehensive income/(loss) attributable to Telecom Italia shareowners	755	2,534

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

NOTE 12. FINANCIAL ASSETS

	December 31, 2017			December 31, 2016		
(in millions of euros)	Total	Current	Non-current	Total	Current	Non-current
Financial assets at fair value						
Term deposits, interest-bearing current accounts and MTN (a)	50	50	-	682	682	-
Level 1						
Bond funds (a)	25	25	-	316	316	-
Listed equity securities	3,754	-	3,754	3,019	-	3,019
Other financial assets	5	5	-	5	5	-
Level 2						
Unlisted equity securities	361	-	361	397	-	397
Derivative financial instruments (b)	19	4	15	79	62	17
Level 3						
Other financial assets	69	-	69	71	-	71
Financial assets at amortized cost (c)	**438**	**54**	**384**	**433**	**37**	**396**
Financial assets	**4,721**	**138**	**4,583**	**5,002**	**1,102**	**3,900**

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 14.
(b) These derivative financial instruments primarily comprise interest rate and foreign currency hedging instruments, as described in Note 19.
(c) As of December 31, 2017, these financial assets notably included:
- €173 million corresponding to a bond redeemable into either shares or cash (ORAN 2) and a bond redeemable in cash subscribed to by Vivendi in 2016, as well as the balance of a bond redeemable into either shares or cash ("new" ORAN 1) subscribed to by Vivendi on June 22, 2017 as part of its investment in Banijay Group Holding (please refer to Note 11.1); and
- a €70 million cash deposit made in March 2017 as part of an agreement to purchase a piece of land on the île Seguin, in the Parisian suburb Boulogne-Billancourt (please refer to Note 22.1).

As of December 31, 2016, they mainly included bonds subscribed to by Vivendi as part of its investment in Banijay Group for an aggregate amount of €245 million, as well as a €53 million cash deposit made as part of the partial judgment entered in the securities class action.

LISTED EQUITY PORTFOLIO

	December 31, 2017								
	Number of shares held	Purchase price (a)	Voting interest	Ownership interest	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
	(in thousands)	(in millions of euros)			(€/share)		(in millions of euros)		
Mediaset	340,246	1,259	(c) 29.94%	28.80%	3.23	1,099	(300)	(160)	+110/-110
Ubisoft	30,489	796	(d) 29.04%	27.27%	64.14	1,956	929	1,160	+195/-195
Telefonica	49,247	569	0.95%	0.95%	8.13	400	(34)	(169)	+40/-40
Fnac Darty	2,945	159	(e) 11.05%	11.05%	100.70	297	108	138	+30/-30
Other						3	-	(2)	-
Total						**3,754**	**703**	**967**	**+375/-375**

	December 31, 2016								
	Number of shares held	Purchase price (a)	Voting interest	Ownership interest	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
	(in thousands)	(in millions of euros)			(€/share)		(in millions of euros)		
Mediaset	340,246	1,259	(c) 29.94%	28.80%	4.11	1,398	140	140	+140/-140
Ubisoft	29,251	758	23.39%	25.72%	33.80	989	165	231	+99/-99
Telefonica	49,247	569	0.98%	0.98%	8.82	434	(65)	(135)	+43/-43
Groupe Fnac	2,945	159	11.27%	11.27%	64.23	189	30	30	+19/-19
Other						8	(2)	(2)	-
Total						**3,019**	**268**	**264**	**+301/-301**

(a) Includes acquisition fees and taxes.
(b) In accordance with IAS 39, these amounts, before taxes, were accounted for as other charges and income directly recognized in equity.
(c) The partnership agreement entered into between Vivendi and Mediaset on April 8, 2016 is the subject of litigation: please refer to Note 23.
(d) On November 27, 2017, Vivendi notified the *Autorité des marchés financiers* ("AMF") that, on November 23, 2017, it had crossed the 25% threshold in Ubisoft Entertainment's (Ubisoft) voting rights. In accordance with Article L. 233-7 VII of the French Commercial Code (*Code de commerce*), Vivendi stated the following objectives it intends to pursue over the six coming months and made the following declaration of intent:
- given that this declaration of intent was made following a crossing of threshold resulting from a doubling of voting rights, the issue of the transaction's financing is not applicable;
- Vivendi is not acting in concert with any third party in connection with its investments in Ubisoft and has not entered into a temporary sale agreement for Ubisoft shares or voting rights;
- Vivendi does not hold instruments and is not a party to agreements such as those referred to in paragraphs 4° and 4° bis of Article L.233-9 of the French Commercial Code (*Code de commerce*);
- Vivendi does not contemplate continuing the acquisition of Ubisoft shares and will ensure that it will not exceed the 30% threshold of voting rights through the doubling of its voting rights; to this end, Vivendi has already transferred 8,250,000 Ubisoft shares into a bearer account;
- while continuing its investment in the video game industry, Vivendi does not intend to file a public tender offer for Ubisoft shares nor to acquire control of the company, nor to undertake any of the transactions referred to in Article 223-17 I, 6° of the AMF General Regulations (*Règlement général*); and
- in view of the opposition expressed by Ubisoft's executive management, Vivendi does not seek representation on its Board of Directors.

(e) On January 16, 2018, Vivendi entered into a hedging transaction to protect the value of its interest in Fnac Darty. This hedge involves a forward sale based on a reference price of €91 per share, which will be adjusted depending on the unwinding terms. Vivendi retains the option to unwind this transaction either in cash or in shares at maturity, i.e., during the second half of 2019 at the latest.

EQUITY MARKET VALUE RISKS

In 2015, as part of a sustainable investing strategy, Vivendi 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, 2017, Vivendi's portfolio of listed non-controlling equity interests, mainly in Telecom Italia (please refer to Note 11), Mediaset, Ubisoft, Telefonica and Fnac Darty, represented an aggregate market value of approximately €6.4 billion (before taxes). Vivendi is exposed to the risk of fluctuation in the value of these interests: as of December 31, 2017, the net unrealized loss with respect to the interests in Telecom Italia, Mediaset, Ubisoft, Telefonica and Fnac Darty amounted to approximately €300 million (before taxes). A 10% uniform decrease in the value of all of these shares would have a cumulative negative impact of approximately €1.9 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 €2.6 billion on Vivendi's financial position.

NOTE 13. NET WORKING CAPITAL

CHANGES IN NET WORKING CAPITAL

(in millions of euros)	December 31, 2016	Changes in operating working capital (a)	Business combinations	Divestitures in progress or completed	Changes in foreign currency translation adjustments	Other (b)	December 31, 2017
Inventories	123	(24)	91	-	(10)	(3)	177
Trade accounts receivable and other	2,273	499	(c) 2,636	(12)	(147)	(31)	5,218
Working capital assets	**2,396**	**475**	**2,727**	**(12)**	**(157)**	**(34)**	**5,395**
Trade accounts payable and other	5,614	728	(d) 3,067	(23)	(350)	(35)	9,001
Other non-current liabilities	126	(6)	35	-	(4)	75	226
Working capital liabilities	**5,740**	**722**	**3,102**	**(23)**	**(354)**	**40**	**9,227**
Net working capital	**(3,344)**	**(247)**	**(375)**	**11**	**197**	**(74)**	**(3,832)**

(in millions of euros)	December 31, 2015	Changes in operating working capital (a)	Business combinations	Divestitures in progress or completed	Changes in foreign currency translation adjustments	Other (b)	December 31, 2016
Inventories	117	5	1	-		-	123
Trade accounts receivable and other	2,139	10	92	-	(9)	41	2,273
Working capital assets	**2,256**	**15**	**93**	**-**	**(9)**	**41**	**2,396**
Trade accounts payable and other	6,738	8	57	-	(13)	(e) (1,176)	5,614
Other non-current liabilities	105	-	-	-	1	20	126
Working capital liabilities	**6,843**	**8**	**57**	**-**	**(12)**	**(1,156)**	**5,740**
Net working capital	**(4,587)**	**7**	**36**	**-**	**3**	**1,197**	**(3,344)**

(a) Excludes content investments made by Canal+ Group and Universal Music Group.
(b) Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments.
(c) Included €2,629 million related to the integration of Havas.
(d) Included €3,043 million related to the integration of Havas.
(e) Included the payment on February 3, 2016 of the second interim dividend with respect to fiscal year 2015 for €1,318 million.

TRADE ACCOUNTS RECEIVABLE AND OTHER

(in millions of euros)	December 31, 2017	December 31, 2016
Trade accounts receivable	3,828	1,340
Trade accounts receivable write-offs	(172)	(163)
Trade accounts receivable, net	**3,656**	**1,177**
Other	1,562	1,096
Trade accounts receivable and other	**5,218**	**2,273**

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 (mainly Universal Music Group, Canal+ Group, Havas and Gameloft), enable Vivendi to minimize the risk of credit concentration related to trade accounts receivable.

As of December 31, 2017, trade accounts receivable and other amounted to €5,218 million, an increase of €2,945 million compared to year-end 2016, mainly resulting from the consolidation of Havas on July 3, 2017. Havas provides advertising and communications services to a wide range of clients operating in many different industry sectors around the world. Havas grants credit to all qualified clients. It does not believe it is exposed to any undue concentration of credit risk related to either a specific country or client. Consequently, concentrations of credit risk on accounts receivable are limited. In 2015, Havas selected a leading credit insurer to cover its main client credit risks worldwide. Deployment of this credit insurance cover began in July 2015 and continued in 2016 and 2017.

TRADE ACCOUNTS PAYABLE AND OTHER

(in millions of euros)	Note	December 31, 2017	December 31, 2016
Trade accounts payable		4,909	2,273
Music royalties to artists and repertoire owners	10.2	1,830	1,920
Other		2,262	1,421
Trade accounts payable and other		**9,001**	**5,614**

NOTE 14. 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 comply with the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, the criteria set forth in AMF position No. 2011-13.

	December 31, 2017			December 31, 2016		
(in millions of euros)	Carrying value	Fair value	Level (a)	Carrying value	Fair value	Level (a)
Term deposits, interest-bearing current accounts and MTN	50	na	na	682	na	na
Bond funds	25	25	1	316	316	1
Cash management financial assets	**75**			**998**		
Cash	389	na	na	285	na	na
Term deposits and interest-bearing current accounts	1,257	na	na	1,871	na	na
Money market funds	275	275	1	1,916	1,916	1
Bond funds	30	30	1	-		
Cash and cash equivalents	**1,951**			**4,072**		
Cash position	**2,026**			**5,070**		

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 2017, the average interest rate on Vivendi's investments was 0.40% (compared to 0.34% in 2016).

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 contractual agreements. Havas's cash position, which itself is subject to a cash pooling arrangement, has been consolidated considering that Vivendi has made available a current account facility to Havas.

As of December 31, 2017, the group's cash position amounted to €2,026 million, of which €1,072 million was held by Vivendi SA.

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) commercial banks with high long-term and 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 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), 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 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, as well as its investment projects, if any, for the next 12 months.

NOTE 15. EQUITY

CHANGES IN THE SHARE CAPITAL OF VIVENDI SA

(in thousands)	December 31, 2017	December 31, 2016
Number of shares comprising the share capital (nominal value: €5.5 per share)	**1,296,059**	**1,287,088**
Treasury shares	(39,408)	(27,614)
Number of shares, net	**1,256,651**	**1,259,474**
Number of voting rights, gross	**1,513,250**	**1,384,762**
Treasury shares	(39,408)	(27,614)
Number of voting rights, net	**1,473,842**	**1,357,148**

On July 25, 2017, Vivendi made a capital increase of €68 million, by issuing 4,160 thousand new shares, through an employee stock purchase plan (please refer to Note 18).

As of December 31, 2017, Vivendi's share capital amounted to €7,128,323,856.50, divided into 1,296,058,883 shares. In addition, as of December 31, 2017, 13.2 million stock options and 4.3 million performance shares were outstanding, representing a potential maximum nominal share capital increase of €96 million (i.e., 1.35%).

SHARE REPURCHASES

During the first half of 2017, Vivendi continued the share repurchase program authorized by the General Shareholders' Meetings held on April 21, 2016 and April 25, 2017, acquiring shares for an aggregate amount of €203 million. As of December 31, 2017, Vivendi held 39,408 thousand treasury shares, representing 3.04% of the share capital (compared to 2.15% of the share capital as of December 31, 2016).

SHAREHOLDERS' DIVIDEND DISTRIBUTIONS

On February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017 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 €0.45 per share, representing a total distribution of approximately €567 million. This proposal was presented to, and approved by, Vivendi's Supervisory Board at its meeting held on February 15, 2018, and will be submitted to the Annual General Shareholders' Meeting to be held on April 19, 2018 for approval.

On May 4, 2017, with respect to fiscal year 2016, an ordinary dividend of €0.40 per share was paid (following the coupon detachment on May 2, 2017), representing a total distribution of €499 million.

NOTE 16. PROVISIONS

(in millions of euros)	Note	December 31, 2017	December 31, 2016
Employee benefits (a)		746	742
Restructuring costs (b)		59	57
Litigations	23	260	286
Losses on onerous contracts		61	91
Contingent liabilities due to disposal (c)		16	16
Other (d)		785	949
Provisions		**1,927**	**2,141**
Deduction of current provisions		(412)	(356)
Non-current provisions		**1,515**	**1,785**

(a) Included deferred employee compensation as well as provisions for defined employee benefit plans (€712 million as of December 31, 2017 and €708 million as of December 31, 2016), but excluded employee termination reserves recorded under restructuring costs.
(b) Primarily included provisions for restructuring at UMG (€9 million as of December 31, 2017, compared to €21 million as of December 31, 2016) and at Canal+ Group (€50 million as of December 31, 2017, compared to €30 million as of December 31, 2016).
(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 the provisions with respect to the 2012 and 2015 French Tax Group System (€251 million and €203 million, respectively), as well as litigation provisions for which the amount and nature are not detailed because such disclosure could be prejudicial to Vivendi. As of December 31, 2016, it also included the provision with respect to the 2011 Consolidated Global Profit Tax System (€409 million).

CHANGES IN PROVISIONS

	Year ended December 31,	
	2017	2016
Opening balance	**2,141**	**3,042**
Addition	451	208
Utilization	(a) (270)	(b) (913)
Reversal	(a) (503)	(b) (325)
Business combinations	172	20
Divestitures, changes in foreign currency translation adjustments and other	(64)	109
Closing balance	**1,927**	**2,141**

(a) Notably included the reversal of reserve related to the securities class action in the United States for an aggregate amount of €100 million (please refer to Note 23).
(b) Notably included the reversal of reserve related to the Liberty Media litigation in the United States for an aggregate amount of €945 million, as a result of the settlement agreement entered into on February 23, 2016 (please refer to Note 23).

NOTE 17. EMPLOYEE BENEFITS

17.1. 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 17.2.2 below.

		Year ended December 31,	
(in millions of euros)	Note	2017	2016
Employee defined contribution plans		46	23
Employee defined benefit plans	17.2.2	23	18
Employee benefit plans		**69**	**41**

This cost increase was primarily due to the consolidation of Havas on July 3, 2017: €17 million for employee defined contribution plans and €3 million for employee defined benefit plans.

17.2. EMPLOYEE DEFINED BENEFIT PLANS

17.2.1. 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 amended IAS 19, the expected return on plan assets is estimated using the discount rate used to value the obligations of the previous year.

In weighted average

	Pension benefits		Post-retirement benefits	
	2017	2016	2017	2016
Discount rate (a)	2.2%	1.7%	3.7%	3.4%
Rate of compensation increase	1.5%	1.7%	na	na
Duration of the benefit obligation (in years)	15.5	16.0	9.4	9.9

na: not applicable.

(a) A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2017 discount rate would have led to a decrease of €1 million in pre-tax expense (or an increase of €1 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €88 million (or an increase of €96 million, respectively).

Assumptions used in accounting for pension benefits, by country

	United States		United Kingdom		Germany		France	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	3.75%	3.50%	2.50%	2.25%	1.50%	0.75%	1.50%	0.75%
Rate of compensation increase (weighted average)	na	na	3.50%	3.50%	1.75%	1.75%	3.25%	3.44%

na: not applicable.

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

	United States		Canada	
	2017	2016	2017	2016
Discount rate	3.75%	3.50%	3.50%	3.00%
Rate of compensation increase	na	na	na	na

na: not applicable.

Allocation of pension plan assets

	December 31, 2017 (a)	December 31, 2016 (a)
Equity securities	12%	2%
Debt securities	20%	33%
Diversified funds	15%	21%
Insurance contracts	41%	20%
Real estate	1%	-
Cash and other	11%	24%
Total	**100%**	**100%**

(a) 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 7.3% for the under 65 years of age and 65 years of age and older categories in 2017, to 4.5% in 2025 for these categories. In 2017, 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 €1 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 €1 million.

17.2.2. Analysis of the expense recorded and of the amount of benefits paid

	Pension benefits		Post-retirement benefits		Total	
(in millions of euros)	2017	2016	2017	2016	2017	2016
Current service cost	24	17	-	-	24	17
Past service cost	(2)	(1)	-	-	(2)	(1)
(Gains)/losses on settlements	-	-	-	-	-	-
Other	1	1	-	1	1	2
Impact on selling, administrative and general expenses	**23**	**17**	**-**	**1**	**23**	**18**
Interest cost	17	22	5	5	22	27
Expected return on plan assets	(10)	(11)	-	-	(10)	(11)
Impact on other financial charges and income	**7**	**11**	**5**	**5**	**12**	**16**
Net benefit cost recognized in profit or loss	**30**	**28**	**5**	**6**	**35**	**34**

In 2017, benefits paid amounted to (i) €90 million with respect to pensions (€72 million in 2016), of which €63 million paid by pension funds (€47 million in 2016), and (ii) €11 million paid with respect to post-retirement benefits (€12 million in 2016).

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

The consolidation of Havas on July 3, 2017 resulted in a net provision of €104 million corresponding to historical carrying values reported in Havas's Consolidated Statement of Financial Position, resulting from a €254 million value of benefit obligations reduced by the value of plan assets for €150 million.

The acquisition of Gameloft on June 29, 2016 did not have a significant impact on the value of obligations with respect to employee benefits.

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

		Employee defined benefit plans		
		Year ended December 31, 2017		
		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		**1,179**	**482**	**(697)**
Current service cost		24		(24)
Past service cost		(2)		2
(Gains)/losses on settlements		-	-	-
Other		-	(1)	(1)
Impact on selling, administrative and general expenses				***(23)***
Interest cost		22		(22)
Expected return on plan assets			10	10
Impact on other financial charges and income				***(12)***
Net benefit cost recognized in profit or loss				**(35)**
Experience gains/(losses) (a)		25	(30)	(55)
Actuarial gains/(losses) related to changes in demographic assumptions		(10)		10
Actuarial gains/(losses) related to changes in financial assumptions (b)		(87)		87
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**42**
Contributions by plan participants		3	3	-
Contributions by employers		-	63	63
Benefits paid by the fund		(63)	(63)	-
Benefits paid by the employer		(38)	(38)	-
Business combinations		2	-	(2)
Consolidation of Havas		254	150	(104)
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		(56)	(27)	29
Closing balance		**1,253**	**549**	**(704)**
Of which wholly or partly funded benefits		*834*		
wholly unfunded benefits (c)		*419*		
Of which assets related to employee benefit plans				*8*
provisions for employee benefit plans (d)	16			*(712)*

		Employee defined benefit plans		
		Year ended December 31, 2016		
		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		**1,085**	**458**	**(627)**
Current service cost		17		(17)
Past service cost		(1)		1
(Gains)/losses on settlements		-	-	-
Other		1	(1)	(2)
Impact on selling, administrative and general expenses				***(18)***
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				**(34)**
Experience gains/(losses) (a)		7	76	69
Actuarial gains/(losses) related to changes in demographic assumptions		(6)		6
Actuarial gains/(losses) related to changes in financial assumptions (e)		167		(167)
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**(92)**
Contributions by plan participants		1	1	-
Contributions by employers			62	62
Benefits paid by the fund		(47)	(47)	-
Benefits paid by the employer		(37)	(37)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		(35)	(41)	(6)
Closing balance		**1,179**	**482**	**(697)**
Of which wholly or partly funded benefits		*714*		
wholly unfunded benefits (c)		*465*		
Of which assets related to employee benefit plans				*11*
provisions for employee benefit plans (d)	16			*(708)*

(a) Includes the impact on the benefit obligation 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 -€72 million attributable to an increase in discount rates, of which -€5 million in the United States, -€19 million in the United Kingdom, -€19 million in Germany and -€24 million in France.
(c) In accordance with local laws and practices, certain plans are not covered by plan assets. As of December 31, 2017 and 2016, such plans principally comprised supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.
(d) Included a current liability of €53 million as of December 31, 2017 (compared to €61 million as of December 31, 2016).
(e) Included €183 million attributable to a decrease in discount rates, of which €11 million in the United States, €113 million in the United Kingdom, €28 million in Germany and €23 million in France.

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)	2017	2016	2017	2016	2017	2016
Benefit obligation						
US companies	118	136	111	134	229	270
UK companies (c)	469	388	2	3	471	391
German companies	192	222	-	-	192	222
French companies (c)	268	207	3	-	271	207
Other	78	74	12	15	90	89
	1,125	**1,027**	**128**	**152**	**1,253**	**1,179**
Fair value of plan assets						
US companies	54	60	-	-	54	60
UK companies (c)	398	341	-	-	398	341
German companies	2	3	-	-	2	3
French companies (c)	43	31	-	-	43	31
Other	52	47	-	-	52	47
	549	**482**	**-**	**-**	**549**	**482**
Underfunded obligation						
US companies	(64)	(76)	(111)	(134)	(175)	(210)
UK companies (c) (d)	(71)	(47)	(2)	(3)	(73)	(50)
German companies	(190)	(219)	-	-	(190)	(219)
French companies (c)	(225)	(176)	(3)	-	(228)	(176)
Other	(26)	(27)	(12)	(15)	(38)	(42)
	(576)	**(545)**	**(128)**	**(152)**	**(704)**	**(697)**

(a) No employee defined benefit plan individually exceeded 10% of the aggregate value of the obligations and of the underfunded obligation of 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 the current regulation 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 the increase in the cost of benefits (please refer to the sensitivity analysis described in Note 17.2.1).
(c) Included Havas in the United Kingdom and in France: the benefit obligation amounted to €161 million and €69 million, respectively, and the fair value of plan assets in the United Kingdom amounted to €136 million, i.e., an increase in the underfunded obligation of €25 million and €69 million, respectively.
(d) 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 undertake the benefits with regards to the beneficiaries of the plan. In principle, the benefit obligation is equal to the plan asset, and no net pension liability is recorded in the Consolidated Statement of Financial Position.

17.2.4. Benefits estimation and future payments

For 2018, hedge fund contributions and benefit payments by Vivendi to retirees are estimated at €44 million in respect of pensions, of which €25 million relates to pension funds and €11 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
2018	42	12
2019	44	12
2020	57	12
2021	42	12
2022	59	12
2023-2027	301	49

NOTE 18. SHARE-BASED COMPENSATION PLANS

18.1. PLANS GRANTED BY VIVENDI

18.1.1. Equity-settled instruments

Transactions on outstanding instruments that occurred in 2016 and 2017 were as follows:

	Stock options		Performance shares
	Number of outstanding stock options (in thousands)	Weighted average strike price of outstanding stock options (in euros)	Number of outstanding performance shares (in thousands)
Balance as of December 31, 2015	**31,331**	**19.7**	**2,545**
Granted	-	na	1,320
Exercised	(a) (674)	14.1	(394)
Forfeited	(6,037)	22.9	na
Cancelled	-	na	(b) (255)
Balance as of December 31, 2016	**24,620**	**19.1**	**3,216**
Granted	-	na	1,548
Exercised	(a) (4,811)	17.6	(342)
Forfeited	(6,557)	24.7	na
Cancelled	(50)	20.2	(119)
Balance as of December 31, 2017	**(c) 13,202**	**16.8**	**(d) 4,303**
Exercisable as of December 31, 2017	**13,202**	**16.8**	**-**
Acquired as of December 31, 2017	**13,202**	**16.8**	**167**

na: not applicable.

(a) In 2017, beneficiaries exercised their stock options at the weighted average stock market price of €21.1 (compared to €18.3 for stock options exercised in 2016).
(b) At its meeting held on February 18, 2016, after review by the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board approved the level of satisfaction of objectives set for the cumulative fiscal years 2014 and 2015 for performance share plans granted in 2014. It confirmed that not all the criteria had been met for fiscal year 2015. Depending on the group subsidiary, the final grant of the 2014 performance share plans represents between 59% and 75% of the initial grant. Consequently, 77,524 rights to performance shares granted in 2014 were cancelled. In addition, 177,790 rights were cancelled due to the termination of employment of certain beneficiaries.
(c) At the stock market price on December 31, 2017, the cumulated intrinsic value of remaining stock options to be exercised is estimated at €74 million.
(d) The weighted-average remaining period before delivering performance shares was 1.8 years.

Please refer to Note 15 for 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, 2017

Range of strike prices	Number (in thousands)	Weighted average strike price (in euros)	Weighted average remaining life (in years)
Under €15	1,420	11.8	4.3
€15-€17	6,543	15.9	1.8
€17-€19	1,726	17.2	3.3
€19-€21	3,513	20.2	0.3
More than €21	-	-	-
	13,202	**16.8**	**1.9**

Performance share plans

On February 23, 2017, Vivendi granted its employees and executive management 1,544 thousand performance shares, compared to 1,312 thousand granted on May 11, 2016. As of February 23, 2017, the share price was €16.95 and the expected dividend yield was 2.36% (compared to €16.68 and 1.20% in 2016, 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 8.4% of the share price as of February 23, 2017 (unchanged compared to 2016). Consequently, the fair value of each granted performance share was estimated at €14.37 (compared to €14.68 in 2016), corresponding to an aggregate fair value of €22 million (compared to €19 million in 2016).

Subject to satisfaction of the performance criteria, performance shares definitely vest at the end of a three-year period, subject to presence of the beneficiaries in the group (vesting period), and 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 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%):
  - growth of the group's EBIT (35%), and
  - growth of the group's CFAIT (35%).

  For the plan granted on May 11, 2016, the weighting of the internal indicators was set at 80%:
  - the group's adjusted net income per share (40%),
  - the group's EBITA growth rate (30%), and
  - the relevant subsidiary's EBITA margin rate for beneficiaries in the business segments, or the group's EBITA margin rate for beneficiaries at the corporate headquarters (10%);
- external indicators (with a weighting of 30%, compared to 20% in 2016) tied to changes in Vivendi's share price compared to the STOXX® Europe Media index (20%, compared to 15% in 2016) and to the CAC 40 index (10%, compared to 5% in 2016).

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 2017, the charge recognized with respect to all performance share plans amounted to €18 million, compared to €10 million in 2016. In 2017, the charge corresponded to the impact of three outstanding plans, compared to two plans in 2016 given that no plan was granted in 2014.

18.1.2. Employee stock purchase and leveraged plans

On July 25, 2017 and July 28, 2016, Vivendi made 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:

	2017	2016
Grant date	June 22	June 27
Data at grant date:		
Share price (in euros)	20.58	15.28
Expected dividend yield	1.94%	1.31%
Risk-free interest rate	-0.21%	-0.27%
5-year interest rate in fine	3.93%	4.37%
Repo rate	0.36%	0.36%
Discount for non-transferability per share	18.44%	20.80%

Under the employee stock purchase plan (ESPP), 651 thousand shares were subscribed for in 2017 through a company mutual fund (*Fonds commun de placement d'entreprise*) at a price of €16.25 per share (compared to 613 thousand shares at a price of €14.58 per share in 2016). 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 22, 2017 was set at 21.0% (compared to 4.6% in 2016).

In 2017, the charge recognized with respect to the ESPP amounted to €1 million. In 2016, as the benefit granted was lower than the discount for non-transferability, no charges were recognized.

Under the leveraged plan, 2,587 thousand shares were subscribed for in 2017 through a company mutual fund at a price of €16.25 per share (compared to 3,426 thousand shares at a price of €14.58 in 2016). 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, 922 thousand shares were subscribed for as part of an employee shareholding plan implemented for employees of the group's American subsidiaries (compared to 830 thousand shares in 2016). In 2017, the charge recognized with respect to the leveraged plan amounted to €5 million, compared to €1 million in 2016.

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 25, 2017 for an aggregate value of €68 million (including issue premium) compared to €71 million on July 28, 2016.

18.1.3. Cash-settled instruments

Stock appreciation right (SAR) plan

Under the SAR plan, the beneficiaries receive a cash payment upon exercise of their rights based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SAR and their strike price as set at the grant date.

As of December 31, 2016, the outstanding stock appreciation right plan totaled 1,482 thousand SAR. In April 2017, these SAR have all expired at the end of their ten-year term.

18.2. RESTRICTED AND PERFORMANCE SHARE PLANS GRANTED BY HAVAS

The restricted and performance share plans were valued based on the stock market price of Havas 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 definitely vest at the end of a period of 36 to 51 months, subject to presence of the beneficiaries in the group.

