Subsidiary No 3962906

Financial Report and Audited Consolidated Financial Statements for the year ended December 31, 2018

vivendi

VIVENDI

Société anonyme with a Management Board and a Supervisory Board with a share capital of €7,184,288,078.00

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Key consolidated financial data for the last five years

Preliminary comments:

In 2018, Vivendi applied two new accounting standards:

- *IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, Vivendi applied this change of accounting standard to 2017 revenues, thereby ensuring comparability of the data relative to each period of 2018 and 2017 contained in this report. The data presented below with respect to fiscal years 2014 to 2016 are historical and therefore are unrestated; and*
- *IFRS 9 – Financial Instruments: in accordance with IFRS 9, Vivendi applied this change of accounting standard to the 2018 Statement of Earnings and Statement of Comprehensive Income and restated its opening balance sheet as of January 1, 2018; therefore, the data relative to prior years contained in this report is not comparable.*

For a detailed description, please refer to Notes 1 and 28 to the Consolidated Financial Statements for the year ended December 31, 2018.

In addition, Vivendi deconsolidated GVT, SFR and Maroc Telecom group as from May 28, 2015, November 27, 2014 and May 14, 2014, 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,				
	2018	2017	2016	2015	2014
Consolidated data					
Revenues	13,932	12,518	10,819	10,762	10,089
Income from operations (a)	1,439	1,098	853	1,061	1,108
Adjusted earnings before interest and income taxes (EBITA) (a)	1,288	969	724	942	999
Earnings before interest and income taxes (EBIT)	1,182	1,018	887	521	545
Earnings attributable to Vivendi SA shareowners	127	1,216	1,256	1,932	4,744
of which earnings from continuing operations attributable to Vivendi SA shareowners	127	1,216	1,236	699	(290)
Adjusted net income (a)	1,157	1,300	755	697	626
Net Cash Position/(Financial Net Debt) (a)	176	(2,340)	1,231	7,172	4,681
Total equity	17,534	17,866	19,612	21,086	22,988
of which Vivendi SA shareowners' equity	17,313	17,644	19,383	20,854	22,606
Cash flow from operations (CFFO) (a)	1,126	989	729	892	843
Cash flow from operations after interest and income tax paid (CFAIT) (a)	822	1,346	341	(69)	421
Financial investments	(694)	(3,685)	(4,084)	(3,927)	(1,244)
Financial divestments	2,303	976	1,971	9,013	17,807
Dividends paid by Vivendi SA to its shareholders	568	499	2,588 (b)	2,727 (b)	1,348 (c)
Purchases/(sales) of Vivendi SA's treasury shares	-	203	1,623	492	32
Per share data					
Weighted average number of shares outstanding	1,263 5	1,252 7	1,272 6	1,361 5	1,345 8
Earnings attributable to Vivendi SA shareowners per share - basic	0 10	0 97	0 99	1 42	3 52
Adjusted net income per share	0 92	1 04	0 59	0 51	0 46
Number of shares outstanding at the end of the period (excluding treasury shares)	1,268 0	1,256 7	1,259 5	1,342 3	1,351 6
Equity per share, attributable to Vivendi SA shareowners	13 65	14 04	15 39	15 54	16 73
Dividends per share paid	**0.45**	**0.40**	**2.00** (b)	**2.00** (b)	**1.00** (c)

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

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

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

c 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.

Thursday February 14, 2019

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

I- 2018 Financial Report

Preliminary comments:

On February 11, 2019, the Management Board approved the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2018. Upon the recommendation of the Audit Committee, which met on February 12, 2019, the Supervisory Board, at its meeting held on February 14, 2019, reviewed the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2018, as previously approved by the Management Board on February 11, 2019.

The Consolidated Financial Statements for the year ended December 31, 2018 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:

Change of accounting standards
In 2018, Vivendi applied two new accounting standards

- *IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, Vivendi applied this change of accounting standard to 2017 revenues, thereby ensuring comparability of the data relative to each period of 2018 and 2017 contained in this report, and*
- *IFRS 9 – Financial Instruments: in accordance with IFRS 9, Vivendi applied this change of accounting standard to the 2018 Statement of Earnings; therefore, the data relative to 2017 contained in this report is not comparable.*

For a detailed description, please refer to Notes 1 and 28 to the Consolidated Financial Statements for the year ended December 31, 2018.

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

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

- *the difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, the impairment of goodwill and other intangibles acquired through business combinations, the income from equity affiliates - operational, as well as other charges and income related to transactions with shareowners;*
- *income from operations is calculated as EBITA, as presented in the Adjusted Statement of Earnings, before share-based compensation costs and special items, due to their unusual nature and particular significance; and*
- *adjusted net income includes the following items: EBITA, income from equity affiliates; 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 Consolidated Statement of Earnings

	Year ended December 31, 2018	2017	% Change
REVENUES	**13,932**	**12,518**	**+ 11.3%**
Cost of revenues	(7,618)	(7,302)	
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(4,875)	(4,118)	
Income from operations*	**1,439**	**1,098**	**+ 31.0%**
Restructuring charges	(115)	(88)	
Other operating charges and income	(36)	(41)	
Adjusted earnings before interest and income taxes (EBITA)*	**1,288**	**969**	**+ 33.0%**
Amortization and depreciation of intangible assets acquired through business combinations	(113)	(124)	
Reversal of reserve related to the Securities Class Action litigation in the United States	-	27	
Income from equity affiliates - operational	7	146	
EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT)	**1,182**	**1,018**	**+ 16.1%**
Income from equity affiliates - non-operational	122	-	
Interest	(47)	(53)	
Income from investments	20	29	
Other financial charges and income	(763)	(100)	
	(790)	***(124)***	
Earnings before provision for income taxes	**514**	**894**	**- 42.4%**
Provision for income taxes	(357)	355	
Earnings from continuing operations	**157**	**1,249**	**- 87.4%**
Earnings from discontinued operations	-	-	
Earnings	**157**	**1,249**	**- 87.4%**
Non-controlling interests	(30)	(33)	
EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS	**127**	**1,216**	**- 89.6%**
Earnings attributable to Vivendi SA shareowners per share - basic (in euros)	0.10	0.97	
Earnings attributable to Vivendi SA shareowners per share - diluted (in euros)	0.10	0.94	
Adjusted net income*	**1,157**	**1,300**	**- 11.1%**
Adjusted net income per share - basic (in euros)*	0.92	1.04	
Adjusted net income per share - diluted (in euros)*	0.91	1.00	

In millions of euros, except per share amounts.

* non-GAAP measures

1.2 Analysis of the Consolidated Statement of Earnings

1.2.1 Revenues

In 2018, Vivendi's **revenues** amounted to €13,932 million, compared to €12,518 million in 2017, an increase of €1,414 million (+11.3%), notably as a result of the consolidation of Havas (+€1,108 million) At constant currency and perimeter[1], Vivendi's revenues increased by 4.9% compared to 2017. For the second year in a row, Universal Music Group's revenues increased by 10 0%[2] and Canal+ Group's revenues were stable

For the second half of 2018, at constant currency and perimeter, Vivendi's revenues increased by 5 7% compared to the second half of 2017, an improvement compared to the first half of 2018 (+3 9% compared to the first half of 2017), mainly driven by Universal Music Group (+12.8% for the second half, compared to +6.8% for the first half)

For the fourth quarter of 2018, at constant currency and perimeter, Vivendi's revenue growth was +5 6% compared to the fourth quarter of 2017, as opposed to +3.3% for the first quarter of 2018, +4 6% for the second quarter, and +5 7% for the third quarter (for quarterly revenues by business segment, please refer to the appendix to the Financial Report).

For a detailed analysis of revenues by business segment, please refer to Section 1.3 below.

1.2.2 Operating results

Cost of revenues amounted to €7,618 million, compared to €7,302 million in 2017, an increase of €316 million

Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations amounted to €4,875 million, compared to €4,118 million in 2017, an increase of €757 million.

Depreciation and amortization of tangible and intangible assets are included either in the cost of revenues or in selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, amounted to €340 million (compared to €337 million in 2017), 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 €1,439 million, compared to €1,098 million in 2017, an increase of €341 million (+31.0%), notably resulting from the consolidation of Havas (+€123 million). At constant currency and perimeter, income from operations increased by €250 million (+22.7%) driven by the growth of Universal Music Group (+€177 million) and Canal+ Group (+€78 million), which continues its recovery in France

EBITA amounted to €1,288 million, compared to €969 million in 2017, an increase of €319 million (+33.0%), notably resulting from the consolidation of Havas (+€104 million). At constant currency and perimeter, EBITA increased by €240 million (+24 7%), driven by the growth of Universal Music Group (+€168 million) and Canal+ Group (+€98 million), which continues its recovery in France. In addition, EBITA included

- **restructuring charges** of €115 million, compared to €88 million in 2017, primarily incurred by Havas (€30 million, compared to €15 million for the second half of 2017), Universal Music Group (€29 million, compared to €17 million in 2017), Canal+ Group (€28 million, compared to €49 million in 2017) and Corporate (€19 million, compared to €1 million in 2017), and
- **other operating charges and income** excluded from income from operations, which was a net charge of €36 million, compared to a net charge of €41 million in 2017. They notably included a -€22 million charge relating to share-based compensation plans in 2018, compared to -€31 million in 2017.

For a detailed analysis of income from operations and EBITA by business segment, please refer to Section 1 3 below.

EBIT amounted to €1,182 million, compared to €1,018 million in 2017, an increase of €164 million. It included the following

- **amortization and depreciation of intangible assets acquired through business combinations** for €113 million, compared to €124 million in 2017, a €11 million improvement,
- **the reversal of reserve** related to the Securities Class Action litigation in the United States, which represented a net profit of €27 million for the first half of 2017. As a reminder, 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, and

[1] *Constant perimeter reflects the impacts of the acquisition of Havas (July 3, 2017), the acquisition of Paylogic by Vivendi Village (April 16, 2018) and the sale of Radionomy by Vivendi Village (August 17, 2017)*

[2] *At constant currency and perimeter, compared to 2017.*

- **income from equity affiliates – operational**, which was a profit of €7 million, compared to a profit of €146 million in 2017 This decrease of €139 million resulted from the reclassification in 2018 of Vivendi's share of Telecom Italia's net earnings (€122 million) in "income from equity affiliates - non-operational", to account for the decrease of Vivendi's influence over Telecom Italia in 2018 (please refer below and to Note 11 2 to the Consolidated Financial Statements for the year ended December 31, 2018) In 2017, this amount primarily included Vivendi's share of Telecom Italia's net earnings, calculated based on the financial information publicly disclosed by Telecom Italia, which represented a profit of €144 million

1.2.3 Income from equity affiliates - non-operational

Income from equity affiliates - non-operational amounted to a profit of €122 million, compared to nil in 2017 In 2018, this amount related to Vivendi's share of Telecom Italia's net earnings, calculated based on the financial information publicly disclosed by Telecom Italia[3] In 2017, the share of Telecom Italia's net earnings (€144 million) was recorded as "income from equity affiliates - operational" (please refer above and to Note 11 2 to the Consolidated Financial Statements for the year ended December 31, 2018)

1.2.4 Financial results

In 2018, **interest** was an expense of €47 million (compared to €53 million in 2017) In this amount.

- interest expense on borrowings amounted to €64 million, compared to €68 million in 2017. This change notably reflected the decrease in the average interest rate on borrowings to 1 39% (compared to 1 60% in 2017), partially offset by the increase in the average outstanding borrowings to €4 6 billion (compared to €4 3 billion in 2017), and
- interest income earned on the investment of cash surpluses amounted to €17 million, compared to €15 million in 2017. This change reflected the increase in the average interest rate on cash investments to 0 50% (compared to 0 40% in 2017), partially offset by the decrease in the average outstanding cash investments to €3 4 billion (compared to €3 7 billion in 2017).

Income from investments amounted to €20 million, compared to €29 million in 2017 This amount mainly included dividends received from Telefonica of €11 million (compared to €20 million in 2017), as well as the interest from the bonds issued by Banijay Group Holding and Lov Banijay and subscribed to by Vivendi for €6 million (compared to €7 million in 2017)

Other financial charges and income were a net charge of €763 million, compared to a net charge of €100 million in 2017. In 2018, other financial charges included the write-down of the value of the Telecom Italia shares accounted for under the equity method, for €1,066 million Notwithstanding Vivendi's expected improvement of Telecom Italia's outlook, Vivendi wrote-down the value of its interest in Telecom Italia accounted for under the equity method notably to take into account the uncertainty affecting Telecom Italia's governance, which increases the non-execution risks associated with the company's industrial plan given Vivendi's lower power to participate in Telecom Italia's financial and operating policy decisions, and to take into account the changes in Telecom Italia's competitive and regulatory environment Other financial income included the revaluation between January 1 and December 31, 2018 of the interests in Spotify and Tencent Music for an aggregate amount of €312 million, as well as in Ubisoft for €53 million, reported to profit or loss in accordance with the new accounting standard IFRS 9, applicable since January 1, 2018

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

1.2.5 Provision for income taxes

In 2018, **provision for income taxes reported to adjusted net income** was a net charge of €253 million, compared to a net income of €195 million in 2017, representing an unfavorable change of €448 million. In 2017, the tax net income reported to adjusted net income notably included (i) a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement, and (ii) the current tax income of €25 million, corresponding to moratorium interest, relating 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, where it was ruled that this tax contribution was unconstitutional (please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2018).

[3] *On November 8, 2018 (Financial Statements for the first nine months of 2018) and on March 6, 2018 (Financial Statements for the year ended December 31, 2017) please refer to Note 11 2 to the Consolidated Financial Statements for the year ended December 31, 2018*

Excluding these two non-recurring favorable impacts, provision for income taxes reported to adjusted net income in 2017 would have been a net charge of €239 million, compared to a net charge of €253 million in 2018, i.e., an unfavorable change of €14 million. This change mainly reflected the increase in the tax charges of Universal Music Group and Canal+ Group, partially offset by the increase in current tax savings from Vivendi's Tax Group System in France. In 2018, the growth in Universal Music Group's taxable income in the United States resulted in a federal tax charge of €48 million, which reflected the impact of the tax reform applicable from January 1, 2018. In 2017, the federal tax charge was nil, taking into account the current tax savings resulting from the utilization of the tax losses carried forward in the United States (€96 million). The growth in Canal+ Group's taxable income primarily resulted from the recovery of its businesses in France. The increase in current tax savings from Vivendi's Tax Group System in France in 2018 (€168 million, compared to €86 million in 2017) notably resulted from the integration of Havas and its subsidiaries as from January 1, 2018.

In 2018, **the effective tax rate reported to adjusted net income** amounted to 20.1%, compared to 25.3% in 2017 restated from the two non-recurring favorable impacts. This decrease of approximately 5 points in the effective tax rate reported to adjusted net income mainly reflected the increase in 2018 of the current tax savings from Vivendi's Tax Group System in France, as well as the decrease in the federal tax rate in the United States, while unutilized tax losses generated by businesses under development were almost stable.

In 2018, **provision for income taxes reported to net income** was a net charge of €357 million, compared to a net income of €355 million in 2017. In 2017, the tax net income reported to net income notably included (i) a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement, as well as (ii) 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, where it was ruled that this tax contribution was unconstitutional (please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2018).

Excluding the two non-recurring favorable impacts, the provision for income taxes reported to net income in 2017 would have been a net charge of €297 million, compared to a net charge of €357 million in 2018, i.e., an unfavorable change of €60 million. In addition to the explanatory reasons for the increase in the tax charge reported to adjusted net income, in 2018, this increase in the tax charge reported to net income included, the deferred tax charge relating to the revaluation through profit or loss of the interests in Spotify and Tencent Music for an aggregate amount of -€72 million, in accordance with the new accounting standard IFRS 9, applicable since January 1, 2018. 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. This also included 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. In addition, the deferred tax savings relating to Vivendi SA's Tax Group System were almost stable (a charge of €2 million in 2018, compared to an income of €3 million in 2017).

1.2.6 Non-controlling interests

In 2018, **earnings attributable to non-controlling interests** amounted to €30 million, compared to €33 million in 2017. They mainly included the non-controlling interests of nc+ in Poland, Canal+ International and VTV in Vietnam.

1.2.7 Earnings attributable to Vivendi SA shareowners

In 2018, **earnings attributable to Vivendi SA shareowners** amounted to a profit of €127 million (or €0.10 per share - basic), compared to €1,216 million in 2017 (or €0.97 per share - basic), a decrease of €1,089 million (-89.6%). In 2018, the increase in EBIT (+€164 million) and the revaluation between January 1 and December 31, 2018 of the interests in Spotify, Tencent Music and Ubisoft for an aggregate amount of +€365 million, were offset by the write-down of the Telecom Italia shares accounted for under the equity method (-€1,066 million) and the increase in provision for income taxes (-€712 million). In 2017, the tax net income reported to adjusted net income notably included a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement. This also included the current tax income of €243 million (including €25 million of moratorium interest) relating to the refund received by Vivendi SA and its subsidiaries of the amounts paid under the 3% tax on dividend distributions. Excluding these two non-recurring favorable tax impacts, the net income would have been a profit of €564 million in 2017.

1.2.8 Adjusted net income

(in millions of euros)	Year ended December 31, 2018	2017	% Change
Revenues	**13,932**	**12,518**	**+ 11.3%**
Income from operations	**1,439**	**1,098**	**+ 31.0%**
EBITA	**1,288**	**969**	**+ 33.0%**
Income from equity affiliates - operational	7	205	
Income from equity affiliates - non-operational	182	-	
Interest	(47)	(53)	
Income from investments	20	29	
Adjusted earnings from continuing operations before provision for income taxes	1,450	1,150	+ 26 1%
Provision for income taxes	(253)	195	
Adjusted net income before non-controlling interests	1,197	1,345	
Non-controlling interests	(40)	(45)	
Adjusted net income	**1,157**	**1,300**	**- 11.1%**

In 2018, **adjusted net income** was a profit of €1,157 million (or €0.92 per share - basic), compared to €1,300 million in 2017 (or €1 04 per share - basic), a decrease of €143 million (-11 1%) The growth in EBITA (+€319 million), resulting from the consolidation of Havas and the performance of Universal Music Group and Canal+ Group, was offset by the correlative increase of provision for income taxes (-€448 million) In 2017, the tax net income reported to adjusted net income notably included a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement This also included the current tax income of €25 million corresponding to moratorium interest relating to the refund received by Vivendi SA and its subsidiaries of the amounts paid under the 3% tax on dividend distributions Excluding these two non-recurring favorable tax impacts, the adjusted net income would have been a profit of €866 million in 2017, compared to a profit of €1,157 million in 2018, i.e., an increase of €291 million (+33.6%).

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

(in millions of euros)	Year ended December 31, 2018	2017
Earnings attributable to Vivendi SA shareowners (a)	**127**	**1,216**
Adjustments		
Amortization and depreciation of intangible assets acquired through business combinations	113	124
Amortization of intangible assets related to equity affiliates	60	59
Reversal of reserve related to the Securities Class Action litigation in the United States (a)	-	(27)
Other financial charges and income	763	100
Provision for income taxes on adjustments	104	(160)
Impact of adjustments on non-controlling interests	(10)	(12)
Adjusted net income	**1,157**	**1,300**

a As reported in the Consolidated Statement of Earnings.

Adjusted net income per share

	Year ended December 31, 2018 Basic	2018 Diluted	2017 Basic	2017 Diluted
Adjusted net income (in millions of euros)	1,157	1,157	1,300	1,254 (a)
Number of shares (in millions)				
Weighted average number of shares outstanding (b)	1,263 5	1,263 5	1,252 7	1,252 7
Potential dilutive effects related to share-based compensation	-	5 1	-	4 8
Adjusted weighted average number of shares	1,263 5	1,268 6	1,252 7	1,257 5
Adjusted net income per share (in euros)	**0.92**	**0.91**	**1.04**	**1.00**

a Corresponded only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information publicly 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, 2018).

b Net of the weighted average number of treasury shares (38 5 million shares in 2018, compared to 37 5 million in 2017)

1.3 Analysis of revenues and operating results by business segment

	Year ended December 31,				
(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues					
Universal Music Group	6,023	5,673	+6 2%	+10 0%	+10.0%
Canal+ Group	5,166	5,198	-0 6%	-0 3%	-0 3%
Havas	2,319	1,211	na	na	na
Gameloft	293	320	-8 3%	-5.1%	-5 1%
Vivendi Village	123	109	+12 6%	+13 1%	+11 5%
New Initiatives	66	51	+30 5%	+30.5%	+30 5%
Elimination of intersegment transactions	(58)	(44)			
Total Vivendi	**13,932**	**12,518**	**+11.3%**	**+14.1%**	**+4.9%**
Income from operations					
Universal Music Group	946	798	+18 4%	+22 1%	+22 1%
Canal+ Group	429	349	+23 1%	+22 4%	+22 4%
Havas	258	135	na	na	na
Gameloft	4	10	-60 4%	-56 4%	-56 4%
Vivendi Village	(9)	(6)			
New Initiatives	(79)	(87)			
Corporate	(110)	(101)			
Total Vivendi	**1,439**	**1,098**	**+31.0%**	**+33.9%**	**+22.7%**
EBITA					
Universal Music Group	902	761	+18 4%	+22 1%	+22 1%
Canal+ Group	400	300	+33 6%	+32 8%	+32 8%
Havas	215	111	na	na	na
Gameloft	2	4	-55 8%	-41 9%	-41 9%
Vivendi Village	(9)	(18)			
New Initiatives	(99)	(92)			
Corporate	(123)	(97)			
Total Vivendi	**1,288**	**969**	**+33.0%**	**+36.1%**	**+24.7%**

na. not applicable

a Constant perimeter reflects the impacts of the acquisition of Havas (July 3, 2017), the acquisition of Paylogic by Vivendi Village (April 16, 2018) and the sale of Radionomy by Vivendi Village (August 17, 2017).

1.3.1 Universal Music Group (UMG)

(in millions of euros)	Year ended December 31, 2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter
Recorded music	4,828	4,559	+5.9%	+9.8%	+9.8%
Subscriptions and streaming	*2,596*	*1,971*	*+31.7%*	*+37.3%*	*+37.3%*
Other digital sales (a)	*479*	*685*	*-30.0%*	*-26.6%*	*-26.6%*
Physical sales	*949*	*1,156*	*-17.9%*	*-16.1%*	*-16.1%*
License and other	*804*	*747*	*+7.5%*	*+10.7%*	*+10.7%*
Music publishing	941	854	+10.3%	+14.5%	+14.5%
Merchandising and other	273	283	-3.5%	-1.5%	-1.5%
Elimination of intersegment transactions	(19)	(23)			
Revenues	**6,023**	**5,673**	**+6.2%**	**+10.0%**	**+10.0%**
Income from operations	**946**	**798**	**+18.4%**	**+22.1%**	**+22.1%**
Income from operations margin	*15.7%*	*14.1%*	*+1.6 pts*		
Restructuring charges	(29)	(17)			
Income/(charges) related to share-based compensation plans	(4)	(9)			
Other special items excluded from income from operations	(11)	(11)			
EBITA	**902**	**761**	**+18.4%**	**+22.1%**	**+22.1%**
EBITA margin	*15.0%*	*13.4%*	*+1.6 pts*		
Recorded music revenues by geographic area					
North America	2,224	2,090	+6.4%	+11.5%	+11.5%
Europe	1,580	1,513	+4.4%	+5.5%	+5.5%
Asia	618	563	+9.8%	+13.0%	+13.0%
Latin America	153	155	-1.5%	+14.5%	+14.5%
Rest of the world	253	238	+6.2%	+11.3%	+11.3%
	4,828	**4,559**	**+5.9%**	**+9.8%**	**+9.8%**

a Mainly included download sales

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

Year ended December 31, 2018		Year ended December 31, 2017	
Artist	Title	Artist	Title
Drake	*Scorpion*	Taylor Swift	*Reputation*
Post Malone	*Beerbongs & Bentleys*	Kendrick Lamar	*DAMN*
Lady Gaga and Bradley Cooper	*A Star Is Born*	Drake	*More Life*
The Beatles	*The Beatles (White Album)*	The Weeknd	*Starboy*
XXXTentacion	*?*	Luis Fonsi	*Despacito & Mis Grandes Éxitos*
Migos	*Culture II*	Various Artists	*Moana*
Imagine Dragons	*Evolve*	Imagine Dragons	*Evolve*
Ariana Grande	*Sweetener*	The Beatles	*Sgt. Pepper's*
Kendrick Lamar	*Black Panther: The Album*	Post Malone	*Stoney*
Post Malone	*Stoney*	Sam Smith	*The Thrill Of It All*

In 2018, Universal Music Group's (UMG) revenues amounted to €6,023 million, up 10 0% at constant currency and perimeter compared to 2017 (+6 2% on an actual basis)

Recorded music revenues grew by 9 8% at constant currency and perimeter thanks to the growth in subscription and streaming revenues (+37.3%), driven by the increase in subscribers and a stronger market share, which more than offset the continued decline in both download (-23.5%) and physical (-16.1%) sales

Recorded music best sellers for the year included releases from Drake, Post Malone, The Beatles and XXXTentacion, as well as the soundtrack release from *A Star is Born*

Globally, UMG had every one of the top five tracks, the top four artists and the top three albums on Spotify in 2018 Additionally, UMG artists occupied the top five positions and 14 of the top 20 positions on Apple Music's Global Top 100 Songs 2018

Music publishing revenues grew by 14.5% at constant currency and perimeter, also driven by increased subscription and streaming revenues, as well as higher revenues generated from performance rights and synchronization

Merchandising and other revenues decreased by 1.5% at constant currency and perimeter, due to lower touring activity

Driven by the growth in revenues, UMG's income from operations amounted to €946 million, up 22 1% at constant currency and perimeter compared to 2017 (+18.4% on an actual basis), and UMG's EBITA amounted to €902 million, up 22 1% at constant currency and perimeter compared to 2017 (+18 4% on an actual basis)

In 2018, several of the world's most iconic artists signed or re-signed with UMG, including ground-breaking deals with Taylor Swift, The Rolling Stones and Sir Elton John, demonstrating that UMG is the preferred partner for artists for all stages and virtually every aspect of their careers

1.3.3 Canal+ Group

(in millions of euros)	Year ended December 31, 2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter
TV in Mainland France (a)	3,137	3,249	-3.4%	-3.4%	-3.4%
International TV	1,567	1,482	+5.7%	+6.8%	+6.8%
Studiocanal	462	467	-1.2%	-0.6%	-0.6%
Revenues	**5,166**	**5,198**	**-0.6%**	**-0.3%**	**-0.3%**
Income from operations	**429**	**349**	**+23.1%**	**+22.4%**	**+22.4%**
Income from operations margin	*8.3%*	*6.7%*	*+1.6 pts*		
Income/(charges) related to share-based compensation plans	(3)	(6)			
Other special items excluded from income from operations	2	6			
EBITA before restructuring charges	**428**	**349**	**+22.6%**	**+21.8%**	**+21.8%**
Restructuring charges	(28)	(49)			
EBITA	**400**	**300**	**+33.6%**	**+32.8%**	**+32.8%**
EBITA margin	*7.7%*	*5.8%*	*+1.9 pts*		
Pay-TV subscribers (in thousands)					
Self-distributed individual subscribers in Mainland France	4,733	4,950	-217		
Canal customers *via* wholesale partnerships (b)	3,093	3,117	-24		
International individual subscribers	7,831	6,948	+883		
Africa	*4,110*	*3,458*	*+652*		
Poland	*2,194*	*2,171*	*+23*		
Overseas	*583*	*530*	*+53*		
Vietnam	*884*	*789*	*+95*		
Myanmar (Burma)	*60*	-	*+60*		
Total Canal+ Group individual subscribers	**15,657**	**15,015**	**+642**		
Collective subscribers	591	579	+12		
Total Canal+ Group subscribers	**16,248**	**15,594**	**+654**		
Mainland France Pay-TV					
Churn rate (over a 12-month rolling period) (c)	13.6%	15.8%	-2.2 pts		
Net ARPU *Premium* (in euros) (d)	44.8	45.5	-€0.7		
Net ARPU (in euros) (e)	45.4	45.7	-€0.3		

a Corresponds to pay-TV and free-to-air channels (C8, CStar and CNews) in mainland France

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

c Churn rate by individual subscriber with commitment over a 12-month period, excluding customers via wholesale partnerships and those benefiting from a LDA (*Liberté d'Annuler*) option.

d Net ARPU (Average revenue per user) per individual Premium subscriber with and without commitment, excluding wholesale partnerships

e Net ARPU per individual subscriber with commitment, excluding wholesale partnerships

In 2018, Canal+ Group's revenues amounted to €5,166 million, almost stable compared to 2017 (-0.3% at constant currency and perimeter)

At the end of December 2018, Canal+ Group's overall subscriber portfolio (individual and collective subscribers in France and internationally) stood at 16 2 million, compared to 15 6 million at the end of December 2017, representing net growth of 654,000 subscribers

Revenues from television operations in mainland France decreased slightly (-3 4% at constant currency and perimeter) due to the decline in the individual subscriber base (7.8 million, compared to 8 1 million at the end of December 2017), despite a positive change in the churn rate, which decreased by 2.2 points over the year to 13 6%. This decline was due in particular to the drop in Canalplay's subscriber base and the termination of the Canalsat offer in favor of the new Canal offers and subscriptions via wholesale partnerships with telecom operators.

