

EMI Overseas Holding
Ltd
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Financial Report
and Audited Consolidated
Financial Statements
for the year ended
December 31, 2017

February 15,
2018

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VIVENDI

Société anonyme with a Management Board and a Supervisory Board with a share capital of €7,128,323,856.50

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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	965
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	22,806	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	17,907	3,471
Dividends paid by Vivendi SA to its shareholders	499	2,588 (b)	2,727 (c)	1,348 (d)	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	2.00 (b)	2.00 (c)	1.00 (d)	1.00

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

- 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.
- 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.
- 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).
- 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.

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.

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,		% Change
	2017	2016	
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.

* non-GAAP measures.

na: not applicable.

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 perimeter¹, 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 Italia², 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 perimeter³, 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%).

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.

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.

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's 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 Italia⁴, 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).

⁴ 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.

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).

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,		% Change
	2017	2016	
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

(in millions of euros)	Three months ended December 31,				
	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)

(in millions of euros)	Year ended December 31,				
	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%
<i>Digital sales</i>	2,656	2,238	+18.6%	+20.9%	+20.9%
<i>of which subscriptions and streaming</i>	1,971	1,483	+32.9%	+35.4%	+35.4%
<i>Physical sales</i>	1,156	1,225	-5.6%	-3.3%	-3.3%
<i>License and other</i>	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 groundbreaking 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.

1.3.3 Canal+ Group

(in millions of euros)	Year ended December 31,			% Change at constant currency	% Change at constant currency and perimeter (a)
	2017	2016	% Change		
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		

- Constant perimeter reflects the impacts of the acquisition of Thema America (April 7, 2016).
- Corresponds to pay-TV and free-to-air channels (C8, CStar and CNews) in mainland France.
- 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.
- Indicators calculated on the basis of the individual subscriber base with commitment, excluding wholesale partnerships.
- 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 (Epouse-Moi Mon Pote)*, *Sahara*, *The School of Life (L'Ecole 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.

1.3.4 Havas

As a reminder, Vivendi has fully consolidated Havas since July 3, 2017.

(in millions of euros)	Year ended December 31, 2017 (a)	12-month pro forma data			% Change at constant currency and perimeter
		2017	2016 (b)	% Change	
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.

1.3.5 Gameloft

As a reminder, Vivendi has fully consolidated Gameloft since June 29, 2016.

(in millions of euros)	Year ended December 31,		12-month pro forma data		
	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.

1.3.6 Vivendi Village

(in millions of euros)	Year ended December 31,				
	2017	2016	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
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	(10) (b)	-			
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 Europaparc, Europe's second largest theme park, and with UNICEF. In addition, Havas created several communication campaigns for the brand and its digital ecosystem.

1.3.7 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 2 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.

1.3.8 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

	Refer to Notes to the Consolidated Financial Statements	December 31, 2017	December 31, 2016
(in millions of euros)			
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 securities⁵ 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.

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).

⁵ 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".

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.

(in millions of euros)	Year ended December 31,		
	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

(in millions of euros)

Cash flow from operations (CFFO)

Universal Music Group

Canal+ Group

Havas

Gameloft

Vivendi Village

New Initiatives

Corporate

Total Vivendi

Year ended December 31,		
2017	2016	% Change
646	663	-2.6%
238	244	-2.6%
308	-	na
7	14	na
(20)	(26)	
(90)	(73)	
(100)	(93)	
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

(in millions of euros)

Cash flow from operations after interest and income tax paid (CFAIT)**Adjustments**

Capital expenditures, net (capex, net)

Dividends received from equity affiliates and unconsolidated companies

Interest paid, net

Other cash items related to financial activities

Net cash provided by operating activities (a)

Year ended December 31,	
2017	2016
1,346	341
259	233
(29)	(33)
53	40
61	77
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)
<i>Of which acquisition of Bolloré Group's majority interest in Havas</i>		<i>(2,324)</i>
<i>acquisition of Havas shares as part of the simplified tender offer</i>		<i>(1,389)</i>
<i>additional purchase of 1.56% of Havas's share capital</i>		<i>(61)</i>
<i>acquisition of Havas shares as part of the public buyout offer followed by a mandatory squeeze-out</i>		<i>(151)</i>
<i>cash and cash equivalents acquired from Havas (a)</i>		<i>571</i>
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

Un-sponsored ADRs

Vivendi does not sponsor any American Depositary Receipt (ADR) facility in respect of its shares. Any ADR facility currently in existence is "un-sponsored" 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

(in millions of euros)	2017			
	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

(in millions of euros)	2016			
	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

Thursday February 15, 2018

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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)

Key audit matter

As at 31 December 2017, goodwill is recorded in the balance sheet for a net carrying amount of €12,084m, for a total balance sheet of €34,333m. 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.

