DELOITTE & ASSOCIES

ERNST & YOUNG et Autres

Universal Music Group

Year ended December 31, 2020

Vivendi SE's statutory auditors' report on Universal Music Group's combined financial statements

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Universal Music Group

Year ended December 31, 2020

Vivendi SE's statutory auditors' report on Universal Music Group's combined financial statements

To the Management Board of Vivendi SE,

Opinion

In our capacity as statutory auditors of Vivendi SE and in accordance with your request in connection with the partial divestiture by Vivendi of its music business, we have audited the combined financial statements of Universal Music Group (UMG) as at December 31, 2020. These combined financial statements comprise the combined statement of financial position as at December 31, 2020, the combined statement of earnings, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies. These combined financial statements were reviewed on March 1, 2021 by the Management Board of Vivendi SE, and approved on March 3, 2021 by two empowered members of the Management Board of Vivendi SE.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of UMG as at December 31, 2020 and of its combined financial performance and combined cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with IFRS published by the International Accounting Standards Board (IASB).

Basis for Opinion

Due to the global crisis related to the Covid-19 pandemic, the combined financial statements have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our audit procedures

It is in this complex and evolving context that we conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of UMG and Vivendi SE in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the combined financial statements in France, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our conclusion, we draw attention to the Note "Basis of preparation of the Combined Financial Statements", in Section "Accounting conventions used when preparing the Combined Financial Statements". Our opinion is not modified in respect of this matter.

Responsibilities of Vivendi SE's Management Board and Those Charged with Governance for the Combined Financial Statements

Vivendi SE's Management Board is responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with IFRS published by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing UMG'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 management either intends to liquidate UMG or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Vivendi Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.

- Obtain 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 UMG's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on 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 UMG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause UMG to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within UMG to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit of UMG. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of UMG's audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

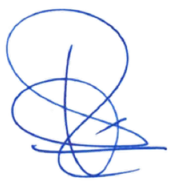
This report shall be governed by, and construed in accordance with French law. The courts of France shall have exclusive jurisdiction in relation to any claim or dispute concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those courts and to claim that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

Paris-La Défense, May 7, 2021

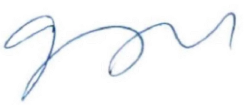
The Statutory Auditors

DELOITTE & ASSOCIES

ERNST & YOUNG et Autres



Thierry Quéron



Géraldine Segond

Jacques Pierres

Claire Pajona

UNIVERSAL MUSIC GROUP

Audited Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018

Wednesday, March 03, 2021

Audited Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018

Combined Statement of Earnings

(in millions of euros)	Note	Year ended December 31, 2020	2019	2018
Revenues	2	**7,432**	**7,159**	**6,023**
Cost of revenues		(3,917)	(3,818)	(3,110)
Selling, general and administrative expenses		(2,265)	(2,276)	(2,062)
Restructuring charges	2	(20)	(24)	(29)
Impairment losses on intangible assets acquired through business combinations	2	-	-	-
Income from equity affiliates - operational	11	(9)	(2)	(1)
Earnings before interest and income taxes (EBIT)	3	**1,221**	**1,039**	**821**
Interest	4	(15)	14	27
Income from investments		-	-	1
Other financial income	4	603	174	333
Other financial charges	4	(28)	(57)	(29)
		560	***131***	***332***
Earnings before provision for income taxes		**1,781**	**1,170**	**1,153**
Provision for income taxes	5	(412)	(195)	(251)
Earnings from continuing operations		**1,369**	**975**	**902**
Earnings from discontinued operations		-	-	-
Earnings		**1,369**	**975**	**902**
Of which				
Earnings attributable to shareowners		**1,366**	**972**	**897**
Non-controlling interests		3	3	5

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

Combined Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2020	2019	2018
Earnings		**1,369**	**975**	**902**
Actuarial gains/(losses) related to employee defined benefit plans, net		6	(24)	-
Financial assets at fair value through other comprehensive income		2	(2)	-
Comprehensive income from equity affiliates, net		-	-	-
Items not subsequently reclassified to profit or loss		**8**	**(26)**	**-**
Foreign currency translation adjustments		(194)	44	113
Comprehensive income from equity affiliates, net	11	(6)	2	4
Other impacts, net		-	(7)	12
Items to be subsequently reclassified to profit or loss		**(200)**	**39**	**129**
Charges and income directly recognized in equity	7	**(192)**	**13**	**129**
Total comprehensive income		**1,177**	**988**	**1,031**
Of which				
Total comprehensive income attributable to shareowners		**1,174**	**985**	**1,025**
Total comprehensive income attributable to non-controlling interests		2	3	6

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

Combined Statement of Financial Position

(in millions of euros)	Note	December 31, 2020	December 31, 2019	January, 1 2019	December 31, 2018
ASSETS					
Goodwill	8	1,369	1,488	1,378	1,378
Non-current content assets	9	3,512	2,269	1,808	1,808
Other intangible assets		1	1	1	1
Property, plant and equipment		254	267	243	262
Rights-of-use relating to leases	10	416	472	454	na
Investments in equity affiliates	11	72	88	97	97
Non-current financial assets	12	1,962	1,103	873	873
Deferred tax assets	5	414	367	353	330
Non-current assets		**8,000**	**6,055**	**5,207**	**4,749**
Inventories		79	90	84	84
Current tax receivables		1	-	-	-
Current content assets	9	677	591	601	601
Trade accounts receivable and other	13	1,088	1,058	994	997
Current financial assets	12	1	28	30	30
Shareowners loans	14	815	672	1,260	1,260
Cash and cash equivalents	14	326	336	276	276
Current assets		**2,987**	**2,775**	**3,245**	**3,248**
TOTAL ASSETS		**10,987**	**8,830**	**8,452**	**7,997**
EQUITY AND LIABILITIES					
Combined retained earnings		1,432	2,981	2,999	3,074
of which earnings attributable to shareowners		*1,366*	*972*	*897*	*897*
Non-controlling interests		-	3	3	3
Total equity	15	**1,432**	**2,984**	**3,002**	**3,077**
Non-current provisions	16	335	437	366	370
Long-term borrowings and other financial liabilities	14	1	1	1	1
Shareowners borrowings	14	2,368	-	-	-
Deferred tax liabilities	5	828	659	608	608
Long-term lease liabilities	10	447	510	493	na
Other non-current liabilities	13	851	106	135	159
Non-current liabilities		**4,830**	**1,713**	**1,603**	**1,138**
Current provisions	16	137	63	79	79
Short-term borrowings and other financial liabilities	14	640	15	17	17
Trade accounts payable and other	13	3,843	3,981	3,613	3,638
Short-term lease liabilities	10	78	86	90	na
Current tax payables		27	(12)	48	48
Current liabilities		**4,725**	**4,133**	**3,847**	**3,782**
Total liabilities		**9,555**	**5,846**	**5,450**	**4,920**
TOTAL EQUITY AND LIABILITIES		**10,987**	**8,830**	**8,452**	**7,997**

na: not applicable.

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

Combined Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2020	2019	2018
Operating activities				
EBIT	2	1,221	1,039	821
Adjustments	19.1	213	201	106
Content investments, net		(1,517)	(465)	(161)
Gross cash provided by operating activities before income tax paid		***(83)***	***775***	***766***
Other changes in net working capital		287	82	179
Net cash provided by operating activities before income tax paid		***204***	***857***	***945***
Income tax (paid)/received, net	5.1	(207)	(172)	(198)
Net cash provided by operating activities		**(3)**	**685**	**747**
Investing activities				
Capital expenditures		(66)	(75)	(110)
Purchases of consolidated companies, after acquired cash		(4)	(50)	(12)
Investments in equity affiliates	11	(2)	-	-
Increase in financial assets	12	(3)	(13)	(12)
Investments		***(75)***	***(138)***	***(134)***
Proceeds from sales of property, plant, equipment and intangible assets		-	3	-
Proceeds from sales of consolidated companies, after divested cash		11	(2)	1
Disposal of equity affiliates		1	-	-
Decrease in financial assets	12	15	6	19
Divestitures		***27***	***7***	***20***
Dividends received from equity affiliates	11	2	2	2
Dividends received from unconsolidated companies		-	-	1
Net cash provided by/(used for) investing activities		**(46)**	**(129)**	**(111)**
Financing activities				
Distributions to shareowners	15	(283)	(1,002)	(981)
Other transactions with shareowners		(11)	-	(1,414)
Dividends paid by consolidated companies to their non-controlling interests		(5)	(5)	(5)
Transactions with shareowners		***(299)***	***(1,007)***	***(2,400)***
Setting up of long-term borrowings and increase in other long-term financial liabilities		-	-	-
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		-	-	-
Principal payment on short-term borrowings		-	-	(57)
Other changes in short-term borrowings and other financial liabilities		625	2	46
Interest paid, net	4	(15)	14	27
Other cash items related to financial activities		(3)	(2)	(3)
Transactions on borrowings and other financial liabilities		***607***	***14***	***13***
Repayment of lease liabilities and related interest expenses	10 ; 4	(91)	(83)	na
Net cash provided by/(used for) financing activities		**217**	**(1,076)**	**(2,387)**
Foreign currency translation adjustments of continuing operations		(35)	(8)	(19)
Change in cash and cash equivalents and shareowners loans		**133**	**(528)**	**(1,770)**
Cash and cash equivalents and shareowners loans				
At beginning of the period	14	**1,008**	**1,536**	**3,306**
At end of the period	14	**1,141**	**1,008**	**1,536**
of which Shareowners loans				
At beginning of the period		**672**	**1,260**	**3,059**
At end of the period		**815**	**672**	**1,260**
of which Cash and cash equivalent				
At beginning of the period		**336**	**276**	**247**
At end of the period		**326**	**336**	**276**

na: not applicable.

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

Combined Statements of Changes in Equity

Year ended December 31, 2020

(in millions of euros)

	Retained earnings and other		Total equity
	Retained earnings	Other comprehensive income	
BALANCE AS OF DECEMBER 31, 2019	**3,275**	**(291)**	**2,984**
Attributable to Universal Music Group	***3,272***	***(290)***	***2,982***
Attributable to non-controlling interests	***3***	***(1)***	***2***
Contributions by/distributions to shareowners	**(2,711)**	**-**	**(2,711)**
of which Universal Music Group S.A.S. transferred to Vivendi SE	*(2,428)*	*-*	*(2,428)*
Distribution by Universal International Music BV paid to shareowners	*(283)*	*-*	*(283)*
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	**(13)**	**-**	**(13)**
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**(2,724)**	**-**	**(2,724)**
Contributions by (distributions to) non-controlling interests	(5)	-	(5)
Dividends paid by subsidiaries to non-controlling interests	*(5)*	*-*	*(5)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**(5)**	**-**	**(5)**
Earnings	1,369	-	1,369
Charges and income directly recognized in equity	-	(192)	(192)
TOTAL COMPREHENSIVE INCOME (C)	**1,369**	**(192)**	**1,177**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	***(1,360)***	***(192)***	***(1,552)***
Attributable to Universal Music Group	*(1,358)*	(192)	*(1,550)*
Attributable to non-controlling interests	*(2)*	-	*(2)*
BALANCE AS OF DECEMBER 31, 2020	**1,915**	**(483)**	**1,432**
Attributable to Universal Music Group	***1,914***	***(482)***	***1,432***
Attributable to non-controlling interests	***1***	***(1)***	**-**

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

Year ended December 31, 2019

(in millions of euros)

	Retained earnings and other		Total equity
	Retained earnings	Other comprehensive income	
BALANCE AS OF DECEMBER 31, 2018	**3,389**	**(312)**	**3,077**
Attributable to Universal Music Group	***3,385***	***(311)***	***3,074***
Attributable to non-controlling interests	***4***	***(1)***	***3***
Restatements related to the application of IFRS 16	***(75)***	***-***	***(75)***
Attributable to shareowners	*(75)*	*-*	*(75)*
Attributable to non-controlling interests	*-*	*-*	*-*
BALANCE AS OF JANUARY 1, 2019	**3,314**	**(312)**	**3,002**
Attributable to Universal Music Group	***3,310***	***(311)***	***2,999***
Attributable to non-controlling interests	***4***	***(1)***	***3***
Contributions by/distributions to shareowners	(1,002)	-	(1,002)
Distribution by Universal Music Group Inc. and Universal Music Group S.A.S. to Vivendi SE	*(1,002)*	*-*	*(1,002)*
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**(1,002)**	**-**	**(1,002)**
Contributions by/distributions to non-controlling interests	(5)	-	(5)
Dividends paid by subsidiaries to non-controlling interests	*(5)*	*-*	*(5)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**(5)**	**-**	**(5)**
Earnings	975	-	975
Charges and income directly recognized in equity	(7)	21	14
TOTAL COMPREHENSIVE INCOME (C)	**968**	**21**	**989**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	***(39)***	***21***	***(18)***
Attributable to Universal Music Group	*(38)*	21	*(17)*
Attributable to non-controlling interests	*(1)*	*-*	*(1)*
BALANCE AS OF DECEMBER 31, 2019	**3,275**	**(291)**	**2,984**
Attributable to Universal Music Group	***3,272***	***(290)***	***2,982***
Attributable to non-controlling interests	***3***	***(1)***	***2***