However, the Canal+ channel's individual subscriber base recorded a net year-on-year increase in subscribers of 251,000. Including collective subscriptions, the total subscriber portfolio in mainland France reached 8 3 million

International operations delivered a strong increase in revenues of 6 8% at constant currency and perimeter, primarily due to the very strong growth in the individual subscriber base (+883,000 year-on-year) to which all the territories contributed, without exception

Studiocanal's revenues amounted to €462 million, a slight year-on-year decrease (-0 6% at constant currency and perimeter) due to an unfavorable 2017 comparable basis (particularly with the worldwide success of *Paddington 2*) and despite significant growth in TV operations and increased catalog revenues

In France, Studiocanal was the second largest French film distributor in 2018 with more than 10 million theater tickets sold, thanks in particular to the success of *Sink or Swim* (4.3 million tickets sold), *Mia and the White Lion* (1 4 million tickets sold), and *In Safe Hands* (0 8 million tickets sold) during the fourth quarter.

In 2018, Canal+ Group's profitability increased sharply compared to 2017 Income from operations amounted to €429 million, compared to €349 million in 2017 (+22.4% at constant currency and perimeter)

EBITA before restructuring charges amounted to €428 million, up nearly €80 million year-on-year EBITA after restructuring charges amounted to €400 million, compared to €300 million in 2017 (+32 8% at constant currency and perimeter). This strong EBITA growth was notably due to the cost savings plan initiated in 2016, the significant improvement in mainland France and sustained international development

On November 8, 2018, Canal+ Group announced the renewal of its agreement with the French cinema, extending until the end of 2022 a historic partnership of more than 30 years. This agreement was a prerequisite for the signing on December 21, 2018 of the new media release chronology which protects and strengthens the unique position of Canal+ which can now offer new movies to its subscribers as early as 6 months after their theatrical release.

In the fourth quarter of 2018, Canal+ Group also strengthened its sports offer, especially around football, with the acquisition of the broadcasting rights in France for the English Premier League and in Poland for the Ekstraklasa Canal+ Group is proud to have won the exclusive rights in France for the Premier League, the most widely broadcast football league in the world Canal+ will offer the 380 Premier League matches on its channels and on myCANAL The agreement covers three seasons (2019/2020, 2020/2021 and 2021/2022) and will start in August 2019.

In addition, the acquisition of Moto GP's rights for the first time illustrates the group's desire to diversify its sports offer, in line with recent developments in boxing and women's football

A new global distribution agreement entered into on November 14, 2018 with the TF1 Group allows all TF1 Group channels and related non-linear services to be integrated into the Canal offers. The group had entered into a similar agreement with M6 Group in early 2018.

1.3.4 Havas

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

	Year ended December 31,		12-month pro forma data		
(in millions of euros)	2018	2017 (a)	2017	% Change	% Change at constant currency and perimeter
Revenues	2,319	1,211	2,374	-2 3%	+0 5%
Net revenues (b)	**2,195**	**1,151**	**2,259**	**-2.8%**	**+0.1%**
Income from operations	**258**	**135**	**254**	**+1.8%**	-
Income from operations/net revenues	*11 8%*	*11 7%*	*11 2%*	*+0.6 pts*	
Income/(charges) related to share-based compensation plans	(12)	(3)	(10)		
Other special items excluded from income from operations	(1)	(6)	(8)		
EBITA before restructuring charges	**245**	**126**	**236**	**+3.8%**	**+1.9%**
Restructuring charges	(30)	(15)	(24)		
EBITA	**215**	**111**	**212**	**+1.7%**	**-0.7%**
EBITA/net revenues	*9 8%*	*9 6%*	*9 4%*	*+0.4 pts*	
Net revenues by geographic area					
Europe	1,109	575	1,123	-1 2%	-1 4%
Of which France	*438*	*226*	*452*	*-3.1%*	*-3 4%*
United Kingdom	*261*	*123*	*242*	*+8.1%*	*+4 8%*
North America	766	391	789	-2 9%	+1 3%
Asia Pacific and Africa	192	111	201	-4 9%	-
Latin America	128	74	146	-12 7%	+5 8%
	2,195	**1,151**	**2,259**	**-2.8%**	**+0.1%**

a Corresponds to the financial data consolidated by Vivendi since July 3, 2017

b Net revenues correspond to Havas's revenues less the pass-through costs rebilled to customers (please refer to Note 1 3 4 3 to the Consolidated Financial Statements for the year ended December 31, 2018)

Reflecting an excellent fourth quarter 2018, Havas's revenues amounted to €693 million, up 6 5% at constant currency and perimeter Organic net revenue growth was 4 8% compared to the fourth quarter of 2017 (+6 7% excluding the impact of Arnold).

In 2018, Havas's revenues amounted to €2,319 million, up 0.5% at constant currency and perimeter compared to 2017 (pro forma) Net revenues amounted to €2,195 million (compared to €2,259 million in 2017 pro forma), up 0 1% organically (+1.9% excluding the impact of Arnold) and down 2.8% on an actual basis mainly due to negative currency effects

With an organic growth of 2.7% in the second half of 2018, compared to -2 9% in the first half of 2018, Havas confirmed the net sequential improvement in organic net revenue growth All its businesses (creative, health and wellness and media) contributed to this upturn

In 2018, Havas increased its profitability Havas's income from operations reached €258 million, compared to €254 million in 2017 (pro forma), a +0.6-point increase in the income from operations/net revenues margin to 11 8%. EBITA amounted to €215 million, compared to €212 million in 2017, representing an increase of +0.4 points in the EBITA/net revenues margin EBITA before restructuring charges was up 3.8% compared to 2017 (+1 9% organically)

The North American agencies performed very well in the fourth quarter of 2018, thanks to Havas Media, Havas Health & You, Havas Edge and Abernathy/AMO

Business in Europe continued to show progress at the end of the year, supported once again by robust performances in France and in the United Kingdom. In France, BETC, Havas Paris and Ekino/Fullsix agencies were the major contributors The United Kingdom confirmed its recovery driven by the excellent performance from the media businesses, and the continued dynamism of the healthcare communications business at Havas Lynx and the creative business at Havas London Italy continued to show steady growth, while performances from the other European countries remained mixed

Latin America confirmed its recovery, driven by the media businesses

Asia-Pacific returned a slightly negative performance, penalized by Australia, while China and India both reported sustained growth

Havas pursued its policy of targeted acquisitions, completing several acquisitions in 2018

- Catchi, the leading digital conversion rate optimization (CRO) specialist across Australia and New Zealand,
- Deekeling Arndt Advisors (DAA), a leading German communications consultancy providing communicative support and political flanking of equity market transactions, reputation management and crisis communications,

- Etoile Rouge, a communications agency dedicated to luxury and lifestyle brands in France;
- M&C consultancy, a UK-based specialist in healthcare market access, and
- Republica, the leading independent multicultural marketing agency in the United States, based in Miami, Florida

In addition, on December 14, 2018, Havas Group entered into an agreement to acquire a 51% interest in the largest Baltics-based communications group, formed by the merger of Estonian-owned Idea Group and Lithuanian-owned Publicum Group The new combined entity will operate under the name Havas Baltics and will represent the Havas Group in Estonia, Lithuania and Latvia.

Major awards won by Havas

In the fourth quarter of 2018, the Palau Pledge campaign, created by Australian agency Host/Havas for the Palau Legacy Project, continued to garner awards, notably at the D&AD Impact Awards and at the LIAA. In 2018, it became one of the most awarded campaigns worldwide.

Havas Group's agencies won 6 awards at the LIAA At the Clio Health Awards, Havas Lynx took 5 awards, BETC Brazil was awarded 1 Gold and Havas Republica, one of the agencies acquired by Havas in 2018, carried off 1 Silver and 1 Bronze

Several Havas agencies did well at the Epica Awards, taking home a total of 23 awards At the Cristal Festival, Host/Havas was awarded the Grand Prix in the Promo & Activation category, other agencies scooped a total of 35 awards and Havas was, once again, named Advertising Network of the Year Adweek named Rosapark its International Agency of the Year.

Major account wins over the fourth quarter of 2018

- Healthcare communications Havas Health & You Novartis Genentech, AbbVie, Chemocentryx and Sage Therapeutics;
- Creative Adidas, Henkel, Nestle, Savencia, Amway; and
- Media: Puma, Reckitt, Correos, Caisse des dépôts, Gameloft

1.3.5 Gameloft

	Year ended December 31,				
(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter
Revenues	**293**	**320**	**-8.3%**	**-5.1%**	**-5.1%**
Income from operations	**4**	**10**	**-60.4%**	**-56.4%**	**-56.4%**
Restructuring charges	(4)	(1)			
Charges related to share-based compensation plans	2	(5)			
Other special items excluded from income from operations	-	-			
EBITA	**2**	**4**	**-55.8%**	**-41.9%**	**-41.9%**
Revenues by geographic area					
EMEA (Europe, the Middle East, Africa)	100	107			
Asia Pacific	73	89			
North America	97	94			
Latin America	23	30			
	293	**320**			
Average Unique Users (in millions)					
Monthly Active Users (MAU)	98	128			
Daily Active Users (DAU)	11	15			

In 2018, Gameloft's OTT revenues (sales of games on platforms such as Apple, Google, Microsoft and Amazon) which represents 72% of Gameloft's total revenues, were up 2 1% at constant currency This increase partially offset the decline in the activity related to telecom operators, which is structurally in decline due to the gradual replacement of traditional mobile phones by smartphones, and the decrease in advertising sales In 2018, Gameloft's revenues amounted to €293 million, down 5 1% at constant currency and perimeter.

Gameloft released two new games on smartphones in 2018. *Dungeon Hunter Champions* and *Asphalt 9: Legends*, the latest opus of the No. 1 mobile racing franchise that has recorded more than 35 million downloads since its launch on July 26, 2018 and was among Gameloft's Top 5 bestselling games in 2018.

Gameloft's catalogue (63% of 2018 revenues generated by its own franchises), including its bestselling games such as *Disney Magic Kingdoms, March of Empires, Dragon Mania Legends, Asphalt 8: Airborne* and *Asphalt 9: Legends*, which accounted for 47% of Gameloft's total revenues in 2018, is particularly resilient.

In 2018, Gameloft's income from operations amounted to €4 million, and EBITA amounted to €2 million, including restructuring charges for €4 million

Gameloft and the LEGO Group announced the release in 2019 of a LEGO game that will bring 40 years of LEGO minifigure history and universes to mobiles.

In December 2018, Gameloft acquired FreshPlanet, the multi-award-winning maker of the SongPop mobile games with more than 100 million downloads In line with Gameloft's philosophy to provide the best gaming experiences to players of all ages and countries, this acquisition is a new milestone in the company's expansion strategy

1.3.6 Vivendi Village

	Year ended December 31,				
(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues	**123**	**109**	**+12.6%**	**+13.1%**	**+11.5%**
of which Vivendi Ticketing	*58*	*52*	*+9 9%*	*+11 1%*	*-4 0%*
Live	*34*	*18*	*+94 9%*	*+94 9%*	*+94.9%*
Income from operations	**(9)**	**(6)**			
Restructuring charges	(2)	(2)			
Income/(charges) related to share-based compensation plans	-	-			
Other special items excluded from income from operations	2	(10)			
EBITA	**(9)**	**(18)**			

a Constant perimeter reflects the impacts of the acquisition of Paylogic (April 16, 2018) and the sale of Radionomy (August 17, 2017)

In 2018, Vivendi Village's revenues amounted to €123 million, an increase of 12 6% (+ 11 5% at constant currency and perimeter) compared to 2017.

Ticketing revenues amounted to €58 million, up 9 9% compared to 2017 following the acquisition of Paylogic in April 2018 Vivendi Village now has a ticketing network with a strong presence in Continental Europe, the United Kingdom and the United States, which had a record year with more than 20 million tickets sold

Live activities, which encompass Olympia Production, festivals and venues in France and Africa, recorded revenues of €34 million, an increase of 94.9% compared to 2017. Olympia Production recorded very strong growth with more than 1,100 shows It has a diversified portfolio of 32 artists (music and comedy) and four regional festivals in France (compared to two in 2017), including Garorock, one of the country's largest festivals with an attendance of 145,000 people, acquired at the end of 2018 L'Olympia enjoyed a very good year with 280 shows, its level of activity prior to November 2015.

In Africa, CanalOlympia, with 11 cinema and entertainment venues in eight countries at the end of 2018, is meeting the challenge of strong demand for cinema its average attendance rate (24%) is almost double that of France

Vivendi Sports organized its first two events in 2018, le Tour de l'Espoir (a cycling race in Cameroon) and Jab&Vibes (a boxing competition in Senegal)

Vivendi Village's income from operations amounted to a loss of €9 million in 2018, compared to a loss of €6 million in 2017. Excluding the investments in Africa, income from operations was positive at €2 million EBITA amounted to a loss of €9 million, compared to a loss of €18 million in 2017.

1.3.7 New Initiatives

In 2018, New Initiatives, which includes Dailymotion, Vivendi Content and GVA, recorded revenues amounting to €66 million, up 30.5% compared to 2017

GVA is deploying a fiber network on the African continent, enabling major cities to benefit from very high-speed Internet services In 2018, GVA opened two locations in Gabon and Togo, and acquired a business in Congo GVA is planning to make significant investments, which will weigh on its profitability for the first few years of operation

Since June 2017, Dailymotion has focused on premium content and has improved its video base Its audience for premium content has almost doubled in the space of a year, reaching 2 2 billion views at the end of 2018, compared to 1 2 billion at the end of 2017 This strategy has enabled Dailymotion to enter into many partnerships with leading global publishers. In total, more than 300 agreements were concluded in 2018, including 100 in the United States and dozens in territories where Dailymotion previously had little presence (Korea, Vietnam, India). The audience in these new countries has grown significantly

In 2018, Dailymotion also reviewed its advertising ecosystem The company created its own programmatic platform and content monetization system (live or programmatic). It is currently working on new formats.

New Initiatives' income from operations amounted to a loss of €79 million, compared to a loss of €87 million in 2017 New Initiatives' EBITA amounted to a loss of €99 million, compared to a loss of €92 million in 2017.

1.3.8 Corporate

Corporate's income from operations was a net charge of €110 million, compared to a net charge of €101 million in 2017, an unfavorable change of €9 million, primarily due to the increase in legal fees, notably relating to ongoing litigation and non-recurring positive items recorded in 2017

Corporate's EBITA was a net charge of €123 million, compared to a net charge of €97 million in 2017, an unfavorable change of €26 million mainly relating to the change in income from operations and an increase in restructuring charges

2 Liquidity and capital resources

2.1 Liquidity and equity portfolio

Preliminary comments:

- *The "Net Cash Position" and the "Financial Net Debt", non-GAAP measures, should be considered in addition to, and not as a substitute for, GAAP measures presented in the Consolidated Statement of Financial Position, as well as any other measure of indebtedness reported in accordance with GAAP. Vivendi considers these to be relevant indicators of the group's liquidity and capital resources. Vivendi Management uses these indicators for reporting, management and planning purposes.*
- *The Net Cash Position (and the Financial Net Debt) are calculated as follows:*
  - *i. cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, corresponding to cash in banks, money market funds and bond funds, which satisfy ANC and AMF position expectations expressed in November 2018, and other highly liquid short-term investments with initial maturities of generally three months or less, as required by IAS 7 (please refer to Note 1.3.5.11 to the Consolidated Financial Statements for the year ended December 31, 2018),*
  - *ii. cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", relating to financial investments, that do not satisfy the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, which satisfy ANC and AMF position expectations expressed in November 2018; and*
  - *iii. derivative financial instruments, net (assets and liabilities) where the underlying instruments are Financial Net Debt items, as well as cash deposits securing borrowings included in the Consolidated Statement of Financial Position under "financial assets";*

  less:
  - *iv. value of borrowings at amortized cost.*
- *For a detailed description, please refer to Note 14 "Cash position" and to Note 19 "Borrowings and other financial liabilities and financial risk management" to the Consolidated Financial Statements for the year ended December 31, 2018.*

2.1.1 Changes in liquidity

(in millions of euros)	Cash and cash equivalents	Borrowings at amortized cost and other financial items (a)	Net Cash Position/(Financial Net Debt)
Financial Net Debt as of December 31, 2017	**1,951**	**(4,291)**	**(2,340)**
(Outflows) / inflows			
Operating activities	1,187	-	1,187
Investing activities	1,286	520	1,806
Financing activities	(610)	120	(490)
Foreign currency translation adjustments	(21)	34	13
Financial Net Debt as of December 31, 2018	**3,793**	**(3,617)**	**176**

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

As of December 31, 2018, Vivendi's Net Cash Position amounted to €176 million, compared to a Financial Net Debt of -€2,340 million as of December 31, 2017, an increase of €2,516 million This favorable change was mainly attributable to the following items

- a €1,580 million inflow as part of the sale of Vivendi's 27.27% interest in Ubisoft at a price of €66 per share for an aggregate consideration of €2 0 billion (including €1,511 million received on March 23, 2018, €69 million received on October 3, 2018 and €429 million still to be received under the forward sale of the remainder of its interest which is expected to occur on March 5, 2019; please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2018);
- a €373 million inflow as part of the sale on the market of the Telefonica shares held by Vivendi in November and December 2018;
- a €267 million inflow received on July 12, 2018 as part of the sale of Vivendi's interest in Fnac Darty (please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2018), and
- net cash provided by operating activities (after income tax paid) for €1,187 million

These inflows were partially offset by the dividend paid by Vivendi on April 24, 2018 with respect to fiscal year 2017 for €568 million and net capital expenditures for €341 million.

During the first quarter of 2019, the following events will impact the cash position:

- On January 31, 2019, Vivendi completed the acquisition of 100% of Editis's share capital, representing an €833 million outflow, which includes the repayment of Editis's debt (please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2018),
- On February 11, 2019, pursuant to a decision of the Versailles Administrative Court of Appeal regarding the use of foreign tax receivables by Vivendi for the payment of the tax income in respect of the fiscal year ended December 31, 2012, Vivendi received a request for repayment from the tax authorities in the amount of €239 million. Vivendi has 30 days to satisfy this request (please refer to Note 6 1 to the Consolidated Financial Statements for the year ended December 31, 2018), and
- On March 5, 2019, Vivendi will receive €429 million under the forward sale of its remaining interest in Ubisoft (please refer to Note 2 3 to the Consolidated Financial Statements for the year ended December 31, 2018).

2.1.2 Equity portfolio

As of December 31, 2018, Vivendi held a portfolio of listed non-controlling equity interests, including a receivable of €429 million on the forward sale of its remaining interest in Ubisoft (please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2018) As of December 31, 2018, the aggregate market value of this portfolio was approximately €3.9 billion (before taxes), compared to €6.4 billion as of December 31, 2017 (which notably included the entire interest in Ubisoft, as well as the interests in Telefonica and Fnac Darty) please refer to Notes 11 and 12 to the Consolidated Financial Statements for the year ended December 31, 2018.

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), the value of this portfolio was approximately €4 0 billion (before taxes)

2.2 Cash flow from operations analysis

Preliminary comment:

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

	Year ended December 31,		
(in millions of euros)	2018	2017	% Change
Revenues	13,932	12,518	+11.3%
Operating expenses excluding depreciation and amortization	(12,192)	(11,141)	-9.4%
	1,740	*1,377*	*+26.3%*
Restructuring charges paid	(106)	(73)	-45.7%
Content investments, net	(137)	(317)	+56.8%
of which payments to artists and repertoire owners, net at UMG			
Payments	*(933)*	*(834)*	*-11.8%*
Recoupment and other	*812*	*692*	*+17.4%*
	(121)	*(142)*	*+15.4%*
of which film and television rights, net at Canal+ Group			
Acquisition paid	*(508)*	*(615)*	*+17.4%*
Consumption	*670*	*708*	*-5.4%*
	162	*93*	*+73.4%*
of which sports rights, net at Canal+ Group			
Acquisition paid	*(906)*	*(911)*	*+0.6%*
Consumption	*865*	*941*	*-8.1%*
	(41)	*30*	*na*
Neutralization of change in provisions included in operating expenses	(29)	(30)	+5.6%
Other cash operating items	9	(3)	na
Other changes in net working capital	(28)	265	na
Net cash provided by/(used for) operating activities before income tax paid	***1,449***	***1,219***	***+18.8%***
Dividends received from equity affiliates and unconsolidated companies	18	29	-39.5%
Capital expenditures, net (capex, net)	(341)	(259)	-31.5%
Cash flow from operations (CFFO)	**1,126**	**989**	**+13.8%**
Interest paid, net	(47)	(53)	+12.0%
Other cash items related to financial activities	5	(61)	na
Income tax (paid)/received, net	(262)	471	na
Cash flow from operations after interest and income tax paid (CFAIT)	**822**	**1,346**	**-39.0%**

na: not applicable

2.2.1 Changes in cash flow from operations (CFFO)

In 2018, cash flow from operations (CFFO) generated by the group's business segments amounted to €1,126 million (compared to €989 million in 2017), a €137 million improvement. These amounts included capital expenditures (net) generated by the group's business segments for €341 million (compared to €259 million in 2017), a deterioration of -€82 million mainly at Universal Music Group (-€47 million) and Canal+ Group (-€22 million). In 2018, cash flow from operations (CFFO) generated by the group's business segments, before capital expenditures (net), amounted to €1,467 million (compared to €1,248 million in 2017), an improvement of €219 million. This change mainly resulted from the strong operating performance of Universal Music Group (+€239 million), primarily driven by the growth in subscription streaming services, as well as Canal+ Group's growth (+€43 million), partially offset by the decline of Havas (-€61 million), which resulted from the consolidation of Havas as from the second half of 2017. Havas's change in working capital is usually unfavorable in the first half, due to the seasonality of cash generation. For the second half of 2018, cash flow from operations (CFFO) generated by Havas, before capital expenditures (net), amounted to €356 million, compared to €329 million for the second half of 2017.

2.2.2 Cash flow from operations (CFFO) by business segment

	Year ended December 31,		
(in millions of euros)	2018	2017	% Change
Universal Music Group	838	646	+29.8%
Canal+ Group	259	238	+8.7%
Havas	230	308	na
Gameloft	1	7	na
Vivendi Village	(3)	(20)	
New Initiatives	(82)	(90)	
Corporate	(117)	(100)	
Cash flow from operations (CFFO)	**1,126**	**989**	**+13.8%**

na: not applicable.

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

In 2018, cash flow from operations after interest and income tax paid (CFAIT) was an €822 million net inflow (compared to €1,346 million in 2017), a decrease of €524 million, primarily resulting from the unfavorable change in cash flow relating to income taxes.

In 2018, cash flow relating to income taxes was a €262 million net outflow (compared to a €471 million net inflow in 2017). In 2017, it notably included (i) a €346 million inflow received on April 18, 2017 as part of the litigation settlement relating to the tax credits utilized by Vivendi in fiscal year 2012, (ii) a €223 million inflow relating 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, where it was ruled that the tax contribution was unconstitutional, as well as (iii) a refund of tax installments paid in 2016 under the French Tax Group System for fiscal year 2016 (€136 million), and (iv) a €10 million inflow at Universal Music Group in the United Kingdom, relating to a litigation settlement.

In 2018, the financial activities generated a €42 million net outflow (compared to €114 million in 2017). In 2018, they mainly included net interest paid (-€47 million, compared to -€53 million in 2017). In addition, cash generated by foreign exchange risk hedging instruments was a +€13 million inflow, compared to a -€52 million outflow in 2017, notably due to the depreciation of the dollar (USD) against the euro.

2.2.4 Reconciliation of CFAIT to net cash provided by operating activities

	Year ended December 31,	
(in millions of euros)	2018	2017
Cash flow from operations after interest and income tax paid (CFAIT)	**822**	**1,346**
Adjustments		
Capital expenditures, net (capex, net)	341	259
Dividends received from equity affiliates and unconsolidated companies	(18)	(29)
Interest paid, net	47	53
Other cash items related to financial activities	(5)	61
Net cash provided by operating activities (a)	**1,187**	**1,690**

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

2.3 Analysis of investing and financing activities

2.3.1 Investing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2018
Financial investments		
Acquisition of cash management financial assets	14	(520)
Other		(174)
Total financial investments		**(694)**
Financial divestments		
Sale of Ubisoft shares	2.3	1,580
Sale of Telefonica shares	12	373
Sale of Fnac Darty shares	2.4	267
Redemption of the balance of the "new ORAN 1" issued by Banijay Group Holding	11.1	25
Other		58
Total financial divestments		**2,303**
Dividends received from equity affiliates and unconsolidated companies		18
Capital expenditures, net	3	(341)
Net cash provided by/(used for) investing activities (a)		**1,286**

a As presented in the Consolidated Statement of Cash Flows.

2.3.2 Financing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2018
Transactions with shareowners		
Distribution to Vivendi SA's shareowners	15	(568)
Capital increase subscribed by employees as part of the Stock Purchase Plan	18	100
Exercise of stock options by executive management and employees	18	89
Dividends paid by consolidated companies to their non-controlling interests		(47)
Other		(15)
Total transactions with shareowners		**(441)**
Transactions on borrowings and other financial liabilities		
Redemption of bonds	19	(100)
Interest paid, net	5	(47)
Other		(22)
Total transactions on borrowings and other financial liabilities		**(169)**
Net cash provided by/(used for) financing activities (a)		**(610)**

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 €0.50 per share with respect to fiscal year 2018, which will be submitted to the Annual General Shareholders' Meeting to be held on April 15, 2019 for approval. This dividend represents an increase of 11.1% compared to the dividend distributed with respect to fiscal year 2017 and a return of approximately 2.3%. The coupon detachment date would be April 16, 2019 and the payment date April 18, 2019.

Outlook

Vivendi is confident in the evolution of its main businesses in 2019. As regards Canal+ Group, after a strong improvement in its profitability in 2018, it will continue its improvement efforts and its 2019 profitability is expected to be even better than it was in 2018.

4 Forward-Looking Statements

Cautionary note

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

5 Other Disclaimers

Unsponsored ADRs

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

Translation

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

II- Appendix to the Financial Report

Quarterly revenues by business segment

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

	2017			
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,
Universal Music Group	1,284	1,382	1,319	1,688
Canal+ Group	1,272	1,283	1,252	1,391
Havas (a)	-	-	552	659
Gameloft	84	77	78	81
Vivendi Village	26	30	25	28
New Initiatives	10	13	11	17
Elimination of intersegment transactions	(3)	(3)	(16)	(22)
Revenues	**2,673**	**2,782**	**3,221**	**3,842**

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

Note: As from January 1, 2018, Vivendi applied the new accounting standard IFRS 15 – *Revenues from Contracts with Customers* (please refer to Notes 1 and 28 to the Consolidated Financial Statements for the year ended December 31, 2018)

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III- Audited Consolidated Financial Statements for the year ended December 31, 2018

Preliminary comment:

In 2018, Vivendi applied two new accounting standards.

- *IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, Vivendi applied this change of accounting standard to 2017 revenues, thereby ensuring comparability of the data relative to each period of 2018 and 2017 contained in this report; and*
- *IFRS 9 – Financial Instruments: in accordance with IFRS 9, Vivendi applied this change of accounting standard to the 2018 Statement of Earnings and Statement of Comprehensive Income and restated its opening balance sheet as of January 1, 2018; therefore, the data relative to 2017 contained in this report is not comparable.*

For a detailed description, please refer to Notes 1 and 28 to the Consolidated Financial Statements for the year ended December 31, 2018.

Statutory auditors' report on the Consolidated Financial Statements

To the Annual General Meeting of Vivendi,

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 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 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

- ***Independance***

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes).*

Observations

Without qualifying our conclusion above, we draw your attention to sections 1.1 1 and 1 1 2 of the notes to the consolidated financial statements, which describe the changes in accounting methods relating to the mandatory application as from 1 January 2018 of standards IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers".

In particular, the cumulated unrealized capital gain as at 31 December 2017 relating to Vivendi's interest in Ubisoft (€1,160m) was recorded as retained earnings as of 1 January 2018 as part of the first-time application of accounting standard IFRS 9. In accordance with IAS 39 which was applicable until 31 December 2017, it would have been reported to profit or loss as part of the sale that occurred during the period.