Our response

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.

• **Valuation of the Telecom Italia equity affiliate** (notes 1.3.2 and 11.2 to the consolidated accounts)

Key audit matter

The Telecom Italia equity-accounted investment amount to €4,256m 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.

Our response

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

Listed and non-listed equity securities amount to €4,115m 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.

Our response

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

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.

Our response

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

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 response

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 & ASSOCIES

ERNST & YOUNG et Autres

Jean Paul Séguret

Jacques Pierres

Consolidated Statement of Earnings

	Note	Year ended December 31,	
		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

(in millions of euros)

	Note	Year ended December 31,	
		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)

Operating activities

EBIT

Adjustments

Content investments, net

Gross cash provided by operating activities before income tax paid

Other changes in net working capital

Net cash provided by operating activities before income tax paid

Income tax (paid)/received, net

Net cash provided by operating activities**Investing activities**

Capital expenditures

Purchases of consolidated companies, after acquired cash

Investments in equity affiliates

Increase in financial assets

Investments

Proceeds from sales of property, plant, equipment and intangible assets

Proceeds from sales of consolidated companies, after divested cash

Disposal of equity affiliates

Decrease in financial assets

Divestitures

Dividends received from equity affiliates

Dividends received from unconsolidated companies

Net cash provided by/(used for) investing activities**Financing activities**

Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans

Sales/(purchases) of Vivendi SA's treasury shares

Distributions to Vivendi SA's shareowners

Other transactions with shareowners

Dividends paid by consolidated companies to their non-controlling interests

Transactions with shareowners

Setting up of long-term borrowings and increase in other long-term financial liabilities

Principal payment on long-term borrowings and decrease in other long-term financial liabilities

Principal payment on short-term borrowings

Other changes in short-term borrowings and other financial liabilities

Interest paid, net

Other cash items related to financial activities

Transactions on borrowings and other financial liabilities**Net cash provided by/(used for) financing activities**

Foreign currency translation adjustments of continuing operations

Change in cash and cash equivalents**Cash and cash equivalents**

At beginning of the period

At end of the period

Note	Year ended December 31,	
	2017	2016
4	1,036	887
20	253	104
	(317)	(55)
	972	936
	247	(7)
	1,219	929
6.2	471	(271)
	1,690	658
3	(261)	(235)
2	(3,481)	(553)
11	(2)	(772)
12	(202)	(2,759)
	(3,946)	(4,319)
3	2	2
	(5)	3
	-	1
12	981	1,967
	978	1,973
11	6	8
12	23	25
	(2,939)	(2,313)
18	152	81
15	(203)	(1,623)
15	(499)	(2,588)
	(10)	(3)
	(40)	(34)
	(600)	(4,167)
19	855	2,101
	(8)	(16)
19	(1,024)	(557)
19	64	260
5	(53)	(40)
	(61)	(77)
	(227)	1,671
	(827)	(2,496)
	(45)	(2)
	(2,121)	(4,153)
14	4,072	8,225
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

	Note	Capital				Retained earnings and other		Total equity	
		Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings		Other comprehensive income
		Number of shares (in thousands)	Share capital						
(in millions of euros, except number of shares)									
BALANCE AS OF DECEMBER 31, 2016									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									
Contributions by/distributions to Vivendi SA shareholders									
Sales/(purchases) of treasury shares									
Dividend paid on May 4, 2017 with respect to fiscal year 2016 (€0.40 per share)									
Capital increase related to share-based compensation plans									
<i>of which employee Stock Purchase Plans (July 25, 2017)</i>									
<i>exercise of stock options by executive management and employees</i>									
Changes in Vivendi SA's ownership interest related to a combination of businesses under common control									
Acquisition of Havas									
2.1									
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control									
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)									
Contributions by/distributions to non-controlling interests									
Changes in non-controlling interests related to a combination of businesses under common control									
<i>Recognition of Havas's non-controlling interests</i>									
Changes in non-controlling interests that result in a gain/(loss) of control									
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)									
Earnings									
Charges and income directly recognized in equity									
8									
TOTAL COMPREHENSIVE INCOME (C)									
TOTAL CHANGES OVER THE PERIOD (A+B+C)									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									
BALANCE AS OF DECEMBER 31, 2017									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									