Outstanding plans as of December 31, 2017 were as follows:

- On January 29, 2014, the Board of Directors decided to implement a performance share plan for the employees and directors of Havas SA and its subsidiaries in France and abroad. The grant represented 2,465 thousand newly-issued Havas SA shares in the form of a capital increase. No performance shares were granted to the executive director of Havas SA.
- On January 19, 2015, the Board of Directors granted a second plan of 2,420 thousand performance shares on the same terms as that of January 29, 2014.
- On March 19, 2015, the Board of Directors granted 70 thousand performance shares to Mr. Yannick Bolloré, Chief Executive Officer of Havas SA.
- On August 27, 2015, the Board of Directors granted a plan of 120 thousand performance shares to all employees of French companies.
- On May 10, 2016, the Board of Directors granted three plans for a total of 2,784 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.
- On February 28, 2017, the Board of Directors granted 1,699 thousand restricted shares to the group's senior executives in France and abroad.

Transactions on outstanding shares that occurred since July 3, 2017 were as follows:

	Number of outstanding shares (in thousands)
Balance as of December 31, 2016	**-**
Resulting from the business combination	8,275
Granted	-
Issued	-
Forfeited	-
Cancelled	(342)
Balance as of December 31, 2017	**7,933**

As from July 3, 2017 (the date on which Vivendi took control of Havas), the charge recognized with respect to all restricted and performance share plans granted by Havas amounted to €4 million.

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 (please refer to Note 2.1), 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.

However, holders of Havas restricted and performance shares will be individually given the option of being definitively granted the Havas restricted and performance shares initially granted to them, subject to having entered into a liquidity contract with Vivendi, which shall contain:

- a put option, giving such holders 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 definitive grant 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 based on the average stock market price, weighted by the daily trading volumes on the regulated market of Euronext Paris, for Vivendi shares on Euronext Paris during the ten trading days preceding the date of definitive grant of Havas restricted and performance shares. By way of derogation, given the proximity of the vesting date applicable to the plan of January 29, 2014 (i.e., April 29, 2018), this exercise price will be equal to the tender offer price, i.e., €9.25, for the beneficiaries of this plan.

18.3. RESTRICTED SHARE PLANS GRANTED BY GAMELOFT S.E.

The restricted share plans were valued based on the stock market price of Gameloft S.E. ("Gameloft") 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.

As of June 29, 2016, the date of Gameloft's acquisition by Vivendi, the existing plans were valued by measuring the value of those shares as if they had been granted on such date.

Transactions on outstanding restricted shares that occurred since June 29, 2016 were as follows:

	Number of outstanding restricted shares (in thousands)
Balance as of December 31, 2015	**-**
Resulting from the business combination	2,678
Granted	-
Issued	(410)
Forfeited	-
Cancelled	(935)
Balance as of December 31, 2016	**1,333**
Granted	-
Issued	(553)
Forfeited	-
Cancelled	(46)
Balance as of December 31, 2017	(a) **734**

(a) The weighted-average remaining period before delivering restricted shares was 1.5 year.

In 2017, the charge recognized with respect to all restricted share plans granted by Gameloft amounted to €3 million (unchanged compared to 2016). As from January 1, 2017, these plans are recognized as cash-settled instruments.

18.4. 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, including Mr. Dominique Delport, a member of Vivendi's Supervisory Board. This plan is tied to the growth of Dailymotion's enterprise value compared to its acquisition value, as it will 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, 2017, no charges were accounted for with respect to this plan, unchanged compared to December 31, 2016.

NOTE 19. BORROWINGS AND OTHER FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT

		December 31, 2017			December 31, 2016		
(in millions of euros)	Note	Total	Long-term	Short-term	Total	Long-term	Short-term
Bonds	19.2	4,150	4,050	100	3,550	2,800	750
Short-term marketable securities issued		-	-	-	100	-	100
Bank overdrafts		75	-	75	77	-	77
Accrued interest to be paid		18	-	18	36	-	36
Bank credit facilities (drawn confirmed)	19.3	-	-	-	-	-	-
Cumulative effect of amortized cost	19.1	(18)	(18)	-	(13)	(13)	-
Other		141	12	129	101	15	86
Value of borrowings at amortized cost		**4,366**	**4,044**	**322**	**3,851**	**2,802**	**1,049**
Commitments to purchase non-controlling interests		144	103	41	85	56	29
Derivative financial instruments	19.7	126	(a) 116	10	145	(a) 119	26
Borrowings and other financial liabilities		**4,636**	**4,263**	**373**	**4,081**	**2,977**	**1,104**

(a) Mainly included the fair value of the options pursuant to which Banijay Group Holding and Lov Banijay may redeem their borrowings in shares (please refer to Note 12).

19.1. FAIR MARKET VALUE OF BORROWINGS AND OTHER FINANCIAL LIABILITIES

	December 31, 2017			December 31, 2016		
(in millions of euros)	Carrying value	Fair market value	Level (a)	Carrying value	Fair market value	Level (a)
Nominal value of borrowings	4,384			3,864		
Cumulative effect of amortized cost	(18)			(13)		
Borrowings at amortized cost	**4,366**	**4,506**	**na**	**3,851**	**3,994**	**na**
Commitments to purchase non-controlling interests	144	144	3	85	85	3
Derivative financial instruments	126	126	2	145	145	2
Borrowings and other financial liabilities	**4,636**	**4,776**		**4,081**	**4,224**	

na: not applicable.

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

19.2. BONDS

(in millions of euros)	Interest rate (%) nominal	Interest rate (%) effective	Maturity	December 31, 2017	December 31, 2016
Bonds issued by Vivendi SA					
€850 million (September 2017) (a)	0.875%	0.99%	September 2024	850	-
€600 million (November 2016) (a)	1.125%	1.18%	November 2023	600	600
€1 billion (May 2016) (a)	0.750%	0.90%	May 2021	1,000	1,000
€500 million (May 2016) (a)	1.875%	1.93%	May 2026	500	500
€750 million (March 2010) (b)	4.000%	4.15%	March 2017	(c) -	750
€700 million (December 2009) (b)	4.875%	4.95%	December 2019	700	700
Bonds issued by Havas SA					
€400 million (December 2015) (a)	1.875%	1.94%	December 2020	400	-
€100 million (July 2013) (a)	3.125%	3.125%	July 2018	100	-
Nominal value of bonds				**4,150**	**3,550**

(a) Bonds listed on the Euronext Paris Stock Exchange.
(b) Bonds listed on the Luxembourg Stock Exchange.
(c) This bond was fully redeemed at its maturity in March 2017.

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 case of a change of control (1) 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 contain an early redemption clause in case of a change of control (2).

19.3. BANK CREDIT FACILITIES

Vivendi SA has a €2 billion bank credit facility, maturing on October 29, 2021, undrawn as of December 31, 2017. Taking into account the absence of short-term marketable securities (3) issued and backed by this bank credit facility, €2 billion of this facility was available as of December 31, 2017. As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), taking into account the short-term marketable securities issued for €100 million, €1.9 billion of this facility was available.

This bank credit facility contains customary provisions relating to events of default and covenants relating to negative pledge, and merger transactions. In addition, at the end of each half-year, Vivendi SA is required to comply with a Proportionate Financial Net Debt (4) to EBITDA (5) financial covenant over a 12-month rolling period, not exceeding 3 for the duration of the loan. Non-compliance with this covenant could result in the early redemption of the bank credit facility if it were drawn, or its cancellation. As of December 31, 2017, Vivendi SA was in compliance with its financial covenant.

The renewal of Vivendi SA's committed bank credit facility when it is drawn is contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations with respect to loan contracts.

In addition, Havas SA has committed credit facilities, undrawn as of December 31, 2017, granted by leading banks for an aggregate amount of €510 million, including €150 million maturing in 2018, €330 million maturing in 2020 and €30 million maturing in 2021. These credit facilities are required to comply with the following financial covenants at each annual closing date:

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

(1) In the bonds issued in May 2016 and November 2016, Bolloré Group was carved out of the change-of-control clause.

(2) Change of control is defined as the settlement/delivery of a tender offer following which one or more physical or legal entitie(s) which is/are not part of Bolloré Group and Vivendi, acting in isolation or in concert, acquire(s) over 50% of Havas SA's share capital or voting rights.

(3) Since June 1, 2016, in accordance with the French Monetary and Financial Code (*Code monétaire et financier*), "short-term marketable securities" have replaced "commercial papers".

(4) Relates to Financial Net Debt as defined by Vivendi, plus derivative financial instruments whose underlying instruments are not Financial Net Debt items and commitments to purchase non-controlling interests.

(5) Relates to EBITDA as defined by Vivendi (including the 12-month pro forma EBITDA of Havas), plus dividends received from unconsolidated companies.

(6) Corresponds, on the basis of Havas'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.

(7) Corresponds, on the basis of Havas'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.

(8) Corresponds, at a given date and on the basis of Havas'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's consolidated financial statements prepared under IFRS.

In addition, as a result of the settlement agreement entered into with Liberty Media on February 23, 2016 regarding the lawsuit filed by Liberty Media in March 2003, the letter of credit issued to guarantee the amounts awarded by the jury was terminated and the related cash deposit was returned to Vivendi (€974 million).

19.4. BORROWINGS BY MATURITY

(in millions of euros)	December 31, 2017		December 31, 2016	
Maturity				
< 1 year (a)	322	*7%*	1,049	*27%*
Between 1 and 2 years	703	*16%*	14	-
Between 2 and 3 years	406	*9%*	701	*18%*
Between 3 and 4 years	1,001	*23%*	-	-
Between 4 and 5 years	-	-	1,000	*26%*
> 5 years	1,952	*45%*	1,100	*29%*
Nominal value of borrowings	**4,384**	***100%***	**3,864**	***100%***

(a) As of December 31, 2017, short-term borrowings (with a maturity period of less than one year) notably included Havas SA's bonds maturing in July 2018 for €100 million, as well as bank overdrafts for €75 million. As of December 31, 2016, they mainly included Vivendi SA's bond maturing in March 2017 for €750 million, short-term marketable securities for €100 million, as well as bank overdrafts for €77 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 5.0 years as of December 31, 2017 notably taking into account the shorter maturity of Havas's financial debt (compared to 5.3 years as of December 31, 2016).

As of December 31, 2017, the future undiscounted cash flows related to borrowings and other financial liabilities amounted to €4,862 million (compared to €4,289 million as of December 31, 2016) for a carrying value of €4,636 million (compared to €4,081 million as of December 31, 2016) and are set out in Note 22.1 in the group's contractual minimum future payments schedule.

19.5. 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.

Breakdown by nature of interest rate

(in millions of euros)	December 31, 2017		December 31, 2016	
Fixed interest rate	4,218	*96%*	3,639	*94%*
Floating interest rate	166	*4%*	225	*6%*
Nominal value of borrowings before hedging	**4,384**	***100%***	**3,864**	***100%***
Pay-fixed interest rate swaps	-		(a) *450*	
Pay-floating interest rate swaps	-		(a) *(450)*	
Net position at fixed interest rate	**-**		**-**	
Fixed interest rate	4,218	*96%*	3,639	*94%*
Floating interest rate	166	*4%*	225	*6%*
Nominal value of borrowings after hedging	**4,384**	***100%***	**3,864**	***100%***

(a) As of December 31, 2016, Vivendi SA's contracts only included the pay-floating interest rate swaps with a notional amount of €450 million, as well as pay-fixed interest rate swaps for the same amount. These swaps, qualified as economic hedges were unwound at their maturity date in March 2017.

19.6. FOREIGN CURRENCY RISK MANAGEMENT

Breakdown by currency

(in millions of euros)	December 31, 2017		December 31, 2016	
Euro – EUR	4,288	*98%*	3,777	*98%*
US dollar – USD	1	-	1	-
Other	95	*2%*	86	*2%*
Nominal value of borrowings before hedging	**4,384**	***100%***	**3,864**	***100%***
Currency swaps USD	*1,334*		*379*	
Other currency swaps	*192*		*125*	
***Net total of hedging instruments* (a)**	***1,526***		***504***	
Euro – EUR	5,814	*133%*	4,281	*111%*
US dollar – USD	(1,333)	*-30%*	(378)	*-10%*
Other	(97)	*-2%*	(39)	*-1%*
Nominal value of borrowings after hedging	**4,384**	***100%***	**3,864**	***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, expect 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. Most of the hedging instruments are foreign currency swaps or forward contracts that 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, 2017, would have a non-significant cumulative impact on net earnings (below €1 million). 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 settled at the end of each month by translating the amounts into the functional currency of the relevant operating entities.

To hedge against a possible depreciation of its net investment in certain subsidiaries in the United Kingdom due to an unfavorable change in GBP, Vivendi set up a hedge using forward contracts for a notional amount of £832 million as of December 31, 2016. This hedge was unwound in 2017.

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, 2017						
	Notional amounts					Fair value	
(in millions of euros)	Total	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(362)	(73)	(132)	(30)	(127)	2	(3)
Purchases against the euro	2,094	1,548	93	193	260	3	(26)
Other	-	68	(95)	2	25	-	(4)
	1,732	**1,543**	**(134)**	**165**	**158**	**5**	**(33)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(79)	-	(7)	(11)	(61)	2	-
Purchases against the euro	50	23	-	2	25	-	-
Other	-	16	(16)	-	-	-	-
	(29)	**39**	**(23)**	**(9)**	**(36)**	**2**	**-**
Fair Value Hedge							
Sales against the euro	(281)	(73)	(125)	(19)	(64)	-	(3)
Purchases against the euro	891	781	-	106	4	1	(19)
Other	-	86	(79)	2	(9)	-	(3)
	610	**794**	**(204)**	**89**	**(69)**	**1**	**(25)**
Economic Hedging (a)							
Sales against the euro	(2)	-	-	-	(2)	-	-
Purchases against the euro	1,153	744	93	85	231	2	(7)
Other	-	(34)	-	-	34	-	(1)
	1,151	**710**	**93**	**85**	**263**	**2**	**(8)**

	December 31, 2016						
	Notional amounts					Fair value	
(in millions of euros)	Total	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(1,338)	(92)	(179)	(1,007)	(60)	16	(2)
Purchases against the euro	1,816	267	88	1,236	225	18	(19)
Other	-	175	(160)	(19)	4	14	-
	478	**350**	**(251)**	**210**	**169**	**48**	**(21)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(62)	(17)	(28)	(8)	(9)	-	-
Purchases against the euro	46	28	-	-	18	3	-
Other	-	28	(28)	-	-	2	-
	(16)	**39**	**(56)**	**(8)**	**9**	**5**	**-**
Fair Value Hedge							
Sales against the euro	(241)	(75)	(151)	(15)	-	5	(2)
Purchases against the euro	292	239	-	52	1	14	(2)
Other	-	147	(132)	(19)	4	12	-
	51	**311**	**(283)**	**18**	**5**	**31**	**(4)**
Net Investment Hedge							
Sales against the euro	(984)	-	-	(984)	-	11	-
	(984)	**-**	**-**	**(984)**	**-**	**11**	**-**
Economic Hedging (a)							
Sales against the euro	(51)	-	-	-	(51)	-	-
Purchases against the euro	1,478	-	88	1,184	206	1	(17)
	1,427	**-**	**88**	**1,184**	**155**	**1**	**(17)**

(a) The economic hedging instruments relate to derivative financial instruments, which are not eligible for hedge accounting pursuant to IAS 39.

19.7. DERIVATIVE FINANCIAL INSTRUMENTS

Value on the Statement of Financial Position

		December 31, 2017		December 31, 2016	
(in millions of euros)	Note	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	19.5	-	-	17	(5)
Foreign currency risk management	19.6	5	(33)	48	(21)
Other (a)		14	(93)	14	(119)
Derivative financial instruments		**19**	**(126)**	**79**	**(145)**
Deduction of current derivative financial instruments		(4)	10	(62)	26
Non-current derivative financial instruments		**15**	**(116)**	**17**	**(119)**

(a) Primarily included the fair value of the options pursuant to which Banijay Group Holding and Lov Banijay may redeem their borrowings in shares for -€93 million as of December 31, 2017, compared to -€119 million as of December 31, 2016 (please refer to Note 12).

Unrealized gains and losses recognized directly in equity

	Cash Flow Hedge			
(in millions of euros)	Interest rate risk management	Foreign currency risk management	Net Investment Hedge	Total
Balance as of December 31, 2015	**13**	**1**	**(116)**	**(102)**
Charges and income directly recognized in equity	-	-	155	155
Items to be reclassified to profit or loss	(11)	3	-	(8)
Tax effect	-	(1)	-	(1)
Balance as of December 31, 2016	**2**	**3**	**39**	**44**
Charges and income directly recognized in equity	-	(7)	42	35
Items to be reclassified to profit or loss	(2)	(1)	-	(3)
Tax effect	-	1	-	1
Balance as of December 31, 2017	**-**	**(4)**	**81**	**77**

19.8. CREDIT RATINGS

As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), Vivendi's credit ratings were as follows:

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

NOTE 20. CONSOLIDATED CASH FLOW STATEMENT

20.1. ADJUSTMENTS

		Year ended December 31,	
(in millions of euros)	Note	2017	2016
Items related to operating activities with no cash impact			
Amortization and depreciation of intangible and tangible assets	3	461	555
Change in provision, net		(31)	(49)
Other non-cash items from EBIT		(6)	3
Other			
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States	23	(27)	(240)
Income from equity affiliates	11	(146)	(169)
Proceeds from sales of property, plant, equipment and intangible assets		2	4
Adjustments (a)		**253**	**104**

(a) Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation and reconciliations to previously published financial data, please refer to Note 1.2.1 and Note 28, respectively.

20.2. INVESTING AND FINANCING ACTIVITIES WITH NO CASH IMPACT

Following the successful refinancing of Banijay Group on July 6, 2017, a portion of the "new" ORAN 1 was early redeemed in cash for €39 million and converted into Banijay Group Holding shares, bringing Vivendi's interest in Banijay Group Holding from 26.2% to 31.4% (please refer to Note 11.1).

In December 2016, Vivendi received 1.9 million Telefonica shares pursuant to a dividend payment in shares, representing a value of €15 million.

NOTE 21. RELATED PARTIES

Vivendi's related parties are the corporate officers, who are members of Vivendi's Supervisory and Management Boards, and 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.

21.1. CORPORATE OFFICERS

Supervisory Board

The Supervisory Board is currently comprised of 12 members, including an employee shareholder representative and an employee representative. It is made up of six women, i.e., a ratio of 55% (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 2016 and 2017, the composition of the Supervisory Board has changed as follows:

- on April 21, 2016, Vivendi's General Shareholders' Meeting approved the appointment of Ms. Cathia Lawson-Hall;
- on May 11, 2016, the Supervisory Board co-opted Mr. Yannick Bolloré, Chairman and Chief Executive Officer of Havas. This co-option was ratified at the General Shareholders' Meeting held on April 25, 2017;
- on April 25, 2017, Vivendi's General Shareholders' Meeting appointed Ms. Véronique Driot-Argentin, who has an employment contract with Vivendi SA;
- on April 25, 2017, the General Shareholders' Meeting appointed Ms. Sandrine Le Bihan, representative for employee shareholders; and
- at its meeting held on October 19, 2017, the employee representative body (*Délégation Unique du Personnel*) renewed Mr. Paulo Cardoso's term of office for a three-year period, as an employee representative on the Supervisory Board, in accordance with the company's bylaws.

Moreover, on April 25, 2017, Vivendi's General Shareholders' Meeting renewed the term of office of Mr. Vincent Bolloré as a member of the Supervisory Board. At a meeting convened after the General Shareholders' Meeting, the Supervisory Board reelected Mr. Vincent Bolloré as its Chairman.

For 2017, the compensation of the Chairman of the Supervisory Board was set at €400,000 (including directors' fees of €60,000), unchanged compared to 2016.

The gross amount of directors' fees paid to the other members of the Supervisory Board with respect to fiscal year 2017 was an aggregate amount of €1,117,500 (compared to €1,207,500 with respect to fiscal year 2016).

In addition, as Chairman and Chief Executive Officer of Havas SA (a Vivendi subsidiary since July 3, 2017, the date on which Vivendi acquired Bolloré Group's 59.2% majority interest in Havas SA), Mr. Yannick Bolloré received fixed and variable compensation, as well as benefits in kind, totaling €1,408,993 in 2017.

Finally, at its meeting held on September 2, 2015, Vivendi's Supervisory Board authorized the Management Board to enter into an agreement with Mr. Dominique Delport, a member of Vivendi's Supervisory Board, for a five-year period starting October 1, 2015. Pursuant to the terms of this services contract, Mr. Dominique Delport provides assistance and advice regarding the creation and use of new digital content as part of the development of Vivendi Content and Dailymotion. Total annual fees were set at a fixed amount of €300,000, which could be increased, if applicable, by a variable amount of up to €200,000 until fiscal year 2016, with respect to which he did not receive any variable compensation.

On May 11, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee and in accordance with Article L. 225-86 of the French Commercial Code (*Code de commerce*), the Supervisory Board approved the amendment of this services contract by maintaining only, as from fiscal year 2017, the fixed component payable to Mr. Delport (€300,000 per year). For 2017, Vivendi paid €300,000 under this contract, representing fixed compensation only (compared to €300,000 in 2016). Moreover, pursuant to the terms of the agreement, Mr. Delport benefits from a long-term incentive plan, as described in Note 18.4. In addition, as an employee of Havas Media France (subsidiary of Havas SA), Mr. Dominique Delport received fixed and variable compensation, as well as benefits in kind, totaling €1,446,312 in 2017.

Management Board

On August 31, 2017, the Supervisory Board appointed as members of Vivendi's Management Board, effective from September 1, 2017, Mr. Gilles Alix, Chief Executive Officer of Bolloré Group, and Mr. Cédric de Bailliencourt, Vice Chairman and Chief Financial Officer of Bolloré Group. The Management Board is therefore comprised of seven members (compared to five members previously).

In 2017, the gross compensation paid by the Vivendi group to the Management Board members amounted to €8.7 million (compared to €7.7 million paid in 2016). This amount included:

- fixed compensation of €4.9 million (compared to €4.5 million in 2016);
- variable compensation of €3.4 million paid in 2017 with respect to fiscal year 2016 (compared to €3.1 million paid in 2016 with respect to fiscal year 2015);
- other compensation and directors' fees paid 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 €3.7 million in 2017 (compared to €2.0 million in 2016).

The Supervisory Board, at its meeting held on February 15, 2018, confirmed that the performance criteria applying to the growth rate of rights under the group defined benefit supplemental pension plan had been met with respect to fiscal year 2017. The charge recorded by Vivendi related to vested rights under pension commitments in favor of the Management Board members amounted to €8.7 million (compared to 6.4 million in 2016). As of December 31, 2017, the amount of net pension obligations toward the Management Board members amounted to €43.0 million (compared to €62.4 million as of December 31, 2016).

The Chairman of the Management Board, Mr. Arnaud de Puyfontaine, has renounced his employment contract. In accordance with the resolutions approved by the General Shareholders' Meeting held on April 17, 2015, he was granted a severance package in the event of a non-voluntary departure and subject to the satisfaction of performance conditions.
Mr. Arnaud de Puyfontaine, in his capacity as Executive Chairman of Telecom Italia's Board of Directors, receives a compensation paid by Telecom Italia, comprised of a fixed component and a variable component based on criteria set by Telecom Italia's Board of Directors. The amount of this compensation with respect to 2017 will be decided by Telecom Italia's Board of Directors on March 6, 2018.

The report on corporate governance contained in Chapter 3 of the Annual Report contains a detailed description of the compensation policy, setting out the principles and criteria for determining, distributing and attributing the fixed and variable components of the overall compensation and the benefits of any kind attributable to Vivendi SA's corporate officers in connection with their term of office. This chapter also contains the details of the fixed and variable components of their compensation and the benefits of any kind paid or attributed to the corporate officers with respect to fiscal year 2017.

21.2. BOLLORÉ GROUP

On October 7, 2016, Bolloré Group crossed the 20% thresholds of Vivendi's share capital and voting rights after having entered into a temporary sale agreement in respect of 34.7 million Vivendi shares maturing on June 25, 2019, and the acquisition of call options that enable Bolloré Group to purchase 34.7 million additional shares at any time until June 25, 2019.

On March 6, 2017, Bolloré Group exceeded the 25% threshold of Vivendi's voting rights following the grant of double voting rights and held, directly and indirectly, 265,832,839 Vivendi shares, representing 375,994,292 voting rights, i.e., 20.65% of the share capital and 26.37% of the voting rights. "Upon crossing the 25% threshold of Vivendi's voting rights on March 6, 2017, and in accordance with Article L. 233-7, paragraph VII of the French Commercial Code (*Code de commerce*) and Article 223-17 of the General Regulations (*Règlement général*) of the AMF (*Autorité des marchés financiers*), Mr. Vincent Bolloré both for himself and for Compagnie de Cornouaille, which he controls and with whom he is legally deemed to be acting in concert, made the following statement of intent with respect to Vivendi for the next six months:

- on March 6, 2017, Compagnie de Cornouaille acquired 40,548,020 additional double voting rights pursuant to Article L. 225-123, paragraph 3 of the French Commercial Code (*Code de commerce*) and the issue of the financing of the transaction giving rise to the crossing of the threshold is therefore not applicable;
- the declarant has not entered into any agreement establishing a concerted action with respect to Vivendi;
- the declarant contemplates continuing to purchase Vivendi shares depending primarily on market opportunities;
- without the intent of gaining control, the foreseeable change in its voting rights, all of which are expected to double by April 20, 2017 (except for those on borrowed shares), could put the declarant in a position to determine decisions at General Shareholders' Meetings;
- the investment in Vivendi reflects Bolloré Group's confidence in Vivendi's capacity to develop and its willingness to support Vivendi in its strategy;
- with regard to the transactions referred to in Article 223-17 I, 6° of the AMF's General Regulations (*Règlement général*), the declarant, together with Vivendi, plans to explore synergies or possible combination transactions between their respective activities in the field of media and communication;
- the declarant holds 34,700,000 call options that enable it to acquire 34,700,000 Vivendi shares, at any time until June 25, 2019, and it plans to exercise them depending, in particular, on market conditions;
- the declarant is party to a temporary sale agreement, as borrower, in respect of 34,700,000 Vivendi shares carrying an equal amount of voting rights; the declarant is not a party to any other temporary sale agreement; and
- the declarant plans to request additional appointments to the company's Supervisory Board." (Please refer to AMF notice No. 217C0619, dated March 8, 2017).

In addition, the situation at Vivendi's General Shareholders' Meeting held on April 25, 2017 led Bolloré Group to review the control it exercises over Vivendi in light of the provisions of IFRS 10 – *Consolidated Financial Statements*.
At this meeting, Bolloré Group, Vivendi's sole large shareholder, saw its shareholder weight reinforced, notably through the effects of the Florange law, with double voting rights being associated with its shares for the first time. An in-depth analysis of the rights held by Bolloré Group and the own internal dynamics of Vivendi's past general shareholders' meetings showed that Bolloré Group holds a near-majority of the votes in a situation where shareholdings are highly dispersed.
Bolloré Group then analyzed other facts and circumstances likely to demonstrate the existence of control, including facts indicating its ability to control Vivendi's key activities and to influence its strategy and the

returns the group generates. This review notably focused on the transfers of managers and executives, the practical ability to manage the key processes of various business segments, the disposals of assets and equity investments, the convergence and synergies between the two groups, and financing matters.

Based on this analysis, Bolloré Group determined that the number and significance of the elements identified above made it possible to conclude that a situation of control does exist. Consequently, it elected to fully consolidate its interest in Vivendi as from April 26, 2017, in accordance with IFRS 3.

As of December 31, 2017, Bolloré Group held 20.51% of Vivendi's share capital and 29.56% of the gross voting rights (265,832,839 **(1)** Vivendi shares, representing 447,265,678 gross voting rights).

Moreover, in May 2017, Vivendi paid a dividend of €92 million to Bolloré Group with respect to fiscal year 2016 (compared to an interim dividend of €196 million with respect to fiscal year 2015 and the balance of the dividend with respect to fiscal year 2015 of €196 million paid in 2016).

In addition, on July 3, 2017, Vivendi acquired the 59.2% interest in Havas held by Bolloré Group for €2,317 million paid in cash (please refer to Note 2.1). This transaction is regulated by the procedure applying to related-party agreements and the price of €9.25 per share was submitted to a third-party appraisal in accordance with applicable laws and regulations.

Since July 3, 2017, Vivendi has fully consolidated Havas. Consequently, while Havas remains a related party to Vivendi, the transactions between Havas and Vivendi's other subsidiaries are now eliminated within the inter-segment transactions.

21.3. 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 11) and companies in which Vivendi's corporate officers or their close relatives hold significant voting rights. They notably included:

- Bolloré Group and its subsidiaries, directly or indirectly controlled by Mr. Vincent Bolloré, Chairman of Vivendi's Supervisory Board, 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);
- Quinta Communications Group, held by Mr. Tarak Ben Ammar, a member of Vivendi's Supervisory Board; and
- Groupe Nuxe, controlled by Ms. Aliza Jabès, a member of Vivendi's Supervisory Board.