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 financial statements)*

Key audit matter	**Our response**
As at 31 December 2018, goodwill is recorded in the balance sheet for a net carrying amount of €12,438m, for a total balance sheet of €34,403m It has been allocated to the cash generating units (CGUs) or, where applicable, groups of cash-generating units, of the activities into which the companies acquired have been integrated Each year, management ensures that the carrying amount of the goodwill does not exceed its recoverable amount The impairment test methods thus implemented by management are described in the notes to the consolidated 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, - The selection of sample companies included among the transaction or stock market comparables Consequently, any variation in these assumptions may have a significant impact on the recoverable amount of the goodwill and necessitate the recognition of an impairment loss, where applicable. We consider the valuation of goodwill to be a key audit matter due to (i) its materiality in the group's accounts, (ii) the judgements and assumptions required to determine its recoverable amount	We analyzed the compliance of the methods adopted by your 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 examined the competence of the experts appointed by your company for the valuation of certain CGUs or groups of CGUs We took note of the key assumptions used for all the CGUs or groups of CGUs and - compared the business forecasts underpinning the determination of cash flows with the information available, including the market prospects and past achievements, and in relation to management's latest estimates (assumptions, budgets and strategic plans where applicable), - compared the perpetual growth rates used for the projected flows with market analyses and the consensus of the main professionals concerned, - compared the discount rates used (WACC) with our internal databases, assisted by financial valuation specialists included in our teams, - examined the selection of companies included among the transaction or stock market comparables in order to compare it with the relevant samples according to market analysts and our knowledge of the market. We obtained and reviewed the sensitivity analyses performed by management, which we compared with our own calculations to assess what level of variation in the assumptions would require the recognition of goodwill impairment Lastly, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements

- ***Valuation of the Telecom Italia equity affiliate*** *(notes 1.3 2 and 11 2 to the consolidated accounts)*

Key audit matter

The value of the Telecom Italia equity-accounted investment amounts to €3,130m after depreciation as at 31 December 2018 At year-end, your company ensures that it is not necessary to recognize an impairment loss for this investment, by comparing its recoverable amount with the carrying amount recorded in the group's accounts

The recoverable amount has been estimated using the usual valuation methods (discounted cash flows, market comparables model).

Your company used the services of an expert to assist you in the valuation of the recoverable amount of this asset Given the volatility observed in the company's stock market performance during the last financial year, 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 the equity-accounted value of Telecom Italia

We examined the competence of the expert appointed by your company.

With the assistance of our valuation specialists

- we took note of the models and key assumptions used to determine discounted cash flows (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 by the expert to assess the relevance of the estimates resulting from the discounted cash flows method, comparing these items with market practice and data.

Finally, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

- ***Analysis of the disputes with the Mediaset group and with the former minority shareholders*** *(notes 1 3.8, 1.5, 6 5, 16, 22.4 and 23 to the consolidated financial statements)*

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 arising in the normal course of its business.

Your company exercises its judgement in assessing the risks run relative to the disputes with the Mediaset group and with certain foreign institutional investors, and recognizes a provision when the expense liable to result from these disputes is probable and the amount can either be quantified or estimated within a reasonable range.

We consider 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

We analyzed all the information made available to us, including, when applicable, the written confirmations from external advisors mandated by your company, relating to (i) the dispute between your company and the Mediaset group and its shareholders and (ii) the dispute between your company and certain foreign institutional investors concerning alleged harm resulting from the financial communication of your company and its former CEO between 2000 and 2002.

We examined the estimates of the risk performed by the management and notably compared them with the information made available to us by the Vivendi group's advisers

In addition, we analyzed the lawyers' answers received in response to our requests for confirmation concerning these disputes.

Finally, we verified the information concerning these risks disclosed in the notes to the consolidated accounts

Specific Verifications

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

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

We attest that the consolidated non-financial statement provided for in Article L 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's management report, it being specified that, in accordance with the provisions of Article L 823-10 of said Code, the information contained in this statement has not been verified by us regarding its fairness or 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 meetings held on 25 April 2017 for DELOITTE & ASSOCIES and on 15 June 2000 for ERNST & YOUNG et Autres

As at 31 December 2018, DELOITTE ET ASSOCIES and ERNST & YOUNG et Autres were in the second year and nineteenth 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 significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

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

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

Paris-La Défense, February 14, 2019

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, 2018	2017
Revenues	4	**13,932**	**12,518**
Cost of revenues	4	(7,618)	(7,302)
Selling, general and administrative expenses		(5,022)	(4,281)
Restructuring charges	3	(115)	(88)
Impairment losses on intangible assets acquired through business combinations	3	(2)	(2)
Reversal of reserve related to the Securities Class Action litigation in the United States	23	-	27
Income from equity affiliates - operational	11	7	146
Earnings before interest and income taxes (EBIT)	3	**1,182**	**1,018**
Income from equity affiliates - non-operational	11	122	-
Interest	5	(47)	(53)
Income from investments		20	29
Other financial income	5	418	43
Other financial charges	5	(1,181)	(143)
		(790)	***(124)***
Earnings before provision for income taxes		**514**	**894**
Provision for income taxes	6	(357)	355
Earnings from continuing operations		**157**	**1,249**
Earnings from discontinued operations		-	-
Earnings		**157**	**1,249**
Of which			
Earnings attributable to Vivendi SA shareowners		**127**	**1,216**
Non-controlling interests		30	33
Earnings attributable to Vivendi SA shareowners per share - basic	7	**0.10**	**0.97**
Earnings attributable to Vivendi SA shareowners per share - diluted	7	0.10	0.94

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

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

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2018	2017
Earnings		**157**	**1,249**
Actuarial gains/(losses) related to employee defined benefit plans, net		31	29
Financial assets at fair value through other comprehensive income		(233)	na
Comprehensive income from equity affiliates, net		(2)	14
Items not subsequently reclassified to profit or loss		**(204)**	**43**
Foreign currency translation adjustments		228	(848)
Unrealized gains/(losses), net		2	685
Comprehensive income from equity affiliates, net	11	(162)	(46)
Other impacts, net		38	(40)
Items to be subsequently reclassified to profit or loss		**106**	**(249)**
Charges and income directly recognized in equity	8	**(98)**	**(206)**
Total comprehensive income		**59**	**1,043**
Of which			
Total comprehensive income attributable to Vivendi SA shareowners		**40**	**1,002**
Total comprehensive income attributable to non-controlling interests		19	41

na. not applicable

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

Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2018	January 1, 2018 (a)
ASSETS			
Goodwill	9	12,438	12,084
Non-current content assets	10	2,194	2,087
Other intangible assets		437	440
Property, plant and equipment		986	930
Investments in equity affiliates	11	3,418	4,526
Non-current financial assets	12	2,102	4,502
Deferred tax assets	6	675	627
Non-current assets		**22,250**	**25,196**
Inventories		206	177
Current tax receivables	6	404	406
Current content assets	10	1,346	1,160
Trade accounts receivable and other	13	5,314	5,208
Current financial assets	12	1,090	138
Cash and cash equivalents	14	3,793	1,951
Current assets		**12,153**	**9,040**
TOTAL ASSETS		**34,403**	**34,236**
EQUITY AND LIABILITIES			
Share capital		7,184	7,128
Additional paid-in capital		4,475	4,341
Treasury shares		(649)	(670)
Retained earnings and other		6,303	6,835
Vivendi SA shareowners' equity		**17,313**	**17,634**
Non-controlling interests		221	222
Total equity	15	**17,534**	**17,856**
Non-current provisions	16	1,431	1,515
Long-term borrowings and other financial liabilities	19	3,448	4,170
Deferred tax liabilities	6	753	589
Other non-current liabilities		248	226
Non-current liabilities		**5,880**	**6,500**
Current provisions	16	438	412
Short-term borrowings and other financial liabilities	19	888	373
Trade accounts payable and other	13	9,572	9,019
Current tax payables	6	91	76
Current liabilities		**10,989**	**9,880**
Total liabilities		**16,869**	**16,380**
TOTAL EQUITY AND LIABILITIES		**34,403**	**34,236**

a In 2018, Vivendi applied two new accounting standards IFRS 15 – *Revenues from Contracts with Customers* and IFRS 9 – *Financial Instruments*, with no significant impact on the Consolidated Statement of Financial Position (please refer to Note 28 to the Consolidated Financial Statements for the year ended December 31, 2018)

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

Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2018	2017
Operating activities			
EBIT	4	1,182	1,018
Adjustments	20.1	432	253
Content investments, net		(137)	(317)
Gross cash provided by operating activities before income tax paid		***1,477***	***954***
Other changes in net working capital		(28)	265
Net cash provided by operating activities before income tax paid		***1,449***	***1,219***
Income tax (paid)/received, net	6.2	(262)	471
Net cash provided by operating activities		**1,187**	**1,690**
Investing activities			
Capital expenditures	3	(351)	(261)
Purchases of consolidated companies, after acquired cash	2	(116)	(3,481)
Investments in equity affiliates	11	(3)	(2)
Increase in financial assets	12	(575)	(202)
Investments		***(1,045)***	***(3,946)***
Proceeds from sales of property, plant, equipment and intangible assets	3	10	2
Proceeds from sales of consolidated companies, after divested cash		16	(5)
Disposal of equity affiliates		2	-
Decrease in financial assets	12	2,285	981
Divestitures		***2,313***	***978***
Dividends received from equity affiliates	11	5	6
Dividends received from unconsolidated companies	12	13	23
Net cash provided by/(used for) investing activities		**1,286**	**(2,939)**
Financing activities			
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	18	190	152
Sales/(purchases) of Vivendi SA's treasury shares	15	-	(203)
Distributions to Vivendi SA's shareowners	15	(568)	(499)
Other transactions with shareowners		(16)	(10)
Dividends paid by consolidated companies to their non-controlling interests		(47)	(40)
Transactions with shareowners		***(441)***	***(600)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	19	4	855
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		(3)	(8)
Principal payment on short-term borrowings	19	(193)	(1,024)
Other changes in short-term borrowings and other financial liabilities	19	65	64
Interest paid, net	5	(47)	(53)
Other cash items related to financial activities		5	(61)
Transactions on borrowings and other financial liabilities		***(169)***	***(227)***
Net cash provided by/(used for) financing activities		**(610)**	**(827)**
Foreign currency translation adjustments of continuing operations		(21)	(45)
Change in cash and cash equivalents		**1,842**	**(2,121)**
Cash and cash equivalents			
At beginning of the period	14	**1,951**	**4,072**
At end of the period	14	**3,793**	**1,951**

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

Consolidated Statements of Changes in Equity

Year ended December 31, 2018

(in millions of euros except number of shares)	Note	Capital: Common shares: Number of shares (in thousands)	Capital: Common shares: Share capital	Capital: Additional paid-in capital	Capital: Treasury shares	Capital: Subtotal	Retained earnings and other: Retained earnings	Retained earnings and other: Other comprehensive income	Retained earnings and other: Subtotal	Total equity
BALANCE AS OF DECEMBER 31, 2017 - RESTATED		**1,296,059**	**7,128**	**4,341**	**(670)**	**10,799**	**6,537**	**530**	**7,067**	**17,866**
Attributable to Vivendi SA shareowners		***1,296,059***	***7,128***	***4,341***	***(670)***	***10,799***	***6,294***	***551***	***6,845***	***17,644***
Attributable to non-controlling interests		-	-	-	-	-	***243***	***(21)***	***222***	***222***
Restatements related to the application of IFRS 9		-	-	-	-	-	***1,342***	***(1,338)***	***4***	***4***
Attributable to Vivendi SA shareowners		-					*1 342*	*(1,338)*	*4*	*4*
Attributable to non-controlling interests			-		-	-	-	-	-	-
Restatements related to the application of IFRS 9 and IFRS 15 by equity affiliates		-	-	-	-	-	***(16)***	***2***	***(14)***	***(14)***
Attributable to Vivendi SA shareowners		-	-		-	-	*(16)*	*2*	*(14)*	*(14)*
Attributable to non-controlling interests		-	-		-	-	-		-	-
BALANCE AS OF JANUARY 1, 2018		**1,296,059**	**7,128**	**4,341**	**(670)**	**10,799**	**7,863**	**(806)**	**7,057**	**17,856**
Attributable to Vivendi SA shareowners		***1,296,059***	***7,128***	***4,341***	***(670)***	***10,799***	***7,620***	***(785)***	***6,835***	***17,634***
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		-	-	-	-	-	***243***	***(21)***	***222***	***222***
Contributions by/distributions to Vivendi SA shareowners		***10,175***	**56**	**134**	**21**	**211**	**(572)**	-	**(572)**	**(361)**
Dividend paid on April 24 2018 with respect to fiscal year 2017 (€0 45 per share)	15				-	-	(568)	-	(568)	(568)
Capital increase related to share based compensation plans	18	*10,175*	56	134	21	211	(4)		(4)	207
of which employee Stock Purchase Plans (July 19 2018)		*5 186*	*28*	*72*	-	*100*			-	*100*
exercice of stock-option by executive management and employees		*4 989*	*27*	*62*	-	*89*		-	-	*89*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	-	-
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)		***10,175***	**56**	**134**	**21**	**211**	**(572)**	-	**(572)**	**(361)**
Contributions by/distributions to non-controlling interests		-			-	-	(40)	-	(40)	(40)
Changes in non controlling interests that result in a gain/(loss) of control			-	-	-	-	20	-	20	20
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)		-	-	-	-	-	**(20)**	-	**(20)**	**(20)**
Earnings		-	-	-	-	-	157	-	157	157
Charges and income directly recognized in equity	8	-				-	38	(136)	(98)	(98)
TOTAL COMPREHENSIVE INCOME (C)		-	-	-	-	-	**195**	**(136)**	**59**	**59**
TOTAL CHANGES OVER THE PERIOD (A+B+C)		***10,175***	***56***	***134***	***21***	***211***	***(397)***	***(136)***	***(533)***	***(322)***
Attributable to Vivendi SA shareowners		*10,175*	*56*	*134*	*21*	*211*	*(399)*	(133)	*(532)*	*(321)*
Attributable to non-controlling interests			-			-	*2*	*(3)*	*(1)*	*(1)*
BALANCE AS OF DECEMBER 31, 2018		***1,306,234***	**7,184**	**4,475**	**(649)**	**11,010**	**7,466**	**(942)**	**6,524**	**17,534**
Attributable to Vivendi SA shareowners		***1,306,234***	***7,184***	***4,475***	***(649)***	***11,010***	***7,221***	***(918)***	***6,303***	***17,313***
Attributable to non-controlling interests		-	-	-	-	-	***245***	***(24)***	***221***	***221***

Year ended December 31, 2017

(in millions of euros, except number of shares)	Capital					Retained earnings and other			Total equity
	Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
	Number of shares (in thousands)	Share capital							
BALANCE AS OF DECEMBER 31, 2016	**1,287,088**	**7,079**	**4,238**	**(473)**	**10,844**	**8,004**	**764**	**8,768**	**19,612**
Attributable to Vivendi SA shareowners	***1,287,088***	***7,079***	***4,238***	***(473)***	***10,844***	***7,748***	***791***	***8,539***	***19,383***
Attributable to non-controlling interests	-	-	-	-	-	***256***	***(27)***	***229***	***229***
Contributions by/distributions to Vivendi SA shareowners	**8,971**	**49**	**103**	**(197)**	**(45)**	**(481)**	**-**	**(481)**	**(526)**
Sales/(purchases) of treasury shares		-	-	(203)	(203)		-	-	(203)
Dividend paid on May 4, 2017 with respect to fiscal year 2016 (€0 40 per share)	-			-		(499)	-	(499)	(499)
Capital increase related to share-based compensation plans	8,971	49	103	6	158	18		18	176
of which employee Stock Purchase Plans (July 25 2017)	*4 160*	*23*	*49*		*68*			-	*68*
exercise of stock-options by executive management and employees	*4,811*	*26*	*58*	-	*84*	-	-	-	*84*
Changes in Vivendi SA's ownership interest related to a combination of businesses under common control	-	-	-	-	-	**(2,155)**	**(65)**	**(2,220)**	**(2,220)**
Acquisition of Havas	-	-	-	-		(2 155)	(65)	(2,220)	(2,220)
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control	-	-	-	-	-	**4**	-	**4**	**4**
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)	**8,971**	**49**	**103**	**(197)**	**(45)**	**(2,832)**	**(65)**	**(2,897)**	**(2,742)**
Contributions by/distributions to non-controlling interests		-		-	-	(34)		(34)	(34)
Changes in non-controlling interests related to a combination of businesses under common control		-	-		-	(4)	(4)	(8)	(8)
Recognition of Havas s non-controlling interests	-	-	-			19	(4)	15	15
Changes in non-controlling interests that result in a gain/(loss) of control		-		-		(5)	-	(5)	(5)
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	-	-	-	-	-	**(43)**	**(4)**	**(47)**	**(47)**
Earnings		-	-			1,261		1,261	1,261
Charges and income directly recognized in equity	-			-	-	(41)	(165)	(206)	(206)
TOTAL COMPREHENSIVE INCOME (C)	-	-	-	-	-	**1,220**	**(165)**	**1,055**	**1,055**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	***8,971***	***49***	***103***	***(197)***	***(45)***	***(1,455)***	***(234)***	***(1,689)***	***(1,734)***
Attributable to Vivendi SA shareowners	*8,971*	*49*	*103*	*(197)*	*(45)*	*(1,442)*	*(240)*	*(1,682)*	*(1 727)*
Attributable to non-controlling interests	-			-	-	*(13)*	*6*	*(7)*	*(7)*
BALANCE AS OF DECEMBER 31, 2017 - AS PUBLISHED	**1,296,059**	**7,128**	**4,341**	**(670)**	**10,799**	**6,549**	**530**	**7,079**	**17,878**
Attributable to Vivendi SA shareowners	***1,296,059***	***7,128***	***4,341***	***(670)***	***10,799***	***6,306***	***551***	***6,857***	***17,656***
Attributable to non-controlling interests	-	-	-	-	-	***243***	***(21)***	***222***	***222***
Restatements related to the application of IFRS 15 with retrospective effect	-	-	-	-	-	***(12)***	-	***(12)***	***(12)***
Attributable to Vivendi SA shareowners		-			-	*(12)*	-	*(12)*	*(12)*
Attributable to non-controlling interests	-	-		-	-	-	-	-	-
BALANCE AS OF DECEMBER 31, 2017 - RESTATED	**1,296,059**	**7,128**	**4,341**	**(670)**	**10,799**	**6,537**	**530**	**7,067**	**17,866**
Attributable to Vivendi SA shareowners	***1,296,059***	***7,128***	***4,341***	***(670)***	***10,799***	***6,294***	***551***	***6,845***	***17,644***
Attributable to non-controlling interests	-	-	-	-	-	***243***	***(21)***	***222***	***222***

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 Poland, Africa and Asia 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 one of the leading mobile game publishers in the world, with 2 million games downloaded daily across all platforms Vivendi Village brings together Vivendi Ticketing (in Europe and the United States), the companies that own and manage all Paddington intellectual property rights (except for the publishing rights), as well as live performance through Olympia Production, Festival Production and venues in Paris (L'Olympia and Théâtre de L'Œuvre) and in Africa (CanalOlympia) New Initiatives groups together Dailymotion, one of the world's largest video content aggregation and distribution platforms, as well as Vivendi Content, the new content creation unit, and Group Vivendi Africa (GVA), a subsidiary dedicated to the development of ultra-high-speed Internet service in Africa.

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

On February 11, 2019, 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, 2018. They were reviewed by the Audit Committee at its meeting held on February 12, 2019 and the Supervisory Board at its meeting held on February 14, 2019

The Consolidated Financial Statements for the year ended December 31, 2018 will be submitted to Vivendi's shareholders for approval at the Annual General Shareholders' Meeting to be held on April 17, 2019.

Note 1 Accounting policies and valuation methods

1.1 Compliance with accounting standards

The 2018 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, 2018

Among the new IFRS standards and IFRIC interpretations, which applied from January 1, 2018, the main subjects for Vivendi relate to financial instruments and revenues

1.1.1 Financial Instruments

IFRS 9 – *Financial instruments*, which 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, applies mandatorily from January 1, 2018. Vivendi applied this standard with retrospective effect from January 1, 2018

IFRS 9 applies to all financial instruments and sets the principles governing the classification and measurement of financial assets and liabilities, impairment for credit risk on financial assets (including impairment of trade receivables) and hedge accounting

The main impacts for Vivendi on the accounting of financial instruments relates to the classification of financial assets Thus, from January 1, 2018, financial assets have been classified into the accounting categories "financial assets at amortized cost", "financial assets at fair value through other comprehensive income" and "financial assets at fair value through profit or loss"

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

For Vivendi, the main material impact of the application of this standard relates to the election of the accounting classification for the equity portfolio, considering the removal of the "available-for-sale" category under which these interests were accounted for until December 31, 2017

- for certain equity securities, including Ubisoft, Vivendi elected to classify such securities into the category "fair value through profit or loss"; the difference (€1,338 million) between the carrying value as of December 31, 2017 and the purchase price was reclassified from charges and income directly recognized in equity, to be subsequently reclassified to profit or loss, to retained earnings In particular, as part of the initial application of the IFRS 9 accounting standard, the cumulative unrealized capital gain as of December 31, 2017, relating to Vivendi's interest in Ubisoft (€1,160 million), was recorded as retained earnings as of January 1, 2018. Under IAS 39, which was applicable until December 31, 2017, it would have been reported to profit or loss as part of the sale that occurred during the first half of 2018 (please refer to Note 2.3), and
- for other equity securities, Vivendi elected to classify such securities into the category "fair value through other comprehensive income not reclassified subsequently to profit or loss", the difference (-€197 million) between the carrying value as of December 31, 2017 and the purchase price was reclassified from charges and income directly recognized in equity, to be subsequently reclassified to profit or loss, to charges and income directly recognized in equity, not to be subsequently reclassified to profit or loss

The application of this standard has no other material impact on Vivendi's Consolidated Financial Statements On January 1, 2018, consolidated equity was adjusted to account for the cumulative impacts of the application of IFRS 9 For a description of these main impacts, please refer to Note 28 The comparative period in the notes to the consolidated financial statements, which were impacted by IFRS 9, is presented as of January 1, 2018, to the extent applicable.

1.1.2 Revenues

IFRS 15 – *Revenue from Contracts with Customers,* was issued by the IASB on May 28, 2014, endorsed by the EU on September 22, 2016, published in the Official Journal of the EU on October 29, 2016, and applies mandatorily from January 1, 2018

Vivendi applied IFRS 15 retrospectively from January 1, 2017. The 2017 Consolidated Financial Statements, mainly the Statement of Earnings, have been adjusted for comparison purposes The main impacts for Vivendi of the application of IFRS 15 are not material on Vivendi's Consolidated Financial Statements and are detailed in Note 28

IFRS 15 sets forth new principles in terms of revenue recognition (notably regarding the identification of performance obligations and the allocation of the transaction price for contracts involving multiple elements), and changes criteria for analyzing agent and principal considerations, as well as the inclusion of variable consideration. The main point of attention for Vivendi relates to the accounting of intellectual property licensing revenues

Intellectual property licensing (musical and audiovisual works)

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

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

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

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

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

Changes in presentation of the Consolidated Statement of Earnings

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

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

Moreover, the impacts of transactions with shareowners (except when directly recognized in equity), 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.

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 having similar operating activities; 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 cash-settled plans, and special items due to their unusual nature or particular significance.

Adjusted net income

Vivendi considers adjusted net income, a non-GAAP measure, to be a relevant measure to assess the group's operating and financial performance Vivendi Management uses adjusted net income because it 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 were made to the 2017 and 2016 Consolidated Financial Statements to conform to the presentation of the 2018 and 2017 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 used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1 3 9 and 6),
- goodwill and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations (please refer to Note 1 3 5 2),
- goodwill, intangible assets with indefinite useful lives and assets in progress assumptions relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates are updated annually (please refer to Notes 1 3 5 7 and 9),
- UMG content assets. estimates of the future performance of beneficiaries who received advances are recognized in the Statement of Financial Position (please refer to Notes 1 3 5.3 and 10), 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 under Level 1); and
  - Level 3 fair value measurement based on valuation techniques using inputs for the asset or liability that are not based on observable market data

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

1.3.2 Principles of consolidation

For a list of Vivendi's major subsidiaries, joint ventures and associated entities, please refer to Note 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 to obtain benefits from their operations, are fully consolidated.

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

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i e , the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements Voting rights must be substantial, i e., exercisable at any time without limitation, particularly during decision making processes related to significant activities Assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;

- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies, and
- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control

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

Accounting for joint arrangements

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

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

Joint arrangements are classified into two categories

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

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

1.3.4.1 Universal Music Group (UMG)

Recorded Music

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

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

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

Revenues from the physical sales of recorded music, net of a provision for estimated returns (please refer to Note 1 3 4.5) and rebates, if any, are accounted for, either (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales

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

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

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

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

Music publishing

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

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

Merchandising

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

1.3.4.2 Canal+ Group

Terrestrial, satellite or ADSL television subscription services

Subscription to programs

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

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

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

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

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

Sales of advertising spaces

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

Pay and free-to-air television

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

Website

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

Film and television programs

Physical sales of movies (DVDs and Blu-rays)

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

Sales of exploitation rights of audiovisual works

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

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

1.3.4.3 Havas

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

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

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

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

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

Certain contractual arrangements with clients also include performance incentives pursuant to which Havas is entitled 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 it is considered highly probable that the qualitative and quantitative goals are achieved in accordance with the arrangements

1.3.4.4 Gameloft

Digital sales of video games on mobile devices

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

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

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

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

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

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

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

1.3.4.5 Other

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

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

Advertising costs are expensed when incurred.

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

1.3.5 Assets

1.3.5.1 Capitalized financial interest

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

1.3.5.2 Goodwill and business combinations

Business combinations from January 1, 2009

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

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

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

(i) the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; and

(ii) the net fair value of the identifiable assets and liabilities assumed on the acquisition date.

The measurement of non-controlling interests at fair value results in an increase in goodwill up to the extent attributable to these interests, thereby leading to the recognition of a "full goodwill". The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 1 3 5.7 below)

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

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

Business combinations prior to January 1, 2009

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

- minority interests were measured at their proportionate share of the acquiree's net identifiable assets as there was no option for measurement at fair value;
- contingent consideration was recognized in the cost of acquisition only if the payment was likely to occur and the amounts could be reliably measured;

- transaction costs that were directly attributable to the acquisition formed part of acquisition costs, and
- in the event of the acquisition of an additional interest in a subsidiary, the difference between the acquisition cost and the carrying value of minority interests acquired was recognized as goodwill.

1.3.5.3 Content assets

UMG

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

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

Change in estimate

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

Canal+ Group

Film, television or sports broadcasting rights

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

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

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

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

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

Film and television rights catalogs

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

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 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 in 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 applicable accounting standards, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an annual impairment test undertaken in the fourth quarter of each fiscal year. This impairment test is performed to compare the recoverable amount of each Cash Generating Unit (CGU) or, if necessary, groups of CGU to the carrying value of the corresponding assets (including goodwill) A

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets Vivendi operates through different media and content businesses Each business offers different products and services that are marketed through various channels CGUs are independently defined at each business level, corresponding to the group operating segments For a description of Vivendi's CGUs and groups of CGUs, please refer to Note 9.

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

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

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

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

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

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

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

1.3.5.8 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

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

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

Financial assets at fair value

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

Financial assets at fair value through other comprehensive income include:

- Unconsolidated companies that are not held for trading. Vivendi elected to classify these into the category "fair value through other comprehensive income". Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is transferred to retained earnings and never reclassified to profit or loss Dividends and interest received from unconsolidated companies are recognized in profit or loss

- Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in other ways, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is expensed in other financial charges and income

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

Financial assets at amortized cost

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

Impairment of financial assets

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

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

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

1.3.5.9 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. These are usually calculated using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and selling costs.

1.3.5.10 Trade accounts receivable

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

1.3.5.11 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 ANC and AMF position expectations expressed in November 2018, and other highly liquid investments with initial maturities of generally three months or less. Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets. Moreover, the historical performances of the investments are monitored regularly to confirm their cash equivalents accounting classification

1.3.6 Assets held for sale and discontinued operations

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

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

1.3.7 Financial liabilities

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

- bonds and credit facilities, as well as various other borrowings (including commercial paper and debt related to finance leases) and related accrued interest,
- obligations arising out of commitments to purchase non-controlling interests;
- bank overdrafts; and
- the negative value of other derivative financial instruments Derivatives with positive values are recorded as financial assets in the Statement of Financial Position

Borrowings

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

Commitments to purchase non-controlling interests

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

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

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

Derivative financial instruments

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

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

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

Fair value hedge

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

Cash flow hedge

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

Net investment hedge

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

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

1.3.8 Other liabilities

Provisions

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

Employee benefit plans

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

Defined contribution plans

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

Defined benefit plans

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

Pension expenses and defined benefit obligations are calculated by independent actuaries using the projected unit credit method This method is based on annually updated assumptions, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan The assumptions adopted in 2017 and 2018, 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 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 standard which may* have an impact on Vivendi is IFRS 16 – *Leases.*

IFRS 16 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, and mandatorily applies for financial years commencing on or after January 1, 2019.