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

Year ended December 31, 2016

	Note	Capital					Retained earnings and other		Total equity
		Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	
		Number of shares (in thousands)	Share capital						
Year ended December 31, 2016									
(in millions of euros, except number of shares)									
BALANCE AS OF DECEMBER 31, 2015									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									
Contributions by/distributions to Vivendi SA shareholders									
Capital reduction through cancellation of treasury shares (June 17, 2016)									
Sales/(purchases) of treasury shares									
15									
Distribution to shareholders (balance of the dividend paid on April 28, 2016 with respect to fiscal year 2015)									
Capital increase related to share-based compensation plans									
18									
of which employee Stock Purchase Plans (July 28, 2016)									
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control									
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)									
Contributions by/distributions to non-controlling interests									
Changes in non-controlling interests that result in a gain/(loss) of control									
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)									
Earnings									
8									
Charges and income directly recognized in equity									
TOTAL COMPREHENSIVE INCOME (C)									
TOTAL CHANGES OVER THE PERIOD (A+B+C)									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									
BALANCE AS OF DECEMBER 31, 2016									
<i>Attributable to Vivendi SA shareholders</i>									
<i>Attributable to non-controlling interests</i>									

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

It does not include the following items:

- amortization of intangibles acquired through business combinations (**) as well as impairment losses on goodwill and other intangibles acquired through business combinations (*) (**);
- other income and charges related to transactions with shareowners (*), as defined above;
- other financial charges and income (*), equal to capital gains or losses related to divestitures, or the depreciation of equity affiliates and other financial investments, the profit and loss related to the change in value of financial assets and the termination or change in value of financial liabilities, which primarily include changes in the fair value of derivative instruments, premiums from the early redemption of borrowings, the early unwinding of derivative instruments, the cost of issuing or cancelling credit facilities, the cash impact of foreign exchange transactions (other than those related to operating activities, included in EBIT), as well as the effect of undiscounting assets and liabilities, and the financial components of employee benefits (interest cost and expected return on plan assets);
- earnings from discontinued operations (*); and
- provisions for income taxes and adjustments attributable to non-controlling interests and non-recurring tax items (notably the changes in deferred tax assets pursuant to Vivendi SA's tax group and the Consolidated Global Profit Tax Systems, and the reversal of tax liabilities relating to risks extinguished over the period).

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

Cash Flow From Operations (CFFO)

Vivendi considers cash flow from operations (CFFO), a non-GAAP measure, to be a relevant measure to assess the group's operating and financial performance. 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 shareholders; 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; and
- the expense is recognized with a corresponding increase in equity.

Cash-settled instruments:

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

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

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

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

1.4 Related parties

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

The transactions 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 31 December 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 31 December 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 shareholders' 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.

* Non-GAAP measures.

na: not applicable.

- 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.

Thursday February 15, 2018

(in millions of euros)

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)	(571) (b)	(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

Change in cash and cash equivalents	(2,121)	(239)	(571)	(2,931)
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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

- 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.
- 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

(in millions of euros)

Revenues

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Elimination of intersegment transactions

Year ended December 31,	
2017	2016
5,673	5,267
5,246	5,253
1,151	-
258	132
109	111
51	103
(44)	(47)
12,444	10,819

Income from operations

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Corporate

798	687
367	303
135	-
10	10
(6)	(7)
(87)	(44)
(101)	(96)
1,116	853

Restructuring charges

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Corporate

(17)	(44)
(49)	(41)
(15)	-
(1)	-
(2)	(2)
(3)	(6)
(1)	(1)
(88)	(94)

Charges related to equity-settled share-based compensation plans

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Corporate

(9)	(3)
(6)	(3)
(3)	-
(2)	(3)
-	-
-	-
(8)	(5)
(28)	(14)

