Financial Report and Audited Consolidated Financial Statements for the Year Ended December 31, 2016

February 23, 2017

vivendi

VIVENDI

Société anonyme with a Management Board and a Supervisory Board with a share capital of €7,078,983,142.00

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Selected key consolidated financial data

Preliminary comment: *Vivendi deconsolidated GVT, SFR, Maroc Telecom group and Activision Blizzard as from May 28, 2015, November 27, 2014, May 14, 2014, and October 11, 2013, respectively, i.e., the date of their effective sale by Vivendi. In compliance with IFRS 5, these businesses have been reported as discontinued operations for the relevant periods as set out in the table of selected key consolidated financial data below in respect of data reflected in the Consolidated Statement of Earnings and Consolidated Statement of Cash Flows.*

	Year ended December 31,				
	2016	2015	2014	2013	2012
Consolidated data					
Revenues	10,819	10,762	10,089	10,252	9,597
EBIT	1,194	1,231	736	637	(1,131)
Earnings attributable to Vivendi SA shareowners	1,256	1,932	4,744	1,967	179
of which earnings from continuing operations attributable to Vivendi SA shareowners	1,236	699	(290)	43	(1,565)
Income from operations (a)	853	1,061	1,108	1,131	na
EBITA (a)	724	942	999	955	1,074
Adjusted net income (a)	755	697	626	454	318
Net Cash Position/(Financial Net Debt) (a)	1,068	6,422	4,637	(11,097)	(13,419)
Total equity	19,612	21,086	22,988	19,030	21,291
of which Vivendi SA shareowners' equity	19,383	20,854	22,606	17,457	18,325
Cash flow from operations (CFFO) (a)	729	892	843	894	846
Cash flow from operations after interest and income tax paid (CFAIT) (a)	341	(69)	421	503	772
Financial investments	(4,084)	(3,927)	(1,244)	(107)	(1,689)
Financial divestments	1,971	9,013	17,807	3,471	201
Dividends paid by Vivendi SA to its shareholders	2,588 (b)	2,727 (c)	1,348 (d)	1,325	1,245
Purchases/(sales) of Vivendi SA's treasury shares	1,623	492	32	-	18
Per share data					
Weighted average number of shares outstanding	1,272.6	1,361.5	1,345.8	1,330.6	1,298.9
Adjusted net income per share	**0.59**	**0.51**	**0.46**	**0.34**	**0.24**
Number of shares outstanding at the end of the period (excluding treasury shares)	1,259.5	1,342.3	1,351.6	1,339.6	1,322.5
Equity per share, attributable to Vivendi SA shareowners	15.39	15.54	16.73	13.03	13.86
Dividends per share paid	**2.00** (b)	**2.00** (c)	**1.00** (d)	**1.00**	**1.00**

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

na: not applicable.

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

b. On April 21, 2016, Vivendi's General Shareholders' Meeting approved the payment of an ordinary dividend of €3 per share with respect to fiscal year 2015, i.e., an aggregate dividend payment of €3,951 million. This amount included €2,588 million paid in 2016: €1,318 million for the second interim dividend of €1 per share, paid on February 3, 2016, and €1,270 million representing the balance of €1 per share, paid on April 28, 2016.

c. In 2015, Vivendi paid the dividend with respect to fiscal year 2014 (€1 per share, i.e., €1,363 million) and a first interim dividend with respect to fiscal year 2015 (€1 per share, i.e., €1,364 million).

d. On June 30, 2014, Vivendi SA paid an ordinary dividend of €1 per share to its shareholders from additional paid-in capital, treated as a return of capital distribution to shareholders.

Nota:

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

- the 2015 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2015, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements presented on pages 168 to 279 of the *Document de Référence* No. D.16-0135, filed with the French *Autorité des Marchés Financiers* (AMF) on March 15, 2016, and on pages 168 to 279 of the English translation of this *Document de Référence*; and
- the 2014 Financial Report and the Consolidated Financial Statements for the year ended December 31, 2014, prepared under IFRS and the related statutory auditors' report on the Consolidated Financial Statements presented on pages 158 to 293 of the *Document de Référence* No. D.15-0135, filed with the French *Autorité des Marchés Financiers* (AMF) on March 13, 2015, and on pages 158 to 293 of the English translation of this *Document de Référence*.

I- 2016 Financial Report

Preliminary comments:

On February 16, 2017, the Management Board approved the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2016. Upon the recommendation of the Audit Committee, which met on February 20, 2017, the Supervisory Board, at its meeting held on February 23, 2017, reviewed the Financial Report and the Audited Consolidated Financial Statements for the year ended December 31, 2016, as approved by the Management Board on February 16, 2017.

The Consolidated Financial Statements for the year ended December 31, 2016 have been audited and certified by the statutory auditors without qualified opinion. The statutory auditors' report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

1 Earnings analysis: group and business segments

Preliminary comments:

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

  Vivendi Management uses income from operations, EBITA and adjusted net income for reporting, management and planning purposes because they provide a better illustration of the underlying performance of continuing operations by excluding most non-recurring and non-operating items:

  - *the difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, the impairment of goodwill and other intangibles acquired through business combinations, and "other income" and "other charges" included in EBIT, as defined in Note 1.2.3 to the Consolidated Financial Statements for the year ended December 31, 2016; and*
  - *as defined by Vivendi, income from operations is calculated as EBITA as presented in the Adjusted Statement of Earnings, before share-based compensation costs related to equity-settled plans, and special items due to their unusual nature or particular significance.*

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

- *As a reminder, GVT (sold in 2015) has been reported as a discontinued operation in compliance with IFRS 5. Income and charges from this business have therefore been reported as follows:*

  - *GVT's contribution, until its effective divestiture on May 28, 2015, to each line of Vivendi's Consolidated Statement of Earnings, as well as the capital gain recognized as a result of the divestiture have been reported on the line "Earnings from discontinued operations"; and*
  - *the share of net income and the capital gain recognized as a result of such divestiture have been excluded from Vivendi's adjusted net income.*

1.1 Consolidated Statement of Earnings and Adjusted Statement of Earnings

CONSOLIDATED STATEMENT OF EARNINGS			ADJUSTED STATEMENT OF EARNINGS		
	Year ended December 31,		Year ended December 31,		
	2016	2015	2016	2015	
Revenues	**10,819**	**10,762**	**10,819**	**10,762**	**Revenues**
Cost of revenues	(6,829)	(6,555)	(6,829)	(6,555)	Cost of revenues
Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations	(3,172)	(3,163)	(3,137)	(3,146)	Selling, general and administrative expenses excluding amortization of intangible assets acquired through business combinations
			853	**1,061**	**Income from operations**
Restructuring charges	(94)	(102)	(94)	(102)	Restructuring charges
			(35)	(17)	Other operating charges and income
Amortization of intangible assets acquired through business combinations	(223)	(408)			
Impairment losses on intangible assets acquired through business combinations	(23)	(3)			
Reversal of reserve related to the Liberty Media litigation in the United States	240	-			
Other income	661	745			
Other charges	(185)	(45)			
EBIT	**1,194**	**1,231**	**724**	**942**	**EBITA**
Income from equity affiliates	169	(10)	214	(10)	Income from equity affiliates
Interest	(40)	(30)	(40)	(30)	Interest
Income from investments	47	52	47	52	Income from investments
Other financial income	31	16			
Other financial charges	(69)	(73)			
Earnings from continuing operations before provision for income taxes	**1,332**	**1,186**	**945**	**954**	**Adjusted earnings from continuing operations before provision for income taxes**
Provision for income taxes	(77)	(441)	(162)	(199)	Provision for income taxes
Earnings from continuing operations	**1,255**	**745**			
Earnings from discontinued operations	20	1,233			
Earnings	**1,275**	**1,978**	**783**	**755**	**Adjusted net income before non-controlling interests**
Of which					*Of which*
Earnings attributable to Vivendi SA shareowners	**1,256**	**1,932**	**755**	**697**	**Adjusted net income**
continuing operations	**1,236**	**699**			
discontinued operations	20	1,233			
Non-controlling interests	19	46	28	58	Non-controlling interests
Earnings attributable to Vivendi SA shareowners per share - basic (in euros)	0.99	1.42	0.59	0.51	Adjusted net income per share - basic (in euros)
Earnings attributable to Vivendi SA shareowners per share - diluted (in euros)	0.95	1.41	0.54	0.51	Adjusted net income per share - diluted (in euros)

In millions of euros, except per share amounts.

1.2 Earnings analysis: group

1.2.1 Adjusted net income

In 2016, **adjusted net income** amounted to a profit of €755 million (or €0.59 per share), compared to €697 million in 2015 (or €0.51 per share), a €58 million increase (+8.4%). The decline in EBITA (-€218 million), the increase in interest expense (-€10 million) and lower income from investments (-€5 million) were more than offset by the increase in income from equity affiliates (+€224 million, primarily Telecom Italia's contribution for +€216 million), the decrease in income taxes (+€37 million) and the decrease in minority interests (+€30 million).

Adjusted net income per share

	Year ended December 31,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
Adjusted net income (in millions of euros)	755	693 (a)	697	697
Number of shares (in millions)				
Weighted average number of shares outstanding (b)	1,272.6	1,272.6	1,361.5	1,361.5
Potential dilutive effects related to share-based compensation	-	3.1	-	5.3
Adjusted weighted average number of shares	1,272.6	1,275.7	1,361.5	1,366.8
Adjusted net income per share (in euros)	**0.59**	**0.54**	**0.51**	**0.51**

a. Corresponded only to the impact on Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information disclosed by Telecom Italia for the first nine months of 2016.

b. Net of the weighted average number of treasury shares (51.4 million shares in 2016, compared to 1.6 million in 2015).

1.2.2 Earnings attributable to Vivendi SA shareowners

Excluding earnings from discontinued operations, **earnings attributable to Vivendi SA shareowners from continuing operations, after non-controlling interests** amounted to a profit of €1,236 million, compared to a profit of €699 million in 2015, a €537 million increase (+77.0%). This improvement notably resulted from the net reversal of reserve related to the Liberty Media litigation (+€240 million, before taxes), the increase in income from equity affiliates (+€179 million, primarily Telecom Italia's contribution for +€173 million) and the decrease in provision for income taxes (+€364 million). These changes were partially offset by the change in EBIT's other income and charges (-€224 million). In 2016, they notably included the capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes). In 2015, they primarily included the capital gain on the sale of the 20% interest in Numericable-SFR (€651 million, before taxes).

In 2016, **earnings attributable to Vivendi SA shareowners** amounted to a profit of €1,256 million (or €0.99 per share), compared to €1,932 million in 2015 (or €1.42 per share), an unfavorable change of €676 million (-35.0%). In 2015, earnings attributable to Vivendi SA shareowners included the capital gain on the sale of GVT on May 28, 2015 (+€1,818 million, before taxes of €395 million paid in Brazil) offset by the capital loss on the sale of Telefonica Brasil shares (-€294 million).

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

	Year ended December 31,	
(in millions of euros)	2016	2015
Earnings attributable to Vivendi SA shareowners (a)	**1,256**	**1,932**
Adjustments		
Amortization of intangible assets acquired through business combinations	223	408
Impairment losses on intangible assets acquired through business combinations (a)	23	3
Reversal of reserve related to the Liberty Media litigation in the United States (a)	(240)	-
Other income (a)	(661)	(745)
Other charges (a)	185	45
Amortization of intangible assets related to equity affiliates	45	-
Other financial income (a)	(31)	(16)
Other financial charges (a)	69	73
Earnings from discontinued operations (a)	(20)	(1,233)
Change in deferred tax asset related to Vivendi SA's French Tax Group and to the Consolidated Global Profit Tax Systems	(33)	42
Income taxes related to the sale of the 20% interest in Numericable-SFR	-	124
Net income taxes related to the sale of GVT and Telefonica Brasil shares	-	63
Non-recurring items related to provision for income taxes	16	145
Provision for income taxes on adjustments	(68)	(132)
Non-controlling interests on adjustments	(9)	(12)
Adjusted net income	**755**	**697**

a. As reported in the Consolidated Statement of Earnings.

1.3 Detailed analysis of the main items from the Statement of Earnings

1.3.1 Revenues and income from operations

Revenues amounted to €10,819 million, compared to €10,762 million in 2015, a €57 million increase (+0.5% and -0.2% at constant currency and perimeter[1]).

Cost of revenues amounted to €6,829 million, compared to €6,555 million in 2015, a €274 million increase (+4.2%).

Selling, general and administrative expenses in the Adjusted Statement of Earnings amounted to €3,137 million, compared to €3,146 million in 2015, a €9 million decrease (-0.3%).

Depreciation and amortization of tangible and intangible assets are included either in the cost of revenues or in selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, remained stable at €309 million (compared to €305 million in 2015), and notably related to Canal+ Group's set-top boxes, as well as Studiocanal's catalogs, films and television programs.

Income from operations amounted to €853 million, compared to €1,061 million in 2015, an unfavorable change of €208 million (-19.6%). At constant currency and perimeter, income from operations decreased by €197 million (-18.5%). Universal Music Group's growth (+€67 million at constant currency) was more than offset by the decline of Canal+ Group, mainly due to the increased losses suffered by the Canal+ channels[2] in France (-€127 million), as well as the development costs incurred by Vivendi Village and New Initiatives (notably by Vivendi Content due to the launch of Studio+).

1.3.2 EBITA and EBIT

EBITA amounted to €724 million, compared to €942 million in 2015, a €218 million decrease (-23.2%). At constant currency and perimeter, EBITA decreased by €203 million (-21.5%). This decline primarily reflected the unfavorable change in income from operations. In addition, EBITA included:

- **restructuring charges** for €94 million in 2016, mainly incurred by Universal Music Group (€44 million), Canal+ Group (€41 million, including the costs incurred by the discontinuation of certain television shows as a result of the new broadcast schedule, as well as the charges generated by iTélé's crisis recovery) and Dailymotion (€6 million). In 2015, restructuring charges amounted to €102 million and were primarily incurred by Universal Music Group (€51 million) and Canal+ Group (€47 million, notably due to the new organization put in place during the second half of 2015); and
- **other operating charges and income** excluded from income from operations, which amounted to a net charge of €35 million, compared to a net charge of €17 million in 2015. In 2016, they primarily included reserve accruals related to certain broadcasting rights and contractual penalties at Canal+ Group, as well as charges related to equity-settled share-based compensation plans (-€14 million). These charges were offset by litigation settlement proceeds in the United States at Universal Music Group (+€16 million). In 2015, they notably comprised, on the one hand, litigation settlement proceeds in the United States at Universal Music Group (+€29 million), as well as reversals of reserves at Canal+ Group (+€22 million) and at Corporate (+€19 million), and on the other hand, reserve accruals related to litigation at Canal+ Group (-€61 million) and charges related to equity-settled share-based compensation plans (-€16 million).

EBIT amounted to €1,194 million, compared to €1,231 million in 2015, a €37 million decrease (-2.9%). In 2016, it included:

- **the reversal of reserve related to the Liberty Media litigation** representing a net profit of €240 million. As of December 31, 2012, on the basis of the verdict rendered on June 25, 2012 regarding the Liberty Media Corporation litigation in the United States, Vivendi accrued for a provision for the total amount of the final judgment (€945 million), including damages and pre-judgment interest. On February 23, 2016, Vivendi agreed on a settlement with Liberty Media and paid Liberty Media $775 million (€705 million) to settle the lawsuit. In addition, the provision recorded in relation to the securities class action in the United States remained unchanged at €100 million. Please refer to Note 23 to the Consolidated Financial Statements for the year ended December 31, 2016;
- **other income and charges** representing a €476 million net income, compared to a €700 million net income in 2015. In 2016, they primarily included the net capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million, before taxes), partially offset by the impairment of financial investments. In 2015, they primarily included the capital gain on the divestiture of the 20% interest in Numericable-SFR (€651 million, before taxes) and a reversal of reserve related to the impairment of

[1] Constant perimeter reflects the impacts of the acquisition of (i) the companies which own and manage Paddington Bear intellectual property rights (except for the publishing rights) on June 30, 2016, (ii) Gameloft on June 29, 2016, (iii) Alterna'TV (renamed Thema America) on April 7, 2016, (iv) Radionomy on December 17, 2015, and (v) Dailymotion on June 30, 2015.

[2] Relates to the six premium channels: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Séries, Canal+ Family and Canal+ Décalé.

Canal+ Group's interest in TVN in Poland (€54 million), sold on July 1, 2015. Please refer to Note 4 to the Consolidated Financial Statements for the year ended December 31, 2016; and

- **amortization and depreciation of intangible assets acquired through business combinations** for €246 million, compared to €411 million in 2015, a €165 million decrease, notably due to the expiration of the amortization period (15 years) for Polygram's catalogs.

1.3.3 Reconciliation of EBIT to EBITA and to income from operations

	Year ended December 31,	
(in millions of euros)	2016	2015
EBIT (a)	**1,194**	**1,231**
Adjustments		
Amortization of intangible assets acquired through business combinations	223	408
Impairment losses on intangible assets acquired through business combinations (a)	23	3
Reversal of reserve related to the Liberty Media litigation in the United States (a)	(240)	-
Other income (a)	(661)	(745)
Other charges (a)	185	45
EBITA	**724**	**942**
Adjustments		
Restructuring charges (a)	94	102
Charges related to equity-settled share-based compensation plans	14	16
Other non-current operating charges and income	21	1
Income from operations	**853**	**1,061**

a. As reported in the Consolidated Statement of Earnings.

1.3.4 Income from equity affiliates

In the Adjusted Statement of Earnings, **income from equity affiliates** amounted to a €214 million profit, compared to a €10 million loss in 2015. In 2016, it primarily included Vivendi's share of Telecom Italia's net earnings (€216 million) for the period from December 15, 2015 to September 30, 2016, calculated based on financial information disclosed by Telecom Italia[3].

In the Consolidated Statement of Earnings, **income from equity affiliates** amounted to a €169 million profit, compared to a €10 million loss in 2015. In 2016, in addition to the income from equity affiliates recorded in the Adjusted Statement of Earnings, it included the amortization of intangible assets related to the purchase price allocation for Telecom Italia (-€43 million; please refer to Note 11 to the Consolidated Financial Statements for the year ended December 31, 2016).

1.3.5 Financial charges and income

Interest was an expense of €40 million, compared to €30 million in 2015, a €10 million increase. It included:

- interest expense on borrowings for €63 million, compared to €65 million in 2015. This change reflected the decrease in the average interest rates on borrowings to 2.12% (compared to 2.91% in 2015), offset by the increase in the average outstanding borrowings to €3.0 billion (compared to €2.2 billion in 2015) pursuant to the issuance of new bonds in May and November 2016 for an aggregate amount of €2.1 billion. In addition, interest expense in 2015 included interest received by Vivendi SA (€4 million) from financing provided to GVT; and
- interest income earned on the investment of cash surpluses for €23 million, compared to €31 million in 2015. This change reflected the decrease in the average outstanding cash investments to €6.7 billion (compared to €8.8 billion in 2015). The average interest rate on cash investments remained stable at 0.34% (compared to 0.35% in 2015).

Income from investments amounted to €47 million, compared to €52 million in 2015. In 2016, income from investments primarily included dividends received from Telefonica (€19 million in cash and €15 million in shares) and from Telefonica Brasil (€4 million), as well as the interest from the bonds subscribed by Vivendi and issued by Banijay Group and Lov Banijay (€5 million). In 2015, it included an interest income of €26 million, between May 6 and August 19, 2015, derived from the €1,948 million receivable from Altice related to the deferred payment for the sale of the 10% interest in Numericable-SFR. It also included the dividends received from Activision Blizzard (€8 million in cash) and from Telefonica (€16 million in shares).

[3] On March 17, 2016 (Financial Statements for the year ended December 31, 2015) and on November 4, 2016 (Financial Statements for the first nine months of 2016), respectively.

In the Consolidated Statement of Earnings, **other financial charges and income** amounted to a net charge of €38 million, compared to a net charge of €57 million in 2015. In 2015, this amount notably included a €16 million charge related to the unfavorable change in time value of the collar hedge on Vivendi's remaining interest in Activision Blizzard denominated in USD.

1.3.6 Provision for income taxes

Provision for income taxes in the Adjusted Statement of Earnings amounted to a net charge of €162 million, compared to a net charge of €199 million in 2015, a €37 million improvement notably reflecting the anticipated decrease in the taxable income of the Canal+ channels. The effective tax rate reported to adjusted net income was 22.2% in 2016, compared to 20.6% in 2015. This change notably reflected the increase in the expected current tax savings resulting from the utilization of the group's tax losses carried forward in the United States (€59 million) due to the anticipated growth in Universal Music Group's taxable income, partially offset by the impact of losses incurred in connection with the group's development projects in France, in particular the launch of Studio+ by Vivendi Content and the ongoing transformation of Dailymotion.

Provision for income taxes in the Consolidated Statement of Earnings amounted to a net charge of €77 million, compared to a net charge of €441 million in 2015. This €364 million improvement included a €75 million favorable change in tax savings related to Vivendi SA's Tax Group System, which was a €33 million income in 2016, compared to a €42 million charge in 2015, as well as an €84 million decrease related to the 3% tax on Vivendi SA's dividends (€38 million in 2016, compared to €122 million in 2015). In addition, in 2015, it mainly included income taxes payable by Vivendi SA in France related to the sale of the 20% interest in Numericable-SFR (€124 million, net of tax savings related to Vivendi SA's Tax Group System), as well as the income tax incurred by Vivendi SA in France related to the capital gain on the sale of GVT, net of the tax savings resulting from the capital loss on the sale of the interest in Telefonica Brasil (€63 million, net of tax savings related to Vivendi SA's Tax Group System).

1.3.7 Earnings from discontinued operations

Earnings from discontinued operations amounted to €1,233 million in 2015 and included (i) the capital gain on the sale of GVT on May 28, 2015 for €1,818 million, before taxes of €395 million paid in Brazil, (ii) the capital loss on Telefonica Brasil shares (-€294 million), and (iii) GVT's net earnings until its sale for €179 million, including the impact of the discontinuation of amortization of tangible and intangible assets since September 1, 2014, in compliance with IFRS 5 (+€153 million in 2015). They also comprised the remaining impact of the sale of the 80% interest in SFR to Numericable (-€69 million).

1.3.8 Non-controlling interests

Earnings attributable to non-controlling interests amounted to €19 million, compared to €46 million in 2015, a €27 million decrease. In 2016, they primarily included the non-controlling interests of Canal+ Overseas, nc+ in Poland and VTV in Vietnam. In 2015, they also included the non-controlling interests of Société d'Edition de Canal Plus (SECP; prior to their full acquisition by Vivendi between mid-August and the end of September 2015).

Adjusted net income attributable to non-controlling interests amounted to €28 million, compared to €58 million in 2015.

1.4 Performance analysis: Business segments

	Year ended December 31,				
(in millions of euros)	2016	2015	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues					
Universal Music Group	5,267	5,108	+3.1%	+4.4%	+4.4%
Canal+ Group	5,253	5,513	-4.7%	-4.1%	-4.2%
Gameloft	132	-	na	na	na
Vivendi Village	111	100	+10.9%	+14.7%	+3.8%
New Initiatives	103	43	x 2.4	x 2.4	+51.6%
Elimination of intersegment transactions	(47)	(2)			
Total Vivendi	**10,819**	**10,762**	**+0.5%**	**+1.5%**	**-0.2%**
Income from operations					
Universal Music Group	687	626	+9.8%	+10.7%	+10.7%
Canal+ Group	303	542	-44.1%	-44.0%	-44.2%
Gameloft	10	-	na	na	na
Vivendi Village	(7)	10	na	na	na
New Initiatives	(44)	(18)	x 2.4	x 2.4	-78.0%
Corporate	(96)	(99)	+2.3%	+2.3%	+2.3%
Total Vivendi	**853**	**1,061**	**-19.6%**	**-18.8%**	**-18.5%**
EBITA					
Universal Music Group	644	593	+8.4%	+9.1%	+9.1%
Canal+ Group	240	454	-47.1%	-46.9%	-47.1%
Gameloft	7	-	na	na	na
Vivendi Village	(9)	9	na	na	na
New Initiatives	(56)	(20)	x 2.8	x 2.8	x 2.2
Corporate	(102)	(94)	-8.4%	-8.4%	-8.4%
Total Vivendi	**724**	**942**	**-23.2%**	**-22.5%**	**-21.5%**

na: not applicable.

a. Constant perimeter reflects the impacts of the following acquisitions:

- Alterna'TV, renamed Thema America (April 7, 2016) and Paddington Bear (June 30, 2016) by Canal+ Group;
- Gameloft (June 29, 2016);
- Radionomy, integrated into Vivendi Village (December 17, 2015); and
- Dailymotion, integrated into New Initiatives (June 30, 2015).