Licenses of intellectual property granted by a lessor and right held by a lessee under licensing agreement are not within the scope of IFRS 16, Vivendi mainly focused on the accounting of real estate leases contracts for which Vivendi is the lessee

On a preliminary basis, Vivendi determined that the lease liability, estimated as of January 1, 2019 in accordance with IFRS 16, would amount to approximately €1 3 billion, which does not include at this stage the potential impact of the consolidation of Editis as from February 1, 2019 Assessment of the final impact of the application of IFRS 16 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 will be finalized during the year ended December 31, 2019

Vivendi has applied IFRS 16 with retrospective effect from January 1, 2019 using the modified retrospective approach and without restatement of the comparative periods in the consolidated financial statements

Note 2 Major events

2.1 Opening of Universal Music Group's share capital

The sale process for up to 50% of Universal Music Group's share capital to one or more strategic partners is moving forward

- corporate structure reorganization was completed at the end of 2018,
- launch of Vendor Due Diligence at the beginning of 2019, and
- meetings were held with the pre-selected banks The final selection of the financial advisors that will assist Vivendi in finding the best partners for Universal Music Group should be completed in the coming weeks.

A floor price will be set for the entry of partners into Universal Music Group's share capital.

2.2 Acquisition of Editis

Following the share purchase agreement entered into on November 15, 2018 with the Spanish group Planeta, based on an enterprise value of €900 million, on January 31, 2019, Vivendi completed the acquisition of 100% of the share capital of Editis, the second-largest French-language publishing group, representing an €833 million outflow, including the repayment of Editis's debt The French Competition Authority had authorized the transaction unconditionally on January 2, 2019 Vivendi has fully consolidated Editis since February 1, 2019.

Editis recorded revenues of approximately €750 million

Vivendi and Editis share a recognized expertise in the development and management of rights to cultural works and share the same passion for managing creativity and talent This acquisition is a logical step in the building of a large content, media and communications group It also marks the return of this French publishing powerhouse to a European group with a global reach

Arnaud de Puyfontaine, chairman of Vivendi's Management Board, has taken on the additional role of Chairman of Editis's Board of Directors Pierre Conte has been confirmed as Chief Executive Officer

Editis encompasses around 50 prestigious publishing houses (e.g., Nathan, Robert Laffont, Julliard, Plon, Belfond, Presses de la Cité, Pocket or Solar) With a large portfolio of internationally-acclaimed authors, 4,000 new books published each year and a catalogue of more than 45,000 titles, Editis employs 2,400 people and has leading positions in the fields of fiction, children's books, non-fiction, graphic and illustrated books, educational and reference books Through its subsidiary Interforum, it is also a leader in book selling/distribution.

2.3 Sale of interest in Ubisoft

On March 20, 2018, Vivendi announced the sale of its entire 27.27% interest in Ubisoft (30,489,300 shares) at a price of €66 per share, representing an aggregate amount of €2 billion This interest had been acquired by Vivendi over the past three years for €794 million.

In connection with this sale, Vivendi received €1,511 million on March 23, 2018 (sale of 22,898,391 shares) and €69 million on October 3, 2018 (sale of 1,040,909 shares). The balance of the sale proceeds that remains to be received by Vivendi amounts to €429 million under the forward sale of its remaining interest in Ubisoft (6,550,000 shares) which will occur on March 5, 2019 As of December 31, 2018, Vivendi recorded in the Consolidated Statement of Financial Position, a receivable on share disposal for such amount of the forward sale

Vivendi has given an undertaking to Ubisoft to sell all the shares it owns by March 7, 2019, the settlement date In addition, Vivendi made the commitment to refrain from purchasing Ubisoft shares for a period of five years

Vivendi realized a capital gain of €1,213 million on the sale of the interest in Ubisoft on March 20, 2018. However, of this amount, only the portion corresponding to the revaluation of the interest in 2018 (€53 million), was recorded in the Statement of Earnings for the year ended December 31, 2018, in accordance with the new IFRS 9 accounting standard, applicable since January 1, 2018 The remaining portion of the capital gain (€1,160 million) corresponded to the revaluation of the interest until December 31, 2017, which was recorded in "charges and income directly recognized in equity" as of December 31, 2017, in accordance with the former IAS 39 accounting standard, and reclassified as retained earnings as of January 1, 2018, as part of the initial application of the IFRS 9. Under IAS 39, which was applicable until December 31, 2017, it would have been reported to profit or loss as part of the sale that occurred during the first half of 2018

2.4 Sale of interest in Fnac Darty

On January 16, 2018, Vivendi entered into a hedging transaction to protect the value of its 11% interest in Fnac Darty The hedge involved an over-the-counter instrument combining a forward sale, based on a reference price of €91 per share and a share market loan Vivendi had retained the option to settle this transaction either in cash or in shares at maturity.

On July 2, 2018, Vivendi decided to settle the transaction in shares, which were delivered on July 10, 2018 On July 12, 2018, Vivendi received a cash payment of €267 million corresponding to the hedge price of €90 61 per share, after making an initial investment in May 2016 of €159 million, i.e , €54 per share

Mr. Stéphane Roussel and Mr Simon Gillham, members of Vivendi's Management Board, have agreed to remain members of Fnac Darty's Board of Directors.

Note 3 Segment data

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

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

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

- **Universal Music Group**. sale of recorded music (digital and physical), exploitation of music publishing rights, as well as artist services and merchandising
- **Canal+ Group**. publishing and distribution of premium and thematic pay-TV and free-to-air channels in France, Poland, Africa and Asia, *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 (in Europe and the United States through See Tickets, Digitick and Paylogic), the companies that *own and manage all Paddington intellectual property rights (except for the publishing rights), live performance through Olympia* Production, Festival Production, the venues in Paris (L'Olympia and Théâtre de L'Œuvre) and in Africa (CanalOlympia), as well as MyBestPro, which was sold on December 21, 2018
- **New Initiatives**: Dailymotion (video content aggregation and distribution platform), Vivendi Content (new content creation unit) and Group Vivendi Africa (development of ultra-high-speed Internet service in Africa)
- **Corporate** central services.

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

3.1 Main aggregates of the Statement of Earnings by operating segment

Revenues by activity

	Year ended December 31,	
(in millions of euros)	2018	2017
Intellectual property licensing	6,508	6,171
Subscription services	4,474	4,493
Advertising, merchandising and other	3,008	1,898
Elimination of intersegment transactions	(58)	(44)
Revenues	**13,932**	**12,518**

Revenues by geographic area

Revenues are broken down by customer location.

	Year ended December 31,			
(in millions of euros)	2018		2017	
France	4,280	*31%*	4,402	*35%*
Rest of Europe	3,282	*24%*	2,871	*23%*
Americas	4,395	*31%*	3,527	*28%*
Asia/Oceania	1,373	*10%*	1,178	*10%*
Africa	602	*4%*	540	*4%*
Revenues	**13,932**	***100%***	**12,518**	***100%***

Main aggregates of the Statement of Earnings

(in millions of euros)	Year ended December 31, 2018	2017
Revenues		
Universal Music Group	6,023	5,673
Canal+ Group	5,166	5,198
Havas	2,319	1,211
Gameloft	293	320
Vivendi Village	123	109
New Initiatives	66	51
Elimination of intersegment transactions	(58)	(44)
	13,932	**12,518**
Income from operations		
Universal Music Group	946	798
Canal+ Group	429	349
Havas	258	135
Gameloft	4	10
Vivendi Village	(9)	(6)
New Initiatives	(79)	(87)
Corporate	(110)	(101)
	1,439	**1,098**
Restructuring charges		
Universal Music Group	(29)	(17)
Canal+ Group	(28)	(49)
Havas	(30)	(15)
Gameloft	(4)	(1)
Vivendi Village	(2)	(2)
New Initiatives	(3)	(3)
Corporate	(19)	(1)
	(115)	**(88)**
Income/(charges) related to share-based compensation plans		
Universal Music Group	(4)	(9)
Canal+ Group	(3)	(6)
Havas	(12)	(3)
Gameloft	2	(5)
Vivendi Village	-	-
New Initiatives	-	-
Corporate	(5)	(8)
	(22)	**(31)**
Other non-current operating charges and income		
Universal Music Group	(11)	(11)
Canal+ Group	2	6
Havas	(1)	(6)
Gameloft	-	-
Vivendi Village	2	(10)
New Initiatives	(17)	(2)
Corporate	11	13
	(14)	**(10)**
Adjusted earnings before interest and income taxes (EBITA)		
Universal Music Group	902	761
Canal+ Group	400	300
Havas	215	111
Gameloft	2	4
Vivendi Village	(9)	(18)
New Initiatives	(99)	(92)
Corporate	(123)	(97)
	1,288	**969**

Reconciliation of EBIT to EBITA and to income from operations

(in millions of euros)	Year ended December 31, 2018	2017
EBIT (a)	**1,182**	**1,018**
Adjustments		
Amortization of intangible assets acquired through business combinations	111	122
Impairment losses on intangible assets acquired through business combinations (a)	2	2
Reversal of reserve related to the Securities Class Action litigation in the United States (a)	-	(27)
Income from equity affiliates - operational (a)	(7)	(146)
EBITA	**1,288**	**969**
Adjustments		
Restructuring charges (a)	115	88
Charges related to share-based compensation plans	22	31
Other non-current operating charges and income	14	10
Income from operations	**1,439**	**1,098**

a As reported in the Consolidated Statement of Earnings

3.2 Statement of Financial Position by operating segment

Segment assets and liabilities

(in millions of euros)	December 31, 2018	January 1, 2018
Segment assets (a)		
Universal Music Group	9,715	8,512
Canal+ Group	7,624	7,636
Havas	5,301	5,319
Gameloft	706	713
Vivendi Village	251	225
New Initiatives	542	551
Corporate	5,392	8,296
of which investments in equity affiliates	*3,130*	*4,242*
listed equity securities (b)	*1,363*	*3,751*
	29,531	**31,252**
Segment liabilities (c)		
Universal Music Group	4,320	3,647
Canal+ Group	2,451	2,533
Havas	3,678	3,761
Gameloft	70	71
Vivendi Village	167	139
New Initiatives	70	64
Corporate	933	957
	11,689	**11,172**

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 The decrease in the amount of listed equity securities mainly related to the sale of Vivendi's interest in Ubisoft (on March 20, 2018), Fnac Darty (on July 10, 2018) and Telefonica (in November and December 2018): please refer to Notes 2 and 12.

c 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".

Segment assets by geographic area

(in millions of euros)	December 31, 2018		January 1, 2018	
France	10,050	*34%*	11,509	*37%*
Rest of Europe	8,911	*30%*	10,082	*32%*
Americas	9,487	*32%*	8,724	*28%*
Asia/Oceania	812	*3%*	720	*2%*
Africa	271	*1%*	217	*1%*
Segment assets	**29,531**	***100%***	**31,252**	***100%***

Capex, depreciation and amortization

	Year ended December 31,	
(in millions of euros)	2018	2017
Capital expenditures, net (capex net) (a)		
Universal Music Group	110	63
Canal+ Group	166	144
Havas	38	21
Gameloft	6	6
Vivendi Village	7	11
New Initiatives	10	13
Corporate	4	1
	341	**259**
Increase in tangible and intangible assets		
Universal Music Group	127	73
Canal+ Group	192	138
Havas	37	21
Gameloft	6	7
Vivendi Village	7	15
New Initiatives	10	9
Corporate	1	1
	380	**264**
Depreciation of tangible assets		
Universal Music Group	46	53
Canal+ Group	133	154
Havas	38	20
Gameloft	6	8
Vivendi Village	4	2
New Initiatives	6	6
Corporate	1	-
	234	**243**
Amortization of intangible assets excluding those acquired through business combinations		
Universal Music Group	-	-
Canal+ Group	72	66
Havas	8	4
Gameloft	1	1
Vivendi Village	-	13
New Initiatives	25	10
Corporate	-	-
	106	**94**
Amortization of intangible assets acquired through business combinations		
Universal Music Group	80	84
Canal+ Group	*16*	*12*
Havas	-	1
Gameloft	14	21
Vivendi Village	-	2
New Initiatives	1	2
Corporate	-	-
	111	**122**

(in millions of euros)	Year ended December 31, 2018	2017
Impairment losses on intangible assets acquired through business combinations		
Universal Music Group	-	-
Canal+ Group	-	2
Havas	-	-
Gameloft	-	-
Vivendi Village	-	-
New Initiatives	2	-
Corporate	-	-
	2	2

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

Note 4 EBIT

Personnel costs and average employee numbers

(in millions of euros)	Note	Year ended December 31, 2018	2017
Salaries		2,538	1,962
Social security and other employment charges		537	451
Capitalized personnel costs		(16)	(15)
Wages and expenses		**3,059**	**2,398**
Share-based compensation plans	18	22	31
Employee benefit plans	17	88	69
Other		52	31
Personnel costs		**3,221**	**2,529**
Annual average number of full-time equivalent employees (in thousands)		*41.6*	*32 1*

Additional information on operating expenses

Advertising costs amounted to €371 million in 2018 (compared to €379 million in 2017)

Expenses recorded in the Statement of Earnings, with respect to service contracts related to satellite transponders amounted to €102 million in 2018 (compared to €104 million in 2017)

Net expense recorded in the Statement of Earnings, with respect to operating leases amounted to €274 million in 2018 (compared to €202 million in 2017). This increase of €72 million mainly resulted from the consolidation of Havas on July 3, 2017

Research and development costs amounted to a net charge of €135 million in 2018 (compared to €154 million in 2017).

Taxes on production

Taxes on production amounted to €118 million in 2018 (compared to €149 million in 2017), of which €33 million related to taxes on television services (compared to €63 million in 2017)

Note 5 Financial charges and income

Interest

(in millions of euros) (Charge)/Income	Note	Year ended December 31, 2018	2017
Interest expense on borrowings (a)	19	(64)	(68)
Interest income from cash, cash equivalents and investments		17	15
Interest		**(47)**	**(53)**
Fees and premiums on borrowings and credit facilities issued		*(2)*	*(2)*
		(49)	**(55)**

a *Included the annual coupon of the €700 million bond issued by Vivendi SA and maturing in December 2019 for €34 million in 2018 and in 2017* (please refer to Note 19 2)

Other financial income and charges

(in millions of euros)	Note	Year ended December 31, 2018	2017
Capital gain on financial investments		377 (a)	12
Effect of undiscounting assets (b)		18	5
Expected return on plan assets related to employee benefit plans	17 2	11	10
Foreign exchange gain		10	7
Change in value of derivative instruments		2	8
Other		-	1
Other financial income		**418**	**43**
Write-down of the Telecom Italia shares accounted for under the equity method	11 2	(1,066)	-
Downside adjustment on financial investments		-	(47)
Effect of undiscounting liabilities (b)		(20)	(12)
Interest cost related to employee benefit plans	17 2	(27)	(22)
Fees and premiums on borrowings and credit facilities issued		(2)	(2)
Foreign exchange loss		(10)	(9)
Other		(56)	(51)
Other financial charges		**(1,181)**	**(143)**
Net total		**(763)**	**(100)**

a Other financial income included the revaluation between January 1 and December 31, 2018 of the interests in Spotify and Tencent Music for an aggregate amount of €312 million, as well as in Ubisoft for €53 million (please refer to Note 2 3), reported to profit or loss in accordance with the new accounting standard IFRS 9, applicable since January 1, 2018

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

Note 6 Income taxes

6.1 French Tax Group and Consolidated Global Profit Tax Systems

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

- Under the French Tax Group System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of the French subsidiaries that are at least 95% owned, directly or indirectly, by it As of December 31, 2018, this mainly applies to Universal Music Group, Canal+ Group, Havas and Gameloft entities in France, as well as the companies involved in the group's development projects in France (e g , Vivendi Village and Dailymotion).
- Up until December 31, 2011, the Consolidated Global Profit Tax System enabled Vivendi to obtain a tax authorization This allowed the company to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that were at least 50% owned, directly or indirectly, by it and that were also located in France or abroad This authorization was granted for an initial five-year period - from January 1, 2004 to December 31, 2008 - and was then renewed, on May 19, 2008, for a three-year period - from January 1, 2009 to December 31, 2011. As a reminder, on July 6, 2011, Vivendi lodged a request with the French Ministry of Finance to renew its authorization to use the Consolidated Global Profit Tax System for a three-year period - from January 1, 2012 to December 31, 2014
- In 2011, pursuant to changes in French Tax Law, the Consolidated Global Profit Tax System was terminated as of September 6, 2011, and the deduction for tax losses carried forward was capped at 60% of taxable income Since 2012, the deduction for tax losses carried forward has been capped at 50% of taxable income and the deductibility of interest limited to 85% of financial charges, net (reduced further to 75% as from January 1, 2014)

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

- In 2012, Vivendi, considering that it was entitled to use the Consolidated Global Profit Tax System up until the end of the authorization period granted by the French Ministry of Finance (i e , until December 31, 2011), filed a contentious claim for a €366 million refund in respect of fiscal year 2011. In a decision dated October 25, 2017, marking the end of legal proceedings brought before administrative courts, the French Council of State (*Conseil d'Etat*) recognized that Vivendi had a legitimate expectation that it would be afforded the Consolidated Global Profit Tax System for the entire period covered by the authorization, including for the fiscal year ending December 31, 2011 Given that the power of final adjudication is vested in the French Council of State and that its decision is not subject to appeal, the amount of €366 million paid to Vivendi, coupled with moratorium interest of €43 million, were definitively acquired by Vivendi As a result, Vivendi recorded a tax income of €409 million for the fiscal year ended December 31, 2017

- Moreover, considering that Vivendi's foreign tax receivables available upon the exit from the Consolidated Global Profit Tax System may be carried forward after the end of the authorization period, Vivendi requested a refund of the tax paid in respect of the fiscal year ended December 31, 2012. On May 8, 2013, Vivendi received a refund of €201 million, which was subsequently challenged by the tax authorities in connection with a tax audit Consequently, Vivendi provisioned €208 million for the associated risk in its Financial Statements for the year ended December 31, 2012, increasing the amount 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), totaling an amount of €232 million This was subsequently decreased to €228 million as of December 31, 2015 after the deduction of ordinary tax credits In connection with this audit, on March 31, 2015, Vivendi made a payment of €321 million, relating to the €221 million and €11 million mentioned above This amount increased a further €89 million due to additional penalties.
- On June 29, 2015, after the tax audit was completed, Vivendi challenged the tax authorities in regard to the tax payment, the default interest and the penalties, for which no provision had been accrued upon the recommendation of its advisors. Vivendi has since brought this case before the Administrative Court of Montreuil On March 16, 2017, the Administrative Court of Montreuil ruled in favor of Vivendi. Pursuant to this decision, on April 18, 2017, Vivendi received (i) a €315 million refund relating to the principal tax amount due in 2012 (€218 million), as well as default interest (€10 million) and additional penalties (€87 million), and (ii) moratorium interest (€31 million), which totaled €346 million The Ministry appealed this decision with respect to the principal tax amount due; therefore, in its Financial Statements for the year ended December 31, 2017, Vivendi maintained the provision relating to the principal refund (€218 million), the default interest (€10 million), and the moratorium interest (€23 million), i.e., a total provision of €251 million. Given that the Ministry's appeal did not include penalties (€87 million), Vivendi recorded a tax income of €9 million in its Financial Statements as of December 31, 2017, relating to the portion of moratorium interest irrevocably earned by Vivendi On November 22, 2018, the Versailles Administrative Court of Appeal quashed the March 16, 2017 decision of the of the Administrative Court of Montreuil and ordered Vivendi to pay the amount of the additional contributions to which it was subject for the year ended December 31, 2012. However, it granted discharge of the default interest charged to Vivendi In its financial statements for the fiscal year ended December 31, 2018, Vivendi recorded a net income of due to the discharge of default interest (€10 million) and the corresponding moratorium interest (€2 million), reducing the total amount provisioned to €239 million (€218 million with respect to the principal amount and €21 million with respect to moratorium interest). On December 31, 2018, Vivendi filed an appeal with the French Council of State requesting the quashing of the decision of the Versailles Administrative Court of Appeal. On February 11, 2019, pursuant to a decision of the Versailles Administrative Court of Appeal, Vivendi received a request for repayment from the tax authorities in the amount of €239 million Vivendi has 30 days to satisfy this request Considering that the amount is provisioned in Vivendi's Financial Statements, this payment will have no impact on the Statement of Earnings
- On June 15, 2017, following the Administrative Court of Montreuil ruling of March 16, 2017, Vivendi made a claim for the repayment of the tax amount due for the year ended December 31, 2015 (€203 million). Vivendi recorded a provision as of December 31, 2017 in the amount of the refund requested (€203 million) and maintained this provision in its Financial Statements for the year ended December 31, 2018 pending the decision of the French Council of State (*Conseil d'Etat*) mentioned above
- In the Financial Statements for the year ended December 31, 2018, 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, 2018 could not be reliably determined. As of December 31, 2018, taking into account the impact of the estimated 2018 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 €781 million in tax savings from tax attributes (based on the income tax rate applicable as of January 1, 2019, i.e , 32 02%) At a rate of 25.83% applicable in 2022, it is anticipated that Vivendi would achieve €630 million in tax savings from tax attributes
- Vivendi SA values its tax attributes on the basis of one year's forecasted results, taken from the following year's budget On this basis, in 2019, it is anticipated that Vivendi will likely be able to achieve tax savings of €114 million from the French Tax Group System (based on the income tax rate applicable in 2019, i.e., 32.02%).

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

Provision for income taxes

(in millions of euros)	Year ended December 31,			
(Charge)/Income	2018		2017	
Current				
France	(16)		572	(a)
Rest of Europe	(68)		(37)	
United States	(98)	(b)	(16)	
Rest of the world	(98)		(87)	
	(280)		**432**	
Deferred				
France	12		(116)	(c)
Rest of Europe	(89)	(d)	-	
United States (c)	(11)	(e)	34	(e)
Rest of the world	11		5	
	(77)		**(77)**	
Provision for income taxes	**(357)**		**355**	

a Included a current tax income of €409 million from litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement It also included the current tax income of €243 million relating to the refund received by Vivendi SA and its subsidiaries of the amounts paid in respect of the 3% tax on dividend distributions

b In 2018, it included a federal tax charge which reflected the impact of the tax reform in the United States as from January 1, 2018

c Included a deferred tax charge of -€106 million relating to the write-off of deferred tax assets relating to tax losses carried forward by Havas in France

d In accordance with the new accounting standard IFRS 9, applicable since January 1, 2018, it included the deferred tax charge relating to the revaluation through profit or loss of the interest in Spotify and Tencent Music for an aggregate amount of -€72 million

e Included a net deferred tax income of €79 million following changes in the federal corporate tax rate applicable in the United States as from January 1, 2018
The tax reform initiated in 2017 introduces significant changes in the calculation of the corporate tax in the United States As from January 1, 2018, the federal corporate tax rate has been reduced from 35% to 21% However, this rate reduction is accompanied by a widening of the taxable base through the introduction of a minimum tax on income earned in countries with low-tax rates (minimum tax on global intangible low-taxed income "GILTI") and the introduction of a tax mechanism expenditures that erode s the tax bases (base erosion and anti-abuse tax "BEAT") More generally, the new law limits the deduction of expenses previously deductible without limitation The impacts of this new legislation recorded as of December 31, 2017 and December 31, 2018, reflect our best estimate pending the publication of instructions commenting on this reform and clarification on the interpretation of certain previously issued instructions The amounts recorded will therefore be adjusted in 2019, particularly in the light of changes in our interpretations and assumptions, as well as further clarifications or instructions from the US legislator or the US tax authorities

Income tax paid

	Year ended December 31,		
(in millions of euros)	2018	2017	
France	(76)	622	(a)
Rest of Europe	(47)	(20)	
United States	(43)	(53)	
Rest of the world	(96)	(78)	
Income tax (paid)/collected	**(262)**	**471**	

a Included an inflow of €346 million as part of the litigation settlement relating to foreign tax receivables utilized by Vivendi SA in fiscal year 2012, as well as a €223 million inflow relating to the refund to Vivendi SA of amounts paid in relation to the 3% tax on dividend distributions

6.3 Effective tax rate

(in millions of euros, except %)	Year ended December 31, 2018		2017	
Earnings (before non-controlling interests)	**157**		**1,249**	
Eliminations				
Income from equity affiliates	(129)		(146)	
Earnings from discontinued operations	-		-	
Provision for income taxes	357		(355)	
Earnings from continuing operations before provision for income taxes	**385**		**748**	
French statutory tax rate	*34 43%*		*34 43%*	
Theoretical provision for income taxes based on French statutory tax rate	**(133)**		**(258)**	
Reconciliation of the theoretical and effective provision for income taxes				
Earnings tax rates differences	212	(a)	41	
Impacts of the changes in tax rates	(2)		89	(b)
Use or recognition of tax losses	222		178	
Depreciation or non-recognition of tax losses	(98)		(258)	(c)
Changes in deferred tax assets related to Vivendi SA's French Tax Group and the Consolidated Global Profit Tax Systems	(2)		3	
Adjustments to tax expense from previous years	8		9	
Capital gain or loss on the divestiture of or downside adjustments on financial investments or businesses	18		-	
Favorable settlement of the litigation related to the Consolidated Global Profit Tax System of 2011	-		409	(d)
3% tax on Vivendi SA's dividends	-		(8)	
Refunds with respect to the 3% tax on dividends paid by Vivendi SA and its subsidiaries	-		243	(e)
Write-down of the Telecom Italia shares accounted for under the equity method	(367)	(f)	-	
Other	(215)		(93)	
Provision for income taxes	**(357)**		**355**	
Effective tax rate	***92.6%***		***-47.5%***	

a Included for 2018, a favorable rate effect following the change in the federal corporate tax rate applicable in the United States. The tax reform initiated in 2017 introduces significant changes in the calculation of the corporate tax in the United States As from January 1, 2018, the federal corporate tax rate has been reduced from 35% to 21% However, this rate reduction is accompanied by a widening of the taxable base through the introduction of a minimum tax on income earned in countries with low-tax rates (minimum tax on global intangible low-taxed income "GILTI") and the introduction of a tax mechanism expenditures that erode s the tax bases (base erosion and anti-abuse tax "BEAT") More generally, the new law limits the deduction of expenses previously deductible without limitation. The *impacts of this new legislation recorded as of December 31, 2017 and December 31, 2018, reflect our best estimate pending the* publication of instructions commenting on this reform and clarification on the interpretation of certain previously issued instructions. The amounts recorded will therefore be adjusted in 2019, particularly in the light of changes in our interpretations and assumptions, as well as further clarifications or instructions from the US legislator or the US tax authorities

b Included a net deferred tax income of €79 million following changes in the federal corporate tax rate applicable in the United States as from January 1, 2018.

c Included a deferred tax charge of -€119 million corresponding to the write-off of deferred tax assets relating to tax losses carried forward by Havas, primarily in France

d. Related to a current tax income of €409 million, a result of the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured favorable settlement (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 in relation to the 3% tax on dividend distributions (please refer to Note 6 5)

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

6.4 Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2018		2017
Opening balance of deferred tax assets/(liabilities), net	**38**	(a)	**26**
Consolidation of Havas	-		106
Provision for income taxes	(77)		(77)
Charges and income directly recorded in equity	(13)		(7)
Other business combinations	-		(27)
Changes in foreign currency translation adjustments and other	(26)		15
Closing balance of deferred tax assets/(liabilities), net	**(78)**		**36**

a As of January 1, 2018, deferred tax assets included the impact of the restatements related to the application of IFRS 9 for +€2 million (please refer to Note 28.2)

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2018	January 1, 2018
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes - Vivendi SA Tax Group (a) (b)	781	875
Tax attributes - US Tax Group (a) (c)	214	233
Tax attributes - Havas Group (a) (d)	274	315
Tax attributes - Other subsidiaries (a)	279	441
Other	693	589
Of which non-deductible provisions	*115*	*94*
employee benefits	*169*	*186*
working capital	*177*	*156*
Total gross deferred taxes	**2,241**	**2,453**
Deferred taxes, unrecognized		
Tax attributes - Vivendi SA Tax Group (a) (b)	(667)	(755)
Tax attributes - US Tax Group (a) (c)	(214)	(233)
Tax attributes - Havas Group (a) (d)	(249)	(297)
Tax attributes - Other subsidiaries (a)	(255)	(396)
Other	(181)	(145)
Total deferred tax assets, unrecognized	**(1,566)**	**(1,826)**
Recorded deferred tax assets	**675**	**627**
Deferred tax liabilities		
Asset revaluations (e)	(335)	(340)
Other	(418)	(249)
Recorded deferred tax liabilities	**(753)**	**(589)**
Deferred tax assets/(liabilities), net	**(78)**	**38**

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 at the latest of the following year, respectively. As a result, the amount of tax attributes shown in this table and the amount reported to tax authorities may differ, and if necessary, may need to be adjusted in this table at the end of the following year

b Related to deferred tax assets recognizable in respect of tax attributes by Vivendi SA as head of the French Tax Group (please refer to Note 6 1), i e , €781 million as of December 31, 2018 (compared to €875 million as of December 31, 2017), in respect of tax losses only, taking into account the estimated impact (-€36 million) of 2018 transactions (taxable income and use or expiration of tax credits) and the change in the income tax rate in France, which was reduced from 34 43% to 32 02% as from January 1, 2019 (-€58 million), 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 Primarily related to deferred tax assets recognizable in respect of tax credits carried forward by Universal Music Group, Inc in the United States as head of the US Tax Group, i e , $244 million as of December 31, 2018 (compared to $278 million as of December 31, 2017), taking into account the estimated impact (-$34 million) of 2018 transactions, but before taking into account the final contingent outcome of ongoing tax audits (please refer to Note 6.5). The cumulative amount of ordinary tax losses carried forward by the group in the United States was fully consumed as of December 31, 2017.

d As of December 31, 2017, Havas recorded a deferred tax charge of -€119 million from the write-off of deferred tax assets relating 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 and resulting from the purchase price allocation of entities acquired by the group, are cancelled upon amortization or divestiture of the related assets and do not and will not generate any current tax liabilities

6.5 Tax litigation

In the normal course of business, Vivendi SA and its subsidiaries are subject to tax audits by the relevant tax authorities in the countries in which they conduct or have conducted business Various tax authorities have proposed adjustments to the financial results filed 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 probable and quantifiable Regarding ongoing tax audits, no provision is recorded where the impact which may result from an unfavorable outcome cannot be reliably assessed. To date, Vivendi Management believes that these tax audits are unlikely to have a material impact on the group's financial position or liquidity

Regarding 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 are the tax audits for fiscal years 2011 and 2012, relating 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 by contentious claim, requesting the deduction of these foreign tax receivables In any event, the impact 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 for €239 million and €203 million, respectively

More specifically, regarding 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 Additionally, the tax authorities challenged the deduction of the €2.4 billion loss recorded as part of the sale of these shares in 2010 and 2011. The National Direct Tax System (*Commission Nationale des Impôts Directs*) before which proceedings were brought, rendered its opinion on December 9, 2016, which was notified to Vivendi SA on January 13, 2017, in which it declared the discontinuation of the adjustments suggested by the tax authorities. Moreover, as the disagreement found its basis in an administrative doctrine, Vivendi asked for the opinion to be cancelled on the grounds 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 This audit is 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 were settled through a tax reimbursement of $6 million The tax audit for fiscal years 2011, 2012, and 2013 is ongoing. 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 a total amount of €214 million in relation to the dividends paid in fiscal year 2013 and in fiscal years 2015 to 2017, these contributions were challenged before the tax authorities and 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 to their refund Consequently, Vivendi withdrew from its actions before the Administrative Court. In addition, in accordance with applicable law, these refunds gave 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 litigation settlement, 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. Canal+ Group and Havas were reimbursed, with moratorium interest of €1 million

Regarding the dispute over the validity of the merger between SFR and Vivendi Telecom International (VTI) dated 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

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 (i e , €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 lodged by Havas against the decision of the Versailles Court of Appeal was inadmissible This decision irrevocably ended the tax litigation and prevented Havas from receiving a refund of the withholding tax. To restore Havas's right to compensation, three combined actions were instituted· (i) a claim before the European Commission, (ii) a filing before the European Court of Human Rights, and (iii) a claim for compensation under an action for damages against the state. 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 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, thereby reducing the overall deficit reported by the tax group by €267 million This rectification was challenged before the tax authorities Following filings made before the Administrative Court of Montreuil and 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 In a decision dated July 3, 2018, the Versailles Court of Appeal confirmed Havas's positions and decided to restore Havas SA's deficit results of €267 million.