Other non-current operating charges and income

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Corporate

(11)	4
6	(19)
(6)	-
(3)	-
(10)	-
(2)	(6)
13	-
(13)	(21)

Adjusted earnings before interest and income taxes (EBITA)

Universal Music Group
Canal+ Group
Havas
Gameloft
Vivendi Village
New Initiatives
Corporate

761	644
318	240
111	-
4	7
(18)	(9)
(92)	(56)
(97)	(102)
987	724

Reconciliation of EBIT to EBITA and to income from operations

(in millions of euros)

EBIT (a)	
<i>Adjustments</i>	
Amortization of intangible assets acquired through business combinations	
Impairment losses on intangible assets acquired through business combinations (a)	
Reversal of reserves related to the Securities Class Action and Liberty Media litigations in the United States (a)	
Income from equity affiliates (a)	
EBITA	
<i>Adjustments</i>	
Restructuring charges (a)	
Charges related to equity-settled share-based compensation plans	
Other non-current operating charges and income	
Income from operations	

Year ended December 31,	
2017	2016
1,036	887
122	223
2	23
(27)	(240)
(146)	(169)
987	724
88	94
28	14
13	21
1,116	853

a. As reported in the Consolidated Statement of Earnings.

Statement of Financial Position

(in millions of euros)

Segment assets (a)	
Universal Music Group	
Canal+ Group	
Havas	
Gameloft	
Vivendi Village	
New Initiatives	
Corporate	
<i>of which investments in equity affiliates</i>	
<i>listed equity securities</i>	

Segment liabilities (b)

Universal Music Group	
Canal+ Group	
Havas	
Gameloft	
Vivendi Village	
New Initiatives	
Corporate	

December 31, 2017	December 31, 2016
8,512	9,310
7,636	7,546
5,327	-
715	718
225	264
551	587
8,391	8,579
4,256	4,156
3,751	3,011
31,357	27,004
3,647	3,701
2,515	2,588
3,761	-
71	65
139	154
64	94
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

(in millions of euros)

Capital expenditures, net (capex net) (a)

	Year ended December 31,	
	2017	2016
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	-	21 (b)
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)

(Charge)/Income

Interest expense on borrowings

Interest income from cash, cash equivalents and investments

Interest

Fees and premium on borrowings and credit facilities issued

Note	Year ended December 31,	
	2017	2016
19	(68)	(63)
	15	23
	(53)	(40)
	(2)	(3)
	(55)	(43)

Other financial income and charges

(in millions of euros)

Capital gain on financial investments

Effect of undiscounting assets (b)

Expected return on plan assets related to employee benefit plans

Foreign exchange gain

Change in value of derivative instruments

Other

Other financial income (c)

Downside adjustment on financial investments

Effect of undiscounting liabilities (b)

Interest cost related to employee benefit plans

Fees and premium on borrowings and credit facilities issued

Foreign exchange loss

Change in value of derivative instruments

Other

Other financial charges (c)

Net total

Note	Year ended December 31,	
	2017	2016
	12	657 (a)
	5	11
17.2	10	11
	7	-
	8	7
	1	6
	43	692
	(40)	(170)
	(12)	(14)
17.2	(22)	(27)
	(2)	(3)
	(9)	(8)
	(7)	(12)
	(51)	(20)
	(143)	(254)
	(100)	438

- Primarily included the net capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes).
- 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.
- 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'Etat*) 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

(in millions of euros)

(Charge)/Income

Current

	Year ended December 31,	
	2017	2016
France	572 (a)	(75)
Rest of Europe	(37)	(29)
United States	(16)	3
Rest of the world	(87)	(54)
	432	(155)

Deferred

France	(122) (b)	39
Rest of Europe	-	(18)
United States	34 (c)	24
Rest of the world	5	33
	(83)	78

Provision for income taxes

	349	(77)
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Income tax paid

(in millions of euros)

	Year ended December 31,	
	2017	2016
France	622 (d)	(203)
Rest of Europe	(20)	(24)
United States	(53)	5
Rest of the world	(78)	(49)
	471	(271)