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

Year ended December 31, 2018

(in millions of euros, except number of shares)	Retained earnings and other		Total equity
	Retained earnings	Other comprehensive income	
BALANCE AS OF DECEMBER 31, 2017	**4,933**	**(487)**	**4,446**
Attributable to Vivendi SA shareowners	***4,929***	***(486)***	***4,443***
Attributable to non-controlling interests	***4***	***(1)***	***3***
Restatements related to the application of IFRS 9, net of income taxes	***(58)***	***58***	***-***
Attributable to shareowners	*(58)*	*58*	*-*
Attributable to non-controlling interests	*-*	*-*	*-*
BALANCE AS OF JANUARY 1, 2018	**4,875**	**(429)**	**4,446**
Attributable to Universal Music Group	***4,871***	***(428)***	***4,443***
Attributable to non-controlling interests	***4***	***(1)***	***3***
Contributions by/distributions to shareowners	(2,395)	-	(2,395)
Universal Music Group S.A.S. share capital reduction	*(1,414)*	*-*	*(1,414)*
Distribution by Universal Music Group Inc. and Universal Music Group S.A.S.	*(981)*	*-*	*(981)*
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**(2,395)**	**-**	**(2,395)**
Contributions by/distributions to non-controlling interests	(5)	-	(5)
Dividends paid by subsidiaries to non-controlling interests	*(5)*	*-*	*(5)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**(5)**	**-**	**(5)**
Earnings	902	-	902
Charges and income directly recognized in equity	12	117	129
TOTAL COMPREHENSIVE INCOME (C)	**914**	**117**	**1,031**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	***(1,486)***	***117***	***(1,369)***
Attributable to Universal Music Group	*(1,486)*	*117*	*(1,369)*
Attributable to non-controlling interests	*-*	*-*	*-*
BALANCE AS OF DECEMBER 31, 2018	**3,389**	**(312)**	**3,077**
Attributable to Universal Music Group	***3,385***	***(311)***	***3,074***
Attributable to non-controlling interests	***4***	***(1)***	***3***

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

Notes to the Combined Financial Statements

Universal Music Group (UMG) is the world leader in music-based entertainment, with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content in more than 60 countries. Featuring the most comprehensive catalog of recordings and songs across every musical genre, UMG identifies and develops artists and produces and distributes the most critically acclaimed and commercially successful music in the world. Committed to artistry, innovation and entrepreneurship, UMG fosters the development of services, platforms and business models in order to broaden artistic and commercial opportunities for its artists and create new experiences for fans.

The Combined Financial Statements present the financial and accounting situation of UMG together with interests in equity affiliates. Amounts are reported in euros and all values are rounded to the nearest million.

On March 1, 2021, Vivendi's Management Board examined UMG's Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018, and granted power to two of its members to approve such Combined Financial Statements. On March 3, 2021, UMG's Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018 were approved by those members of Vivendi's Management Board.

Basis of preparation of the Combined Financial Statements

The Combined Financial Statements of Universal Music Group (as defined below) for the fiscal years ended December 31, 2020 have been prepared by Vivendi SE ("Vivendi") in its capacity as the controlling shareholder of Universal Music Group Inc. ("UMG Inc.") and Universal International Music B.V. ("UIM B.V.") and their respective subsidiaries (UMG Inc. and UIM B.V. are collectively referred to herein as, "Universal Music Group" or "UMG"), pursuant to Section 7.04. *Information and Inspection Rights.* of UIM B.V. Shareholders Agreement.

They have been drawn up based on the accounting data of UMG Inc. and UIM B.V. and their respective subsidiaries for the fiscal years ended on December 31, 2020, 2019 and 2018, as approved, and compiled for the preparation of the Vivendi Group's Consolidated Financial Statements for the relevant fiscal years. UMG's Combined Financial Statements for the fiscal years ended December 31, 2020, 2019 and 2018 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, 2020. Amendments to IFRS standards applicable as from January 1, 2020, had no material impact on UMG's Combined Financial Statements.

As a reminder, UMG applied IFRS 16 with retrospective effect as from January 1, 2019 without restating comparative periods in the consolidated financial statements. In accordance with IFRS 16, the impact of the change of accounting standard was recorded by UMG in the opening balance sheet as of January 1, 2019; moreover, UMG applied this change of accounting standard to the Statement of Financial Position, Statement of Earnings and Statement of Cash Flows in 2019.

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

- IFRS 15 – *Revenue from contracts with customers:* in accordance with IFRS 15, as from 2017, UMG applied this change of accounting standard to revenues; and
- IFRS 9 – *Financial instruments:* in accordance with IFRS 9, as from 2018, UMG applied this change of accounting standard to the Statement of Earnings and Statement of Comprehensive Income restating its opening balance sheet as of January 1, 2018.

Vivendi is a European company, which since January 7, 2020, has been subject to the provisions of French commercial company law that are applicable to it in France, including the Council Regulation EC No. 2157/2001 of October 8, 2001 on the statute for a European company and the French Commercial Code (Code de commerce).

Context

On December 31, 2019, Vivendi and a Tencent-led consortium, which includes Tencent Music Entertainment and other financial co-investors, entered into an agreement for a planned equity investment in Universal Music Group (UMG). This agreement provides for:

- the purchase by this consortium of 10% of UMG's share capital, based on an enterprise value of €30 billion for 100% of UMG's share capital; and
- an option for this consortium to acquire, on the same valuation basis, an additional interest of up to 10% of UMG's share capital until January 15, 2021.

Sale of a first tranche of 10% of Universal Music Group's share capital

On March 31, 2020, Vivendi completed the sale of 10% of UMG's share capital to a Tencent-led consortium. This transaction resulted in a cash inflow of €2,842 million for Vivendi.

As a reminder, on March 31, 2020, the sale of 10% of UMG's share capital to a Tencent-led consortium was recorded, in accordance with IFRS standards, as a sale of non-controlling interests and therefore has not impacted the Consolidated Financial Statement of Earnings. In Vivendi's Consolidated Financial Statements, in accordance with IFRS 10, the capital gain on the sale of 10% of UMG's share capital, equal to the difference between the sale price of €2,842 million and the value of sold non-controlling interests in the Consolidated Financial Statements of €457 million, was directly recorded as an increase in equity attributable to Vivendi SE shareowners for €2,385 million.

Sale of a second tranche of 10% of Universal Music Group's share capital

On December 17, 2020, the consortium decided to exercise the option to acquire an additional 10% of UMG.

On January 29, 2021, Vivendi completed the sale of the additional 10% of UMG's share capital to a Tencent-led consortium, based on an enterprise value of €30 billion for 100% of UMG's share capital. This transaction resulted in a cash inflow of €2,847 million for Vivendi.

For information, on January 29, 2021, the sale of an additional 10% of UMG's share capital to a Tencent-led consortium will be recorded, in accordance with IFRS standards, as a sale of non-controlling interests and therefore will not impact the Consolidated Financial Statement of Earnings. In Vivendi's Consolidated Financial Statements, in accordance with IFRS 10, the capital gain on the sale will be directly recorded as an increase in equity attributable to Vivendi SE shareowners.

As from this date, the Tencent-led consortium owns 20% of UMG.

The cash generated by these transactions may be used by Vivendi to reduce its financial debt and to finance acquisitions.

Planned distribution of 60% of Universal Music Group's share capital and its listing on the stock market

On February 13, 2021, Vivendi announced that it will study the planned distribution of 60% of UMG's share capital and its listing by the end of 2021. This distribution, exclusively in kind, would take the form of an exceptional distribution ("special dividend"). The listing of UMG's shares, issued by its holding company, would be applied for on the regulated market of Euronext NV in Amsterdam, in a country that has been one of UMG's historical homes.

A Vivendi Extraordinary Shareholders' Meeting will be called for March 29, 2021, to modify the company's by-laws and make the principle of this distribution in kind possible and pursue this project. Subject to a favorable shareholder vote, a Shareholders' Meeting could be called before the end of 2021 to vote on this distribution of UMG shares.

Minority interest in Universal Music Group's operations in China

In addition, a separate agreement was entered into on March 31, 2020, enabling Tencent Music Entertainment to acquire a minority interest in the share capital of the UMG's subsidiary that owns its Greater China operations.

Scope of combination

The arrangement that constitutes the combined UMG group is not a legal entity in its own right and is made up of entities under the common control of Vivendi. As of December 31, 2020, UMG principally comprised the entities held directly and indirectly by UMG Inc. and UIM B.V.

The combination scope is presented in Note 23 "List of Combined entities".

Core Business

UMG is the worldwide leader in music, engaged in recorded music, music publishing and merchandising. It owns more than 50 labels covering all music genres. UMG is home to the greatest local and international artists of all time, including The Beatles, Rolling Stones, U2, Andrea Bocelli, Lady Gaga, Helene Fischer and more, as well as many of the biggest artists of the year, such as The Weeknd, Billie Eilish, Post Malone, and Taylor Swift.

- The recorded music business discovers and develops recording artists, marketing and promoting their music across a wide array of formats and platforms. Its activities also extend to other areas, such as live events, sponsorship, film and television.
- The music publishing business discovers and develops songwriters and owns and administers the copyright for musical compositions used in recordings, public performances and related uses, such as films and advertisements.
- The merchandising business produces and sells artist-branded and other branded products through multiple sales channels, including fashion retail, concert touring and the Internet. Its activities also extend to other areas, such as brand rights management.

Accounting conventions used when preparing the combined financial statements

As a reminder, as a first-time adopter, Combined Financial Statements were prepared for UMG for the fiscal years ended December 31, 2018, 2017 and 2016 in accordance with IFRS 1 – *First-Time Adoption of International Financial Reporting Standards*. In accordance with IFRS 1.D16, if a subsidiary adopts IFRS later than its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured as either:

- the carrying amounts based on the subsidiary's contribution to the parent company's historical consolidated financial statements, after restating adjustments relating to the consolidation procedures and to the accounting for the business combination in which the parent acquired the subsidiary; or
- the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the options in IFRS 1 applied by the subsidiary may differ from those applied by the parent.

Pursuant to the option provided in IFRS 1, UMG's first IFRS combined financial statements were prepared by measuring its assets and liabilities at the carrying amounts, based on UMG's contribution to Vivendi's historical financial statements, after eliminating adjustments relating to its consolidation by the Vivendi Group and to the impacts of accounting for the business combinations pursuant to which Vivendi acquired interests in UMG Inc. and UIM B.V. and their subsidiaries. As of January 1, 2016, the net book value of the goodwill arising from Vivendi's acquisition of UMG in December 2000 (€3,756 million) as well as the related cumulative translation adjustment (CTA) as of December 31, 2016, 2017 and 2018 (+€177 million, -€328 million and -€156 million, respectively), and as of December 31, 2019 and 2020 (-€70 million and -€417 million, respectively), were reversed through adjustments to retained earnings.

The scope of combination excludes as from January 1, 2016 Vivendi Holding I LLC ("VH I"), which was wholly-owned by UMG Inc. until the end of 2018 but had no impact on UMG's contribution to Vivendi's Statement of Financial Position. Therefore, these Combined Financial Statements eliminate the statement of income impacts for the years ended December 31, 2018, and 2017 relating to:

- the interest expense on a borrowing granted by VH I to UMG Inc.; and
- the related income tax effects, if any.

The scope of combination also excludes as from March 19, 2020 Universal Music Group S.A.S. ("UMG S.A.S."), which was merged into Vivendi S.E. as of that date.

Intercompany transactions between UMG and other Vivendi Group's entities

Balances pertaining to current transactions between UMG entities and other entities in the Vivendi Group have been presented on the balance sheet as third-party assets or liabilities in the Combined Financial Statements. All loans and borrowings between UMG entities and other Vivendi Group entities have been presented as financial assets or liabilities in the Combined Financial Statements.

In accordance with IAS 24 – *Related Party Disclosures*, transactions between UMG and other Vivendi Group entities are presented in Note 20 "Related Parties".

Earnings per share

As the combined UMG is not a legal entity, the number of shares outstanding is not determinable. Consequently, no earnings per share data is presented in the Combined Financial Statements.

Translation of financial statements of foreign companies

Pursuant to IFRS 1.D13, in the Combined Financial Statements, the cumulative translation adjustment (CTA) accounted for in other comprehensive income (to be subsequently reclassified to profit or loss) was set to zero as of January 1, 2016. Therefore, the gain or loss on a subsequent disposal of any foreign operation of the combined UMG only includes translation differences recorded since January 1, 2016.