In addition, the table below also includes the transactions with Havas Group and its subsidiaries (previously 59.2% held by Bolloré Group and whose Chairman and Chief Executive Officer is Mr. Yannick Bolloré, a member of Vivendi's Supervisory Board) until the consolidation of Havas in Vivendi's Financial Statements on July 3, 2017.

(in millions of euros)	December 31, 2017	December 31, 2016
Assets		
Non-current content assets	1	1
Property, plant and equipment	-	1
Non-current financial assets	184	254
Of which Banijay Group Holding and Lov Banijay bonds (please refer to Note 12)	*173*	*245*
Trade accounts receivable and other	66	27
Of which Bolloré Goup	*4*	*-*
Havas Group **(a)**	*na*	*2*
Telecom Italia **(b)**	*34*	*2*
Banijay Group Holding **(c)**	*2*	*2*
Mediobanca **(d)**	*5*	*-*
Liabilities		
Non-current financial liabilities	93	119
Of which Banijay Group Holding and Lov Banijay	*93*	*119*
Trade accounts payable and other	21	31
Of which Bolloré Group	*10*	*2*
Havas Group **(a)**	*na*	*20*
Banijay Group Holding **(c)**	*6*	*6*
Off-balance sheet contractual obligations, net	183	250
Of which Banijay Group Holding **(c)**	*180*	*232*

(1) Including (i) 34,700,000 Vivendi shares temporarily held by Compagnie de Cornouaille pursuant to a temporary share sale agreement in respect of an equal number of Vivendi shares for its benefit, which may be returned, in whole or in part, at any time until June 25, 2019, and (ii) 34,700,000 Vivendi shares classified as assimilated shares by Compagnie de Cornouaille pursuant to Article L. 233-9 I, 4° of the French Commercial Code (*Code de commerce*) as a result of off-market acquisition of physically-settled call options that are exercisable at any time until June 25, 2019.

	Year ended December 31,	
	2017	**2016**
Statement of earnings		
Operating income	214	171
Of which Bolloré Group	*5*	-
Havas Group **(a)**	*3*	*5*
Telecom Italia **(b)**	*15*	*7*
Banijay Group Holding **(c)**	*2*	*3*
Quinta Communications **(e)**	*2*	-
Operating expenses	(136)	(160)
Of which Bolloré Group	*(12)*	*(9)*
Havas Group **(a)**	*(26)*	*(49)*
Banijay Group Holding **(c)**	*(60)*	*(64)*
Quinta Communications **(e)**	-	-
Advertising transactions		
Of which revenue made through Havas's agencies **(a)**	*26*	*88*
media purchases made through Havas's agencies **(a)**	*(36)*	*(63)*

na: not applicable.

(a) As from July 3, 2017, Vivendi has fully consolidated Havas and the transactions between Havas and Vivendi's other subsidiaries have been eliminated within the intersegment transactions. During the first half of 2017, certain Havas Group subsidiaries have rendered operating services to Vivendi and its subsidiaries on an arm's-length basis. Regarding Canal+ Group:
- as part of their advertising campaigns, customers of Havas Group entered into transactions with Canal+ Group through media agencies for an aggregate amount of €25 million for the first half of 2017 (€84 million in 2016);
- as part of the advertising campaigns promoting Canal+, Canalsat and Canalplay, Canal+ Group purchased media from major media companies through Havas Group and its media agencies for €34 million for the first half of 2017 (€59 million in 2016);
- media and production services, broadcasting rights and fees were realized by Havas Group and its subsidiaries for €12 million for the first half of 2017 (€21 million in 2016); and
- Havas Group and its subsidiaries designed and developed advertising campaigns promoting Canal+ Group for €5 million for the first half of 2017 (€13 million in 2016).

(b) Certain Vivendi subsidiaries have rendered operating services to Telecom Italia and its subsidiaries, on an arm's-length basis (mainly communications services and sale of music): operating income of €6.9 million for Havas, €6.3 million for Universal Music Group, €1.4 million for Gameloft and €0.1 million for Vivendi Content (Studio+).

(c) 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. In addition, the change in Vivendi's interest in this company is described in Note 11.1.

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

(e) Canal+ Group sold rights to Studiocanal catalog movies to Quinta Communications, notably *Paddington 2,* representing an operating income of €1.9 million in 2017 (compared to €0.3 million in 2016). In addition, on October 8, 2015, Studiocanal and Quinta Communications entered into an agreement to sell video, TV and Video-on-demand exploitation rights in France and in other French-speaking territories for 28 movies, for a five-year period. Pursuant to this contract, Canal+ Group recorded an operating charge of €0.3 million in 2017.

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

- on June 2, 2017, Vivendi 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 corresponding share of reciprocal receivables and payables related to the special depreciation of the GIE's assets, i.e., receivables for €1.6 million and payables for the same amount. In addition, Havas acquired a 2% interest in this GIE. In 2017, the charge recognized with respect to the use of the GIE's services by Vivendi amounted to €1.4 million; and
- on October 18, 2016, L'Olympia and Groupe Nuxe entered into a one-year partnership agreement, providing for a visual presence of the Nuxe brand at L'Olympia. This agreement is currently being renewed for a one-year period. In 2017, it represented an operating income of €55,000 and operating charges of €10,000 for L'Olympia.

In addition, on October 20, 2017, Canal+ Group and Telecom Italia announced the creation of a joint venture held at 40% and 60%, respectively. The joint venture will focus on rights acquisition and film and TV series production in Italy. Following its referral by the *Collegio Sindicale* of Telecom Italia and by injunction received by Telecom Italia on December 20, 2017, the Consob held that the decision by which Telecom Italia's Board of Directors had authorized the creation of the joint venture on October 20, 2017 was irregular, arguing that the procedure for transactions with significant related parties should have been applied. On January 17, 2018, notwithstanding Vivendi's disagreement with the Consob position, Telecom Italia's Board of Directors decided to restart the authorization procedure for this transaction, by submitting it to the relevant committee exclusively comprised of independent directors. In order to be submitted to Telecom Italia's Board of Directors, the project will have to receive the prior favorable opinion of at least six independent directors among the ten independent directors forming this committee. The examination procedure by the Independent Directors Committee is expected to be completed no later than the end of February 2018.

Moreover, 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 the CanalOlympia's venues network in Africa. For the occupancy of land and buildings, and for the solar energy supply, CanalOlympia will pay a rent of €0.5 million in 2018, €1 million in 2019, and then €1.5 million per year from 2020 to 2027. 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.

NOTE 22. 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 finance leases, off-balance sheet operating leases and subleases 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 19); 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 23).

22.1. CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

		Minimum future payments as of December 31, 2017				
			Payments due in			
(in millions of euros)	Note	Total	2018	2019-2022	After 2022	Total minimum future payments as of December 31, 2016
Borrowings and other financial liabilities		4,862	449	2,384	2,029	4,289
Content liabilities	10.2	2,582	2,479	101	2	2,643
Consolidated statement of financial position items		**7,444**	**2,928**	**2,485**	**2,031**	**6,932**
Contractual content commitments	10.2	5,630	2,255	3,241	134	6,235
Commercial commitments		(1,204)	(296)	(1,024)	116	824
Operating leases and subleases		1,502	191	683	628	659
Net commitments not recorded in the Consolidated Statement of Financial Position		**5,928**	**2,150**	**2,900**	**878**	**7,718**
Contractual obligations and commercial commitments		**13,372**	**5,078**	**5,385**	**2,909**	**14,650**

Off-balance sheet commercial commitments

	Minimum future payments as of December 31, 2017				Total minimum future payments as of December 31, 2016
		Due in			
(in millions of euros)	Total	2018	2019-2022	After 2022	
Satellite transponders	390	88	255	47	570
Investment commitments	125	57	68	-	162
Other	772	282	421	69	769
Given commitments	**1,287**	**427**	**744**	**116**	**1,501**
Satellite transponders	(133)	(63)	(70)	-	(169)
Other (a)	(2,358)	(660)	(1,698)	-	(508)
Received commitments	**(2,491)**	**(723)**	**(1,768)**	**-**	**(677)**
Net total	**(1,204)**	**(296)**	**(1,024)**	**116**	**824**

(a) Includes minimum guarantees to be received by the group as part of distribution agreements entered into with third parties, notably Internet Service Providers and other digital platforms.
In addition, Canal+ Group entered into the following distribution agreements in respect of Canal channels:
- on August 21, 2017, an agreement was entered into with Bouygues Telecom to offer to subscribers the "Start by Canal" bouquet of channels;
- on September 26, 2016, an agreement was entered into with Free to offer the "TV by Canal Panorama" bouquet of channels to Free's triple-play subscribers, starting October 1, 2016; and
- on July 22, 2016, an agreement was entered into with Orange to offer the "Famille by Canal" bouquet of channels to Orange's fiber-optic subscribers, starting October 6, 2016. On July 11, 2017, this agreement was expanded to include the "Canal+ Essentiel" bouquet of channels in the offering.
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.

In addition, 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 is subject to certain conditions precedent, in particular the procurement of a building permit. This project would consist of building a campus of approximately 150,000 m² which could, in five to seven years, house 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 could be returned, subject to a condition precedent, if the transaction were not completed by Vivendi.

Off-balance sheet operating leases and subleases

	Minimum future leases as of December 31, 2017				Total minimum future leases as of December 31, 2016
		Due in			
(in millions of euros)	Total	2018	2019-2022	After 2022	
Buildings	(a) 1,502	194	685	623	669
Other	9	1	3	5	4
Leases	**1,511**	**195**	**688**	**628**	**673**
Buildings	(9)	(4)	(5)	-	(14)
Subleases	**(9)**	**(4)**	**(5)**	**-**	**(14)**
Net total	**1,502**	**191**	**683**	**628**	**659**

(a) On June 26, 2017, Universal Music Group entered into a lease agreement for an office space of approximately 15,000 m² located in the King's Cross area of London for a 15-year period. In addition, as of December 31, 2017, the future minimum lease payments included Havas's leases for €675 million, which notably include the lease agreement entered into by Havas in July 2016 for an office space of approximately 15,000 m² located in the King's Cross area of London for a 15-year period (the office space has been occupied since January 2017).

22.2. OTHER COMMITMENTS GIVEN OR RECEIVED RELATING TO OPERATIONS

Given commitments amounted cumulatively to €40 million (compared to €67 million as of December 31, 2016). In addition, Vivendi and Havas grant 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 €9 million (compared to €13 million as of December 31, 2016).

22.3. 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:

- since July 26, 2017, Vivendi has held 100% of Dailymotion following the exercise by Orange of the put option on its remaining 10% interest in Dailymotion for €26 million, in accordance with the shareholders' agreement;
- Vivendi subscribed to bonds redeemable in shares or cash issued by Banijay Group Holding and Lov Banijay (please refer to Note 11.1);
- Vivendi has made a commitment to the Brazilian Competition Authority (CADE) to sell its Telefonica shares upon maturity. This commitment remains in force as long as Vivendi simultaneously holds shares of Telefonica and Telecom Italia, provided that these two companies operate in the Brazilian telecom market;
- certain liquidity rights relating to the strategic partnership entered into between Canal+ Group, ITI and TVN as described in Note 22.5 below; and
- following the sale of Radionomy on August 17, 2017, the call and put options granted to Vivendi and minority shareholders were cancelled.

In addition, Vivendi and its subsidiaries granted or received put and call options on shares in equity affiliates and unconsolidated investments.

22.4. 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 GVT (May 2015)	Representations and warranties, limited to specifically identified tax matters, capped at BRL 180 million.	-
(a)	Sale of Maroc Telecom group (May 2014)	Commitments undertaken in connection with the sale.	-
(b)	Sale of Activision Blizzard (October 2013)	– Unlimited general warranties; and – Tax warranties capped at $200 million, under certain circumstances.	- -
(c)	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.	- -
(d)	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
	Divestiture of UMG manufacturing and distribution operations (May 2005)	Various commitments for manufacturing and distribution services, expired at the end of January 2017.	2017
	NBC Universal transaction (May 2004) and subsequent amendments (2005-2010)	– Breaches of tax representations; and – Obligation to cover the Most Favored Nation provisions.	- -
(e)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees given to Nexity, not implemented and expired in June 2017, capped at €150 million in total (tax and decennial guarantees).	2017
	Other contingent liabilities	Cumulated amount of €27 million (compared to €10 million as of December 31, 2016).	-

Ref.	Context	Characteristics (nature and amount)	Expiry
	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 40% of N-Vision (November 2012)	Warranties made by ITI, not implemented and expired in March 2016, capped at approximately €277 million for specific warranties (including tax matters, free and full ownership of shares sold, authorizations/approvals for the exercise of the activity).	2016
	Acquisition of Bolloré Group's channels (September 2012)	Warranties capped at €120 million, not implemented and expired as of December 31, 2017.	2017
	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 €43 million (compared to €113 million as of December 31, 2016).	-

The accompanying notes are an integral part of the contingent assets and liabilities described above.

(a) The main terms of the Maroc Telecom group sale were as follows:

- Vivendi gave certain customary representations and warranties to Etisalat relating to SPT (the holding company of Maroc Telecom group), Maroc Telecom and its subsidiaries. Vivendi also gave a number of specific warranties;
- indemnity amount payable by Vivendi in respect of indemnifiable losses incurred by Maroc Telecom or one of its subsidiaries was determined in proportion to the percentage of ownership held indirectly by Vivendi in the relevant company on the closing date (i.e., 53% for Maroc Telecom);
- Vivendi's overall indemnification obligation was capped at 50% of the initial sale price, such threshold being increased to 100% in respect of claims related to SPT;
- Vivendi's indemnification obligations in respect of these warranties, other than those related to taxes and SPT, effective for a 24-month period, expired in May 2016. Claims for tax-related indemnities must be made by January 15, 2018. The indemnity in respect of SPT remains in effect until the end of a four-year period following the closing date (ie., May 14, 2018); and
- to guarantee the payment of any specific indemnity amounts referenced above, Vivendi delivered a bank guarantee expiring on February 15, 2018, to Etisalat in the amount of €247 million. This amount has since been reduced to €9 million.

Vivendi has agreed to counter-guarantee SFR for any amount that could be claimed by Etisalat or any third party other than Etisalat in relation to the sale of its interest in Maroc Telecom:

- with respect to the sale agreement entered into with Etisalat, this commitment will expire upon termination of Etisalat's right to make a claim against Vivendi and SFR, i.e., May 14, 2018; and
- this commitment, which also covers any amount that SFR may be required to pay to any third-party other than Etisalat, will expire in the absence of any request from Numericable Group within the applicable statutes of limitations.

(b) As part of 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 (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, as part of 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.

(c) 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 are 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.

(d) 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 are 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.

(e) In connection with the sale of real estate assets to Nexity in June 2002, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million, to several subsidiaries of Nexity (SAS Nexim 1 to 6). The guarantees were not implemented and expired on June 30, 2017.

Several guarantees given during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations 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, which 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.

22.5. SHAREHOLDERS' AGREEMENTS

Under existing shareholders' or investors' agreements (primarily those relating to nc+), 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

Certain liquidity rights were given at the level of nc+ under the strategic partnership formed in November 2012 in relation to television services in Poland. Given that Canal+ Group did not exercise its call option to acquire TVN's 32% interest in nc+ at market value, TVN now has liquidity rights in the form of an initial public offering of its interest in nc+.

22.6. COLLATERALS AND PLEDGES

As of December 31, 2017 and 2016, no material asset in Vivendi's Statement of Financial Position was subject to a pledge or mortgage for the benefit of third parties.

NOTE 23. 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, 2017, provisions recorded by Vivendi for all claims and litigation were €260 million, compared to €286 million as of December 31, 2016 (please refer to Note 16).

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 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017).

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi and Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements. As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and USD 0.13 and USD 10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States.

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claims of purchasers who acquired their shares on the Paris stock exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the "Morrison" decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris stock exchange.

On July 5, 2012, the Court denied a request by the plaintiffs to expand the class to nationalities other than those covered by the certification decision dated March 22, 2007.

The claims process commenced on December 10, 2012, with the sending of a notice to shareholders who may be part of the class. Recipients of the notice had until August 7, 2013 to file a claim form and submit documentation evidencing the validity of their claim. These claims were processed and verified by an independent claims administrator and by the parties. Vivendi had the right to challenge the merits of these claims. On November 10, 2014, at Vivendi's initiative, the parties filed a mutually agreed upon proposed order requesting the Court to enter a partial final judgment on the January 29, 2010 jury verdict, covering a substantial portion of the claims. Certain large claims were excluded from this proposed judgment order while Vivendi continued to analyze whether to challenge the validity of those claims. On December 23, 2014, the Court entered the partial judgment. Vivendi filed its Notice of Appeal with the Second Circuit Court of Appeals on January 21, 2015, and the plaintiffs cross-appealed. This appeal was heard on March 3, 2016.

On August 11, 2015, the Court issued a decision whereby it excluded the claims filed by Southeastern Asset Management (SAM), concluding that Vivendi proved that SAM did not make investment decisions based on Vivendi's supposedly fraudulent statements ("lack of reliance"). On April 25, 2016, the Court issued a similar decision, under which it has excluded claims filed by Capital Guardian.

On July 14, 2016, the Court entered a final judgment covering the remaining claims whose validity had not been challenged and which were not included in the partial judgment entered on December 23, 2014. Vivendi appealed against this final judgment and the plaintiffs cross-appealed, challenging the final judgment as well as the summary judgment decisions rendered by the Court concerning the claims of SAM and Capital Guardian.

On September 27, 2016, the Second Circuit Court of Appeals affirmed the District Court's decision. The Court of Appeals rejected, however, the plaintiffs' arguments in their cross-appeal seeking to expand the class of plaintiffs and the scope of their claims. Vivendi filed a petition for rehearing with the Second Circuit Court of Appeals. This petition was denied on November 10, 2016.

On April 6, 2017, Vivendi entered into an agreement to settle the remaining claims still in dispute with certain class plaintiffs. Under the terms of the agreement, Vivendi paid $26.4 million, representing approximately one-third of the total $78 million it paid to resolve the entire litigation, including the judgments previously entered. As a result, Vivendi re-examined the amount of the reserve for this matter as of March 31, 2017 and set it at €73 million, consequently recording a reversal of reserve of €27 million. On May 9, 2017, the Court formally approved the terms of the agreement, thereby putting an end to this litigation.

Trial of Vivendi's Former Officers in Paris

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001. Vivendi joined the proceedings as a civil party.

The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*), following which the Public Prosecutor asked the Court to drop the charges against the defendants. On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Jean Marie Messier and Guillaume Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi Officers as well as some civil parties appealed the decision. The appeal proceedings were held from October 28 to November 26, 2013, before the Paris Court of Appeal. The Public Prosecutor requested a 20-month suspended prison sentence and a fine of €150,000 for Mr. Jean-Marie Messier for misuse of corporate assets and dissemination of false or misleading information, a 10-month suspended prison sentence and a fine of €850,000 for Mr. Guillaume Hannezo for insider trading, and a 10-month suspended prison sentence and a fine of €5 million for Mr. Edgar Bronfman Jr. for insider trading. On May 19, 2014, the Paris Court of Appeal rendered its judgment. Regarding the acts determined by the lower criminal court to constitute the dissemination of false or misleading information, the Court held that these acts did not meet the criteria for such an offense. The Court upheld the conviction against Mr. Jean-Marie Messier for misuse of corporate assets and he received a 10-month suspended sentence and a €50,000 fine. The Court also upheld the convictions against Messrs. Hannezo and Bronfman for insider trading and they received fines in the amount of €850,000 (of which €425,000 is suspended) and €5 million (of which €2.5 million is suspended), respectively. Finally, the Court set aside the lower court's order for the payment of damages (€10 per share) to certain shareholders and former shareholders of Vivendi (the "civil action"). With regard to Vivendi, the Court upheld the validity of its status as a civil party to the proceedings, exonerated it from any responsibility and voided the demand for damages brought against it by certain shareholders or former shareholders. An appeal was filed with the French Supreme Court *(Cour de Cassation)* by certain of the defendants and some civil parties. On April 20, 2017, the French Supreme Court dismissed the appeal, thereby putting an end to this litigation.

LBBW et al. against Vivendi

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxemburg, 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 a "third party" responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

California State Teachers Retirement System et al. against Vivendi and Mr. Jean-Marie Messier

On April 27, 2012, 67 institutional foreign investors filed a complaint against Vivendi and Mr. Jean-Marie Messier before the Paris Commercial Court seeking damages for losses they allegedly incurred as a result of the financial communications made by Vivendi and its former CEO, 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 a "third party" responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a former subsidiary of Vivendi) against FIG to obtain the release of part of a payment remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the annulment of the sale and an award for damages following a judgment of the Berlin Court of Appeal. On December 16, 2010, the Berlin Court of Appeal confirmed the decision of the Regional Berlin Court in April 2009, which decided in CGIS BIM's favor and confirmed the invalidity of the reasoning of the judgment and therefore overruled the order for CGIS BIM to repurchase the building and pay damages. This decision is now final. In parallel, FIG filed a second claim for additional damages in the Berlin Regional Court which was served on CGIS BIM on March 3, 2009. On June 19, 2013, the Berlin Regional Court ordered CGIS BIM to pay FIG the sum of €3.9 million together with interest from February 27, 2009. CGIS BIM has appealed this decision. At a hearing held at the Berlin Court of Appeal on January 8, 2018, the judge proposed a settlement, the terms of which were accepted by both parties, thereby putting an end to this litigation.

Mediaset against Vivendi

On April 8, 2016, Vivendi entered into a strategic partnership agreement with Mediaset. This agreement provided for a swap of 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 provided by Mediaset to Vivendi in March 2016. These assumptions raised some questions within Vivendi, which were communicated to Mediaset. The agreement signed on April 8, 2016 was subsequently subject to a "due diligence review" (carried out for Vivendi by the advisory firm Deloitte), as contractually agreed. It became clear from this audit and from Vivendi's analyses that the figures provided by Mediaset prior to the signing of the agreement were not realistic and were founded on an artificially-inflated base.

While Vivendi and Mediaset had been in discussions in an effort to find an alternative transaction structure to the one provided for in the April 8, 2016 agreement, Mediaset terminated these discussions on July 26, 2016 by publicly rejecting the proposal Vivendi 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 over time.

Subsequently, 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. In particular, it is alleged that Vivendi has not filed its notification to the European Commission with respect to the transaction and thus has blocked the lifting of the last condition precedent to the completion of the transaction. Vivendi maintains that despite its timely completion of the pre-notification process with the Commission, the Commission would not accept a formal filing while the parties were discussing their differences. Mediaset, RTI and Fininvest are also seeking compensation from Vivendi for damages allegedly suffered by them, namely the damage caused by the delay in the performance of the agreement, for Mediaset and RTI, and of the shareholders' agreement that had been envisaged to be signed on the completion date, for Fininvest (estimated by each of the three parties at €50 million per month of delay starting July 25, 2016). Fininvest is also seeking compensation for a total estimated amount of €570 million for the alleged damage linked to the change in the Mediaset share price between July 25 and August 2, 2016 plus the harm done to the decision-making procedures of Fininvest and to its image.

At the first hearing held in the case, the judge invited the parties to come closer together to try to reach an amicable settlement to their dispute. To this end, on May 3, 2017, the parties initiated mediation proceedings before the Chamber of National and International Arbitration of Milan.

Despite this mediation, which is still ongoing, on June 9, 2017, Mediaset, RTI and Fininvest filed a new 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 have requested that this action be consolidated with the first, these acquisitions were carried out in breach of the April 8, 2016 agreement, the Italian media regulations and unfair competition rules. In addition, the complaint includes a demand that Vivendi be required to divest the shares of Mediaset which were allegedly bought in breach of applicable law and the April 8, 2016 agreement. Lastly, the plaintiffs have requested that, pending such divestiture, Vivendi be enjoined from exercising its rights (including voting rights) on such Mediaset shares.

In order to continue the mediation, the parties submitted a request to the Court to postpone the next hearing, which is scheduled to be held on February 27, 2018.

Other proceedings related to Vivendi's entry into the share capital of Mediaset

Following Vivendi's entry into the share capital of Mediaset through 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 has 12 months to come into compliance, appealed against this decision. Pending the decision on the appeal, which is expected in the second half of 2018, the AGCOM acknowledged Vivendi's proposed action plan setting out how it will comply with the decision.

Telecom Italia

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 competent courts.

In addition, 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 and to activities of strategic importance in the fields of energy, transport and communications, had been respected by Telecom Italia and Vivendi. Vivendi considers that the provisions of that decree are inapplicable in light of both the nature of the activities carried out by Telecom Italia and Vivendi's lack of control of over the Italian operator.

On September 28, 2017, the Presidency of the Council of Ministers found that the notification made by Vivendi under Article 1 of the aforementioned legislative decree as a precautionary measure was made late and opened a procedure 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. Vivendi will appeal against this decree.

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 in order 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. An analysis is underway to determine if there is an opportunity to appeal against this decree.

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 concerns several claims in respect of representations and warranties made by Vivendi and SFR in connection with the sale agreement. The Arbitral Tribunal was established in August 2017. A hearing will be held in London in September 2018.

Dynamo against Vivendi

On August 24, 2011, the Dynamo investment funds, former shareholders of GVT, filed a complaint against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange), seeking compensation amounting to the difference between the value of the shares sold by them before Vivendi's acquisition of GVT and BRL70.00 per share. According to Dynamo, the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. On May 9, 2017, the Bovespa Arbitration Chamber rendered its decision, rejecting Dynamo's demands, thereby putting an end to this litigation.

Parabole Réunion

In July 2007, the 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 is 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 September 19, 2008, Parabole Réunion appealed to the French Supreme Court. 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 (a request for such enforcement having been previously rejected by the enforcement magistrate of Nanterre, the Paris Court of Appeal and the French Supreme Court). 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 took care to recall 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, brought before the Court by Parabole Réunion on April 23, 2015. On May 12, 2016, the Paris Court of Appeal upheld the decision of the Court of First Instance and dismissed all of Parabole Réunion's claims. On May 27, 2016, Parabole Réunion filed an appeal with the French Supreme Court against the decision of the Paris Court of Appeal. 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 filed a complaint against Canal+ France, Canal+ Group and Canal+ Distribution before the Paris Tribunal of First Instance asking 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 ordered an expert report on the damages suffered by Parabole Réunion, rejecting the assessment produced by the latter. On November 14, 2014, Canal+ Group appealed against the decision of the Paris Tribunal of First Instance. The court appointed expert issued its report on February 29, 2016 and the case was argued before the Paris Court of Appeal on January 28, 2016. On June 3, 2016, the Paris Court of Appeal upheld the April 29, 2014 decision of the Paris Tribunal of First Instance. Canal+ Group appealed to the French Supreme Court. The hearing before the French Supreme Court was held on December 5, 2017. In a decision dated January 31, 2018, the French Supreme Court dismissed Canal+ Group's appeal.

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 non-respect of such deadline and, consequently, seeking an invalidation of the expertise ordered on October 12, 2017 (see below). Parabole Réunion filed its response on December 15, 2017. The hearing is expected to be held in October 2018.

Through a filing made 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. Oral arguments on the incidental question was held on September 14, 2017. On October 12, 2017, the Pre-Trial Advisor ordered an additional expertise and a judicial expert has been appointed. The latter is required to submit his final report by April 12, 2018 at the latest.

Action brought by the French Competition Authority regarding Practices in the Pay-TV Sector

On January 9, 2009, further to its voluntary investigation and a complaint by Orange, the French Competition Authority sent Vivendi and Canal+ Group a notification of allegations. It alleges that Canal+ Group has abused its dominant position in certain Pay-TV markets and that Vivendi and Canal+ Group colluded with TF1 and M6, on the one hand, and with Lagardère, on the other. Vivendi and Canal+ Group have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties, and certain other allegations, in respect of Canal+ Group. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Canal+ Group's exclusive distribution rights on channels broadcast by the group and independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On October 30, 2013, the French Competition Authority took over the investigation into these aspects of the case, but no action has been taking since December 2013.

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. The French Competition Authority is examining the case.

Canal+ Group against TF1, and TMC Régie

On June 12, 2013, Canal+ Group SA and Canal+ Régie filed a complaint with the French Competition Authority against the practices of TF1 and TMC Régie in the television advertising market. Canal+ Group SA and Canal+ Régie claims that the defendants promoted cross-promotion practices, having a single advertising division and refused to promote the D8 channel during its launch. Following a meeting held on June 21, 2017, the French Competition Authority rendered a decision dismissing the complaint on July 25, 2017.

TF1 and M6 agreements

On September 30, 2017, Canal+ Group filed summary requests before the French Council of State (*Conseil d'État*) 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.