Income tax (paid)/collected

- 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
- 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.
- 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,	
	2017	2016
(in millions of euros, except %)		
Earnings (before non-controlling interests)	1,261	1,275
<i>Eliminations</i>		
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
<i>French statutory tax rate</i>	<i>34.43%</i>	<i>34.43%</i>
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	89 (a)	6
Use or recognition of tax losses	178	239
Depreciation or non-recognition of tax losses	(258) (b)	(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	-	301 (c)
Favorable settlement of the litigation related to the Consolidated Global Profit Tax System of 2011	409 (d)	-
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	243 (e)	-
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

(in millions of euros)

Opening balance of deferred tax assets/(liabilities), net

Consolidation of Havas	
Provision for income taxes	
Charges and income directly recorded in equity	
Other business combinations	
Changes in foreign currency translation adjustments and other	

Closing balance of deferred tax assets/(liabilities), net

Year ended December 31,	
2017	2016
26	(83)
106	-
(83)	78
(7)	40
(27)	(27)
15	18
30	26

Components of deferred tax assets and liabilities

(in millions of euros)

Deferred tax assets

Recognizable deferred taxes

Tax attributes - Vivendi SA Tax Group (a) (b)	
Tax attributes - US Tax Group (a) (c)	
Tax attributes - Havas Group (a) (d)	
Tax attributes - Other subsidiaries (a)	
Other	

Of which non-deductible provisions
employee benefits
working capital

Total gross deferred taxes

Deferred taxes, unrecognized

Tax attributes - Vivendi SA Tax Group (a) (b)	
Tax attributes - US Tax Group (a) (c)	
Tax attributes - Havas Group (a) (d)	
Tax attributes - Other subsidiaries (a)	
Other	

Total deferred tax assets, unrecognized

Recorded deferred tax assets

Deferred tax liabilities

Asset revaluations (e)

Other

Recorded deferred tax liabilities

Deferred tax assets/(liabilities), net

December 31, 2017	December 31, 2016
875	889
233	356
315	-
441	498
581	714
94	126
186	218
148	168
2,445	2,457
(755)	(772)
(233)	(327)
(297)	-
(396)	(440)
(145)	(166)
(1,826)	(1,705)
619	752
(340)	(422)
(249)	(304)
(589)	(726)
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'Etat*) 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'Etat*) found that the appeal in cassation made by Havas against the decision of the Versailles Court of Appeal was inadmissible. This decision irrevocably ended the tax litigation and 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'Etat*) 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	-	4.9	-	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

- 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).
- 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)	267 (d)	155	422	43	115	491
Items to be reclassified to profit or loss	na	(661) (f)	(9)	(670)	-	(2)	(672)
Tax effect	9	31	-	31	-	-	40
Balance as of December 31, 2016	(247)	489	44	533	365	113 (e)	764
Charges and income directly recognized in equity	29	650 (d)	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)	81 (e)	530

na: not applicable.

- Please refer to Note 17.
- Please refer to Note 12.
- Please refer to Note 19.
- Included unrealized capital gain on Vivendi's listed equity portfolio.
- Mainly included foreign currency translation from Telecom Italia for €111 million as of December 31, 2017, compared to €134 million at year-end 2016.
- 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).

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

	December 31, 2016	Impairment losses	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2017
(in millions of euros)					
Universal Music Group	5,401	-	13	(678) (a)	4,736
Canal+ Group	4,573	-	11	(8)	4,576
Havas	-	-	1,918 (b)	(40)	1,878
Gameloft	609	-	(26) (c)	-	583
Vivendi Village	196	-	(65) (d)	(28) (e)	103
New Initiatives	208	-	-	-	208
Total	10,987	-	1,851	(754)	12,084

	December 31, 2015	Impairment losses	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2016
(in millions of euros)					
Universal Music Group	5,172	-	7	222	5,401
Canal+ Group	4,582	-	7	(16)	4,573
Gameloft	-	-	609 (c)	-	609
Vivendi Village	160	(21) (e)	76 (d)	(19)	196
New Initiatives	263	-	(55) (f)	-	208
Total	10,177	(21)	644	187	10,987

- Primarily included the foreign currency translation of the dollar (USD) against the euro.
- Related to the carrying value of Havas's goodwill acquired by Vivendi on July 3, 2017 (please refer to Note 2.1).
- 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).
- 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.
- Notably related to the sale of Radionomy on August 17, 2017. In 2016, it corresponded to the partial goodwill impairment attributable to Radionomy.
- 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

- Corresponds to the level of monitoring return on investments.
- Relates to pay-TV in France overseas, Africa and Vietnam.
- Includes entities under the same management.
- 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.