1.4.1 Universal Music Group (UMG)

(in millions of euros)	2016	2015	% Change	% Change at constant currency	% Change at constant currency and perimeter
	Year ended December 31,				
Recorded music	4,188	4,113	+1.8%	+2.9%	+2.9%
Physical sales	*1,225*	*1,437*	*-14.8%*	*-14.9%*	*-14.9%*
Digital sales	*2,238*	*1,975*	*+13.3%*	*+14.7%*	*+14.7%*
of which streaming and subscriptions	*1,483*	*954*	*+55.5%*	*+57.9%*	*+57.9%*
License and other	*725*	*701*	*+3.3%*	*+6.0%*	*+6.0%*
Music publishing	792	756	+4.7%	+6.7%	+6.7%
Merchandising and other	313	276	+13.4%	+16.1%	+16.1%
Elimination of intersegment transactions	(26)	(37)			
Total Revenues	**5,267**	**5,108**	**+3.1%**	**+4.4%**	**+4.4%**
Income from operations	**687**	**626**	**+9.8%**	**+10.7%**	**+10.7%**
Income from operations margin	*13.0%*	*12.3%*	*+0.7 pt*		
Restructuring charges	(44)	(51)			
Charges related to equity-settled share-based compensation plans	(3)	(5)			
Other special items excluded from income from operations	4	23			
EBITA	**644**	**593**	**+8.4%**	**+9.1%**	**+9.1%**
EBITA margin	*12.2%*	*11.6%*	*+0.6 pt*		
Recorded music revenues by geographical area (in millions of euros)					
North America	1,806	1,736	+4.0%	+3.7%	+3.7%
Europe	1,481	1,538	-3.7%	-	-
Asia	542	468	+15.7%	+7.2%	+7.2%
Latin America	135	129	+4.3%	+23.1%	+23.1%
Rest of the world	224	242	-7.2%	-4.4%	-4.4%
	4,188	**4,113**	**+1.8%**	**+2.9%**	**+2.9%**

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

Year ended December 31, 2016		Year ended December 31, 2015	
Artist	Title	Artist	Title
Drake	Views	Taylor Swift	1989
Justin Bieber	Purpose	Justin Bieber	Purpose
Rihanna	Anti	Sam Smith	In The Lonely Hour
Ariana Grande	Dangerous Woman	The Weeknd	Beauty Behind The Madness
The Rolling Stones	Blue & Lonesome	Various artists	Fifty Shades of Grey
Utada Hikaru	Fantôme	The Beatles	1+
Metallica	Hardwired…To Self-Destruct	Dreams Come True	Dreams Come True The Best! Watashino Dorikamu
The Weeknd	Starboy	Maroon 5	V
back number	Encore	Drake	If You're Reading This It's Too Late
The Weeknd	Beauty Behind The Madness	Helene Fischer	Weihnachten

Universal Music Group's (UMG) revenues amounted to €5,267 million, up 4.4% at constant currency compared to 2015 (+3.1% on an actual basis), driven by growth across all divisions.

Recorded music revenues grew 2.9% at constant currency thanks to the growth in subscription and streaming revenues (+57.9 %), which more than offset the decline in both download and physical sales.

Music publishing revenues grew 6.7% at constant currency, also driven by increased subscription and streaming revenues, as well as growth in synchronization and performance income. Merchandising and other revenues were up 16.1% at constant currency thanks to stronger touring activity.

Recorded music best sellers for the year included new releases from Drake, Rihanna, Ariana Grande and The Rolling Stones, as well as carryover sales from Justin Bieber.

UMG's income from operations amounted to €687 million, up 10.7% at constant currency compared to 2015 (+9.8% on an actual basis). This favorable performance reflected the benefit of both revenue growth and cost savings.

UMG's EBITA amounted to €644 million, up 9.1% at constant currency compared to 2015 (+8.4% on an actual basis). EBITA included legal settlement income and restructuring charges in 2016 and 2015.

In recent months, UMG entered into several agreements with the estate of the late artist Prince and NPG Records Inc., becoming the home for Prince's music publishing, merchandise and much of his recorded music. UMG is now the exclusive worldwide publishing administrator for all of the artist's released and unreleased songs and the exclusive worldwide branding and licensing partner. It also holds the exclusive licensing rights to certain of his NPG recordings, including some Grammy-winning songs, as well as the right to compile and release albums from his unreleased recordings.

1.4.2 Canal+ Group

(in millions of euros)	2016	2015	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
	Year ended December 31,				
Pay-TV in Mainland France	3,178	3,383	-6.1%	-6.1%	-6.1%
Of which Canal+ channels (b)	*1,614*	*1,743*	*-7.4%*	*-7.4%*	*-7.4%*
International Pay-TV	1,442	1,364	+5.7%	+7.4%	+6.8%
Poland	*492*	*500*	*-1.8%*	*+2.2%*	*+2.2%*
Overseas	*411*	*407*	*+1.1%*	*+1.1%*	*+1.1%*
Africa	*450*	*378*	*+19.2%*	*+19.9%*	*+19.9%*
Vietnam	49	*51*	*-4.9%*	*-3.5%*	*-3.5%*
Other	*40*	*28*			
Free-to-air TV in Mainland France	217	203	+6.9%	+6.9%	+6.9%
Studiocanal	416	563	-26.1%	-24.0%	-24.0%
Total Revenues	**5,253**	**5,513**	**-4.7%**	**-4.1%**	**-4.2%**
Income from operations	**303**	**542**	**-44.1%**	**-44.0%**	**-44.2%**
Income from operations margin	*5.8%*	*9.8%*	*-4.0 pts*		
Restructuring charges	(41)	(47)			
Charges related to equity-settled share-based compensation plans	(3)	(3)			
Other special items excluded from income from operations	(19)	(38)			
EBITA	**240**	**454**	**-47.1%**	**-46.9%**	**-47.1%**
EBITA margin	*4.6%*	*8.2%*	*-3.6 pts*		
Of which Canal+ channels' EBITA (b)	*(399)*	*(264)*			

	2016	2015	% Change
Pay-TV subscribers (in thousands)			
Individual subscribers in Mainland France excluding wholesale partnerships	5,254	5,746	-492
With commitment	*4,983*	*5,405*	*-422*
Without commitment	*271*	*341*	*-70*
Canal customers *via* wholesale partnerships (c)	2,928	-	+2,928
International individual subscribers	6,247	5,495	+752
Poland	*2,119*	*2,119*	-
Overseas	*508*	*499*	*+9*
Africa	*2,765*	*2,073*	*+692*
Vietnam	*855*	*804*	*+51*
Total Canal+ Group's individual subscribers	**14,429**	**11,241**	**+3,188**
Mainland France Pay-TV (d)			
Churn, per individual subscriber with commitment	16.7%	14.9%	+1.8 pt
Net ARPU, in euros per individual subscriber with commitment	45.3	44.7	+0.6
Mainland France Free-to-air TV's audience shares (e)			
C8 (D8)	4.4%	4.3%	+0.1 pt
CStar (D17)	1.5%	1.4%	+0.1 pt
iTélé	0.8%	1.0%	-0.2 pt
Total	**6.7%**	**6.7%**	-

a. Constant perimeter reflects the impacts of the acquisition of Alterna'TV, renamed Thema America (April 7, 2016) and Paddington Bear (June 30, 2016).

b. Relates to the six premium channels: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Séries, Canal+ Family and Canal+ Décalé. In 2014, 2013 and 2012, Canal+ channels' revenues amounted to €1,779 million, €1,832 million and €1,840 million, respectively, and its EBITA amounted to -€188 million, -€130 million and -€21 million, respectively.

c. Includes the strategic partnership agreements entered into with Free and Orange during the second half of 2016:
   - starting October 1, 2016, Canal+ Group and Free offer the "TV by Canal Panorama" bouquet of channels to Free's triple-play subscribers; and
   - starting October 6, 2016, Canal+ Group and Orange offer the "Famille by Canal" bouquet of channels to Orange's fiber-optic subscribers.

   In addition, certain subscribers may have subscribed to a Canal+ offer.

d. Indicators calculated on the basis of the individual subscriber base with commitment, excluding wholesale partnerships.

e. Source: Médiamétrie. Population aged 25-49 years old.

Canal+ Group revenues amounted to €5,253 million, down 4.7% compared to 2015.

Revenues from pay-TV operations in mainland France were down 6.1% year-on-year. This change was primarily due to a decline of the individual subscriber base (down 492,000 year-on-year to 5.25 million subscribers), despite a strong improvement in business performance towards the end of the year following the launch of the new Canal offers in mid-November 2016. Moreover, Canal+ Group entered into agreements with Free and Orange during the fourth quarter of 2016 pursuant to which the Canal TV offer can be included in the set-top boxes of these operators (only the fiber offer for Orange).

Revenues from pay-TV international operations grew by 5.7% compared to 2015, thanks to continued growth in the subscriber base, particularly in Africa where the year-on-year increase amounted to 692,000 to reach nearly 2.8 million subscribers at the end of December 2016.

At the end of December 2016, Canal+ Group had increased its subscriber base to approximately 11.5 million individual subscribers and 2.9 million Free and Orange customers under the aforementioned partnerships.

Advertising revenues from free-to-air channels in mainland France were up 6.9% year-on-year, notably thanks to C8, which was the most watched DTT channel in France and the fifth most watched channel overall at the end of 2016. Among its primary target audience of 25-49 year olds, C8 was the fourth most watched French channel with an average share of 4.4% in 2016.

Studiocanal's revenues amounted to €416 million, down 26.1% compared to the record high achieved in 2015, which benefited from exceptional performances with the success of several movies, including *Paddington*, *Shaun the Sheep*, *Imitation Game*, *Legend* and *Hunger Games*.

Canal+ Group's income from operations amounted to €303 million, compared to €542 million in 2015, and EBITA amounted to €240 million, compared to €454 million in 2015. This change was mainly due to the decline in the individual subscriber base in mainland France (excluding wholesale agreements) and content investments.
EBITA from Canal+ channels in France[4] amounted to a €399 million loss, compared to a €264 million loss in 2015.

[4] *Relates to the six premium channels: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Séries, Canal+ Family and Canal+ Décalé.*

1.4.3 Gameloft

As a reminder, Vivendi has fully consolidated Gameloft since June 29, 2016: please refer to Note 2.1 to the Consolidated Financial Statements for the year ended December 31, 2016.

(in millions of euros)	Year ended December 31, 2016 (a)	12-month *pro forma* data			
		Year ended December 31,			
		2016	2015 (b)	% Change	% Change at constant currency
Revenues	**132**	**257**	**256**	**+0.4%**	**+5.1%**
of which advertising revenues	*11*	*19*	*5*		
Income from operations	**10**	**10**	**2**		
Income from operations margin	*7.6%*	*3.9%*	*0.8%*		
Charges related to equity-settled share-based compensation plans	(3)				
EBITA	**7**				
EBITA margin	*5.3%*				
Revenues by geographical area					
EMEA (Europe, the Middle East, Africa)	33%	33%	30%		
APAC (Asia Pacific)	28%	29%	30%		
North America	26%	25%	25%		
Latam (Latin America)	13%	13%	15%		
	100%	**100%**	**100%**		
Average Unique Users (in millions)					
Monthly Active Users (MAU)	136	142	166		
Daily Active Users (DAU)	16	17	21		

a. Corresponds to the financial data consolidated by Vivendi since June 29, 2016.

b. As publicly disclosed by Gameloft.

Gameloft's revenues amounted to €132 million for the second half of 2016. They amounted to €125 million for the first half of 2016.

Gameloft's dynamic growth accelerated compared to the first half of 2016. Gameloft's operations in the second half of the year were notably driven by the strong development of its mobile advertising agency, *Gameloft Advertising Solutions*. The continued long-term success of games such as *Asphalt 8: Airborne*, *Dungeon Hunter 5*, *Dragon Mania Legends*, *March of Empires* and *Modern Combat 5: Blackout* and the successful launch of *Disney Magic Kingdoms* in 2016 also contributed to a strong second half performance. Gameloft benefited from improved monetization of services for existing games and from a more efficient and targeted user acquisition policy. Year-end was especially dynamic for Gameloft, with sales reaching a historic high of €69 million for the fourth quarter of 2016.

The games released in 2016 accounted for 14% of Gameloft's sales during the second half of 2016. *Disney Magic Kingdoms* in particular has been a stand out since its launch by Gameloft in March 2016, notably in Japan where the game, which is distributed in partnership with GungHo, was the most downloaded game on iOS and Google Play upon its release.

During the second half of 2016, two thirds of Gameloft's sales were generated by internally developed franchises which continue to grow as a percentage of sales. Gameloft franchises represented 57% of sales in 2013, 60% in 2014, 64% in 2015, and 67% in the second half of 2016. The goal is to continue to create new franchises every year and, at the same time, to strengthen the appeal of the existing franchises.

Gameloft's income from operations amounted to €10 million for the second half of 2016 thanks to a sharp increase in revenues and fewer operating costs. The income from operations' margin stood at 7.6%, a level that Gameloft had not achieved since the second half of 2013.

Gameloft's EBITA amounted to €7 million for the second half of 2016.

1.4.4 Vivendi Village

	Year ended December 31,				
(in millions of euros)	2016	2015	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Vivendi Ticketing	52	52	+0.8%	+8.4%	+8.4%
MyBestPro	25	22	+11.3%	+11.3%	+11.3%
Watchever	11	16	-29.9%	-29.9%	-29.9%
Olympia	10	10	-2.0%	-2.0%	-2.0%
Radionomy	11	-	na	na	na
Other	2	-	na	na	na
Total Revenues	**111**	**100**	**+10.9%**	**+14.7%**	**+3.8%**
Income from operations	**(7)**	**10**			
Restructuring charges	(2)	(1)			
EBITA	**(9)**	**9**			

na: not applicable.

a. Constant perimeter reflects the impacts of the acquisition of Radionomy on December 17, 2015.

Vivendi Village's revenues amounted to €111 million, a 10.9% increase compared to 2015 (+14.7% at constant currency and +3.8% at constant currency and perimeter). Over the same period, Vivendi Village's income from operations and EBITA amounted to losses of €7 million and €9 million, respectively. Vivendi Village continues to serve as a lab for experimentation and a launch pad for new projects for the entire Group thanks in particular to the flexibility offered by small organizational structures.

Vivendi Ticketing generated revenues of €52 million in 2016 and significantly improved its income from operations (+11.8% compared to 2015).

MyBestPro (web-based expert counseling) continued to perform well in 2016 with an 11.3% increase in revenues and a 23.5% increase in income from operations compared to 2015.

Despite a difficult environment following the November 2016 Paris bombings, L'Olympia almost maintained the same level of revenues in 2016 as the year before by increasing its initiatives, in particular partnerships and events. The Théâtre de L'Œuvre in Paris was re-launched in October 2016 with an original program line-up.

Since early 2017, Olympia Production has coproduced the ambitious tour of Slimane, the 2016 winner of the The Voice France. CanalOlympia has successfully opened three new cinema and entertainment venues in Africa since the beginning of the year and will open a fourth one in Burkina Faso on February 24, 2017.

1.4.5 New Initiatives

The operating segment "New Initiatives" groups together the projects being launched or developed by Vivendi, including Dailymotion (since June 30, 2015), Vivendi Content, Canal Factory and GVA (Group Vivendi Africa).

New Initiatives' revenues amounted to €103 million, compared to €43 million in 2015.

Dailymotion, a global video platform with 300 million unique users per month and three billion video views, began a major transformation plan in 2016. Over the past few months, Dailymotion has strengthened its technical infrastructure, optimized its monetization tools, improved the quality of its audience and taken measures to remove explicit content incompatible with its new premium positioning. Dailymotion intends to offer its users a new experience allowing them to better discover and watch videos, including live videos, directly related to their individual interests and desires. To do this, Dailymotion will rely on the content provided by the hundreds of contributors (publishers, media groups) around the world with whom it has established partnerships. This new experience will be available in the second quarter of 2017, with the worldwide launch of a completely revamped user interface for all screen types, particularly mobile screens, which will mark an important step in Dailymotion's transformation.

Vivendi Content is a business dedicated to developing new content formats aimed at an international audience in close collaboration with the Group's other businesses. It includes Studio+, an offer of short premium digital series specifically designed for mobile devices which was launched in Latin America and Europe during the fourth quarter of 2016, and Vivendi Entertainment which produces original formats for television shows. Vivendi Content also includes the group's initiatives in the field of e-sports.

New Initiatives' income from operations amounted to a €44 million loss, compared to an €18 million loss in 2015. Its EBITA amounted to a €56 million loss, compared to a €20 million loss in 2015.

1.4.6 Corporate

Corporate's income from operations was a net charge of €96 million, compared to €99 million in 2015, a €3 million improvement, primarily due to the decrease in legal fees related to certain litigation.

Corporate's EBITA was a net charge of €102 million, compared to €94 million in 2015, an €8 million increase. In addition to the improvement in income from operations, EBITA also benefited from a decrease in restructuring charges and in charges related to equity-settled share-based compensation plans. However, these decreases were more than offset by non-recurring positive items (related to litigation) recorded in 2015.

2 Treasury and capital resources

2.1 Net Cash Position and equity portfolio

Preliminary comment:

- *The "Net Cash Position", a non-GAAP measure, should be considered in addition to, and not as a substitute for, other GAAP measures as presented in the Consolidated Statement of Financial Position, as well as any other measures of indebtedness reported in accordance with GAAP, and Vivendi considers it to be a relevant indicator of treasury and capital resources of the group. Vivendi Management uses this indicator for reporting, management, and planning purposes, as well as to comply with certain covenants.*
- *The Net Cash Position is calculated as the sum of:*
  - i. *cash and cash equivalents as reported in the Consolidated Statement of Financial Position, corresponding to cash in banks, money market funds, complying with the criteria set forth in AMF position No. 2011-13, and other highly liquid short-term investments with initial maturities of generally three months or less, as required by IAS 7 (please refer to Note 1.3.5.11 to the Consolidated Financial Statements for the year ended December 31, 2016);*
  - ii. *cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", corresponding to financial investments which do not comply with the criteria for classification as cash equivalents set forth in IAS 7, and, with respect to money market funds, the criteria set forth in AMF position No. 2011-13; and*
  - iii. *derivative financial instruments in assets, and cash deposits backing borrowings, included in the Consolidated Statement of Financial Position under "financial assets"; less*
  - iv. *long-term and short-term borrowings and other financial liabilities as reported in the Consolidated Statement of Financial Position.*

2.1.1 Net Cash Position

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	December 31, 2016	December 31, 2015
Cash and cash equivalents (a)	14	4,072	8,225
of which Vivendi SA's money market funds		*1,916*	*5,550*
Vivendi SA's term deposits and interest-bearing current accounts		*1,792*	*2,372*
Cash management financial assets	14	998	581
Cash position		**5,070**	**8,806**
Derivative financial instruments in assets	12	79	115
Cash deposits	12	-	439 (b)
Borrowings and other financial liabilities	19	(4,081)	(2,938)
of which long-term (a)		*(2,977)*	*(1,555)*
short-term (a)		*(1,104)*	*(1,383)*
Borrowings and other financial items		**(4,002)**	**(2,384)**
Net Cash Position		**1,068**	**6,422**

a. As presented in the Consolidated Statement of Financial Position.

b. Corresponded to the cash deposit related to the hedge of Activision Blizzard shares which was recovered following the unwinding of the hedge in January 2016.

As of December 31, 2016, Vivendi's Net Cash Position amounted to €1,068 million. It included the group's cash position of €5,070 million, of which €4,709 million was held by Vivendi SA and primarily invested as follows:

- €1,916 million invested in money market funds and classified as "cash and cash equivalents";
- €2,474 million invested in term deposits, interest-bearing current accounts and Medium Term Notes (MTN), of which €1,792 million is classified as "cash and cash equivalents" and the remaining balance (€682 million) as "financial assets"; and
- €316 million invested in bond funds and classified as "financial assets".

As of December 31, 2016, Vivendi's borrowings and other financial liabilities amounted to €4,081 million, compared to €2,938 million as of December 31, 2015, a €1,143 million increase. This change was notably attributable to the following:

- +€1,600 million, related to the bonds issued in 2016 (€1,500 million in May and €600 million in November), net of the redemption in December 2016 (€500 million);
- +€100 million, incurred by the issuance of commercial papers;
- +€119 million, related to the financial liability recorded with respect to put options attached to the ORAN 1 and ORAN 2 bonds issued by Banijay Group and Lov Banijay, respectively, pursuant to which each has the option of redeeming its borrowings in shares (please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2016);
- -€483 million, incurred by the reversal of the financial liability recorded, as of December 31, 2015, with respect to the collar hedge on the value of Vivendi's interest in Activision Blizzard denominated in USD, unwound in January 2016, concomitantly with the sale of the remaining interest in Activision Blizzard; and
- -€193 million, incurred by the reversal of the financial liability recorded, as of December 31, 2015, with respect to the share repurchase program in progress as of the closing date on December 31, 2015.

Vivendi SA has a €2 billion bank credit facility, undrawn as of December 31, 2016. On October 30, 2016, the maturity date of this credit facility was extended by one year, to October 29, 2021. Taking into account the commercial papers backed by this bank credit facility and issued for €100 million, this facility was available for €1.9 billion as of December 31, 2016. As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), taking into account the commercial papers issued for €300 million, this facility was available for €1.7 billion.
In addition, as a result of the settlement agreement entered into with Liberty Media on February 23, 2016 regarding the lawsuit filed by Liberty Media in March 2003, the letter of credit issued to guarantee the amounts awarded by the jury was terminated and the related cash deposit was returned to Vivendi (€974 million).

Moreover, the depreciation of the British pound (GBP) against the euro, following the referendum held on June 23, 2016 endorsing the United Kingdom's exit from the European Union ("Brexit"), mainly impacted Universal Music Group's revenues. In addition, Vivendi has thoroughly reviewed the impact of interest and foreign exchange rate changes on the group's debt and financial assets, as well as on pension funds, and a report was submitted to Vivendi's Audit Committee to that effect. As of the date of this report, no significant impact on Vivendi's consolidated financial position has been recognized. Other potential effects that could impact the group as a result of the Brexit will be assessed when the terms of the United Kingdom's departure from the European Union will be known.

2.1.2 Equity portfolio

As of December 31, 2016, Vivendi held a portfolio of listed and unlisted non-controlling equity interests, mainly in Telecom Italia, Banijay Group, Mediaset, Ubisoft, Telefonica and Groupe Fnac. As of that date, this equity portfolio represented an aggregate market value of approximately €6.8 billion (before taxes): please refer to Notes 11 and 12 to the Consolidated Financial Statements for the year ended December 31, 2016.

As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), the value of Vivendi's portfolio of non-controlling equity interests amounted to approximately €6.6 billion (before taxes).

2.2 Changes in Net Cash Position

(in millions of euros)	Cash and cash equivalents	Borrowings and other financial items (a)	Net Cash Position
Net Cash Position as of December 31, 2015	**8,225**	**(1,803)**	**6,422**
Outflows/(inflows):			
Operating activities	658	-	658
Investing activities	(2,313)	(31)	(2,344)
Financing activities	(2,496)	(1,211)	(3,707)
Foreign currency translation adjustments	(2)	41	39
Net Cash Position as of December 31, 2016	**4,072**	**(3,004)**	**1,068**

a. "Other financial items" include cash management financial assets, commitments to purchase non-controlling interests, derivative financial instruments (assets and liabilities) and cash deposits.