Note 7 Earnings per share

	Year ended December 31,				
	2018		2017		
	Basic	Diluted	Basic	Diluted	
Earnings (in millions of euros)					
Earnings from continuing operations attributable to Vivendi SA shareowners	127	127	1,216	1,182	(a)
Earnings from discontinued operations attributable to Vivendi SA shareowners	-	-	-	-	
Earnings attributable to Vivendi SA shareowners	127	127	1,216	1,182	
Number of shares (in millions)					
Weighted average number of shares outstanding (b)	1,263 5	1,263 5	1,252 7	1,252 7	
Potential dilutive effects related to share-based compensation	-	5 1	-	4 8	
Adjusted weighted average number of shares	**1,263.5**	**1,268.6**	**1,252.7**	**1,257.5**	
Earnings per share (in euros)					
Earnings from continuing operations attributable to Vivendi SA shareowners per share	0 10	0 10	0 97	0 94	
Earnings from discontinued operations attributable to Vivendi SA shareowners per share	-	-	-	-	
Earnings attributable to Vivendi SA shareowners per share	0 10	0 10	0 97	0 94	

a Related only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information publicly disclosed by Telecom Italia with a three-month reporting lag (please refer to Note 11 2)

b Net of the weighted average number of treasury shares (38.5 million shares in 2018, compared to 37.5 million shares in 2017)

Note 8 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

	Items not subsequently reclassified to profit or loss		Items to be subsequently reclassified to profit or loss					
			Unrealized gains/(losses)					
(in millions of euros)	Actuarial gains/(losses) related to employee *defined* benefit plans (a)	Financial *assets at fair* value through other comprehensive income	Available-for-sale securities	Hedging instruments (b)	Total	*Foreign* currency translation adjustments	Other comprehensive income from *equity* affiliates, net	**Other comprehensive *income***
Balance as of December 31, 2016	**(247)**	**-**	**489**	**44**	**533**	**365**	**113**	**764**
Charges and income directly recognized in equity	29	-	650 (c)	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** (d)	**530**
Restatements related to the application of IFRS 9 (e)	-	(198)	(1,141)	1	(1,140)	-	-	(1,338)
Restatements related to the application of IFRS 9 and IFRS 15 by equity *affiliates*	-	-	-	-	-	-	2	2
Balance as of January 1, 2018	**(272)**	**(198)**	**na**	**78**	**78**	**(497)**	**83**	**(806)**
Charges and income directly recognized in equity	40	(224)	-	3	3	228	(164)	(117)
Items to be reclassified to profit or loss	-	(7)	-	-	-	-	-	(7)
Tax effect	(10)	(2)	-	-	-	-	-	(12)
Balance as of December 31, 2018	**(242)**	**(431)**	**na**	**81**	**81**	**(269)**	**(81)** (d)	**(942)**

na: not applicable.

a Please refer to Note 17

b Please refer to Note 19 7

c Included unrealized capital gain on Vivendi's listed equity portfolio

d Included foreign currency translation from Telecom Italia for -€20 million as of December 31, 2018, compared to +€111 million as of December 31, 2017.

e Notably included the reclassification to retained earnings of the €1,160 million unrealized capital gain as of December 31, 2017 relating to Vivendi's interest in Ubisoft (please refer to Note 2 3)

Note 9 Goodwill

(in millions of euros)	*December 31, 2018*	*December 31, 2017*
Goodwill, gross	26,804	26,084
Impairment losses	(14,366)	(14,000)
Goodwill	**12,438**	**12,084**

9.1 Changes in goodwill

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

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

a Primarily included the foreign currency translation of the dollar (USD) against the euro

b Notably included the provisional goodwill attributable to Paylogic, a ticketing and technology company acquired by Vivendi Village on April 16, 2018

c Related to the carrying value of Havas's goodwill acquired by Vivendi on July 3, 2017

d 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.

e 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.

f Notably related to the sale of Radionomy on August 17, 2017

9.2 Goodwill impairment test

In 2018, 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), Poland, Africa and Asia, 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 (c)
	North America	North America
	France	France
	Other territories	Other territories
Gameloft	Gameloft	Gameloft
Vivendi Village	See Tickets	See Tickets
	Digitick	Digitick
	Paylogic (d)	Paylogic (d)
	L'Olympia	L'Olympia
	Paddington	Paddington
	CanalOlympia	CanalOlympia
New Initiatives	Dailymotion	Dailymotion
	Vivendi Content	Vivendi Content
	Group Vivendi Africa	Group Vivendi Africa

a Corresponds to the level of monitoring return on investments.

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

c Includes entities under the same management.

d As of December 31, 2018, no goodwill impairment test attributable to Paylogic was completed given that the acquisition date of Paylogic (April 16, 2018) was close to the financial closing date.

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

Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each CGU or group of CGU is usually determined as the discounted value of future cash flows by using cash flow projections consistent with the 2019 budget and the most recent forecasts prepared by the operating segments These forecasts are prepared on the basis of financial targets as well as the following main key assumptions discount rate, perpetual growth rate and EBITA as defined in Note 1.2.3, capital expenditures, the competitive and regulatory environments, technological developments and level of *commercial expenses. When the business plan of a CGU or group of CGU is not available at the time of the re-examination of the value of* goodwill, Vivendi ensures that the recoverable amount exceeds the carrying value on the basis market data only. The recoverable amount used for the relevant CGU or group of CGU was determined based on its value in use in accordance with the main key assumptions set out below.

Operating segments	CGU or groups of CGU tested	Valuation Method		Discount Rate (a)		Perpetual Growth Rate	
		2018	2017	2018	2017	2018	2017
Universal Music Group	Universal Music Group	na (b)	DCF & comparables model	na (b)	9 00%	na (b)	2 125%
Canal+ Group	Pay-TV in France (mainland and overseas), Poland, Africa and Asia, and free-to-air TV in France	na (c)	DCF & comparables model	na (c)	(d)	na (c)	(d)
	Studiocanal	DCF	DCF	8 00%	8 80%	0 50%	0 50%
Havas	Spain	DCF	DCF	8 03%	7 90%	2 00%	2 00%
	North America	DCF	DCF	8 10%	8 20%	2 00%	2.00%
	France	DCF	DCF	7 90%	7 80%	2 00%	2 00%
Gameloft	Gameloft	DCF & comparables model	DCF & comparables model	8 50%	8 50%	2 00%	2 00%
Vivendi Village	See Tickets	DCF	DCF	11 00%	11 00%	2 00%	2.00%
	Paddington	DCF	DCF	8 60%	9 00%	1 00%	1 00%
New Initiatives	Dailymotion	DCF & comparables model	DCF & comparables model	11 50%	11 50%	2 00%	2 00%

na: not applicable

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

b To achieve the highest possible valuation for Universal Music Group, given the favorable change in the international music market, driven in particular by the strong development of subscription streaming services, Vivendi stated in 2018 that it is willing to sale up to 50% of Universal Music Group's share capital to one or more strategic partners and that such process could be completed within an 18-month timeframe.

c Based on multiple valuations observed in recent acquisitions, Vivendi considered that Canal+ Group's recoverable amount exceeded its carrying value. Canal+ Group did not update its business plan at year-end 2018, given the uncertainties around its program offering following the expiration of the League 1 football rights in France in 2020.

d Discount rates and perpetual growth rates applied in 2017 to test this group of UGT were as follows

	Discount rate		Perpetual growth rate	
	2018	2017	2018	2017
Pay-TV				
Mainland France	(c)	6 70%	(c)	1 00%
France overseas	(c)	7 70%	(c)	1 00%
Africa	(c)	11 20%	(c)	2 00%
Poland	(c)	7 00%	(c)	1 50%
Vietnam	(c)	9 20%	(c)	2 00%
Free-to-air TV in France	(c)	8 10%	(c)	1 00%

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, 2018				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate *(in %)*	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount *(in number of points)*	Applied rate *(in %)*	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount *(in number of points)*	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount *(in %)*
Universal Music Group (a)	na	na	na	na	na
Canal+ Group (b)					
Pay-TV in France (mainland and overseas), Poland, Africa and Asia, and free-to-air TV in France	na	na	na	na	na
Studiocanal	8 00%	+2 02 pts	0 50%	-3 78 pts	-23%
Havas					
Spain	8 03%	+7.40 pts	2 00%	-15 65 pts	-57%
North America	8 10%	+6 77 pts	2 00%	-12 72 pts	-52%
France	7 90%	+6 90 pts	2 00%	-12 36 pts	-54%
Gameloft (c)	na	na	na	na	na
Dailymotion (c)	na	na	na	na	na

	December 31, 2017				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (in %)	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Applied rate (in %)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (in %)
Universal Music Group	9 00%	+8 68 pts	2 125%	-21 25 pts	-57%
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	(d)	+1 45 pts	(d)	-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 (c)	na	na	na	na	na
Dailymotion (c)	na	na	na	na	na

na: not applicable.

a Please refer to reference b in the table above

b Please refer to reference c in the table above

c 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 currently 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 and as of December 31, 2018, which were determined using standard valuation methods (the value in use, determined as the discounted value of future cash flows, and the fair value, determined on the basis of market data stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions) were at least equal to their value at the acquisition date

d For a presentation of the applied rates, please refer to the table in reference d above.

Note 10 Content assets and commitments

10.1 Content assets

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

(in millions of euros)	December 31, 2017 Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	8,105	(6,767)	1,338
Advances to artists and repertoire owners	704	-	704
Merchandising contracts and artists services	21	(21)	-
Film and television costs	6,503	(5,713)	790
Sports rights	408	-	408
Other	42	(35)	7
Content assets	**15,783**	**(12,536)**	**3,247**
Deduction of current content assets	(1,177)	17	(1,160)
Non-current content assets	**14,606**	**(12,519)**	**2,087**

Changes in content assets

(in millions of euros)	Year ended December 31, 2018	2017
Opening balance	**3,247**	**3,223**
Amortization of content assets excluding those acquired through business combinations	(49)	(27)
Amortization of content assets acquired through business combinations	(79)	(83)
Impairment losses on content assets acquired through business combinations	-	-
Increase	2,737	2,762
Decrease	(2,597)	(2,537)
Business combinations	3	36
Changes in foreign currency translation adjustments and other	278	(127)
Closing balance	**3,540**	**3,247**

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.

(in millions of euros)	Minimum future payments as of December 31, 2018 Total	Due in 2019	2020 - 2023	After 2023	Total minimum future payments as of December 31, 2017
Music royalties to artists and repertoire owners	2,049	2,037	12	-	1,843
Film and television rights (a)	169	169	-	-	139
Sports rights	434	434	-	-	468
Creative talent, employment agreements and others	297	177	119	1	132
Content liabilities	**2,949**	**2,817**	**131**	**1**	**2,582**

Off-balance sheet commitments given/(received)

(in millions of euros)	Minimum future payments as of December 31, 2018				Total minimum future payments as of December 31, 2017
		Due in			
	Total	2019	2020 - 2023	After 2023	
Film and television rights (a)	2,630	1,134	1,494	2	2,724
Sports rights	1,735 (b)	942	782	11	2,022
Creative talent, employment agreements and others (c)	1,172	542	590	40	1,112
Given commitments	**5,537**	**2,618**	**2,866**	**53**	**5,858**
Film and television rights (a)	(188)	(91)	(97)	-	(212)
Sports rights	(7)	(3)	(4)	-	(16)
Creative talent, employment agreements and others (c)			not available		
Other	(3)	(1)	(2)	-	-
Received commitments	**(198)**	**(95)**	**(103)**	**-**	**(228)**
Total net	**5,339**	**2,523**	**2,763**	**53**	**5,630**

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, 2018, provisions recorded in respect of these commitments amounted to €26 million (compared to €27 million as of December 31, 2017)

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 €407 million as of December 31, 2018, compared to €630 million as of December 31, 2017. These amounts notably included the renewal of the distribution agreement with beIN Sports on July 11, 2016, for a four-year period

Moreover, on November 8, 2018, Canal+ Group announced the renewal of its May 7, 2015 agreement with all the cinema professional organizations (ARP, BLIC and BLOC), extending until December 31, 2022 a historic partnership of more than 30 years between Canal+ and the French cinema. Pursuant to this agreement, SECP (Société d'Édition de Canal Plus) undertook to invest 12.5% of its annual revenues every year in the financing of European cinematographic works With respect to audiovisual, pursuant to the agreements entered into with producers' and authors' organizations in France, 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 to the following sport events:
- the French professional Soccer League 1, for the season 2019/2020 for the two premium lots (€549 million);
- the English Premier League, on an exclusive basis in France and in Poland, for the three seasons 2019/2020 to 2021/2022, awarded on October 31, 2018;
- the National French Rugby Championship "Top 14", on an exclusive basis, for the four seasons 2019/2020 to 2022/2023; and
- Formula 1, Formula 2 and GP3 racings, on an exclusive basis, for the seasons 2019 and 2020.

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, 2018, the main companies accounted for by Vivendi under the equity method were as follows

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

	Voting interest		Net carrying value of equity affiliates	
(in millions of euros)	December 31, 2018	January 1, 2018	December 31, 2018	January 1, 2018
Telecom Italia (a)	23 94%	23 94%	3,130	4,242
Banijay Group Holding (b)	31 4%	31 4%	145	142
Vevo	49 4%	49 4%	81	80
Other	na	na	62	62
			3,418	**4,526**

na not applicable.

a As of December 31, 2018, Vivendi held 3,640 million Telecom Italia ordinary shares with voting rights, i e , 23 94%, representing 17.15% of the total share capital Based on the stock market price as of December 31, 2018 (€0.4833 per ordinary share), the market value of this interest amounted to €1,759 million For an analysis of the value of Vivendi's interest in Telecom Italia as of December 31, 2018, please refer to paragraph 11 2 below

b On December 21, 2018, the balance of the "new ORAN 1" issued by Banijay Group Holding was early redeemed in cash for €25 million On July 6, 2017, a portion of this bond had been 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%)

Change in value of investments in equity affiliates

	Year ended December 31,	
(in millions of euros)	2018	2017
Opening balance	**4,526** (a)	**4,416**
Acquisitions	-	40
Sales	-	-
Write-downs	(1,066) (b)	-
Income from equity affiliates (c)	129	146
Change in other comprehensive income	(164)	(32)
Dividends received	(7)	(6)
Other	-	(24)
Closing balance	**3,418**	**4,540**

a In accordance with the new IFRS 9 and IFRS 15 accounting standards, the opening balance sheet as of January 1, 2018 was restated by equity affiliates (please refer to Note 28.2)

b Vivendi wrote-down the value of its interest in Telecom Italia for €1,066 million (please refer below)

c Primarily included Vivendi's share of Telecom Italia's net earnings for €122 million in 2018 (please refer below), compared to €144 million in 2017

11.2 Telecom Italia

Equity accounting of Telecom Italia

As of December 31, 2018, with no change compared to December 31, 2017, Vivendi held 3,640 million Telecom Italia ordinary shares, representing 23 94% of the voting rights and 17.15% of the total share capital of Telecom Italia, while taking into account non-voting savings shares with privileged dividend rights Since December 31, 2017, the following main events occurred·

- On March 22, 2018, with effect from April 24, 2018, the three members of Telecom Italia's Board of Directors representing Vivendi resigned, including Mr Arnaud de Puyfontaine, Executive Chairman of Telecom Italia's Board of Directors since June 1, 2017

- On May 4, 2018, Telecom Italia's Shareholders' Meeting appointed five board candidates out of the ten candidates proposed by Vivendi, including Messrs. Arnaud de Puyfontaine and Amos Genish. Vivendi's board candidate slate had 47% of the votes cast compared to 49% of the votes cast for Elliott's slate which obtained ten directors
- On May 7, 2018, Telecom Italia's Board of Directors unanimously appointed Mr Amos Genish as *Amministratore Delegato* (Chief Executive Officer) of Telecom Italia. On this occasion, Vivendi reaffirmed its long-term commitment to Telecom Italia. As a reminder, Vivendi supported the 2018-2020 industrial plan announced by Mr. Amos Genish on March 12, 2018, which was unanimously approved by Telecom Italia's Board of Directors
- On May 16, 2018, Telecom Italia's Board of Directors considered that Vivendi was no longer exercising "management and coordination activities" (*attività di direzione e coordinamento*, according to Article 2497-bis of the Italian Civil Code) over Telecom Italia and consequently terminated the "management and coordination activities" that had been exercised by Vivendi since July 27, 2017
- On November 13, 2018, Telecom Italia's Board of Directors revoked the executive powers of *Amministratore Delegato* held by Mr Amos Genish, who remains a member of the Board of Directors.
- On December 14, 2018, Vivendi requested the Telecom Italia Board of Directors to convene a Shareholders' Meeting as soon as possible to vote for the appointment of new statutory Auditors. Vivendi also requested that the agenda of the Shareholders' Meeting includes a vote on the dismissal of five Board members from the Elliott list.

Notwithstanding the change in the governance of Telecom Italia in 2018, and the subsequent decrease of Vivendi's influence over Telecom Italia's Board of Directors, Vivendi continues to consider that it has the power to participate in Telecom Italia's financial and operating policy decisions, particularly given the 23 94% voting rights it holds in Telecom Italia, and, as a result, it is deemed to exercise a significant influence over Telecom Italia To account for this decrease of influence over Telecom Italia in 2018, Vivendi has been recording its share of Telecom Italia's net earnings as "income from equity affiliates – non-operational". In 2017, it was recorded as "income from equity affiliates – operational"

Vivendi's share of Telecom Italia's earnings

Vivendi relies on Telecom Italia's public financial information to account for its interest in Telecom Italia under the equity method. Given Vivendi's and Telecom Italia's respective publication dates of their financial statements, Vivendi always accounts for its share of Telecom Italia's net earnings with a three-month reporting lag Therefore, for fiscal year 2018, Vivendi's earnings take into account its share of Telecom Italia's net earnings for the fourth quarter of 2017 and for the first nine months of 2018, i e, a total of €122 million, which was calculated as follows:

- €8 million, attributable to Vivendi's share of Telecom Italia's profit for the fourth quarter of 2017, calculated based on the financial information for the year ended December 31, 2017, as publicly disclosed by Telecom Italia on March 6, 2018,
- €174 million, attributable to Vivendi's share of Telecom Italia's profit for the first nine months of 2018, calculated based on the financial information for the first nine months of 2018, as publicly disclosed by Telecom Italia on November 8, 2018, and
- -€60 million, excluded from adjusted net income, relating to the amortization of intangible assets related to the purchase price allocation for Telecom Italia

In addition, Vivendi's share of Telecom Italia's charges and income directly recognized in equity amounted to -€168 million in 2018, including -€130 million related to foreign currency translation adjustments

Value of Vivendi's interest in Telecom Italia as of December 31, 2018

As of December 31, 2018, the stock market price of Telecom Italia ordinary shares (€0.4833) decreased compared to the average purchase price paid by Vivendi (€1.0709) In particular, Vivendi has observed the significant decrease in the stock market price of Telecom Italia since May 4, 2018, the date of Telecom Italia's Shareholders Meeting during which the Board of Directors' composition was changed and a new Chairman was appointed Consistent with previous fiscal year-ends, Vivendi tested the value of its interest in Telecom Italia, to determine whether the recoverable amount exceeded its carrying value With the assistance of a third-party appraiser, Vivendi used the standard valuation methods the value in use, determined as the discounted value of future cash flows, the fair value, determined on the basis of market data stock market prices, comparable listed companies and comparison with the value attributed to similar assets or companies in recent acquisition transactions Notwithstanding Vivendi's expected improvement of Telecom Italia's outlook, Vivendi wrote-down the value of its interest accounted for under the equity method for €1,066 million, notably to take into account the uncertainty affecting Telecom Italia's governance, which increases the non-execution risks associated with the company's industrial plan given Vivendi's lower power to participate in Telecom Italia's financial and operating policy decisions, and to take into account the changes in Telecom Italia's competitive and regulatory environment. Therefore, in Vivendi's Consolidated Financial Statements for the year ended December 31, 2018, the value of Telecom Italia shares accounted for under the equity method was €3,130 million

Financial information related to 100% of Telecom Italia

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

(in millions of euros)	Nine months Financial Statements as of September 30, 2018	Annual Financial Statements as of December 31, 2017
Date of publication by Telecom Italia.	*November 8, 2018*	*March 6, 2018*
Non-current assets	54,038	58,452
Current assets	9,533	10,331
Total assets	63,571	68,783
Total equity	21,901	23,783
Non-current liabilities	29,062	32,612
Current liabilities	12,608	12,388
Total liabilities	63,571	68,783
of which net financial debt (a)	*26,127*	*26,091*
Revenues	14,077	19,828
EBITDA (a)	5,778	7,790
Earnings attributable to Telecom Italia shareowners	(868)	1,121
Total comprehensive income/(loss) attributable to Telecom Italia shareowners	(1,530)	527

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

Note 12 Financial assets

(in millions of euros)	December 31, 2018			January 1, 2018		
	Total	Current	Non-current	Total	Current	Non-current
Financial assets at fair value through profit or loss						
Term deposits (a)	549	549	-	50	50	-
Level 1						
Bond funds (a)	50	50	-	25	25	-
Listed equity securities	789	-	789	1,956	-	1,956 (b)
Other financial assets	5	5	-	5	5	-
Level 2						
Unlisted equity securities	-	-	-	348	-	348
Derivative financial instruments	38	16	22	19	4	15
Level 3 - Other financial assets (c)	44	-	44	62	-	62
Financial assets at fair value through other comprehensive income (d)						
Level 1 - Listed equity securities	936	-	936	1,798	-	1,798
Level 2 - Unlisted equity securities	20	-	20	13	-	13
Level 3 - Unlisted equity securities	47	-	47	47	-	47
Financial assets at amortized cost	714 (e)	470	244	317	54	263
Financial assets	**3,192**	**1,090**	**2,102**	**4,640**	**138**	**4,502**

The three classification levels for the measurement of financial assets at fair value are defined in Note 1 3.1

a Relates to cash management financial assets, included in the cash position: please refer to Note 14

b Related to Vivendi's interest in Ubisoft, which was reclassified as "fair value through profit or loss" as of January 1, 2018.

c These financial assets notably included the fair value of the bond redeemable into either shares or cash (ORAN 2) subscribed to by Vivendi in 2016 in connection with its investment in Banijay Group Holding As of January 1, 2018, they also included the balance of the bond redeemable into either shares or cash ("new" ORAN 1) which was early redeemed in cash (€25 million) on December 21, 2018

d These assets relate to listed and non-listed equity securities, which Vivendi decided to classify as "fair value through other comprehensive income" These financial assets had been classified as "financial assets available-for-sale" until December 31, 2017.

e As of December 31, 2018, these financial assets notably included
- a receivable of €429 million on the forward sale of the remaining interest in Ubisoft (please refer to Note 2 3),
- a bond redeemable in cash subscribed to by Vivendi in 2016 in connection with its investment in Banijay Group Holding for €55 million, and
- a €70 million cash deposit made in March 2017 pursuant to an agreement to purchase a piece of land on the île Seguin, in the Parisian suburb Boulogne Billancourt

Listed equity and financial assets portfolio

	December 31, 2018								
	Number of shares held	Voting interest	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
	(in thousands)			(€/share)			(in millions of euros)		
Mediaset	340,246	9.99% (c)	28.80%	3.70	2.74	934	(165)	(325)	+93/-93
Ubisoft (d)	6,550	5.23%	5.80%	31.98	na	429	na	na	na
Other						791	440	632	+79/-79
Total						**2,154**	**275**	**307**	**+172/-172**

	December 31, 2017								
	Number of shares held	Voting interest	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
	(in thousands)				(€/share)		(in millions of euros)		
Mediaset	340,246	29.94% (c)	28.80%	3.70	3.23	1,099	(300)	(160)	+110/-110
Ubisoft	30,489	29.04%	27.27%	26.12	64.14	1,956	929	1,160	+195/-195
Telefonica (e)	49,247	0.95%	0.95%	11.56	8.13	400	(34)	(169)	+40/-40
Fnac Darty (f)	2,945	11.05%	11.05%	54.00	100.70	297	108	138	+30/-30
Other						3	-	(2)	-
Total						**3,754**	**703**	**967**	**+375/-375**

na not applicable

a Includes acquisition fees and taxes

b As from January 1, 2018, these amounts (before taxes) are either reported to profit or loss, or recorded as other comprehensive income not subsequently reclassified to profit or loss in accordance with IFRS 9 As of December 31, 2017, under IAS 39, they were recorded 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 to litigation As of December 31, 2017, Vivendi held 340,246 thousand Mediaset shares, representing 29.94% of the voting rights On April 9, 2018, in compliance with the undertakings given to the AGCOM, Vivendi transferred the portion of its voting rights in excess of 10% to an independent Italian trustee (please refer to Note 23)

d As part of the sale of its entire 27.27% interest in Ubisoft (i e., 30,489 thousand shares), 6,550 thousand shares will be sold on March 5, 2019 in a forward sale (please refer to Note 2.3) As of December 31, 2018, Vivendi recorded in the Consolidated Statement of Financial Position, a receivable on share disposal for the amount of such forward sale (€429 million).

e In November and December 2018, Vivendi sold on the market its Telefonica shares for an aggregate amount of €373 million. In 2018, Vivendi received €11 million in dividends from Telefonica, compared to €20 million in 2017

f On July 2, 2018, Vivendi decided to settle in shares the hedging transaction entered into in January 2018 regarding its interest in Fnac Darty The settlement was completed on July 10, 2018 and Vivendi received cash proceeds of €267 million on July 12, 2018 (please refer to Note 2.4)

Equity market value risks

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, 2018, Vivendi held a portfolio of listed non-controlling equity interests, including a receivable of €429 million on the forward sale of the remaining interest in Ubisoft (please refer to Note 2.3) As of December 31, 2018, the aggregate market value of this portfolio was approximately €3.9 billion (before taxes) Vivendi is exposed to the risk of fluctuation in the value of these interests as of December 31, 2018, the net unrealized capital gains or losses with respect to the interests in Telecom Italia, Mediaset, Spotify and Tencent *Music, represented a net unrealized capital loss amounting to approximately €1.8 billion (before taxes).* A 10% *uniform decrease in the value* of all of these shares would have a cumulative negative impact of approximately €2.5 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 €2.9 billion on Vivendi's financial position

Note 13 Net working capital

Changes in net working capital

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

(in millions of euros)	December 31, 2016	Changes in operating working capital (b)	Business combinations	Divestitures in progress or completed	Changes in foreign currency translation adjustments	Other (c)	December 31, 2017
Inventories	123	(24)	91	-	(10)	(3)	177
Trade accounts receivable and other	2,273	499	2,636 (d)	(12)	(147)	(31)	5,218
Of which trade accounts receivable	*1,340*	*416*	*2,242*	*(7)*	*(102)*	*(61)*	*3,828*
trade accounts receivable write-offs	*(163)*	*5*	*(23)*	-	*5*	*4*	*(172)*
Working capital assets	**2,396**	**475**	**2,727**	**(12)**	**(157)**	**(34)**	**5,395**
Trade accounts payable and other	5,614	746	3,067 (e)	(23)	(350)	(35)	9,019
Other non-current liabilities	126	(6)	35	-	(4)	75	226
Working capital liabilities	**5,740**	**740**	**3,102**	**(23)**	**(354)**	**40**	**9,245**
Net working capital	**(3,344)**	**(265)**	**(375)**	**11**	**197**	**(74)**	**(3,850)**

a As of January 1, 2018, net working capital included the restatements related to the application of IFRS 9 for -€10 million (please refer to Note 28.2).

b Excludes content investments made by Canal+ Group and Universal Music Group

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

d Included €2,629 million relating to the integration of Havas

e Included €3,043 million relating to the integration of Havas

Trade accounts receivable and other

Credit risk

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

Havas provides advertising and communications services to a wide range of clients operating in various 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 since then, including in 2018.