Operating segments	CGU or groups of CGU tested	Valuation Method		Discount Rate (a)		Perpetual Growth Rate	
		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.

- 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.
- 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	8.10% (c)	8.58%	1.00%	1.50%

- 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
	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount		Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount		Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount
	Applied rate (in %)	(in number of points)	Applied rate (in %)	(in number of points)	(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
	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount		Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount		Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount
	Applied rate (in %)	(in number of points)	Applied rate (in %)	(in number of points)	(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%

- 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		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
(in millions of euros)			
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		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
(in millions of euros)			
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,	
	2017	2016
(in millions of euros)		
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				Total minimum future payments as of December 31, 2016
		Due in			
	Total	2018	2019 - 2022	After 2022	
(in millions of euros)					
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				Total minimum future payments as of December 31, 2016
		Due in			
(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	2,022 (b)	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'Édition 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.

(in millions of euros)	Voting interest		Net carrying value of equity affiliates	
	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.

- 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.
- 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

(in millions of euros)	Year ended December 31,	
	2017	2016
Opening balance	4,416	3,435
Acquisitions	40	769 (a)
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

- 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.
- 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)	Date of publication by Telecom Italia:	
	Nine months Financial Statements as of September 30, 2017 November 10, 2017	Annual Financial Statements as of December 31, 2016 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

(in millions of euros)	December 31, 2017			December 31, 2016		
	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.

- Relates to cash management financial assets, included in the cash position: please refer to Note 14.
- These derivative financial instruments primarily comprise interest rate and foreign currency hedging instruments, as described in Note 19.
- 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	29.94% (c)	28.80%	3.23	1,099	(300)	(160)	+110/-110
Ubisoft	30,489	796	29.04% (d)	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	11.05% (e)	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	29.94% (c)	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

	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
(in millions of euros)							
Inventories	123	(24)	91	-	(10)	(3)	177
Trade accounts receivable and other	2,273	499	2,636 (c)	(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	3,067 (d)	(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)

	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
(in millions of euros)							
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)	(1,176) (e)	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)

- Excludes content investments made by Canal+ Group and Universal Music Group.
- Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments.
- Included €2,629 million related to the integration of Havas.
- Included €3,043 million related to the integration of Havas.
- 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

	December 31, 2017	December 31, 2016
(in millions of euros)		
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.

(in millions of euros)	December 31, 2017			December 31, 2016		
	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)

Number of shares comprising the share capital (nominal value: €5.5 per share)

Treasury shares

Number of shares, net**Number of voting rights, gross**

Treasury shares

Number of voting rights, net

December 31, 2017	December 31, 2016
1,296,059	1,287,088
(39,408)	(27,614)
1,256,651	1,259,474
1,513,250	1,384,762
(39,408)	(27,614)
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

- 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.
- 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).
- 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.
- 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	(270) (a)	(913) (b)
Reversal	(503) (a)	(325) (b)
Business combinations	172	20
Divestitures, changes in foreign currency translation adjustments and other	(64)	109
Closing balance	1,927	2,141

- 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).
- 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.

(in millions of euros)	Note	Year ended December 31,	
		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

(in millions of euros)	Pension benefits		Post-retirement benefits		Total	
	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 (B)-(A)
(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 (B)-(A)
(in millions of euros)	(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)

- 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.
- 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.
- 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.
- Included a current liability of €53 million as of December 31, 2017 (compared to €61 million as of December 31, 2016).
- 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

(in millions of euros)	<i>Pension benefits (a)</i>		<i>Post-retirement benefits (b)</i>		<i>Total</i>	
	December 31,		December 31,		December 31,	
	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 UMGPS 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	Weighted average strike price of outstanding stock options	Number of outstanding performance shares
	(in thousands)	(in euros)	(in thousands)
Balance as of December 31, 2015	31,331	19.7	2,545
Granted	-	na	1,320
Exercised	(674) (a)	14.1	(394)
Forfeited	(6,037)	22.9	na
Cancelled	-	na	(255) (b)
Balance as of December 31, 2016	24,620	19.1	3,216
Granted	-	na	1,548
Exercised	(4,811) (a)	17.6	(342)
Forfeited	(6,557)	24.7	na
Cancelled	(50)	20.2	(119)
Balance as of December 31, 2017	13,202 (c)	16.8	4,303 (d)
Exercisable as of December 31, 2017	13,202	16.8	-
Acquired as of December 31, 2017	13,202	16.8	167

na: not applicable.