As of December 31, 2016, Vivendi's Net Cash Position was €1,068 million, compared to €6,422 million as of December 31, 2015, a €5,354 million decrease which notably reflected:

- investments made in 2016, representing an aggregate outflow of €3,281 million, mainly including acquisitions of shares of Mediaset (€1,256 million), Telecom Italia (€622 million), Gameloft (€499 million), Ubisoft (€405 million) and Groupe Fnac (€159 million), as well as the investment in Banijay Group (€340 million); and
- dividends paid to Vivendi SA shareowners for €2,588 million (€1,318 million, paid on February 3, 2016, related to the second interim dividend with respect to fiscal year 2015, and €1,270 million, paid on April 28, 2016, related to the remaining balance of the dividend with respect to fiscal year 2015);
- the purchase of treasury shares for €1,623 million;
- investments in cash management financial assets for a net amount of €394 million (please refer to Note 14 to the Consolidated Financial Statements for the year ended December 31, 2016); and
- capital expenditures for €233 million;

partially offset by:

- cash proceeds from the sale of the remaining interest in Activision Blizzard in January 2016 (€976 million) and from the recovery of a cash deposit pursuant to the unwinding of the hedge of these shares (€483 million);
- net proceeds received as a result of the settlement agreement with Liberty Media (€269 million); and
- cash flow from operations (after income taxes) generated for €658 million.

2.3 Cash flow from operations analysis

Preliminary comments:

- *"Cash flow from operations" (CFFO) and "cash flow from operations after interest and taxes" (CFAIT), non-GAAP measures, should be considered in addition to, and not as substitutes for, other GAAP measures of operating and financial performance as presented in the Consolidated Financial Statements and the related notes or as described in this Financial Report. Vivendi considers these to be relevant indicators of the group's operating and financial performance.*
- *As a reminder, GVT (sold in 2015) has been reported as a discontinued operation in compliance with IFRS 5. In practice, cash flows from this business have been reported as follows:*
  - *GVT's contribution, until its effective sale on May 28, 2015, to each line of Vivendi's Consolidated Statement of Cash Flows has been grouped under the line "Cash flows from discontinued operations"; and*
  - *its cash flow from operations (CFFO) and cash flow from operations after interest and income taxes (CFAIT) have been excluded from Vivendi's CFFO and CFAIT, as presented below.*

	Year ended December 31,		
(in millions of euros)	2016	2015	% Change
Revenues	10,819	10,762	+0.5%
Operating expenses excluding depreciation and amortization	(9,688)	(9,429)	-2.7%
	1,131	*1,333*	*-15.2%*
Restructuring charges paid	(99)	(84)	-17.5%
Content investments, net	(55)	157	na
of which payments to artists and repertoire owners, net at UMG:			
Payments	*(626)*	*(635)*	*+1.4%*
Recoupment and other	*673*	*675*	*-0.3%*
	47	*40*	*+16.3%*
of which film and television rights, net at Canal+ Group:			
Acquisition paid	*(646)*	*(633)*	*-2.1%*
Consumption	*742*	*753*	*-1.4%*
	96	*120*	*-19.8%*
of which sports rights, net at Canal+ Group:			
Acquisition paid	*(850)*	*(719)*	*-18.2%*
Consumption	*890*	*815*	*+9.2%*
	40	*96*	*-58.1%*
Neutralization of change in provisions included in operating expenses	(40)	(47)	+13.3%
Other cash operating items	(1)	(9)	+88.5%
Other changes in net working capital	(7)	(226)	+96.9%
Net cash provided by/(used for) operating activities before income tax paid	***929***	***1,124***	***-17.4%***
Dividends received from equity affiliates and unconsolidated companies	33	14	x 2.4
Capital expenditures, net (capex, net)	(233)	(246)	+5.2%
Cash flow from operations (CFFO)	**729**	**892**	**-18.3%**
Interest paid, net	(40)	(30)	-34.1%
Other cash items related to financial activities	(77)	106	na
Income tax (paid)/received, net	(271)	(1,037)	+73.9%
Cash flow from operations after interest and income tax paid (CFAIT)	**341**	**(69)**	**na**

na: not applicable.

2.3.1 Changes in cash flow from operations (CFFO)

In 2016, cash flow from operations (CFFO) generated by the business segments amounted to €729 million (compared to €892 million in 2015), a €163 million decrease (-18.3%). This change mainly reflected the decline in the performance of Canal+ Group, notably due to the Canal+ channels (-€125 million) and the impact of the group's development projects in France, in particular the launch of Studio+ by Vivendi Content and the ongoing transformation of Dailymotion, as well as a €15 million increase in restructuring charges. These changes were partially offset by Universal Music Group's performance driven by the net growth of its digital operations, as well as a €13 million decrease in capital expenditures and a €19 million increase in dividends received. In 2016, they primarily included dividends received from Telefonica and from Telefonica Brasil for an aggregate amount of €23 million. In 2015, they mainly included the dividend received from Activision Blizzard for €8 million.

2.3.2 Cash flow from operations (CFFO) by business segment

(in millions of euros)	Year ended December 31,		
	2016	2015	% Change
Cash flow from operations (CFFO)			
Universal Music Group	663	567	+17.0%
Canal+ Group	244	472	-48.3%
Gameloft	14	-	na
Vivendi Village	(26)	(10)	x 2.7
New Initiatives	(73)	(22)	x 3.3
Corporate	(93)	(115)	+18.9%
Total Vivendi	**729**	**892**	**-18.3%**

na: not applicable.

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

In 2016, cash flow from operations after interest and income tax paid (CFAIT) represented a €341 million net inflow, compared to a €69 million net outflow in 2015, a €410 million improvement. This change mainly reflected the decrease in outflows for income taxes (+€766 million), partially offset by the unfavorable change in the net cash flow from financial activities (-€193 million) and in the CFFO (-€163 million).

Cash flow related to income taxes amounted to a €271 million net outflow, compared to a €1,037 million net outflow in 2015. In 2016, it notably included tax installments paid in France under the French Tax Group System for fiscal year 2016 (-€104 million) and the 3% tax on the dividends paid by Vivendi SA in February and April 2016 (-€78 million). In 2015, it notably included (i) the tax installment paid in France under the French Tax Group System for fiscal year 2015 (-€233 million), (ii) taxes and fees paid by Vivendi SA in Brazil for an aggregate amount of €395 million, related to the capital gain on the sale of GVT on May 28, 2015, as well as (iii) the payment made on March 31, 2015 by Vivendi SA in France for €321 million, related to an ongoing litigation with tax authorities for the final assessment of the income tax payable by Vivendi SA with respect to fiscal year 2012 (please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2016). This payment was partially offset by the receipt on January 16, 2015 by Vivendi SA of moratorium interest for €43 million, related to the refund received on December 23, 2014 with respect to the Consolidated Global Profit Tax System for the year ended December 31, 2011. In addition, in 2015, income taxes paid included the 3% tax on the dividends paid by Vivendi SA in April and June 2015 (-€82 million).

In 2016, financial activities generated a €117 million net outflow, compared to a €76 million net inflow in 2015. In 2016, they mainly included cash outflows (€60 million) generated by foreign exchange risk hedging instruments as a result of the depreciation of the British pound (GBP) against the euro, and the net interest paid (€40 million). In 2015, they mainly included cash inflows generated by foreign exchange risk hedging instruments (€86 million), net interest paid (€30 million), as well as the interest received between May 6 and August 19, 2015 (€26 million) on the €1,948 million receivable from Altice related to the deferred payment for the sale of the 10% interest in Numericable-SFR.

2.3.4 Reconciliation of CFAIT to net cash provided by/(used for) operating activities of continuing operations

(in millions of euros)	Year ended December 31,	
	2016	2015
Cash flow from operations after interest and income tax paid (CFAIT)	**341**	**(69)**
Adjustments		
Capital expenditures, net (capex, net)	233	246
Dividends received from equity affiliates and unconsolidated companies	(33)	(14)
Interest paid, net	40	30
Other cash items related to financial activities	77	(106)
Net cash provided by/(used for) operating activities of continuing operations (a)	**658**	**87**

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

2.4 Analysis of investing and financing activities

2.4.1 Investing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2016
Financial investments		
Acquisition of Mediaset shares	2	(1,256)
Acquisition of Telecom Italia ordinary shares	2	(622)
Acquisition of Gameloft shares	2	(499)
Investment in Banijay Group	2	(340)
Acquisition of Ubisoft shares	2	(405)
Subscription to Groupe Fnac's reserved capital increase	2	(159)
Acquisition of cash management financial assets	14	(662)
Other		(141)
Total financial investments		**(4,084)**
Financial divestments		
Net proceeds received from the sale of the remaining interest in Activision Blizzard	2	976
Recovery of the deposit related to the hedge of Activision Blizzard shares	2	439
Net proceeds received from the settlement agreement with Liberty Media	23	269
Disposal of cash management financial assets	14	268
Other		19
Total financial divestments		**1,971**
Dividends received from equity affiliates and unconsolidated companies		33
Capital expenditures, net	3	(233)
Net cash provided by/(used for) investing activities (a)		**(2,313)**

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

2.4.2 Financing activities

(in millions of euros)	Refer to Notes to the Consolidated Financial Statements	Year ended December 31, 2016
Transactions with shareowners		
Distribution to Vivendi SA's shareowners	15	(2,588)
Sale/(purchase) of Vivendi SA's treasury shares	15	(1,623)
Capital increase subscribed by employees as part of the Stock Purchase Plan	18	71
Exercise of stock options by executive management and employees	18	10
Other		(37)
Total transactions with shareowners		**(4,167)**
Transactions on borrowings and other financial liabilities		
Issuance of bonds	19	2,100
Issuance of commercial papers	19	100
Redemption of bonds	19	(500)
Interest paid, net	5	(40)
Other		11
Total transactions on borrowings and other financial liabilities		**1,671**
Net cash provided by/(used for) financing activities (a)		**(2,496)**

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

3 Outlook

Vivendi's strategy

Vivendi is building a global content and media group, a very attractive business sector in the 3rd millennium. It owns powerful and complementary assets in this industry, which it gets to work together in order to extract greater value from them. The group owns the three most widely consumed forms of content in the world: music, video games and audiovisual, and holds leading positions in the three most dynamic sectors of the creative industries: music with Universal Music Group, video games with Gameloft and audiovisual with Canal+ Group.

Alongside its content creation capacity, Vivendi has its own distribution capabilities and, to ensure its content gets maximum exposure, establishes partnerships with telecom operators and invests in digital and physical distribution networks.

The group therefore relies on two growth drivers: creation and distribution. Producing and distributing relevant content requires in-depth consumer knowledge, data leveraging and supporting the shift to mobile advertising.

This ambitious strategy is made possible thanks to its main shareholder, the family-owned Bolloré Group (it will hold 29% of voting rights in April 2017), which provides the long-term stability that is needed.

Outlook

In 2017, revenues should increase by more than 5% and, thanks to the measures taken in 2016, EBITA should increase by around 25%.

Dividend and share repurchases

The Management Board confirmed to the Supervisory Board that, in 2017, it would propose the distribution of an ordinary dividend of €0.40 per share with respect to 2016. While building a group creating high long-term value, the cash flow generated by Vivendi allows the group to provide a 2% yield on its shares.

Furthermore, the group may continue to undertake share repurchases depending on market conditions.

4 Forward-Looking Statements

Cautionary note

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

5 Other Disclaimers

Unsponsored ADRs

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

Translation

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

II- Appendix to the Financial Report: Unaudited supplementary financial data

1 Quarterly revenues, income from operations and EBITA by business segment

	2016			
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,
Revenues				
Universal Music Group	1,119	1,196	1,308	1,644
Canal+ Group	1,328	1,311	1,263	1,351
Gameloft	-	-	63	69
Vivendi Village	25	29	24	33
New Initiatives	30	28	18	27
Elimination of intersegment transactions	(11)	(11)	(8)	(17)
Total Vivendi	**2,491**	**2,553**	**2,668**	**3,107**
Income from operations				
Universal Music Group	102	115	174	296
Canal+ Group	164	133	142	(136)
Gameloft	-	-	4	6
Vivendi Village	(4)	(4)	(1)	2
New Initiatives	(9)	(8)	(8)	(19)
Corporate	(25)	(24)	(21)	(26)
Total Vivendi	**228**	**212**	**290**	**123**
EBITA				
Universal Music Group	79	98	176	291
Canal+ Group	169	119	139	(187)
Gameloft	-	-	2	5
Vivendi Village	-	(4)	(5)	-
New Initiatives	(10)	(14)	(11)	(21)
Corporate	(25)	(25)	(24)	(28)
Total Vivendi	**213**	**174**	**277**	**60**

	2015			
(in millions of euros)	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Three months ended December 31,
Revenues				
Universal Music Group	1,097	1,214	1,181	1,616
Canal+ Group	1,370	1,364	1,300	1,479
Vivendi Village	25	26	22	27
New Initiatives	-	1	17	25
Elimination of intersegment transactions	-	(2)	-	-
Total Vivendi	**2,492**	**2,603**	**2,520**	**3,147**
Income from operations				
Universal Music Group	88	91	99	348
Canal+ Group	154	214	186	(12)
Vivendi Village	4	4	1	1
New Initiatives	-	(1)	(9)	(8)
Corporate	(28)	(26)	(20)	(25)
Total Vivendi	**218**	**282**	**257**	**304**
EBITA				
Universal Music Group	82	89	88	334
Canal+ Group	165	223	162	(96)
Vivendi Village	4	4	-	1
New Initiatives	-	(1)	(9)	(10)
Corporate	(33)	(17)	(22)	(22)
Total Vivendi	**218**	**298**	**219**	**207**

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III- Consolidated Financial Statements for the year ended December 31, 2016

Statutory auditors' report on the Consolidated Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you for the year ended December 31, 2016, on:

- the audit of the accompanying Consolidated Financial Statements of Vivendi;
- the justification of our assessments;
- the specific verification required by law.

These Consolidated Financial Statements have been approved by your Management Board. Our role is to express an opinion on these Consolidated Financial Statements, based on our audit.

I. Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Consolidated Financial Statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French commercial code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- At each financial year end, your company systematically performs impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is any indication of impairment of other tangible and intangible assets, according to the methods described in note 1.3.5.7 to the financial statements. We examined the methods used to perform these impairment tests, as well as the main assumptions and estimates, and ensured that notes 1.3.5.7 and 9 to the financial statements provide appropriate disclosures thereon.
- Your company examined the values of its equity interests and financial assets according to the methods described in notes 1.3.5.8 and 11.2 to the Consolidated Financial Statements. We examined the approach adopted by your company to determine the value of these assets, as well as the main assumptions and estimates, and ensured that notes 1.3.5.8, 11.2 and 12 to the financial statements provide appropriate disclosures thereon.
- Note 1.3.9 to the financial statements describes the accounting principles applicable to deferred tax and note 1.3.8 describes the methods used to assess and recognize provisions. We verified the correct application of these accounting principles and also examined the assumptions underlying the positions as at December 31, 2016. We ensured that note 6 to the financial statements gives appropriate information on tax assets and liabilities and on your company's tax positions.
- Notes 1.3.8 and 23 to the financial statements describe the methods used to assess and recognize provisions for litigation. We examined the methods used within the company to identify, calculate, and determine the accounting for such litigation. We also examined the assumptions and data underlying the estimates made by the company. As stated in note 1.3.1 to the financial statements, some facts and circumstances may lead to changes in estimates and assumptions which could have an impact upon the reported amount of provisions.

Our assessments were made as part of our audit of the Consolidated Financial Statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standard applicable in France, the information presented in the group's management report.

We have no matters to report as its fair presentation and its consistency with the Consolidated Financial Statements.

Paris-La Défense, February 23, 2017

The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

Baudouin Griton

ERNST & YOUNG et Autres

Jacques Pierres

Consolidated Statement of Earnings

	Note	Year ended December 31, 2016	2015
Revenues	4	**10,819**	**10,762**
Cost of revenues	4	(6,829)	(6,555)
Selling, general and administrative expenses		(3,395)	(3,571)
Restructuring charges	3	(94)	(102)
Impairment losses on intangible assets acquired through business combinations	3	(23)	(3)
Reversal of reserve related to the Liberty Media litigation in the United States	23	240	-
Other income	4	661	745
Other charges	4	(185)	(45)
Earnings before interest and income taxes (EBIT)	3	**1,194**	**1,231**
Income from equity affiliates	11	169	(10)
Interest	5	(40)	(30)
Income from investments		47	52
Other financial income	5	31	16
Other financial charges	5	(69)	(73)
Earnings from continuing operations before provision for income taxes		**1,332**	**1,186**
Provision for income taxes	6	(77)	(441)
Earnings from continuing operations		**1,255**	**745**
Earnings from discontinued operations		20	1,233
Earnings		**1,275**	**1,978**
Of which			
Earnings attributable to Vivendi SA shareowners		**1,256**	**1,932**
of which **earnings from continuing operations attributable to Vivendi SA shareowners**		**1,236**	**699**
earnings from discontinued operations attributable to Vivendi SA shareowners		20	1,233
Non-controlling interests		19	46
Earnings from continuing operations attributable to Vivendi SA shareowners per share - basic	7	0.97	0.51
Earnings from continuing operations attributable to Vivendi SA shareowners per share - diluted	7	0.93	0.51
Earnings from discontinued operations attributable to Vivendi SA shareowners per share - basic	7	0.02	0.91
Earnings from discontinued operations attributable to Vivendi SA shareowners per share - diluted	7	0.02	0.90
Earnings attributable to Vivendi SA shareowners per share - basic	7	**0.99**	**1.42**
Earnings attributable to Vivendi SA shareowners per share - diluted	7	0.95	1.41

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

As a reminder, in compliance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, GVT (sold on May 28, 2015) has been reported as a discontinued operation.

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

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2016	2015
Earnings		**1,275**	**1,978**
Actuarial gains/(losses) related to employee defined benefit plans, net		(80)	(21)
Actuarial gains/(losses) related to employee defined benefit plans of equity affiliates		(15)	-
Items not reclassified to profit or loss		**(95)**	**(21)**
Foreign currency translation adjustments		43	1,513
Unrealized gains/(losses), net		(217)	(371)
Comprehensive income from equity affiliates, net	11	128	-
Other impacts, net		14	31
Items to be subsequently reclassified to profit or loss		**(32)**	**1,173**
Charges and income directly recognized in equity	8	**(127)**	**1,152**
Total comprehensive income		**1,148**	**3,130**
Of which			
Total comprehensive income attributable to Vivendi SA shareowners		**1,122**	**3,089**
Total comprehensive income attributable to non-controlling interests		26	41

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

Consolidated Statement of Financial Position

(in millions of euros)	Note	December 31, 2016	December 31, 2015
ASSETS			
Goodwill	9	10,987	10,177
Non-current content assets	10	2,169	2,286
Other intangible assets		310	224
Property, plant and equipment		671	737
Investments in equity affiliates	11	4,416	3,435
Non-current financial assets	12	3,900	4,132
Deferred tax assets	6	752	622
Non-current assets		**23,205**	**21,613**
Inventories		123	117
Current tax receivables	6	536	653
Current content assets	10	1,054	1,088
Trade accounts receivable and other	13	2,273	2,139
Current financial assets	12	1,102	1,111
Cash and cash equivalents	14	4,072	8,225
Current assets		**9,160**	**13,333**
TOTAL ASSETS		**32,365**	**34,946**
EQUITY AND LIABILITIES			
Share capital		7,079	7,526
Additional paid-in capital		4,238	5,343
Treasury shares		(473)	(702)
Retained earnings and other		8,539	8,687
Vivendi SA shareowners' equity		**19,383**	**20,854**
Non-controlling interests		229	232
Total equity	15	**19,612**	**21,086**
Non-current provisions	16	1,785	2,679
Long-term borrowings and other financial liabilities	19	2,977	1,555
Deferred tax liabilities	6	726	705
Other non-current liabilities		126	105
Non-current liabilities		**5,614**	**5,044**
Current provisions	16	356	363
Short-term borrowings and other financial liabilities	19	1,104	1,383
Trade accounts payable and other	13	5,614	6,737
Current tax payables	6	65	333
Current liabilities		**7,139**	**8,816**
Total liabilities		**12,753**	**13,860**
TOTAL EQUITY AND LIABILITIES		**32,365**	**34,946**

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

Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2016	2015
Operating activities			
EBIT	4	1,194	1,231
Adjustments	20	(203)	(38)
Content investments, net		(55)	157
Gross cash provided by operating activities before income tax paid		***936***	***1,350***
Other changes in net working capital		(7)	(226)
Net cash provided by operating activities before income tax paid		***929***	***1,124***
Income tax (paid)/received, net	6.2	(271)	(1,037)
Net cash provided by operating activities of continuing operations		***658***	***87***
Net cash provided by operating activities of discontinued operations		***-***	***153***
Net cash provided by operating activities		**658**	**240**
Investing activities			
Capital expenditures	3	(235)	(247)
Purchases of consolidated companies, after acquired cash	2	(553)	(359)
Investments in equity affiliates	11	(772)	(19)
Increase in financial assets	12	(2,759)	(3,549)
Investments		***(4,319)***	***(4,174)***
Proceeds from sales of property, plant, equipment and intangible assets	3	2	1
Proceeds from sales of consolidated companies, after divested cash		3	4,032
Disposal of equity affiliates		1	268
Decrease in financial assets	2	1,967	4,713
Divestitures		***1,973***	***9,014***
Dividends received from equity affiliates	11	8	5
Dividends received from unconsolidated companies	12	25	9
Net cash provided by/(used for) investing activities of continuing operations		***(2,313)***	***4,854***
Net cash provided by/(used for) investing activities of discontinued operations		***-***	***(262)***
Net cash provided by/(used for) investing activities		**(2,313)**	**4,592**
Financing activities			
Net proceeds from issuance of common shares in connection with Vivendi SA's share-based compensation plans	18	81	273
Sales/(purchases) of Vivendi SA's treasury shares	15	(1,623)	(492)
Distributions to Vivendi SA's shareowners	15	(2,588)	(2,727)
Other transactions with shareowners		(3)	(534)
Dividends paid by consolidated companies to their non-controlling interests		(34)	(46)
Transactions with shareowners		***(4,167)***	***(3,526)***
Setting up of long-term borrowings and increase in other long-term financial liabilities	19	2,101	8
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		(16)	(2)
Principal payment on short-term borrowings	19	(557)	(126)
Other changes in short-term borrowings and other financial liabilities	19	260	6
Interest paid, net	5	(40)	(30)
Other cash items related to financial activities		(77)	106
Transactions on borrowings and other financial liabilities		***1,671***	***(38)***
Net cash provided by/(used for) financing activities of continuing operations		***(2,496)***	***(3,564)***
Net cash provided by/(used for) financing activities of discontinued operations		***-***	***69***
Net cash provided by/(used for) financing activities		**(2,496)**	**(3,495)**
Foreign currency translation adjustments of continuing operations		(2)	3
Foreign currency translation adjustments of discontinued operations		-	(8)
Change in cash and cash equivalents		**(4,153)**	**1,332**
Reclassification of discontinued operations' cash and cash equivalents		**-**	**48**
Cash and cash equivalents			
At beginning of the period	14	**8,225**	**6,845**
At end of the period	14	**4,072**	**8,225**

As a reminder, in compliance with IFRS 5, GVT (sold on May 28, 2015) has been reported as a discontinued operation.