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2018	December 31, 2017
Trade accounts payable		4,938	4,909
Music royalties to artists and repertoire owners	10 2	2,037	1,830
Other		2,597	2,280
Trade accounts payable and other		**9,572**	**9,019**

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 satisfy the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, which satisfy ANC and AMF position expectations expressed in November 2018

	December 31, 2018			December 31, 2017		
(in millions of euros)	Carrying value	Fair value	Level (a)	Carrying value	Fair value	Level (a)
Term deposits	549	na	na	50	na	na
Bond funds and other	50	50	1	25	25	1
Cash management financial assets	**599**			**75**		
Cash	438	na	na	389	na	na
Term deposits and current accounts	1,999	na	na	1,257	na	na
Money market funds	1,306	1,306	1	275	275	1
Bond funds	50	50	1	30	30	1
Cash and cash equivalents	**3,793**			**1,951**		
Cash position	**4,392**			**2,026**		

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 2018, the average interest rate on Vivendi's investments was 0 50% (compared to 0.40% in 2017)

Investment risk and counterparty risk

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

As of December 31, 2018, the group's cash position amounted to €4,392 million (compared to €2,026 million as of December 31, 2017), of which €3,354 million was held by Vivendi SA (compared to €1,072 million as of December 31, 2017)

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

Liquidity risk

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), Vivendi considers that the cash flows generated by its operating activities, its cash surpluses, net of the cash used to reduce its debt, as well as the cash available through undrawn bank credit facilities (please refer to Note 19.3) will be sufficient to cover its operating expenses and investments, its debt service (including redemption of bonds), the payment of income taxes, the distribution of dividends and any potential share repurchases under existing authorizations, as well as its investment projects, if any, for the next 12 months

Note 15 Equity

Changes in the share capital of Vivendi SA

(in thousands)	December 31, 2018	December 31, 2017
Number of shares comprising the share capital (nominal value: €5.5 per share)	**1,306,234**	**1,296,059**
Treasury shares	(38,264)	(39,408)
Number of shares, net	**1,267,970**	**1,256,651**
Number of voting rights, gross	**1,387,889**	**1,513,250**
Treasury shares	(38,264)	(39,408)
Number of voting rights, net	**1,349,625**	**1,473,842**

On July 19, 2018, Vivendi made a capital increase of €100 million, by issuing 5,186 thousand new shares through an employee stock purchase plan and leveraged plan (please refer to Note 18)

As of December 31, 2018, Vivendi's share capital amounted to €7,184,288,078, divided into 1,306,234,196 shares In addition, as of December 31, 2018, 7.2 million stock options and 4.8 million performance shares were outstanding, representing a potential maximum nominal share capital increase of €66 million (i.e , 0 92%)

Share repurchases

On April 19, 2018, the General Shareholders' Meeting renewed the authorization given to Vivendi's Management Board to repurchase shares of the company within the limit of 5% of Vivendi's share capital and at a maximum price of €24 per share

As of December 31, 2018, Vivendi held 38,264 thousand treasury shares, representing 2 93% of its share capital (compared to 3.04% of its share capital as of December 31, 2017).

Among the resolutions to be submitted to a vote at the Shareholders' Meeting to be held on April 15, 2019, the shareholders will be asked to approve two resolutions relating to share repurchases

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

Shareholders' dividend distributions

On February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018 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 €0.50 per share representing a total distribution of approximately €634 million. This proposed distribution was presented to, and approved by, Vivendi's Supervisory Board at its meeting held on February 14, 2019, and will be submitted to the Annual General Shareholders' Meeting to be held on April 15, 2019 for approval.

On April 24, 2018, with respect to fiscal year 2017, an ordinary dividend of €0.45 per share was paid (following the coupon detachment on April 20, 2018), representing a total distribution of €568 million

Note 16 Provisions

(in millions of euros)	Note	December 31, 2018	December 31, 2017
Employee benefits (a)		697	746
Restructuring costs (b)		55	59
Litigations	23	247	260
Losses on onerous contracts		37	61
Contingent liabilities due to disposal (c)		20	16
Other (d)		813	785
Provisions		**1,869**	**1,927**
Deduction of current provisions		(438)	(412)
Non-current provisions		**1,431**	**1,515**

a Included deferred employee compensation as well as provisions for defined employee benefit plans (€661 million as of December 31, 2018 and €712 million as of December 31, 2017), but excluded employee termination reserves recorded under restructuring costs

b Primarily included provisions for restructuring at UMG (€13 million as of December 31, 2018, compared to €9 million as of December 31, 2017) and at Canal+ Group (€40 million as of December 31, 2018, compared to €50 million as of December 31, 2017)

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

d Notably included the provisions with respect to the 2012 and 2015 French Tax Group System (€239 million and €203 million as of December 31, 2018, respectively), as well as litigation provisions for which the amount and nature are not disclosed because such disclosure could be prejudicial to Vivendi

Changes in provisions

	Year ended December 31,	
(in millions of euros)	2018	2017
Opening balance	**1,927**	**2,141**
Addition	280	451
Utilization	(231)	(270) (a)
Reversal	(123)	(503) (a)
Business combinations	-	172
Divestitures, changes in foreign currency translation adjustments and other	16	(64)
Closing balance	**1,869**	**1,927**

a Notably included the reversal of reserve related to the securities class action in the United States for an aggregate amount of €100 million (please refer to Note 23)

Note 17 Employee benefits

17.1 Analysis of expenses related to employee benefit plans

The table below provides information about the cost of employee benefit plans excluding its financial component The total cost of defined benefit plans is set forth in Note 17.2 2 below

		Year ended December 31,	
(in millions of euros)	Note	2018	2017
Employee defined contribution plans		62	46
Employee defined benefit plans	17 2 2	26	23
Employee benefit plans		**88**	**69**

This cost increase was primarily due to the full-year effect of the consolidation of Havas since July 3, 2017 €32 million for employee defined contribution plans (€17 million in 2017) and €6 million for employee defined benefit plans (€3 million in 2017)

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	
	2018	2017	2018	2017
Discount rate (a)	2 3%	2.2%	3 9%	3.7%
Rate of compensation increase	1 7%	1 5%	na	na
Duration of the benefit obligation (in years)	15 0	15 5	8 8	9 4

na not applicable.

a A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2018 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 €84 million (or an increase of €87 million, respectively)

Assumptions used in accounting for pension benefits, by country

	United States		United Kingdom		Germany		France	
	2018	2017	2018	2017	2018	2017	2018	2017
Discount rate	4 00%	3 75%	2 75%	2 50%	1 50%	1 50%	1.50%	1.50%
Rate of compensation increase (weighted average)	na	na	3 50%	3 50%	1 75%	1 75%	3.47%	3 25%

na: not applicable

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

	United States		Canada	
	2018	2017	2018	2017
Discount rate	4 00%	3 75%	3 75%	3 50%
Rate of compensation increase	na	na	na	na

na not applicable.

Allocation of pension plan assets

	December 31, 2018	December 31, 2017
Equity securities	13%	12%
Debt securities	21%	20%
Diversified funds	10%	15%
Insurance contracts	39%	41%
Real estate	1%	1%
Cash and other	16%	11%
Total	**100%**	**100%**

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

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

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the annual growth in the per capita cost of covered health care benefits would slow down from 6.7% for the under 65 years of age and 65 years of age and older categories in 2018, to 4 4% in 2026 for these categories In 2018, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €6 million and the pre-tax expense by €0.3 million Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €5 million and the pre-tax expense by €0.2 million

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

	Pension benefits		Post-retirement benefits		Total	
(in millions of euros)	2018	2017	2018	2017	2018	2017
Current service cost	27	24	-	-	27	24
Past service cost	(2)	(2)	-	-	(2)	(2)
(Gains)/losses on settlements	-	-	-	-	-	-
Other	1	1	-	-	1	1
Impact on selling, administrative and general expenses	**26**	**23**	**-**	**-**	**26**	**23**
Interest cost	22	17	5	5	27	22
Expected return on plan assets	(11)	(10)	-	-	(11)	(10)
Impact on other financial charges and income	**11**	**7**	**5**	**5**	**16**	**12**
Net benefit cost recognized in profit or loss	**37**	**30**	**5**	**5**	**42**	**35**

In 2018, benefits paid amounted to (i) €50 million with respect to pensions (€90 million in 2017), of which €17 million paid by pension funds (€63 million in 2017), and (ii) €8 million paid with respect to post-retirement benefits (€11 million in 2017)

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, stemming from benefit obligations valued at €254 million less the value of plan assets for €150 million

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

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

(in millions of euros)	Note	Employee defined benefit plans Year ended December 31, 2017 Benefit obligation (A)	 Fair value of plan assets (B)	 Net (provision)/asset recorded in the statement of financial position (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 (e)		(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)*

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

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

c In accordance with local laws and practices, certain plans are not covered by plan assets. As of December 31, 2018 and 2017, such plans principally comprised supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States

d Included a current liability of €51 million as of December 31, 2018 (compared to €53 million as of December 31, 2017)

e Included -€72 million attributable to an increase in discount rates, of which -€5 million relating to the United States, -€19 million relating to the United Kingdom, -€19 million relating to Germany and -€24 million relates to France

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

	Pension benefits (a)		Post-retirement benefits (b)		Total	
	December 31,		December 31,		December 31,	
(in millions of euros)	2018	2017	2018	2017	2018	2017
Benefit obligation						
US companies	113	118	107	111	220	229
UK companies	432	469	2	2	434	471
German companies	184	192	-	-	184	192
French companies	279	268	3	3	282	271
Other	75	78	10	12	85	90
	1,083	**1,125**	**122**	**128**	**1,205**	**1,253**
Fair value of plan assets						
US companies	52	54	-	-	52	54
UK companies	395	398	-	-	395	398
German companies	2	2	-	-	2	2
French companies	52	43	-	-	52	43
Other	52	52	-	-	52	52
	553	**549**	**-**	**-**	**553**	**549**
Underfunded obligation						
US companies	(61)	(64)	(107)	(111)	(168)	(175)
UK companies (c)	(37)	(71)	(2)	(2)	(39)	(73)
German companies	(182)	(190)	-	-	(182)	(190)
French companies	(227)	(225)	(3)	(3)	(230)	(228)
Other	(23)	(26)	(10)	(12)	(33)	(38)
	(530)	**(576)**	**(122)**	**(128)**	**(652)**	**(704)**

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

b Primarily relates to medical coverage (hospitalization, surgery, doctor visits and drug prescriptions), post-retirement and life insurance benefits for certain employees and retirees in the United States In accordance with current regulations in relation to the funding policy of this type of plan, the plan is not funded The main risks for the group relate to changes in discount rates as well as increases in the cost of benefits (please refer to the sensitivity analysis described in Note 17 2.1).

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

17.2.4 Benefits estimation and future payments

For 2019, hedge fund contributions and benefit payments by Vivendi to retirees are estimated at €44 million in respect of pensions, of which €27 million relates to pension funds and €9 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
2019	41	10
2020	58	10
2021	43	9
2022	60	9
2023	59	9
2024-2028	283	40

Note 18 Share-based compensation plans

18.1 Plans granted by Vivendi

18.1.1 Equity-settled instruments

Transactions relating to outstanding instruments that occurred in 2017 and 2018 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, 2016	**24,620**		**19.1**	**3,216**	
Granted	-		na	1,548	
Exercised / Issued	(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**		**16.8**	**4,303**	
Granted	-		na	1,636	
Exercised / Issued	(4,989)	(a)	17 9	(771)	
Forfeited	(968)		20 2	na	
Cancelled	-		na	(378)	(b)
Balance as of December 31, 2018	**7,245**	(c)	**15.6**	**4,790**	(d)
Acquired / Exercisable as of December 31, 2018	**7,245**		**15.6**	**-**	
Rights acquired as of December 31, 2018	**-**		**na**	**418**	

na not applicable.

a In 2018, beneficiaries exercised stock options at the weighted average stock market price of €22 3 (compared to €21 1 for stock options exercised in 2017)

b At its meeting held on February 15, 2018, after a 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 2015, 2016 and 2017 for the performance share plan granted in 2015 It was confirmed that not all the criteria had been met The final grant of the 2015 performance share plan represented 75% of the initial grant, as adjusted Consequently, 243,464 rights to performance shares, which were granted in 2015, were cancelled and 42,500 of the cancelled rights were for members of the Management Board In addition, 134,520 rights were cancelled due to the termination of employment of certain beneficiaries

c At the stock market price on December 31, 2018, the cumulated intrinsic value of remaining stock options to be exercised was estimated at €41 million.

d The weighted-average remaining period before delivering performance shares was 1 7 years

Please refer to Note 15 for a description of the potential impact on the share capital of Vivendi SA of the outstanding stock options and performance shares

Outstanding stock options as of December 31, 2018

Range of strike prices	Number	Weighted average strike price	Weighted average remaining life
	(in thousands)	(in euros)	(in years)
Under €15	1,057	11 9	3 3
€15-€16	2,568	15 8	1 3
€16-€17	2,305	16 1	0 3
€17-€18	1,315	17 2	2 3
More than €18	-	-	-
	7,245	**15.6**	**1.5**

Performance share plans

On May 17, 2018, Vivendi granted to employees and executive management 1,632 thousand performance shares, of which 175,000 were granted to members of the Management Board On February 23, 2017, Vivendi granted to employees and executive management 1,544 thousand performance shares, 200,000 of which were to members of the Management Board

As of May 17, 2018, the share price was €23 03 and the expected dividend yield was 1 95% (compared to €16.95 and 2 36% as of February 23, 2017, 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 8.1% of the share price as of May 17, 2018 (compared to 8.4% in 2017). Consequently, the fair value of each granted performance share was estimated at €19 85 (compared to €14 37 in 2017), corresponding to an aggregate fair value of the plan of €32 million (compared to €22 million in 2017)

Subject to satisfaction of the performance criteria, performance shares definitely vest at the end of a three-year period, subject to the 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 that are applied to estimate and recognize the value of these granted plans are described in Note 1.3.10

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

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

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

In 2018, the charge recognized with respect to all performance share plans amounted to €16 million, compared to €18 million in 2017.

18.1.2 Employee stock purchase and leveraged plans

On July 19, 2018 and July 25, 2017, 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

	2018	2017
Grant date	June 18	June 22
Data at grant date		
Share price (in euros)	21 57	20.58
Expected dividend yield	2 09%	1 94%
Risk-free interest rate	-0 11%	-0 21%
5-year interest rate in fine	3 81%	3.93%
Repo rate	0 36%	0 36%
Discount for non-transferability per share	17 49%	18 44%

Under the employee stock purchase plan (ESPP), 734 thousand shares were subscribed for in 2018 through a company mutual fund (*Fonds Commun de Placement d'Entreprise*) at a price of €19 327 per share (compared to 651 thousand shares at a price per share of €16.25 in 2017) In 2018, no charges were recognized, as the benefit granted, which is equal to the positive difference between the subscription price and the stock price at the end of the subscription period on June 18, 2018 (discount of 10 40%) was lower than the discount for non-transferability (17.49%). In 2017, the benefit granted (21.00%) was higher than the discount for non-transferability (18 44%) and the charge recognized with respect to the ESPP amounted to €1 million

Under the leveraged plan, 4,259 thousand shares were subscribed for in 2018 through a company mutual fund at a price of €19 327 per share (compared to 2,587 thousand shares at a price of €16.25 in 2017) 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, 193 thousand shares were subscribed for as part of an employee shareholding plan implemented for employees of the group's Japanese subsidiaries (compared to 922 thousand shares as part of a similar plan for employees of the group's American subsidiaries in 2017) In 2018, the charge recognized with respect to the leveraged plan amounted to nearly €1 million, compared to €5 million in 2017

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 19, 2018 of an aggregate value of €100 million (including issue premium), compared to €68 million on July 25, 2017.

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 shares as of the date of the Board of Directors' meeting that approved the grant of these shares Subject to satisfaction of the performance criteria for certain plans, shares definitely vest at the end of a period of 36 to 51 months, subject to the presence of the beneficiaries in the group

As of December 31, 2018, Havas's outstanding plans were as follows

- On January 19, 2015, the Board of Directors granted 2,420 thousand performance shares for the employees and directors of Havas SA and its subsidiaries in France and abroad
- 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

In light of both the implementation of the mandatory squeeze-out resulting in the absence of liquidity for Havas shares and the change of control of Havas to Vivendi, Vivendi's Supervisory Board resolved that the restricted and performance shares granted by Havas would be replaced by Vivendi shares, on the basis of 0 44 Vivendi share for every one Havas share.
In 2018, beneficiaries of Havas restricted or performance shares have been individually given the option of being definitively granted the corresponding shares initially granted to them, subject to having entered into a liquidity contract with Vivendi, which contains:

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

The exercise price of these options will be the cash equivalent, for one Havas share, of the market value of 0 44 Vivendi share calculated on the basis of the average stock market price for Vivendi shares on Euronext Paris, weighted by the daily trading volumes on the regulated market of Euronext Paris, during the ten trading days preceding the date of vesting of Havas restricted and performance shares
By way of derogation, given the proximity of the vesting period applicable to a plan that had been granted on January 29, 2014 (vested on April 29, 2018), this exercise price was equal to the tender offer price, i.e., €9.25 per Havas share, for the beneficiaries of this plan

As of December 31, 2018, 2,297 thousand Havas shares were subject to a liquidity agreement and will therefore be granted to the beneficiaries subject to their presence upon maturity of each plan, and then acquired by Vivendi 3,570 thousand Havas shares will be exchanged for approximatively 1,571 thousand Vivendi shares (on the basis of 0 44 Vivendi for every one Havas share)

Transactions relating to outstanding shares that have occurred since July 3, 2017 (the date on which Vivendi took control of Havas) were as follows:

	Number of outstanding shares
	(in thousands)
Balance as of December 31, 2016	**-**
Resulting from the business combination	8,275
Forfeited	-
Cancelled	(342)
Balance as of December 31, 2017	**7,933**
Forfeited	(1,719) (a)
Cancelled	(347)
Balance as of December 31, 2018	**5,867**

a With respect to the plan granted on January 29, 2014 and which expired on April 29, 2018, 870 thousand shares were paid in cash by Vivendi at a price of €9.25 per share and 849 thousand Havas shares were exchanged for 374 thousand Vivendi shares, on the basis of 0.44 Vivendi share for every one Havas share in accordance with the terms and conditions of the plan described above

In 2018, the charge recognized in respect of all restricted and performance share plans granted by Havas amounted to €10 million, compared to €4 million in the second half of 2017

18.3 Restricted share plans granted by Gameloft S.E.

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

Transactions on outstanding restricted shares that occurred in 2017 and 2018 were as follows.

	Number of outstanding restricted shares
	(in thousands)
Balance as of December 31, 2016	**1,333**
Issued	(553)
Forfeited	-
Cancelled	(46)
Balance as of December 31, 2017	**734**
Issued	(306)
Forfeited	-
Cancelled	(87)
Balance as of December 31, 2018	**341** (a)

a The weighted-average remaining period before delivering restricted shares was 0 96 year

In the second half of 2018, the beneficiaries approved the liquidity agreement proposed by Vivendi The number of shares referred to in this agreement was 1,606 thousand shares

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

In accordance with IFRS 2, a compensation expense must be estimated and accounted for at each reporting date until the payment date As of December 31, 2018, no charges were accounted for with respect to this plan, unchanged compared to prior years

Note 19 Borrowings and other financial liabilities and financial risk management

(in millions of euros)	Note	December 31, 2018 Total	Long-term	Short-term	January 1, 2018 Total	Long-term	Short-term
Bonds	19 2	4,050	3,350	700	4,150	4,050	100
Short-term marketable securities issued		-	-	-	-	-	-
Bank overdrafts		98	-	98	75	-	75
Accrued interest to be paid		17	-	17	18	-	18
Bank credit facilities (drawn confirmed)	19 3	-	-	-	-	-	-
Cumulative effect of amortized cost	19 1	(14)	(13)	(1)	(18)	(18)	-
Other		65	10	55	141	12	129
Borrowings at amortized cost		**4,216**	**3,347**	**869**	**4,366**	**4,044**	**322**
Commitments to purchase non-controlling interests		114	98	16	144	103	41
Derivative financial instruments	19 7	6	3	3	33	23 (a)	10
Borrowings and other financial liabilities		**4,336**	**3,448**	**888**	**4,543**	**4,170**	**373**

a In accordance with IFRS 9, the fair value of the options pursuant to which Banijay Group Holding and Lov Banijay may redeem the bonds in shares was reclassified as a reduction of financial assets as from January 1, 2018 (please refer to Notes 12 and 28 2)

19.1 Fair market value of borrowings and other financial liabilities

(in millions of euros)	December 31, 2018 Carrying value	Fair market value	Level (a)	January 1, 2018 Carrying value	Fair market value	Level (a)
Nominal value of borrowings	4,230			4,384		
Cumulative effect of amortized cost	(14)			(18)		
Borrowings at amortized cost	**4,216**	**4,291**	**na**	**4,366**	**4,506**	**na**
Commitments to purchase non-controlling interests	114	114	3	144	144	3
Derivative financial instruments	6	6	2	33	33	2
Borrowings and other financial liabilities	**4,336**	**4,411**		**4,543**	**4,683**	

na: not applicable

a The three classification levels for the measurement of financial liabilities at fair value are defined in Note 1 3 1

19.2 Bonds

(in millions of euros)	Interest rate (%) nominal	effective	Maturity	December 31, 2018	January 1, 2018
Bonds issued by Vivendi SA					
€850 million (September 2017) (a)	0 875%	0 99%	Sep-24	850	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
€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	400
€100 million (July 2013) (a)	3 125%	3 125%	Jul-18	- (c)	100
Nominal value of bonds				**4,050**	**4,150**

a Bonds listed on the Euronext Paris Stock Exchange

b Bonds listed on the Luxembourg Stock Exchange

c This bond was fully redeemed at maturity in July 2018

On March 22, 2017, Vivendi set up a €3 billion Euro Medium-Term Note (EMTN) program giving Vivendi full flexibility to issue bonds This program was renewed on March 23, 2018 and filed with the AMF (*Autorité des marchés financiers*) under visa n°18-090 for a 12-month period Its renewal was approved by the Management Board on January 21, 2019

Bonds issued by Vivendi SA contain customary provisions related to events of default, negative pledge and rights of payment (*pari-passu* ranking) They also contain an early redemption clause in the event of a change of control[4] 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 the event of a change of control[5]

19.3 Bank credit facilities

As of December 31, 2018, Vivendi SA had a €2 billion undrawn syndicated bank credit facility, maturing on October 29, 2021 Taking into account the absence of short-term marketable securities issued and backed by this bank credit facility, €2 billion of this facility was available as of December 31, 2018 At the end of each half-year, Vivendi SA was required to comply with a Proportionate Financial Net Debt[6] to EBITDA[7] 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, 2018, Vivendi SA was in compliance with its financial covenant

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

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), €3 3 billion of Vivendi SA's facilities were available, taking into account the short-term marketable securities issued and backed by these credit facilities for €100 million

On February 11, 2019, Vivendi's Management Board adopted a proposal to increase the maximum amount of Vivendi SA's short-term marketable securities program authorized by the Banque de France to €3 4 billion. This proposal was presented to, and approved by, Vivendi's Supervisory Board at its meeting held on February 14, 2019.

In addition, Havas SA has committed credit facilities, undrawn as of December 31, 2018, granted by leading banks for an aggregate amount of €510 million, including €330 million maturing in 2020, €30 million maturing in 2021 and €150 million maturing in 2023. These credit facilities are required to comply with the following financial covenants at each annual closing date:

- Adjusted EBITDA[8] to Net interest expense[9] ratio must be higher than 3.5[10]; and
- Adjusted Net Debt[11] to Adjusted EBITDA ratio must be lower than 3.

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), €3.7 billion of Vivendi group's (Vivendi SA and Havas SA) facilities were available, taking into account the short-term marketable securities issued and backed by these credit facilities for €240 million

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[4] In the bonds issued in May 2016 and November 2016, Bolloré Group was carved out of the change-of-control provision
[5] Change of control is defined as the settlement/delivery of a tender offer following which one or more individual(s) or legal entitie(s) which does/do not belong to Bolloré Group and Vivendi, acting in isolation or in concert, acquire(s) over 50% of Havas SA's share capital or voting rights
[6] 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
[7] Relates to EBITDA as defined by Vivendi plus dividends received from unconsolidated companies
[8] 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
[9] 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
[10] This covenant does not apply to the credit facilities maturing in 2023.
[11] 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

19.4 Borrowings by maturity

(in millions of euros)	December 31, 2018		January 1, 2018	
Maturity				
< 1 year (a)	869	*21%*	322	*7%*
Between 1 and 2 years	403	*9%*	703	*16%*
Between 2 and 3 years	1,003	*24%*	406	*9%*
Between 3 and 4 years	1	-	1,001	*23%*
Between 4 and 5 years	601	*14%*	-	-
> 5 years	1,353	*32%*	1,952	*45%*
Nominal value of borrowings	**4,230**	***100%***	**4,384**	***100%***

a As of December 31, 2018, short-term borrowings (with a maturity period of less than one year) notably included Vivendi's bond maturing in December 2019 for €700 million, as well as bank overdrafts for €98 million. As of January 1, 2018, they notably included Havas SA's bond, which expired on July 11, 2018 for €100 million, as well as bank overdrafts for €75 million

The average "economic" term of the group's financial debt, calculated based on the assumption that available medium term credit lines may be used to redeem the group's shortest term borrowings, was 5 3 years as of December 31, 2018 (taking into account the new bank financing signed in January 2019), compared to 5 0 years as of December 31, 2017

As of December 31, 2018, the future undiscounted cash flows related to borrowings and other financial liabilities amounted to €4,558 million (compared to €4,862 million as of January 1, 2018) with a carrying value of €4,336 million (compared to €4,543 million as of January 1, 2018) 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.

As of December 31, 2018, the nominal value of borrowings at fixed interest rate amounted to €4,097 million (compared to €4,218 million as of December 31, 2017) and the nominal value of borrowings at floating interest rate amounted to €133 million (compared to €166 million as of December 31, 2017)

As of December 31, 2018 and December 31, 2017, Vivendi did not subscribe to any pay-floating or pay-fixed interest rate swaps

19.6 Foreign currency risk management

Breakdown by currency

(in millions of euros)	December 31, 2018		January 1, 2018	
Euro - EUR	4,111	*97%*	4,288	*98%*
US dollar - USD	8	-	1	-
Other	111	*3%*	95	*2%*
Nominal value of borrowings before hedging	**4,230**	***100%***	**4,384**	***100%***
Currency swaps USD	*693*		*1,334*	
Other currency swaps	*(71)*		*192*	
Net total of hedging instruments (a)	***622***		***1,526***	
Euro - EUR	4,733	*112%*	5,814	*133%*
US dollar - USD	(685)	*-16%*	(1,333)	*-31%*
Other	182	*4%*	(97)	*-2%*
Nominal value of borrowings after hedging	**4,230**	***100%***	**4,384**	***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, 2018, would have a non-significant cumulative impact on net earnings (around €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.