Private Copying Levy Case

On February 5, 2014, a claim was filed with Court of First Instance of Nanterre by Copie France who is seeking compensation in respect of external hard drives used in connection with the G5 set-top boxes. Copie France claims that the external drive used by Canal+ is "dedicated" to the set-top box and therefore it should be treated as an integrated hard drive. Copie France therefore believes that the applicable amount of the compensation should be higher. Copie France subsequently expanded its claim, asserting that the amount of compensation applicable to the "multimedia hard drive" with 80 GB capacity should be also higher. On February 2, 2017, the parties entered into a settlement agreement putting an end to this litigation.

Aston France 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 renders its decision on the merits of the case. The case is being examined by the French Competition Authority.

Top 14 Rugby (2019-2023)

By letter registered on July 19, 2016, the French Competition Authority was notified by Altice of a referral on the merits regarding the practices implemented in the tender process for the granting of broadcasting rights to Top 14 rugby for the seasons 2019/2020 to 2022/2023. The matter is being reviewed by the Competition Authority.

Canal+ Group against Numericable-SFR

On October 4, 2017, Canal+ Group filed a complaint against Numericable-SFR before the Paris Commercial Court for customer poaching and breach of contract, in which it asked the Court to issue an injunction to stop such practices and to award damages.

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 sanctions 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.

Similarly, on June 7, 2017, the CSA decided to sanction C8 for another sequence broadcast on the show "TPMP! La grande Rassrah" on November 3, 2016. The CSA considered that this other sequence, the filming by hidden camera of Matthieu Delormeau, a columnist for the show, violated his dignity. The new 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 appeals with the French Council of State (*Conseil d'État*). On July 4, 2017, C8 filed two claims for compensation with the CSA which claims were rejected by an implied decision issued by the CSA. On November 2, 2017, C8 appealed against this decision to the French Council of State (*Conseil d'État*).

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 fight against discrimination, and imposed a monetary fine of €3 million.

Following this decision, on September 22, 2017, C8 filed an action for annulment before the French Council of State (*Conseil d'État*). On September 27, 2017, C8 also filed action for compensation with the CSA, which request was rejected by an implied decision issued by the CSA. On January 25, 2018, C8 appealed against this decision to the French Council of State (*Conseil d'État*).

Authors' Societies

In filings made on July 13, 17 and 20, 2017, the SACEM, SACD, SCAM and, where applicable, the ADAGP, and the SDRM (French guilds representing authors, composers, and music publishers) sued Canal+ Group, SECP and C8 before the interim relief judge of the High Court of Nanterre (*Tribunal de grande instance de Nanterre*) seeking payment of royalties for the fourth quarter 2016 and the first quarter of 2017, the amount of which is being disputed by Canal+ Group, SECP and C8.

In a filing made on July 20, 2017, the SACD sued SECP before the interim relief judge of the High Court of Nanterre (*Tribunal de grande instance de Nanterre*) seeking payment of royalties relating to the first quarter of 2017, the amount of which is being disputed by SECP.

In a filing made on August 8, 2017, the SCAM sued SECP before the interim relief judge of the High Court of Nanterre (*Tribunal de grande instance de Nanterre*) seeking payment of royalties relating to the first quarter of 2017, the amount of which is being disputed by SECP.

With the amounts claimed having been paid, all of the authors' societies withdrew from the cases that had been initiated, thereby putting an end to these litigations.

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 exploitation accounts, fraud, and failure to exploit 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 as a defendant. On December 21, 2017, UMG and Studiocanal each filed a motion to dismiss in response to the Second Amended Complaint. A hearing will be held in March 2018.

Complaints against Music Industry Majors in the United States

In 2006, several complaints were filed before the Federal Courts in New York and California against Universal Music Group and the other music industry majors for alleged anti-competitive practices in the context of sales of CDs and Internet music downloads. These complaints have been consolidated before the Federal Court in New York. The motion to dismiss filed by the defendants was granted by the Federal Court on October 9, 2008, but this decision was reversed by the Second Circuit Court of Appeals on January 13, 2010. The defendants subsequently filed a motion for rehearing which was denied. A petition was filed with the US Supreme Court which rejected it on January 10, 2011. On July 18, 2017, the Court dismissed the motion for class certification filed by the plaintiffs who appealed against the decision. On December 8, 2017, the Second Circuit Court of Appeals refused to hear the appeal.

Capitol Records and EMI Music Publishing against MP3tunes

On November 9, 2007, Capitol Record and EMI Music Publishing filed a joint complaint against MP3tunes and its founder, Michael Robertson, for copyright infringement on the sideload.com and mp3tunes.com websites. On March 19, 2014, the jury returned a verdict favorable to EMI and Capital Records. It found the defendants liable for knowingly allowing the unauthorized content on the websites. On March 26, 2014, the jury awarded damages in the amount of $41 million. On October 30, 2014 the Court confirmed the verdict but entered judgment in the reduced amount of $12.2 million. The defendants appealed against the judgment and Capitol Records and EMI cross-appealed. On October 25, 2016, the Second Circuit Court of Appeals ruled in favor of the plaintiffs on several points of their cross-appeal and sent the case back to the trial court. On June 19, 2017, the U.S Supreme Court denied a petition for writ of certiorari filed by the defendants. On December 31, 2017, the parties entered into a settlement, thereby putting an end to this litigation.

Mireille Porte against Interscope Records, Inc., Stefani Germanotta and Universal Music France

On July 11, 2013, the artist Mireille Porte (AKA "Orlan") filed a complaint against Interscope Records, Inc., Stefani Germanotta (AKA "Lady Gaga") and Universal Music France with the Paris Tribunal of First Instance for the alleged copyright infringement of several of Orlan's artistic works. On July 7, 2016, the Paris Tribunal of First Instance denied all of Mireille Porte's claims. Ms. Porte has filed an appeal against this decision.

Glass Egg vs. Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi SA

Glass Egg, a Vietnamese company specialized in the design of cars in 3D for use in video games, sued Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi SA in the United States. It is seeking damages for copyright infringement, unfair competition and misappropriation of trade secrets.

Reti Televisive Italiane (RTI) against Dailymotion

Since 2012, several legal actions have been filed by RTI 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.

NOTE 24. MAJOR CONSOLIDATED ENTITIES OR ENTITIES ACCOUNTED FOR UNDER THE EQUITY METHOD

As of December 31, 2017, approximately 1,140 entities were consolidated or accounted for under the equity method (compared to approximately 610 entities as of December 31, 2016), which included the consolidation of Havas entities as from July 3, 2017.

			December 31, 2017			December 31, 2016		
	Note	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%
SIG 104		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%
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%
Boulogne Studios (Canal Factory) (a)		France	C	100%	100%	C	100%	100%
ITI Neovision (nc+)		Poland	C	51%	51%	C	51%	51%
VSTV (b)		Vietnam	C	49%	49%	C	49%	49%
Havas S.A. (c)	2.1	**France**	**C**	**100%**	**100%**	**-**	**-**	**-**
Havas Health, Inc		United States	C	100%	100%	-	-	-
Arnold Worldwide, LLC		United States	C	100%	100%	-	-	-
Havas Worldwide New York, Inc		United States	C	100%	100%	-	-	-
Havas Media Group USA, LLC		United States	C	100%	100%	-	-	-
BETC		France	C	100%	100%	-	-	-
Havas Media France		France	C	100%	100%	-	-	-
Affiperf Limited		United Kingdom	C	100%	100%	-	-	-
Havas Edge, LLC		United States	C	100%	100%	-	-	-
Havas Paris		France	C	99%	99%	-	-	-
Socialyse		France	C	100%	100%	-	-	-
Havas Media Group Spain, SA		Spain	C	100%	100%	-	-	-
Havas Worldwide Chicago, Inc		United States	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%

			December 31, 2017			December 31, 2016		
	Note	Country	Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi Village S.A.S.		**France**	**C**	**100%**	**100%**	**C**	**100%**	**100%**
See Tickets		United Kingdom	C	100%	100%	C	100%	100%
Digitick		France	C	100%	100%	C	100%	100%
MyBestPro		France	C	100%	97%	C	100%	94%
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	100%	100%	C	100%	100%
Paddington and Company Ltd.		United Kingdom	C	100%	100%	C	100%	100%
Radionomy Group (d)		Belgium	-	-	-	C	64%	64%
New Initiatives								
Dailymotion (e)		France	C	100%	100%	C	90%	90%
Watchever Group (f)		France	-	-	-	C	100%	100%
Group Vivendi Africa		France	C	100%	100%	C	100%	100%
Vivendi Content		France	C	100%	100%	C	100%	100%
Studio+		France	C	100%	100%	C	100%	100%
Banijay Group Holding (g)		France	E	31.4%	31.4%	E	26.2%	26.2%
Other equity affiliates								
Telecom Italia	2.2	Italia	E	23.9%	17.2%	E	23.9%	17.2%
Other								
Poltel Investment		Poland	C	100%	100%	C	100%	100%

C: consolidated; E: equity affiliates.

(a) Boulogne Studios (Canal Factory) was transferred from New Initiatives to Canal+ Group as from January 1, 2017.
(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 Havas since July 3, 2017 (please refer to Note 2.1).
(d) Radionomy Group was sold on August 17, 2017.
(e) Since July 26, 2017, Vivendi has held 100% of Dailymotion following the exercise by Orange of the put option on its remaining 10% interest in Dailymotion (please refer to Note 22.3).
(f) Watchever Group merged into Dailymotion on October 31, 2017 (it was previously integrated into Vivendi Village).
(g) Following the successful refinancing of Banijay Group on July 6, 2017, a portion of the "new" ORAN 1 was early redeemed in cash for €39 million and converted into Banijay Group Holding shares, bringing Vivendi's interest in Banijay Group Holding from 26.2% to 31.4% (please refer to Note 11.1).

NOTE 25. STATUTORY AUDITORS FEES

Fees paid by Vivendi SA in 2017 and 2016 to its Statutory Auditors and members of the statutory auditor firms were as follows:

	Deloitte et Associés (a)		Ernst & Young et Autres				KPMG S.A. (a)			
	Amount	%	Amount		%		Amount	%	Total	
(in millions of euros)	2017	2017	2017	2016	2017	2016	2016	2016	2017	2016
Statutory audit, certification, consolidated and individual financial statements audit										
Issuer	0.6	*6%*	0.7	0.6	*13%*	*10%*	0.6	*21%*	1.3	1.2
Fully consolidated subsidiaries	8.8	*90%*	3.6	5.3	*70%*	*84%*	1.4	*48%*	12.4	6.7
Subtotal	**9.4**	***96%***	**4.3**	**5.9**	***83%***	***94%***	**2.0**	***69%***	**13.7**	**7.9**
Services other than certification of financial statements as required by laws and regulations (b)										
Issuer	-	-	0.1	-	*2%*	-	-	-	0.1	-
Fully consolidated subsidiaries	-	-	-	0.2	-	*3%*	0.1	*3%*	-	0.3
Subtotal	**-**	**-**	**0.1**	**0.2**	***2%***	***3%***	**0.1**	***3%***	**0.1**	**0.3**
Services other than certification of financial statements provided upon the entity's request (b)										
Issuer	0.4	*4%*	-	-	-	-	-	-	0.4	-
Fully consolidated subsidiaries	-	-	0.8	0.2	*15%*	*3%*	0.8	*28%*	0.8	1.0
Subtotal	**0.4**	***4%***	**0.8**	**0.2**	***15%***	***3%***	**0.8**	***28%***	**1.2**	**1.0**
Total	**9.8**	***100%***	**5.2**	**6.3**	***100%***	***100%***	**2.9**	***100%***	**15.0**	**9.2**

(a) On April 25, 2017, Vivendi's General Shareholders' Meeting approved the appointment of Deloitte et Associés as statutory auditors of Vivendi SA for a six-year period, replacing KPMG S.A. whose term had expired.
(b) Include services required by laws and regulations (e.g., capital increase reports, comfort letters) as well as services provided upon request of Vivendi or its subsidiaries (due diligence, legal and tax assistance, and various reports).

NOTE 26. AUDIT EXEMPTIONS FOR UMG SUBSIDIARIES IN THE UNITED KINGDOM

Vivendi S.A. has provided guarantees to the following UMG subsidiaries, incorporated in England and Wales, under the registered number indicated, in order for them to claim audit exemptions, with respect to fiscal year 2017, under section 479A of the UK Companies Act 2006.

Name	Company Number	Name	Company Number
Backcite Ltd.	02358972	Twenty-First Artists Ltd.	01588900
Dub Dub Productions Ltd.	03034298	Universal/Anxious Music Ltd.	01862328
EGW USD	08107589	Universal/Momentum Music Ltd.	01946456
E.M.I. Overseas Holdings Ltd.	00403200	Universal/Momentum Music 2 Ltd.	02850484
EMI (IP) Ltd.	03984464	Universal SRG Music Publishing Ltd.	02898402
EMI Group (Newco) Ltd.	07800879	Universal Music (UK) Holdings Ltd.	03383881
EMI Group Electronics Ltd.	00461611	Universal Music Holdings (UK) Ltd.	00337803
EMI Group International Holdings Ltd.	01407770	Universal Music Leisure Ltd.	03384487
EMI Group Worldwide	03158106	Universal Music Publishing MGB Holding UK Ltd.	05092413
EMI Group Worldwide Holdings Ltd.	06226803	Universal SRG Group Ltd.	00284340
EMI Ltd.	00053317	Universal SRG Music Publishing Copyrights Ltd.	02873472
EMI Recorded Music (Chile) Ltd.	07934340	Universal SRG Studios Ltd.	03050388
EMI Records France Holdco Ltd.	06405604	V2 Music Group Ltd.	03205625
Mawlaw 388 Ltd.	03590255	Virgin Music Group	02259349
Relentless 2006 Ltd.	03967906	Virgin Records Overseas Ltd.	00335444

NOTE 27. SUBSEQUENT EVENTS

The significant event that occurred between the closing date and February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017) was the following:

- on January 16, 2018, Vivendi entered into a hedging transaction to protect the value of its interest in Fnac Darty: please refer to Note 12.

NOTE 28. ADJUSTMENT OF COMPARATIVE INFORMATION

28.1. STATEMENT OF EARNINGS

Vivendi made changes in the presentation of its Consolidated Statement of Earnings as from January 1, 2017. For a detailed description of these changes in presentation, please refer to Note 1.2.1. In accordance with IAS 1, Vivendi has applied these changes in presentation to all periods previously published. The reconciliations to previously published financial data are presented below:

	Year ended December 31, 2016			
(in millions of euros)	Published	Income from equity affiliates	Other income and charges	Restated
Revenues	**10,819**			**10,819**
Cost of revenues	(6,829)			(6,829)
Selling, general and administrative expenses	(3,395)			(3,395)
Restructuring charges	(94)			(94)
Impairment losses on intangible assets acquired through business combinations	(23)			(23)
Reversal of reserve related to the Liberty Media litigation in the United States	240			240
Other income	661		(661)	-
Other charges	(185)		185	-
Income from equity affiliates	na	169		169
Earnings before interest and income taxes (EBIT)	**1,194**	**169**	**(476)**	**887**
Income from equity affiliates	169	(169)		-
Interest	(40)			(40)
Income from investments	47			47
Other financial income	31		661	692
Other financial charges	(69)		(185)	(254)
	(31)	-	***476***	***445***
Earnings before provision for income taxes	**1,332**			**1,332**
Provision for income taxes	(77)			(77)
Earnings from continuing operations	**1,255**			**1,255**
Earnings from discontinued operations	20			20
Earnings	**1,275**	-	-	**1,275**
Of which				
Earnings attributable to Vivendi SA shareowners	**1,256**			**1,256**
Non-controlling interests	19			19

	Three months ended December 31, 2016			
(in millions of euros)	Published	Income from equity affiliates	Other income and charges	Restated
Revenues	**3,107**			**3,107**
Cost of revenues	(2,112)			(2,112)
Selling, general and administrative expenses	(958)			(958)
Restructuring charges	(32)			(32)
Impairment losses on intangible assets acquired through business combinations	(23)			(23)
Other income	4		(4)	-
Other charges	(70)		70	-
Income from equity affiliates	na	81		81
Earnings before interest and income taxes (EBIT)	**(84)**	**81**	**66**	**63**
Income from equity affiliates	81	(81)		-
Interest	(13)			(13)
Income from investments	19			19
Other financial income	8		4	12
Other financial charges	(29)		(70)	(99)
	(15)	**-**	***(66)***	***(81)***
Earnings before provision for income taxes	**(18)**			**(18)**
Provision for income taxes	73			73
Earnings from continuing operations	**55**			**55**
Earnings from discontinued operations	22			22
Earnings	**77**	**-**	**-**	**77**
Of which				
Earnings attributable to Vivendi SA shareowners	**81**			**81**
Non-controlling interests	(4)			(4)

As a reminder, Vivendi deconsolidated GVT, SFR, Maroc Telecom group and Activision Blizzard as from May 28, 2015, November 27, 2014, May 14, 2014, and October 11, 2013, respectively, i.e., the dates of their effective sale by Vivendi. In compliance with IFRS 5, these businesses have been reported as discontinued operations in the "published" Statements of Earnings below.

	Year ended December 31, 2015			
(in millions of euros)	**Published**	**Income from equity affiliates**	**Other income and charges**	**Restated**
Revenues	**10,762**			**10,762**
Cost of revenues	(6,555)			(6,555)
Selling, general and administrative expenses	(3,571)			(3,571)
Restructuring charges	(102)			(102)
Impairment losses on intangible assets acquired through business combinations	(3)			(3)
Other income	745		(745)	-
Other charges	(45)		45	-
Income from equity affiliates	na	(10)		(10)
Earnings before interest and income taxes (EBIT)	**1,231**	**(10)**	**(700)**	**521**
Income from equity affiliates	(10)	10		-
Interest	(30)			(30)
Income from investments	52			52
Other financial income	16		745	761
Other financial charges	(73)		(45)	(118)
	(35)	-	***700***	***665***
Earnings before provision for income taxes	**1,186**			**1,186**
Provision for income taxes	(441)			(441)
Earnings from continuing operations	**745**			**745**
Earnings from discontinued operations	1,233			1,233
Earnings	**1,978**	-	-	**1,978**
Of which				
Earnings attributable to Vivendi SA shareowners	**1,932**			**1,932**
Non-controlling interests	46			46

	Year ended December 31, 2014			
(in millions of euros)	Published	Income from equity affiliates	Other income and charges	Restated
Revenues	**10,089**			**10,089**
Cost of revenues	(6,121)			(6,121)
Selling, general and administrative expenses	(3,209)			(3,209)
Restructuring charges	(104)			(104)
Impairment losses on intangible assets acquired through business combinations	(92)			(92)
Other income	203		(203)	-
Other charges	(30)		30	-
Income from equity affiliates	na	(18)		(18)
Earnings before interest and income taxes (EBIT)	**736**	**(18)**	**(173)**	**545**
Income from equity affiliates	(18)	18		-
Interest	(96)			(96)
Income from investments	3			3
Other financial income	19		203	222
Other financial charges	(751)		(30)	(781)
	(825)	***-***	***173***	***(652)***
Earnings before provision for income taxes	**(107)**			**(107)**
Provision for income taxes	(130)			(130)
Earnings from continuing operations	**(237)**			**(237)**
Earnings from discontinued operations	5,262			5,262
Earnings	**5,025**	**-**	**-**	**5,025**
Of which				
Earnings attributable to Vivendi SA shareowners	**4,744**			**4,744**
Non-controlling interests	281			281

	Year ended December 31, 2013			
(in millions of euros)	Published	Income from equity affiliates	Other income and charges	Restated
Revenues	**10,252**			**10,252**
Cost of revenues	(6,097)			(6,097)
Selling, general and administrative expenses	(3,434)			(3,434)
Restructuring charges	(116)			(116)
Impairment losses on intangible assets acquired through business combinations	(6)			(6)
Other income	88		(88)	-
Other charges	(50)		50	-
Income from equity affiliates	na	(21)		(21)
Earnings before interest and income taxes (EBIT)	**637**	**(21)**	**(38)**	**578**
Income from equity affiliates	(21)	21		-
Interest	(266)			(266)
Income from investments	66			66
Other financial income	13		88	101
Other financial charges	(300)		(50)	(350)
	(487)	-	***38***	***(449)***
Earnings before provision for income taxes	**129**			**129**
Provision for income taxes	17			17
Earnings from continuing operations	**146**			**146**
Earnings from discontinued operations	2,633			2,633
Earnings	**2,779**	-	-	**2,779**
Of which				
Earnings attributable to Vivendi SA shareowners	**1,967**			**1,967**
Non-controlling interests	812			812

na: not applicable.

28.2. FINANCIAL NET DEBT / (NET CASH POSITION)

To ensure the consistency of the definition of the Financial Net Debt with Bolloré Group, which has fully consolidated Vivendi in its Consolidated Financial Statements as from April 26, 2017, Vivendi changed its definition of Financial Net Debt (or Net Cash Position) during the fourth quarter of 2017: the derivative financial instruments (assets or liabilities) that are not borrowings hedging instruments, as well as commitments to purchase non-controlling interests, are now excluded from the Financial Net Debt.

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

	As of December 31,			
(in millions of euros)	2016	2015	2014	2013
Financial Net Debt / (Net Cash Position) as previously published	**(1,068)**	**(6,422)**	**(4,637)**	**11,097**
Other financial assets and liabilities:				
Derivative financial instruments in assets	*+62*	*+66*	*+64*	*+38*
Derivative financial instruments in liabilities	*-140*	*-523*	*-21*	*-19*
Commitments to purchase non-controlling interests	*-85*	*-293*	*-87*	*-22*
New definition	**(1,231)**	**(7,172)**	**(4,681)**	**11,094**

IV - Unaudited supplementary financial data: Vivendi's interest in Telecom Italia

PRELIMINARY COMMENT

This section does not form an integral part of the Audited Consolidated Financial Statements for the year ended December 31, 2017. It was approved by Vivendi's Management Board on February 12, 2018. This section provides supplementary information to IFRS regulatory information set out in the following Notes to the Audited Consolidated Financial Statements for the year ended December 31, 2017:

- Note 2 "Major events", which describes the equity accounting of Telecom Italia;
- Note 11 "Investments in equity affiliates", which includes the information required by IAS 28 – *Investments in Associates and Joint Ventures*; and
- Note 21 "Related parties".

VIVENDI'S INTEREST IN TELECOM ITALIA

Vivendi holds 23.94% of Telecom Italia's voting rights and 17.15% of its share capital. Since December 15, 2015, Vivendi's interest in Telecom Italia has been accounted for under the equity method, given that Vivendi considers that it has the power to participate in Telecom Italia's financial and operating policy decisions, according to IAS 28, and, consequently, it is deemed to exercise a significant influence over Telecom Italia. To this date, Vivendi considers that it does not have the power to unilaterally direct the relevant activities of Telecom Italia, according to IFRS 10, and therefore considers that it does not exercise *de facto* control over Telecom Italia. For a detailed description of the change in Vivendi's interest in Telecom Italia please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2017.

Should Vivendi's position with regard to Telecom Italia's share capital evolve and if Vivendi were to take control of Telecom Italia, Vivendi would, if applicable, fully consolidate Telecom Italia in its Consolidated Financial Statements notably, with the consequences described below.

IMPACTS ON THE STATEMENT OF EARNINGS, THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF FINANCIAL NET DEBT

The following are provided below for illustrative purposes: cumulative Statement of Earnings for the first nine months of 2017 and for the year ended December 31, 2016, prepared based on the financial information published by Telecom Italia, as well as a cumulative Statement of Financial Position and a cumulative Statement of Financial Net Debt, prepared based on the latest financial information published by Vivendi and Telecom Italia, i.e., Vivendi's Statement of Financial Position as of December 31, 2017, and Telecom Italia's Statement of Financial Position as of September 30, 2017. It should be noted that Telecom Italia may have definitions and calculations for these non-GAAP measures (EBITDA, Income from operations, EBITA) that differ from those used by Vivendi. Thus, these measures may not be homogeneous.

	Nine months ended September 30, 2017				
(in millions of euros)	**Vivendi Published**	**Telecom Italia Published (a)**	**Adjustments (b)**	**Elimination of intersegment transactions**	**Vivendi + Telecom Italia Cumulative**
Revenues	**8,621**	**14,679**	**-**	**(11)**	**23,289**
EBITDA (*)	**948**	**6,213**	**-**	**-**	**7,161**
Income from operations (*)	**741**	**2,853**	**-**	**-**	**3,594**
Adjusted earnings before interest and income taxes (EBITA) (*)	**645**	**2,834**	**-**	**-**	**3,479**
Earnings before interest and income taxes (EBIT)	**672**	**2,833**	**(453)**	**-**	**3,052**
Interest	(38)	(c) (980)			(1,018)
Income from investments	28	-			28
Other financial charges and income	(48)	(164)			(212)
	(58)	***(1,144)***	-	-	***(1,202)***
Earnings before provision for income taxes	**614**	**1,689**	**(453)**	**-**	**1,850**
Provision for income taxes	(187)	(559)	102		(644)
Earnings from continuing operations	**427**	**1,130**	**(351)**	**-**	**1,206**
Earnings from discontinued operations	-	-			-
Earnings	**427**	**1,130**	**(351)**	**-**	**1,206**
Non-controlling interests	(28)	(97)	(639)		(764)
Earnings attributable to shareowners	**399**	**1,033**	**(990)**	**-**	**442**

(*) Non-GAAP measures.
(a) As published by Telecom Italia on November 10, 2017 (Financial Statements for the first nine months of 2017) and on March 23, 2017 (Financial Statements for the year ended December 31, 2016).
(b) The adjustments correspond to the cancellation of Vivendi's share of Telecom Italia's earnings accounted for under the equity method and to the following adjustments: the amortization of intangible assets and the deferred tax effect related to the purchase price allocation as part of Vivendi's equity accounting of Telecom Italia, as well as the allocation of non-controlling interests.
(c) Amount estimated based on interest charges paid, net.

	Year ended December 31, 2016				
(in millions of euros)	Vivendi Published	Telecom Italia Published (a)	Adjustments (b)	Elimination of Intersegment transactions	Vivendi + Telecom Italia Cumulative
Revenues	**10,819**	**19,025**	**-**	**(7)**	**29,837**
EBITDA (*)	**1,131**	**8,002**	**-**	**-**	**9,133**
Income from operations (*)	**853**	**3,878**	**-**	**-**	**4,731**
Adjusted earnings before interest and income taxes (EBITA) (*)	**724**	**3,722**	**-**	**-**	**4,446**
Earnings before interest and income taxes (EBIT)	**887**	**3,699**	**(656)**	**-**	**3,930**
Interest	(40)	(1,273)			(1,313)
Income from investments	47	16			63
Other financial charges and income	438	357			795
	445	***(900)***	**-**	**-**	***(455)***
Earnings before provision for income taxes	**1,332**	**2,799**	**(656)**	**-**	**3,475**
Provision for income taxes	(77)	(880)	135		(822)
Earnings from continuing operations	**1,255**	**1,919**	**(521)**	**-**	**2,653**
Earnings from discontinued operations	20	47			67
Earnings	**1,275**	**1,966**	**(521)**	**-**	**2,720**
Non-controlling interests	(19)	(158)	(1,208)		(1,385)
Earnings attributable to shareowners	**1,256**	**1,808**	**(1,729)**	**-**	**1,335**

(*) Non-GAAP measures.
(a) As published by Telecom Italia on November 10, 2017 (Financial Statements for the first nine months of 2017) and on March 23, 2017 (Financial Statements for the year ended December 31, 2016).
(b) The adjustments correspond to the cancellation of Vivendi's share of Telecom Italia's earnings accounted for under the equity method and to the following adjustments: the amortization of intangible assets and the deferred tax effect related to the purchase price allocation as part of Vivendi's equity accounting of Telecom Italia, as well as the allocation of non-controlling interests.

(in millions of euros)	December 31, 2017 Vivendi Published	September 30, 2017 Telecom Italia Published (a)	Adjustments (b) (c)	Vivendi + Telecom Italia Cumulative
Non-current assets	25,283	58,014	(8,613)	74,684
Of which Goodwill	*12,084*	*29,520*	*(14,669)*	*26,935*
Other intangible assets	*440*	*7,123*	*10,311*	*17,874*
Equity affiliates	*4,540*	*17*	*(4,256)*	*301*
Current assets	9,050	9,882	-	18,932
Total assets	**34,333**	**67,896**	**(8,613)**	**93,616**
Share capital	7,128	11,677	(11,677)	7,128
Additional paid-in capital	4,341	2,094	(2,094)	4,341
Treasury shares	(670)	(90)	90	(670)
Retained earnings and other	6,857	8,100	(9,734)	5,223
Shareowners' equity	**17,656**	**21,781**	**(23,415)**	**16,022**
Non-controlling interests	222	2,278	11,924	14,424
Total equity	**17,878**	**24,059**	**(11,491)**	**30,446**
Non-current liabilities	6,593	32,655	2,878	42,126
Current liabilities	9,862	11,182	-	21,044
Total equity and liabilities	**34,333**	**67,896**	**(8,613)**	**93,616**

(a) As published by Telecom Italia on November 10, 2017.
(b) The adjustments reflect the purchase price allocation as part of Vivendi's equity accounting of Telecom Italia.
(c) In addition, in accordance with paragraph 42 of IFRS 3, if Vivendi were to fully consolidate Telecom Italia, it would be required to recognize as a profit, or a loss, if any, the difference between the carrying value of the interest accounted for under the equity method and the stock market value of this interest at the date of the initial consolidation. As of December 31, 2017, this difference showed a negative amount of €1,633 million.