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

Consolidated Statements of Changes in Equity

Year ended December 31, 2016

(in millions of euros, except number of shares)	Note	Capital					Retained earnings and other			Total equity
		Common shares: *Number of shares (in thousands)*	Common shares: Share capital	Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
BALANCE AS OF DECEMBER 31, 2015		***1,368,323***	**7,526**	**5,343**	**(702)**	**12,167**	**8,014**	**905**	**8,919**	**21,086**
Attributable to Vivendi SA shareowners		***1,368,323***	***7,526***	***5,343***	***(702)***	***12,167***	***7,764***	***923***	***8,687***	***20,854***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***250***	***(18)***	***232***	***232***
Contributions by/distributions to Vivendi SA shareowners		***(81,235)***	**(447)**	**(1,105)**	**229**	**(1,323)**	**(1,269)**	**-**	**(1,269)**	**(2,592)**
Capital reduction through cancellation of treasury shares (June 17, 2016)	15	*(86,875)*	(478)	(1,154)	1,632	-	-	-	-	-
Sales/(purchases) of treasury shares	15	-	-	-	(1,409)	(1,409)	(4)	-	(4)	(1,413)
Distribution to shareowners (balance of the dividend paid on April 28, 2016 with respect to fiscal year 2015)	15	-	-	-	-	-	(1,270)	-	(1,270)	(1,270)
Capital increase related to share-based compensation plans	18	*5,640*	31	49	6	86	5	-	5	91
of which employee Stock Purchase Plans (July 28, 2016)		*4,870*	*27*	*44*	*-*	*71*	*-*	*-*	*-*	*71*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		***-***	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**(2)**
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)		***(81,235)***	**(447)**	**(1,105)**	**229**	**(1,323)**	**(1,271)**	**-**	**(1,271)**	**(2,594)**
Contributions by/distributions to non-controlling interests		-	-	-	-	-	(35)	-	(35)	(35)
Changes in non-controlling interests that result in a gain/(loss) of control		-	-	-	-	-	7	-	7	7
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)		***-***	**-**	**-**	**-**	**-**	**(28)**	**-**	**(28)**	**(28)**
Earnings		-	-	-	-	-	1,275	-	1,275	1,275
Charges and income directly recognized in equity	8	-	-	-	-	-	14	(141)	(127)	(127)
TOTAL COMPREHENSIVE INCOME (C)		***-***	**-**	**-**	**-**	**-**	**1,289**	**(141)**	**1,148**	**1,148**
TOTAL CHANGES OVER THE PERIOD (A+B+C)		***(81,235)***	***(447)***	***(1,105)***	***229***	***(1,323)***	***(10)***	***(141)***	***(151)***	***(1,474)***
Attributable to Vivendi SA shareowners		*(81,235)*	*(447)*	*(1,105)*	*229*	*(1,323)*	*(16)*	*(132)*	*(148)*	*(1,471)*
Attributable to non-controlling interests		*-*	*-*	*-*	*-*	*-*	*6*	*(9)*	*(3)*	*(3)*
BALANCE AS OF DECEMBER 31, 2016		***1,287,088***	**7,079**	**4,238**	**(473)**	**10,844**	**8,004**	**764**	**8,768**	**19,612**
Attributable to Vivendi SA shareowners		***1,287,088***	***7,079***	***4,238***	***(473)***	***10,844***	***7,748***	***791***	***8,539***	***19,383***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***256***	***(27)***	***229***	***229***

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

Year ended December 31, 2015

(in millions of euros, except number of shares)	Note	Capital					Retained earnings and other			Total equity
		Common shares		Additional paid-in capital	Treasury shares	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
		Number of shares *(in thousands)*	Share capital							
BALANCE AS OF DECEMBER 31, 2014		***1,351,601***	**7,434**	**5,160**	**(1)**	**12,593**	**10,611**	**(216)**	**10,395**	**22,988**
Attributable to Vivendi SA shareowners		***1,351,601***	***7,434***	***5,160***	***(1)***	***12,593***	***10,210***	***(197)***	***10,013***	***22,606***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***401***	***(19)***	***382***	***382***
Contributions by/distributions to Vivendi SA shareowners		***16,722***	**92**	**183**	**(701)**	**(426)**	**(4,033)**	**-**	**(4,033)**	**(4,459)**
Sales/(purchases) of treasury shares	15	-	-	-	(702)	(702)	-	-	-	(702)
Distribution to shareowners	15	-	-	-	-	-	(4,044)	-	(4,044)	(4,044)
Dividend paid on April 23, 2015 with respect to fiscal year 2014 (€1 per share)		-	-	-	-	-	*(1,363)*	-	*(1,363)*	*(1,363)*
First interim dividend paid on June 29, 2015 with respect to fiscal year 2015 (€1 per share)		-	-	-	-	-	*(1,364)*	-	*(1,364)*	*(1,364)*
Second interim dividend paid on February 3, 2016 with respect to fiscal year 2015 (€1 per share)		-	-	-	-	-	*(1,318)*	-	*(1,318)*	*(1,318)*
Capital increase related to share-based compensation plans		16,722	92	183	1	276	11	-	11	287
of which Vivendi Employee Stock Purchase Plans (July 16, 2015)	18	*3,914*	*22*	*53*	-	*75*	-	-	-	*75*
exercise of stock-options by executive management and employees		*10,882*	*60*	*140*	-	*200*	-	-	-	*200*
Changes in Vivendi SA's ownership interest in its subsidiaries that do not result in a loss of control		**-**	**-**	**-**	**-**	**-**	**(382)**	**-**	**(382)**	**(382)**
Of which acquisition of SECP's non-controlling interests		-	-	-	-	-	*(375)*	-	*(375)*	*(375)*
CHANGES IN EQUITY ATTRIBUTABLE TO VIVENDI SA SHAREOWNERS (A)		***16,722***	**92**	**183**	**(701)**	**(426)**	**(4,415)**	**-**	**(4,415)**	**(4,841)**
Contributions by/distributions to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(41)**	**-**	**(41)**	**(41)**
Dividends paid by subsidiaries to non-controlling interests		-	-	-	-	-	(41)	-	(41)	(41)
Changes in non-controlling interests that do not result in a gain/(loss) of control		**-**	**-**	**-**	**-**	**-**	**(150)**	**-**	**(150)**	**(150)**
Acquisition of SECP's non-controlling interests		-	-	-	-	-	(150)	-	(150)	(150)
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)		**-**	**-**	**-**	**-**	**-**	**(191)**	**-**	**(191)**	**(191)**
Earnings		-	-	-	-	-	1,978	-	1,978	1,978
Charges and income directly recognized in equity	8	-	-	-	-	-	31	1,121	1,152	1,152
TOTAL COMPREHENSIVE INCOME (C)		**-**	**-**	**-**	**-**	**-**	**2,009**	**1,121**	**3,130**	**3,130**
TOTAL CHANGES OVER THE PERIOD (A+B+C)		***16,722***	***92***	***183***	***(701)***	***(426)***	***(2,597)***	***1,121***	***(1,476)***	***(1,902)***
Attributable to Vivendi SA shareowners		*16,722*	*92*	*183*	*(701)*	*(426)*	*(2,446)*	*1,120*	*(1,326)*	*(1,752)*
Attributable to non-controlling interests		-	-	-	-	-	*(151)*	*1*	*(150)*	*(150)*
BALANCE AS OF DECEMBER 31, 2015		***1,368,323***	**7,526**	**5,343**	**(702)**	**12,167**	**8,014**	**905**	**8,919**	**21,086**
Attributable to Vivendi SA shareowners		***1,368,323***	***7,526***	***5,343***	***(702)***	***12,167***	***7,764***	***923***	***8,687***	***20,854***
Attributable to non-controlling interests		***-***	***-***	***-***	***-***	***-***	***250***	***(18)***	***232***	***232***

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

Notes to the Consolidated Financial Statements

Vivendi is a limited liability company (*société anonyme*) incorporated under French law and subject to French commercial company law including the French Commercial Code (Code de commerce). Vivendi was incorporated on December 18, 1987, for a term of 99 years expiring on December 17, 2086, except in the event of an early dissolution or unless its term is extended. Its registered office is located at 42 avenue de Friedland - 75008 Paris (France). Vivendi is listed on Euronext Paris (Compartment A).

Vivendi is an integrated content and media group. The company operates businesses throughout the media value chain, from talent discovery to the creation, production and distribution of content. Universal Music Group is engaged in recorded music, music publishing and merchandising. It owns more than 50 labels covering all music genres. Canal+ Group is engaged in pay-TV in France, as well as in Africa, Poland and Vietnam. Its subsidiary Studiocanal is a leading European player in production, sales and distribution of movies and TV series. Gameloft creates games for all digital platforms. Vivendi Village brings together Vivendi Ticketing (in the United Kingdom, the United States and France), MyBestPro (expert counseling), Watchever (subscription streaming services), Radionomy (digital radio), the venues L'Olympia and Théâtre de L'Œuvre in Paris, and CanalOlympia in Africa, as well as Olympia Production. New Initiatives groups together certain projects being launched or developed, including Dailymotion, Vivendi Content (Studio+), Canal Factory and GVA (Group Vivendi Africa).

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

On February 16, 2017, at a meeting held at the headquarters of the company, the Management Board approved the Financial Report and the Consolidated Financial Statements for the year ended December 31, 2016. They were reviewed by the Audit Committee at its meeting held on February 20, 2017 and the Supervisory Board, at its meeting held on February 23, 2017.

The Consolidated Financial Statements for the year ended December 31, 2016 will be submitted to Vivendi's shareholders for approval at the Annual General Shareholders' Meeting to be held on April 25, 2017.

Note 1 Accounting policies and valuation methods

1.1 Compliance with accounting standards

The 2016 Consolidated Financial Statements of Vivendi SA have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and in accordance with IFRS published by the International Accounting Standards Board (IASB) with mandatory application as of December 31, 2016.

The amendments to IAS 38 – *Intangible Assets* apply mandatorily from January 1, 2016. These amendments, related to clarification of acceptable methods of depreciation and amortization, were issued by the IASB on May 12, 2014, endorsed by the EU on December 2, 2015, and published in the Official Journal of the EU on December 3, 2015.

Their application had no significant impact on Vivendi. Regarding its film production and television rights activities, Vivendi considers that using the amortization method based on revenues generated by these activities, according to the estimated revenue method described in Note 1.3.5.3, is appropriate because revenue and the consumption of the economic benefits embodied in the intangible assets are highly correlated.

1.2 Presentation of the Consolidated Financial Statements

1.2.1 Consolidated Statement of Earnings

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

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

1.2.2 Consolidated Statement of Cash Flows

Net cash provided by operating activities

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

Net cash used for investing activities

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

Net cash used for financing activities

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

1.2.3 Operating performance of each operating segment and the group

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

EBITA

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

- the amortization of intangible assets acquired through business combinations ;
- impairment losses on goodwill and other intangibles acquired through business combinations; and
- other income and charges related to transactions with shareowners and to financial investing transactions, which include gains and losses recognized in business combinations, capital gains or losses related to divestitures, or the depreciation of equity affiliates and other financial investments, as well as gains or losses incurred from the gain or loss of control in a business.

Income from operations

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

Adjusted net income

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

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

It does not include the following items:

- amortization of intangibles acquired through business combinations (**) as well as impairment losses on goodwill and other intangibles acquired through business combinations (*) (**);
- other income and charges related to financial investing transactions and to transactions with shareowners (*), as defined above;
- other financial charges and income (*), equal to the profit and loss related to the change in value of financial assets and the termination or change in value of financial liabilities, which primarily include changes in the fair value of derivative instruments,

premiums from the early redemption of borrowings, the early unwinding of derivative instruments, the cost of issuing or cancelling credit facilities, the cash impact of foreign exchange transactions (other than those related to operating activities, included in the EBIT), as well as the effect of undiscounting assets and liabilities, and the financial components of employee benefits (interest cost and expected return on plan assets);

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

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

Cash Flow From Operations (CFFO)

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

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

1.2.4 Consolidated Statement of Financial Position

Assets and liabilities that are expected to be realized, or intended for sale or consumption, within the entity's normal operating cycle (generally 12 months), are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities. Moreover, certain reclassifications have been made to the 2015 and 2014 Consolidated Financial Statements to conform to the presentation of the 2016 and 2015 Consolidated Financial Statements.

1.3 Principles governing the preparation of the Consolidated Financial Statements

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

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

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

1.3.1 Use of estimates

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

The main estimates and assumptions relate to the measurement of:

- revenue: estimates of provisions for returns and price guarantees (please refer to Note 1.3.4);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a risk reassessment at any time (please refer to Notes 1.3.8 and 16);
- employee benefits: assumptions are updated annually, such as the probability of employees remaining within the group until retirement, expected changes in future compensation, the discount rate and inflation rate (please refer to Notes 1.3.8 and 17);
- share-based compensation: assumptions are updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.10 and 18);
- deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1.3.9 and 6);

- goodwill and other intangible assets: valuation methods adopted for the identification of intangible assets acquired through business combinations (please refer to Note 1.3.5.2);
- goodwill, intangible assets with indefinite useful lives and assets in progress: assumptions are updated annually relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates (please refer to Notes 1.3.5.7 and 9);
- UMG content assets: estimates of the future performance of beneficiaries who were granted advances are recognized in the Statement of Financial Position (please refer to Notes 1.3.5.3 and 10); and
- certain financial instruments: valuation method at fair value defined according to the three following classification levels (please refer to Notes 1.3.5.8, 1.3.7, 12, 14 and 19):
  - Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
  - Level 2: fair value measurement based on observable market data (other than quoted prices included within Level 1); and
  - Level 3: fair value measurement based on valuation techniques that use inputs for the asset or liability that are not based on observable market data.

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

1.3.2 Principles of consolidation

A list of Vivendi's major subsidiaries, joint ventures and associated entities is presented in Note 24.

Consolidation

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

The Control defined by IFRS 10 is based on the following three criteria to be fulfilled simultaneously to conclude that the parent company exercises control:

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

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

Accounting for joint arrangements

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

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

Joint arrangements are classified into two categories:

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

Equity accounting

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

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

1.3.3 Foreign currency translation

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

Foreign currency transactions

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

Financial statements denominated in a foreign currency

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

1.3.4 Revenues from operations and associated costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the group and when they can be reliably measured. Revenues are reported net of discounts.

1.3.4.1 Universal Music Group (UMG)

Recorded music

Revenues from the physical sale of recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.4) and rebates, are recognized upon shipment to third parties, at the shipping point for products sold free on board (FOB) and on delivery for products sold free on destination.

Revenues from the digital sale of recorded music, for which UMG has sufficient, accurate, and reliable data from certain distributors, are recognized based on their estimate at the end of the month in which those sales were made to the final customer. In the absence of such data, revenues are recognized upon notification by the distribution platform (on-line or mobile music distributor) to UMG of a sale to the final customer.

Music publishing

Revenues from the third-party use of copyright on musical compositions owned or administered by UMG are recognized when royalty statements are received and collectability is assured.

Costs of revenues

Costs of revenues include manufacturing and distribution costs, royalty and copyright expenses, artists' costs, recording costs, and direct overheads. Selling, general and administrative expenses primarily include marketing and advertising expenses, selling costs, provisions for doubtful receivables and indirect overheads.

1.3.4.2 Canal+ Group

Pay and free-to-air television

Revenues from television subscription services for terrestrial, satellite or cable pay-television platforms are recognized over the service period, net of gratuities granted. Revenues from advertising are recognized over the period during which the advertising commercials are broadcast. Revenues from ancillary services (such as interactive or video-on-demand services) are recognized when the service is rendered. Subscriber management and acquisition costs, as well as television distribution costs, are included in selling, general and administrative expenses.

Equipment rentals

IFRIC 4 - *Determining Whether an Arrangement Contains a Lease* applies to equipment for which a right of use is granted. Equipment lease revenues are generally recognized on a straight-line basis over the life of the lease agreement.

Film and television programming

Theatrical revenues are recognized as the films are screened. Revenues from film distribution and from video and free-to-air or pay television licensing agreements are recognized when the films and television programs are available for telecast and all other conditions of sale have been met. Home video product revenues, less a provision for estimated returns (please refer to Note 1.3.4.4) and rebates, are recognized upon shipment and availability of the product for retail sale. Amortization of capitalized film and television production and acquisition costs, theatrical print costs, home video inventory costs and television and home video marketing costs are included in costs of revenues.

1.3.4.3 Gameloft

Video Games

Revenues from mobile game activity are determined using information from the distribution network (e.g., operators, affiliates and manufacturers) showing the number of downloaded games from their various servers and based on the terms of the contracts.

The accounting method for revenues related to home console game download services (Xbox LIVE Arcade, 3DS, PS Vita and PlayStation(R)Network), the latest generation of set-top boxes and Smart TVs is the same as for mobile game activity.

Revenues from video, mobile and console games are measured at the fair value of the consideration received or receivable, net of VAT and other taxes.

For every contract signed, Gameloft determines whether the company is acting as principal or, on the contrary, as agent. The principal recognizes as revenue the amount invoiced to the final customers, net of service fees rendered by the agent. Determining whether the company is acting as principal or as agent requires an evaluation of the risks and responsibilities taken by the entity during the transaction to deliver the goods or to provide a service.

Cost of sales

Cost of sales includes game hosting and production costs, royalties and costs related to the sale of games based on the various download options.

1.3.4.4 Other

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

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

Advertising costs are expensed when incurred.

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

1.3.5 Assets

1.3.5.1 Capitalized financial interest

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

1.3.5.2 Goodwill and business combinations

Business combinations from January 1, 2009

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

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

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

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

The measurement of non-controlling interests at fair value results in an increase in goodwill up to the extent attributable to these interests, thereby leading to the recognition of a "full goodwill". The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 1.3.5.7 below).

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

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

Business combinations prior to January 1, 2009

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

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

1.3.5.3 Content assets

UMG

Music rights and catalogs include music catalogs, artists' contracts and music publishing rights, acquired through business combinations, amortized in selling, general and administrative expenses over a period not exceeding 15 years.

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.

Canal+ Group

Film, television or sports broadcasting rights

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

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

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

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

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

Film and television rights catalogs

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

1.3.5.4 Research and development costs

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

Cost of internal use software

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

Cost of developing video games

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

1.3.5.5 Other intangible assets

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

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

1.3.5.6 Property, plant and equipment

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

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

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

Assets financed by finance lease contracts are capitalized at the lower of the fair value of future lease payments and of the market value and the related debt is recorded as "Borrowings and other financial liabilities". In general, these assets are amortized on a straight-line basis over their estimated useful life, corresponding to the duration applicable to property, plant and equipment from the same category. Amortization expenses on assets acquired under such leases are included in amortization expenses.

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

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

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

1.3.5.7 Asset impairment

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

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

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

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

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

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

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

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

1.3.5.8 Financial assets

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

Financial assets at fair value

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

Available-for-sale securities consist of unconsolidated interests and other securities that cannot be classified in the other financial asset categories described below. Unrealized gains and losses on available-for-sale securities are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, or until there is objective evidence that the investment is impaired, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is expensed in other financial charges and income.

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

Financial assets at amortized cost

Financial assets at amortized cost consist of loans and receivables (primarily loans to affiliates and associates, current account advances to equity affiliates and unconsolidated interests, cash deposits, securitized loans and receivables, and other loans and receivables, and debtors) and held-to-maturity investments (financial assets with fixed or determinable payments and fixed maturity). At the end of each period, these assets are measured at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred, the amount of this loss, measured as the difference between the financial asset's carrying value and its recoverable amount (equal to the present value of estimated future cash flows discounted at the financial asset's initial effective interest rate), is recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

1.3.5.9 Inventories

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

1.3.5.10 Trade accounts receivable

Trade accounts receivable are initially recognized at fair value, which is generally equal to their nominal value. Provisions for the impairment of receivables are specifically valued in each business unit, generally using a default percentage based on the unpaid amounts during one reference period. For the group's businesses which have an economic model based partly or fully on subscription (Canal+ Group), the depreciation rate of trade account receivables is assessed on the basis of historical account receivables from former customers, primarily on a statistical basis. In addition, account receivables from customers subject to insolvency proceedings or customers with whom Vivendi is involved in litigation or a dispute are generally impaired in full.

1.3.5.11 Cash and cash equivalents

The "cash and cash equivalents" category, defined in accordance with IAS 7, consists of cash in banks, monetary UCITS, which satisfy AMF position No. 2011-13, and other highly liquid investments with initial maturities of generally three months or less. Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets. Moreover, the historical performances of the investments are monitored regularly to confirm their cash equivalents accounting classification.

1.3.6 Assets held for sale and discontinued operations

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

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

1.3.7 Financial liabilities

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

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

Borrowings

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

Commitments to purchase non-controlling interests

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

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

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

Derivative financial instruments

Vivendi uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates, and foreign currency exchange rates. All instruments are either listed on organized markets or traded over-the-counter with highly-rated counterparties. These instruments include interest rate and currency swaps, and forward exchange contracts. All these derivative financial instruments are used for hedging purposes.

When these contracts qualify as hedges for accounting purposes, gains and losses arising on these contracts are offset in earnings against the gains and losses relating to the hedged item. When the derivative financial instrument hedges exposures to fluctuations in the fair value of an asset or a liability recognized in the Statement of Financial Position or of a firm commitment which is not recognized in the Statement of Financial Position, it is a fair value hedge. The instrument is remeasured at fair value in earnings, with the gains or losses arising on remeasurement of the hedged portion of the hedged item offset on the same line of the Statement of Earnings, or, as part of a forecasted transaction relating to a non-financial asset or liability, at the initial cost of the asset or liability. When the derivative financial instrument hedges cash flows, it is a cash flow hedge. The hedging instrument is remeasured at fair value and the portion of the gain or loss that is determined to be an effective hedge is recognized through charges and income directly recognized in equity, whereas its ineffective portion is recognized in earnings, or, as part of a forecasted transaction on a non-financial asset or liability, they are recognized at the initial cost of the asset or liability. When the hedged item is realized, accumulated gains and losses recognized in equity are released to the Statement of Earnings and recorded on the same line as the hedged item. When the derivative financial instrument hedges a net investment in a foreign operation, it is recognized in the same way as a cash flow hedge. Derivative financial instruments which do not qualify as a hedge for accounting purposes are remeasured at fair value and resulting gains and losses are recognized directly in earnings, without remeasurement of the underlying instrument.

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

1.3.8 Other liabilities

Provisions

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

Employee benefit plans

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

Defined contribution plans

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

Defined benefit plans

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

Pension expenses and defined benefit obligations are calculated by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with Vivendi until retirement, expected changes in future compensation and an appropriate discount rate for each country in which Vivendi maintains a pension plan. The assumptions adopted in 2015 and 2016, and the means of determining these assumptions, are presented in Note 17. A provision is recorded in the Statement of Financial Position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, and includes past service cost and actuarial gains and losses.

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

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

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

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

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

1.3.9 Deferred taxes

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

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

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

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

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

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

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

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

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

1.3.10 Share-based compensation

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

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

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

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

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

Equity-settled instruments:

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

Cash-settled instruments:

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

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

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

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

1.4 Related parties

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

The transactions realized with subsidiaries over which the group exercises control are not included in the intersegment operations (a list of the group's major consolidated entities is presented in Note 24). Moreover, commercial relationships among subsidiaries of the group, aggregated in operating segments, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties. The operating costs of Vivendi SA's headquarters, after the allocation of a portion of these costs to each of the group's businesses, are included in the Corporate operating segment.

1.5 Contractual obligations and contingent assets and liabilities

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

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

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

Among IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC as of the date of approval of these Consolidated Financial Statements, but which are not yet effective, and for which Vivendi has not elected for an earlier application, the main standards which may have an impact on Vivendi are the following:

- IFRS 15 – *Revenue from Contracts with Customers*, which applies mandatorily from January 1, 2018, was issued by the IASB on May 28, 2014, endorsed by the EU on September 22, 2016, and published in the Official Journal of the EU on October 29, 2016.
- IFRS 9 – *Financial Instruments*, which applies mandatorily from January 1, 2018, was issued by the IASB on July 24, 2014, endorsed by the EU on November 22, 2016 and published in the Official Journal of the EU on November 29, 2016.
- IFRS 16 – *Leases*, which applies mandatorily from January 1, 2019, was issued by the IASB on January 13, 2016, and is still to be endorsed by the EU.

Vivendi is currently assessing the potential impact on 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 the Consolidated Financial Statements in applying these standards.

Note 2 Major changes in the consolidation scope and the equity portfolio

2.1 Acquisition of Gameloft

On February 18, 2016, Vivendi filed a proposed public tender offer ("the offer") with the *Autorité des marchés financiers* ("AMF") for all the shares of Gameloft S.E. ("Gameloft"), following its crossing of the 30% threshold of Gameloft's share capital. As of that date, Vivendi held 25,649,006 Gameloft shares[5] representing 30.01% of the share capital and 26.72% of the voting rights of this company[6].

The offer period ran from March 21 until May 27, 2016, and then from June 2 until June 15, 2016, at a price of €8.00 per share (compared to the prices initially announced of €6.00, and then €7.20). Following completion of the offer, Vivendi held 83,611,458 Gameloft shares, representing 95.93% of the share capital and 95.80% of the voting rights[7] as of June 30, 2016.

On June 29, 2016, at Gameloft General Shareholders' Meeting, Gameloft's Board of Directors was reconstituted with the appointment of five members proposed by Vivendi. Following the Shareholders' Meeting, the Board of Directors appointed Stéphane Roussel, a member of Vivendi's Management Board, as Chairman and Chief Executive Officer of Gameloft.

On July 18, 2016, the Paris Court of Appeal acknowledged the withdrawal of Gameloft's appeal against the AMF's conformity clearance decision with respect to Vivendi's offer. Given that the conditions required by Article L. 433-4 III of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 237-14 to 237-16 of the AMF General Regulations (*Règlement général*) for the implementation of a squeeze-out procedure had been met, Vivendi, as it had reserved the right to do in its tender offer documentation (*note d'information*), requested from the AMF the implementation of a squeeze-out for the remaining Gameloft shares not held by Vivendi.