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

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

	January 1, 2018						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(362)	(73)	(132)	(30)	(127)	2	3
Purchases against the euro	2,094	1,548	93	193	260	3	26
Other	-	68	(95)	2	25	-	4
	1,732	**1,543**	**(134)**	**165**	**158**	**5**	**33**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(79)	-	(7)	(11)	(61)	2	-
Purchases against the euro	50	23	-	2	25	-	-
Other	-	16	(16)	-	-	-	-
	(29)	**39**	**(23)**	**(9)**	**(36)**	**2**	**-**
Fair Value Hedge							
Sales against the euro	(281)	(73)	(125)	(19)	(64)	-	3
Purchases against the euro	891	781	-	106	4	1	19
Other	-	86	(79)	2	(9)	-	3
	610	**794**	**(204)**	**89**	**(69)**	**1**	**25**
Economic Hedging (a)							
Sales against the euro	(2)	-	-	-	(2)	-	-
Purchases against the euro	1,153	744	93	85	231	2	7
Other	-	(34)	-	-	34	-	1
	1,151	**710**	**93**	**85**	**263**	**2**	**8**

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

In addition, 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 2017 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

19.7 Derivative financial instruments

Value on the Statement of Financial Position

		December 31, 2018		January 1, 2018		
(in millions of euros)	Note	Assets	Liabilities	Assets	Liabilities	
Interest rate risk management	19 5	-	-	-	-	
Foreign currency risk management	19 6	24	6	5	33	
Other		14	-	14	-	(a)
Derivative financial instruments		**38**	**6**	**19**	**33**	
Deduction of current derivative financial instruments		(7)	(3)	(4)	(10)	
Non-current derivative financial instruments		**31**	**3**	**15**	**23**	

a In accordance with IFRS 9, the fair value of the options pursuant to which Banijay Group Holding and Lov Banijay may redeem the bonds in shares was reclassified as a reduction of financial assets as from January 1, 2018 (please refer to Notes 12 and 28 2)

Unrealized gains and losses recognized directly in equity

(in millions of euros)	Cash Flow Hedge: Interest rate risk management	Cash Flow Hedge: Foreign currency risk management	Net Investment Hedge	Total
Balance as of 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**
IFRS 9 restatements	-	1	-	1
Balance as of January 1, 2018	**-**	**(3)**	**81**	**78**
Charges and income directly recognized in equity	-	3	-	3
Items to be reclassified to profit or loss	-	-	-	-
Tax effect	-	-	-	-
Balance as of December 31, 2018	**-**	**-**	**81**	**81**

19.8 Credit ratings

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), 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

(in millions of euros)	Note	Year ended December 31, 2018	2017
Items related to operating activities with no cash impact			
Amortization and depreciation of intangible and tangible assets	3	453	461
Change in provision, net		(25)	(31)
Other non-cash items from EBIT		4	(6)
Other			
Reversal of reserve related to the Securities Class Action litigation in the United States	23	-	(27)
Income from equity affiliates - operational	11	(7)	(146)
Proceeds from sales of property, plant, equipment and intangible assets		7	2
Adjustments		**432**	**253**

20.2 Investing and financing activities with no cash impact

In 2018, there was no significant investing and financing activities with no cash impact.

On July 6, 2017, a portion of the "new ORAN 1" issued by Banijay Group Holding 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 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 2018, the composition of the Supervisory Board has changed as follows:

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

With respect to fiscal year 2018, the gross compensation of the Chairman of the Supervisory Board amounted to €400,000, including directors' fees of €60,000, allocated as follows

- the gross compensation of Mr. Vincent Bolloré, as Chairman of the Supervisory Board until April 19, 2018, amounted to €122,376, including directors' fees of €20,000; for 2017, the compensation of Mr Vincent Bolloré as Chairman of the Supervisory Board amounted to €400,000, including directors' fees of €60,000, and
- the gross compensation of Mr Yannick Bolloré, as Chairman of the Supervisory Board since April 19, 2018, amounted to €277,624, including directors' fees of €40,000.

In addition, as Chairman and Chief Executive Officer of Havas, a Vivendi subsidiary, Mr Yannick Bolloré received a fixed compensation, as well as benefits in kind, totaling a gross amount of €1,058,993 in 2018 (no variable compensation was paid in 2018 with respect to fiscal year 2017), compared to €1,408,993 in 2017 (fixed and variable compensation). On May 17, 2018, Mr Yannick Bolloré benefited from an allocation of 18,000 Vivendi's performance shares, subject to the satisfaction of the performance criteria (please refer to Note 18.1.1).

The gross amount of directors' fees paid to the other members of the Supervisory Board with respect to fiscal year 2018 was an aggregate gross amount of €1,140,000 (compared to €1,117,500 with respect to fiscal year 2017).

Moreover, on March 26, 2018, the services contract between Mr Dominique Delport and Vivendi terminated, as did his membership on the Corporate Governance, Nominations and Remuneration Committee of Vivendi's Supervisory Board, although he remains a member of the Board Under the terms of the services contract, since October 1, 2015, Mr Dominique Delport had been providing assistance and advice regarding the creation and use of new digital content as part of the development of Dailymotion As a result of the termination of this contract, Mr. Dominique Delport no longer benefits from the long-term incentive plan tied to the growth of Dailymotion's enterprise value compared to its acquisition value and no longer has any operational responsibilities within the group Under the services contract, Mr Dominique Delport received a gross amount of €75,000 in 2018, compared to €300,000 in 2017

Finally, as an employee of Havas Media France (subsidiary of Havas SA), Mr. Dominique Delport received a total gross compensation of €1,775,437 in 2018 (compared to €1,446,312 in 2017)

Management Board

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

In 2018, the gross compensation paid by the Vivendi group to the Management Board members amounted to €9 6 million (compared to €8 7 million in 2017) This amount included

- fixed compensation of €5.3 million (compared to €4.9 million in 2017);
- variable compensation of €3 6 million paid in 2018 with respect to fiscal year 2017 (compared to €3.4 million paid in 2017 with respect to *fiscal year 2016*);
- 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 €3.3 million in 2018 (compared to €3 7 million in 2017).

The Supervisory Board, at its meeting held on February 14, 2019, 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 2018 The charge recorded by Vivendi related to vested rights under pension commitments in favor of Management Board members amounted to €7 0 million (compared to €8 7 million in 2017) As of December 31, 2018, the amount of net pension obligations toward the Management Board members amounted to €44 4 million (compared to €43.0 million as of December 31, 2017)

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

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

At its meetings held on May 17, 2018 and July 30, 2018, after having examined the impact of the termination of his executive duties with Telecom Italia on April 24, 2018[12], the Supervisory Board, upon the recommendation of the Corporate Governance, Nominations and Remuneration Committee, decided (i) to no longer apply a pro rata factor to his reference compensation for 2018, (ii) to increase the fixed part of his reference compensation to €1,400,000 for 2018, the performance criteria and thresholds used to determine the variable part remain unchanged, and (iii) to pay him a single amount of €390,000.

On May 17, 2018, the Chairman of the Management Board received an annual grant of 50,000 performance shares

The report on corporate governance that will be in chapter 3 of the 2018 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 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 2018.

21.2 Bolloré Group

On February 16, 2018, Bolloré Group, which held 34.7 million call options on Vivendi shares, announced that it had exercised 21 4 million options, representing 1 7% of Vivendi's share capital, at an average exercise price of €16.57, which had been previously set in October 2016. This transaction did not change Bolloré Group's reported interest in Vivendi given the assimilation of these options pursuant to Article L 233-9 I, 4° of the French Commercial Code (*Code de commerce*)

On March 2, 2018, Bolloré Group acquired 2 million Vivendi shares on the market at a price of €20.425 per share. Since that date, and until June 25, 2018, Bolloré Group acquired 57.3 million Vivendi shares on the market at an average price of €20 95 per share.

On June 25, 2018, Bolloré Group crossed the 25% threshold of Vivendi's share capital and held 325,133,093 Vivendi shares, representing 415,565,932 voting rights, i e., 25.01% of the share capital and 29 20% of the gross voting rights Upon crossing this 25% threshold of Vivendi's share capital and in accordance with Article L. 233-7, paragraph VII of the French Commercial Code (*Code de commerce*) and Article 223-17 of the AMF's General Regulations (*Règlement Général*), Mr Vincent Bolloré both for himself and for Compagnie de Cornouaille, which

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

he controls and with whom he is deemed by law to be acting in concert, made the following statement of intent with respect to Vivendi for the next six months (please refer to AMF notice No. 218C1161, dated July 2, 2018).

- on June 25, 2018, Compagnie de Cornouaille acquired 1,044,622 additional shares which were financed using its available cash;
- 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,
- since April 26, 2017, the declarant already meets the criteria for exclusive control in accordance with IFRS 10, but not those set by Article L 233-3 of the French Commercial Code (*Code de commerce*); the declarant wishes to continue strengthening its control without launching a public tender offer for Vivendi,
- the investment in Vivendi reflects Bolloré Group's confidence in Vivendi's capacity to develop and its willingness to support Vivendi in its strategy,
- the declarant does not contemplate any of the transactions referred to in Article 223-17 I, 6° of the AMF's General Regulations (*Règlement Général*), subject to the potential transactions regarding Universal Music Group (UMG) recently mentioned by Vivendi;
- the declarant holds 13,344,830 call options that enable it to acquire 13,344,830 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

Between June 26 and December 27, 2018, Bolloré Group acquired 41 6 million Vivendi shares on the market at an average price of €21 30 per share On October 18, October 25, and December 21, 2018, Bolloré Group declared that it had early returned a total of 23 5 million Vivendi shares of the 34.7 million temporarily held As of December 27, 2018, Bolloré Group declared that it held 343,224,948[13] Vivendi shares representing 395,657,787 voting rights, i e , 26.28% of Vivendi's share capital and 28 51% of the gross voting rights

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

In addition, on April 24, 2018, as part of the payment of the dividend by Vivendi to its shareholders with respect to fiscal year 2017, Bolloré Group received a dividend of €134 million (compared to a dividend with respect to fiscal year 2016 of €92 million paid in 2017)

Moreover, on July 3, 2017, Vivendi acquired the 59 2% interest in Havas held by Bolloré Group for €2,317 million paid in cash. 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 and the transactions between Havas and Vivendi's other subsidiaries are 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, either directly or indirectly controlled by Mr Vincent Bolloré, a member 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).

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

In 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, Chairman of Vivendi's Supervisory Board) until the consolidation of Havas in Vivendi's Financial Statements on July 3, 2017

[13] *Including (i) 11,225,000 Vivendi shares temporarily held by Compagnie de Cornouaille pursuant to a temporary share sale agreement (initially in respect of 34,700,000 Vivendi shares for its benefit), which may be returned, in whole or in part, at any time until June 25, 2019, and (ii) 13,344,830 Vivendi shares as a result of off-market acquisition of physically-settled call options that are exercisable at any time until June 25, 2019 and classified as assimilated shares by Compagnie de Cornouaille pursuant to Article L 233-9 I, 4° of the French Commercial Code (Code de commerce)*

(in millions of euros)	December 31, 2018	January 1, 2018
Assets		
Non-current content assets	1	1
Non-current financial assets	86	103
Of which Banijay Group Holding and Lov Banijay bonds	*73*	*92*
Trade accounts receivable and other	60	66
Of which Bolloré Goup	*5*	*4*
Telecom Italia (a)	*29*	*34*
Banijay Group Holding (b)	*2*	*2*
Mediobanca (c)	*3*	*5*
Liabilities		
Trade accounts payable and other	29	21
Of which Bolloré Group	*13*	*10*
Banijay Group Holding (b)	*10*	*6*
Off-balance sheet contractual obligations, net	168	183
Of which Banijay Group Holding (b)	*140*	*180*

	Year ended December 31,	
	2018	2017
Statement of earnings		
Operating income	236	214
Of which Bolloré Group	*8*	*5*
Havas Group (d)	*na*	*3*
Telecom Italia (a)	*24*	*15*
Banijay Group Holding (b)	*2*	*2*
Mediobanca (c)	*1*	*-*
Quinta Communications (e)	*2*	*2*
Other (Interparfums and Groupe Nuxe) (f)	*-*	*-*
Operating expenses	(108)	(136)
Of which Bolloré Group	*(24)*	*(12)*
Havas Group (d)	*na*	*(26)*
Banijay Group Holding (b)	*(52)*	*(60)*
Quinta Communications (e)	*-*	*-*
Other (Interparfums and Groupe Nuxe) (f)	*-*	*-*
Advertising transactions		
Of which revenue made through Havas's agencies (d)	*na*	*26*
media purchases made through Havas's agencies (d)	*na*	*(36)*

na. not applicable.

a Certain Vivendi subsidiaries have rendered operating services to Telecom Italia and its subsidiaries, on an arm's-length basis (mainly communication services and music sales): operating income of €14.8 million for Havas (€6.9 million for the second half of 2017), €4.4 million for Universal Music Group (€6.3 million in 2017), 4 2 million for Gameloft (€1 4 million in 2017) and €0 9 million for Vivendi Content (€0 1 million in 2017)

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

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

d 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,
- 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;
- 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; and

- Havas Group and its subsidiaries designed and developed advertising campaigns promoting Canal+ Group for €5 million for the first half of 2017

e Canal+ Group sold rights to Studiocanal catalog movies to Quinta Communications, notably *Paddington 2*, representing an operating income of €1 7 million in 2018 (compared to €1 9 million in 2017) 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 2018 (unchanged compared to 2017)

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

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

- CanalOlympia (Vivendi Village's subsidiary) and Bolloré Africa Logistics (Bolloré Group's subsidiary) entered into an agreement to take over the operations of nine Bluezones and two Bluebus lines of Bolloré Africa Logistics, for an eight-year period starting January 1, 2018, with the aim to develop the CanalOlympia's venues network in Africa For the occupancy of land and buildings, and for the solar energy supply, CanalOlympia payed a rent of €0.5 million in 2018, and will pay a rent of €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
- On June 2, 2017, Vivendi SA acquired a 5% interest in the Economic Interest Grouping (GIE - *Groupement d'intérêt économique*) Fleet Management Services, a Bolloré Group's subsidiary dedicated, among other things, to providing air transport operations, for a consideration of €0.1 million This acquisition entailed the correlative transfer of the corresponding share of reciprocal receivables and payables related to the special depreciation of the GIE's assets, i e , receivables for €1.8 million and payables for the same amount as of December 31, 2018 (compared to €1.6 million as of December 31, 2017). 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 Group amounted to €2 3 million in 2018 (compared to €1.4 million in 2017)

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, 2018				Total minimum future payments as of
			Payments due in			
(in millions of euros)	Note	Total	2019	2020 - 2023	After 2023	December 31, 2017
Borrowings and other financial liabilities		4,558	944	2,212	1,402	4,862
Content liabilities	10.2	2,949	2,817	131	1	2,582
Consolidated statement of financial position items		**7,507**	**3,761**	**2,343**	**1,403**	**7,444**
Contractual content commitments	10 2	5,339	2,523	2,763	53	5,630
Commercial commitments		128	(210)	151	187	(1,204)
Operating leases and subleases		1,453	207	676	570	1,502
Net commitments not recorded in the Consolidated Statement of Financial Position		**6,920**	**2,520**	**3,590**	**810**	**5,928**
Contractual obligations and commercial commitments		**14,427**	**6,281**	**5,933**	**2,213**	**13,372**

Off-balance sheet commercial commitments

	Minimum future payments as of December 31, 2018				Total minimum future payments as of
		Due in			
(in millions of euros)	Total	2019	2020 - 2023	After 2023	December 31, 2017
Satellite transponders	471	77	259	135	390
Investment commitments	179	116	47	16	125
Other	560	255	269	36	772
Given commitments	**1,210**	**448**	**575**	**187**	**1,287**
Satellite transponders	(124)	(65)	(59)	-	(133)
Other (a)	(958)	(593)	(365)	-	(2,358)
Received commitments	**(1,082)**	**(658)**	**(424)**	**-**	**(2,491)**
Net total	**128**	**(210)**	**151**	**187**	**(1,204)**

a Includes minimum guarantees to be received by the group pursuant to distribution agreements entered into with third parties, notably Internet Service Providers and other digital platforms.
In addition, Canal+ Group entered into distribution agreements of Canal channels with the telecom operators Free, Orange and Bouygues Telecom 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 will be returned if the transaction is not completed by Vivendi

Off-balance sheet operating leases and subleases

	Minimum future leases as of December 31, 2018				Total minimum future leases as of December 31, 2017
		Due in			
(in millions of euros)	Total	2019	2020 - 2023	After 2023	
Buildings	1,436	208	664	564	1,502
Other	21	3	12	6	9
Leases	**1,457**	**211**	**676**	**570**	**1,511**
Buildings	(4)	(4)	-	-	(9)
Subleases	**(4)**	**(4)**	**-**	**-**	**(9)**
Net total	**1,453**	**207**	**676**	**570**	**1,502**

22.2 Other commitments given or received relating to operations

Given commitments amounted cumulatively to €37 million (compared to €40 million as of December 31, 2017) In addition, Vivendi and Havas have granted guarantees in various forms to financial institutions or third parties on behalf of their subsidiaries in the course of their operations.

Received commitments amounted cumulatively to €10 million (compared to €9 million as of December 31, 2017)

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

- Vivendi has given an undertaking to Ubisoft to sell all the shares it owns by March 7, 2019, the settlement date In addition, Vivendi made the commitment to refrain from purchasing Ubisoft shares for a period of five years (please refer to Note 2 3),
- Vivendi subscribed to bonds redeemable in shares or cash issued by Banijay Group Holding and Lov Banijay (please refer to Note 11.1),
- In November and December 2018, Vivendi sold on the market its Telefonica shares, pursuant to its commitment to the Brazilian Competition Authority (CADE) This commitment remained in force as long as Vivendi simultaneously held shares of Telefonica and Telecom Italia, provided that these two companies operated in the Brazilian telecom market, and
- certain liquidity rights relating to the strategic partnership entered into between Canal+ Group, ITI and TVN as described in Note 22.5 below

In addition, Vivendi and its subsidiaries granted or received put and call options on shares in equity affiliates and unconsolidated investments

22.4 Contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares

Ref.	Context	Characteristics (nature and amount)	Expiry
	Contingent liabilities		
	Sale of Ubisoft (October 2018)	Unlimited specific warranties	-
	Sale of GVT (May 2015)	Representations and warranties, limited to specifically identified tax matters, capped at BRL 180 million	-
(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 €20 million (compared to €27 million as of December 31, 2017)	-
	[illegible]		
	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 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 €30 million (compared to €43 million as of December 31, 2017)	-

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;
- the 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 could be made until January 15, 2018. The indemnity in respect of SPT remained 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 to Etisalat in the amount of €247 million, which expired on February 15, 2018. This amount had been reduced to €9 million

Vivendi had 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 expired upon termination of Etisalat's right to make a claim against Vivendi and SFR, i.e., May 14, 2018; and

- this commitment, which also covered any amount that SFR could be required to pay to any third party other than Etisalat, has expired in the absence of any request from Numericable Group within the applicable statutes of limitations.

b In connection with the sale of 88% of Vivendi's interest in Activision Blizzard, which was completed on October 11, 2013 (the "Closing Date"), Vivendi, ASAC II LP, and Activision Blizzard gave certain reciprocal commitments customary for this type of transaction (i e , representations, warranties and covenants) Vivendi, ASAC II LP, and Activision Blizzard undertook to indemnify each other against any losses stemming from any breach of their respective commitments. Such indemnification is unlimited as to time and amount
In addition, Vivendi has agreed to indemnify Activision Blizzard with respect to any tax or other liabilities of Amber Holding Subsidiary Co ("Amber"), the Vivendi subsidiary acquired by Activision Blizzard, relating to periods preceding the Closing Date Such indemnification is unlimited as to time and amount. Tax attributes (mainly net operating loss) held by Amber and assumed by Activision Blizzard were estimated at more than $700 million, which represent a potential future tax benefit of approximately $245 million. Vivendi agreed to indemnify Activision Blizzard, under certain circumstances, with respect to these tax attributes, subject to a cap of $200 million limited to fiscal years ending on or prior to December 31, 2016
As a reminder, in connection with the creation of Activision Blizzard in July 2008, Activision and Vivendi entered into customary agreements for this type of transaction, including tax sharing and indemnity agreements.

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, 2018 and 2017, 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, 2018, provisions recorded by Vivendi for all claims and litigation were €247 million, compared to €260 million as of December 31, 2017 (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 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018)

LBBW et al. against Vivendi

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxembourg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002 Subsequently, on April 5 and April 23, 2012, two similar complaints were filed against Vivendi the first one by a US pension fund, the Public Employee Retirement System of Idaho, and the other by six German and British institutional investors Lastly, on August 8, 2012, the British Columbia Investment Management Corporation also filed a complaint against Vivendi based on the same grounds On January 7, 2015, the Paris Commercial Court appointed 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. The latter filed his final reports during the first half of 2018 The first hearings on the merits were held in the second half of 2018

California State Teachers Retirement System et al. against Vivendi

On April 27, 2012, 67 institutional foreign investors filed a complaint against Vivendi before the Paris Commercial Court seeking damages for losses they allegedly incurred as a result of the financial communications made by Vivendi, between 2000 and 2002 On June 7 and September 5 and 6, 2012, 26 new plaintiffs joined these proceedings In November 2012 and March 2014, 12 plaintiffs withdrew from these proceedings On January 7, 2015, the Commercial Court of Paris appointed 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. The latter filed his final reports during the first half of 2018 The first hearings on the merits were held in the second half of 2018

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 as well as compensation for alleged damages In particular, the plaintiffs claim that Vivendi did not file its notification to the European Commission with respect to the transaction and thus 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 have accepted a formal filing while the parties were discussing their differences

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, on June 9, 2017, Mediaset, RTI and Fininvest filed another complaint against Vivendi seeking damages totaling €2 billion for Mediaset and RTI, and €1 billion for Fininvest, in connection with Vivendi's acquisition of Mediaset shares at the end of 2016. According to the plaintiffs, who unsuccessfully requested that this action be consolidated with the first two, these acquisitions were 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.

On February 27, 2018, the Court noted the termination of the mediation proceedings and scheduled a hearing for October 23, 2018, which was postponed to December 4, 2018. During this hearing, Fininvest, RTI and Mediaset renounced their claim to specific performance of the April 8, 2016 agreement, while pursuing their claim for compensation for alleged damages, in the amount of up to (i) €720 million for Mediaset and RTI, for non-performance of the April 8, 2016 agreement, and (ii) € 1.3 billion for Fininvest, for non-performance of the above-mentioned shareholders' agreement, for the harm linked to the change in the Mediaset share price between July 26 and August 2, 2016 and various damages relating to the alleged illegal acquisition of Mediaset shares by Vivendi at the end of 2016. Fininvest is also seeking damages for an amount to be determined by the Court for harm done to its decision-making procedures and image. The next hearing will be held on March 12, 2019.

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 had 12 months to come into compliance, appealed against this decision to the Regional Administrative Court of Lazio. Pending the decision on this appeal, the AGCOM acknowledged Vivendi's proposed action plan setting out how it will comply with the decision On April 9, 2018, in compliance with the undertakings given to the AGCOM, Vivendi transferred the portion of its shareholding in excess of 10% of Mediaset's voting rights to an independent trustee On November 5, 2018, the Regional Administrative Court of Lazio decided to suspend its decision and refer to the European Court of Justice the analysis of the compatibility of the Italian rule under Article 43 of the TUSMAR, as applied by AGCOM, with the free movement principle enshrined in the Treaty on the Functioning of the European Union.

Telecom Italia

On August 5, 2017, the Italian Government informed Vivendi that it was opening a formal investigation into whether certain provisions of Law Decree No. 21 of 15 March 2012 on special powers of the Italian Government relative to the defense and national security sectors *(Article 1) and to activities of strategic importance in the fields of energy, transport and communications (Article 2), had been respected by* Telecom Italia and Vivendi Vivendi considered the provisions of that decree inapplicable to Vivendi. In particular, (i) Article 1, concerning the defense and national security sectors had never been hitherto declared and communicated to the market given the nature of the activities carried out by Telecom Italia, and (ii) Article 2, which relates to the energy, transport and communications sectors, does not apply to Vivendi since it refers to purchases of significant shareholdings made by non-European entities.

Additionally, and in the same timeframe as the above-mentioned investigation, on September 13, 2017, the Consob declared that Vivendi exercises de facto control over Telecom Italia Vivendi and Telecom Italia formally contest this position and appealed to the competent courts.

On September 28, 2017, the Presidency of the Council of Ministers declared that (i) the notification made by Vivendi under Article 1 of the aforementioned legislative decree as a precautionary measure was made late and (ii) Telecom Italia had not made a notification under Article 1 of the decree following a change of control over its asset that are of strategic importance in the fields of energy, transport and communications Therefore, the Presidency of the Council of Ministers launched proceedings against Telecom Italia for failing to make the required notification under Article 2 of the same legislative decree Vivendi and Telecom Italia have appealed this finding.

Furthermore, by a decree dated October 16, 2017, the Italian Government decided to exercise the special powers laid down in Article 1 of the 2012 legislative decree, relative to the defense and national security sectors This decree imposes a number of organizational and governance measures on Vivendi and Telecom Italia and its two subsidiaries, Telecom Italia Sparkle Spa ("Sparkle") and Telsy Elettronica e Telecomunicazioni Spa ("Telsy"). In particular, Telecom Italia, Sparkle and Telsy must have a division in charge of supervising all activities related to defense and national security, which is fully autonomous and endowed with human and financial resources sufficient to guarantee its independence, and to appoint to their governing bodies a member who is an Italian citizen, who is approved by the Italian Government and who has security clearance. It also requires the establishment of a supervisory committee under the auspices of the Council of Ministers (*Comitato di monitoraggio*) to monitor compliance with these obligations On February 13, 2018, Vivendi and Telecom Italia filed an appeal against this decree with the Italian Presidency of the Council of Ministers

In addition, by a decree dated November 2, 2017, the Italian Government decided to implement the special powers conferred by Article 2 of the 2012 legislative decree, relative to the fields of energy, transport and communications This decree imposes on Telecom Italia the obligation to implement development, investment and maintenance plans for its networks to guarantee their operation and security, to provide universal service, and, more generally, to satisfy public interest in the medium and long term, under the control of the *Comitato di monitoraggio*, who must be notified of any reorganization of the Telecom Italia group's holdings or any project having an impact on the security, availability and operation of the networks On March 2, 2018, Vivendi and Telecom Italia filed an appeal against this decree with the Italian Presidency of the Council of Ministers.

By a decree dated May 8, 2018, the Italian Government imposed an administrative fine of €74 million on Telecom Italia for failure to comply with its information obligations (failure to notify under Article 2 of Law Decree No 21 of 15 March 2012, see above). On July 5, 2018, the Administrative Regional Court of Lazio suspended the enforcement of such fine.

Etisalat against Vivendi

On May 12, 2017, Etisalat and EINA filed a request for arbitration before the International Court of Arbitration of the International Chamber of Commerce pursuant to the terms of the agreement for the sale of SPT/Maroc Telecom entered into on November 4, 2013, the closing of which took place on May 14, 2014. This request concerned several claims in respect of representations and warranties made by Vivendi and SFR in connection with the sale agreement. On January 3, 2019, the Arbitral Tribunal rendered its decision, rejecting Etisalat's claim for compensation in its entirety.