(in millions of euros)	December 31, 2017 Vivendi Published	September 30, 2017 Telecom Italia Published (a)	Vivendi + Telecom Italia Cumulative
Long-term borrowings and other financial liabilities	4,044	26,894	30,938
Short-term borrowings and other financial liabilities	322	4,029	4,351
Derivative financial instruments in liabilities	-	1,976	1,976
Borrowings and other financial items	**4,366**	**32,899**	**37,265**
Of which bonds	*4,150*	*21,942*	*26,092*
Cash and cash equivalents	(1,951)	(2,519)	(4,470)
Cash management financial assets	(75)	(1,798)	(1,873)
Cash Position	**(2,026)**	**(4,317)**	**(6,343)**
Borrowings hedging instruments, net	-	(1,624)	(1,624)
Financial Net Debt	**2,340**	**26,958**	**29,298**

(a) As published by Telecom Italia on November 10, 2017.

IMPACTS ON VIVENDI'S FINANCIAL COVENANTS AND CREDIT RATINGS

Vivendi and Telecom Italia are two autonomous groups that operate in a strictly separate financial way. Vivendi's non-controlling interest in Telecom Italia does not create any financial relationship or give Vivendi any special rights over Telecom Italia's financial position. Thus, Vivendi does not have access to Telecom Italia's cash, via a shareholders' current account or by any other means that would allow Telecom Italia's cash flow to be transferred to Vivendi. More generally, Telecom Italia's financial activities are conducted independently of those of Vivendi, in particular with respect to any matters concerning its financing: issuance of bonds, establishment of bank credit facilities, hedging instruments. In addition, Telecom Italia has not received nor does it receive any direct or indirect financial support from Vivendi. As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2017), none of Telecom Italia's bonds or bank credit facilities, nor any of its other financial or commercial commitments, are guaranteed or supported in any manner whatsoever by Vivendi or any of its subsidiaries.

Vivendi has a €2 billion bank credit facility, undrawn as of the date of this report, and, at the end of each half-year, Vivendi is required to comply with a Proportionate Financial Net Debt to EBITDA financial covenant over a 12-month rolling period not exceeding 3 for the duration of the loan (the assumptions and methods to calculate the ratio are presented in Note 19.3 to the Consolidated Financial Statements for the year ended December 31, 2017). Non-compliance with this covenant could result in the early redemption of the bank credit facility if it were drawn, or its cancellation. As of December 31, 2017, Vivendi was in compliance with this financial covenant. If Vivendi were to take control of Telecom Italia, the financial covenant would be calculated based on the consolidated figures of the new combined entity and Vivendi may wish to either get Telecom Italia excluded from the calculation of this ratio given the strict financial separation of the two groups, or renegotiate the level of this ratio with its banking pool.

In addition, taking into account its bonds (€21.94 billion as of September 30, 2017), Telecom Italia will continue to keep a credit rating separate from that of Vivendi. As a reminder, Vivendi's current credit ratings are BBB Stable (Standard & Poor's) / Baa2 Stable (Moody's); Telecom Italia's current credit ratings are BB+ Positive (Standard & Poor's) / Ba1 Stable (Moody's) / BBB- Stable (Fitch Ratings). More generally, Vivendi considers that the quality of its credit should not be impacted by a possible consolidation of Telecom Italia given the financial separation of the two groups and provided that this analysis is confirmed by the rating agencies.

CHANGE-OF-CONTROL CLAUSES AT TELECOM ITALIA

If Vivendi were to take control of Telecom Italia, change-of-control clauses could be activated at Telecom Italia and could, if applicable, result in the early redemption of certain of Telecom Italia's bonds and bank credit facilities. In this respect, the only information available to Vivendi is the financial information published by Telecom Italia.

V - 2017 Statutory Financial Statements

1. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' Report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' Report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the Management Report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2017

To the Shareholders,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Vivendi for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 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 (*Code de déontologie*) for Statutory Auditors.

Emphasis of Matter

We draw attention to the following matter described in Note 1.1 "General principles and change in accounting methods" to the financial statements relating to the application, as of January 1, 2017, of the provisions relating to financial forward instruments and hedging options, in compliance with the ANC regulation (*règlement ANC*) No. 2015-05. Our opinion is not modified in respect of this matter.

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 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity investments (Notes 1.3 and 7 to the annual accounts)

Key audit matter	Our response
Equity investments and equity portfolio securities amount to €24,894 million as at 31 December 2017, for a total balance sheet of €31,126 million. The realizable value of equity investments is determined in relation to their value in use, generally calculated based on discounted future cash flows, a method that involves a significant amount of judgements and assumptions, notably concerning: ➜ future cash flow forecasts; ➜ perpetual growth rates used for projected flows; ➜ discount rates (WACC) applied to estimated cash flows. Consequently, any variation in these assumptions may have a significant impact on the value in use of these equity investments and necessitate the recognition of an impairment loss. We consider the valuation of the equity investments to be a key audit matter due to (i) their materiality in the company's accounts, (ii) the judgements and assumptions required to determine their value in use.	We analyzed the compliance of the methods adopted by the Company with the accounting standards in force, concerning the method of estimating the value in use of equity investments. We obtained the valuation reports for each of the equity investments concerned or the analysis carried out by the Company where applicable and paid particular attention to those where the carrying amount is close to the estimated value in use, those where 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 the Company and discussed with Management so as to gain an understanding of the experts' scope of action. We took note of the key assumptions used for all the equity investments and: ➜ 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) as presented to the Supervisory Board within the scope of the budget process; ➜ compared the perpetual growth rates used for the projected flows with market analyses and the consensus of the main professionals concerned. We compared the discount rates used (WACC) with our internal database, accompanied when necessary by our financial valuation specialists. We obtained and reviewed the sensitivity analyses performed by Management, which we compared with our own calculations to verify that only an unreasonable variation in the assumptions would require the recognition of an impairment loss on the equity investments concerned. Lastly, we verified that the notes to the annual accounts provided the appropriate disclosure.

Analysis of the disputes, in particular with Mediaset and with the former minority shareholders (Notes 1.7 and 24 to the annual accounts)

Key audit matter	Our response
The Company's activities are conducted in a constantly evolving environment and within a complex international regulatory framework. The Company 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 stemming from its development strategy. Consequently, the Company exercises its judgement in assessing the risks run relative to the disputes with Mediaset 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 this subject to be a key audit matter given the amounts at stake and the level of judgement required for the determination of the provisions.	Our work notably consisted in reviewing the procedures implemented by the Company to identify and list all the risks. In particular, we analyzed all the information made available to us, including, when applicable, written confirmations from external advisors mandated by the Company, relating to (i) the dispute between Vivendi and the Mediaset Group and its shareholders and (ii) the dispute between Vivendi and certain foreign institutional investors concerning alleged harm resulting from the financial communication of Vivendi and its former CEO between 2000 and 2002. We examined the estimates of the risk assessed by the Company and verified that they were consistent with the information made available to us by the Company's advisers. In addition, we analyzed the lawyers' answers received concerning these disputes. Finally, we verified the information concerning these risks disclosed in the notes to the annual accounts.

VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO THE SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We confirm the existence in the Report on Corporate Governance of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the members of the Management Board and of the Supervisory Board and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Vivendi by the Annual General Meetings held on April 25, 2017 for DELOITTE & ASSOCIÉS and on June 15, 2000 for ERNST & YOUNG et Autres.

As at December 31, 2017, DELOITTE ET ASSOCIÉS and ERNST & YOUNG et Autres were in the 1st year and 18th year of total uninterrupted engagement respectively.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by your Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), 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 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, if any, significant deficiencies 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 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 such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) 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.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2018

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Jean Paul Séguret	Jacques Pierres

2. 2017 STATUTORY FINANCIAL STATEMENTS

I. STATEMENT OF EARNINGS

(in millions of euros)	Note	2017	2016
Operating income			
Total revenues		66.5	46.0
Reversal of provisions and expense reclassifications		16.9	20.1
Other income			
Total I		**83.4**	**66.1**
Operating expenses			
Other purchases and external charges		101.5	85.9
Duties and taxes other than income tax		16.8	11.0
Wages and salaries and social security contributions		74.4	56.8
Depreciation, amortization and charges to provisions		26.4	21.5
Other expenses		1.2	1.3
Total II		**220.3**	**176.5**
Loss from operations (I - II)	2	**(136.9)**	**(110.4)**
Financial income			
From equity affiliates and other long-term securities (dividends)		275.1	976.7
From long-term receivables		57.0	56.2
Other interest and similar income		95.2	99.6
Reversal of provisions and expense reclassifications		40.7	49.3
Foreign exchange gains		926.1	1,246.3
Net proceeds from the sale of marketable securities		2.8	6.0
Total III		**1,396.9**	**2,434.1**
Financial expenses			
Amortization and charges to financial provisions		266.2	369.0
Interest and similar charges		116.5	114.9
Foreign exchange losses		873.1	1,088.1
Net expenses on marketable securities sales		0.7	
Total IV		**1,256.5**	**1,572.0**
Net financial income (III - IV)	3	**140.4**	**862.1**
Earnings from ordinary operations before tax (I - II + III - IV)		**3.5**	**751.7**
Exceptional income			
From non-capital transactions		4.2	0.3
From capital transactions		39.7	1,028.2
Reversals of provisions and expense reclassifications		539.8	1,027.1
Total V		**583.7**	**2,055.6**
Exceptional expenses			
Related to non-capital transactions		86.2	1,147.2
Related to capital transactions		44.5	96.8
Exceptional depreciation, amortization and charges to provisions		271.7	9.5
Total VI		**402.4**	**1,253.5**
Net exceptional items (V - VI)	4	**181.3**	**802.1**
Income tax (charge)/credit (VII)	5	**518.3**	**55.7**
Total income (I + III + V + VII)		**2,582.3**	**4,611.5**
Total expenses (II + IV + VI)		**1,879.2**	**3,002.0**
EARNINGS FOR THE YEAR		**703.1**	**1,609.5**

II. STATEMENT OF FINANCIAL POSITION

ASSETS

(in millions of euros)	Note	Gross	Depreciation, amortization and provisions	Net 12/31/2017	Net 12/31/2016
Non-current assets					
Intangible assets	6	**9.4**	**8.4**	**1.0**	**0.8**
Property, plant and equipment	6	**58.7**	**55.5**	**3.2**	**2.9**
Long-term investments (a)	7	**27,035.6**	**3,439.1**	**23,596.5**	**20,192.3**
Investments in affiliates and Long-term portfolio securities		24,894.1	1,898.4	22,995.7	18,990.0
Loans to subsidiaries and affiliates		1,542.5	1,540.7	1.8	0.0
Other long-term investment securities		590.1		590.1	466.6
Loans				0.0	0.0
Other		8.9		8.9	735.7
Total I		**27,103.7**	**3,503.0**	**23,600.7**	**20,196.0**
Current assets	8				
Receivables (b)		**2,749.1**	**225.0**	**2,524.1**	**2,698.7**
Trade accounts receivable and related accounts		15.1	4.1	11.0	2.7
Other receivables		2,734.0	220.9	2,513.1	2,696.0
Marketable securities		**1,095.7**	**0.0**	**1,095.7**	**3,881.8**
Treasury shares	9	78.6		78.6	6.2
Other securities	10	1,017.1		1,017.1	3,875.6
Cash at bank and in hand	10	**154.1**		**154.1**	**260.7**
Prepayments (b)		**15.9**		**15.9**	**37.2**
Total II		**4,014.8**	**225.0**	**3,789.8**	**6,878.4**
Deferred charges (III)	12	**7.9**		**7.9**	**9.5**
Unrealized foreign exchange losses (IV)	13			**0.0**	**0.0**
Total assets (I + II + III + IV)		**31,126.4**	**3,728.0**	**27,398.4**	**27,083.9**
(a) *Portion due in less than one year*				*19.4*	*745.9*
(b) *Portion due in more than one year*				*9.9*	*9.9*

EQUITY AND LIABILITIES

(in millions of euros)	Note	12/31/2017	12/31/2016
Equity	14		
Share capital		7,128.3	7,079.0
Additional paid-in capital		9,155.0	9,052.2
Reserves			
Legal reserve		752.7	752.7
Other reserves			
Retained earnings		1,471.7	361.4
Earnings for the year		703.1	1,609.5
Interim dividends			
Total I		**19,210.8**	**18,854.8**
Provisions	16	553.0	809.3
Total II		**553.0**	**809.3**
Liabilities (a)			
Convertible and other bond issues	17	3,665.8	3,575.9
Bank borrowings (b)	17	100.8	218.0
Other borrowings	17	3,792.7	3,534.8
Trade accounts payable and related accounts		16.3	15.4
Tax and employee-related liabilities		28.1	22.7
Amounts payable in respect of PP&E and related accounts		3.0	3.0
Other liabilities		27.9	21.8
Deferred income			0.9
Total III		**7,634.6**	**7,392.5**
Unrealized foreign exchange gains (IV)	13		**27.3**
Total equity and liabilities (I + II + III + IV)		**27,398.4**	**27,083.9**
(a) *Portion due in more than one year*		*3,654.7*	*2,812.9*
Portion due in less than one year		*3,979.9*	*4,579.6*
(b) *Includes current bank facilities and overdrafts*		*100.8*	*109.4*

III. STATEMENT OF CASH FLOWS

(in millions of euros)	2017	2016
Earnings for the year	703.1	1,609.5
Elimination of non-cash income and expenses		
Charges to depreciation and amortization	3.7	3.8
Charges to provisions net of (reversals)		
Operating	7.7	2.6
Financial	225.5	320.0
Exceptional	(268.1)	(996.6)
Capital gains	12.0	(942.8)
Dividends received in assets		(15.0)
Other income and charges without cash impact	51.9	(46.1)
Operating cash flows before changes in working capital	**735.8**	**(64.7)**
Changes in working capital	193.1	(133.4)
Net cash provided by/(used in) operating activities	**928.9**	**(198.1)**
Capital expenditure	(0.8)	(0.8)
Purchases of investments in affiliates and securities	(4,165.2)	(3,019.6)
Increase in loans to subsidiaries and affiliates	(57.0)	(56.6)
Cash deposits for litigations in the United States (escrow accounts)		974.0
Receivables related to the sale of non-current assets and other financial receivables	658.8	(108.6)
Proceeds from sales of intangible assets and PP&E		
Proceeds from sales of investments in affiliates and securities	8.2	1,442.8
Decrease in loans to subsidiaries and affiliates		
Increase in deferred charges relating to financial instruments	(1.7)	(4.9)
Net cash provided by/(used in) investing activities	**(3,557.7)**	**(773.7)**
Net proceeds from issuance of shares	152.1	80.5
Annual and interim dividends paid	(499.2)	(2,587.5)
New long-term borrowings secured	844.6	2,091.2
Principal payments on long-term borrowings	(750.0)	(500.0)
Increase (decrease) in short-term borrowings	(117.3)	44.7
Change in net current accounts	235.5	(972.7)
Treasury shares	(202.0)	(1,618.6)
Net cash provided by/(used in) financing activities	**(336.3)**	**(3,462.4)**
Change in cash	(2,965.1)	(4,434.2)
Opening net cash (a)	4,136.3	8,570.5
Closing net cash (a)	**1,171.2**	**4,136.3**

(a) Cash and marketable securities net of impairment (excluding treasury shares).

3. NOTES TO THE 2017 STATUTORY FINANCIAL STATEMENTS

SIGNIFICANT EVENTS IN 2017

Major changes in the equity portfolio

Acquisition of Havas

Vivendi acquired 100% of the Havas shares for an aggregate purchase price of €3,913.3 million.

On June 6, 2017, after obtaining positive opinions from the employee representative bodies of Vivendi, Havas and Bolloré, and following completion of the due diligence process, Vivendi entered into a share purchase agreement with Bolloré Group to acquire its majority interest of 59.2% in Havas, subject to approval by the relevant competition authorities.

On July 3, 2017, pursuant to the agreement entered into on June 6, 2017 and following the approval granted by the relevant competition authorities, Vivendi acquired the 59.2% interest in Havas held by Bolloré Group at a price of €9.25 per share, i.e., €2,317.1 million, paid in cash.

In accordance with market regulations, Vivendi launched a simplified tender offer that ran from September 21 until October 4, 2017 for the remaining interest in Havas at a price of €9.25 per share. During this tender offer, Vivendi acquired 149,684,002 additional Havas shares for €1,384.6 million, paid in cash. At closing of the simplified tender offer, Vivendi held 94.59% of Havas's share capital.

On October 11, 2017, following receipt of an additional share purchase request made after completion of the simplified tender offer, Vivendi purchased 1.56% of Havas's share capital at a price of €9.25 per share, i.e., €61 million, paid in cash. Upon completion of this transaction, Vivendi held 96.15% of Havas's share capital.

Due to the sharply reduced free float, Vivendi decided to implement a public buyout offer for Havas shares, followed by a mandatory squeeze-out. During the public buyout offer that ran from November 30 until December 13, 2017 and the subsequent squeeze-out made on December 14, 2017, Vivendi acquired a total of 16,281,206 shares for an aggregate amount of €150.6 million.

Other significant events in 2017

Share repurchases

In fiscal year 2017, Vivendi repurchased 12,135,810 treasury shares for an aggregate amount of €202.0 million.

As of December 31, 2017, treasury shares represented 3.04% of the share capital, of which 4,314,143 shares were allocated to cover share awards under performance share plans, and 35,093,509 shares were allocated to cover external growth transactions (please refer to Note 9, Treasury Shares).

Shareholders' dividend distribution policy

- On April 25, 2017, with respect to fiscal year 2016, Vivendi's General Shareholders' Meeting approved the payment of an ordinary dividend of €0.40 per share, representing a total distribution of €499.2 million.
- On February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2017 and the allocation of earnings for the fiscal year then ended), the Management Board decided to propose to the General Shareholders' Meeting the payment of an ordinary dividend of €0.45 per share (excluding treasury shares), representing a total distribution of €565.6 million.

Issuance and redemption of bonds

As of December 31, 2017, bond issues amounted to €3,650 million, compared to €3,550 million as of December 31, 2016 (please refer to Note 17, Borrowings), including:

- in March 2017, the redemption at maturity of a €750 million bond; and
- in September 2017, the issuance of a €850 million bond.

NOTE 1. ACCOUNTING RULES AND METHODS

1.1. GENERAL PRINCIPLES AND CHANGE IN ACCOUNTING METHODS

The statutory financial statements for the fiscal year ended December 31, 2017 have been prepared and presented in accordance with applicable French laws and regulations, and in particular Regulation Nos. 2014-03 and 2016-07 of the ANC (*Autorité des Normes Comptables*), France's national accounting standards authority, relating to the general accounting plan (*Plan Comptable Général* or PCG).

Vivendi has applied, as from January 1, 2017, the provisions of ANC Regulation No. 2015-05 on forward instruments and hedging transactions. This change in method has no significant impact on the financial statements of Vivendi SA. The other accounting principles and methods applied to the statutory financial statements for the fiscal year ended December 31, 2017 are identical to those applied for the preparation of the 2016 statutory financial statements.

The company makes certain estimates and assumptions that it considers reasonable and reliable. These estimates and assumptions are based on past or anticipated events, and relate in particular to the measuring of asset impairment (see Note 7, Long-term Investments) and provisions (see Note 16, Provisions) as well as to employee benefits (see Note 1.9, Employee benefit plans). Despite regular review, facts and circumstances may lead to changes in such estimates and assumptions, which may have an impact on the amount of assets, liabilities, equity or earnings recognized by the company.

The annual Statutory Financial Statements are available online on vivendi.com.

Consolidating companies:

Since April 26, 2017, the Vivendi group has been fully consolidated by Bolloré Group, whose parent company is Bolloré SA (Siren: 055 804 124).

Moreover, Vivendi SA is the parent company of the Vivendi group.

1.2. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are valued at acquisition cost.

Depreciation and amortization are calculated using the straight-line method and, where appropriate, the declining balance method over the useful lives of the relevant assets.

1.3. LONG-TERM INVESTMENTS

Investments in affiliates and long-term portfolio securities and other investment securities

Shares of companies, the long-term ownership of which is deemed to be beneficial to Vivendi's business, are classified as investments in affiliates.

Long-term portfolio securities include securities of companies which the company expects to realize satisfactory returns over the medium to long term without interfering with the management.

Investments in affiliates, long-term portfolio securities and other investment securities are recorded at acquisition cost. If their value exceeds their value-in-use, an impairment loss is recorded for the difference between the two.

Investments in affiliates are valued based on their value-in-use (PCG Art. 221-3). The value-in-use is generally determined based on the discounted value of future cash flows, although a more suitable method may be used where appropriate, such as market comparables, transaction valuations, trading comparables for listed entities or proportionate share of net equity.

Long-term portfolio securities are valued based on their market value taking into consideration the general prospects of the companies concerned (PCG Art. 221-5).

The value-in-use of securities in foreign currencies is calculated using the exchange rate applicable on the closing date for both listed securities (PCG Art. 420-3) and unlisted securities.

Vivendi expenses investment and security acquisition costs in the fiscal year during which they are incurred.

Loans to subsidiaries and affiliates

Loans to subsidiaries and affiliates consist of medium and long-term loans to group companies. They do not include current account agreements with group subsidiaries that are used for day-to-day management of cash surpluses and shortfalls. A provision for depreciation is therefore made, as appropriate, based on the risk of non-recovery.

Treasury shares

All treasury shares held by Vivendi that are either: (i) in the process of cancellation, (ii) allocated to covering performance share plans and external growth transactions, or (iii) acquired pursuant to the liquidity contract, are recorded as Long-term Investments. Impairment losses are recorded on shares held for the purpose of a share exchange or payment in external growth transactions and on shares acquired under the liquidity contract if their value-in-use, which corresponds to the average share price during the month of closing, is lower than their book value (PCG Art. 221-6).

All remaining treasury shares held by Vivendi are recorded as marketable securities (see Note 1.5, Marketable securities).

1.4. OPERATING RECEIVABLES

Operating receivables are recorded at nominal value. A provision is therefore made, as appropriate, based on the risk of non-recovery.

1.5. MARKETABLE SECURITIES

Treasury shares

Treasury shares purchased for delivery to employees pursuant to performance share plans are recorded as marketable securities.

At year-end, the shares allocated to specific plans are not depreciated but the probable outflow of resources corresponding to the expected loss in value when the shares are delivered to the beneficiaries is subject to a provision (see Note 1.8., Stock option plans and performance share plans). For those shares not allocated to specific plans, an impairment loss is recognized, as appropriate, to reduce their net value down to their stock market value based on the average share price during the month of closing.

Other marketable securities

All other marketable securities are recorded at acquisition cost. A provision for depreciation is made if the estimated value-in-use at the end of the period is lower than the acquisition cost. The value-in-use of securities in foreign currencies is calculated using the exchange rates applicable on the closing date.

1.6. DEFERRED CHARGES RELATING TO FINANCIAL INSTRUMENTS

Issue costs in relation to bonds and lines of credit are amortized equally over the term of such instruments.

1.7. PROVISIONS

A provision is recorded if Vivendi has an obligation to a third party and it is probable or certain that an outflow of resources will be necessary to settle this obligation, without receipt of equivalent consideration from the third party.

The provision is equal to the best estimate, taken at period-end, of the outflow of resources necessary to settle the obligation, where the risk exists at the end of the period.

The assumptions underlying the provisions are regularly reviewed and any necessary adjustments are recorded.

Where it is not possible to provide a reliable estimate for the amount of the obligation, a provision is not recorded and disclosure is made in the notes to the financial statements (see Note 24, Litigation).

1.8. STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS

When the company decides to implement a performance share plan or a stock option plan that is settled by the delivery of treasury shares, a provision is recognized. This provision is calculated based on the market price of Vivendi shares as at the grant date or the estimated share purchase price at year-end. In the case of stock option plans, the probable outflow of resources making up the provision is equal to the cost of the shares repurchased less the exercise price paid by the employees (PCG Art. 624-8).

Pursuant to the PCG Art. 624-14, expenses, charges and reversals in relation to the grant of stock options and free shares to company employees, are recorded as personnel costs.

1.9. EMPLOYEE BENEFIT PLANS

Vivendi applies method 1 of Recommendation No. 2013-02 of the Authority of accounting standards (*Autorité des Normes Comptables,* ANC), regarding the valuation of, and accounting methods for, pension commitments and similar benefits.

The provision recorded for obligations in relation to employee benefit plans includes all Vivendi employee benefit plans, i.e., retirement/termination payments, pensions and supplemental pensions. It is calculated as the difference between the value of the actuarial obligations and plan assets, net of actuarial gains and losses and unrecognized past service costs.

The actuarial obligation is calculated using the projected unit credit method (each period of activity generates additional entitlement). Actuarial gains and losses are recognized using the "corridor method". This consists of recording, in the profit and loss account for the relevant period, the amortization calculated by dividing the portion of actuarial gains and losses which exceeds the greater of 10% of: (i) the obligation and (ii) the fair value of the plans' assets as of the beginning of the fiscal year, by the average remaining working life expectancy of the beneficiaries.

1.10. FOREIGN CURRENCY-DENOMINATED TRANSACTIONS

Foreign currency-denominated income and expense items are translated using average monthly rates or, as applicable, using the exchange rate negotiated during specific transactions.

Foreign currency-denominated receivables, payables, marketable securities and cash balances are translated at the exchange rates applicable on the accounting closing date (PCG Art. 420-5).

Unrealized gains and losses recognized on translation of foreign currency borrowings, loans, receivables and payables, using exchange rates prevailing on the accounting closing date, are recorded in the Statement of Financial Position as unrealized foreign exchange gains and losses.

A provision for foreign exchange losses is recorded in respect of unhedged and unrealized exchange losses (PCG Art. 420-5).

Cash and foreign currency current accounts existing at the end of the fiscal year are converted into local currency at the exchange rate on the last business day of the period. Translation differences recognized as assets and liabilities are recorded in the profit and loss account for the year, except when the provisions relating to hedging transactions are applicable (PCG Art. 420-7).

Vivendi seeks to secure the exchange rate of assets and liabilities denominated in foreign currencies, particularly through the implementation of derivative financial instruments. Foreign exchange gains and losses realized on the hedging instruments are classified in the Statement of Financial Position as deferred revenue or expenses until the gain or loss on the hedged item is recognized (see Note 1.11, Derivative financial instruments).

1.11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING OPERATIONS

Vivendi uses derivative financial instruments to: (i) reduce its exposure to market risks associated with interest and foreign exchange rate fluctuations, and (ii) secure the value of certain financial assets. These instruments are traded over-the-counter with highly-rated counterparties.

Pursuant to Article 628-11 of the PCG, unrealized or realized income and expenses generated by interest rate and currency hedging instruments are recorded with the income and expenses of the hedged items.

Unrealized gains on derivative instruments not eligible for hedge accounting (isolated open positions) are not included in the calculation of income. Conversely, unrealized losses on these instruments are recorded as Net financial charges.

As a result, changes in the value of hedging instruments are not recognized in the Statement of Financial Position, unless the full or partial recognition of these variations ensures a symmetrical treatment with the hedged item.

Premiums and discounts associated with foreign currency forward sales and purchases are spread over the duration of the hedge and recognized as financial income.

1.12. TAX CREDIT TO AID COMPETITIVENESS AND PROMOTE EMPLOYMENT (CICE)

The CICE, which took effect on January 1, 2013, resulted in Vivendi's recognition of an income recorded as operating income under the line item "social security contributions". The base consists of gross compensation paid, subject to social security contributions and not exceeding 2.5 times the minimum wage as defined by French Law. The tax credit rate for 2017 was 7%.

NOTE 2. OPERATING LOSSES

2.1. REVENUES

Revenues consisting of charges for services provided by Vivendi and rebilling of costs to its subsidiaries, amounted to €66.5 million.

2.2. OPERATING EXPENSES AND EXPENSE RECLASSIFICATIONS

- In 2017, operating expenses amounted to €220.3 million, compared to €176.5 million in 2016.
- Within this total, "other purchases and external charges" represented €101.5 million in 2017, compared to €85.9 million in 2016. Other purchases and external charges, including amounts rebilled to subsidiaries (recorded in revenues) and expense reclassifications (recorded in the statement of earnings as reversal of provisions and expense reclassifications), are broken-down as follows:

(in millions of euros)	2017	2016
Purchases consumed	0.7	0.6
Rent	8.7	8.4
Insurance (a)	20.2	20.0
Service providers, temporary staff and sub-contracting	10.7	7.7
Commissions and professional fees	44.0	29.6
Bank services	1.7	4.0
Other external services	15.5	15.6
Sub-total other purchases and external charges	**101.5**	**85.9**
Amounts rebilled to subsidiaries (revenues)	(11.2)	(6.3)
Expense reclassifications	(1.7)	(4.9)
Total net of rebilled expenses and expense reclassifications	**88.6**	**74.7**

(a) Including €12.1 million paid in 2017 (€12.1 million in 2016) on plans for the coverage of supplementary pension liabilities, other than retirement termination payments.