In its notice published on July 20, 2016, the AMF stated that the squeeze-out for the 3,550,064 Gameloft shares not yet held by Vivendi would be implemented on July 26, 2016. On that date, Gameloft shares were transferred to Vivendi in exchange for the payment of compensation to the holders and delisted from Euronext Paris. The squeeze-out was made at the same price as the public tender offer, i.e., a cash payment of €8 for each Gameloft share.

Consolidation of Gameloft by Vivendi

Between September 2015 and July 2016, Vivendi acquired 100% of Gameloft's share capital for an aggregate amount of €621 million (of which €499 million was paid in 2016).

Vivendi has consolidated Gameloft under the full goodwill method since June 29, 2016, and performed a preliminary allocation of the purchase price for 100% of Gameloft, based on a full enterprise value of €697 million. The allocation of the purchase price will be finalized within the 12-month period following the acquisition date, as required by accounting standards. The provisional goodwill amounted to €609 million. The final amount of goodwill may differ from the amount initially recorded.

(in millions of euros)	June 29, 2016
Carrying value of Gameloft's assets and liabilities acquired by Vivendi	102
Fair value adjustment of Gameloft's acquired assets and incurred or assumed liabilities	(14)
Fair value of Gameloft's acquired assets and incurred or assumed liabilities	88
Provisional goodwill	**609**
Purchase price for 100% of Gameloft	697
Of which cash proceeds	*621*
revaluation of the shares to €8	*76*

***Pro forma* supplementary financial information related to Gameloft**

Based on 12-month *pro forma* figures, in 2016, Gameloft's revenues and income from operations would have amounted to €257 million and €10 million, respectively (compared to €256 million and €2 million in 2015, respectively, as publicly disclosed by Gameloft). These 12-month *pro forma* figures were calculated as though the acquisition of Gameloft had occurred on January 1, 2016, and therefore do not necessarily reflect the results that would have been achieved if the acquisition had actually been completed on January 1, 2016.

[5] *Of which 225,000 Gameloft shares borrowed and considered as owned by Vivendi, in accordance with Article L. 233-9 I, 6° of the French Commercial Code (Code de commerce).*
[6] *Based on a share capital comprised of 85,465,122 shares representing 95,995,288 voting rights (information as of January 31, 2016, as disclosed on Gameloft's website).*
[7] *Based on a share capital comprised of 87,161,522 shares representing 87,276,552 voting rights (information as of June 30, 2016, as disclosed on Gameloft's website).*

2.2 Acquisition of Telecom Italia shares

On June 24, 2015, Vivendi announced that it had become the largest shareholder of Telecom Italia, holding 14.9% of Telecom Italia's ordinary shares. As of December 31, 2015, Vivendi held 2,887.74 million of Telecom Italia ordinary shares (i.e., 21.4%, representing 14.8% of the total share capital), pursuant to the following transactions:

- on June 24, 2015, pursuant to the agreement entered into with Telefonica for the sale of GVT, Vivendi swapped a 4.5% interest in Telefonica Brasil with Telefonica in exchange for a block of 1,110 million shares, representing 8.24% of Telecom Italia ordinary shares;
- between June 10 and June 18, 2015, Vivendi purchased 1.90% of Telecom Italia ordinary shares directly on the stock market (256 million shares) and, on June 22, 2015, Vivendi acquired a block of 642 million shares, representing 4.76% of Telecom Italia ordinary shares from a financial institution; and
- during the second half of 2015, Vivendi purchased 880 million Telecom Italia ordinary shares directly on the stock market.

In November 2016, pursuant to the conversion at the maturity date of a bond redeemable in Telecom Italia shares, Vivendi's interest in Telecom Italia was diluted from 24.7% to 21.9%. As a result of such dilution, Vivendi purchased additional Telecom Italia ordinary shares to bring its interest back to previous levels.

In total, in 2016, Vivendi made net acquisitions of 752.37 million additional Telecom Italia ordinary shares for an aggregate consideration of €622 million. As of December 31, 2016, Vivendi held 3,640 million Telecom Italia ordinary shares (i.e., 23.9%, representing 17.2% of the total share capital). Since December 15, 2015 and to the date of this report, Vivendi's interest in Telecom Italia has been accounted for under the equity method (please refer to Note 11).

2.3 Acquisition of an interest in Banijay Group

On February 23, 2016, Vivendi completed the acquisition of a 26.2% interest in Banijay Group, resulting from the combination of Banijay and Zodiak Media. Vivendi's investment in Banijay Group represented a cash payment of €290 million, including €100 million for a 26.2% interest in the new combined entity. On the same date, Vivendi also subscribed to two bonds:

i. a €100 million bond redeemable into either shares or cash ("ORAN1") issued by Banijay Group. Upon maturity of ORAN1, Banijay Group will have the option of either redeeming the bond in cash or converting it into a number of Banijay Group shares which, in addition to the shares already held by Vivendi, would bring Vivendi's interest in Banijay Group to a maximum of 49.9%; and

ii. a €90 million bond redeemable into either shares or cash ("ORAN2") issued by Lov Banijay, a holding company controlled by Financière Lov. Upon maturity of ORAN2, Lov Banijay will have the option of either redeeming the bond in cash or converting it into a number of shares that would give Vivendi a 25% interest in Lov Banijay.

Both bonds have a 7-year maturity period.

In addition, on October 14, 2016, Vivendi subscribed to a €50 million bond redeemable in cash issued by Lov Banijay, maturing on February 23, 2023.

Vivendi has two representatives on Banijay Group's Board of Directors, and certain veto and liquidity rights. Since February 23, 2016, in accordance with IAS 28, the interest in Banijay Group has been accounted for under the equity method.

2.4 Acquisition of Ubisoft shares

In 2015, Vivendi purchased 15.659 million Ubisoft Entertainment ("Ubisoft") shares, representing 13.98% of the share capital and 12.35% of the voting rights, pursuant to purchases on the stock market for €351 million.

In 2016, Vivendi purchased 13.592 million additional Ubisoft shares for €405 million. As of December 31, 2016, Vivendi held 29.251 million Ubisoft shares, i.e., 25.72% of the share capital, representing 23.39% of the voting rights[8] as of that date. Vivendi's position toward Ubisoft has changed as follows:

- On September 29, 2016, Vivendi participated in Ubisoft's General Shareholders' Meeting, as the largest shareholder, holding, as of that date, 22.8% of Ubisoft's share capital. Vivendi considers that it would be good corporate governance to be represented on the company's Board of Directors given its equity ownership. In the meantime, Vivendi abstained from voting on the resolutions. As a result, resolutions 22, 23, 24 and 25 presented by the Board of Directors failed to be passed.

[8] *Based on a share capital comprised of 113,719,410 shares, representing 125,050,097 voting rights (information as of December 31, 2016, as disclosed on Ubisoft's website).*

- On December 7, 2016, Vivendi crossed the 25% threshold of Ubisoft's share capital, holding 28.574 million Ubisoft shares, representing equivalent voting rights, i.e., 25.15% of the share capital and 22.92% of the voting rights[9]. In accordance with Article L.233-7 VII of the French Commercial Code (*Code de commerce*), Vivendi stated the following objectives it intends to pursue over the six coming months:
  - Vivendi's acquisitions were financed using its available cash;
  - Vivendi is not acting in concert with any third party in connection with its investments in Ubisoft and did not enter into a temporary sale agreement concerning Ubisoft shares or voting rights;
  - Vivendi does not hold instruments and is not a party to agreements such as those referred to in paragraphs 4° and 4°bis of Article L.233-9 of the French Commercial Code (*Code de commerce*);
  - Vivendi contemplates continuing the acquisition of Ubisoft shares depending on market conditions;
  - Vivendi does not contemplate filing a public tender for Ubisoft shares, nor acquiring control of the company;
  - Vivendi continues to express its desire to establish a fruitful cooperation with Ubisoft;
  - Vivendi intends to seek a restructuring of Ubisoft's Board of Directors, in particular to obtain a representation consistent with its shareholding; and
  - Vivendi's investment in Ubisoft's business sector is part of a strategic vision of operational convergence between Vivendi's content and platforms, and Ubisoft's productions in video games. Since this strategy does not require any modification to Ubisoft's legal or financial organization, Vivendi does not contemplate implementing any of the transactions referred to in Article 223-17 I, 6° of the AMF General Regulations (*Règlement Général*).

The initial Ubisoft shares that Vivendi acquired as from September 2015 were registered under the registered form (*au nominatif*) on November 19, 2015. They constituted an aggregate interest of 12.896 million shares and will be entitled to double voting rights as from November 20, 2017, the date on which, based on Vivendi's interest in Ubisoft as of December 31, 2016, such shares would represent a theoretical percentage of close to 30% of the voting rights[10].

As of December 31, 2016 and 2015, Vivendi's interest in Ubisoft was accounted for as "available for-sale securities" in Vivendi's Consolidated Statement of Financial Position and, in accordance with IAS 39, is revalued at the stock market price at each reporting date, as the unrealized capital gains or losses are directly recognized in equity. As of December 31, 2016, the interest in Ubisoft was valued at €989 million, representing a cumulative unrealized capital gain of €231 million (please refer to Note 12).

As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), Vivendi held 30.5 million Ubisoft shares, i.e., 26.80% of the share capital, representing 24.37% of the voting rights[11].

2.5 Acquisition of Mediaset shares

On April 8, 2016, Vivendi announced that it had entered into a strategic and industrial partnership with Mediaset. This partnership provided for a swap of a 3.5% interest in Vivendi in exchange for a 3.5% interest in Mediaset and 100% of the share capital of the pay-TV company Mediaset Premium. This agreement is the subject of litigation: please refer to Note 23.

As Vivendi believes that the strategic interest of the industrial partnership announced on April 8, 2016 extends beyond the litigation at stake, Vivendi resolved to become Mediaset's second largest industrial shareholder by initially acquiring 20% of Mediaset's share capital. Following a meeting between Mr. Arnaud de Puyfontaine, Chairman of Vivendi's Management Board, and Mr. Pier Silvio Berlusconi, Chief Executive Officer of Mediaset, on December 16, 2016, and in light of the press release issued by Mediaset on December 17, 2016, and considering the positions taken by Fininvest during this period, Vivendi's Management Board met on December 19, 2016 and decided, with the Supervisory Board's authorization, to increase its interest in Mediaset by acquiring additional shares, subject to market conditions, up to a maximum of 30% of the share capital and voting rights. As of December 31, 2016, Vivendi held 340.246 million Mediaset shares, representing 28.80% of the share capital and 29.94% of the voting rights, pursuant to purchases made on the stock market for €1,256 million, as follows:

- on December 12, 2016, Vivendi crossed the 3% threshold of Mediaset's share capital;
- on December 13, 2016, Vivendi crossed the 5% and 10% thresholds of Mediaset's share capital;
- on December 14, 2016, Vivendi crossed the 15% threshold and reached 20% of Mediaset's share capital;
- on December 20, 2016, Vivendi crossed the 20% and 25% thresholds of Mediaset's share capital; and
- on December 22, 2016, Vivendi announced that it held 28.80% of Mediaset's share capital and 29.94% of the voting rights.

[9] *Based on a share capital comprised of 113,595,887 shares, representing 124,667,212 voting rights, in accordance with paragraph 2 of Article 223-11 of the AMF General Regulations (Règlement Général).*

[10] *Theoretical percentage based on the restated number of voting rights as of December 31, 2016.*

[11] *Based on a share capital comprised of 113,765,391 shares, representing 125,108,774 voting rights (information as of January 31, 2017, as disclosed on Ubisoft's website).*

In accordance with applicable regulations, the Italian stock exchange authority, the Consob, and Mediaset were both notified of the crossing of such thresholds. Vivendi's entry into Mediaset's share capital is consistent with the group's determination to expand its operations in Southern Europe and reflects its strategic ambitions as a major international, European-based, media and content group.

Vivendi's interest in Mediaset has been accounted for as "available-for-sale-securities" in Vivendi's Consolidated Statement of Financial Position and, in accordance with IAS 39, it is revalued at the stock market price at each reporting date, as the unrealized capital gains or losses are directly recognized in equity. As of December 31, 2016, the interest in Mediaset is valued at €1,398 million, representing an unrealized capital gain of €140 million (please refer to Note 12).

2.6 Acquisition of a minority interest in Groupe Fnac

On May 24, 2016, the Extraordinary General Shareholders' Meeting of Groupe Fnac approved the implementation of a strategic partnership between Vivendi and Groupe Fnac. Vivendi notably acquired a minority interest in Groupe Fnac through a reserved share capital increase for €159 million, i.e., €54.00 per share. Upon completion of the transaction, Vivendi held 15% of Groupe Fnac's share capital and voting rights. In addition, the General Shareholders' Meeting approved the appointment of two new representatives of Vivendi on Groupe Fnac's Board of Directors. On August 2, 2016, Groupe Fnac completed the acquisition of Darty and issued 6,471 thousand new shares. Following completion of this transaction, Vivendi held 11.3% of the share capital and voting rights of the new combined entity.

As part of a strategic partnership dedicated to cultural activities, both companies intend to develop an innovative project creating long-term value and focusing on several key areas, including:

- enhancement of cultural content, which could take the form of distribution partnerships;
- increased co-operation in live events, a sector in which Vivendi has implemented several initiatives, and in ticketing in certain countries by teaming up with Vivendi Ticketing;
- privileged access to extended digital services for customers of the two groups; and
- acceleration of Groupe Fnac's international development, in particular in Southern Europe, as well as in Africa where Vivendi has been operating for over 20 years.

On July 11, 2016, Vivendi and Groupe Fnac launched their first joint initiative to enhance their respective subscription programs.

Since May 24, 2016, this interest has been accounted for as "available-for-sale-securities" in Vivendi's Consolidated Statement of Financial Position and, in accordance with IAS 39, it is revalued at the stock market price at each reporting date, as the unrealized capital gains or losses are directly recognized in equity. As of December 31, 2016, this interest was valued at €189 million, representing an unrealized capital gain of €30 million (please refer to Note 12).

2.7 Other acquisitions

In 2016, Vivendi strengthened its position in content production and distribution, notably through the acquisition of interests in several fiction production companies in Spain and the United Kingdom (33% in Bambu Producciones, 20% in Urban Myth Films, and 20% in SunnyMarchTV), in non-scripted television production companies (50% in Kissman Productions), and in distribution companies (100% in Alterna'TV, renamed Thema America). Moreover, Vivendi and its subsidiaries granted or received put and call options on the shares of some of these companies.

In June 2016, Vivendi purchased 100% of the companies that own and manage all Paddington Bear intellectual property rights, except for the publishing rights. The fair value of the consideration transferred, including the fixed price and estimated potential earn-out payments, amounted to £58 million (i.e., approximately €75 million). The purchase agreement provides for earn-outs payable in 2020 and 2022, as well as general and specific guarantees given to Vivendi (please refer to Note 22). As required by accounting standards, the purchase price and its allocation will be finalized within the 12-month period following the acquisition date. The provisional goodwill amounted to £49 million (i.e., €65 million). The final amount of goodwill may differ from the amount initially recorded. These companies have been fully consolidated first by Canal+ Group as from June 30, 2016, and then by Vivendi Village as from December 31, 2016.

In addition, Vivendi acquired the assets of Flavorus, a ticketing company in the United States.

The other acquisitions carried out by Vivendi in 2016 represented an aggregate payment of approximately €100 million.

2.8 Sale of interest in Activision Blizzard

On January 13, 2016, Vivendi unwound the hedge of the value of the 41.5 million Activision Blizzard shares denominated in USD that it held, and sold its entire interest. The capital gain on the sale amounted to €576 million (before taxes), classified as "other income" in EBIT and the net proceeds received from these transactions amounted to $1,063 million, i.e., €976 million. Completion of these transactions also enabled Vivendi to recover a cash deposit of $480 million, i.e., €439 million.

Note 3 Segment data

3.1 Operating segment data

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

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

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

- **Universal Music Group**: sale of recorded music (physical and digital media), exploitation of music publishing rights, as well as artist services and merchandising.
- **Canal+ Group**: publishing and distribution of premium and thematic pay-TV and free-to-air channels in France, Poland, Africa and Vietnam, as well as production, sales and distribution of cinema films and TV series.
- **Gameloft**: creation and publishing of downloadable video games for mobile phones, tablets, triple-play boxes and smart TVs.
- **Vivendi Village**: Vivendi Ticketing (including See Tickets and Digitick), MyBestPro (experts counseling), Watchever (subscription streaming services), Radionomy (digital radio), the venues L'Olympia and Théâtre de L'Œuvre in Paris, and CanalOlympia in Africa, as well as Olympia Production. In addition, Paddington Bear has been integrated within Vivendi Village since December 31, 2016 (please refer to Note 2.7).
- **New Initiatives**: Dailymotion (video content aggregation and distribution platform), Vivendi Content (notably including Flab Prod and Studio+), Canal Factory and Group Vivendi Africa (business in the process of being developed).
- **Corporate**: central services.

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

Main aggregates of the Statement of Earnings

(in millions of euros)	Year ended December 31, 2016	2015
Revenues		
Universal Music Group	5,267	5,108
Canal+ Group	5,253	5,513
Gameloft	132	-
Vivendi Village	111	100
New Initiatives	103	43
Elimination of intersegment transactions	(47)	(2)
	10,819	**10,762**
Income from operations		
Universal Music Group	687	626
Canal+ Group	303	542
Gameloft	10	-
Vivendi Village	(7)	10
New Initiatives	(44)	(18)
Corporate	(96)	(99)
	853	**1,061**
Restructuring charges		
Universal Music Group	(44)	(51)
Canal+ Group	(41)	(47)
Gameloft	-	-
Vivendi Village	(2)	(1)
New Initiatives	(6)	-
Corporate	(1)	(3)
	(94)	**(102)**
Charges related to equity-settled share-based compensation plans		
Universal Music Group	(3)	(5)
Canal+ Group	(3)	(3)
Gameloft	(3)	-
Vivendi Village	-	-
New Initiatives	-	-
Corporate	(5)	(8)
	(14)	**(16)**
Other non-current operating charges and income		
Universal Music Group	4	23
Canal+ Group	(19)	(38)
Gameloft	-	-
Vivendi Village	-	-
New Initiatives	(6)	(2)
Corporate	-	16
	(21)	**(1)**
Adjusted earnings before interest and income taxes (EBITA)		
Universal Music Group	644	593
Canal+ Group	240	454
Gameloft	7	-
Vivendi Village	(9)	9
New Initiatives	(56)	(20)
Corporate	(102)	(94)
	724	**942**

Reconciliation of EBIT to EBITA and to income from operations

(in millions of euros)	Year ended December 31, 2016	2015
EBIT (a)	**1,194**	**1,231**
Adjustments		
Amortization of intangible assets acquired through business combinations	223	408
Impairment losses on intangible assets acquired through business combinations (a)	23	3
Reversal of reserve related to the Liberty Media litigation in the United States (a)	(240)	-
Other income (a)	(661)	(745)
Other charges (a)	185	45
EBITA	**724**	**942**
Adjustments		
Restructuring charges (a)	94	102
Charges related to equity-settled share-based compensation plans	14	16
Other non-current operating charges and income	21	1
Income from operations	**853**	**1,061**

a. As reported in the Consolidated Statement of Earnings.

Consolidated Statement of Financial Position

(in millions of euros)	December 31, 2016	December 31, 2015
Segment assets (a)		
Universal Music Group	9,310	9,242
Canal+ Group	7,546	7,575
Gameloft	718	-
Vivendi Village	264	216
New Initiatives	587	387
Corporate	8,579	8,026
of which investments in equity affiliates	*4,156*	*3,319*
listed equity securities	*3,011*	*2,520*
	27,004	**25,446**
Segment liabilities (b)		
Universal Music Group	3,701	3,552
Canal+ Group	2,588	2,615
Gameloft	65	-
Vivendi Village	154	117
New Initiatives	94	50
Corporate	1,279	3,550
	7,881	**9,884**

a. Segment assets include goodwill, content assets, other intangible assets, property, plant and equipment, investments in equity affiliates, financial assets, inventories and trade accounts receivable, and other.

b. Segment liabilities include provisions, other non-current liabilities, and trade accounts payable and other.

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

Depreciations and amortizations

(in millions of euros)	Year ended December 31, 2016		2015
Capital expenditures, net (capex net) (a)			
Universal Music Group	49		53
Canal+ Group	150		181
Gameloft	4		-
Vivendi Village	14		7
New Initiatives	15		4
Corporate	1		1
	233		**246**
Increase in tangible and intangible assets			
Universal Music Group	50		53
Canal+ Group	137		175
Gameloft	3		-
Vivendi Village	15		7
New Initiatives	14		5
Corporate	1		1
	220		**241**
Depreciation of tangible assets			
Universal Music Group	58		67
Canal+ Group	156		163
Gameloft	4		-
Vivendi Village	2		2
New Initiatives	7		2
Corporate	-		-
	227		**234**
Amortization of intangible assets excluding those acquired through business combinations			
Universal Music Group	-		-
Canal+ Group	77		70
Gameloft	-		-
Vivendi Village	4		-
New Initiatives	1		1
Corporate	-		-
	82		**71**
Amortization of intangible assets acquired through business combinations			
Universal Music Group	208		398
Canal+ Group	10		8
Gameloft	-		-
Vivendi Village	2		2
New Initiatives	3		-
Corporate	-		-
	223		**408**
Impairment losses on intangible assets acquired through business combinations			
Universal Music Group	-		2
Canal+ Group	2		1
Gameloft	-		-
Vivendi Village	21	(b)	-
New Initiatives	-		-
Corporate	-		-
	23		**3**

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

b. Related to the impairment loss on the goodwill of Radionomy (please refer to Note 9).

3.2 Geographic information

Revenues are broken down by customer location.

(in millions of euros)	Year ended December 31, 2016		2015	
Revenues				
France	4,273	*40%*	4,464	*42%*
Rest of Europe	2,476	*23%*	2,567	*24%*
United States	2,300	*21%*	2,191	*20%*
Rest of the world	1,770	*16%*	1,540	*14%*
	10,819	***100%***	**10,762**	***100%***

(in millions of euros)	December 31, 2016		December 31, 2015	
Segment assets				
France	10,270	*38%*	9,568	*38%*
Rest of Europe	8,215	*30%*	6,109	*24%*
United States	7,769	*29%*	9,078	*36%*
Rest of the world	750	*3%*	691	*2%*
	27,004	***100%***	**25,446**	***100%***

Note 4 EBIT

Breakdown of revenues and cost of revenues

(in millions of euros)	Year ended December 31, 2016	2015
Product sales, net	5,325	5,269
Services revenues	5,484	5,437
Other	10	56
Revenues	**10,819**	**10,762**
Cost of products sold, net	(2,839)	(2,658)
Cost of service revenues	(3,992)	(3,897)
Other	2	-
Cost of revenues	**(6,829)**	**(6,555)**

Personnel costs and average employee numbers

(in millions of euros)	Note	Year ended December 31, 2016	2015
Salaries		1,248	1,138
Social security and other employment charges		303	310
Capitalized personnel costs		-	(3)
Wages and expenses		**1,551**	**1,445**
Share-based compensation plans	18	14	19
Employee benefit plans	17	40	40
Other		51	41
Personnel costs		**1,656**	**1,545**
Annual average number of full-time equivalent employees (in thousands)		20.3	16.6

Additional information on operating expenses

Advertising costs amounted to €350 million in 2016 (compared to €348 million in 2015).

Expenses recorded in the Statement of Earnings, with respect to service contracts related to satellite transponders amounted to €129 million in 2016 (compared to €120 million in 2015).

Net expense recorded in the Statement of Earnings, with respect to operating leases amounted to €112 million in 2016 (compared to €113 million in 2015).

Research and development costs amounted to a net charge of €77 million in 2016 (compared to €6 million in 2015), primarily attributable to Gameloft, consolidated since June 29, 2016.

Taxes on production

Taxes on production amounted to €175 million in 2016 (compared to €179 million in 2015), of which €91 million related to taxes on television services (compared to €98 million in 2015) and €20 million related to the territorial economic contribution (compared to €22 million in 2015).