- 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).
- 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.
- 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.
- 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	Weighted average strike price	Weighted average remaining life
	(in thousands)	(in euros)	(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
<i>Data at grant date:</i>		
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	734 (a)

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

(in millions of euros)	Note	December 31, 2017			December 31, 2016		
		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	116 (a)	10	145	119 (a)	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

(in millions of euros)	December 31, 2017			December 31, 2016		
	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 (%)		Maturity	December 31, 2017	December 31, 2016
	nominal	effective			
Bonds issued by Vivendi SA					
€850 million (September 2017) (a)	0.875%	0.99%	Sep-24	850	-
€600 million (November 2016) (a)	1.125%	1.18%	Nov-23	600	600
€1 billion (May 2016) (a)	0.750%	0.90%	May-21	1,000	1,000
€500 million (May 2016) (a)	1.875%	1.93%	May-26	500	500
€750 million (March 2010) (b)	4.000%	4.15%	Mar-17	- (c)	750
€700 million (December 2009) (b)	4.875%	4.95%	Dec-19	700	700
Bonds issued by Havas SA					
€400 million (December 2015) (a)	1.875%	1.94%	Dec-20	400	-
€100 million (July 2013) (a)	3.125%	3.125%	Jul-18	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 control⁶ 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 control⁷.

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 securities⁸ 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 Debt⁹ to EBITDA¹⁰ 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 EBITDA¹¹ to Net interest expense¹² ratio must be higher than 3.5; and
- Adjusted Net Debt¹³ to Adjusted EBITDA¹¹ ratio must be lower than 3.

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.

⁶ In the bonds issued in May 2016 and November 2016, Bolloré Group was carved out of the change-of-control clause.

⁷ 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.

⁸ 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".

⁹ 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.

¹⁰ Relates to EBITDA as defined by Vivendi (including the 12-month pro forma EBITDA of Havas), plus dividends received from unconsolidated companies.

¹¹ 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.

¹² 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.

¹³ 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.

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	-		450 (a)	
Pay-floating interest rate swaps	-		(450) (a)	
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, except if, during a transition period, an acquired subsidiary is authorized to pursue, at its level, spot and forward exchange transactions. This policy primarily seeks to hedge budget exposures (at an 80% level) resulting from monetary flows generated by operations performed in currencies other than the euro as well as from external firm commitments (at a 100% level), primarily relating to the acquisition of editorial content (e.g., sports, audiovisual and film rights) and certain capital expenditures (e.g., set-top boxes), realized in currencies other than the euro. 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:

(in millions of euros)	December 31, 2017					Fair value	
	Notional amounts					Assets	Liabilities
	Total	USD	PLN	GBP	Other		
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)

(in millions of euros)	December 31, 2016					
	Notional amounts					Fair value
	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

(in millions of euros)	Note	December 31, 2017		December 31, 2016	
		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

(in millions of euros)	Cash Flow Hedge		Net Investment Hedge	Total
	Interest rate risk management	Foreign currency risk management		
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,	
	Note	2017	2016
(in millions of euros)			
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 will contain 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 will also contain 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 (265,832,839¹⁴ 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 intersegment 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.

¹⁴ 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.