Parabole Réunion

In July 2007, 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 November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

On September 24, 2012, Parabole Réunion filed a claim against Canal+ France, Canal+ Group and Canal+ Distribution before the enforcement magistrate of the Court of First Instance of Nanterre seeking enforcement of the fine imposed by the Paris Tribunal of First Instance and confirmed by the Court of Appeal. On November 6, 2012, Parabole Réunion expanded its claim to cover the TPS Star, Cinecinema Classic, Cult and Star channels On April 9, 2013, the enforcement magistrate dismissed in part Parabole Réunion's claim and declared the rest inadmissible He 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 which, on May 12, 2016, upheld the decision of the Court of First Instance and dismissed all of Parabole Réunion's claims In a decision issued on September 28, 2017, the French Supreme Court dismissed Parabole Réunion's appeal against the decision of the Court of Appeal of Paris

At the same time, on August 11, 2009, Parabole Réunion filed a complaint against Canal+ Group before the Paris Tribunal of First Instance, requesting that the Tribunal order Canal+ Group to make available a channel with a level of attractiveness similar to that of TPS Foot in 2006 and to pay damages On April 26, 2012, Parabole Réunion also filed a complaint against Canal+ France, Canal+ Group and Canal+ Distribution before the Paris Tribunal of First Instance requesting the Tribunal to acknowledge the failure of the companies of the group to fulfill their contractual obligations to Parabole Réunion and their commitments to the Ministry of Economy. These two actions have been consolidated into a single action On April 29, 2014, the Paris Tribunal of First Instance partially recognized the admissibility of Parabole Réunion's claim with respect to the period following June 19, 2008 and recognized the contractual liability of Canal+ Group due to the degradation of the quality of channels made available to Parabole Réunion. The Tribunal also ordered an expert report on the damages suffered by Parabole Réunion, rejecting the assessment produced by the latter On June 3, 2016, the Paris Court of Appeal upheld the April 29, 2014 decision of the Paris Tribunal of First Instance. Canal+ Group filed an appeal against this decision to the French Supreme Court, which was dismissed on January 31, 2018

In an order issued on October 25, 2016, the Pre-Trial Judge held that the April 29, 2014 decision in which Canal+ Group was ordered to compensate Parabole Réunion established in principle a debt of the latter, even if the assessment of its amount was still to be finalized The Judge ordered Canal+ Group to pay the sum of €4 million as an advance. On January 17, 2017, the Paris Tribunal of First Instance ordered Canal+ Group to pay the sum of €37,720,000, with provisional enforceability On February 23, 2017, Parabole Réunion appealed against that *decision to the Paris Court of Appeal. On July 20, 2017, Canal+ Group filed its response to the appeal and a cross-appeal. Due to the failure* of Parabole Réunion group to file its response within the time period prescribed by law, on December 8, 2017, Canal + Group filed a motion raising the failure to meet such deadline and, consequently, seeking an invalidation of the expertise ordered on October 12, 2017 (see below) On June 7, 2018, the Pre-Trial Judge of the Paris Court of Appeal issued an order, dismissing the request for the invalidation of the expertise underway Canal+ Group lodged a petition for review against this order, which it withdrew in October 2018, noting the progress of the expertise

On May 29, 2017, Parabole Réunion raised an incidental question in order to have the court appoint an additional expert to assess the loss in value of its business. On October 12, 2017, the Pre-Trial Judge of the Paris Court of Appeal granted this request and a judicial expert was appointed. On December 17, 2018, Parabole Réunion raised a new incidental question before the Pre-Trial Judge of the Paris Court of Appeal in order to have the court clarify the mission of the judicial expert who has, at this stage, halted his work

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 alleged 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

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 In April 2018, the French Competition Authority informed Canal+ Group of the closure of the case.

Canal+ Group against TF1, M6 and France Télévision

On December 9, 2013, Canal+ Group filed a complaint with the French Competition Authority against the practices of the TF1, M6 and France Télévision groups in the French-language film market. Canal+ Group claims that the defendants added certain pre-emption rights to co-production contracts aimed at restricting competition On February 23, 2018, the French Competition Authority served a notification of grievances on France Télévision, TF1 and M6 The case will be reviewed by the French Competition Authority at its meeting to be held on February 13, 2019.

TF1 against Canal+ Group

On May 7, 2018, TF1 filed a complaint against Canal+ Group for infringement of its neighboring rights and trademarks, as well as for unfair competition. TF1 alleges that Canal+ Group continued the distribution of its linear channels and its associated services on all its networks beyond the end date of the agreement After the parties reached an agreement, TF1 withdrew from these proceedings

TF1 and M6 agreements

On September 30, 2017, Canal+ Group filed summary requests before the French Council of State (*Conseil d'Etat*) seeking an annulment of the decisions of the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) (the "CSA") of July 20 and 27, 2017 relating to the TF1 and M6 channels, respectively These decisions renew the authorizations for the terrestrial transmission of TF1 and M6, in the context of the requests of the two groups to obtain compensation for the distribution of their free-to-air DTT channels, including their eponymous TF1 and M6 channels. On November 26, 2018, after reaching an agreement with TF1, Canal+ Group withdrew from the proceedings against TF1.

Aston France and Strong against Canal+ Group

On September 25, 2014, Aston notified the French Competition Authority about Canal+ Group's decision to stop selling its satellite subscription called "cards only" (enabling the reception of Canal+/Canalsat programs on Canal Ready-labeled satellite set-top boxes, manufactured and distributed by third parties, including Aston). In parallel, on September 30, 2014, Aston filed a request for injunctive relief against Canal+ Group before the Commercial Court of Paris, seeking a stay of the decision of the Canal+ Group to terminate the Canal Ready partnership agreement and thus stop the marketing of satellite subscriptions called "cards only". On October 17, 2014, the Paris Commercial Court issued an order denying Aston's requests On November 4, 2014, Aston appealed this decision and, on January 15, 2015, the Paris Court of Appeal, ruling in chambers, granted its requests and suspended the decision of Canal+ Group to stop selling its "cards only" subscriptions until the French Competition Authority rendered its decision on the merits of the case On March 21, 2018, Canal+ Group received the French Competition Authority's preliminary assessment setting out its competition concerns. On April 4, 2018, Canal+ Group submitted to the French Competition Authority a proposal for commitments On July 24, 2018, the French Competition Authority, considering that the commitments, in force until December 31, 2021, met both the need to fight against piracy and maintain an alternative offer of set-top boxes to the ones leased by Canal+ Group, decided to make them compulsory and closed the proceedings

In addition, on January 18, 2019, Strong filed an application with the Paris Commercial Court for injunctive relief requesting the Court to order the suspension of Canal+ Group's decision to stop marketing subscriptions on Canal Ready-labeled satellite set-top boxes (cards only) following the above-mentioned decision of the French Competition Authority. Aston, which had not contested the commitments made by Canal+ Group to the French Competition Authority, voluntarily intervened in this injunctive relief proceeding A decision is expected on February 22, 2010

Top 14 Rugby (2019-2023)

By a letter registered on July 19, 2016, the French Competition Authority was notified by Altice of a referral 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 French Competition Authority, having formally recognized that Altice had withdrawn its complaint, closed the case

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. After the parties reached an agreement, Canal+ Group withdrew from these proceedings on October 9, 2018.

Touche Pas à Mon Poste

On June 7, 2017, the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) (the "CSA") decided to sanction C8 for a sequence broadcast on the show "TPMP" on December 7, 2016 The CSA considered that this sequence in which the presenter of the show, Cyril Hanouna, and one of its columnists, Capucine Anav, are seen engaging in a game on set during an "off" sequence, undermined the image of women The sanction consisted of the suspension of advertising broadcasts during the show, "Touche Pas à Mon Poste" and its rebroadcasts, as well as well during the 15 minutes before and the 15 minutes after its broadcast, for a period of two weeks from the second Monday following notification of the decision.

On the same date, the CSA sanctioned C8 for another sequence broadcast on the show "TPMP! La grande Rassrah" on November 3, 2016. The CSA considered that this new sequence, the filming by hidden camera of Matthieu Delormeau, a columnist for the show, violated his dignity. This sanction consisted of the suspension of advertising broadcasts during the show, "Touche Pas à Mon Poste" and its rebroadcasts, as well as during the 15 minutes before and the 15 minutes after its broadcast, for a period of one week

On July 3, 2017, following the two decisions of the CSA, C8 filed two 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 implied decision On November 2, 2017, C8 appealed against each of these to the Council of State On June 18, 2018, the Council of State dismissed C8's action for annulment of the CSA's first decision, but granted the second application, overturning the CSA's second decision. The Council of State's decision to dismiss C8's action for annulment of the CSA's first decision is the subject of an appeal pending before the European Court of Human Rights, filed in December 2018 The claims for compensation are being reviewed by the Council of State A decision is expected in the first quarter of 2019

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 Council of State, which was dismissed on June 18, 2018. This decision is the subject of an appeal pending before the European Court of Human Rights, filed in December 2018 Similarly, C8 filed a claim for compensation with the CSA, whose implicit rejection of it was challenged before the Council of State on January 25, 2018. On September 7, 2018, C8 withdrew its claim for compensation

Rovi Guides, Inc. against Canal + Group

Rovi Guides filed a request for mediation before the International Chamber of Commerce for the breach by Canal+ Group of an electronic program guide license agreement entered into in 2008 and for the non-payment of royalties related thereto between January 1, 2016 and June 30, 2017.

The mediation terminated without an agreement and Rovi Guides filed a request for arbitration on June 1, 2018

Harry Shearer and Century of Progress Productions against Studiocanal, Universal Music Group and Vivendi

A complaint was filed in California federal court against Studiocanal and Vivendi by Harry Shearer, through his company Century of Progress Productions, in his capacity as a creator, actor and composer of the film "This Is Spinal Tap", an American film produced and financed in 1984 by Embassy Pictures (Studiocanal is the successor to Embassy's rights) Mr Shearer is seeking damages for breach of contractual obligations to provide exploitation accounts, fraud, and failure to exploit the film's trademark, and is also seeking attribution of the trademark. On February 8, 2017, four new plaintiffs, co-creators of the film, joined the proceedings. On February 28, 2017, in response to the complaint, the defendants filed a motion to dismiss, in which they asked the Court to declare the claims of the new plaintiffs to be inadmissible and to deny the claim for fraud. On September 28, 2017, the Court issued its decision. With respect to inadmissibility, it dismissed the claims of three of the four co-creators as well as the fraud claim but gave permission to the plaintiffs to file amended complaints in their individual capacities as well as to supplement their fraud claim On October 19, 2017, a new complaint (the "Second Amended Complaint") was filed, which reintroduced the claims of three plaintiffs previously found to be inadmissible and added Universal Music Group (UMG) as a plaintiff On December 21, 2017, UMG and Studiocanal each filed a motion to dismiss in response. By decision of August 28, 2018, the Court (i) denied Studiocanal's motion to dismiss the plaintiffs' fraud claim While the Court did not recognize the existence of fraud, it left open the possibility for the plaintiffs to prove it in the subsequent proceedings on the merits; and (ii) granted some of UMG's motions but with leave for the plaintiffs to file an amended complaint with respect to these claims The Court also denied UMG's motion to dismiss the plaintiffs' application for declaratory relief to terminate and recover from UMG the copyrights in the sound recordings from the motion picture in the United States; this point will therefore be decided in the context of the proceedings on the merits. On September 18, 2018, the plaintiffs filed their new complaint (the "Third Amended Complaint") In parallel, the parties have decided to enter into mediation with the first meeting to be held on March 11, 2019. The parties suspended the proceedings on the merits until the end of the mediation.

Maitena Biraben against Canal+

Maitena Biraben challenged her termination by Canal+ for gross misconduct before the French Labor Court (*Conseils de Prud'hommes*). On September 27, 2018, the French Labor Court rendered its decision, finding that Ms. Biraben's termination was without justified cause. The Court ordered Canal+ to pay total amount of €3,246,456.22, representing €38,456 22 in backpay and paid leave, €148,000 in severance pay, €510,000 in damages and €2,550,000 in termination compensation Canal+ appealed against this judgment

Investigation by the Departmental Directorate for the Protection of Populations in the Hauts de Seine

On April 20, 2018, the Departmental Directorate for the Protection of the Populations of the Hauts de Seine (*Direction Départementale de la Protection des Populations des Hauts de Seine*) (DDPP92) ordered Canal+ Group to stop positioning enriched offers to its subscribers during the term of their contract, a practice which the Court described as selling without prior order. On June 19, 2018, Canal+ Group filed a notice of appeal with the French Minister of the Economy, which was rejected on August 9, 2018. On October 5, 2018, Canal+ Group filed an appeal with the Administrative Court of Cergy-Pontoise

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. In November 2018, the parties entered into a settlement agreement, 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 filed an appeal against this decision. On May 15, 2018, the French Court of Appeal upheld the lower court's decision

Aspire against Cash Money Records and UMG

On April 7, 2017, Aspire Music Group filed a complaint with the New York State Supreme Court against Cash Money Records alleging breach of contract and non-payment of profits from Drake's first six albums. Following unsuccessful negotiations, the plaintiff amended its complaint to add UMG as a defendant on April 12, 2018 UMG filed a motion to dismiss on the grounds that it lacks privity with Aspire and is not liable for Cash Money's contractual obligations to Aspire The Court denied UMG's motion to dismiss, and UMG appealed that decision

Investigation by U.S. federal prosecutors into business practices in the advertising industry

On June 11, 2018, Havas received a subpoena for documents relating to one of its Spanish subsidiaries, Havas Media Alliance WWSL. These documents have been provided to the relevant US authorities This request by the federal prosecutors appears to relate to business practices involving discounts and rebates At this stage, Havas is not a party to any proceedings and is not being interviewed

Investigation into the services provided by Havas Paris to Business France

On February 7, 2019, Havas Paris, a subsidiary of Havas SA, was indicted for having benefited from favoritism in an amount of €379,319 This indictment was brought in the context of a judicial investigation opened by the Paris Public Prosecutor's Office for the offence of favoritism allegedly committed by Business France when it organized a communication event which it entrusted to Havas Paris Havas Paris denies the claims against it and immediately appealed against this decision.

Glass Egg vs. Gameloft Inc., Gameloft SE, Gameloft Iberica and Vivendi SA

On August 23, 2017, Glass Egg, a company specializing in the design of 3D cars for use in video games, sued Gameloft Inc , Gameloft SE, Gameloft Iberica and Vivendi SA in the U S. District Court for the Northern District of California. It is seeking damages for copyright infringement, unfair competition and misappropriation of trade secrets The Court allowed the plaintiff to amend its initial complaint three times. On September 17, 2018, Gameloft Inc responded to Glass Egg's fourth amended complaint, denying all its claims Discovery has begun and is expected to continue during the first half of 2019. In addition, in an order dated February 12, 2018, the Court determined that it had no jurisdiction over Gameloft Iberica and Vivendi SA The admissibility of the complaint against Gameloft SE is remains challenged and the Court has ordered limited discovery to determine whether it has jurisdiction

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, 2018, approximately 1,140 entities were consolidated or accounted for under the equity method (unchanged compared to December 31, 2017).

		December 31, 2018			December 31, 2017		
	Country	Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi S.A.	**France**	**Parent company**			**Parent company**		
Universal Music Group, Inc.	**United States**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Universal Music Group Holdings, Inc	United States	C	100%	*100%*	C	100%	*100%*
UMG Recordings, Inc	United States	C	100%	*100%*	C	100%	*100%*
Vevo	United States	E	49 4%	*49.4%*	E	49 4%	*49 4%*
Universal Music Group S A S (ex 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%*
ITI Neovision (nc+)	Poland	C	51%	*51%*	C	51%	*51%*
VSTV (a)	Vietnam	C	49%	*49%*	C	49%	*49%*
Havas S.A.	**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Havas Health, Inc	United States	C	100%	*100%*	C	100%	*100%*
Havas Media Group USA, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Worldwide New York, Inc	United States	C	100%	*100%*	C	100%	*100%*
BETC	France	C	100%	*100%*	C	100%	*100%*
Havas Edge, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Media France	France	C	100%	*100%*	C	100%	*100%*
Arnold Worldwide, LLC	United States	C	100%	*100%*	C	100%	*100%*
Havas Paris	France	C	99%	*99%*	C	99%	*99%*
Socialyse	France	C	100%	*100%*	C	100%	*100%*
Havas Media Group Spain, SA	Spain	C	100%	*100%*	C	100%	*100%*
Affiperf Limited	United Kingdom	C	100%	*100%*	C	100%	*100%*
Havas Worldwide Chicago, Inc	United States	C	100%	*100%*	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%*
Paylogic (b)	Netherlands	C	100%	*100%*	-	-	-
Digitick	France	C	100%	*100%*	C	100%	*100%*
MyBestPro (c)	France	-	-	-	C	100%	*97%*
L'Olympia	France	C	100%	*100%*	C	100%	*100%*
CanalOlympia	France	C	100%	*100%*	C	100%	*100%*
Olympia Production	France	C	100%	*100%*	C	100%	*100%*
Festival Production	France	C	70%	*70%*	C	70%	*70%*
Paddington and Company Ltd	United Kingdom	C	100%	*100%*	C	100%	*100%*

	Country	December 31, 2018 Accounting Method	Voting Interest	Ownership Interest	December 31, 2017 Accounting Method	Voting Interest	Ownership Interest
New Initiatives							
Dailymotion	France	C	100%	*100%*	C	100%	*100%*
Group Vivendi Africa	France	C	100%	*100%*	C	100%	*100%*
Vivendi Content	France	C	100%	*100%*	C	100%	*100%*
Studio+	France	C	100%	*100%*	C	100%	*100%*
Banijay Group Holding	France	E	31.4%	*31.4%*	E	31.4%	*31.4%*
Corporate							
Telecom Italia	Italia	E	23.94%	*17.15%*	E	23.94%	*17.15%*
Boulogne Studios	France	C	100%	*100%*	C	100%	*100%*
Poltel Investment	Poland	C	100%	*100%*	C	100%	*100%*

C: consolidated; E: equity affiliates

a. 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.

b. On April 16, 2018, Vivendi Village acquired Paylogic, a ticketing and technology company based in Amsterdam.

c. MyBestPro was sold on December 21, 2018.

Note 25 Statutory auditors fees

Fees paid by Vivendi SA in 2018 and 2017 to its statutory auditors and members of the statutory auditor firms were as follows:

	Deloitte et Associés				Ernst & Young et Autres				Total	
	Amount		%		Amount		%			
(in millions of euros)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statutory audit, certification, consolidated and individual financial statements audit										
Issuer	0.6	0.6	*6%*	*6%*	0.7	0.7	*12%*	*13%*	1.3	1.3
Fully consolidated subsidiaries	9.0	8.8	*92%*	*90%*	3.7	3.6	*64%*	*70%*	12.7	12.4
Subtotal	**9.6**	**9.4**	***98%***	***96%***	**4.4**	**4.3**	***76%***	***83%***	**14.0**	**13.7**
Services other than certification of financial statements as required by laws and regulations (a)										
Issuer	-	-	-	-	0.1	0.1	*2%*	*2%*	0.1	0.1
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	**0.1**	**0.1**	***2%***	***2%***	**0.1**	**0.1**
Services other than certification of financial statements provided upon the entity's request (a)										
Issuer	0.1	0.4	*1%*	*4%*	-	-	-	-	0.1	0.4
Fully consolidated subsidiaries	0.1	-	*1%*	-	1.3	0.8	*22%*	*15%*	1.4	0.8
Subtotal	**0.2**	**0.4**	***2%***	***4%***	**1.3**	**0.8**	***22%***	***15%***	**1.5**	**1.2**
Total	**9.8**	**9.8**	***100%***	***100%***	**5.8**	**5.2**	***100%***	***100%***	**15.6**	**15.0**

a. Include services required by law and regulation (e.g., reports on capital transactions, comfort letters, validation of the consolidated declaration of extra-financial performance) as well as services provided upon request of Vivendi or its subsidiaries (due diligence, legal and tax assistance, various reports).

Note 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 2018, under section 479A of the UK Companies Act 2006

Name	Company Number
Dub Dub Productions Ltd.	03034298
EGW USD	08107589
E M I Overseas Holdings Ltd	*00403200*
EMI (IP) Ltd	03984464
EMI Group (Newco) Ltd	07800879
EMI Group Electronics Ltd	00461611
EMI Group International Holdings Ltd	01407770
EMI Group Worldwide	03158106
EMI Group Worldwide Holdings Ltd.	06226803
EMI Ltd.	*00053317*
EMI Recorded Music (Chile) Ltd.	07934340
EMI Records France Holdco Ltd.	06405604
Estupendo Records Ltd	03278620
Mawlaw 388 Ltd	03590255
Relentless 2006 Ltd.	03967906
Twenty-First Artists Ltd	01588900
Trinifold Music Ltd.	01781138
Universal/Anxious Music Ltd.	01862328
Universal/Momentum Music Ltd	*01946456*
Universal/Momentum Music 2 Ltd.	02850484
Universal SRG Music Publishing Ltd	02898402
Universal Music (UK) Holdings Ltd	03383881
Universal Music Holdings (UK) Ltd.	00337803
Universal Music Leisure Ltd.	03384487
Universal Music Publishing MGB Holding UK Ltd	05092413
Universal SRG Group Ltd	*00284340*
Universal SRG Music Publishing Copyrights Ltd	02873472
Universal SRG Studios Ltd	03050388
V2 Music Group Ltd.	03205625
Virgin Music Group	02259349
Virgin Records Overseas Ltd.	00335444

Note 27 Subsequent events

The significant events that occurred between the closing date and February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018) were as follows

- in January 2019, Vivendi SA completed new bank financings (please refer to Note 19 3);
- on January 31, 2019, Vivendi announced the closing of the acquisition of 100% of the share capital of Editis, the second-largest French-language publishing group (please refer to Note 2 2), and
- on February 11, 2019, Vivendi's Management Board decided to propose to shareholders two resolutions relating to share repurchases which will be submitted to a vote at the General Shareholders' Meeting to be held on April 15, 2019 (please refer to Note 15).

Note 28 Restatement of comparative information

In 2018, Vivendi applied two new accounting standards

- IFRS 15 – *Revenues from Contracts with Customers*: in accordance with IFRS 15, Vivendi applied this change of accounting standard to 2017 revenues, thereby ensuring comparability of the data relative to each period of 2018 and 2017 contained in this report (please refer to Note 1); and
- IFRS 9 – *Financial Instruments*: in accordance with IFRS 9, Vivendi applied this change of accounting standard to the 2018 Statement of Earnings and Statement of Comprehensive Income and restated its opening balance sheet as of January 1, 2018, therefore, the data relative to 2017 contained in this report is not comparable (please refer to Note 1)

28.1 Restatements of the Consolidated Statement of Earnings

Impacts related to the application of IFRS 15 on revenues by business segment

	2017				
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,	**Year ended December 31,**
Revenues (as previously published) (A)					
Universal Music Group	1,284	1,382	1,319	1,688	5,673
Canal+ Group	1,278	1,290	1,257	1,421	5,246
Havas (a)	-	-	525	626	1,151
Gameloft	68	62	63	65	258
Vivendi Village	26	30	25	28	109
New Initiatives	10	13	11	17	51
Elimination of intersegment transactions	(3)	(3)	(16)	(22)	(44)
Total Vivendi	**2,663**	**2,774**	**3,184**	**3,823**	**12,444**
IFRS 15 restatements (B)					
Universal Music Group	-	-	-	-	-
Canal+ Group	(6)	(7)	(5)	(30)	(48)
Havas (a)	-	-	27	33	60
Gameloft	16	15	15	16	62
Vivendi Village	-	-	-	-	-
New Initiatives	-	-	-	-	-
Elimination of intersegment transactions	-	-	-	-	-
Total Vivendi	**10**	**8**	**37**	**19**	**74**
Restated revenues (A+B)					
Universal Music Group	1,284	1,382	1,319	1,688	5,673
Canal+ Group	1,272	1,283	1,252	1,391	5,198
Havas (a)	-	-	552	659	1,211
Gameloft	84	77	78	81	320
Vivendi Village	26	30	25	28	109
New Initiatives	10	13	11	17	51
Elimination of intersegment transactions	(3)	(3)	(16)	(22)	(44)
Total Vivendi	**2,673**	**2,782**	**3,221**	**3,842**	**12,518**

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

Restatements of the Statement of Earnings

	Year ended December 31, 2017		
	Published	IFRS 15 restatements	*Restated*
REVENUES	**12,444**	**74**	**12,518**
Cost of revenues	(7,210)	(92)	(7,302)
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(4,118)		(4,118)
Income from operations*	**1,116**	**(18)**	**1,098**
Restructuring charges	(88)		(88)
Other operating charges and income	(41)		(41)
Adjusted earnings before interest and income taxes (EBITA)*	**987**	**(18)**	**969**
Amortization and depreciation of intangible assets acquired through business combinations	(124)		(124)
Reversal of reserve related to the Securities Class Action litigation in the United States	27		27
Income from equity affiliates - operational	146		146
EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT)	**1,036**	**(18)**	**1,018**
Income from equity affiliates - non-operational	-		-
Interest	(53)		(53)
Income from investments	29		29
Other financial charges and income	(100)		(100)
	(124)	**-**	***(124)***
Earnings before provision for income taxes	**912**	**(18)**	**894**
Provision for income taxes	349	6	355
Earnings from continuing operations	**1,261**	**(12)**	**1,249**
Earnings from discontinued operations	-		-
Earnings	**1,261**	**(12)**	**1,249**
Non-controlling interests	(33)		(33)
EARNINGS ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS	**1,228**	**(12)**	**1,216**
Earnings attributable to Vivendi SA shareowners per share - basic (in euros)	0.98		0.97
Earnings attributable to Vivendi SA shareowners per share - diluted (in euros)	0.95		0.94
Adjusted net income*	**1,312**	**(12)**	**1,300**
Adjusted net income per share - basic (in euros)*	1.05		1.04
Adjusted net income per share - diluted (in euros)*	1.01		1.00

In millions of euros, except per share amounts.

* non-GAAP measures.

28.2 Restatements of the Consolidated Statement of Financial Position

(in millions of euros)	December 31, 2017 Published	December 31, 2017 IFRS 15 restatements	December 31, 2017 Restated	IFRS 9 restatements	IFRS 9 and IFRS 15 restatements by equity affiliates	January 1, 2018
ASSETS						
Goodwill	12,084		12,084			12,084
Non-current content assets	2,087		2,087			2,087
Other intangible assets	440		440			440
Property, plant and equipment	930		930			930
Investments in equity affiliates	4,540		4,540		(14)	4,526
Non-current financial assets	4,583		4,583	(81)		4,502
Deferred tax assets	619	6	625	2		627
Non-current assets	**25,283**	**6**	**25,289**	**(79)**	**(14)**	**25,196**
Inventories	177		177			177
Current tax receivables	406		406			406
Current content assets	1,160		1,160			1,160
Trade accounts receivable and other	5,218		5,218	(10)		5,208
Current financial assets	138		138			138
Cash and cash equivalents	1,951		1,951			1,951
Current assets	**9,050**	**-**	**9,050**	**(10)**	**-**	**9,040**
TOTAL ASSETS	**34,333**	**6**	**34,339**	**(89)**	**(14)**	**34,236**
EQUITY AND LIABILITIES						
Share capital	7,128		7,128			7,128
Additional paid-in capital	4,341		4,341			4,341
Treasury shares	(670)		(670)			(670)
Retained earnings and other	6,857	(12)	6,845	4	(14)	6,835
Vivendi SA shareowners' equity	**17,656**	**(12)**	**17,644**	**4**	**(14)**	**17,634**
Non-controlling interests	222		222			222
Total equity	**17,878**	**(12)**	**17,866**	**4**	**(14)**	**17,856**
Non-current provisions	1,515		1,515			1,515
Long-term borrowings and other financial liabilities	4,263		4,263	(93)		4,170
Deferred tax liabilities	589		589			589
Other non-current liabilities	226		226			226
Non-current liabilities	**6,593**	**-**	**6,593**	**(93)**	**-**	**6,500**
Current provisions	412		412			412
Short-term borrowings and other financial liabilities	373		373			373
Trade accounts payable and other	9,001	18	9,019			9,019
Current tax payables	76		76			76
Current liabilities	**9,862**	**18**	**9,880**	**-**	**-**	**9,880**
Total liabilities	**16,455**	**18**	**16,473**	**(93)**	**-**	**16,380**
TOTAL EQUITY AND LIABILITIES	**34,333**	**6**	**34,339**	**(89)**	**(14)**	**34,236**

28.3 Restatements of the Consolidated Financial Assets

(in millions of euros)	December 31, 2017			*IFRS 9 restatements*		January 1, 2018			
	Total	Current	Non-current	*Available for sale securities*	*Financial assets at amortized cost*	Total	Current	Non-current	
Financial assets at fair value									**Financial assets at fair value through profit or loss**
Term deposits	50	50	-	-	-	50	50	-	Term deposits
Level 1									Level 1
Bond funds	25	25	-	-	-	25	25	-	Bond funds
Listed equity securities	3,754	-	3,754	*(1,798)*	-	1,956	-	1,956	Listed equity securities
Other financial assets	5	5	-	-	-	5	5	-	Other financial assets
Level 2									Level 2
Unlisted equity securities	361	-	361	*(13)*	-	348	-	348	Unlisted equity securities
Derivative financial instruments	19	4	15			19	4	15	Derivative financial instruments
Level 3 - Other financial assets	69	-	69	*(47)*	*40*	62	-	62	Level 3 - Other financial assets
									Financial assets at fair value through other comprehensive income
				1,798	-	1,798	-	1,798	Level 1 - Listed equity securities
				13	-	13	-	13	Level 2 - Unlisted equity securities
				47	-	47	-	47	Level 3 - Unlisted equity securities
Financial assets at amortized cost	438	54	384	-	*(121)*	317	54	263	**Financial assets at amortized cost**
Financial assets	**4,721**	**138**	**4,583**	**-**	***(81)***	**4,640**	**138**	**4,502**	**Financial assets**