Other income and other charges

(in millions of euros)	Note	Year ended December 31, 2016	2015
Capital gain on financial investments		657	745
Of which net capital gain on the sale of the remaining interest in Activision Blizzard	2.8	*576*	-
net capital gain on the sale of the 20% interest in Numericable-SFR		-	*651*
reversal of the impairment reserve related to the interest in TVN in Poland		-	*54*
Other		4	-
Other income		**661**	**745**
Downside adjustment on financial investments		(170)	(7)
Other		(15)	(38)
Other charges		**(185)**	**(45)**
Net total		**476**	**700**

Note 5 Financial charges and income

Interest

(in millions of euros) (Charge)/Income	Note	Year ended December 31, 2016	2015
Interest expense on borrowings	19	(63)	(61) (a)
Interest income from cash, cash equivalents and investments		23	31
Interest		**(40)**	**(30)**
Fees and premium on borrowings and credit facilities issued		*(3)*	*(4)*
		(43)	**(34)**

a. In 2015, interest expense on borrowings included interest received by Vivendi SA from the financing provided to GVT until its effective sale on May 28, 2015 (€4 million).

Other financial income and charges

(in millions of euros)	Note	Year ended December 31, 2016	2015
Effect of undiscounting assets (a)		11	-
Expected return on plan assets related to employee benefit plans	17.2	11	12
Foreign exchange gain		-	4
Change in value of derivative instruments		7	-
Other		2	-
Other financial income		**31**	**16**
Effect of undiscounting liabilities (a)		(14)	(9)
Interest cost related to employee benefit plans	17.2	(27)	(29)
Fees and premium on borrowings and credit facilities issued		(3)	(4)
Foreign exchange loss		(8)	(7)
Change in value of derivative instruments		(12)	(17)
Other		(5)	(7)
Other financial charges		**(69)**	**(73)**
Net total		**(38)**	**(57)**

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

Note 6 Income taxes

6.1 French Tax Group and Consolidated Global Profit Tax Systems

Vivendi SA benefits from the French Tax Group System and considers that, until December 31, 2011 inclusive, it benefited from the Consolidated Global Profit Tax System as permitted under Article 209 *quinquies* of the French Tax Code. Since January 1, 2012, Vivendi SA only benefits from the French Tax Group System.

- Under the French Tax Group System, Vivendi is entitled to consolidate its own tax profits and losses with the tax profits and losses of French subsidiaries that are at least 95% owned directly or indirectly by it. This mainly applies to Universal Music and Canal+ Group entities in France, as well as the companies involved in the group's development projects in France (e.g., Vivendi Village, Vivendi Content, Watchever and Studio+).
- Until December 31, 2011, the Consolidated Global Profit Tax System enabled Vivendi to consolidate its own tax profits and losses with the tax profits and losses of subsidiaries that were at least 50% owned directly or indirectly by it and located in France or abroad, i.e., other than the French companies that were at least 95%-owned directly or indirectly by Vivendi: Activision Blizzard, Universal Music Group, Maroc Telecom, GVT, Canal+ France and its subsidiaries, as well as Société d'Edition de Canal Plus (SECP). As a reminder, on May 19, 2008, Vivendi lodged a request with the French Ministry of Finance to renew its authorization to use the Consolidated Global Profit Tax System and an authorization was granted by an order dated March 13, 2009, for a three-year period beginning with fiscal year 2009 and ending with fiscal year 2011.
- In addition, as a reminder, on July 6, 2011, Vivendi lodged a request with the French Ministry of Finance to renew its authorization to use the Consolidated Global Profit Tax System for a three-year period, from January 1, 2012 to December 31, 2014.
- In 2011, the changes in French Tax Law terminated the Consolidated Global Profit Tax System as of September 6, 2011 and capped the deduction for tax losses carried forward at 60% of taxable income. Since 2012, the deduction for tax losses carried forward has been capped at 50% of taxable income and the deductibility of interest limited to 85% of financial charges, net (75% as from January 1, 2014).

The impacts of the French Tax Group and Consolidated Global Profit Tax Systems on the valuation of Vivendi's tax attributes (tax losses and tax credits carried forward) are as follows:

- As Vivendi considers that its entitlement to use the Consolidated Global Profit Tax System was effective until the end of the authorization granted by the French Ministry of Finance, including fiscal year ending December 31, 2011, on November 30, 2012, Vivendi submitted a €366 million refund request with respect to the tax saving for fiscal year ended December 31, 2011. As this request was denied by the tax authorities, Vivendi accrued a €366 million provision for the associated risk in its Financial Statements for the year ended December 31, 2012. On October 6, 2014, the Administrative Court of Montreuil ruled in favor of Vivendi. On December 23, 2014, pursuant to this ruling, Vivendi received a €366 million refund and moratorium interest of €43 million, which was received on January 16, 2015. On December 2, 2014, the tax authorities lodged an appeal to this ruling. On July 5, 2016, the Versailles Administrative Court of Appeal ruled in favor of Vivendi. On October 28, 2016, the French Council of State (*Conseil d'Etat*) notified Vivendi that the Minister had filed an appeal against this ruling. To date, the review of this appeal is underway. In its Financial Statements for the year ended December 31, 2016, Vivendi maintained the provision related to the €366 million principal refund and increased it by €43 million to take into account the moratorium interest, for a total amount of €409 million (please refer to Note 6.5).
- Moreover, considering that the Consolidated Global Profit Tax System permitted tax credits to be carried forward upon the end of the authorization on December 31, 2011, Vivendi requested a refund of taxes due under the French Tax Group System for the year ended December 31, 2012, i.e., €208 million, increased to €221 million in 2013 at the time of the tax return filing with respect to fiscal year ended December 31, 2012. On May 8, 2013, Vivendi received a €201 million refund related to the tax installment paid in 2012. This position was challenged by the tax authorities in relation to a tax audit and Vivendi provisioned the associated risk for a principal amount of €208 million in its Financial Statements for the year ended December 31, 2012, increased to €221 million as of December 31, 2013. In its Financial Statements for the year ended December 31, 2014, Vivendi maintained the €221 million principal refund and increased it by €11 million (the amount of additional default interest), for a total amount of €232 million as of December 31, 2014, decreased to €228 million as of December 31, 2015 after deduction of ordinary tax credits. As part of this process, on March 31, 2015, Vivendi made a payment of €321 million, comprising a tax payment of €221 million due under the French Tax Group System for the year ended December 31, 2012, €11 million in default interest and additional penalties of €89 million. After completion of the audit, on June 29, 2015, Vivendi filed a claim requesting a refund of the principal tax amount and default interest, as well as penalties, for which no provision has been accrued, following the recommendation of the company's advisors. On January 15, 2016, Vivendi brought this case before the Administrative Court of Montreuil.

- In the Financial Statements for the year ended December 31, 2016, the tax results of the subsidiaries comprised within the scope of Vivendi SA's French Tax Group System were estimated, and as a result, the amount of tax attributes as of December 31, 2016 could not be reliably determined. Taking into account the impact of the estimated 2016 tax results and before the effects of the ongoing tax audits (please refer to Note 6.5) on the amount of tax attributes, Vivendi SA will likely be able to achieve €889 million in tax savings from tax attributes (based on the income tax rate applicable as of December 31, 2016, i.e., 34.43%). At a rate of 28.92%, Vivendi would achieve €747 million in tax savings from tax attributes.
- As of December 31, 2016, Vivendi SA valued its tax attributes under the French Tax Group System on the basis of one year's forecasted results, taken from the following year's budget. On this basis, in 2017, Vivendi will likely be able to achieve tax savings of €117 million from the French Tax Group System (based on the income tax rate applicable as of December 31, 2016, i.e., 34.43%).

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

Provision for income taxes

(in millions of euros)	Year ended December 31,	
(Charge)/Income	2016	2015
Current		
France	(75)	(339)
Rest of Europe	(29)	(28)
United States	3	-
Rest of the world	(54)	(25)
	(155)	**(392)**
Deferred		
France	39	(100)
Rest of Europe	(18)	34
United States	24	(30)
Rest of the world	33	47
	78	**(49)**
Provision for income taxes	**(77)**	**(441)**

Income tax paid

	Year ended December 31,	
(in millions of euros)	2016	2015
France	(203)	(608)
Rest of Europe	(24)	(8)
United States	5	(9)
Rest of the world	(49)	(412) (a)
Income tax (paid)/collected	**(271)**	**(1,037)**

a. Included taxes paid in Brazil related to the sale of GVT for €395 million recorded in the Consolidated Statement of Earnings under the line "Earnings from discontinued operations".

6.3 Effective tax rate

(in millions of euros, except %)	Year ended December 31, 2016		Year ended December 31, 2015
Earnings (before non-controlling interests)	**1,275**		**1,978**
Eliminations			
Income from equity affiliates	(169)		10
Earnings from discontinued operations	(20)		(1,233)
Provision for income taxes	77		441
Earnings from continuing operations before provision for income taxes	**1,163**		**1,196**
French statutory tax rate	*34.43%*		*38.00%*
Theoretical provision for income taxes based on French statutory tax rate	**(400)**		**(454)**
Reconciliation of the theoretical and effective provision for income taxes			
Earnings tax rates differences	28		39
Impacts of the changes in tax rates	6		(25)
Use or recognition of tax losses	239		231
Depreciation or non-recognition of tax losses	(200)		(112)
Changes in deferred tax assets related to Vivendi SA's French Tax Group and the Consolidated Global Profit Tax Systems	33		(42)
Adjustments to tax expense from previous years	6		64
Capital gain or loss on the divestiture of or downside adjustments on financial investments or businesses	301	(a)	21
3% tax on Vivendi SA's dividends	(38)		(122)
Other	(52)		(41)
Provision for income taxes	**(77)**		**(441)**
Effective tax rate	**6.6%**		**36.9%**

a. The sale of the remaining interest in Activision Blizzard included a long-term capital gain of €995 million, non-taxable except for the non-deductible share of fees and charges (12%), i.e., a non-taxable net amount of €875 million.

6.4 Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

(in millions of euros)	Year ended December 31, 2016	Year ended December 31, 2015
Opening balance of deferred tax assets/(liabilities), net	**(83)**	**53**
Provision for income taxes	78	(49)
Charges and income directly recorded in equity	40	(67)
Business combinations	(27)	-
Changes in foreign currency translation adjustments and other	18	(20)
Closing balance of deferred tax assets/(liabilities), net	**26**	**(83)**

Components of deferred tax assets and liabilities

(in millions of euros)	December 31, 2016	December 31, 2015
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes - Vivendi SA - French Tax Group System (a) (b)	889	809
Tax attributes - US Tax Group (a) (c)	356	445
Tax attributes - Other (a)	498	573
Other	714	609
Of which non-deductible provisions	*126*	*107*
employee benefits	*218*	*193*
working capital	*168*	*136*
Total gross deferred taxes	**2,457**	**2,436**
Deferred taxes, unrecognized		
Tax attributes - Vivendi SA - French Tax Group System (a) (b)	(772)	(725)
Tax attributes - US Tax Group (a) (c)	(327)	(445)
Tax attributes - Other (a)	(440)	(476)
Other	(166)	(168)
Total deferred tax assets, unrecognized	**(1,705)**	**(1,814)**
Recorded deferred tax assets	**752**	**622**
Deferred tax liabilities		
Asset revaluations (d)	(422)	(422)
Other	(304)	(283)
Recorded deferred tax liabilities	**(726)**	**(705)**
Deferred tax assets/(liabilities), net	**26**	**(83)**

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

b. Related to deferred tax assets recognizable in respect of tax attributes by Vivendi SA as head of the French Tax Group, representing €889 million as of December 31, 2016 (please refer to Note 6.1), in respect of tax losses only, taking into account the estimated impact (+€80 million) of 2016 transactions (taxable income and use or expiration of tax credits), but before taking into account the effects of ongoing tax audits (please refer to Note 6.5). In France, tax losses can be carried forward indefinitely and Vivendi considers that tax credits can be carried forward for a minimum period of five years upon exit from the Consolidated Global Profit Tax System.

c. Related to deferred tax assets recognizable in respect of tax attributes carried forward by Universal Music Group, Inc. in the United States as head of the US Tax Group, representing $373 million as of December 31, 2016, taking into account the estimated impact (-$113 million) of 2016 transactions (taxable income, tax credits that expired and tax credits generated, but before taking into account the final outcome of ongoing tax audits (please refer to Note 6.5). In the United States, tax losses can be carried forward for a period of up to 20 years and tax credits can be carried forward for a period of up to 10 years. No tax losses will mature prior to December 31, 2024 and $19 million tax credits matured in 2016.

d. These tax liabilities, generated by asset revaluations as part of the purchase price allocation of companies acquired by the group, are terminated upon the amortization or divestiture of the related assets and never generates any current tax charges.

6.5 Tax audits

The fiscal year ended on December 31, 2016 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which Vivendi has or had operations. Various tax authorities have proposed adjustments to the taxable income reported for prior years. At this stage of the current tax audits, the impact that could result from an unfavorable outcome of these audits cannot be reliably assessed. Vivendi Management believes that these tax audits are unlikely to have a material unfavorable impact on the group's financial position or liquidity.

Regarding Vivendi SA, in respect of the Consolidated Global Profit Tax System, the tax audit for fiscal years 2006, 2007 and 2008 is still ongoing and, likewise, the tax audits for fiscal years 2009 and 2010 are still ongoing. Finally, the audit of Vivendi SA's Tax Group System for fiscal years 2011 and 2012 began in July 2013. As of December 31, 2016, all of these tax audits were ongoing. Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit. In any

event, Vivendi has accrued a provision for the impact of the Consolidated Global Profit Tax System in 2011 (€409 million), as well as a provision for the impact in relation to the use of tax credits in 2012 (€228 million).

In respect of the US Tax Group, the fiscal years 2008, 2009 and 2010 were under audit. At the beginning of November 2016, Vivendi received a tax reimbursement of $6 million, marking the end of the audit for these fiscal years. In June 2014, the US tax authorities began a tax audit for fiscal years 2011 and 2012, and in December 2014, they undertook a tax audit for fiscal year 2013. As of December 31, 2016, these audits were ongoing. Vivendi Management believes that it has solid legal grounds to defend its positions for determining the taxable income for the fiscal years under audit.

In addition, Vivendi was informed that the tax authorities are challenging the validity of the merger between SFR and Vivendi Telecom International (VTI), which was completed in December 2011 and, consequently, intend to challenge the inclusion of SFR in the Vivendi tax group in respect of fiscal year 2011. The tax authorities contemplate requiring that SFR be carved-out from Vivendi's tax group for that fiscal year and making a claim against SFR for a total amount of €1,374 million, representing a principal tax amount of €711 million plus default interest and penalties of €663 million. Under the agreement entered into on February 27, 2015 among Vivendi, Altice and Numericable-SFR, Vivendi agreed to return to SFR, if applicable, taxes and contributions that could be borne by SFR for fiscal year 2011 and that SFR would have already paid at that time to Vivendi, up to a maximum amount of €711 million (including €154 million corresponding to the use by SFR of VTI's tax losses in 2011 or 2012) covering the entire period during which SFR was part of the Vivendi tax group, if the 2011 merger of SFR and VTI were to be ultimately invalidated for tax purposes. Vivendi and Altice/Numericable-SFR have agreed to cooperate in challenging the position of the tax authorities. Vivendi Management believes that it has solid legal grounds on which to defend the inclusion of SFR in the Vivendi tax group in respect of fiscal year 2011 or, failing that, its consolidation by applying the Consolidated Global Profit Tax System in respect of the relevant fiscal year. Therefore, Vivendi believes that the agreement entered into on February 27, 2015 between Vivendi and Altice/Numericable-SFR is unlikely to have a materially adverse impact on the company's financial position or liquidity.

Note 7 Earnings per share

	Year ended December 31,				
	2016			2015	
	Basic	Diluted		Basic	Diluted
Earnings (in millions of euros)					
Earnings from continuing operations attributable to Vivendi SA shareowners	1,236	1,186	(a)	699	699
Earnings from discontinued operations attributable to Vivendi SA shareowners	20	20		1,233	1,233
Earnings attributable to Vivendi SA shareowners	1,256	1,206		1,932	1,932
Number of shares (in millions)					
Weighted average number of shares outstanding (b)	1,272.6	1,272.6		1,361.5	1,361.5
Potential dilutive effects related to share-based compensation	-	3.1		-	5.3
Adjusted weighted average number of shares	**1,272.6**	**1,275.7**		**1,361.5**	**1,366.8**
Earnings per share (in euros)					
Earnings from continuing operations attributable to Vivendi SA shareowners per share	0.97	0.93		0.51	0.51
Earnings from discontinued operations attributable to Vivendi SA shareowners per share	0.02	0.02		0.91	0.90
Earnings attributable to Vivendi SA shareowners per share	0.99	0.95		1.42	1.41

a. Corresponded only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information for the first nine months of 2016 disclosed by Telecom Italia.

b. Net of the weighted average number of treasury shares (51.4 million shares in 2016, compared to 1.6 million shares in 2015).

Note 8 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

(in millions of euros)	Actuarial gains/(losses) related to employee defined benefit plans (a)	Unrealized gains/(losses)				Foreign currency translation adjustments		Other comprehensive income from equity affiliates, net		**Other comprehensive income**
		Available-for-sale securities (b)		Hedging instruments (c)	Total					
Balance as of December 31, 2014	**(146)**	**1,144**		**(23)**	**1,121**	**(1,191)**		**-**		**(216)**
Charges and income directly recognized in equity	(16)	461		(69)	392	580		-		956
Items to be reclassified to profit or loss	na	(682)	(d)	(10)	(692)	933	(e)	-		241
Tax effect	(5)	(63)		1	(62)	-		-		(67)
Other	-	(8)		(1)	(9)	-		-		(9)
Balance as of December 31, 2015	**(167)**	**852**		**(102)**	**750**	**322**		**-**		**905**
Charges and income directly recognized in equity	(89)	267	(f)	155	422	43		115	(g)	491
Items to be reclassified to profit or loss	na	(661)	(h)	(9)	(670)	-		(2)		(672)
Tax effect	9	31		-	31	-		-		40
Balance as of December 31, 2016	**(247)**	**489**		**44**	**533**	**365**		**113**		**764**

na: not applicable.

a. Please refer to Note 17.

b. Please refer to Note 12.

c. Please refer to Note 19.

d. Included -€651 million related to the gain realized on the sale of the 20% interest in Numericable-SFR in May 2015.

e. Attributable to the foreign currency translation EUR/BRL related to GVT, sold in May 2015.

f. Included the unrealized capital gain on the listed equity portfolio held by Vivendi.

g. Mainly included foreign currency translation from Telecom Italia (€134 million).

h. Attributable to the net capital gain on the sale of the remaining interest in Activision Blizzard in January 2016 (€576 million), as well as the revaluation of Gameloft shares to €8 in June 2016 (€76 million).

Note 9 Goodwill

(in millions of euros)	December 31, 2016	December 31, 2015
Goodwill, gross	25,630	24,384
Impairment losses	(14,643)	(14,207)
Goodwill	**10,987**	**10,177**

9.1 Changes in goodwill

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

(in millions of euros)	December 31, 2014	Impairment losses	Business combinations	Changes in foreign currency translation adjustments and other	December 31, 2015
Universal Music Group	4,656	-	3	513 (e)	5,172
Canal+ Group	4,573	-	3	6	4,582
Vivendi Village	100	-	41 (f)	19	160
New Initiatives	-	-	263 (d)	-	263
Total	**9,329**	**-**	**310**	**538**	**10,177**

a. Related to the provisional goodwill attributable to the acquisition of Gameloft, consolidated since June 29, 2016 (please refer to Note 2.1).

b. Related to the partial goodwill impairment attributable to Radionomy.

c. Included the provisional goodwill of €65 million attributable to the acquisition in June 2016 of 100% of the companies that own and manage all Paddington Bear intellectual property rights, except for the publishing rights.

d. Related to the impact of the purchase price allocation for Dailymotion on June 30, 2015, including the trade name (€80 million; indefinite useful life) and technology revaluation (€9 million; useful life estimated at 7 years), as well as the resulting deferred tax liabilities (€31 million), based on analyses and estimates prepared with the assistance of an independent third party expert. The final amount of goodwill amounted to €207 million (compared to a provisional goodwill of €262 million recorded as of June 30, 2015).

e. Primarily attributable to foreign currency translation (EUR/USD) for €525 million in 2015.

f. Related to the provisional goodwill attributable to Radionomy, acquired on December 17, 2015.

9.2 Goodwill impairment test

In 2016, Vivendi tested the value of goodwill allocated to its Cash-Generating Units (CGU) or groups of CGU applying valuation methods consistent with previous years. Vivendi ensured that the recoverable amount of CGU or groups of CGU tested exceeded their carrying value (including goodwill). The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (Discounted Cash Flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent transactions). For a description of the methods used for the impairment test, please refer to Note 1.3.5.7.

Presentation of CGU or groups of CGU

Operating Segments	Cash Generating Units (CGU)	CGU or groups of CGU tested
Universal Music Group	Recorded music	Universal Music Group (a)
	Music publishing	
	Artist services and merchandising	
Canal+ Group	Pay-TV in Mainland France	Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France (a)
	Canal+ Overseas (b)	
	nc+ (Poland)	
	Free-to-air TV in France	
	Studiocanal	Studiocanal
Gameloft (c)	Gameloft	Gameloft (c)
Vivendi Village	See Tickets	See Tickets
	Digitick	Digitick
	MyBestPro	MyBestPro
	Radionomy	Radionomy (d)
	L'Olympia	L'Olympia
	Paddington Bear	Paddington Bear (c)
	CanalOlympia	CanalOlympia
New Initiatives	Dailymotion	Dailymotion (d)
	Vivendi Content	Vivendi Content
	Group Vivendi Africa	Group Vivendi Africa

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

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

c. As of December 31, 2016, no goodwill impairment tests attributable to Gameloft and Paddington Bear were undertaken given that the acquisition dates of Gameloft and Paddington Bear (June 29, 2016 and June 30, 2016, respectively) were close to the financial closing date.

d. As of December 31, 2015, no goodwill impairment tests attributable to Dailymotion and Radionomy were undertaken given that the acquisition dates of Dailymotion and Radionomy (June 30, 2015 and December 17, 2015, respectively) were close to the financial closing date.

During the fourth quarter of 2016, Vivendi performed a goodwill impairment test on each CGU or group of CGU, on the basis of (i) valuations of recoverable amounts determined with the assistance of third-party appraisers, for pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France, as well as for Universal Music Group and Dailymotion; (ii) internal valuations for other CGU or groups of CGU tested, in particular Studiocanal and See Tickets. As a result, except for the partial goodwill impairment attributable to Radionomy (please refer above), Vivendi Management concluded that, as of December 31, 2016, the recoverable amount for each CGU or group of CGU tested exceeded their carrying value.

Presentation of key assumptions used for the determination of recoverable amounts

The value in use of each CGU or group of CGU is determined as the discounted value of future cash flows by using cash flow projections consistent with the 2017 budget and the most recent forecasts prepared by the operating segments. These forecasts are prepared for each operating segment, on the basis of financial targets as well as the following main key assumptions: discount rate, perpetual growth rate and EBITA as defined in Note 1.2.3, capital expenditures, the competitive and regulatory environments, technological developments and level of commercial expenses. The recoverable amount for each CGU or group of CGU was determined based on its value in use in accordance with the main key assumptions set out below.

Operating segments	CGU or groups of CGU tested	Valuation Method		Discount Rate (a)		Perpetual Growth Rate	
		2016	2015	2016	2015	2016	2015
Universal Music Group	Universal Music Group	DCF & comparables model	DCF & comparables model	8.50%	8.50%	1.75%	1.125%
Canal+ Group	Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	DCF & comparables model (b)	DCF & comparables model (b)	(c)	(c)	(c)	(c)
	Studiocanal	DCF	DCF	9.25%	9.25%	0.50%	0.50%
Vivendi Village	See Tickets	DCF	DCF	11.00%	11.00%	2.00%	2.00%
New Initiatives	Dailymotion	DCF & comparables model	na	16.00%	na	2.00%	na

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

b. Except for nc+ in Poland: comparables model in 2015.

c. Discount rates and perpetual growth rates applied to test this group of UGT were the following:

	Discount rate		Perpetual growth rate	
	2016	2015	2016	2015
Pay-TV				
Mainland France	8.14%	7.56%	1.20%	1.20%
France overseas	8.64%	8.80%	1.20%	1.20%
Africa	10.14%	9.80%	3.00%	3.00%
Poland	8.62%	na	2.25%	na
Vietnam	11.25%	10.30%	3.00%	3.00%
Free-to-air TV in France	8.58%	8.26%	1.50%	1.50%

na : not applicable.