Except as described above, no adjustment was made in UMG's Combined Financial Statements to UMG's contribution to Vivendi's historical financial statements.

Note 1 Accounting policies and valuation methods

1.1 Compliance with accounting standards

The 2020 UMG's Combined Financial Statements 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, 2020.

Amendments to IFRS standards applicable as from January 1, 2020, had no material impact on UMG's Combined Financial Statements.

1.2 Presentation of the Combined Financial Statements

1.2.1 Combined Statement of Earnings

The main line items presented in UMG's Combined 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 Combined Statement of Earnings presents a subtotal of Earnings Before Interest and Tax (EBIT) equal to the difference between charges and income (excluding financing activities, discontinued or held for sale operations, and income taxes).

The charges and income relating to financing activities consist of interest, income from investments, as well as other financial charges and income as presented in Note 4.

1.2.2 Combined 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, 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, as well as the cash payments for the principal amount of the lease liability and any interest thereon. 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

UMG considers Adjusted Earnings Before Interest and Tax (EBITA), Earnings Before Interest and Tax, Depreciation and Amortization (EBITDA) and Cash Flow From Operations (CFFO), all non-GAAP measures, to be relevant indicators of the group's operating and financial performance.

EBITA

UMG 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 UMG 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 as well as other rights catalogs acquired;
- impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired; and
- other income and charges related to transactions with shareowners (except when directly recognized in equity).

EBITDA

UMG considers EBITDA, 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 UMG 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 EBITDA, the accounting impact of the following items is excluded from the income from EBIT:

- the depreciation of tangible, intangible and right of use assets;
- gains/(losses) on the sale of tangible, intangible and right of use assets;
- the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired;
- impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired;
- income from equity affiliates having similar operating activities; and
- restructuring charges, and other non-recurring items.

Cash Flow from Operations (CFFO)

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

Net cash provided by operating activities of discontinued operations are excluded from CFFO.

1.2.4 Combined 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 2019 and 2018 Combined Statement of Financial Position to conform to the presentation of the 2020 and 2019 Combined Financial Statements.

1.3 Principles governing the preparation of the Combined Financial Statements

Pursuant to IFRS principles, the Combined Financial Statements have been prepared on a going concern basis, and 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 Combined Financial Statements include the financial statements of UMG and its subsidiaries after eliminating intragroup items and transactions. UMG has a December 31st year-end. Subsidiaries that do not have a December 31st year-end prepare interim financial statements as of that date, except when their year-end falls within the three months preceding December 31st.

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

1.3.1 Use of estimates

The preparation of Combined 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 UMG's 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 1.3.4.2);
- goodwill and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations (please refer to Note 1.3.5.1);
- 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 8);
- 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 1.3.5.2 and 9);
- 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);
- lease liabilities and right-of-use assets, at the commencement date of each lease contract (please refer to Notes 1.3.5.6 and 10):
  - assessing the lease term that relates to the non-cancellable period of the lease, taking into account all options to extend the lease that UMG is reasonably certain to exercise and all options to terminate the lease that UMG is reasonably certain not to exercise; and
  - estimating the lessee's incremental borrowing rate, taking into account their residual lease term and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.
- deferred taxes: estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1.3.9 and 5); and
- certain financial instruments: valuation method at fair value is defined according to the three following classification levels (please refer to Notes 1.3.5.8, 1.3.7, 12 and 14):
  - 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 combination

For a list of UMG's major subsidiaries, joint ventures and associated entities, please refer to Note 23.

Consolidation

All companies in which UMG 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 (UMG 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, UMG recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to UMG 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 UMG exercises significant influence as well as joint ventures are accounted for under the equity method.

Significant influence is deemed to exist when UMG holds, whether directly or indirectly, at least 20% of the voting rights in an entity unless it can be clearly established that UMG does not exercise a significant influence. Significant influence can be evidenced through further 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 Combined Financial Statements are presented in millions of euros. The presentation currency of UMG 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 Combined Statement of Financial Position is translated at the exchange rate at the end of the period, and the Combined Statement of Earnings and the Combined 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, UMG elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2016. 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.

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

Intellectual property licensing (musical works)

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

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

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

If the nature of the entity's undertaking 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 transaction: it accounts for revenue the gross amount of consideration to which it expects to be entitled in exchange for the goods or services provided, and the commission due to the third-party as cost of revenues. If the entity arranges for a third-party to provide the goods or services specified in the contract, then it recognizes as revenues the net amount of consideration to which it expects to be entitled in exchange for the goods or services provided.

1.3.4.1 Revenue recognition by business segment

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 1.3.4.2) 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 and takes into account the amount of royalties that are 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 grants 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., a 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 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, 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 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 Goodwill and business combinations

Business combinations from January 1, 2009

Pursuant to IFRS 1, UMG elected not to restate business combinations that occurred prior to January 1, 2016. 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, UMG recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to UMG shareowners; and
- goodwill is not amortized.

Business combinations prior to January 1, 2009

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 following main 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.

1.3.5.2 Content assets

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.

Music rights and catalogs include music catalogs, artists' contracts and music publishing rights acquired. The annual review of the value of the intangible assets, undertaken by UMG 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.

1.3.5.3 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.

1.3.5.4 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.

1.3.5.5 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; and
- other: 2 to 10 years.

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

UMG 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, 2016.

1.3.5.6 Leases

UMG applies IFRS 16 with retrospective effect as from January 1, 2019 without restating comparative periods in the combined financial statements.

As licenses of intellectual property granted by a lessor and rights held by a lessee under licensing agreements being excluded from the scope of IFRS 16, the main lease contracts for UMG correspond to real estate leases for which UMG is the lessee.

Real estate leases for which UMG is the lessee are recorded at the commencement date and result in the recognition of a lease liability equal to the present value of future lease payments against a right-of-use asset relating to leases.

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

1) analyzing operating leases for which contractual obligations were disclosed as off-balance sheet commitments until December 31, 2018 (please refer to Note 21 "Contractual obligations and other commitments" to UMG's Combined Financial Statements for the fiscal years ended December 31, 2018, 2017 and 2016, pages 51 and 52);
2) assessing the lease term that relates to the non-cancellable period of the lease, and taking into account all options to extend the lease which UMG is reasonably certain to exercise and all options to terminate the lease which UMG is reasonably certain not to exercise. UMG determined that real estate lease terms in France are generally nine years; and
3) estimating the incremental borrowing rate as of January 1, 2019 of each lease contract, taking into account their residual lease term at this date and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

As of January 1, 2019, regarding the main impacts, it is specified that:

- for some leases, as permitted by IFRS 16, at the date of transition, UMG used hindsight; and
- UMG has applied the practical expedient provided by IFRS 16 to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

After initial recognition, the liability is:

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

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

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

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

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, UMG 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, group of CGUs 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. UMG 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 UMG's CGUs and groups of CGUs, please refer to Note 8.

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 is performed by UMG for each CGU or group of CGUs, depending on the level at which UMG 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 UMG of the time value of money and risks specific to each asset or group of assets.

Perpetual growth rates used for the evaluation 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 based on 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, based on 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: UMG 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 UMG 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

UMG assesses the expected credit loss associated with its financial assets recognized at amortized cost and debt instruments 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, UMG 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.

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 UMG 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, on the one hand, of cash in banks and remunerated or unremunerated demand deposits which corresponds to cash, and, on the other hand monetary UCITS and other highly liquid investments with initial maturities of generally three months or less which correspond to cash equivalents.

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 they 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 UMG 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 Combined 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

UMG may have 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 UMG shareowners;
- subsequent changes to the value of the commitment are recognized as a financial liability through an adjustment to equity attributable to UMG 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

UMG 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, UMG 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 the 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; 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; 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.

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, UMG 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 Combined Financial Statements.

Employee benefit plans

In accordance with the laws and practices of each country in which it operates, UMG 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 shares in any UMG entity 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 UMG until retirement, expected changes in future compensation and an appropriate discount rate for each country in which UMG maintains a pension plan. The assumptions adopted, 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 this includes past service costs 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 as 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.

1.3.9 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Combined 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 group's Statement of Financial Position and Statement of Earnings.

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 executive management and employees of Vivendi with its shareholders' interests by providing them with an additional incentive to improve Vivendi'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 Vivendi's Management and Supervisory Boards. In addition, the definitive grant of stock options and performance shares is contingent upon the achievement of specific performance objectives set by Vivendi's Management and Supervisory Boards. Moreover, all granted plans are conditional upon active employment at the vesting date.

In addition, Dailymotion set up a long-term incentive plan for certain key executives of Vivendi and certain of its subsidiaries, including UMG, for a five year period until June 30, 2020.

Please refer to Note 18 for details of the features of these plans.

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.

The cost of share-based compensation is allocated to UMG, pro rata to the number of equity instruments or equivalent instruments granted to their managers and employees.

1.4 Related parties

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

The transactions with subsidiaries over which UMG exercises control are eliminated within the intersegment transactions (a list of UMG's major consolidated entities is set out in Note 23). Moreover, commercial relationships among UMG subsidiaries, 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. A portion of the operating costs of Vivendi SE's headquarters is allocated to UMG.

1.5 Contractual obligations and contingent assets and liabilities

Once a year, UMG and its subsidiaries prepare detailed reports on all contractual obligations, commercial and financial commitments and contingent obligations, for which they are jointly and severally liable and that are material to the group. 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, board and executive and other relevant committee meetings in respect of matters such as contracts, litigation, and authorizations 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 and endorsed by the European Union as of the date of approval of these Combined Financial Statements, that are not yet effective, and which UMG has not elected for early adoption, the main standards which may have an impact on UMG are the amendments to the IFRS 9 – *Financial Instruments*, IFRS 7 – *Financial Instruments: Disclosures* and IFRS 16 – *Leases* standards which relate to the Interest Rate Benchmark Reform (Phase 2). These amendments which apply mandatorily from January 1, 2021, were issued by the IASB on August 27, 2020, endorsed by the EU on January 13, 2021, and published in the Official Journal of the EU on January 14, 2021.

UMG is currently assessing the potential impact of applying these amendments to the Statement of Earnings, the aggregate comprehensive income, the Statement of Financial Position, the Statement of Cash Flows, and the content of the Notes to UMG's Combined Financial Statements.

Note 2 Segment data

2.1 Operating segment data

The group 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). EBITDA and EBITA reflect the earnings of each business segment, as defined in Note 1.2.3.

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

Main aggregates of the Statement of Earnings

(in millions of euros)	Recorded music	Music publishing	Merchandising and other	Corporate center	Elimination of intersegment transactions	**Total**
Year ended December 31, 2020						
Revenues	5,967	1,186	292	-	(13)	**7,432**
EBITDA	1,360	269	21	(163)		**1,487**
EBITA	1,259	257	19	(206)		**1,329**
Year ended December 31, 2019						
Revenues	5,634	1,052	489	-	(16)	**7,159**
EBITDA	1,156	250	25	(164)		**1,267**
EBITA	1,057	239	24	(196)		**1,124**
Year ended December 31, 2018						
Revenues	4,828	941	273	-	(19)	**6,023**
EBITDA	873	214	15	(123)		**979**
EBITA	823	209	15	(145)		**902**

Reconciliation of EBIT to EBITA and to EBITDA

	Year ended December 31,		
(in millions of euros)	2020	2019	2018
EBIT (a)	**1,221**	**1,039**	**821**
Adjustments			
Amortization of intangible assets acquired through business combinations	108	85	80
Impairment losses on intangible assets acquired through business combinations (a)	-	-	-
Other charges and income	-	-	1
EBITA	**1,329**	**1,124**	**902**
Adjustments			
Restructuring charges (a)	20	24	29
Sale of tangible and intangible assets	1	-	1
Right-of-use - Depreciation of tangible assets	69	64	na
Depreciation	59	53	46
Other non-recurring items	9	2	1
EBITDA	**1,487**	**1,267**	**979**

na: not applicable.

a. As reported in the Combined Statement of Earnings.

Recorded music revenues by geographic area

Recorded music revenues broken down by customer location:

	Year ended December 31,					
(in millions of euros)	2020		2019		2018	
North America	2,940	*49%*	2,636	*47%*	2,224	*46%*
Europe	1,789	*30%*	1,742	*31%*	1,580	*33%*
Asia	801	*14%*	771	*14%*	618	*13%*
Latin America	181	*3%*	184	*3%*	153	*3%*
Rest of the world	256	*4%*	301	*5%*	253	*5%*
Recorded music revenues	**5,967**	***100%***	**5,634**	***100%***	**4,828**	***100%***

2.2 Segment assets and liabilities

Segment assets by geographic area

Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, rights-of-use relating to leases, equity affiliates, financial assets, inventories, shareowners loans and trade accounts receivable and other.