NOTE 3. NET FINANCIAL INCOME

Net financial income is broken-down as follows:

(in millions of euros)	2017	2016
Net financing costs	(19.4)	(8.3)
Dividends received	275.1	976.7
Foreign exchange gains & losses	53.0	158.2
Other financial income and expenses	(4.1)	(4.6)
Movements in financial provisions	(164.2)	(259.9)
Total	**140.4**	**862.1**

3.1. FINANCING COSTS

The net financing costs amounted to -€19.4 million in 2017, compared to -€8.3 million in 2016, which, among other items, included:

- charges resulting from bond issues amounting to -€66.9 million in 2017, compared to -€66.3 million in 2016 (see Note 17, Borrowings);
- external investment income and net capital gains on disposals of marketable securities amounting to €13.3 million in 2017, compared to €21 million in 2016;
- net income earned on current accounts with subsidiaries amounting to €21.8 million in 2017, compared to €25.8 million in 2016; and
- premiums and discounts associated with forward currency transactions used for hedging, resulting in a positive net amount of €12.4 million in 2017, compared to €11.3 million in 2016.

The changes in the cost of financing were due to a reduction in the positive net cash position from €3.5 billion in 2016 to an average net debt position of €0.6 billion in 2017, reflecting, in particular, the effects of: (i) the acquisition of Havas for €3.9 billion in the second half of 2017 and (ii) the payment of the dividend with respect to fiscal year 2016 for €0.5 billion.

3.2. DIVIDENDS RECEIVED

In 2017, Income from affiliates amounted to €275.1 million, which primarily comprised dividends from Universal Music Group, Inc. (UMG Inc.) of €253.8 million ($300 million) and Telefonica of €16.7 million.

In 2016, Income from affiliates amounted to €976.7 million, which mainly comprised dividends from UMG Inc. of €732.7 million, from Canal+ Group of €72.7 million, and from SIG 104 (the company which owns the UMG entities other than those in the United States, Canada and Mexico) of €122.9 million. It also comprised dividends amounting to €31.1 million from Telefonica, including €15.0 million by means of a dividend payment in Telefonica shares.

3.3. FINANCIAL PROVISIONS AND IMPAIRMENTS

- Financial provisions and impairments amounted to -€164.2 million and mainly included: (i) the impairment of €149.8 million recorded with respect to Mediaset shares and the impairment of €3.2 million recorded with respect to Telefonica shares for which the value-in-use was calculated based on the average closing share price during the month of December 2017, and (ii) the net impairment charge of €17.0 million recorded on the shares and current account of Compagnie du Dôme.
- During the fourth quarter of 2017, Vivendi, with the assistance of independent appraisers, reviewed the value-in-use of its equity holdings, including: (i) Groupe Canal+, (ii) two holding companies engaged in the music sector held by Vivendi, namely UMG Inc. in relation to music operations in North America and Mexico and SIG 104 in relation to operations in other countries, (iii) Telecom Italia, (iv) Dailymotion and (v) Gameloft. The value-in-use of Studiocanal was reviewed internally.

  As a result, Vivendi's Management determined that the value-in-use of Groupe Canal+ SA, as of December 31, 2017, was comparable to its net carrying value. It also determined that the values-in-use of the two music holding companies held by Vivendi (UMG Inc. and SIG 104), as well as those of Telecom Italia, Dailymotion and Gameloft, were higher than their respective book values.

NOTE 4. NET EXCEPTIONAL ITEMS

In 2017, a net exceptional gain of €181.3 million was recorded, compared to a net exceptional gain of €802.1 million in 2016. It primarily comprised the following items:

- the reversal of the €408.9 million provision in respect of litigation related to the Consolidated Global Profit Tax System (see Note 5, Income taxes);
- the reversal of the €100.0 million provision relating to the Securities Class Action litigation in the United States and the concomitant recording of an exceptional charge of €73.3 million corresponding to the amount paid to settle this litigation (see Note 16, Provisions, and Note 24, Litigation); and
- the recording of a €203.1 million provision to cover the risk associated with the receivable, which was recognized following Vivendi's filing of a refund claim relating to the corporation tax paid for fiscal year 2015, in respect of the allocation of foreign tax receivables available at the Group's exit from the Consolidated Global Profit Tax System (see Note 5, Income taxes).

NOTE 5. INCOME TAXES

Vivendi SA benefits from the French Tax Group System and considers that, until December 31, 2011 inclusive, it benefited from the Consolidated Global Profit Tax System, as permitted under Article 209 *quinquies* of the French Tax Code. Since January 1, 2012, Vivendi only benefits 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 French subsidiaries that are at least 95% owned, directly or indirectly by it. As of December 31, 2017, this mainly applies to Universal Music Group, Canal+ Group and Gameloft entities in France, as well as the companies involved in the group's development projects in France (e.g., Vivendi Village, Vivendi Content and Studio+). At year-end 2017, Vivendi recorded an income tax credit of €86.2 million under the French Tax Group System.
- Until December 31, 2011, the Consolidated Global Profit Tax System, for which Vivendi obtained a tax authorization, enabled Vivendi 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 located in France or abroad. This authorization was granted for an initial five-year period, from January 1, 2004 to December 31, 2008, and then was 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 lodged 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 and the deductibility of interest limited to 85% of financial charges, net (75% as from January 1, 2014).

The impacts of the French Tax Group and Consolidated Global Profit Tax Systems on the valuation of Vivendi's tax attributes (tax losses and tax credits carried forward) are as follows:

- As Vivendi considers that its entitlement to use the Consolidated Global Profit Tax System was effective until the end of the authorization granted by the French Ministry of Finance, until December 31, 2011, on November 30, 2012 Vivendi submitted a €366 million refund request with respect to the tax saving for fiscal year ended December 31, 2011. This request was denied by the tax authorities and, as a result, Vivendi accrued a €366 million provision for the associated risk in its Financial Statements for the year ended December 31, 2012. On October 6, 2014, the Administrative Court of Montreuil ruled in favor of Vivendi. Pursuant to this ruling, on December 23, 2014, Vivendi received a €366 million refund and moratorium interest of €43 million, which was received on January 16, 2015. On December 2, 2014, the tax authorities lodged an appeal against this ruling. On July 5, 2016, the Versailles Administrative Court of Appeal ruled in favor of Vivendi, against which the Ministry filed an appeal. In a decision dated October 25, 2017, the French Council of State (*Conseil d'État*) denied the Ministry's appeal, therefore ruling as final the favorable decision of the Versailles Administrative Court of Appeal. Consequently, in its Financial Statements for the year ended December 31, 2017, Vivendi recorded a reversal of provision of €409 million (see Note 4, Net Exceptional Items).
- Moreover, considering that Vivendi's foreign tax receivables available at the exit from the Consolidated Global Profit Tax System can be carried forward upon the end of the authorization, Vivendi requested a tax refund for 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 in relation to 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. As part of this tax audit, on March 31, 2015, 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 completion of the tax audit, Vivendi challenged before the tax authorities the tax paid, default interest and penalties, for which no provision has 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. Pursuant to this decision, on April 18, 2017, Vivendi received (i) a €315 million refund corresponding 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), representing an aggregate amount of €346 million (see Note 8, Current assets). 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 related to the principal refund (€218 million), the default interest (€10 million), and the moratorium interest (€23 million), i.e., an aggregate provision of €251 million. Given that the Ministry's appeal did not include penalties (€87 million), Vivendi recorded a net tax income of €9 million in its Financial Statements as of December 31, 2017, corresponding to the portion of moratorium interest irrevocably earned by Vivendi.
- On June 15, 2017, following the Administrative Court of Montreuil's ruling of March 16, 2017, Vivendi made a claim for repayment of the tax amount due for the year ended December 31, 2015 (€203 million). As the appeal against the March 16, 2017 ruling of the Administrative Court of Montreuil could potentially affect this claim, Vivendi recorded a provision as of December 31, 2017 in the amount of the refund requested (€203 million) (see Note 16, Provisions).
- In the Financial Statements for the year ended December 31, 2017, 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, 2017 could not be reliably determined. As of December 31, 2017, taking into account the impact of the estimated 2017 tax results and before the effects of the ongoing tax audits on the amount of tax attributes (see Tax litigation, below), it is anticipated that Vivendi SA will likely be able to achieve €875 million in tax savings from tax attributes (based on the income tax rate applicable as of December 31, 2017, i.e., 34.43%). At a rate of 25.83% applicable in 2022, it is anticipated that Vivendi would achieve €656 million in tax savings from tax attributes.

TAX LITIGATION

In respect of the Consolidated Global Profit Tax System, the tax audit for fiscal years 2006, 2007, 2008, 2009 and 2010 is still ongoing as of December 31, 2017, as are the tax audits for fiscal years 2011 and 2012, related to Vivendi SA or its tax group. Under these audits, the tax authorities challenged Vivendi's right to use its foreign tax receivables for the payment of its 2012 tax obligation year. Similarly, Vivendi requested the reimbursement of its 2015 tax payment. In any event, the impacts in relation to the use of foreign tax receivables upon exit from the Global Profit Tax System of 2012 and 2015 were recorded as provisions as of December 31, 2017, for €251 million and €203 million, respectively.

Regarding more specifically the tax audit for fiscal years 2008 to 2011, Vivendi SA is subject to a rectification procedure for which the tax authorities have challenged the accounting and fiscal treatment of NBC Universal shares received in consideration of the sale of Vivendi Universal Entertainment shares in 2004, and they challenged the deduction of the €2.4 billion loss recorded as part of the sale of these shares in 2010 and 2011.

The National Direct Tax System (*Commission Nationale des Impôts Directs*) before which proceedings were brought, 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, the disagreement finding its basis in an 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'État*) favorably received Vivendi's appeal for misuse of authority. As of December 31, 2017, this audit was still ongoing and Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit.

Regarding the additional tax contribution of 3% on dividend distributions paid by Vivendi SA for an aggregate amount of €214 million with respect to dividends paid in fiscal year 2013 and in fiscal years 2015 to 2017, these contributions have been challenged before the tax authorities and then the Administrative Court of Montreuil. Following a decision of the French Constitutional Council (*Conseil constitutionnel*) dated October 6, 2017, pursuant to which it determined that the 3% tax on dividend distributions was unconstitutional, the tax authorities proceeded to carry out a rebate of the litigious contributions and refunded these contributions on December 22 and 28, 2017, except for the 2017 contribution (€7 million). Consequently, Vivendi withdrew from its actions before the Administrative Court. In addition, in accordance with applicable law, these refunds gave or will give rise to the payment of moratorium interest to Vivendi, to be applied until the effective restitution date. In its Financial Statements for the year ended December 31, 2017, Vivendi SA recorded a tax income of €207 million from the settlement of this litigation, and moratorium interest of €24 million.

Regarding the dispute over the validity of the merger between SFR and Vivendi Telecom International (VTI), completed in December 2011, which entails a potential challenge to the integration of SFR within the Vivendi tax group in respect of fiscal year 2011, SFR was informed, in a letter dated November 8, 2017, that the tax authorities were withdrawing their adjustment proposal, confirming Vivendi's position that it had solid legal grounds upon which to challenge the tax authorities' position.

As a reminder, in this case, the tax authorities contemplated requiring that SFR be carved-out from Vivendi's tax group for fiscal year 2011 and made a claim against SFR for a total amount of €1,374 million, representing a principal tax amount of €711 million plus default interest and penalties of €663 million.

It is also reminded that under the agreement entered into on February 27, 2015 by and among Vivendi, Altice and Numericable-SFR, Vivendi agreed to return to SFR, if applicable, taxes and contributions that could be borne by SFR for fiscal year 2011 and that SFR would have already paid at that time to Vivendi, up to a maximum amount of €711 million (including €154 million corresponding to the use by SFR of VTI's tax losses in 2011 or 2012), if the 2011 merger of SFR and VTI were to be ultimately invalidated for tax purposes. The abandonment of the recalls by the tax authorities brings down this commitment, which has become irrelevant.

NOTE 6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1. GROSS VALUES

(in millions of euros)	Opening gross value	Additions	Disposals	Closing gross value
Intangible assets	9.1	0.3		9.4
Property, plant and equipment	58.2	0.5		58.7
Total	**67.3**	**0.8**	**0.0**	**68.1**

6.2. DEPRECIATION AND AMORTIZATION

(in millions of euros)	Opening accumulated depreciation/ amortization	Charge	Reversal	Closing accumulated depreciation/ amortization
Intangible assets	8.3	0.1		8.4
Property, plant and equipment	55.3	0.2		55.5
Total	**63.6**	**0.3**	**0.0**	**63.9**

NOTE 7. LONG-TERM INVESTMENTS

7.1. CHANGE IN LONG-TERM INVESTMENTS

(in millions of euros)	Opening gross value	Additions	Disposals	Foreign currency translation adjustments	Closing gross value
Investments in affiliates and Long-term portfolio securities	20,703.7	4,213.2	(22.8)		24,894.1
Loans to subsidiaries and affiliates	1,483.7	58.8			1,542.5
Other long-term investment securities	467.6	202.2	(79.7)		590.1
Loans and other long-term investments	735.7	50.2	(749.7)	(27.3)	8.9
Total	**23,390.7**	**4,524.4**	**(852.2)**	**(27.3)**	**27,035.6**

7.2. INVESTMENTS IN AFFILIATES AND LONG-TERM PORTFOLIO SECURITIES

The details concerning the €4,213.2 million increase in affiliates and long-term securities during the year, representing total consideration of €4,165 million, are as follows:

- Havas: €3,913.3 million, corresponding to 100% of the capital and voting rights (see significant events);
- Compagnie du Dôme (wholly-owned subsidiary): €188.0 million, as part of a capital increase;
- Ubisoft Entertainment: €38 million in 2017, increasing Vivendi's stake to €794.1 million (27.27% of the share capital and 29.04% of the voting rights of this company as of December 31, 2017). As of December 31, 2017, the market value of the Ubisoft shares held by Vivendi amounted to €1,955.6 million (PCG Art. 833-7); and
- Dailymotion: €25.7 million, corresponding to the acquisition of 5.1 million shares representing 10% of the share capital on July 26, 2017. As a result of this acquisition, Vivendi now holds 100% of the share capital and voting rights of this company.

In addition, as of December 31, 2017, the value of the shares held in Mediaset and Telefonica, calculated based on the average market price for the shares over the month of December 2017, were €1,106.4 million and €413.6 million, respectively, (see Note 3, Net Financial Income) and the market value of the shares held in Fnac Darty as of December 31, 2017 amounted to €296.6 million (PCG Art. 833-7).

7.3. LOANS TO SUBSIDIARIES AND AFFILIATES

The value of loans to subsidiaries and affiliates, including accrued interest and net of depreciation, was €1.8 million at year-end 2017.

7.4. OTHER LONG-TERM INVESTMENTS

Treasury shares held for exchange or delivery for purposes of external growth transactions

Pursuant to the authorizations granted under Resolution 13 of the General Meeting of Shareholders of April 17, 2015 and under Resolution 15 of the General Meeting of Shareholders of April 21, 2016, the company acquired shares for the purpose of exchanging or delivering shares in the context of external growth transactions.

Vivendi acquired 12.1 million of its own shares in 2017 for a purchase price of €202 million.

Following these purchases, Vivendi had 39.4 million shares held for the purpose of exchanging or delivering shares in the context of external growth transactions.

Pursuant to its decision dated December 18, 2017, the Management Board reallocated 4.3 million repurchased shares to cover performance share plans and, where applicable, to cover the delivery of shares to Havas employees who were granted Havas performance shares and restricted shares and who have opted to receive Vivendi shares, pursuant to a liquidity undertaking made by Vivendi (see Note 9, Treasury shares).

As of December 31, 2017, Vivendi had 35.1 million treasury shares held for the purpose of exchanging or delivering shares in the context of external growth transactions for a purchase price of €589.3 million, or €16.8 per share.

7.5. LOANS AND OTHER LONG-TERM INVESTMENTS

Cash deposits placed in escrow account

The cash deposit of $55 million (€52.6 million as of December 31, 2016) made in December 2014 pursuant to the partial judgment entered in the Securities Class Action litigation in the United States was used to cover part of the overall amount of $78 million paid to settle the entire litigation.

On May 9, 2017, the Court formally approved the terms of the agreement entered into on April 6, 2017 to settle the remaining claims still in dispute with certain class plaintiffs, thereby putting an end to the Securities Class Action litigation (see Note 24, Litigation).

Cash deposit paid under the liquidity agreement

As of December 31, 2017, the amount paid out by Vivendi under the liquidity agreement totaled €5 million (out of an available balance of €50 million) and was recorded in other financial assets. This balance remains unchanged from December 31, 2016 and there were no transactions recorded under this contract in 2017 or 2016.

In addition, purchases and sales of shares are immediately settled. As in December 31, 2016, as of December 31, 2017, Vivendi did not hold any shares under this liquidity agreement (see Note 9, Treasury Shares).

Other cash assets

During fiscal year 2017, Vivendi unwound all amounts invested in euros (€300 million as of December 31, 2016) and the investments in financial assets with investment horizons of at least one year (several term deposits for the aggregate amount of $390 million, or €372.8 million, as of December 31, 2016).

7.6. IMPAIRMENT

(in millions of euros)	Opening accumulated depreciation/ amortization	Charge	Reversal recorded in financial income	Reversal recorded in exceptional income	Closing accumulated depreciation/ amortization
Investments in affiliates and Long-term portfolio securities	1,713.7	204.8		(20.1)	1,898.4
Loans to subsidiaries and affiliates	1,483.7	57.0			1,540.7
Other long-term investment securities	1.0			(1.0)	0.0
Loans and other long-term investments	0.0				0.0
Total	**3,198.4**	**261.8**	**0.0**	**(21.1)**	**3,439.1**

NOTE 8. CURRENT ASSETS

8.1. RECEIVABLES

As of December 31, 2017, receivables, net of impairment, amounted to €2,524.1 million, compared to €2,698.7 million as of December 31, 2016. They included:

- current account advances by Vivendi to its subsidiaries for a net amount of €2,215.6 million (including €1,340.0 million for Groupe Canal+ SA), compared to €2,249.1 million as of December 31, 2016 (including €1,322.0 million for Groupe Canal+ SA);
- a tax receivable of €203.1 million in respect of the claim for a refund of the corporatation tax paid for fiscal year 2015 lodged with the French tax authorities. This refund claim is based on the use of foreign tax receivables under the Consolidated Global Profit Tax System. This claim is a continuation of the litigation previously initiated in respect of fiscal year 2012 for which the Administrative Court of Montreuil, in its decision of March 16, 2017, approved Vivendi's request to use, in accordance with French law, the foreign tax receivables available at the Group's exit from the Consolidated Global Profit Tax System. The court ordered a refund of the principal amount of the 2012 corporation tax paid by Vivendi, together with default interest and penalties related thereto. In April 2017, Vivendi received €346 million, of which €315 million was recognized at year-end 2016 (see Note 5, taxes); and
- receivables of €8.1 million attributable to excess advance tax paid by Vivendi SA in 2017.

8.2. PREPAID EXPENSES

(in millions of euros)	2017	2016
Expenses relating to the following period	3.5	27.9
Discount paid to subscribers of bonds	12.0	8.7
Amount paid to settle swaps	0.4	0.6
Total	**15.9**	**37.2**

NOTE 9. TREASURY SHARES

CHANGE IN TREASURY SHARES

	Long-term investment securities						Marketable securities	
	Liquidity contract		Shares held for cancellation		Shares held for exchange or delivery for purposes of external growth transactions		Shares backing performance shares	
	No. Shares	Gross value (in millions of euros)	No. Shares	Gross value (in millions of euros)	No. Shares	Gross value (in millions of euros)	No. Shares	Gross value (in millions of euros)
As of 12/31/2016								
Purchases					27,271,130	465.8	342,737	6.2
Cancellations					12,135,810	202.0		
Reclassifications					(4,313,431)	(78.6)	4,313,431	78.6
Deliveries							(342,025)	(6.2)
As of 12/31/2017	**0**	**0.0**	**0**	**0.0**	**35,093,509**	**589.2**	**4,314,143**	**78.6**

Pursuant to its decision dated December 18, 2017, the Management Board reallocated 4.3 million repurchased shares to cover performance share plans and, where applicable, to cover the delivery of shares to Havas employees who were granted Havas performance shares and restricted shares and who opt to receive Vivendi shares, as opposed to Havas shares, pursuant to a liquidity undertaking made by Vivendi (see Note 7, Financial Investments, Other long-term Investments, and Note 23, Financial commitments).

As of December 31, 2017, Vivendi held 39,407,652 treasury shares, having a market value of €883.5 million, based on Vivendi's share price on the closing date.

NOTE 10. OTHER MARKETABLE SECURITIES AND CASH

(in millions of euros)	2017	2016
Monetary and Bond funds (a)	328.3	2,146.6
Medium-term negotiable notes	0.0	25.0
Other similar accounts	688.8	1,704.0
Subtotal-marketable securities	**1,017.1**	**3,875.6**
Cash	154.1	260.7
Total	**1,171.2**	**4,136.3**

(a) Includes bond funds for €55.0 million as of December 31, 2017, compared to €230.3 million as of December 31, 2016.

As of December 31, 2017, marketable securities, excluding treasury shares (see Note 9, Treasury Shares), amounted to €1,017.1 million, including €3.7 million in accrued interest, compared to €3,875.6 million as of December 31, 2016, including €7.8 million in accrued interest.

NOTE 11. RECEIVABLES MATURITY SCHEDULE

(in millions of euros)	Gross value	Maturing in less than one year	Maturing in more than one year
Non-current assets			
Loans to subsidiaries and affiliates	1,542.5	10.5	1,532.0
Other long-term investments	8.9	8.9	
Current assets			
Trade accounts receivable and related accounts	15.1	15.1	
Other receivables	2,734.0	2,724.1	9.9
Total	**4,300.5**	**2,758.6**	**1,541.9**

NOTE 12. DEFERRED CHARGES

DEFERRED CHARGES RELATING TO FINANCIAL INSTRUMENTS

(in millions of euros)	Opening balance	Increase	Amortization	Closing balance
Deferred charges relating to credit lines	4.4		(2.3)	2.1
Issue costs of bonds	5.2	1.7	(1.1)	5.8
Total	**9.6**	**1.7**	**(3.4)**	**7.9**

NOTE 13. UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES

Unrealized foreign exchange gains and losses were nil at year-end 2017.

NOTE 14. EQUITY

14.1. CHANGES IN EQUITY

Transactions (in millions of euros)	Number of shares (1)	Share capital	Additional paid-in capital	Legal Reserve	Retained earnings	Earnings	Total
As of 12/31/2016	1,287,087,844	7,079.0	9,052.2	752.7	361.4	1,609.5	18,854.8
Allocation of earnings and dividends					1,110.3	(1,609.5)	(499.2)
Group savings plan	4,160,092	22.9	44.7				67.6
Grants of free shares							0.0
Stock options	4,810,947	26.4	58.1				84.5
Earnings for the year						703.1	703.1
Cancellation of shares							0.0
As of 12/31/2017	**1,296,058,883**	**7,128.3**	**9,155.0**	**752.7**	**1,471.7**	**703.1**	**19,210.8**

(1) Par value of €5.50 per share

14.2. ALLOCATION OF EARNINGS

The appropriation of distributable earnings to be proposed at the Annual General Meeting of Shareholders to be held on April 19, 2018, is as follows:

Distributable earnings (in euros)	
Retained earnings	1,471,735,523.13
2017 earnings	703,134,934.69
Total	**2,174,870,457.82**
Appropriation (in euros)	
Appropriation to the legal reserve (a)	
Appropriation to other reserves	
Total dividend to shareholders (b)	565,556,647.95
Appropriation to retained earnings	1,609,313,809.87
Total	**2,174,870,457.82**

(a) Estimated amount based on the share capital as of December 31, 2017.
(b) This amount relates to the dividend of €0.45 per share to be proposed for approval at the General Meeting of Shareholders to be held on April 19, 2018. It is calculated based on the number of shares outstanding as of December 31, 2017, excluding treasury shares, and will be adjusted to reflect the actual number shares entitled to dividend on the ex-dividend date.

Dividends paid in respect of the past three fiscal years were as follows:

Year	**2016**	**2015**	**2014**
Number of shares (in million) (a)	1,247.9	1,317.1	1,362.5
Dividend per share (in euros) (b)	0.40	3.00	1.00
Total distribution (in millions of euros)	**499.2**	**3,951.3**	**1,362.5**

(a) Number of shares entitled to dividend as of January 1 of the relevant year, after elimination of treasury shares held at the interim dividend and dividend payment dates.
(b) Dividend of €3 per share with respect to fiscal year 2015, including the first interim dividend of €1 per share, i.e., €1,363.7 million, paid on June 29, 2015, the second interim dividend of €1 per share, i.e., €1,317.7, paid on February 3, 2016, and the balance of €1 per share, i.e., 1,269.9 million, paid on April 28, 2016.

NOTE 15. STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS

The main features of the plans granted during the current and prior fiscal years are as follows (please refer to PCG Art. 833-20/2):

15.1. STOCK SUBSCRIPTION OPTION PLANS

No stock option plans were awarded in 2016 or 2017.

As of December 31, 2017, the number of shares that may be issued upon the exercise of stock subscription options granted before 2013 is 13,201,910.

15.2. PERFORMANCE SHARE PLANS

	Number of performance share rights granted						Number of performance share rights	
	Total number of		of which granted to members of governing bodies					
Grant date	beneficiaries	performance share rights	Number of beneficiaries	Number of performance share rights	Vesting date (1)	Availability date	Number of performance share rights cancelled in 2017	Number of performance share rights outstanding as of December 31, 2017
05/11/2016	5	295,000	5	295,000	05/13/2019	05/14/2021		295,000
05/11/2016	252	695,410	0	0	05/13/2019	05/14/2021	25,690	650,270
05/11/2016	81	322,030	0	0	05/13/2019	05/13/2021	5,640	(a) 313,810
11/07/2016	1	8,000	0	0	11/08/2019	11/09/2021		8,000
02/23/2017	5	200,000	5	200,000	02/24/2020	02/25/2022		200,000
02/23/2017	320	902,940	7	135,000	02/24/2020	02/25/2022	18,500	884,440
02/23/2017	105	440,810	2	60,000	02/24/2020	02/25/2022	1,000	(b) 439,810
06/12/2017	1	4,000	0	0	06/15/2020	06/16/2022		4,000
						Total	**50,830**	**2,795,330**

(1) First trading day of quotation at the end of a three-year acquisition period since 2015.
(a) Granted to US- and British-resident beneficiaries to be registered in an account in their respective names in 2021.
(b) Granted to international beneficiaries to be registered in an account in their respective names in 2022.

All performance shares granted in 2016 are subject to performance conditions. They are based on (i) three internal indicators (80%): growth in earnings per share (EPS) (40%), the group's EBITA growth rate (30%) and growth in the group's EBITA margin (10%), to be assessed over a three-year period (2015 to 2018), and (ii) an external indicator (20%): Vivendi share performance between January 1, 2016 and December 31, 2018, compared to two indices: the STOXX® Europe 600 Media index and the CAC 40.

All performance shares granted in 2017 are subject to performance conditions. They are based on (i) two internal indicators (70%): the group's earnings before interest and income taxes (EBIT) (35%) and the group's cash flow from operations after interest and taxes (CFAIT) (35%), for fiscal year 2019, and (ii) an external indicator (30%): Vivendi share performance between January 1, 2017 and December 31, 2019, compared to two indices: the STOXX® Europe Media index (20%) and the CAC 40 (10%).

The definitive grant of performance shares will be effective upon satisfaction of the above performance criteria, subject to the presence of the beneficiaries in the group at the end of the third year (vesting period) and provided that: (i) 100% of the performance shares granted will vest if the weighted total of the internal and external indicators reaches or exceeds 100%, (ii) 50% of the performance shares granted will vest if the weighted total of the indicators reaches the applicable value thresholds, and (iii) no shares will vest if the weighted total of the indicators is lower than the applicable value thresholds. Performance shares must be retained by their holders for an additional two-year period following the definitive acquisition date (retention period).

As of December 31, 2017, the total number of outstanding rights to performance shares (plans for the years 2014 to 2017), after adjustments, amounted to 4,303,311.