Sensitivity of recoverable amounts

	December 31, 2016				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (in %)	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Applied rate (in %)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (in %)
Universal Music Group	8.50%	+3.30 pts	1.75%	-4.56 pts	-33%
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa, Poland and Vietnam, and free-to-air TV in France	(a)	+1.82 pt	(a)	-3.69 pts	-23%
Studiocanal	9.25%	+1.02 pt	0.50%	-1.60 pt	-13%

	December 31, 2015				
	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (in %)	Increase in the discount rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Applied rate (in %)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (in %)
Universal Music Group	8.50%	+1.25 pt	1.125%	-1.55 pt	-15%
Canal+ Group					
Pay-TV in France (mainland and overseas), Africa and Vietnam, and free-to-air TV in France	(a)	+1.16 pt	(a)	-2.11 pts	-17%
Studiocanal	9.25%	+1.97 pt	0.50%	-2.81 pts	-21%

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

Note 10 Content assets and commitments

10.1 Content assets

(in millions of euros)	December 31, 2016		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	9,153	(7,596)	1,557
Advances to artists and repertoire owners	549	-	549
Merchandising contracts and artists services	21	(20)	1
Film and television costs	6,312	(5,605)	707
Sports rights	404	-	404
Other	39	(34)	5
Content assets	**16,478**	**(13,255)**	**3,223**
Deduction of current content assets	(1,068)	14	(1,054)
Non-current content assets	**15,410**	**(13,241)**	**2,169**

(in millions of euros)	December 31, 2015		
	Content assets, gross	Accumulated amortization and impairment losses	Content assets
Music catalogs and publishing rights	8,756	(7,076)	1,680
Advances to artists and repertoire owners	611	-	611
Merchandising contracts and artists services	27	(23)	4
Film and television costs	6,145	(5,483)	662
Sports rights	415	-	415
Other	6	(4)	2
Content assets	**15,960**	**(12,586)**	**3,374**
Deduction of current content assets	(1,102)	14	(1,088)
Non-current content assets	**14,858**	**(12,572)**	**2,286**

Changes in content assets

(in millions of euros)	Year ended December 31,	
	2016	2015
Opening balance	**3,374**	**3,685**
Amortization of content assets excluding those acquired through business combinations	(27)	(21)
Amortization of content assets acquired through business combinations	(208)	(398)
Impairment losses on content assets acquired through business combinations	-	(2)
Increase	2,480	2,354
Decrease	(2,473)	(2,465)
Business combinations	6	4
Changes in foreign currency translation adjustments and other	71	217
Closing balance	**3,223**	**3,374**

10.2 Contractual content commitments

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

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

(in millions of euros)	Minimum future payments as of December 31, 2016				Total minimum future payments as of December 31, 2015
		Due in			
	Total	2017	2018 - 2021	After 2021	
Music royalties to artists and repertoire owners	1,938	1,920	18	-	1,848
Film and television rights (a)	175	175	-	-	196
Sports rights	461	461	-	-	455
Creative talent, employment agreements and others	69	48	19	2	90
Content liabilities	**2,643**	**2,604**	**37**	**2**	**2,589**

Off-balance sheet commitments given/(received)

(in millions of euros)	Minimum future payments as of December 31, 2016				Total minimum future payments as of December 31, 2015
		Due in			
	Total	2017	2018 - 2021	After 2021	
Film and television rights (a)	2,785	1,259	1,523	3	3,080
Sports rights	2,661 (b)	879	1,682	100	2,965
Creative talent, employment agreements and others (c)	1,003	464	506	33	790
Given commitments	**6,449**	**2,602**	**3,711**	**136**	**6,835**
Film and television rights (a)	(189)	(100)	(89)	-	(174)
Sports rights	(25)	(10)	(15)	-	(39)
Creative talent, employment agreements and others (c)			not available		
Received commitments	**(214)**	**(110)**	**(104)**	**-**	**(213)**
Total net	**6,235**	**2,492**	**3,607**	**136**	**6,622**

a. Mainly includes contracts valid over several years for the broadcast of movies and TV productions (mainly exclusivity contracts with major US studios), for the pre-purchases relating to the French cinema industry, for Studiocanal films production and co-production commitments (given and received), and for broadcasting rights of Canalsat and nc+ multichannel digital TV packages. They are recorded as content assets when the broadcast is available for initial release or after the initial significant payment. As of December 31, 2016, provisions recorded relating to these commitments amounted to €25 million (compared to €45 million as of December 31, 2015).

In addition, these amounts do not include commitments in relation to contracts in respect of channel diffusion rights and non-exclusive distribution of channels, under which Canal+ Group did not grant or receive minimum guarantees. The variable amount of these commitments cannot be reliably determined and is not reported in either the Statement of Financial Position or in the commitments and is instead recorded as an expense for the period in which it was incurred. Based on an estimate of the future subscriber base at Canal+ Group, given commitments would have increased by a net amount of €768 million as of December 31, 2016, compared to €203 million as of December 31, 2015. This increase mainly resulted from the renewal of the distribution agreement with beIN Sports on July 11, 2016, for a four-year period. As a reminder, on February 18, 2016, Vivendi's Supervisory Board authorized the Management Board to enter into an exclusive distribution agreement with beIN Sports. On June 9, 2016, Vivendi took note of the French Competition Authority's decision not to authorize the exclusive distribution of beIN Sports channels within Canal+ Group's offerings.

Moreover, on May 7, 2015, Société d'Edition de Canal Plus (SECP) renewed its agreement with all the cinema professional organizations (ARP, BLIC, BLOC and UPF). This five-year agreement (2015/2019) confirmed the historical and strong partnership between Canal+ and the French cinema. Pursuant to this agreement, SECP is required to invest every year 12.5% of its annual revenues in the financing of European cinematographic works. With respect to audiovisual, in accordance with the agreements entered into with producers' and authors' organizations in France, Canal+ Group is required to invest 3.6% of its total net annual revenue in the financing of heritage works every year. Only films for which an agreement has been given in principle to producers are accounted for in the off-balance sheet commitments, as it is not possible to reliably determine a future and total estimate of commitments under agreements with cinema professional organizations and with producers' and authors' organizations.

b. Notably included broadcasting rights held by Canal+ Group for the following sport events:
- the French professional Soccer League 1, for the three seasons 2017/2018 to 2019/2020 for the two premium lots (€1,646 million);

- the National French Rugby Championship "TOP 14", on an exclusive basis, for the four seasons 2019/2020 to 2022/2023 awarded on May 12, 2016. It also included the broadcasting rights for the seasons 2017/2018 and 2018/2019 awarded on January 19, 2015; and
- the Soccer Champions League, for the season 2017/2018 for one lot.

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

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

Note 11 Investments in equity affiliates

11.1 Main investments in equity affiliates

As of December 31, 2016, the main companies accounted for by Vivendi under the equity method were as follows:

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

	Voting interest		Net carrying value of equity affiliates	
(in millions of euros)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Telecom Italia (a)	23.9%	21.4%	4,131	3,319
Banijay Group (b)	26.2%	na	129	-
VEVO	49.4%	48.7%	95	76
Other	na	na	61	40
			4,416	**3,435**

na: not applicable.

a. As of December 31, 2016, Vivendi held 3,640 million Telecom Italia ordinary shares with voting rights (i.e., 23.9%, representing 17.2% of the total share capital).

b. On February 23, 2016, Vivendi completed the acquisition of a 26.2% interest in Banijay Group (please refer to Note 2.3).

Change in value of investments in equity affiliates

	Year ended December 31,	
(in millions of euros)	2016	2015
Opening balance	**3,435**	**306**
Acquisitions (a)	769	3,343
Sales	-	(209) (b)
Income from equity affiliates	169 (c)	(10)
Change in other comprehensive income	93	9
Dividends received	(8)	(5)
Other	(42)	1
Closing balance	**4,416**	**3,435**

a. Notably included the acquisitions of Telecom Italia ordinary shares for €610 million in 2016 and €3,319 million in 2015 (please refer to Note 2.2), as well as the acquisition of the interest in Banijay Group on February 23, 2016 for €100 million.

b. Related to the sale of the interest in N-Vision B.V. by Canal+ Group on July 1, 2015.

c. Primarily included Vivendi's share of Telecom Italia's profit for €173 million (please refer below).

11.2 Telecom Italia

Equity accounting of Telecom Italia

On December 15, 2015, Telecom Italia's Extraordinary General Shareholders' Meeting appointed four members to Telecom Italia's Board of Directors who were nominated by Vivendi, including three representatives of Vivendi (out of the 16 members of Telecom Italia's Board of Directors) and one independent member (among the nine members considered as independent by Telecom Italia). In addition, on April 27, 2016, Mr. Arnaud de Puyfontaine, Chairman of Vivendi's Management Board, was appointed as Vice Chairman of Telecom Italia's Board of Directors. On December 15, 2015, at Telecom Italia's Extraordinary General Shareholders' Meeting, Vivendi held 2,772 million Telecom Italia ordinary shares with voting rights, i.e., 20.5% of the ordinary shares, representing 14.2% of the total share capital, and, given the quorum at this meeting, Vivendi's interest in Telecom Italia represented approximately 36% of the actual voting rights. On May 25, 2016, at Telecom Italia's General Shareholders' Meeting, Vivendi held 3,331 million Telecom Italia ordinary shares with voting rights, i.e., 24.7% of the ordinary shares, representing 17.1% of the total share capital, and, given the quorum at this meeting, Vivendi's interest in Telecom Italia represented approximately 40% of the actual voting rights. As of December 31, 2016, Vivendi held 3,640 million ordinary shares with voting rights, i.e., 23.9% of the ordinary shares, representing 17.2% of Telecom Italia's total share capital.

As from December 15, 2015 and to the date of this report, since Vivendi has been holding a non-controlling equity interest, the group considers that is has the power to participate in Telecom Italia's financial and operating policy decisions, according to IAS 28, and, consequently, it is deemed to exercise a significant influence over Telecom Italia. As from that date, Vivendi's interest in Telecom Italia has been accounted for under the equity method.

Purchase price allocation of Telecom Italia shares

Where an interest is accounted for under the equity method, the purchase price for the shares is allocated to the identifiable assets and liabilities recognized at their fair value, based on analyses and estimates prepared with the assistance of an independent expert. The goodwill, included in the carrying value of the shares, is the difference between the purchase price and the group's share of identifiable assets and liabilities at fair value.

As of December 15, 2015, identifiable intangible assets were measured for a net amount of €7,434 million, based on a full enterprise value, representing an annual amortization expense estimated at approximately €482 million, before taxes, based on a full enterprise value. Vivendi's share of the annual amortization expense was estimated at approximately €59 million, after taxes.

Vivendi's share of Telecom Italia's earnings

Vivendi relies on Telecom Italia's public financial information to account for its interest in Telecom Italia under the equity method. Given Vivendi's and Telecom Italia's respective dates of publication, Vivendi always accounts for its share of Telecom Italia's net earnings with a three-month lag. Therefore, for fiscal year 2016, Vivendi's earnings take into account its share of Telecom Italia's net earnings for the fourth quarter ended December 31, 2015 (on a *prorata temporis* basis for the period from December 15 to December 31, 2015) and for the first nine months of 2016.

In 2016, Vivendi's share of Telecom Italia's net earnings amounted to a profit of €173 million, calculated as follows:

- -€11 million, attributable to Vivendi's share of Telecom Italia's earnings for the period from December 15 to December 31, 2015, calculated based on the financial information as of December 31, 2015, as disclosed by Telecom Italia on March 17, 2016;
- +€249 million, attributable to Vivendi's share of Telecom Italia's earnings for the first nine months of 2016, calculated based on the financial information disclosed by Telecom Italia on November 4, 2016;
- -€22 million, related to the impact, on a *prorata temporis* basis, of the payment of statutory dividends to the owners of savings shares, in the amount up to 5% of the savings shares' nominal value, i.e., €166 million; and
- -€43 million, excluded from the adjusted net income, related to the net amortization expense, on a *prorata temporis* basis (for the period from December 15, 2015 to September 30, 2016), of the revaluation of intangible assets, measured as part of the purchase price allocation of the shares (please refer above).

In addition, Vivendi's share of Telecom Italia's charges and income directly recognized in equity amounted to €113 million in 2016 (including €134 million related to foreign currency translation adjustments). The impact of the dilution of Vivendi's interest in Telecom Italia, as a result of the conversion of a bond redeemable in Telecom Italia shares in November 2016, was recorded under "other charges" in EBIT (€60 million).

Financial information related to 100% of Telecom Italia

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

(in millions of euros)	Nine months Financial Statements as of September 30, 2016	Annual Financial Statements as of December 31, 2015
Date of publication by Telecom Italia:	*November 4, 2016*	
Non-current assets	57,588	56,436
Current assets	12,104	14,832
Total assets	69,692	71,268
Total equity	21,637	21,249
Non-current liabilities	35,476	33,922
Current liabilities	12,579	16,097
Total liabilities	69,692	71,268
of which net financial debt (a)	*27,411*	*28,475*
Revenues	13,939	19,719
EBITDA (a)	5,878	7,006
Earnings attributable to Telecom Italia shareowners	1,495	(70)
Total comprehensive income/(loss) attributable to Telecom Italia shareowners	2,030	(807)

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

Impairment test on Telecom Italia shares as of December 31, 2016

In Vivendi's Consolidated Financial Statement for the year ended December 31, 2016, taking into account the purchases of shares on the stock market in 2016, as well as Vivendi's share of Telecom Italia's earnings, the value of the interest in Telecom Italia accounted for under the equity method amounted to €4,131 million (for a purchase price of €3,899 million). As of December 31, 2016, the stock market price of Telecom Italia ordinary shares (€0.8370 per ordinary share) had decreased compared to the average purchase price paid by Vivendi (€1.0793 per ordinary share). However, Vivendi does not consider such decrease to be permanent, taking into account (i) the expected improvement of Telecom Italia's outlook, notably given the recent changes in the company's General Management; (ii) the volatility of Telecom Italia's stock market price following Vivendi's entry into its share capital; and (iii) the recent unfavorable trend of telecom securities in Europe.

As of December 31, 2016, Vivendi performed an impairment test to determine whether the recoverable amount of its 17.2% interest in Telecom Italia exceeded its carrying value. With the assistance of an independent expert, Vivendi Management concluded that the recoverable amount of its interest in Telecom Italia, which was determined using usual valuation methods (discounted cash flows; market comparables model), exceeded its carrying value.

Note 12 Financial assets

(in millions of euros)	December 31, 2016			December 31, 2015		
	Total	Current	Non-current	Total	Current	Non-current
Financial assets at fair value						
Term deposits, interest-bearing current accounts and MTN (a)	682	682	-	266	266	-
Level 1						
Bond funds (a)	316	316	-	315	315	-
Listed equity securities	3,019	-	3,019	2,520	-	2,520
Other financial assets (b)	5	5	-	979	5	974
Level 2						
Unlisted equity securities	397	-	397	331	-	331
Derivative financial instruments (c)	79	62	17	115	47	68
Level 3						
Other financial assets	71	-	71	71	1	70
Financial assets at amortized cost (d)	433	37	396	646	477	169
Financial assets	**5,002**	**1,102**	**3,900**	**5,243**	**1,111**	**4,132**

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

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

b. As of December 31, 2015, they included a cash deposit of €974 million as part of the appeal against the Liberty Media judgment. On February 23, 2016, Vivendi agreed with Liberty Media on a settlement regarding the lawsuit filed by Liberty Media in March 2003 before the U.S. District Court for the Southern District of New York, related to the formation of Vivendi Universal Entertainment in May 2002 (please refer to Note 23). As a result of this settlement, the letter of credit issued to guarantee the amounts awarded by the jury was terminated and the related cash deposit was returned to Vivendi.

c. These derivative financial instruments primarily comprised interest rate and foreign currency hedging instruments, as described in Note 19.

d. As of December 31, 2016, these financial assets mainly included:
   - two bonds redeemable into either shares or cash and one bond redeemable in cash subscribed to by Vivendi as part of its investment in Banijay Group for a total amount of €245 million (please refer to Note 2.3); and
   - a $55 million cash deposit (€53 million as December 31, 2016) made as part of the partial judgment entered in the securities class action (please refer to Note 23).

   In addition, the deposit of $480 million (€439 million as of December 31, 2015) related to the hedge of Activision Blizzard shares was recovered as part of the unwinding of the hedge in January 2016 (please refer to Note 2.8).

Listed equity portfolio

	Note	December 31, 2016							
		Number of shares held	Purchase price (a)	Ownership interest	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
		(in thousands)	(in millions of euros)		(€/share)		(in millions of euros)		
Mediaset	2.5	340,246	1,259	28.80%	4.11	1,398	140	140	+140/-140
Ubisoft	2.4	29,251	758	25.72%	33.80	989	165	231	+99/-99
Telefonica (c)		49,247	569	0.98%	8.82	434	(65)	(135)	+43/-43
Groupe Fnac	2.6	2,945	159	11.27%	64.23	189	30	30	+19/-19
Other						8	(2)	(2)	-
Total						**3,019**	**268**	**264**	**+301/-301**

	Note	December 31, 2015							
		Number of shares held	Purchase price (a)	Ownership interest	Stock market price	Carrying value	Change in value over the period (b)	Cumulative unrealized capital gain/(loss) (b)	Sensitivity at +/-10 pts
		(in thousands)	(in millions of euros)		(€/share)		(in millions of euros)		
Ubisoft	2.4	15,659	352	13.98%	26.67	418	66	66	+42/-42
Telefonica		47,353	554	0.95%	10.24	485	(70)	(70)	+49/-49
Gameloft	2.1	24,489	122	28.65%	6.06	148	26	26	+15/-15
Activision Blizzard	2.8	41,500	416	5.7%	35.41	1,470	781	1,054	na
Total						**2,520**	**803**	**1,076**	**+106/-106**

na: not applicable.

a. Includes acquisition fees and taxes.

b. In accordance with IAS 39, these amounts, before taxes, were accounted for as other charges and income directly recognized in equity, except for the re-measurement at fair value of the underlying instrument offsetting the intrinsic value of the hedge of Activision Blizzard shares as of December 31, 2015 (€467 million).

c. In December 2016, Vivendi received 1.9 million additional Telefonica shares pursuant to the receipt of dividend payments in shares, representing a value of €15 million. In addition, as of December 31, 2016, Vivendi concluded that there was no objective indication of a permanent impairment loss on this interest.

Equity market value risks

In 2015, as part of a sustainable investing strategy, Vivendi built an equity portfolio comprising listed and non-listed French and European companies in the telecommunication and media sectors that are leaders in the production and distribution of content. As of December 31, 2016, this portfolio was mainly comprised of minority interests in Telecom Italia (please refer to Note 11), Mediaset, Ubisoft, Telefonica, Groupe Fnac and Banijay Group. It represented an aggregate market value of approximately €6.8 billion (before taxes) as of that date. Vivendi is exposed to the risk of fluctuation in the value of these interests: as of December 31, 2016, the net unrealized loss with respect to the interests in Telecom Italia, Mediaset, Ubisoft, Telefonica and Groupe Fnac amounted to approximately €0.6 billion (before taxes). A uniform decrease of 10% in the value of all of these shares would have a cumulative negative impact of approximately €0.7 billion on Vivendi's financial position; a uniform decrease of 20% in the value of all of these shares would have a cumulative negative impact of approximately €1.4 billion on Vivendi's financial position.

Note 13 Net working capital

Trade accounts receivable and other

(in millions of euros)	December 31, 2016	December 31, 2015
Trade accounts receivable	1,340	1,308
Trade accounts receivable write-offs	(163)	(153)
Trade accounts receivable, net	**1,177**	**1,155**
Other	1,096	984
Trade accounts receivable and other	**2,273**	**2,139**

Credit risk

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

Trade accounts payable and other

(in millions of euros)	Note	December 31, 2016	December 31, 2015	
Trade accounts payable		2,273	2,224	
Music royalties to artists and repertoire owners	10.2	1,920	1,822	
Other		1,421	2,691	(a)
Trade accounts payable and other		**5,614**	**6,737**	

a. Notably included the second interim dividend, paid on February 3, 2016, for €1,318 million.

Note 14 Cash position

Vivendi's cash position comprises cash and cash equivalents, as well as cash management financial assets classified as current financial assets. As defined by Vivendi, cash management financial assets relate to investments which do not meet the criteria for classification as cash equivalents set out in IAS 7, and, with respect to money market funds, the criteria set forth in AMF position No. 2011-13.

	December 31, 2016			December 31, 2015		
(in millions of euros)	Carrying value	Fair value	Level (a)	Carrying value	Fair value	Level (a)
Term deposits, interest-bearing current accounts and MTN	682	na	na	266	na	na
Bond funds	316	316	1	315	315	1
Cash management financial assets	**998**			**581**		
Cash	285	na	na	256	na	na
Term deposits and interest-bearing current accounts	1,871	na	na	2,419	na	na
Money market funds	1,916	1,916	1	5,550	5,550	1
Cash and cash equivalents	**4,072**			**8,225**		
Cash position	**5,070**			**8,806**		

na: not applicable.

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

In 2016, the average interest rate on Vivendi's investments was 0.34% (compared to 0.35% in 2015).

Investment risk and counterparty risk

Vivendi SA 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.

As of December 31, 2016, the group's cash position amounted to €5,070 million, of which €4,709 million was held by Vivendi SA.

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

Liquidity risk

As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), Vivendi considers that its Net Cash Position, the cash flows generated by its operating activities, as well as the amounts available through its current bank credit facility will be sufficient to cover its operating expenses and capital expenditures, service its debt (including redemption of bonds), pay its income taxes, dividends and share repurchases, if any, as well as to fund its investment projects, if any, for the next 12 months.

Note 15 Equity

Changes in the share capital of Vivendi SA

(in thousands)	December 31, 2016	December 31, 2015
Number of shares comprising the share capital (nominal value: €5.5 per share)	**1,287,088**	**1,368,323**
Treasury shares	(27,614)	(25,985)
Number of shares, net	**1,259,474**	**1,342,338**

Following the decision of the Management Board at a meeting held on June 17, 2016, and in accordance with the authorization granted by the Combined Shareholders' Meeting of April 21, 2016, Vivendi implemented a capital reduction through the cancellation of 86,875 thousand treasury shares, i.e., 6.35% of the share capital, for a carrying value of €1,632 million.

Thereafter, on July 28, 2016, Vivendi carried out a capital increase of €27 million, by issuing 4,870 thousand new shares, as part of the employee stock purchase plan (please refer to Note 18).

As of December 31, 2016, Vivendi's share capital amounted to €7,078,983,142, divided into 1,287,087,844 shares. As of January 9, 2017, the number of voting rights amounted to 1,357,619,399. In addition, as of December 31, 2016, 24.6 million stock options and 3.2 million performance shares were outstanding, representing a potential maximum nominal share capital increase of €153 million (i.e., 2.16%).

Share repurchases

Vivendi's Management Board implemented the share repurchase program, authorized by the General Shareholders' Meeting on April 21, 2016. As of December 31, 2016, Vivendi held 27,614 thousand treasury shares (compared to €25,985 thousand treasury shares as of December 31, 2015). As of December 31, 2016, they represented 2.15% of the share capital, allocated to cover performance share plans for 343 thousand shares, and to external growth transactions for 27,271 thousand shares. The share repurchases made by Vivendi represented a payment of €1,623 million in 2016 (compared to €492 million in 2015).

As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), Vivendi held 28,389 thousand treasury shares, representing 2.21% of the share capital.

Shareholders' dividend distributions

On April 21, 2016, Vivendi's General Shareholders' Meeting notably approved the payment of an ordinary dividend with respect to fiscal year 2015 of €3 per share (comprising a €0.20 distribution related to the group's business performance and a €2.80 return to shareholders) and representing a total distribution of €3,951 million. This dividend was paid as follows:

- the first interim dividend of €1 per share, i.e., €1,364 million, paid on June 29, 2015;
- the second interim dividend of €1 per share, i.e., €1,318 million, paid on February 3, 2016; and
- the balance of €1 per share, i.e., €1,270 million, paid on April 28, 2016.

On February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016 and the allocation of earnings for the fiscal year then ended), the Management Board decided to propose to shareholders the payment of an ordinary dividend of €0.40 per share, representing a total distribution of approximately €500 million. This proposal was presented to, and approved by, Vivendi's Supervisory Board at its meeting held on February 23, 2017, and it will be submitted to the Annual General Shareholders' Meeting to be held on April 25, 2017 for approval.