(in millions of euros)	December 31, 2020		December 31, 2019		December 31, 2018	
North America	5,669	*55%*	4,406	*54%*	3,891	*53%*
Europe	4,214	*41%*	3,367	*41%*	3,192	*43%*
Asia/Pacific	305	*3%*	292	*4%*	246	*3%*
Latin America	46	*1%*	50	*1%*	54	*1%*
Rest of the world	12	-	13	-	9	-
Total segment assets	**10,246**	***100%***	**8,128**	***100%***	**7,392**	***100%***

Segment liabilities

Segment liabilities include provisions, other non-current liabilities, short-term and long-term lease liabilities and trade accounts payable and other. Segment liabilities amounted to €5,691 million as of December 31, 2020, compared to €5,184 million as of December 31, 2019, €4,775 million as of January 1, 2019 and €4,246 million as of December 31, 2018.

Note 3 EBIT

Personnel costs and average employee numbers

		Year ended December 31,		
(in millions of euros)	Note	2020	2019	2018
Salaries		1,059	984	876
Social security and other employment charges		139	127	119
Wages and expenses		**1,198**	**1,111**	**995**
Share-based compensation plans	18	10	5	4
Employee benefit plans	17	39	37	32
Other		14	15	18
Personnel costs		**1,261**	**1,168**	**1,049**
Annual average number of full-time equivalent employees (in thousands)		*8.8*	*8.4*	*7.9*

Additional information on operating expenses

Advertising costs amounted to €143 million in 2020, €156 million in 2019 and €139 million in 2018.

Levies

Levies amounted to €17 million in 2020, €11 million in 2019 and €13 million in 2018.

Note 4 Financial charges and income

Interest

(in millions of euros)	Year ended December 31,		
(Charge)/Income	2020	2019	2018
Interest expense on borrowings	(20) (a)	-	-
Interest income from cash, cash equivalents and investments	5	14	27
Interest	**(15)**	**14**	**27**

a. Notably included interest expense on borrowings from Vivendi SE, please refer to Note 14.

Other financial income and charges

		Year ended December 31,		
(in millions of euros)	Note	2020	2019	2018
Capital gain on financial investments (a)		591	168	312
Effect of undiscounting assets (b)		-	-	18
Expected return on plan assets related to employee benefit plans	17.2	3	4	3
Foreign exchange gain		-	-	-
Other		9	2	-
Other financial income		**603**	**174**	**333**
Capital losses on financial investments (a)		-	(15)	-
Downside adjustment on financial investments		-	(11)	(1)
Effect of undiscounting liabilities (b)		(1)	(1)	(19)
Interest cost related to employee benefit plans	17.2	(5)	(7)	(7)
Interest expenses on lease liabilities		(18)	(19)	na
Foreign exchange loss		-	(1)	(1)
Other		(4)	(3)	(1)
Other financial charges		**(28)**	**(57)**	**(29)**
Net total		**575**	**117**	**304**

na: not applicable.

b. Included the revaluation of the interests in Spotify and Tencent Music Entertainment for a net amount of €591 million (compared to €139 million in 2019 and €312 million in 2018).

c. 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 5 Income taxes

5.1 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	2020	2019	2018
Current			
United States	(105)	(50)	(81)
France	(17)	(27)	(18)
Rest of Europe	(61)	(7)	(49)
Rest of the world	(96)	(71)	(63)
	(279)	**(155)**	**(211)**
Deferred			
United States	7	22	38
France	2	(4)	1
Rest of Europe (a)	(144)	(61)	(81)
Rest of the world	2	3	2
	(133)	**(40)**	**(40)**
Provision for income taxes	**(412)**	**(195)**	**(251)**

a. Included the deferred tax charge relating to the revaluation gain recorded through profit or loss related to the investments in Spotify and Tencent Music Entertainment for an aggregate amount of -€142 million in 2020, compared to -€36 million in 2019 and -€72 million in 2018.

Income tax paid

(in millions of euros)	Year ended December 31,			
	2020	2019	2018	
United States	(80)	(76)	(69)	(a)
France (b)	(17)	(20)	(22)	
Rest of Europe	(59)	(37)	(57)	(c)
Rest of the world	(51)	(39)	(50)	
Income tax (paid)/collected	**(207)**	**(172)**	**(198)**	

a. Included payments in the United States to Vivendi and its subsidiaries for prior periods for -€38 million.

b. Included payments in France to Vivendi related to the French tax group for -€13 million paid in 2020, -€16 million paid in 2019 and -€18 million paid in 2018. Following the sale of 10% of UMG by Vivendi on March 31, 2020, French entities of UMG exited Vivendi's French tax group with retroactive effect as of January 1, 2020. Starting in 2021, French entities of UMG will pay their income taxes to French tax authorities.

c. Included payments in the United Kingdom to Vivendi and its subsidiaries for prior periods for -€33 million.

5.2 Effective tax rate

(in millions of euros, except %)	Year ended December 31, 2020	2019	2018
Earnings (before non-controlling interests)	**1,369**	**975**	**902**
Eliminations			
Income from equity affiliates	9	2	1
Provision for income taxes	412	195	251
Earnings from continuing operations before provision for income taxes	**1,790**	**1,172**	**1,154**
French statutory tax rate	*32,02%*	*34.43%*	*34.43%*
Theoretical provision for income taxes based on French statutory tax rate	**(573)**	**(404)**	**(397)**
Reconciliation of the theoretical and effective provision for income taxes			
Earnings tax rates differences	161	164	184
Impacts of the changes in tax rates	4	(8)	(3)
Use or recognition of tax losses	9	32	19
Adjustments to tax expense from previous years	10	63	3
Withholding taxes	(37)	(35)	(40)
Other	14	(7)	(17)
Provision for income taxes	**(412)**	**(195)**	**(251)**
Effective tax rate	***23.0%***	***16.6%***	***21.7%***

Excluding previous years' adjustments to income tax expense, the effective tax rate would have been 23.6% in 2020, 22.0% in 2019 and 22.0% in 2018.

5.3 Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2020	2019	2018
Opening balance of deferred tax assets/(liabilities), net	**(292)**	**(255)** (a)	**(201)**
Provision for income taxes	(133)	(40)	(40)
Charges and income directly recorded in equity	(3)	9	-
Other business combinations	(1)	(2)	-
Changes in foreign currency translation adjustments and other	15	(4)	(37) (b)
Closing balance of deferred tax assets/(liabilities), net	**(414)**	**(292)**	**(278)**

a. As of January 1, 2019, deferred tax assets included the impact of the restatements related to the application of the new accounting standard IFRS 16 – *Leases* for +€23 million.

b. Certain reclassifications were made to the Combined Financial Statements for the year ended December 31, 2018 to conform to the presentation of the Combined Financial Statements for the year ended December 31, 2019.

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2020	December 31, 2019	January 1, 2019
Deferred tax assets			
Recognizable deferred taxes			
Tax attributes (a)	188	240	336
Of which Universal Music US and its subsidiaries (b)	*95*	*139*	*214*
Universal Music UK and its subsidiaries	*46*	*47*	*50*
Universal Music France and its subsidiaries	*3*	*3*	*4*
Universal Music and its subsidiaries in the rest of Europe	*23*	*25*	*27*
Universal Music and its subsidiaries in the rest of the world	*21*	*26*	*41*
Other	429	385	395
Of which non-deductible provisions	*44*	*69*	*72*
employee benefits	*32*	*33*	*26*
working capital	*161*	*142*	*146*
Total gross deferred tax assets	**617**	**625**	**731**
Deferred taxes, unrecognized			
Tax attributes (a)	(179)	(229)	(328)
Of which Universal Music US and its subsidiaries (b)	*(95)*	*(139)*	*(214)*
Universal Music UK and its subsidiaries	*(43)*	*(43)*	*(46)*
Universal Music France and its subsidiaries	*(3)*	*(3)*	*(4)*
Universal Music and its subsidiaries in the rest of Europe	*(17)*	*(18)*	*(23)*
Universal Music and its subsidiaries in the rest of the world	*(21)*	*(26)*	*(41)*
Other	(24)	(29)	(50)
Total deferred tax assets, unrecognized	**(203)**	**(258)**	**(378)**
Recorded deferred tax assets	**414**	**367**	**353**
Deferred tax liabilities			
Asset revaluations (c)	(201)	(240)	(236)
Working capital	(129)	(128)	(132)
Financial Instruments (d)	(434)	(221)	(171)
Other	(64)	(70)	(69)
Recorded deferred tax liabilities	**(828)**	**(659)**	**(608)**
Deferred tax assets/(liabilities), net	**(414)**	**(292)**	**(255)**

a. As shown in this table, the amounts of tax attributes were estimated at the end of the relevant fiscal years. As a result, the amount of tax attributes shown in this table and the amount reported to tax authorities at the time of the filing of the tax returns may differ, and if necessary, may need to be adjusted in this table at the end of the following year.

b. Primarily related to deferred tax assets recognizable in respect of tax credits carried forward by UMG Inc. in the United States as head of the US tax group, i.e., $114 million as of December 31, 2020 (compared to $154 million as of December 31, 2019, and $244 million as of December 31, 2018), taking into account the estimated impact (-$40 million) of transactions for the year 2020, but before taking into account the final contingent outcome of ongoing tax audits.

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

d. Primarily related to the deferred tax liabilities stemming from the revaluation of the investments in Spotify and Tencent Music Entertainment.

5.4 Tax litigation

In the normal course of their business, UMG is subject to tax audits by the relevant tax authorities in the countries in which it conducts or has conducted business. Various tax authorities have proposed adjustments to the financial results reported by UMG for fiscal year 2019 and prior years, under statutes of limitation applicable to UMG. In litigation situations, UMG's policy is to pay the taxes it intends to contest, and to seek a refund through appropriate legal proceedings. Regarding ongoing tax audits, no provision is recorded where the impact that could result from an unfavorable outcome cannot be reliably assessed. To date, UMG believes that these tax audits are unlikely to have a material impact on the group’s financial position or liquidity.

Note 6 Earnings per share

As the combined group was not a legal entity constituted as of December 31, 2020, 2019 and 2018, the number of shares outstanding is not determinable. Consequently, no earnings per share data is presented in the Combined Financial Statements.

Note 7 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

	Items not subsequently reclassified to profit or loss		Items to be subsequently reclassified to profit or loss		
(in millions of euros)	Actuarial gains/(losses) related to employee defined benefit plans (a)	Financial assets at fair value through other comprehensive income	Foreign currency translation adjustments	Other comprehensive income from equity affiliates, net	**Other comprehensive income**
Balance as of January 1, 2018	**(25)**	**(15)**	**(381)**	**(8)**	**(429)**
Charges and income directly recognized in equity	-	-	113	4	117
Items to be reclassified to profit or loss	na	-	-	-	-
Tax effect	-	-	-	-	-
Balance as of December 31, 2018	**(25)**	**(15)**	**(268)**	**(4)**	**(312)**
Charges and income directly recognized in equity	(32)	(2)	44	2	12
Items to be reclassified to profit or loss	-	-	-	-	-
Tax effect	9	-	-	-	9
Balance as of December 31, 2019	**(48)**	**(17)**	**(224)**	**(2)**	**(291)**
Charges and income directly recognized in equity	8	3	(194)	(6)	(189)
Items to be reclassified to profit or loss	-	-	-	-	-
Tax effect	(2)	(1)	-	-	(3)
Balance as of December 31, 2020	**(42)**	**(15)**	**(418)**	**(8)**	**(483)**

a. Please refer to Note 17.

Note 8 Goodwill

(in millions of euros)	December 31, 2020	December 31, 2019	December 31, 2018
Goodwill, gross	1,451	1,577	1,466
Impairment losses	(82)	(89)	(88)
Goodwill	**1,369**	**1,488**	**1,378**

8.1 Changes in goodwill

(in millions of euros)	December 31, 2020	December 31, 2019		December 31, 2018
Opening balance	**1,488**	**1,378**		**1,308**
Impairment losses	-	-		-
Business combinations	7	76	(a)	14
Changes in foreign currency translation adjustments and other (b)	(126)	34		56
Closing balance	**1,369**	**1,488**		**1,378**

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

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

8.2 Goodwill impairment test

Goodwill cannot be allocated on a non-arbitrary basis to UMG's individual cash-generating units (sale of recorded music; exploitation of music publishing rights; merchandising and artist services), but only to a group of cash-generating units. As a result, the lowest level within UMG at which goodwill is monitored for internal management purposes comprises a portion of the cash-generating units to which the goodwill relates, but to which it cannot be allocated. Goodwill is therefore tested at the level of UMG.

In 2018, 2019 and 2020, UMG was tested for impairment by comparing its carrying amount (including goodwill) with its recoverable amount. 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.