NOTE 16. PROVISIONS

SUMMARY TABLE OF PROVISIONS

Nature of provisions (in millions of euros)	**Opening balance**	**Charge**	**Reversal**	**Utilization**	**Closing balance**
Employee benefits	33.6	21.7		(15.1)	40.2
Other provisions	775.7	255.8	(436.4)	(82.3)	512.8
Total – Provisions	**809.3**	**277.5**	**(436.4)**	**(97.4)**	**553.0**
Charges and reversals:					
– *operating*		*36.3*		*(15.1)*	
– *financial*					
– *exceptional*		*241.2*	*(436.4)*	*(82.3)*	

As of December 31, 2017, provisions for employee benefits amounted to €40.2 million, compared to €33.6 million as of December 31, 2016 (see Note 1.9, Accounting Rules and Methods; Employee benefit plans).

Related obligations are valued using the following assumptions: (i) a 4.0% wage increase rate, (ii) a 1.5% discount rate for the general statutory scheme (retirement termination payments) and "Article 39" schemes, and (iii) an assumed retirement age of between 60 and 65 years. As of December 31, 2017, pension commitments amounted to €144.8 million compared to €143.9 million as of December 31, 2016.

Supplemental pension obligations, other than retirement termination payments, are partially funded by external insurance policies, the present value of which is deducted from the actuarial obligation. The expected rate of return on plan assets is 2.5%.

As of December 31, 2017, plan assets (including bonds up to 77% and shares up to 14%) and unrecognized actuarial losses amounted to €17.5 million and €86.7 million, respectively.

As of December 31, 2017, "other provisions" amounted to €512.8 million, including:

- an aggregate provision of €453.9 million related to two tax refund requests filed in relation to the Consolidated Global Profit Tax System (see Note 5, Income Taxes and Note 8, Current Assets):
  - €250.8 million related to the effects of the use of foreign tax receivables available at the Group's exit from the Consolidated Global Profit Tax System with respect to the fiscal year ended December 31, 2012, including interest,
  - €203.1 million related to the effects of the use of foreign tax receivables available at the Group's exit from the Consolidated Global Profit Tax System with respect to the corporation tax for fiscal year ended December 31, 2015, including interest; and
- a provision of €26.8 million recorded at the end of the fiscal year to cover 1.5 million shares acquired by beneficiaries under the performance share plans awarded in 2014 (balance of plans) and 2015, such shares to be registered in accounts opened in their names from 2018 to 2020. As of December 31, 2017, Vivendi held treasury shares required to cover these plans (see Note 9, Treasury Shares).

The provision of €100 million in relation to the Securities Class Action litigation was reversed following the settlement of this litigation (see Note 4, Net Exceptional Items, and Note 24, Litigation).

NOTE 17. BORROWINGS

As of December 31, 2017, the aggregate amount of borrowings totaled €7,559.3 million, compared to €7,328.7 million as of December 31, 2016.

17.1. BOND ISSUES

As of December 31, 2017, bond issues amounted to €3,650.0 million (as presented in the table below) compared to €3,550.0 million as of December 31, 2016, with accrued interest on bonds and interest-rate swaps amounting to €15.8 million, compared to €25.8 million as of December 31, 2016.

Amounts (in millions of euros)	**Issue date**	**Maturity date**	**Nominal rate**
700.0	12/2009	12/2019	4.88%
1,000.0	05/2016	05/2021	0.75%
500.0	05/2016	05/2026	1.88%
600.0	11/2016	11/2023	1.13%
850.0	09/2017	09/2024	0.88%
3,650.0			

17.2. BANK BORROWINGS

As of December 31, 2017, the aggregate amount of loans and borrowings from credit institutions was €100.8 million, compared to €218.0 million as of December 31, 2016. The majority of loans and borrowings comprised accounting overdrafts for €100.1 million compared to €109.4 million as of December 31, 2016 (in addition to short-term marketable securities for €108.0 million at year-end 2016).

As of December 31, 2017, Vivendi SA has a €2 billion bank credit facility, fully available, and the maturity date of this credit facility is October 29, 2021.

As of February 12, 2018 (the date of Vivendi's Management Board meeting that approved the Financial Statements for the year ended December 31, 2017), taking into account the short-term marketable securities issued for €100 million, this facility had €1.9 billion available (see Note 23, Financial Commitments – Financial covenants).

17.3. OTHER BORROWINGS

As of December 31, 2017, other borrowings amounted to €3.8 billion, compared to €3.5 billion as of December 31, 2016. They comprised current account deposits made by subsidiaries including: (i) UMGT, the financing subsidiary of the music business, for €1.0 billion (compared to €2.3 billion as of December 31, 2016), (ii) SIG 104, Vivendi's subsidiary that holds the UMG entities outside the United States, Canada and Mexico, for €1.5 billion (compared to €0.1 billion as of December 31, 2016) and (iii) UMG Inc. for €0.8 billion, slightly higher than in 2016 despite a $300 million dividend distribution in 2017 (see Note 3, Net Financial Income).

NOTE 18. DEBT MATURITY SCHEDULE

Liabilities (including accrued interest) (in millions of euros)	**Gross value**	**Due in less than one year**	**Due in one to five years**	**Due within more than five years**
Bond issues	3,665.8	15.8	1,700.0	1,950.0
Bank borrowings	100.1	100.1		
Other borrowings	3,792.8	3,792.8		
Trade accounts payable and related accounts	16.3	16.3		
Tax and employee-related liabilities	28.1	28.1		
Amounts payable in respect of PP&E and related accounts	2.9		2.9	
Other liabilities	27.9	18.0	9.9	
Total	**7,633.9**	**3,971.1**	**1,712.8**	**1,950.0**

NOTE 19. ITEMS IMPACTING SEVERAL ITEMS OF THE STATEMENT OF FINANCIAL POSITION

The assets in the table below are presented at gross value.

ASSETS

(in millions of euros)	Accrued income
Investments in affiliates	
Loans to subsidiaries and affiliates	12.3
Other long-term investment securities	
Loans	
Other long-term investments	
Trade accounts receivable and related accounts	0.4
Other receivables	0.4
Deferred charges	
Prepaid expenses	
Unrealized foreign exchange losses	
Total	**13.1**

LIABILITIES

(in millions of euros)	Accrued expenses
Other bond issues	15.8
Bank borrowings	0.7
Other borrowings	
Trade accounts payable and related accounts	16.3
Tax and employee-related liabilities	5.3
Amounts payable in respect of PP&E and related accounts	
Other liabilities	
Deferred income	
Unrealized foreign exchange gains	
Total	**38.1**

NOTE 20. COMPENSATION OF CORPORATE OFFICERS

Total gross compensation (including benefits in kind) for the members of the Management Board amounted to €8.4 million in 2017, compared to €8.7 million in 2016.

Members of the Management Board who received a compensation from Vivendi SA also benefited from a supplemental pension plan, the cost of which amounted to €8.7 million in 2017, compared to €6.4 million in 2016.

The aggregate amount of attendance fees paid to members of the Supervisory Board in respect of fiscal year 2017 amounted to €1.1 million. The compensation paid to the Chairman of the Supervisory Board in respect of fiscal year 2017 amounted to €0.3 million.

NOTE 21. MANAGEMENT SHARE OWNERSHIP

As of December 31, 2017, members of the Management Board, the Supervisory Board and General Management directly held an aggregate of 0.04% of the share capital of the company.

NOTE 22. NUMBER OF EMPLOYEES

In 2017, the annual average number of employees, as defined in Art. D 123-200 of the French Commercial Code (PCG Art. 833-19), was 237 (including 47 employees rebilled to subsidiaries) compared to 207 in 2016 (including 33 employees rebilled to subsidiaries).

The breakdown of employees by category is as follows:

	2017	2016
Engineers and executives	191	164
Supervisors	29	23
Other employees	17	20
Total	**237**	**207**

NOTE 23. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

Vivendi SA has entered into various commitments on its own account or on behalf of its subsidiaries, the main terms and conditions of which are detailed below.

23.1. 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:
  - since July 26, 2017, Vivendi has held 100% of Dailymotion following the exercise by Orange of the put option on its remaining 10% interest in Dailymotion for €26 million, in accordance with the shareholders' agreement;
  - Vivendi has made a commitment to the Brazilian Competition Authority (CADE) to sell its Telefonica shares upon maturity. This commitment remains in force as long as Vivendi simultaneously holds shares in Telefonica and Telecom Italia, provided that these two companies operate in the Brazilian telecom market; and
  - following the sale of Radionomy on August 17, 2017, the call and put options granted to Vivendi and minority shareholders were cancelled.
- Restricted and performance share plans granted by Havas:
  - In light of both the implementation of the mandatory squeeze-out, resulting in the absence of liquidity for Havas shares, and the change in control of Havas to Vivendi (see Significant Events in 2017), 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.
  - As of December 31, 2017, the number of outstanding Havas restricted and performance shares was 7,933 thousand. However, holders of Havas restricted and performance shares will be individually given the option of being definitively granted the Havas restricted and performance shares initially granted to them, subject to having entered into a liquidity contract with Vivendi, which shall contain:

- a put option, giving such holders 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 definitive grant of their Havas restricted and performance shares;
- 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; and
- the exercise price of these options will be the cash equivalent, for one Havas share, of the market value of 0.44 Vivendi share. The market value will be calculated based on the average stock market price, weighted by the daily trading volumes on the regulated market of Euronext Paris, for Vivendi shares on Euronext Paris during the ten trading days preceding the date of definitive grant of Havas restricted and performance shares. By way of derogation, given the proximity of the vesting date applicable to the plan of January 29, 2014 (i.e., April 29, 2018), this exercise price will be equal to the tender offer price, i.e., €9.25, for the beneficiaries of this plan.

➜ In addition, 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 is subject to certain conditions precedent, in particular the procurement of a building permit. This project would consist of building a campus of approximately 150,000 m^2 which could, in five to seven years, house a group of companies operating, notably, in business sectors such as media and content, as well as in the digital, sports and sustainable development sectors. On that date, to guarantee the satisfaction of its purchase obligations amounting to a total of approximately €330 million, Boulogne Studios made a €70 million deposit to be returned, subject to the satisfaction of certain conditions, if Vivendi does not complete the transaction.

23.2. CONTINGENT LIABILITIES SUBSEQUENT TO GIVEN OR RECEIVED COMMITMENTS RELATED TO THE DIVESTITURE OR ACQUISITION OF SHARES

➜ On July 23, 2012 Vivendi and Canal+ Group gave certain commitments for a five-year period, renewable once, 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). These commitments were renewed on April 2, 2014.

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 on the acquisition of rights to 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). Also in respect of French content rights, there are provisions governing the separate negotiation of pay-TV and free-to-air rights for certain recent movies and television series and 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 are operative until December 31, 2019. If market conditions change significantly, Canal+ Group will be able to request that these commitments be lifted or revised in whole or in part. 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.

➜ On August 30, 2006, the merger between TPS and Canal+ Group 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, which could not exceed five years.

On October 28, 2009, the French Competition Authority opened an enquiry in respect of the implementation of 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, primarily relate to the acquisition of movie rights, pay-TV special-interest channels, and video-on-demand and subscription video-on-demand.

These injunctions are imposed for a period of five years and are renewable once. At the end of the five year period, the French Competition Authority will review the competition situation to determine whether the injunctions should be kept in place. If market conditions have changed significantly, Canal+ Group will be able to request that these injunctions be lifted or revised in whole or in part. An independent trustee, proposed by Canal+ Group and approved by the French Competition Authority on September 25, 2012, will be responsible for monitoring the implementation of the injunctions.

➜ As part of 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 (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 previously noted, as part of the creation of Activision Blizzard in July 2008, Activision and Vivendi entered into agreements customary for this type of transaction, including tax sharing and indemnity agreements.

- The main terms of the Maroc Telecom group sale were as follows:
  - Vivendi provided certain customary representations and warranties to Etisalat relating to SPT (the holding company of Maroc Telecom group), Maroc Telecom and its subsidiaries. Vivendi also granted a number of specific guarantees;
  - the amount of compensation payable by Vivendi in respect of indemnifiable losses incurred by Maroc Telecom or one of its subsidiaries was determined as a proportion relative to the percentage of ownership held indirectly by Vivendi in the relevant company on the closing date (i.e., 53% for Maroc Telecom);
  - Vivendi's overall obligation to indemnify was capped at 50% of the initial sale price, with such threshold increased to 100% in respect of claims related to SPT;
  - the commitments to indemnify provided by Vivendi under these guarantees, other than those in respect of taxes and SPT, in effect for a 24-month time period, expired in May 2016. Claims for tax-related indemnities must be made by January 15, 2018. The indemnity in respect of SPT remains in effect until the end of a four-year period following the closing (until May 14, 2018); and
  - to guarantee the payment of any specific indemnity amounts referenced above, Vivendi delivered a bank guarantee with an expiration date of February 15, 2018, to Etisalat in the amount of €247 million. This amount was reduced to €9 million.

  Vivendi has agreed to counter-guarantee SFR for any amount that could be claimed by Etisalat or any third party other than Etisalat in relation to the sale of its interest in Maroc Telecom:
  - with respect to the sale agreement entered into with Etisalat, this commitment will expire upon termination of Etisalat's right to make a claim against Vivendi and SFR, i.e., May 14, 2018; and
  - this commitment, which also covers any amount that SFR may be required to pay to any third party other than Etisalat, will expire in the absence of any request from Numericable Group within the applicable statutes of limitations.
- Sale of the 20% interest in SFR to Numericable-SFR: commitments undertaken in connection with the sale (please refer to Note 5, Income tax – Audit by the French tax authorities).
- Sale of GVT (May 2015): representations and warranties limited to specifically-identified tax matters, capped at BRL 180 million.
- NBC Universal transaction (May 2004) and subsequent amendments (2005-2010):
  - breaches of tax representations; and
  - obligation to apply the Most Favored Nation provisions.
- Divestiture of Polska Telefonia Cyfrowa (PTC) shares (December 2010). Commitments 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% of the first €125 million, 46% between €125 million and €288 million, and 50% thereafter; and
  - a guarantee given to Poltel Investment's (Elektrim) administrator.
- Vivendi and its subsidiaries have entered into agreements with certain minority shareholders providing for purchase price supplements. They include, in particular, the cap applicable on earn-outs payable in 2020 and 2022 under the contract signed 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).
- Several warranties given in connection with asset acquisitions or disposals during previous years have expired. However, the time periods or statutes of limitations of certain warranties relating, among other things, to employee, environment and tax liabilities, in consideration for share ownership or given in connection with the dissolution or winding-up of certain businesses, 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, Vivendi regularly delivers commitments for damages to third parties at the settlement of disputes and litigation. These commitments are typical in such transactions.

23.3. OTHER GUARANTEES

- As of December 31, 2017, in addition to standard comfort letters, Vivendi provided guarantees to several banks that have granted credit facilities to certain UMG or Canal+ subsidiaries to cover working capital requirements, for an aggregate value of approximately €4 million and €28 million, respectively.
- Vivendi gave a SEK30 million guarantee to PRI pensions, on behalf of UMG Sweden, which expires on March 31, 2018.
- Vivendi provided certain UMG companies with guarantees to cover their third party commitments.
- As of December 31, 2014, Vivendi continued to guarantee commitments given by certain subsidiaries of Veolia Environnement for an aggregate amount of approximately €7 million, mainly in relation to a performance bond delivered to a local US authority. These guarantees expire on June 1, 2018 and have been counter-guaranteed by Veolia Environnement.
- Vivendi provided counter-guarantees to US financial institutions that issued a certain number of letters of credit in favor of certain US operating subsidiaries for an aggregate amount of €8 million.
- As of December 31, 2017, Vivendi had given a certain number of real estate lease commitments for a total net amount of €10 million.
- Vivendi gave financial guarantees in favor of several of its affiliates: See Tickets, Digitick and Dailymotion, in the course of their operations.
- In connection with the reorganization of the USH English pension plan for certain current and former employees based in the United Kingdom, and the transfer of pension commitments under this plan to Metlife, Vivendi SA guaranteed on behalf of Centenary Holdings Limited, its subsidiary, the liabilities under the plan for an estimated amount of GBP7 million as of December 31, 2017, which does not represent an additional financial commitment for the group.

23.4. SHAREHOLDERS' AGREEMENTS

Under existing shareholders' or investors' agreements, Vivendi holds certain rights (such as pre-emptive rights and rights of first offer) that give it control over the capital structure of consolidated companies that are partially owned by minority shareholders. Conversely, Vivendi granted reciprocal rights to these other shareholders in the event that it sells its interests to third parties.

23.5. COLLATERALS AND PLEDGES

As of December 31, 2017 and December 31, 2016, no material asset in Vivendi's Statement of Financial Position was subject to a pledge or mortgage for the benefit of third parties.

23.6. FINANCIAL COVENANTS

Vivendi is subject to certain financial covenants:

- The €2.0 billion bank credit facility (see Note 17, Borrowings) contains customary provisions relating to events of default and covenants, including in relation to negative pledge, divestiture and merger transactions. In addition, at the end of each half-year, Vivendi SA is required to comply with a specific ratio, based on consolidated data, for the duration of the facilities. Non-compliance with this covenant ratio could result in the early repayment or cancellation of such facilities. On December 31, 2017, Vivendi SA was in compliance with such ratio.

  The renewal of the credit facility when drawn is contingent upon the issuer reiterating certain representations regarding its ability to comply with its covenants under the loan agreement.
- Bonds (totaling €3,650 million as of December 31, 2017, see Note 17, Borrowings) contain customary provisions related to events of default, negative pledge and rights of payment (*pari-passu* ranking) as well as a change in control trigger if the corporate long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-) as a result of such change in control (for the bonds issued in May 2016 and November 2016, Bolloré Group was carved out of the change-of-control provision).

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 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.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including, to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had in the previous twelve months a significant impact on the company's and group's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 12, 2018, the date of the Management Board meeting held to approve Vivendi's financial statements for the year ended December 31, 2017.

24.1. SECURITIES CLASS ACTION IN THE UNITED STATES

Since July 18, 2002, sixteen claims have been filed against Vivendi and Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10 (b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements. As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each day of the class period in an amount between €0.15 and €11.00 per ordinary share and $0.13 and $10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the

September 11, 2001 tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange" and to "the purchase or sale of any other security in the United States."

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claim of purchasers who acquired their shares on the Paris stock exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the Morrison decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris stock exchange.

On July 5, 2012, the Court denied a request by the plaintiffs to expand the class to nationalities other than those covered by the certification decision dated March 22, 2007.

The claims process commenced on December 10, 2012, with the sending of a notice to shareholders who may be part of the class. Recipients of the notice had until August 7, 2013 to file a claim form and submit documentation evidencing the validity of their claim. These claims have been processed and verified by an independent claims administrator and by the parties. Vivendi has the right to challenge the merits of these claims. On November 10, 2014, at Vivendi's initiative, the parties filed a mutually-agreed-upon proposed order requesting the Court to enter a partial final judgment on the January 29, 2010 jury verdict, covering a substantial portion of the claims. Certain large claims were excluded from this proposed judgment order while Vivendi continued to analyze whether to challenge the validity of those claims. On December 23, 2014, the Court entered the partial judgment. Vivendi filed its Notice of Appeal with the Second Circuit Court of Appeals on January 21, 2015, and the plaintiffs cross-appealed. This appeal was heard on March 3, 2016.

On August 11, 2015, the Court issued a decision whereby it excluded the claims filed by Southeastern Asset Management (SAM), concluding that Vivendi proved that SAM did not make investment decisions based on Vivendi's supposedly fraudulent statements ("lack of reliance"). On April 25, 2016, the Court issued a similar decision, under which it has excluded claims filed by Capital Guardian.

On July 14, 2016, the Court entered a final judgment covering the remaining claims whose validity had not been challenged and which were not included in the partial judgment entered on December 23, 2014. Vivendi has appealed against this final judgment and the plaintiffs have cross-appealed, challenging the final judgment as well as the summary judgment decisions rendered by the Court concerning the claims of SAM and Capital Guardian.

On September 27, 2016, the Second Circuit Court of Appeals affirmed the District Court's decision. The Court of Appeals rejected, however, the plaintiffs' arguments in their cross-appeal seeking to expand the class of plaintiffs and the scope of their claims. Vivendi filed a petition for rehearing with the Second Circuit Court of Appeals. This petition was denied on November 10, 2016.

On April 6, 2017, Vivendi entered into an agreement to settle the remaining claims still in dispute with certain class plaintiffs. Under the terms of the agreement, Vivendi paid $26.4 million, representing approximately one-third of the total $78 million (€73 million) it paid to resolve the entire litigation, including the judgments previously entered. On May 9, 2017, the Court formally approved the terms of the agreement, thereby putting an end to this litigation. Consequently, Vivendi recorded a reversal of reserve of €100 million.

24.2. TRIAL OF VIVENDI'S FORMER OFFICERS IN PARIS

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001. Vivendi joined the proceedings as a civil party.

The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*), following which the Public Prosecutor asked the Court to drop the charges against the defendants. On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Jean-Marie Messier and Guillaume Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi Officers as well as some civil parties appealed the decision. The appeal proceedings were held from October 28 to November 26, 2013, before the Paris Court of Appeal. The Public Prosecutor requested a 20-month suspended prison sentence and a fine of €150,000 for Mr. Jean-Marie Messier for misuse of corporate assets and dissemination of false or misleading information, a 10-month suspended prison sentence and a fine of €850,000 for Mr. Guillaume Hannezo for insider trading, and a 10-month suspended prison sentence and a fine of €5 million for Mr. Edgar Bronfman Jr. for insider trading. On May 19, 2014, the Paris Court of Appeal rendered its judgment. Regarding the acts determined by the lower criminal court to constitute the dissemination of false or misleading information, the Court held that these acts did not meet the criteria for such an offense. The Court upheld the conviction against Mr. Jean-Marie Messier for misuse of corporate assets and he received a 10-month suspended sentence and a €50,000 fine. The Court also upheld the convictions against Messrs. Hannezo and Bronfman for insider trading and they received fines in the amount of €850,000 (of which €425,000 is suspended) and €5 million (of which €2.5 million is suspended) respectively. Finally, the Court set aside the lower court's order for the payment of damages (€10 per share) to certain shareholders and former shareholders of Vivendi (the "civil action"). With regard to Vivendi, the Court upheld the validity of its status as a civil party to the proceedings, exonerated it from any responsibility and voided the demand for damages brought against it by certain shareholders or former shareholders. An appeal has been filed with the French Supreme Court (*Cour de cassation*) by certain of the defendants and some civil parties. On April 20, 2017, the French Supreme Court dismissed the appeal, thereby putting an end to this litigation.

24.3. LBBW ET AL. AGAINST VIVENDI

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxemburg, 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 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 a “third party” responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

24.4. CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM ET AL. AGAINST VIVENDI AND JEAN-MARIE MESSIER

On April 27, 2012, 67 institutional foreign investors filed a complaint against Vivendi and Jean-Marie Messier before the Paris Commercial Court seeking damages for losses they allegedly incurred as a result of the financial communications made by Vivendi and its former CEO, 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 a “third party” responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

24.5. MEDIASET AGAINST VIVENDI

On April 8, 2016, Vivendi entered into a strategic partnership agreement with Mediaset. This agreement provided for a swap of 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 provided by Mediaset to Vivendi in March 2016. These assumptions raised some questions within Vivendi, which were communicated to Mediaset. The agreement signed on April 8, 2016 was subsequently subject to a “due diligence review” (carried out for Vivendi by the advisory firm Deloitte), as contractually agreed. It became clear from this audit and from Vivendi’s analyses that the figures provided by Mediaset prior to the signing of the agreement were not realistic and were founded on an artificially-inflated base.

While Vivendi and Mediaset had been in discussions in an effort to find an alternative transaction structure to the one provided for in the April 8, 2016 agreement, Mediaset terminated these discussions on July 26, 2016 by publicly rejecting the proposal Vivendi 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, 3.5% of Mediaset’s share capital and, for the balance, the issuance by Mediaset to Vivendi of bonds convertible into Mediaset shares over time.

Subsequently, 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. In particular, it is alleged that Vivendi has not filed its notification to the European Commission with respect to the transaction and thus has blocked the lifting of the last condition precedent to the completion of the transaction. Vivendi maintains that despite its timely completion of the pre-notification process with the Commission, the Commission would not accept a formal filing while the parties were discussing their differences. Mediaset, RTI and Fininvest are also seeking compensation from Vivendi for damages allegedly suffered by them, namely, the damage caused by the delay in the performance of the agreement, for Mediaset and RTI and the damage caused by the delay in the performance of the shareholders’ agreement that had been envisaged to be signed on the completion date, for Fininvest (estimated by each of the three parties at €50 million per month of delay starting July 25, 2016). Fininvest is also seeking compensation for a total estimated amount of €570 million for the alleged damage linked to the change in the Mediaset share price between July 25 and August 2, 2016 plus the harm done to the decision-making procedures of Fininvest and to its image.

At the first hearing held in the case, the judge invited the parties to come closer together to try to reach an amicable settlement to their dispute. To this end, on May 3, 2017, the parties initiated mediation proceedings before the Chamber of National and International Arbitration of Milan.

Despite this mediation, which is still ongoing, on June 9, 2017, Mediaset, RTI and Fininvest filed a new 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 during the last quarter of 2016. According to Mediaset, who have requested that this action be consolidated with the first, these acquisitions were carried out in breach of the April 8, 2016 agreement, the Italian media regulations and unfair competition rules. In addition, the complaint includes a demand that Vivendi be required to divest the shares of Mediaset which were allegedly bought in breach of applicable law and the April 8, 2016 agreement. Lastly, the plaintiffs have requested that, pending such divestiture, Vivendi be enjoined from exercising its rights (including voting rights) on such Mediaset shares.

In order to continue the mediation, the parties submitted a request to the Court to postpone the next hearing, which was scheduled to be held on February 27, 2018.

24.6. OTHER PROCEEDINGS RELATED TO VIVENDI’S ENTRY INTO THE SHARE CAPITAL OF MEDIASET

Following Vivendi’s entry into the share capital of Mediaset through 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 of the increase in Vivendi’s holdings in Mediaset’s share capital with 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 has 12 months to come into compliance, appealed against this decision. Pending the decision on the appeal, which is expected in the second half of 2018, the AGCOM acknowledged Vivendi’s proposed action plan setting out how it will comply with the decision.

24.7. TELECOM ITALIA

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 competent courts.

In addition, 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 and to activities of strategic importance in the fields of energy, transport and communications, had been respected by Telecom Italia and Vivendi. Vivendi considers that the provisions of that decree are inapplicable in light of both the nature of the activities carried out by Telecom Italia and Vivendi's lack of control over the Italian operator.

On September 28, 2017, the Presidency of the Council of Ministers found that the notification made by Vivendi under Article 1 of the aforementioned legislative decree as a precautionary measure was made late and opened a procedure 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 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. Vivendi will appeal against this decree.

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 in order 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*, which 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.

An analysis is underway to determine if there is an opportunity to appeal against this decree.

24.8. 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 concerns several claims in respect of representations and warranties made by Vivendi and SFR in connection with the sale agreement. The Arbitral Tribunal was established in August 2017. A hearing is expected to be held in London in September 2018.

24.9. DYNAMO AGAINST VIVENDI

On August 24, 2011, the Dynamo investment funds, former shareholders of GVT, filed a complaint against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange), seeking compensation amounting to the difference between the value of the shares sold by them before Vivendi's acquisition of GVT and BRL70.00 per share. According to Dynamo, the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. On May 9, 2017, the Bovespa Arbitration Chamber rendered its decision, rejecting Dynamo's demands, thereby putting an end to this litigation.

24.10. ACTION BROUGHT BY THE FRENCH COMPETITION AUTHORITY REGARDING PRACTICES IN THE PAY-TV SECTOR

On January 9, 2009, further to its voluntary investigation and a complaint by Orange, the French Competition Authority sent Vivendi and Canal+ Group a notification of allegations. This notification alleges that Canal+ Group has abused its dominant position in certain Pay-TV markets and that Vivendi and Canal+ Group colluded with (i) TF1 and M6, on the one hand, and (ii) Lagardère, on the other. Vivendi and Canal+ Group have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties, and certain other allegations, in respect of Canal+ Group. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Canal+ Group's exclusive distribution rights on channels broadcast by the group and independent channels, as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On October 30, 2013, the French Competition Authority took over the investigation into these aspects of the case, but no action has been taken since December 2013.

24.11. 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: (i) breach of contractual obligations to provide exploitation accounts; (ii) fraud; and (iii) failure to exploit 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 admissibility, 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 as a defendant. On December 21, 2017, UMG and Studiocanal each filed a motion to dismiss in response to the Second Amended Complaint. A hearing is expected to be held in March 2018.

24.12. GLASS EGG AGAINST GAMELOFT INC., GAMELOFT SE, GAMELOFT IBERICA AND VIVENDI SA

Glass Egg, a Vietnamese company specializing in the design of cars in 3D for use in video games, sued Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi SA in the United States. It is seeking damages for copyright infringement, unfair competition and misappropriation of trade secrets.

NOTE 25. INSTRUMENTS USED TO MANAGE BORROWINGS

Vivendi manages its financial liquidity, interest rate and foreign currency exchange rate risks centrally. Vivendi's Financing and Treasury Department takes responsibility for these risk management operations, reporting directly to Vivendi's Chief Financial Officer, also a member of the Management Board. The Financing and Treasury Department has the necessary expertise, resources (in particular, technical resources) and information systems to fulfill its duties.