(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
<i>Of which Banijay Group Holding and Lov Banijay bonds (please refer to Note 12)</i>	173	245
Trade accounts receivable and other	66	27
<i>Of which Bolloré Group</i>	4	-
<i>Havas Group (a)</i>	na	2
<i>Telecom Italia (b)</i>	34	2
<i>Banijay Group Holding (c)</i>	2	2
<i>Mediobanca (d)</i>	5	-
Liabilities		
Non-current financial liabilities	93	119
<i>Of which Banijay Group Holding and Lov Banijay</i>	93	119
Trade accounts payable and other	21	31
<i>Of which Bolloré Group</i>	10	2
<i>Havas Group (a)</i>	na	20
<i>Banijay Group Holding (c)</i>	6	6
Off-balance sheet contractual obligations, net	183	250
<i>Of which Banijay Group Holding (c)</i>	180	232
	Year ended December 31,	
	2017	2016
Statement of earnings		
Operating income	214	171
<i>Of which Bolloré Group</i>	5	-
<i>Havas Group (a)</i>	3	5
<i>Telecom Italia (b)</i>	15	7
<i>Banijay Group Holding (c)</i>	2	3
<i>Quinta Communications (e)</i>	2	-
Operating expenses	(136)	(160)
<i>Of which Bolloré Group</i>	(12)	(9)
<i>Havas Group (a)</i>	(26)	(49)
<i>Banijay Group Holding (c)</i>	(60)	(64)
<i>Quinta Communications (e)</i>	-	-
Advertising transactions		
<i>Of which revenue made through Havas's agencies (a)</i>	26	88
<i>media purchases made through Havas's agencies (a)</i>	(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.
- 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				Total minimum future payments as of December 31, 2016
			Payments due in			
(in millions of euros)	Note	Total	2018	2019 - 2022	After 2022	
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

(in millions of euros)	Minimum future leases as of December 31, 2017				Total minimum future leases as of December 31, 2016
	Total	Due in			
		2018	2019 - 2022	After 2022	
Buildings	1,502 (a)	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
	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).	-
	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 (i.e., 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 15 March 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, Cinécinéma 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'Etat*) seeking an annulment of the decisions of the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) (the "CSA") of July 20 and 27, 2017 relating to the TF1 and M6 channels, respectively. These decisions renew the authorizations for the terrestrial transmission of TF1 and M6, in the context of the requests of the two groups to obtain compensation for the distribution of their free-to-air DTT channels, including their eponymous TF1 and M6 channels.

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'Audiotvisuel*) (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 Delorme, 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'Etat*). 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'Etat*).

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'Etat*). 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'Etat*).

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 Studiocal, Universal Music Group and Vivendi

A complaint was filed in California federal court against Studiocal 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 (Studiocal 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 plaintiff. On December 21, 2017, UMG and Studiocal 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 Capitol 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.

Note	Country	December 31, 2017			December 31, 2016		
		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)	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%
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%

	Note	Country	December 31, 2017			December 31, 2016		
			Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
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.

- Boulogne Studios (Canal Factory) was transferred from New Initiatives to Canal+ Group as from January 1, 2017.
- 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.
- Vivendi has fully consolidated Havas since July 3, 2017 (please refer to Note 2.1).
- Radionomy Group was sold on August 17, 2017.
- 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).
- Watchever Group merged into Dailymotion on October 31, 2017 (it was previously integrated into Vivendi Village).
- 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:

(in millions of euros)	Deloitte et Associés (a)		Ernst & Young et Autres				KPMG S.A. (a)		Total	
	Amount	%	Amount		%		Amount	%		
	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

- 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.
- 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			
	Published	Income from equity affiliates	Other income and charges	Restated
(in millions of euros)				
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			
	Published	Income from equity affiliates	Other income and charges	Restated
(in millions of euros)				
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			
	Published	Income from equity affiliates	Other income and charges	Restated
(in millions of euros)				
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			
	Published	Income from equity affiliates	Other income and charges	Restated
(in millions of euros)				
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

(in millions of euros)

	Year ended December 31, 2013			
	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:

(in millions of euros)

	As of December 31,			
	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

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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.

(in millions of euros)	Nine months ended September 30, 2017				
	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)	(980) (c)	-	-	(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

	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	3,689	(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.

- 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).
- 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.
- Amount estimated based on interest charges paid, net.

	December 31, 2017	September 30, 2017		
(in millions of euros)	Vivendi Published	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

- As published by Telecom Italia on November 10, 2017.
- The adjustments reflect the purchase price allocation as part of Vivendi's equity accounting of Telecom Italia.
- 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.

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	December 31, 2017	September 30, 2017	
	Vivendi Published	Telecom Italia Published (a)	Vivendi + Telecom Italia Cumulative
(in millions of euros)			
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
<i>Of which bonds</i>	<i>4,150</i>	<i>21,942</i>	<i>26,092</i>
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.