During the fourth quarter of each year, the goodwill impairment test was performed based on valuations of recoverable amounts determined: in 2020 and 2019, referring to a recent transaction (please refer to the precision below) and in 2018 through internal valuations. As a result, the Management concluded that, as of December 31, 2018, 2019 and 2020, the recoverable amount tested significantly exceeded its carrying value.

Presentation of key assumptions used for the determination of recoverable amounts

In 2018, the Management ensured that the recoverable amount exceeded the carrying value on the basis of market data only, as a business plan was not available at the time of the re-examination of the value of goodwill. To achieve the highest possible valuation for UMG, 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 sell up to 50% of UMG's share capital to one or more strategic partners and that such process could be completed within an 18-month timeframe.

On December 31, 2019, Vivendi and a consortium of investors led by Tencent entered into an agreement providing the sale of 10% of UMG's share capital, based on an enterprise value of €30 billion for 100% of UMG's share capital, with the option to acquire, until January 15, 2021, on the same valuation basis, an additional amount of up to 10% of UMG's share capital. On March 31, 2020, Vivendi sold 10% of UMG's share capital to the Tencent-led consortium. On December 17, 2020, the consortium exercised the option to acquire an additional 10% of UMG. On January 29, 2021, Vivendi sold an additional 10% of UMG's share capital to the Tencent-led consortium based on the same enterprise value of €30 billion for 100% of UMG's share capital.

On this basis, the Management ensured that the recoverable amount exceeded the carrying value.

Note 9 Content assets and commitments

9.1 Content assets

(in millions of euros)	December 31, 2020 Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	4,345	(2,015)	2,330
Advances to artists and repertoire owners	1,859	-	1,859
Merchandising contracts and artists services	20	(20)	-
Content assets	**6,224**	**(2,035)**	**4,189**
Deduction of current content assets	(677)	-	(677)
Non-current content assets	**5,547**	**(2,035)**	**3,512**

(in millions of euros)	December 31, 2019 Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	3,670	(2,076)	1,594
Advances to artists and repertoire owners	1,266	-	1,266
Merchandising contracts and artists services	22	(22)	-
Content assets	**4,958**	**(2,098)**	**2,860**
Deduction of current content assets	(591)	-	(591)
Non-current content assets	**4,367**	**(2,098)**	**2,269**

(in millions of euros)	December 31, 2018 Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	3,312	(1,948)	1,364
Advances to artists and repertoire owners	1,045	-	1,045
Merchandising contracts and artists services	20	(20)	-
Content assets	**4,377**	**(1,968)**	**2,409**
Deduction of current content assets	(601)	-	(601)
Non-current content assets	**3,776**	**(1,968)**	**1,808**

Changes in content assets

(in millions of euros)	Year ended December 31, 2020	2019	2018
Opening balance	**2,860**	**2,409**	**2,042**
Amortization of content assets acquired through business combinations	(108)	(84)	(79)
Impairment losses on content assets acquired through business combinations	-	-	-
Increase	2,541	1,483	974
Decrease	(1,024)	(1,018)	(812)
Business combinations	-	23	3
Changes in foreign currency translation adjustments and other	(80)	47	281
Closing balance	**4,189**	**2,860**	**2,409**

9.2 Contractual content commitments

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

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

	Minimum future payments as of December 31, 2020				Total minimum future payments as of	
		Due in				
(in millions of euros)	Total	2021	2022 - 2025	After 2025	December 31, 2019	December 31, 2018
Music royalties to artists and repertoire owners	2,315	2,305	10	-	2,264	2,049
Creative talent, employment agreements and others	456	204	247	5	288	283
Content liabilities	**2,771**	**2,509**	**257**	**5**	**2,552**	**2,332**

Off-balance sheet commitments: creative talent, employment agreements and others

Universal Music Group (UMG) 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.

	Minimum future payments as of December 31, 2020				Total minimum future payments as of	
		Due in				
(in millions of euros)	Total	2021	2022 - 2025	After 2025	December 31, 2019	December 31, 2018
Given content commitments	1,337	732	578	27	1,329	1,172
Received content commitments	na	na	na	na	na	na
Total net	**1,337**	**732**	**578**	**27**	**1,329**	**1,172**

na: not available.

Note 10 Leases

As from January 1, 2019, Universal Music Group (UMG) applies the new accounting standard IFRS 16 – *Leases*. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. For a detailed description, please refer to Note 1.3.5.6

10.1 Rights-of-use relating to leases

As of December 31, 2020, the rights-of-use relating to leases amounted to €416 million (€472 million as of December 31, 2019 and €454 million as of January 1, 2019) less the accumulated amortization and impairment losses for €329 million as of December 31, 2020 (€287 million as of December 31, 2019 and €222 million as of January 1, 2019). These rights-of-use relate to real estate leases.

Changes in the rights-of-use

	Year ended December 31,	
(in millions of euros)	2020	2019
Opening balance	**472**	**454**
Depreciation	(69)	(64)
Acquisitions/increase	39	59
Sales/decrease	-	-
Business combinations	-	-
Foreign currency translations and other	(26)	23
Closing balance	**416**	**472**

10.2 Lease liabilities

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

(in millions of euros)	
Off-balance sheet leases as of December 31, 2018	**671**
Lease with a remaining lease term of less than 12 months (short-term lease)	(7)
Leases of low-value assets	-
Variable lease payments (excluding indexed leases)	-
Reasonably certain renewal/extension and termination options	36
Others	(21)
Undiscounted lease payments as of January 1, 2019	**679**
Effect of discounting	(96)
Residual value guarantee	-
Non-lease components	-
Operating lease liabilities as of January 1, 2019	**583**
Financing lease liabilities	-
Total of lease liabilities as of January 1, 2019	**583**

Maturity of lease liabilities

The maturity of lease liabilities is based on assumptions, notably made upon the initial application of IFRS 16.

(in millions of euros)	December 31, 2020	December 31, 2019	January 1, 2019
Maturity			
< 1 year	78	86	90
Between 1 and 5 years	265	315	334
> 5 years	182	195	159
Lease liabilities	**525**	**596**	**583**

10.3 Lease-related expenses

Lease-related expenses recorded in the Statement of Earnings amounted to €88 million in 2020 (compared to €83 million in 2019 and €67 million in 2018 relating to operating leases under IAS 17).

Note 11 Investments in equity affiliates

As of December 31, 2020, 2019 and 2018, the main company accounted for by Universal Music Group under the equity method was Vevo (a premium music video and entertainment platform).

	Voting interest	Voting interest	Net carrying value of equity affiliates		
(in millions of euros)	December 31, 2020 and 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Vevo	49.4%	49.4%	62	78	81
Ingrooves Music Group (a)	100%	22.9%	na	na	6
Other	na	na	10	10	10
			72	**88**	**97**

na: not applicable.

a. On March 15, 2019, UMG acquired the remaining interest in Ingrooves Music Group, an innovative music distribution and marketing company which complements UMG's existing relationships with the global independent music community.

Change in value of investments in equity affiliates

	Year ended December 31,		
(in millions of euros)	2020	2019	2018
Opening balance	**88**	**97**	**96**
Acquisitions	1	-	-
Business combinations	-	-	-
Income from equity affiliates	(9)	(2)	(1)
Change in other comprehensive income	(6)	2	4
Dividends received	(2)	(2)	(2)
Other	-	(7) (a)	-
Closing balance	**72**	**88**	**97**

a. On March 15, 2019, UMG acquired the remaining interest in Ingrooves Music Group.

Note 12 Financial assets

(in millions of euros)	December 31, 2020 Total	Current	Non-current	December 31, 2019 Total	Current	Non-current
Financial assets at fair value through profit or loss						
Term deposits	-	-	-	-	-	-
Level 1 - Listed equity securities	1,862	-	1,862	1,000	-	1,000
Level 2						
Unlisted equity securities	43	-	43	43	-	43
Derivative financial instruments	-		-	1	1	-
Level 3 - Other financial assets	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income						
Level 1 - Listed equity securities	-	-	-	1	-	1
Level 2 - Unlisted equity securities	-	-	-	-	-	-
Level 3 - Unlisted equity securities	14	-	14	14	-	14
Financial assets at amortized cost	44	1	43	72	27	45
Financial assets	**1,963**	**1**	**1,962**	**1,131**	**28**	**1,103**

(in millions of euros)	December 31, 2018 Total	Current	Non-current
Financial assets at fair value through profit or loss			
Term deposits	-	-	-
Level 1 - Listed equity securities	789	-	789
Level 2			
Unlisted equity securities	-	-	-
Derivative financial instruments	20	-	20
Level 3 - Other financial assets	-	-	-
Financial assets at fair value through other comprehensive income			
Level 1 - Listed equity securities	2	-	2
Level 2 - Unlisted equity securities	-	-	-
Level 3 - Unlisted equity securities	23	-	23
Financial assets at amortized cost	69	30	39
Financial assets	**903**	**30**	**873**

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

Listed equity portfolio

	December 31, 2020							
	Number of shares held	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)		(€/share)			(in millions of euros)		
Spotify (b)	6,487	3.37%	6.58	257.34	1,669	798	1,627	+167/-167
Tencent Music Entertainment (c)	12,246	0.74%	na	15.74	193	64	193	+19/-19
Other					-	(1)	-	
Total					**1,862**	**861**	**1,820**	

	December 31, 2019							
	Number of shares held	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)			(€/share)		(in millions of euros)		
Spotify (b)	6,487	3.62%	6.58	134.36	871	225	829	+87/-87
Tencent Music Entertainment (c)	12,246	0.82%	na	10.55	129	(13)	129	+13/-13
Other					1	(2)	1	
Total					**1,001**	**210**	**959**	

	December 31, 2018							
	Number of shares held	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)			(€/share)		(in millions of euros)		
Spotify (b)	6,487	3.59%	6.58	99.70	647	344	604	+65/-65
Tencent Music Entertainment (c)	12,246	0.82%	na	11.61	142	97	142	+14/-14
Other					2	-	3	
Total					**791**	**441**	**749**	

na: not applicable.

a. Includes acquisition fees and taxes.

b. Spotify shares have been listed since April 3, 2018.

c. Tencent Music Entertainment shares have been listed since December 12, 2018.

Note 13 Net working capital

Changes in net working capital

(in millions of euros)	December 31, 2019	Changes in operating working capital (a)	Business combinations	Changes in foreign currency translation adjustments	Other (b)		December 31, 2020
Inventories	90	(6)	-	(5)	-		79
Trade accounts receivable and other	1,058	133	2	(54)	(51)		1,088
Of which trade accounts receivable	*507*	*62*	*1*	*(20)*	*(12)*		*538*
trade accounts receivable write-offs	*(42)*	*(8)*	-	*3*	*(15)*		*(62)*
Working capital assets	**1,148**	**127**	**2**	**(59)**	**(51)**		**1,167**
Trade accounts payable and other	3,981	413	(1)	(241)	(309)	(c)	3,843
Other non-current liabilities	106	1	6	(17)	755	(c)	851
Working capital liabilities	**4,087**	**414**	**5**	**(258)**	**446**		**4,694**
Net working capital	**(2,939)**	**(287)**	**(3)**	**199**	**(497)**		**(3,527)**

(in millions of euros)	January 1, 2019 (d)	Changes in operating working capital (a)	Business combinations	Changes in foreign currency translation adjustments	Other (b)		December 31, 2019
Inventories	84	4	-	2	-		90
Trade accounts receivable and other	994	31	9	14	10		1,058
Of which trade accounts receivable	*548*	*(49)*	*11*	*4*	*(7)*		*507*
trade accounts receivable write-offs	*(52)*	*11*	-	*(1)*	-		*(42)*
Working capital assets	**1,078**	**35**	**9**	**16**	**10**		**1,148**
Trade accounts payable and other	3,613	118	50	68	132	(c)	3,981
Other non-current liabilities	135	-	(1)	2	(30)		106
Working capital liabilities	**3,748**	**118**	**49**	**70**	**102**		**4,087**
Net working capital	**(2,670)**	**(83)**	**(40)**	**(54)**	**(92)**		**(2,939)**

(in millions of euros)	December 31, 2017	Changes in operating working capital (a)	Business combinations	Changes in foreign currency translation adjustments	Other (b)		December 31, 2018
Inventories	71	14	-	2	(3)		84
Trade accounts receivable and other	919	(1)	4	13	62		997
Of which trade accounts receivable	*524*	*(30)*	*3*	*4*	*47*		*548*
trade accounts receivable write-offs	*(46)*	*(7)*	-	*1*	*1*		*(52)*
Working capital assets	**990**	**13**	**4**	**15**	**59**		**1,081**
Trade accounts payable and other	3,023	181	12	48	374	(c)	3,638
Other non-current liabilities	111	11	-	4	33		159
Working capital liabilities	**3,134**	**192**	**12**	**52**	**407**		**3,797**
Net working capital	**(2,144)**	**(179)**	**(8)**	**(37)**	**(348)**		**(2,716)**

a. Excludes content investments.