Vivendi uses various derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. All instruments are traded over-the-counter with highly-rated counterparties. The majority of Group financing is secured directly by Vivendi SA, which provides financing to its subsidiaries as and when necessary.

As of December 31, 2017, there were no interest rate hedging instruments. During the year the following interest rate swaps expired:

- fixed-rate payer swaps for a notional amount of €450 million, put in place in 2012; and
- pay-floating swaps for a notional amount of €450 million, set up in 2010.

As of December 31, 2017, there was no internal interest rate hedging between Vivendi SA and its subsidiaries.

NOTE 26. FOREIGN CURRENCY RISK MANAGEMENT

Vivendi's foreign currency risk management seeks to hedge highly probable budget exposures (at 80%), resulting primarily from monetary flows generated by operations performed in currencies other than the euro and from firm commitment contracts (100%) in relation to the acquisition by subsidiaries of editorial content including sports, audiovisual and film rights and certain capital expenditures, realized in foreign currencies. Most of the hedging instruments are foreign currency swaps or forward contracts that have a maturity of less than one year.

Vivendi SA is the sole counterparty for foreign currency transactions within the group, unless specific regulatory or operational restrictions require otherwise.

In addition, Vivendi may also hedge foreign currency exposure resulting from foreign currency-denominated financial assets and liabilities to manage its foreign currency exposure to inter-company current accounts denominated in foreign currencies (which qualify for hedge accounting pursuant to the French PCG).

To hedge against a possible depreciation of its net investment in certain subsidiaries in the United Kingdom due to an unfavorable change in GBP, Vivendi set up a hedge using forward contracts not eligible for hedge accounting in Vivendi SA's statutory account for 2016 for a notional amount of £832 million, or €984 million at forward rate. The unwinding of this net investment led to the termination of the forward sales contracts, generating a foreign exchange gain of €53 million during the year.

The table below shows the notional amount of currency to be delivered or received under currency instruments (currency swaps and forward contracts). Positive amounts indicate currencies receivable and negative amounts currencies deliverable.

	December 31, 2017				
(in millions of euros)	GBP	PLN	USD	Other currencies	Total
Sales against the euro	(18.4)	(132.5)	(73.3)	(13.7)	(237.9)
Purchases against the euro	136.7	93.4	1,289.2	258.0	1,777.3
Other	1.5	(94.8)	68.3	25.0	0.0
	119.8	**(133.9)**	**1,284.2**	**269.3**	**1,539.4**

NOTE 27. FAIR VALUE OF DERIVATIVE INSTRUMENTS

As of December 31, 2017, the market values of derivative instrument portfolios classified as interest rate and currency hedges were €0 million and -€29.5 million, respectively (theoretical cost of unwinding). As of December 31, 2016, the fair values of these hedging portfolios were €12.3 million and €16.0 million, respectively.

As of December 31, 2017, aggregate derivative financial instruments, which are not eligible for hedge accounting, totaled €0 million, compared to €10.4 million as of December 31, 2016 (theoretical cost of unwinding).

	As of December 31, 2017		As of December 31, 2016	
	Derivative financial instruments		Derivative financial instruments	
(in millions of euros)	qualifying for hedge accounting	not qualifying for hedge accounting	qualifying for hedge accounting	not qualifying for hedge accounting
Interest rate risk management	**0.0**	**0.0**	**12.3**	**0.0**
fixed-rate payer swaps	0.0		(4.6)	
floating-rate payer swaps	0.0		16.9	
Foreign currency risk management	**(29.5)**	**0.0**	**16.0**	**10.4**

NOTE 28. SUBSEQUENT EVENTS

The significant events that occurred between the fiscal year closing date and February 12, 2018 (the date of the Management Board meeting that approved Vivendi's Financial Statements for the year ended December 31, 2017) were as follows:

- On January 16, 2018, Vivendi entered into a hedging transaction to protect the value of its interest in Fnac Darty. This hedge involves a forward sale based on a reference price of €91 per share, which will be adjusted depending on the unwinding terms. Vivendi retains the option to unwind this transaction either in cash or in shares at maturity, i.e., during the second half of 2019 at the latest.

4. SUBSIDIARIES AND AFFILIATES

(in millions of euros, unless otherwise stated)	Share capital	Equity excl. share capital (a)	% share capital held	Book value of investments Gross	Book value of investments Net	Outstanding loans and advances granted by Vivendi (b)	Guarantees and endorsements granted by Vivendi	2016 Revenues	2017 Revenues	2016 Earnings	2017 Earnings	Dividends received by Vivendi during 2017	Comments
Subsidiaries and affiliates													
Universal Music Group Inc. (c) 2220 Colorado Avenue Santa Monica California 90404 (USA)	0.0 millions of dollars	n/d millions of dollars	100.00	2,735.1	2,735.1	-	-	- millions of dollars	- millions of dollars	(52.6) millions of dollars	(186.6) millions of dollars	253.8	
SIG 104 (d) 59 bis, avenue Hoche 75008 Paris	4,117.8	18.1	100.00	4,117.8	4,117.8	-	-	-	-	(8.3)	976.7		
Groupe Canal+ SA (e) 1, place du Spectacle 92130 Issy-les-Moulineaux	100.0	2,063.8	100.00	5,198.1	4,158.1	1,340.0	-	1,637.2	1,691.4	84.2	19.2		
Havas 29/30, quai de Dion Bouton 92800 Puteaux	169.2	1,932.9	100.00	3,913.3	3,913.3	-	-	94.3	97.1	79.1	79.7		
Compagnie du Dôme 59 bis, avenue Hoche 75008 Paris	331.8	(158.6)	100.00	443.6	155.0	32.9	-	-	-	(48.6)	(18.6)		
Poltel Investment (ex-Electrim Telekomcajka) ul. Emilii Plater 53 00-113 Warszawa (Pologne)	10,008.1 millions of zlotys	(16,498.4) millions of zlotys	100.00	207.1	0.0	1,540.7	-	-	-	(434.3) millions of zlotys	168.4 millions of zlotys	-	impairment of advances 1,540.7
Telecom Italia Via Gaetano Negri 1 20123 Milan (Italie)	11,656.3	(f) 7,316.5	17.15	3,931.2	3,931.2	-	-	13,669.5	n/d	1,896.6	n/d	-	-
Gameloft 14, rue Auber 75009 Paris	4.4	36.2	100.00	621.6	621.6	-	-	207.3	213.2	(21.8)	5.0	-	-
SECP 1, place du Spectacle 92130 Issy-les-Moulineaux	95.0	221.1	51.50	522.1	522.1	-	-	1,704.4	1,543.9	18.7	0.6	4.6	-
Dailymotion 140, boulevard Malesherbes 75017 Paris	37.5	21.3	100.00	271.6	271.6	86.2	-	58.8	43.2	(42.3)	(75.2)	-	-
Mediaset Viale Europa 46 Clogno Monzese (MI) (Italia)	614.2	(f) 1,096.4	28.80	1,256.2	1,106.4	-	-	4,046.4	n/d	(151.0)	n/d		-
Ubisoft Entertainment 107, avenue Henri Fréville 35207 Rennes Cedex 2	8.8	670.8	27.27	794.1	794.1	-	-	1,199.9	1,319.7	(105.3)	(104.9)	-	closing as at 03/31
Fnac Darty 9, rue des Bateaux-lavoirs ZAC port d'Ivry 94200 Ivry sur Seine	26.1	(f) 1,322.6	11.05	159.0	159.0	-	-	20.4	n/d	138.8	n/d		
Telefonica Pl. 2° C/Ronda de la Comunicación 28050 Madrid (Spain)	5,038.0	(f) 15,239.0	0.95	569.2	413.6	-	-	2,710.0	n/d	24.0	n/d	16.7	-
Other subsidiaries and Affiliates (Global Information)	-	-	-	154.8	97.6	946.9	-	-	-	-	-		impairment of advances 190.4
Total	**-**	**-**	**-**	**24,894.8**	**22,996.5**	**3,946.7**	**0.0**	**-**	**-**	**-**	**-**	**275.1**	

(a) Includes earnings of the year.
(b) Includes current accounts advances, excluding accrued interest.
(c) UMG Inc. holding UMG's entities in the United States, Canada and Mexico.
(d) Company holding UMG's entities other than United States, Canada and Mexico (entities held by UMG Inc.).
(e) The entity holding of the Canal+ Group.
(f) For information as of December 31, 2016.

5. MATURITY OF TRADE ACCOUNTS PAYABLE

As of December 31, 2017, pursuant to Article L. 441-6-1 of the French Commercial Code, the trade accounts payable balance of €0.0 million (compared to €0.1 million at year-end 2016) by maturity, was broken down as follows:

- payment within 30 days: €0.0 million (compared to €0.1 million at year-end 2016); and
- payment between 30 to 60 days: nil (unchanged since year-end 2016).

6. FINANCIAL RESULTS OF THE LAST FIVE YEARS

(in millions of euros)	2017	2016	2015	2014	2013
Share capital at year-end					
Share capital	7,128.3	7,079.0	7,525.6	7,433.8	7,367.8
Number of shares outstanding	1,296,058,883	1,287,087,844	1,368,322,570	1,351,600,638	1,339,609,931
Potential number of shares to be issued upon					
Exercise of stock subscription options	13,201,910	24,620,359	31,331,489	42,722,348	52,835,330
Grant of free shares or performance shares	(a) 0	(a) 2,873,214	2,544,944	0	(d) 663,050
Results of operations					
Revenues	66.5	46.0	42.1	58.3	94.6
Earnings/(loss) before tax, depreciation, amortization and provisions	153.6	883.4	3,063.8	(8,023.4)	512.7
Income tax – income/(charge)	(b) 518.3	(b) 55.7	(b) (212.2)	(b) 202.0	(b) 387.1
Earnings/(loss) after tax, depreciation, amortization and provisions	703.1	1,609.5	2,827.0	2,914.9	(4,857.6)
Earnings distributed	(c) 565.6	(e) 499.2	(e) 3,951.3	(e) 1,362.5	(g) -
Per share data (in euros)					
Earnings/(loss) after tax but before depreciation, amortization and provisions (f)	0.52	0.73	2.08	(5.79)	0.67
Earnings/(loss) after tax, depreciation, amortization and provisions (f)	0.54	1.25	2.07	2.16	(3.63)
Dividend per share	(c) 0.45	0.40	3.00	1.00	(g) -
Employees					
Number of employees (annual average)	237	207	190	194	214
Payroll	40.3	38.5	43.1	58.1	36.8
Employee benefits (social security contributions, social works, etc.)	20.4	18.0	18.3	20.4	18.6

(a) Amount net of treasury shares held to cover performance share plans (see Note 9, Treasury shares).
(b) The amount of income taxes includes (i) the net income or net tax expense generated by the French Tax Group System of which Vivendi is the head and (ii) where applicable, the 3% tax on dividend distributions.
(c) The distribution of a dividend of €0.45 per share in relation to 2017 will be proposed for approval at the Annual General Shareholders' Meeting to be held on April 19, 2018. This represents a total distribution of €565.6 million, calculated based on the number of treasury shares held on January 31, 2018; this amount will be adjusted to reflect the actual number of shares entitled to dividend on the ex-dividend date.
(d) Grant of 50 free shares to each employee of the group's French entities on July 16, 2012.
(e) Based on the number of shares entitled to a dividend as of January 1, after deduction of treasury shares at the dividend payment date.
(f) Based on the number of shares at year-end.
(g) On June 30, 2014, Vivendi SA paid an ordinary distribution of €1 per share, from additional paid-in capital for an aggregate amount of €1,347.7 million, treated as a return of capital.

7. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

This report supplements the report issued on February 15, 2018 following the omission of certain paragraphs

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2017

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) *and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code *(Code de commerce)*, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-58 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

Pursuant to Article R.225-88 of the French Commercial Code, we have been informed that the following agreements and commitments were previously authorized by your Supervisory Board.

1. Acquisition by Vivendi of Bolloré Group's stake in Havas

a) Co-contracting entity: Bolloré

Terms and conditions: On May 11, 2017, your Supervisory Board authorized the acquisition by Vivendi of 25,045,315 Havas shares held by Bolloré at a price of €9.25 per share (ex-dividend), representing a total consideration of €231,669,163.75.

Executives concerned:	Mr. Vincent Bolloré	Chairman of the Supervisory Board
	Mr. Yannick Bolloré	Member of the Supervisory Board

b) Co-contracting entity: Compagnie du Cambodge

Terms and conditions: On May 11, 2017, your Supervisory Board authorized the acquisition by Vivendi of 54,446,158 Havas shares held by Compagnie du Cambodge at a price of €9.25 per share (ex-dividend), representing a total consideration of €503,626,961.50.

Executive concerned: Mr. Vincent Bolloré Chairman of the Supervisory Board

c) Co-contracting entity: Société Industrielle et Financière de l'Artois

Terms and conditions: On May 11, 2017, your Supervisory Board authorized the acquisition by Vivendi of 62,833,575 Havas shares held by Société Industrielle et Financière de l'Artois at a price of €9.25 per share (ex-dividend), representing a total consideration of €581,210,568.75.

Executive concerned: Mr. Vincent Bolloré Chairman of the Supervisory Board

The Havas shares, including the 108,172,230 Havas shares held by Financière de Sainte Marine, were acquired on July 3, 2017 at a unit price of €9.25 per share (ex-dividend).

Reasons justifying the company's interest: Based on the presentation made by the Chairman of your Management Board and in view of the opinions conveyed by the advisory banks, your Supervisory Board noted that the transaction, in its totality, was in line with the objective of accelerating the creation of a global content, media and communication leader, providing Vivendi with a new dimension and a unique positioning to compete with powerful world players. At the financial level, the transaction would increase revenue from €10.8 billion to €13.1 billion (based on 2016 results) and improve the risk spread by adding a new business division, while expanding geographical revenue distribution. The new entity's operating margins would rise and the transaction would be significantly accretive to net income.

Your Supervisory Board has also noted that this transaction would bring value to Vivendi's assets (artists, catalogues, content and video games), thanks to the advertising expertise of Havas and the use of its data analytics know-how. In turn, Havas would benefit from Vivendi's practical support to develop in countries where its presence is limited (particularly in Africa) or countries where its market share is negligible and to add flexibility in a booming sector that is being reshaped.

2. Amendment to the service agreement between Vivendi and Mr. Dominique Delport

Terms and conditions: On May 11, 2017, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, your Supervisory Board authorized the amendment of the service agreement between Vivendi and Mr. Dominique Delport, previously authorized by the Supervisory Board on September 2, 2015 and approved by the Shareholders' Meeting of April 21, 2016, canceling the variable component of his annual fees potentially payable up to an amount of €200,000 per year, with effect from January 1, 2017.

Following this amendment, annual fees payable to Mr. Dominique Delport, initially set at €500,000 (fixed component of €300,000 plus a variable component of up to €200,000), are reduced to a fixed amount of €300,000 per year only.

Executive concerned: Mr. Dominique Delport Member of the Supervisory Board

Reasons justifying the company's interest: Elimination of the remuneration's variable component.

3. Additional commitment under the supplemental defined-benefit pension plan benefiting Mr. Gilles Alix and Mr. Cédric de Bailliencourt, members of the Management Board since September 1, 2017

Terms and conditions: On August 31, 2017, your Supervisory Board appointed Messrs. Gilles Alix and Cédric de Bailliencourt to the Management Board with effect from September 1, 2017 for a period expiring June 23, 2018, the date of renewal of the Management Board, and authorized an additional commitment in their favor under the supplemental defined-benefit pension plan governed by the provisions of Article L. 225-90-1 of the French Commercial Code.

Executives concerned: Mr. Gilles Alix Member of the Management Board

Mr. Cédric de Bailliencourt Member of the Management Board

Reasons justifying the company's interest: Under the plan, retiring beneficiaries can obtain a substitution rate close to that of the other company employees. It is proportional to the services rendered by beneficiaries in the performance of their duties or mandates, the rights being capped in percentage and amount, and does not represent an excessive cost for the company.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY SHAREHOLDERS' MEETING

Agreements and commitments approved in prior years

a) with continuing effect during the year

Pursuant to Article 225-57 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

Service agreement between Vivendi and Mr. Dominique Delport

On September 2, 2015, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, your Supervisory Board authorized the signature of a service agreement between Vivendi and Mr. Dominique Delport for five years starting October 1, 2015, under which Mr. Dominique Delport provides assistance and advice in the creation and use of new digital content for the development of Vivendi Content and Dailymotion.

The maximum annual amount of fees under this service agreement is €500,000 (fixed component of €300,000 plus a variable component of up to €200,000).

Fixed fees of €300,000 were recorded in the accounts in respect of this agreement as of December 31, 2017. No variable fees were paid in 2017.

Under this contract, Mr Dominique Delport has a long-term incentive plan indexed to growth in the enterprise value of Dailymotion as of June 30, 2020 compared to its acquisition value (€271.25 million), assessed by an independent expert. Assuming an increase in Dailymotion's value, the amount of his remuneration under the incentive plan would be capped at 1% of this increase.

Executive concerned: Mr. Dominique Delport Member of the Supervisory Board

Reasons justifying the company's interest: The Supervisory Board noted that it would be in the company's interest to hire Mr. Dominique Delport, whose digital technology experience is extensive, for the development of its digital strategy, which relies as much on the Vivendi group's internal resources as it does on external support, particularly in terms of original and distinctive formats for digital content.

b) without effect during the year

In addition, we have been informed of the following commitments and agreements, previously approved by Shareholders' Meetings of prior years, which had no effect during the year.

1. Conditional commitments under the supplemental defined-benefit pension plan benefiting members of the Management Board

On March 9, 2005, your Supervisory Board authorized the implementation of a supplemental pension plan for senior executives, including the current members of the Management Board holding an employment contract with your company. This plan was approved by the Combined Shareholders' Meeting of April 20, 2006. The Chairman of the Management Board, who waived his employment contract, is eligible for the supplemental pension plan.

The main terms and conditions of this supplemental pension plan are as follows: a minimum of three years with the company; progressive vesting of rights based on seniority and capped at twenty years, calculated at a decreasing rate not exceeding 2.5% per annum and gradually reduced to 1%; reference salary for the calculation of the pension equal to the average of the fixed and variable salaries for the preceding three years; dual upper limit: reference salary capped at 60 times the social security limit and vesting of rights limited to 30% of the reference salary; 60% pension for the surviving spouse in the event of the beneficiary's death; rights maintained in the event of retirement at the initiative of the employer after the age of 55; benefits lost in the event of departure from the company, for any reason, before the age of 55.

In accordance with Article L. 225-90-1 of the French Commercial Code, the rate of increase in the pension is calculated subject to the following criteria, assessed annually: no further increase if, in the relevant year, the Group's financial results (adjusted net income and cash flow from operations) are less than 80% of the budget and if Vivendi's stock performance is less than 80% of the average performance of a composite index (CAC 40 (50%) and Euro STOXX Media (50%)).

An amount of €8 682 604 is recorded in the 2017 financial statements in respect of the supplemental pension plan benefiting members of the Management Board in office as of December 31, 2017.

2. Severance payment to the Chairman of the Management Board on termination of employment at the initiative of the Company

On February 27, 2015, after noting that Mr. Arnaud de Puyfontaine no longer benefited from his employment contract which was waived following his appointment as Chairman of the Management Board on June 24, 2014, or any possibility of compensation in the event of his termination at the initiative of the Company, and upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, your Supervisory Board decided that in the event of the termination of his employment at the initiative of the Company, Mr. Arnaud de Puyfontaine would be entitled, except in the case of gross negligence, to compensation, subject to the following performance conditions:

- gross severance compensation equal to eighteen months of remuneration (based on the amount of his last fixed remuneration and his latest annual bonus earned over a full year);
- if the bonus paid during the reference period (the twelve-month period preceding notification of departure) is (i) higher than the target bonus, the compensation calculation will only take into account the amount of the target bonus (ii) lower than the target bonus, the compensation amount will in any event be capped at two years of net take-home pay, and may not result in the payment of more than eighteen months of target remuneration;
- this compensation will not be payable if the Group's financial results (adjusted net income and cash flow from operations) are less than 80% of the budget over the two years prior to departure and if Vivendi's stock performance is less than 80% of the average performance of a composite index (CAC 40 (50%) and Euro STOXX Media (50%)) over the previous twenty-four months.

The Supervisory Board also decided that in the event of Mr. de Puyfontaine's departure under the conditions set forth above (entitling him to compensation), all rights to performance shares not yet vested at the date of his departure would be maintained, subject to the fulfilment of the related performance conditions.

Executive concerned: Mr. Arnaud de Puyfontaine Chairman of the Management Board

3. Counter-guarantee agreement between Vivendi and SFR in respect of Maroc Telecom and concerning guarantees granted jointly and severally to Etisalat by SFR and Vivendi on the sale of Maroc Telecom

On November 14, 2014, your Supervisory Board authorized your Management Board to provide a counter-guarantee by your Company covering guarantees granted jointly and severally by SFR and your Company to Etisalat on the sale of Maroc Telecom. This counter-guarantee is capped at the Maroc Telecom selling price (€4,187 million) and will expire on May 14, 2018.

Executives concerned:	Mr. Hervé Philippe	Member of the Management Board
	Mr. Stéphane Roussel	Member of the Management Board

Neuilly-sur-Seine and Paris-La Défense, March 16, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Jean Paul Séguret	Jacques Pierres

THE RACE, EDF ADVERTISING CAMPAIGN

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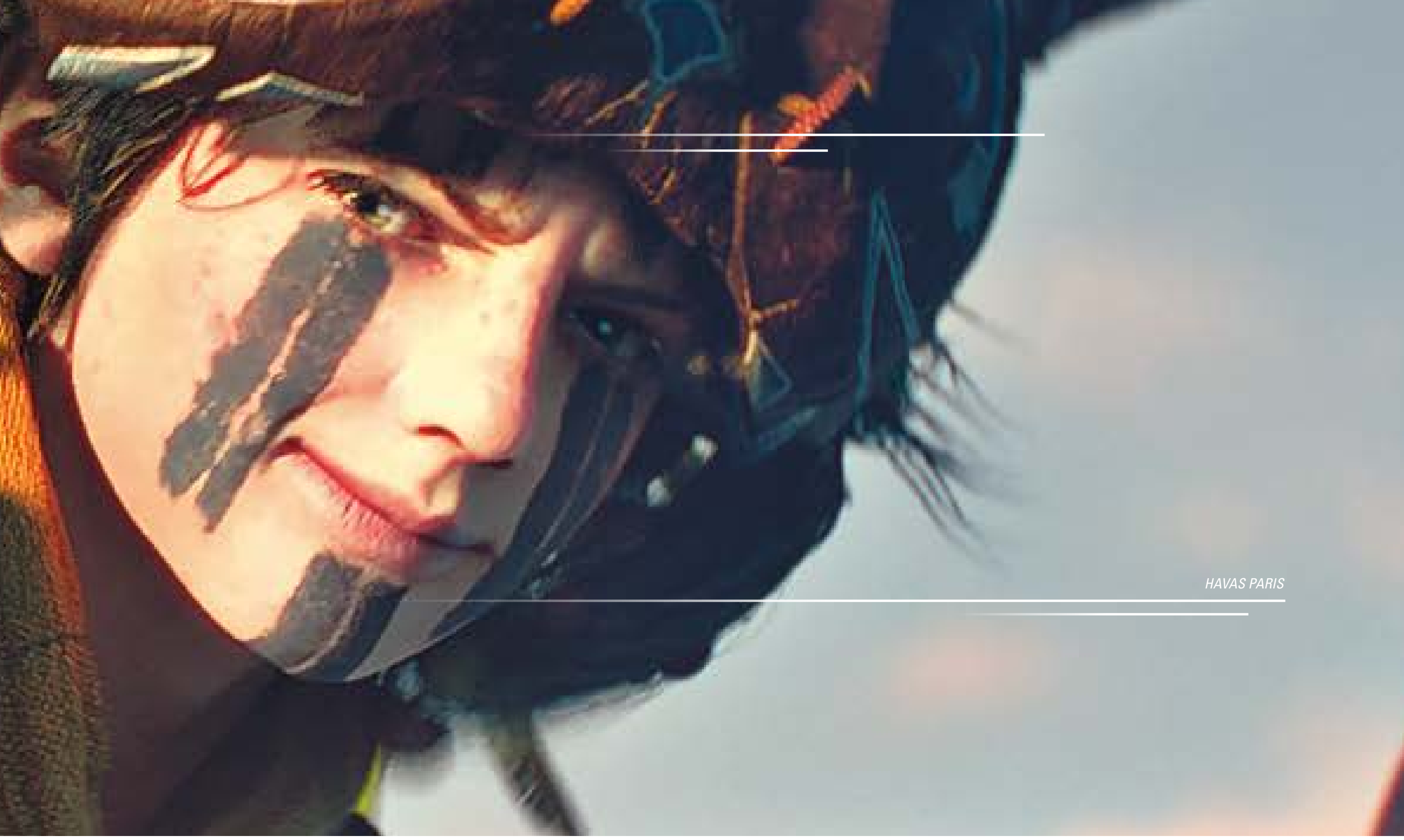

Recent Events, Outlook

Section 1
Recent events

The significant events that occurred between December 31, 2017 and the date of filing of the *Rapport annuel – Document de référence* (the French version of this Annual Report) with the *Autorité des marchés financiers* (the French securities regulator) are described in the following chapters of this report:

- Chapter 1: "Profile of the Group and its Businesses"; and
- Chapter 4: "Audited Consolidated Financial Statements for the year ended December 31, 2017", as approved by Vivendi's Management Board on February 12, 2018.

Since February 12, 2018, the following significant events have occurred:

- On February 16, 2018, Bolloré Group, which held 34.7 million call options on Vivendi shares, announced that it had exercised 21.4 million options, representing 1.7% of Vivendi's share capital, at an average exercise price of €16.57 which had been previously set in October 2016.

  After completion of this transaction, Bolloré Group continues to hold 13.3 million call options that enable it to acquire as many Vivendi shares, exercisable at any time until June 25, 2019, at an average exercise price of €21.10.

  This transaction without impact did not change Bolloré Group's reported interest in Vivendi.
- On February 26, 2018, the Chamber of National and International Arbitration of Milan closed the mediation proceedings between Vivendi and Mediaset. The next hearing before the Milan Civil Court is scheduled to be held on October 23, 2018 (please refer to Note 23 to the Consolidated Financial Statements for the year ended December 31, 2017 in Chapter 4 of this Annual Report).
- On March 2, 2018, Bolloré Group reported that it had acquired 2 million Vivendi shares at a price of €20.42 per share.

  As of that date, Bolloré Group held 267.8 million Vivendi shares, representing 449.3 million voting rights, i.e., 20.63% of the share capital and 29.67% of the voting rights.
- In addition, regarding the change in Financial Net Debt, and to maintain an active presence on the markets, since January 1, 2018, Vivendi and its subsidiary Havas have issued short-term marketable securities for a total value of €265 million, of which €100 million was repaid during the first week of March 2018.

Section 2
Outlook

Please refer to Section 3 of the 2017 Financial Report in Chapter 4 of this Annual Report.

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Responsibility for Auditing the Financial Statements

Section 1
Responsibility for Auditing the Financial Statements

1.1. STATUTORY AUDITORS

Ernst & Young et Autres

1/2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

Appointed at the General Shareholders' Meeting of June 15, 2000.

Represented by Mr. Jacques Pierres.

Most recent reappointment: General Shareholders' Meeting of April 19, 2012, for a term of six fiscal years to expire at the conclusion of the General Shareholders' Meeting to be held to approve the financial statements for fiscal year 2017.

A proposal will be submitted to the General Shareholders' Meeting to be held on April 19, 2018 to renew the term of office of Ernst & Young et Autres as Statutory Auditors for a term of six fiscal years.

Deloitte & Associés

185, avenue Charles de Gaulle

92524 Neuilly-sur-Seine Cedex

Appointed at the General Shareholders' Meeting of April 25, 2017.

Represented by Mr. Jean-Paul Séguret.

Initial appointment: General Shareholders' Meeting of April 25, 2017, for a term of six fiscal years to expire at the conclusion of the General Shareholders' Meeting to be held to approve the financial statements for fiscal year 2022.

1.2. ALTERNATE STATUTORY AUDITORS

Auditex

1/2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

Appointed at the General Shareholders' Meeting of April 20, 2006.

Most recent reappointment: General Shareholders' Meeting of April 19, 2012, for a term of six fiscal years to expire at the conclusion of the General Shareholders' Meeting to be held to approve the financial statements for fiscal year 2017.

The term of office of Auditex, alternate auditor, will expire at the end of the General Shareholders' Meeting to be held on April 19, 2018. Pursuant to Article L. 823-1 of the French Commercial Code, as amended by French Law No. 2016-1691 of December 9, 2016, known as the "Sapin 2" law, the appointment of a new alternate for Auditex is not proposed to the General Shareholders' Meeting to be held on April 19, 2018.

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