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

c. Included royalties provisions for €279 million as of December 31, 2020, €83 million as of December 31, 2019 and €130 million as of December 31, 2018.

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

Trade accounts receivable and other

Credit risk

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

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2020	December 31, 2019	January 1, 2019
Trade accounts payable		121	132	120
Music royalties to artists and repertoire owners	9.2	2,305	2,251	2,037
Other		1,417	1,598	1,456
Trade accounts payable and other		**3,843**	**3,981**	**3,613**

Note 14 Cash position, borrowings and financial risk management

Cash position

Universal Music Group (UMG)'s cash position comprises cash and cash equivalents, as well as loans to Vivendi classified as current financial assets. As defined by Vivendi, money market funds relate to financial investments, which satisfy the ANC's and AMF's decision released in November 2018.

(in millions of euros)	December 31, 2020	December 31, 2019	December 31, 2018
Loans to Vivendi SE	**815**	**672**	**1,260**
of which Universal Music Group Treasury S.A.S.	*815*	*623*	*1,192*
Universal Music Group S.A.S.	*-*	*49*	*68*
Cash and cash equivalents (a)	**326**	**336**	**276**
of which cash equivalents	*220*	*248*	*190*
cash	*106*	*88*	*86*
Cash position	**1,141**	**1,008**	**1,536**

a. Included cash not centralized by Vivendi SE for €317 million as of December 31, 2020, €333 million as of December 31, 2019 and €249 million as of December 31, 2018. Vivendi SE centralizes daily cash surpluses ("cash pooling") of all controlled entities (a) which are not subject to local regulations restricting the transfer of financial assets, or (b) which are not subject to other contractual agreements.

Borrowings and other financial liabilities

Universal Music Group Inc. bank credit facilities

Universal Music Group Inc. (UMG Inc.) is now an additional borrower under five of Vivendi SE's eight bilateral credit facilities up to the aggregate limit of €750 million. As of December 31, 2020, drawings made by UMG Inc. were €422 million (drawings made in US dollars).

In addition, UMG Inc. has its own credit facilities maturing in September 2021 for an aggregate amount of $570 million, i.e. €466 million as of December 31, 2020 including a committed credit facility of €245 million. As of December 31, 2020, drawings made by UMG Inc. were €213 million (drawings made in US dollars), of which €131 million on the committed credit facility.

Universal Music Group borrowings and intra-group investments with Vivendi SE

In addition to drawings made by UMG Inc. on bank credit facilities, Universal International Music B.V. borrows from Vivendi SE, and Universal Music Group Treasury places its cash surpluses with Vivendi SE.

	December 31, 2020			December 31, 2019			December 31, 2018		
(in millions of euros)	Total	Long-term	Short-term	Total	Long-term	Short-term	Total	Long-term	Short-term
Shareowners borrowings (a)	2,368	2,368	-	-	-	-	-	-	-
Credit lines drawn by UMG Inc. (b)	635	-	635	-	-	-	-	-	-
Bank overdrafts	5	-	5	14	-	14	17	-	17
Other	1	1	-	1	1	-	1	1	-
Borrowings at amortized cost	**3,009**	**2,369**	**640**	**15**	**1**	**14**	**18**	**1**	**17**
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Borrowings and other financial liabilities	**3,009**	**2,369**	**640**	**15**	**1**	**14**	**18**	**1**	**17**

a. Corresponds to Universal International Music B.V.'s borrowing from Vivendi SE, maturing in 2027.

b. Corresponds to credit lines drawn by UMG Inc. for €213 million on UMG Inc. credit lines and €422 million on Vivendi SE credit lines.

Investment risk and counterparty risk

UMG's daily cash surpluses are centralized by Vivendi SE (cash pooling) and the investment policy is managed by Vivendi's Financing and Treasury Department.

Liquidity risk

UMG manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow.

Interest rate risk

UMG's interest rate risk was not material as of December 31, 2020, 2019 and 2018.

Foreign currency risk

(in millions of euros)	December 31, 2020	December 31, 2019	December 31, 2018
Euro - EUR		-	-
US dollar - USD	634	-	-
Other	6	15	18
Nominal value of borrowings before hedging	**640**	**15**	**18**
Currency swaps USD	*(3)*	*20*	*59*
Other currency swaps	*(36)*	*(19)*	*(63)*
Net total of hedging instruments (a)	***(39)***	***1***	***(4)***
Euro - EUR	(39)	1	(4)
US dollar - USD	637	(20)	(59)
Other	42	34	81
Nominal value of borrowings after hedging	**640**	**15**	**18**

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

UMG's foreign currency risk management is centralized by Vivendi SE's Financing and Treasury Department in order to obtain the benefits associated with internal hedging and to optimize the volume of external hedging issued from financial institutions. The foreign currency hedging instruments set up have non-significant notional amounts. In addition, Vivendi SE 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 UMG's 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.

Derivative financial instruments recognized in assets amounted to nil as of December 31, 2020, €1 million as of December 31, 2019 and €5 million as of December 31, 2018.

Note 15 Equity

Universal Music Group (UMG) distributes its cash surpluses to shareowners through dividends and share capital reductions:

(in millions of euros)	December 31, 2020		December 31, 2019	December 31, 2018
Contributions by/distribution to shareowners	**2,711**		**1,002**	**981**
of which Universal Music Group S.A.S. transferred to Vivendi SE	*2,428*	(a)	*-*	*-*
Distribution by Universal International Music B.V. paid to shareowners	*283*		*244*	*246*
Distribution by Universal Music Group Inc. paid to Vivendi SE	*-*		*758*	*735*
Universal Music Group S.A.S. share capital reduction	*-*		*-*	*1,414*
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	**13**		**-**	**-**
Changes in equity attributable to Universal Music Group	**2,724**		**1,002**	**2,395**

a. On March 19, 2020, Universal Music Group S.A.S. was dissolved, with universal transmission of its property to Vivendi S.E.

Note 16 Provisions

(in millions of euros)	Note	December 31, 2020	December 31, 2019	January 1, 2019
Employee benefits (a)		258	272	244
Restructuring costs		11	13	10
Litigations	22	4	12	15
Other (b)		199	203	176
Provisions		**472**	**500**	**445**
Deduction of current provisions		(137)	(63)	(79)
Non-current provisions		**335**	**437**	**366**

a. Included deferred employee compensation as well as provisions for defined employee benefit plans (€225 million as of December 31, 2020, €232 million as of December 31, 2019 and €212 million as of January 1, 2019), but excluded employee termination reserves recorded under restructuring costs.

b. Notably included litigation provisions for which the amount and nature are not detailed because such disclosure could be prejudicial to Universal Music Group.

Changes in provisions

	Year ended December 31,				
(in millions of euros)	2020	2019		2018	
Opening balance	**500**	**445**	(a)	**513**	
Addition	85	73		95	
Utilization	(74)	(53)		(100)	
Reversal	(43)	(23)		(15)	
Business combinations	-	-		-	
Divestitures, changes in foreign currency translation adjustments and other	4	58		(44)	(b)
Closing balance	**472**	**500**		**449**	

a. In accordance with the new accounting standard IFRS 16 – *Leases*, the impact of the change of accounting standard was recorded in the opening balance sheet as of January 1, 2019. For a detailed description, please refer to Notes 1.3.5.6 and 10.

b. Certain reclassifications were made to the Combined Financial Statements for the year ended December 31, 2018, to conform to the presentation of the Combined Financial Statements for the year ended December 31, 2019.

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)	2020	2019	2018
Employee defined contribution plans	36	34	29
Employee defined benefit plans	3	3	3
Employee benefit plans	**39**	**37**	**32**

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 SE. 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 SE of expected trends in future payments from the first benefit payments.

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

In weighted average

	Pension benefits			Post-retirement benefits		
	2020	2019	2018	2020	2019	2018
Discount rate (a)	1.1%	1.0%	1.9%	2.3%	2.8%	3.8%
Rate of compensation increase	0.9%	0.9%	2.2%	na	na	na
Duration of the benefit obligation (in years)	16.9	17.3	16.1	11.4	11.7	11.6

na: not applicable.

a. A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2020 discount rate would have led to a decrease of €1.1 million in pre-tax expense (or an increase of €1.0 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €32 million (or an increase of €37 million, respectively).

Assumptions used in accounting for pension benefits, by country

	United States			United Kingdom			Germany		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Discount rate	2.50%	3.00%	4.00%	1.50%	1.75%	2.75%	0.75%	0.50%	1.50%
Rate of compensation increase (weighted average)	na	na	na	na	na	3.50%	1.75%	1.75%	1.75%

	Japan			Netherlands		
	2020	2019	2018	2020	2019	2018
Discount rate	0.50%	0.25%	0.50%	0.75%	0.50%	1.50%
Rate of compensation increase (weighted average)	1.60%	1.60%	1.53%	na	na	na

na: not applicable.

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

	United States		
	2020	2019	2018
Discount rate	2.50%	3.00%	4.00%
Rate of compensation increase	na	na	na

na: not applicable.

Allocation of pension plan assets

	December 31, 2020	December 31, 2019	December 31, 2018
Equity securities	4%	4%	5%
Debt securities	3%	2%	3%
Diversified funds	1%	1%	1%
Insurance contracts	88%	90%	88%
Real estate	-	-	-
Cash and other	4%	3%	3%
Total	**100%**	**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 5.9% for the under 65 years of age and 65 years of age and older categories in 2020, to 4.6% in 2028 for these categories. In 2020, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €2.2 million and the pre-tax expense by €0.1 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €1.9 million and the pre-tax expense by €0.1 million.

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

	Pension benefits			Post-retirement benefits			Total		
(in millions of euros)	2020	2019	2018	2020	2019	2018	2020	2019	2018
Current service cost	3	2	2	-	-	-	3	2	2
Past service cost	-	-	-	-	-	-	-	-	-
(Gains)/losses on settlements	-	-	-	-	-	-	-	-	-
Other	-	1	1	-	-	-	-	1	1
Impact on selling, administrative and general expenses	**3**	**3**	**3**	**-**	**-**	**-**	**3**	**3**	**3**
Interest cost	4	7	6	1	1	1	5	8	7
Expected return on plan assets	(3)	(4)	(3)	-	-	-	(3)	(4)	(3)
Impact on other financial charges and income	**1**	**3**	**3**	**1**	**1**	**1**	**2**	**4**	**4**
Net benefit cost recognized in profit or loss	**4**	**6**	**6**	**1**	**1**	**1**	**5**	**7**	**7**

In 2020 benefits paid amounted to (i) €15 million with respect to pensions (€16 million in 2019 and €16 million in 2018), of which €1 million paid by pension funds (€1 million in 2019 and €1 million in 2018), and (ii) €1 million paid with respect to post-retirement benefits (€1 million in 2019 and €1 million in 2018).

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

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

		Employee defined benefit plans		
		Year ended December 31, 2020		
(in millions of euros)	Note	Benefit obligation (A)	Fair value of plan assets (B)	Net (provision)/asset recorded in the statement of financial position (B)-(A)
Opening balance		**440**	**216**	**(224)**
Current service cost		3		(3)
Past service cost		-		-
(Gains)/losses on settlements		-		-
Other		-	-	-
Impact on selling, administrative and general expenses				***(3)***
Interest cost		5		(5)
Expected return on plan assets			3	3
Impact on other financial charges and income				***(2)***
Net benefit cost recognized in profit or loss				**(5)**
Experience gains/(losses) (a)		-	1	1
Actuarial gains/(losses) related to changes in demographic assumptions		(1)		1
Actuarial gains/(losses) related to changes in financial assumptions		(5)		5
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**7**
Contributions by plan participants		-	-	-
Contributions by employers		-	12	12
Benefits paid by the fund		(1)	(1)	-
Benefits paid by the employer		(15)	(15)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		(3)	(9)	(6)
Closing balance		**423**	**207**	**(216)**
of which wholly or partly funded benefits		*212*		
wholly unfunded benefits (b)		*211*		
of which assets related to employee benefit plans				*9*
provisions for employee benefit plans (c)	16			*(225)*

(in millions of euros)	Note	Employee defined benefit plans Year ended December 31, 2019 Benefit obligation (A)	Fair value of plan assets (B)	Net (provision)/asset recorded in the statement of financial position (B)-(A)
Opening balance		**376**	**173**	**(203)**
Current service cost		2		(2)
Past service cost		-		-
(Gains)/losses on settlements		-	-	-
Other		-	(1)	(1)
Impact on selling, administrative and general expenses				***(3)***
Interest cost		8		(8)
Expected return on plan assets			4	4
Impact on other financial charges and income				***(4)***
Net benefit cost recognized in profit or loss				**(7)**
Experience gains/(losses) (a)		1	33	32
Actuarial gains/(losses) related to changes in demographic assumptions		1		(1)
Actuarial gains/(losses) related to changes in financial assumptions (d)		58		(58)
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**(27)**
Contributions by plan participants		-	-	-
Contributions by employers		-	13	13
Benefits paid by the fund		(1)	(1)	-
Benefits paid by the employer		(15)	(15)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		10	10	-
Closing balance		**440**	**216**	**(224)**
of which wholly or partly funded benefits		*224*		
wholly unfunded benefits (b)		*216*		
of which assets related to employee benefit plans				*8*
provisions for employee benefit plans (c)	16			*(232)*

(in millions of euros)	Note	Employee defined benefit plans Year ended December 31, 2018 Benefit obligation (A)	Fair value of plan assets (B)	Net (provision)/asset recorded in the statement of financial position (B)-(A)
Opening balance		**390**	**177**	**(213)**
Current service cost		2		(2)
Past service cost		-		-
(Gains)/losses on settlements		-	-	-
Other		-	(1)	(1)
Impact on selling, administrative and general expenses				***(3)***
Interest cost		7		(7)
Expected return on plan assets			3	3
Impact on other financial charges and income				***(4)***
Net benefit cost recognized in profit or loss				**(7)**
Experience gains/(losses) (a)		(1)	(6)	(5)
Actuarial gains/(losses) related to changes in demographic assumptions		3		(3)
Actuarial gains/(losses) related to changes in financial assumptions		(8)		8
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**-**
Contributions by plan participants		-	-	-
Contributions by employers		-	17	17
Benefits paid by the fund		(1)	(1)	-
Benefits paid by the employer		(16)	(16)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		-	-	-
Closing balance		**376**	**173**	**(203)**
of which wholly or partly funded benefits		*177*		
wholly unfunded benefits (b)		*199*		
of which assets related to employee benefit plans				*9*
provisions for employee benefit plans (c)	16			*(212)*

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. In accordance with local laws and practices, certain plans are not covered by plan assets. As of December 31, 2020, 2019 and 2018, such plans principally comprised supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

c. Included a current liability of €16 million as of December 31, 2020, €15 million as of December 31, 2019, and €13 million as of December 31, 2018.

d. In 2019, included €63 million attributable to a decrease in discount rates, of which €24 million relating to Germany, €4 million to the Netherlands and €32 million relating to the United Kingdom.

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

	Pension benefits (a)			Post-retirement benefits			Total		
	December 31,			December 31,			December 31,		
(in millions of euros)	2020	2019	2018	2020	2019	2018	2020	2019	2018
Benefit obligation									
US companies	5	5	4	16	18	14	21	23	18
UK companies (b)	159	168	129	3	3	2	162	171	131
German companies (c)	184	198	184	-	-	-	184	198	184
Japanese companies	24	24	22	-	-	-	24	24	22
Dutch companies	17	18	15	-	-	-	17	18	15
Other	15	6	6	-	-	-	15	6	6
	404	**419**	**360**	**19**	**21**	**16**	**423**	**440**	**376**
Fair value of plan assets									
US companies	-	-	-	-	-	-	-	-	-
UK companies (b)	156	163	125	-	-	-	156	163	125
German companies (c)	2	2	2	-	-	-	2	2	2
Japanese companies	31	32	30	-	-	-	31	32	30
Dutch companies	17	18	15	-	-	-	17	18	15
Other	1	1	1	-	-	-	1	1	1
	207	**216**	**173**	**-**	**-**	**-**	**207**	**216**	**173**
Net provision									
US companies	(5)	(5)	(4)	(16)	(18)	(14)	(21)	(23)	(18)
UK companies (b)	(3)	(5)	(4)	(3)	(3)	(2)	(6)	(8)	(6)
German companies (c)	(182)	(196)	(182)	-	-	-	(182)	(196)	(182)
Japanese companies	7	8	8	-	-	-	7	8	8
Dutch companies	-	-	-	-	-	-	-	-	-
Other	(14)	(5)	(5)	-	-	-	(14)	(5)	(5)
	(197)	**(203)**	**(187)**	**(19)**	**(21)**	**(16)**	**(216)**	**(224)**	**(203)**

a. No employee defined benefit plan individually exceeds 10% of the aggregate value of the obligations and net provisions under these plans, except for three pension plans in Germany individually exceeding between 10% and 11% of the aggregate value of the obligations, and 21% and 22% of the net provisions.

b. 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. UMG continues to cover the benefits with regards to the remaining beneficiaries of the plan. In principle, the benefit obligations are equal to the plan's assets, and no net pension liability is recorded in the Combined Statement of Financial Position.

c. Relates to retirement benefits in Germany for eligible employees, former employees and retirees, and such of their beneficiaries who met the required conditions. Those plans are closed to new entrants. In accordance with current regulations in relation to the funding policy of this type of plan, those plans are not funded. The main risks for the group relate to changes in discount rates.

17.2.4 Benefits estimation and future payments

For 2021, hedge fund contributions and benefit payments by UMG to retirees are estimated at €15 million in respect of pensions, of which €3 million relates to pension funds, and at €1 million in respect of post-retirement benefits.

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

(in millions of euros)	Pension benefits	Post-retirement benefits
2021	16	1
2022	13	1
2023	13	1
2024	13	1
2025	12	1
2026-2030	60	5

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 2018, 2019 and 2020 were as follows:

	Stock options			Performance shares	
	Number of outstanding stock options		Weighted average strike price of outstanding stock options	Number of outstanding performance shares	
	(in thousands)		(in euros)	(in thousands)	
Balance as of December 31, 2017	**2,427**		**17.1**	**963**	
Granted	-		na	205	
Exercised / Issued	(572)	(a)	19.1	(130)	
Forfeited	(380)		20.2	na	
Cancelled	-		na	(29)	
Balance as of December 31, 2018	**1,475**		**15.6**	**1,009**	
Granted	-		na	200	
Exercised / Issued	(789)	(a)	15.8	(73)	
Forfeited	(90)		16.1	na	
Cancelled	-		na	(14)	
Balance as of December 31, 2019	**596**		**15.2**	**1,122**	
Granted	-		na	163	
Exercised / Issued	(263)	(a)	16.0	(276)	
Forfeited	(76)		15.8	na	
Cancelled	-		na	(55)	(b)
Balance as of December 31, 2020	**257**	(c)	**14.2**	**954**	(d)
Acquired / Exercisable as of December 31, 2020	**257**		**14.2**	**-**	
Rights acquired as of December 31, 2020	**257**		**14.2**	**388**	

na: not applicable.

a. In 2020, beneficiaries exercised stock options at the weighted average stock market price of €23.0 (compared to €25.0 for stock options exercised in 2019 and €21.9 for stock options exercised in 2018).

b. At its meeting held on February 13, 2020, after a review by the Vivendi SE Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board of Vivendi SE approved the achievement level of objectives set for the cumulative fiscal years 2017, 2018 and 2019 for the performance share plan granted in 2017. It was confirmed that all the criteria had been met with a maximum rate of 100%. However, given that the negative impact of the situation in Italy was not reflected in the financial results, the Supervisory Board of Vivendi SE decided to confirm the final grant of the 2017 performance share plan only up to 75% of the initial grant. Consequently, 55,250 rights to performance shares, which were granted in 2017, were cancelled.

c. At the stock market price on December 31, 2020, the cumulated intrinsic value of remaining stock options to be exercised was estimated at €3 million.

d. The weighted-average remaining period before delivering performance shares was 2.0 years.

Outstanding stock options as of December 31, 2020

Range of strike prices	Number	Weighted average strike price	Weighted average remaining life
	(in thousands)	(in euros)	(in years)
Under €17	144	11.8	1.3
€17-€18	113	17.2	0.3
More than €18	-	-	-
	257	**14.2**	**0.9**

Performance share plans

On February 13, 2020, Vivendi SE granted to UMG employees and executive management 163 thousand performance shares (200 thousand granted on February 14, 2019 and 205 thousand granted on May 17, 2018).

As of February 13, 2020, the share price was €25.19 and the expected dividend yield was 2.38% (compared to €22.60 and 2.21% respectively as of February 14, 2019, and to €23.03 and 1.95% respectively as of May 17, 2018). After taking into account the cost associated with the retention period of the shares (described below), the discount for non-transferability was set at 7.0% of the share price as of February 13, 2020 (compared to 7.9% in 2019 and 8.1% in 2018). Consequently, the fair value of each granted performance share was estimated at €21.68 (compared to €19.37 in 2019 and €19.85 in 2018), corresponding to an aggregate fair value of the plan of €4 million (compared to €4 million in 2019 and €4 million in 2018).

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

The granted shares correspond to the same class of common shares making up the share capital of Vivendi SE, 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 2020, the charge recognized with respect to all performance share plans amounted to €3 million, compared to €4 million in 2019 and €3 million in 2018.

18.1.2 Employee stock purchase and leveraged plans

On July 21, 2020, Vivendi SE carried out an employee shareholding plan through the sale of treasury shares under an employee stock purchase plan and leveraged plan, reserved for UMG's employees and retirees. The Vivendi shares were previously repurchased by Vivendi SE pursuant to the authorization granted at the Vivendi's General Shareholders' Meeting of April 15, 2019.

On July 17, 2019 and July 19, 2018, Vivendi SE made capital increases through employee stock purchase plans and leveraged plans which gave UMG'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:

	2020	2019	2018
Grant date	June 18	June 14	June 18
Data at grant date:			
Share price (in euros)	22.77	21.57	20.58
Expected dividend yield	2.64%	2.09%	1.94%
Risk-free interest rate	-0.48%	-0.11%	-0.21%
5-year interest rate in fine	3.91%	3.81%	3.93%
Repo rate	0.36%	0.36%	0.36%
Discount for non-transferability per share	18.64%	17.49%	18.44%

Under the employee stock purchase plan (ESPP), 33 thousand shares were acquired for in 2020 through a company mutual fund (*Fonds Commun de Placement d'Entreprise*) at a price of €16.554 per share (compared to 19 thousand shares at a price of €21.106 per share subscribed for in 2019 and 23 thousand shares at a price per share of €19.327 subscribed for in 2018).
The benefit granted to the beneficiaries, which is equal to the positive difference between the acquisition price and the stock price at the end of the subscription period on June 18, 2020 (discount of 27.3%), was higher than the discount for non-transferability (18.6%). In 2020, the charge recognized with respect to the employee stock purchase plan amounted to €65 thousand. In 2019 and 2018, no charges were recognized, as the benefit granted, which is equal to the positive difference between the subscription price and the stock price at the end of subscription period on June 14, 2019 and on June 18, 2018 (discount of 13.8% and of 10.4% in 2018), was lower than the discount for non-transferability (19.3% and 17.49% in 2018).

Under the leveraged plan, 2,613 thousand shares were acquired in 2020 through a company mutual fund at a price of €16.554 per share (compared to 1,796 thousand shares were subscribed for in 2019 through a company mutual fund at a price of €21.106 per share and 1,847 thousand shares at a price of €19.327 in 2018). The leveraged plan entitles employees and retirees of UMG and its French and foreign subsidiaries to acquire Vivendi shares at a discounted 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 acquired for as part of an employee shareholding plan implemented for employees of the group's Japanese subsidiaries (compared to 151 thousand shares subscribed for in 2019 and 193 thousand shares subscribed for in 2018).
In 2020, the charge recognized with respect to the leveraged plan amounted to €6 million, compared to €1 million in 2019, and €1 million in 2018.

18.2 Dailymotion's long-term incentive plan

In 2015, Vivendi implemented a long-term incentive plan for a five-year period until June 30, 2020 for certain key executives of Vivendi and certain of its subsidiaries, including Universal Music Group. This plan was tied to the growth of Dailymotion's enterprise value compared to its acquisition value, as 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 was capped at a percentage of such increase, depending on the beneficiary. Within the six months following June 30, 2020, the plan had to be settled in cash, if applicable.
As of June 30, 2020, the plan has expired without any charges having been recognized and without any cash payments having been made.

Note 19 Cash Flow Statement

19.1 Adjustments

		Year ended December 31,		
(in millions of euros)	Note	2020	2019	2018
Items related to operating activities with no cash impact				
Amortization and depreciation of intangible and tangible assets		236	202	126
Change in provision, net		(33)	(4)	(22)
Income from equity affiliates - operational	11	9	2	1
Proceeds from sales of property, plant, equipment and intangible assets		1	1	1
Adjustments		**213**	**201**	**106**

19.2 Investing and financing activities with no cash impact

In 2020, 2019 and 2018, there were no significant investing and financing activities with no cash impact.

Note 20 Related parties

Universal Music Group (UMG)'s related parties are the key executive managers and other related parties including:

- companies fully consolidated by UMG. The transactions between these companies have been eliminated for the preparation of UMG's Combined Financial Statements;
- companies over which UMG exercises a significant influence;
- all companies in which key executive managers or their close relatives hold significant voting rights;
- minority shareholders exercising a significant influence over UMG's subsidiaries;
- Vivendi Corporate and its consolidated entities (the "Vivendi Group"), as well as its related parties; and
- Bolloré Group and its related parties, given that Vivendi has been fully consolidated by Bolloré Group since April 26, 2017.

20.1 Executive management compensation

As of December 31, 2020, 2019 and 2018, UMG's Executive Management Board is comprised of 11 members. Their aggregate compensation is presented in the table below.

	Year ended December 31,		
(in millions of euros)	2020	2019	2018
Short-term employee benefits	111.3	71.4	49.0
Post-employment benefits	2.6	1.4	1.3
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	2.9	2.8	2.1
Executive management compensation	116.8	75.6	52.4

20.2 Other related-party transactions

UMG's other related parties include companies over which UMG exercises a significant influence (e.g., Vevo and Duzy Dom). They also include Vivendi Corporate, its consolidated entities (e.g., Canal+ Group and Havas Group) and its related parties (e.g., Telecom Italia and Banijay Group Holding), as well as Bolloré Group, its subsidiaries and its related parties.

(in millions of euros)	December 31, 2020	December 31, 2019	December 31, 2018
Assets			
Trade accounts receivable and other	61	22	27
Of which Vevo	*31*	*10*	*11*
Duzy Dom	*8*	*9*	*5*
Telecom Italia	-	-	*1*
Havas Group	*1*	*2*	*1*
Vivendi Corporate	*19*	*1*	*9*
Current financial assets	-	1	5
Of which Vivendi Corporate	-	*1*	*5*
Liabilities			
Non-operating liabilities	-	1	(4)
Of which Vivendi Corporate	-	*1*	*(4)*
Trade accounts payable and other	1	6	1
Of which Havas Group	*1*	*1*	-
Vivendi Corporate	-	-	*1*
Bolloré Group	-	*3*	-
Canal+ Group	-	*3*	-
Vivendi Village	-	*(1)*	-
Income tax payable	-	11	3
Of which Vivendi Corporate	-	*11*	*3*

	Year ended December 31,		
	2020	2019	2018
Statement of earnings			
Operating income	191	183	179
Of which Vevo	*164*	*156*	*152*
Duzy Dom	*13*	*13*	*11*
Telecom Italia	*1*	*2*	*4*
Canal+ Group	*1*	*1*	*3*
Havas Group	*7*	*6*	*4*
Vivendi Corporate	*1*	-	*1*
Vivendi Village	-	1	-
Financial income	(17)	7	25
Of which Vivendi Corporate	*(17)*	*7*	*25*
Operating expenses	(48)	(43)	(44)
Of which Havas Group	*(11)*	*(9)*	*(7)*
Canal+ Group	-	*(3)*	*(5)*
Vivendi Corporate	*(30)*	*(24)*	*(20)*
Bolloré Group	*(5)*	*(3)*	-
Vivendi Village	-	-	-
Banijay Group Holding	-	*(1)*	*(1)*
Ingrooves Music Group (a)	*na*	-	*(7)*

na: not applicable.

a. On March 15, 2019, UMG acquired the remaining interest in Ingrooves Music Group.

Moreover, UMG's borrowings to Vivendi amounted to €2,368 million as of December 31, 2020. In addition, UMG's loans to Vivendi amounted to €815 million as of December 31, 2020, €672 million as of December 31, 2019 and €1,260 million as of December 31, 2018 (please refer to Note 14).

UMG distributes its cash surpluses to shareowners through dividends and share capital reductions (please refer to Note 15).

20.3 Services billed by Vivendi Corporate

	Year ended December 31,		
(in millions of euros)	2020	2019	2018
Management fees	(15)	(14)	(11)
Share-based compensation plans	(10)	(5)	(4)
Other	(10)	(8)	(8)
Services billed by Vivendi Corporate	**(35)**	**(27)**	**(23)**

Note 21 Contractual obligations and other commitments

Universal Music Group (UMG)'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 9.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to UMG'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 UMG's assets;
- commitments related to UMG's financing: undrawn confirmed bank credit facilities as well as the management of interest rate, foreign currency and liquidity risks; and
- contingent assets and liabilities resulting from legal proceedings in which UMG and/or its subsidiaries are either plaintiff or defendant (please refer to Note 22).

21.1 Contractual obligations and commercial commitments

		Minimum future payments as of December 31, 2020				Total minimum future payments as of	
			Payments due in				
(in millions of euros)	Note	Total	2021	2022 - 2025	After 2025	December 31, 2019	December 31, 2018
Borrowings and other financial liabilities		3,009	640	1	2,368	15	18
Leases liabilities (a)		525	78	265	182	596	na
Content liabilities	9.2	2,771	2,509	257	5	2,552	2,332
Consolidated statement of financial position items		**6,305**	**3,227**	**523**	**2,555**	**3,163**	**2,350**
Contractual content commitments	9.2	1,337	732	578	27	1,329	1,172
Commercial commitments		(3,975)	(2,030)	(1,945)	-	(1,676)	(733)
Net off-balance sheet commitments		**(2,638)**	**(1,298)**	**(1,367)**	**27**	**(347)**	**439**
Operating leases and subleases (a)		na	na	na	na	na	674
Total		**3,667**	**1,929**	**(844)**	**2,582**	**2,816**	**3,463**

na: not applicable.

a. As from January 1, 2019, UMG applies the new accounting standard IFRS 16 – *Leases*. In accordance with IFRS 16, the impact of the change of accounting standard was recorded in the Statement of Financial Position as of January 1, 2019. For a detailed description, please refer to Notes 1 and 10. Assessing the lease term relates to the non-cancellable period of the lease, and taking into account all options to extend the lease that UMG is reasonably certain to exercise and all options to terminate the lease that UMG is reasonably certain not to exercise.

Off-balance sheet commercial commitments

	Minimum future payments as of December 31, 2020				Total minimum future payments as of	
		Due in				
(in millions of euros)	Total	2021	2022 - 2025	After 2025	December 31, 2019	December 31, 2018
Given commercial commitments	46	31	15	-	82	60
Received commercial commitments (a)	(4,021)	(2,061)	(1,960)	-	(1,758)	(793)
Net total	**(3,975)**	**(2,030)**	**(1,945)**	**-**	**(1,676)**	**(733)**

a. Includes minimum guarantees to be received by UMG pursuant to distribution agreements entered into with third parties, notably digital platforms.

21.2 Other commitments given or received relating to operations

Given commitments amounted cumulatively to €10 million as of December 31, 2020, €23 million as of December 31, 2019 and €15 million as of December 31, 2018.

Received commitments amounted cumulatively to €1 million as of December 31, 2020, €31 million as of December 31, 2019 and €10 million as of December 31, 2018.

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

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 UMG's knowledge, no material claims for indemnification against such liabilities have been made to date.

In addition, when settling disputes and litigation, UMG regularly delivers commitments for damages to third parties, which are customary for transactions of this type.

Contingent liabilities

As of December 31, 2020, 2019 and 2018, there was no material contingent liabilities.

Contingent assets

As part of the acquisition of EMI Recorded Music in September 2012, UMG received commitments from Citi relating to full pension obligations in the United Kingdom. UMG also received warranties relating to losses stemming from taxes and litigation claims, in particular those relating to pension obligations in the United Kingdom. These commitments and warranties are not limited in time.

21.4 Shareholders' agreements

Under existing shareholders' or investors' agreements, UMG 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, UMG 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, UMG or its subsidiaries have given or received certain rights (pre-emptive and other rights) entitling them to maintain their shareholder's rights.

21.5 Collaterals and pledges

As of December 31, 2020, 2019 and 2018, no material asset in UMG's Statement of Financial Position was subject to a pledge or mortgage for the benefit of third parties.

Note 22 Litigation

In the normal course of its business, Universal Music Group 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 UMG’s best estimate of the risk and is based on a case-by-case assessment of the risk level, provided that UMG may, at any time, reassess such risk if events occur during such proceedings. Provisions recorded by UMG for all claims and litigation were €4 million as of December 31, 2020, €12 million as of December 31, 2019 and €15 million as of December 31, 2018 (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 March 1st, 2021.

Soundgarden, Hole, Steve Earle and the estates of Tom Petty and Tupac Shakur against UMG

On June 21, 2019, the groups Soundgarden and Hole, Steve Earle, Tom Petty's ex-wife and Tupac Shakur's estate filed a class action lawsuit against UMG in the Central District Court of California relating to a 2008 fire that allegedly destroyed thousands of archived recordings.

The plaintiffs allege that UMG breached the terms of the contracts with the artists by failing to adequately protect the recordings. It is also argued that the Group should have shared the settlement proceeds received as a result of its negotiations with the insurance companies and NBC Universal. On July 17, 2019, UMG filed a motion to dismiss the lawsuit. On August 16, 2019, the plaintiffs filed an amended complaint removing Hole as a plaintiff, and adding a number of claims. On September 6, 2019, UMG filed a new motion to dismiss. On March 13 and 23, 2020, most of the plaintiffs withdrew from the case, leaving Jane Petty (Tom Petty's ex-wife) as the only remaining plaintiff. On April 6, 2020, the Court granted UMG's motion to dismiss and dismissed Jane Petty's claims.

However, Jane Petty is seeking to pursue the case. On April 16, 2020, she filed an application for class certification and, on April 27, 2020, she filed a second amended complaint. On May 18, 2020, UMG filed a motion to dismiss. The Court has yet to rule on this motion.

John Waite, Syd Straw, The Dickies, Kasim Sulton and The Dream Syndicate against UMG Recordings, Inc.

On February 5, 2019, a class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who had requested the termination of their contracts with UMG pursuant to Section 203 of the Copyright Act which allows, under certain conditions, a creator who has contractually transferred the rights to his or her work to a third party to terminate such contract after 35 years. The complaint seeks to have the Court recognize the termination of the contracts of the artists involved in the litigation and also alleges copyright infringement, as UMG continued to use the recordings after the purported end date of the contract. On May 3, 2019, UMG Recordings filed a motion to dismiss. On June 15, 2019, the plaintiffs filed a First Amended Complaint adding artists Syd Straw, Kasim Sulton and The Dickies as additional plaintiffs. On August 31, 2020, a second Amended Complaint was filed, adding the Dream Syndicate as an additional plaintiff. On September 30, 2020, UMG and Capitol filed a response in which they made a counterclaim against plaintiffs Joe Ely and Syd Straw, alleging that they had exploited certain recordings without authorization. On November 18, 2020, following a settlement reached between UMG and Joe Ely, the Court acknowledged Joe Ely's withdrawal from the proceedings.

UMG Recordings, Inc. and Universal Music Publishing Group (along with the other major labels and publishers) against Cox Communications, Inc. and CoxCom LLC

On July 31, 2018, a complaint for copyright infringement was filed by UMG Recordings, Inc. and Universal Music Publishing Group (along with the other major labels and publishers including Sony and Warner) against Cox Communications, an Internet access and service provider, and its parent company CoxCom, for knowingly inducing and supporting copyright infringement by its customers, contrary to the provisions of the Digital Millennium Copyright Act (DMCA), which requires an Internet service provider to implement a termination policy against its repeat infringing customers. At the end of the trial, which took place in December 2019, the jury awarded the plaintiffs $1 billion in damages. Cox filed a motion seeking to reduce the amount of damages awarded to the plaintiffs. On January 21, 2021, the motion was dismissed, and the judge upheld the jury's verdict in the amount of $1 billion. Cox has indicated that it will appeal against this decision and has posted security to stay the execution of the judgment pending the appeal.

Note 23 List of combined entities

The number of entities consolidated or accounted for under the equity method by UMG was 388 as of December 31, 2020, 368 as of December 31, 2019 and 363 as of December 31, 2018. The major entities are presented in the table below.

		Years ended December 31, 2020, 2019 and 2018		
	Country	Accounting Method	Voting Interest	Ownership Interest
Universal Music Group, Inc.	**United States**			
Universal Music Group Holdings, Inc.	United States	C	100%	*100%*
UMG Recordings, Inc.	United States	C	100%	*100%*
Vevo	United States	E	49.4%	*49.4%*
Universal International Music B.V. (a)	**Netherlands**			
Universal Music Entertainment GmbH	Germany	C	100%	*100%*
Universal Music LLC	Japan	C	100%	*100%*
Universal Music France S.A.S.	France	C	100%	*100%*
Universal Music Holdings Ltd.	United Kingdom	C	100%	*100%*
EMI Group Worldwide Holding Ltd.	United Kingdom	C	100%	*100%*
Universal Music Group Treasury S.A.S.	France	C	100%	*100%*

C: consolidated; E: equity affiliates.

a. On March 19, 2020, Universal Music Group S.A.S. was dissolved, with universal transmission of its property to Vivendi S.E.