Note 16 Provisions

(in millions of euros)	Note	December 31, 2016	December 31, 2015
Employee benefits (a)		742	674
Restructuring costs (b)		57	74
Litigations (c)	23	286	1,222
Losses on onerous contracts		91	91
Contingent liabilities due to disposal (d)		16	18
Other (e)		949	963
Provisions		**2,141**	**3,042**
Deduction of current provisions		(356)	(363)
Non-current provisions		**1,785**	**2,679**

a. Included deferred employee compensation as well as provisions for defined employee benefit plans (€708 million as of December 31, 2016, and €646 million as of December 31, 2015), but excluded employee termination reserves recorded under restructuring costs.

b. Mainly included provisions for restructuring at UMG (€21 million as of December 31, 2016, compared to €38 million as of December 31, 2015) and at Canal+ Group (€30 million as of December 31, 2016, compared to €24 million as of December 31, 2015).

c. The decrease in provisions for litigation was mainly attributable to a €945 million reversal of reserve related to the Liberty Media litigation recorded since December 31, 2012, following the settlement agreed on February 23, 2016 and the payment of $775 million (€705 million) to settle this lawsuit. This reversal of reserve resulted in a net profit of €240 million. In addition, the provision recorded in relation to the securities class action in the United States remained unchanged at €100 million (please refer to Note 23).

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

e. Notably included the provisions with respect to the 2011 Consolidated Global Profit Tax System and to the 2012 French Tax Group System (€409 million and €228 million, respectively, please refer to Note 6.1), as well as litigation provisions for which the amount and nature are not detailed because such disclosure could be prejudicial to Vivendi.

Changes in provisions

	Year ended December 31,	
(in millions of euros)	2016	2015
Opening balance	**3,042**	**3,178**
Addition	208	309
Utilization	(913) (a)	(426)
Reversal	(325) (a)	(127)
Business combinations	20	6
Divestitures, changes in foreign currency translation adjustments and other	109	102
Closing balance	**2,141**	**3,042**

a. Notably included the reversal of reserve related to the Liberty Media litigation for an aggregate amount of €945 million, following the settlement agreed to on February 23, 2016 (please refer above).

Note 17 Employee benefits

17.1 Analysis of expenses related to employee benefit plans

The table below provides information about the cost of employee benefit plans excluding its financial component. The total cost of defined benefit plans is set forth in Note 17.2.2 below.

		Year ended December 31,	
(in millions of euros)	Note	2016	2015
Employee defined contribution plans		23	22
Employee defined benefit plans	17.2.2	17	18
Employee benefit plans		**40**	**40**

17.2 Employee defined benefit plans

17.2.1 Assumptions used in the evaluation and sensitivity analysis

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

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

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

In weighted average

	Pension benefits		Post-retirement benefits	
	2016	2015	2016	2015
Discount rate (a)	1.7%	2.8%	3.4%	3.9%
Rate of compensation increase	1.7%	1.8%	3.0%	3.1%
Duration of the benefit obligation (in years)	16.0	14.1	9.9	10.1

a. A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2016 discount rate would have led to a decrease of €1 million in pre-tax expense (or an increase of €1 million, respectively) and would have led to a decrease in the obligations of pension and post-retirement benefits of €84 million (or an increase of €92 million, respectively).

Assumptions used in accounting for pension benefits, by country

	United States		United Kingdom		Germany		France	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate	3.50%	4.00%	2.25%	3.75%	0.75%	1.75%	0.75%	1.75%
Rate of compensation increase (weighted average)	na	na	3.50%	3.75%	1.75%	1.75%	3.44%	3.50%

na: not applicable.

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

	United States		Canada	
	2016	2015	2016	2015
Discount rate	3.50%	4.00%	3.00%	3.50%
Rate of compensation increase	na	na	na	na

na: not applicable.

Allocation of pension plan assets

	December 31, 2016 (a)	December 31, 2015 (a)
Equity securities	2%	3%
Debt securities	33%	34%
Diversified funds	21%	32%
Insurance contracts	20%	19%
Real estate	-	1%
Cash and other	24%	11%
Total	**100%**	**100%**

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

Pension plan assets which were not transferred have a limited exposure to stock market fluctuations. These assets do not include occupied buildings or assets used by the group nor shares or debt instruments of Vivendi.

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the annual growth in the per capita cost of covered health care benefits would slow down from 6.8% for the under 65 years of age and 65 years of age and older categories in 2016, to 4.5% in 2024 for these categories. In 2016, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €9 million and the pre-tax expense by €1 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €8 million and the pre-tax expense by €1 million.

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

	Pension benefits		Post-retirement benefits		Total	
(in millions of euros)	2016	2015	2016	2015	2016	2015
Current service cost	17	14	-	-	17	14
Past service cost	(1)	(1)	-	1	(1)	-
(Gains)/losses on settlements	-	-	-	-	-	-
Other	1	4	1	-	2	4
Impact on selling, administrative and general expenses	**17**	**17**	**1**	**1**	**18**	**18**
Interest cost	22	23	5	6	27	29
Expected return on plan assets	(11)	(12)	-	-	(11)	(12)
Impact on other financial charges and income	**11**	**11**	**5**	**6**	**16**	**17**
Net benefit cost recognized in profit or loss	**28**	**28**	**6**	**7**	**34**	**35**

In 2016, benefits paid amounted to (i) €72 million with respect to pensions (€40 million in 2015), of which €47 million paid by pension funds (€15 million in 2015), and (ii) €12 million paid with respect to post-retirement benefits (€12 million in 2015).

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

The acquisitions of Dailymotion and Gameloft, on June 30, 2015 and June 29, 2016, respectively, did not have a significant impact on the value of obligations with respect to employee benefits.

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

		Employee defined benefit plans		
		Year ended December 31, 2016		
		Benefit obligation	Fair value of plan assets	Net (provision)/asset recorded in the statement of financial position
(in millions of euros)	Note	(A)	(B)	(B)-(A)
Opening balance		**1,085**	**458**	**(627)**
Current service cost		17		(17)
Past service cost		(1)		1
(Gains)/losses on settlements		-	-	-
Other		1	(1)	(2)
Impact on selling, administrative and general expenses				***(18)***
Interest cost		27		(27)
Expected return on plan assets			11	11
Impact on other financial charges and income				***(16)***
Net benefit cost recognized in profit or loss				**(34)**
Experience gains/(losses) (a)		7	76	69
Actuarial gains/(losses) related to changes in demographic assumptions		(6)		6
Actuarial gains/(losses) related to changes in financial assumptions (b)		167		(167)
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**(92)**
Contributions by plan participants		1	1	-
Contributions by employers			62	62
Benefits paid by the fund		(47)	(47)	-
Benefits paid by the employer		(37)	(37)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		(35)	(41)	(6)
Closing balance		**1,179**	**482**	**(697)**
of which wholly or partly funded benefits		*714*		
wholly unfunded benefits (c)		*465*		
of which assets related to employee benefit plans				*11*
provisions for employee benefit plans (d)	16			*(708)*

(in millions of euros)	Note	Employee defined benefit plans – Year ended December 31, 2015 Benefit obligation (A)	Fair value of plan assets (B)	Net (provision)/asset recorded in the statement of financial position (B)-(A)
Opening balance		**1,005**	**404**	**(601)**
Current service cost		14		(14)
Past service cost		-		-
(Gains)/losses on settlements		-	-	-
Other		3	(1)	(4)
Impact on selling, administrative and general expenses				***(18)***
Interest cost		29		(29)
Expected return on plan assets			12	12
Impact on other financial charges and income				***(17)***
Net benefit cost recognized in profit or loss				**(35)**
Experience gains/(losses) (a)		29	19	(10)
Actuarial gains/(losses) related to changes in demographic assumptions		(8)		8
Actuarial gains/(losses) related to changes in financial assumptions		15		(15)
Adjustment related to asset ceiling		-	-	-
Actuarial gains/(losses) recognized in other comprehensive income				**(17)**
Contributions by plan participants		1	1	-
Contributions by employers			48	48
Benefits paid by the fund		(15)	(15)	-
Benefits paid by the employer		(37)	(37)	-
Business combinations		-	-	-
Divestitures of businesses		-	-	-
Transfers		-	-	-
Foreign currency translation and other		49	27	(22)
Closing balance		**1,085**	**458**	**(627)**
of which wholly or partly funded benefits		*645*		
wholly unfunded benefits (c)		*440*		
of which assets related to employee benefit plans				*19*
provisions for employee benefit plans (d)	16			*(646)*

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

b. Included a €183 million decrease in discount rates, of which €11 million in the United States, €113 million in the United Kingdom, €28 million in Germany and €23 million in France.

c. In accordance with local laws and practices, certain plans are not covered by plan assets. As of December 31, 2016 and December 31, 2015, such plans principally comprised supplementary pension plans in the United States, pension plans in Germany and post-retirement benefit plans in the United States.

d. Included a current liability of €61 million as of December 31, 2016 (compared to €62 million as of December 31, 2015).

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

	Pension benefits (a)		Post-retirement benefits (b)		Total	
	December 31,		December 31,		December 31,	
(in millions of euros)	2016	2015	2016	2015	2016	2015
Benefit obligation						
US companies	136	133	134	130	270	263
UK companies	388	330	3	1	391	331
German companies	222	208	-	-	222	208
French companies	207	202	-	-	207	202
Other	74	66	15	15	89	81
	1,027	**939**	**152**	**146**	**1,179**	**1,085**
Fair value of plan assets						
US companies	60	59	-	-	60	59
UK companies	341	298	-	-	341	298
German companies	3	3	-	-	3	3
French companies	31	55	-	-	31	55
Other	47	43	-	-	47	43
	482	**458**	**-**	**-**	**482**	**458**
Underfunded obligation						
US companies	(76)	(74)	(134)	(130)	(210)	(204)
UK companies	(47)	(32)	(3)	(1)	(50)	(33)
German companies	(219)	(205)	-	-	(219)	(205)
French companies	(176)	(147)	-	-	(176)	(147)
Other	(27)	(23)	(15)	(15)	(42)	(38)
	(545)	**(481)**	**(152)**	**(146)**	**(697)**	**(627)**

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

b. Primarily relates to medical coverage (hospitalization, surgery, doctor visits and drug prescriptions), post-retirement and life insurance benefits for certain employees and retirees in the United States. In accordance with the current regulation in relation to the funding policy of this type of plan, the plan is not funded. The main risks for the group relate to changes in discount rates as well as the increase in the cost of benefits (please refer to the sensitivity analysis described in Note 17.2.1).

17.2.4 Benefits estimation and future payments

For 2017, hedge fund contributions and benefit payments by Vivendi to retirees are estimated to be €50 million in respect of pensions, of which €32 million relates to pension funds and €11 million relates to post-retirement benefits.

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

(in millions of euros)	Pension benefits	Post-retirement benefits
2017	33	12
2018	33	11
2019	30	11
2020	43	11
2021	32	11
2022-2026	239	48

Note 18 Share-based compensation plans

18.1 Plans granted by Vivendi

18.1.1 Equity-settled instruments

Transactions on outstanding instruments that occurred in 2015 and 2016 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, 2014	**42,722**		**19.3**	**3,867**	
Granted	-		na	1,566	
Exercised	(10,882)	(a)	18.4	(1,968)	
Forfeited	(481)		19.0	na	
Cancelled	(28)		11.8	(920)	(b)
Balance as of December 31, 2015	**31,331**		**19.7**	**2,545**	
Granted	-		na	1,320	
Exercised	(674)	(a)	14.1	(394)	
Forfeited	(6,037)		22.9	na	
Cancelled	-		na	(255)	(c)
Balance as of December 31, 2016	**24,620**	(d)	**19.1**	**3,216**	(e)
Exercisable as of December 31, 2016	**24,620**		**19.1**	**-**	
Acquired as of December 31, 2016	**24,620**		**19.1**	**423**	

na: not applicable.

a. In 2016, beneficiaries exercised their stock options at the weighted average stock market price of €18.3 (compared to €22.1 for stock options exercised in 2015).

b. At its meeting held on February 27, 2015, after review by the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board approved the level of satisfaction of objectives set for the cumulative fiscal years 2013 and 2014 for performance share plans granted in 2013. It confirmed that not all the criteria had been met for fiscal year 2014. The final grant of the 2013 performance share plans represents, depending on the group subsidiary, between 62% and 80% of the initial grant. Consequently, 828,127 rights to performance shares granted in 2013 were cancelled. In addition, 91,742 rights were cancelled due to the termination of employment of certain beneficiaries.

c. At its meeting held on February 18, 2016, after review by the Corporate Governance, Nominations and Remuneration Committee, the Supervisory Board approved the level of satisfaction of objectives set for the cumulative fiscal years 2014 and 2015 for performance share plans granted in 2014. It confirmed that not all the criteria had been met for fiscal year 2015. The final grant of the 2014 performance share plans represents, depending on the group subsidiary, between 59% and 75% of the initial grant. Consequently, 77,524 rights to performance shares granted in 2014 were cancelled. In addition, 177,790 rights were cancelled due to the termination of employment of certain beneficiaries.

d. At stock market price on December 31, 2016, the cumulated intrinsic value of remaining stock options to be exercised could be estimated at €31 million.

e. The weighted-average remaining period before delivering performance shares was 2.1 years.

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

Outstanding stock options as of December 31, 2016

Range of strike prices	Number	Weighted average strike price	Weighted average remaining life
	(in thousands)	(in euros)	(in years)
Under €15	1,851	11.8	5.3
€15-€17	8,262	15.9	2.8
€17-€19	2,287	17.2	4.3
€19-€21	5,662	20.2	1.3
€21-€23	-	-	-
€23-€25	6,558	24.7	0.3
€25 and more	-	-	-
	24,620	**19.1**	**2.1**

Performance share plans

On May 11, 2016, Vivendi granted 1,312 thousand performance shares to its officers and employees (compared to 1,449 thousand shares granted on February 27, 2015). As of that date, the share price was €16.68 and the expected dividend yield was 1.20% (compared to €21.74 and 4.60%, respectively, in 2015). After taking into account the cost associated with the retention period of the shares (described below), the discount for non-transferability was set at 8.4% of the share price as of May 11, 2016 (compared to 9.0% in 2015). Consequently, the fair value of each granted performance share was estimated at €14.68 (compared to €16.98 in 2015), corresponding to an aggregate fair value of €19 million (compared to €25 million in 2015).

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

The 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 80%):
  - the group's adjusted net income per share (40%, compared to 30% in 2015 based on the earnings per share);
  - the group's EBITA growth rate (30%, compared to 10% in 2015); and
  - the relevant subsidiary's EBITA margin rate for beneficiaries in the business segments, or the group's EBITA margin rate for beneficiaries at the corporate headquarters (10%, compared to 40% in 2015).
- External indicators (with a weighting of 20%) tied to changes in Vivendi's share price compared to the STOXX® Europe Media index (15%) and to the CAC 40 (5%).

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

In 2016, the charge recognized with respect to all performance share plans amounted to €10 million, compared to €11 million in 2015.

18.1.2 Employee stock purchase and leveraged plans

On July 28, 2016 and July 16, 2015, Vivendi made capital increases through company mutual funds (*Fonds Commun de Placement d'Entreprise*; employee stock purchase and leveraged plans) which gave the group's employees and retirees an opportunity to subscribe for Vivendi shares.

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

The applied valuation assumptions were as follows:

	2016	2015
Grant date	June 27	June 18
Data at grant date:		
Share price (in euros)	15.28	23.49
Expected dividend yield	1.31%	4.26%
Risk-free interest rate	-0.27%	0.36%
5-year interest rate in fine	4.37%	4.69%
Repo rate	0.36%	0.36%
Discount for non-transferability per share	20.80%	16.69%

Under the employee stock purchase plan (ESPP), 613 thousand shares were subscribed for in 2016 at a price of €14.58 per share (compared to €696 thousand in 2015 at a price of €18.39 per share). In 2016, no charges were recognized in respect of the ESPP (compared to a €1 million charge in 2015) as the benefit granted, which is equal to the favorable difference between the subscription price and the stock price at the end of subscription period (discount to face value of 4.6%, compared to 21.7% in 2015), was lower than the discount for non-transferability.

Under the leveraged plan, 4,256 thousand shares were subscribed for in 2016 at a price of €14.58 per share (compared to 3,218 thousand in 2015 at a price of €19.21 per share). Through a company mutual fund, the leveraged plan entitles employees and retirees of Vivendi and its French and foreign subsidiaries to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for each subscribed share. A financial institution mandated by Vivendi hedges this transaction. In 2016, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €1 million (compared to €4 million in 2015).

Transactions carried out in France and foreign countries through company mutual funds (*Fonds Commun de Placement d'Entreprise*; employee stock purchase and leveraged plans) led to a capital increase on July 28, 2016 (including issue premium) for an aggregate value of €71 million, compared to €75 million on July 16, 2015.

18.1.3 Cash-settled instruments

Stock appreciation right (SAR) plan

Under the SAR plan, the beneficiaries will receive a cash payment upon exercise of their rights based on the Vivendi share price equal to the difference between the Vivendi share price upon exercise of the SARs and their strike price as set at the grant date. SARs have a maturity period of ten years, and they will all expire in April 2017.

As of December 31, 2016, the outstanding stock appreciation right plan totaled 1,482 thousand SAR (compared to 2,878 thousand SAR as of December 31, 2015). In 2016, 1,396 thousand SAR expired. In 2015, 1,288 thousand SAR were exercised and 261 thousand have expired.

As of December 31, 2016 and 2015, no provision has been recorded for these instruments.

18.2 Plans granted by Gameloft S.E.

Restricted share plans

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

As of June 29, 2016, the date of Gameloft’s acquisition by Vivendi, the existing plans were valued by measuring the value of granted shares as if the shares had been granted on such date.

Transactions on outstanding restricted shares that occurred since June 29, 2016 were as follows:

	Number of outstanding restricted shares	
	(in thousands)	
Balance as of December 31, 2015	**-**	
Resulting from the business combination	2,678	
Granted	-	
Issued	(410)	
Forfeited	-	
Cancelled	(935)	
Balance as of December 31, 2016	**1,333**	(a)
Acquired as of December 31, 2016	**-**	

a. The weighted-average remaining period before delivering restricted shares was 1.83 year.

In 2016, the charge recognized with respect to restricted share plans amounted to €3 million.

18.3 Dailymotion's long-term incentive plan

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

In accordance with IFRS 2, a compensation expense must be estimated and accounted for at each reporting date until the payment date. As of December 31, 2016, no charges were accounted for with respect to this plan (unchanged compared to December 31, 2015).

18.4 UMG long-term incentive plan

Effective from January 1, 2010, UMG implemented long-term incentive arrangements under which certain key executives of UMG were awarded phantom equity units and phantom stock appreciation rights whose value was intended to reflect the value of UMG. These units were simply account units and did not represent an actual ownership interest in either UMG or Vivendi. The equity units were notional grants of equity that were payable in cash upon settlement in 2015 at the latest, or in certain cases, on an earlier date. The stock appreciation rights were essentially options on those notional shares that provided additional compensation tied to any increase in value of UMG over the term.

In July 2015, following the renewal of the employment contract of one executive who benefited from the plan, the remaining rights under the plan vested, and an amount of €16 million was paid as final settlement to the executive. In 2015, the charge recognized with respect to this plan amounted to €3 million.

Note 19 Borrowings and other financial liabilities and financial risk management

(in millions of euros)	Note	December 31, 2016			December 31, 2015			
		Total	Long-term	Short-term	Total	Long-term	Short-term	
Bonds	19.2	3,550	2,800	750	1,950	1,450	500	
Commercial papers issued		100	-	100	-	-	-	
Bank overdrafts		77	-	77	53	-	53	
Accrued interest to be paid		36	-	36	27	-	27	
Other		101	15	86	69	14	55	
Bank credit facilities (drawn confirmed)	19.3	-	-	-	-	-	-	
Nominal value of borrowings		**3,864**	2,815	1,049	**2,099**	1,464	635	
Cumulative effect of amortized cost and revaluation due to hedge accounting	19.1	(13)	(13)	-	14	(3)	17	
Commitments to purchase non-controlling interests		85	56	29	293	83	210	(a)
Derivative financial instruments (b)	19.7	145	119	26	532	11	521	
Borrowings and other financial liabilities		**4,081**	**2,977**	**1,104**	**2,938**	**1,555**	**1,383**	

a. Included the firm commitment of €193 million related to the share repurchase program in place as of December 31, 2015 (please refer to Note 15).

b. As of December 31, 2016, the derivative financial instruments notably included the fair value of the options (€119 million) pursuant to which Banijay Group and Lov Banijay may redeem their borrowings in shares (please refer to Note 2.3). As of December 31, 2015, they notably included the fair value of the collar hedge (€483 million) denominated in USD of Vivendi's interest in Activision Blizzard; this instrument was unwound on January 13, 2016 (please refer to note 2.8).

19.1 Fair market value of borrowings and other financial liabilities

(in millions of euros)	December 31, 2016			December 31, 2015		
	Carrying value	Fair market value	Level (a)	Carrying value	Fair market value	Level (a)
Nominal value of borrowings	3,864			2,099		
Cumulative effect of amortized cost and revaluation due to hedge accounting	(13)			14		
Borrowings at amortized cost	**3,851**	**3,994**	**na**	**2,113**	**2,272**	**na**
Commitments to purchase non-controlling interests	85	85	3	293	293	(b) 1-3
Derivative financial instruments	145	145	2	532	532	2
Borrowings and other financial liabilities	**4,081**	**4,224**		**2,938**	**3,097**	

na: not applicable.

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

b. Included the firm commitment of €193 million related to the share repurchase program in place as of December 31, 2015 (please refer to Note 15).

19.2 Bonds

(in millions of euros)	Interest rate (%)		Maturity	December 31, 2016	December 31, 2015
	nominal	effective			
€500 million (December 2009) (a)	4.250%	4.39%	Dec-16	-	500
€750 million (March 2010) (a)	4.000%	4.15%	Mar-17	750	750
€700 million (December 2009) (a)	4.875%	4.95%	Dec-19	700	700
€1 billion (May 2016) (b)	0.750%	0.90%	May-21	1,000	-
€600 million (November 2016) (b)	1.125%	1.18%	Nov-23	600	-
€500 million (May 2016) (b)	1.875%	1.93%	May-26	500	-
Nominal value of bonds				**3,550**	**1,950**

a. Bonds listed on the Luxembourg Stock Exchange.
b. Bonds listed on the Euronext Paris Stock Exchange.

Bonds issued by Vivendi SA contain customary provisions related to events of default, negative pledge and rights of payment (*pari-passu* ranking). In addition, bonds issued by Vivendi SA contain an early redemption clause in case of a change in control[12] if, as a result of any such event, the long-term rating of Vivendi SA is downgraded below investment grade status (Baa3/BBB-).

19.3 Bank credit facilities

Vivendi SA has a €2 billion bank credit facility, undrawn as of December 31, 2016. On October 30, 2016, the maturity date of this credit facility was extended by one year, to October 29, 2021. Taking into account the commercial papers backed by this bank credit facility and issued for €100 million, this facility was available for €1.9 billion as of December 31, 2016. As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), taking into account the commercial papers issued for €300 million, this facility was available for €1.7 billion.

This bank credit facility contains customary provisions relating to events of default and covenants relating to negative pledge, divestiture and merger transactions. In addition, at the end of each half year, Vivendi SA is required to comply with a Proportionate Financial Net Debt[13] to EBITDA[14] financial covenant over a 12-month rolling period not exceeding 3 for the duration of the loan. Non-compliance with this covenant could result in the early redemption of the facility if it were drawn, or its cancellation. As of December 31, 2016, Vivendi SA was in compliance with its financial covenant.

The renewal of Vivendi SA's confirmed bank credit facility when it is drawn is contingent upon the issuer reiterating certain representations regarding its ability to comply with its financial obligations with respect to loan contracts.

In addition, as a result of the settlement agreement entered into with Liberty Media on February 23, 2016 regarding the lawsuit filed by Liberty Media in March 2003, the letter of credit issued to guarantee the amounts awarded by the jury was terminated and the related cash deposit was returned to Vivendi (€974 million).

19.4 Borrowings by maturity

(in millions of euros)	December 31, 2016		December 31, 2015	
Maturity				
< 1 year (a)	1,049	*27%*	635	*30%*
Between 1 and 2 years	14	-	762	*36%*
Between 2 and 3 years	701	*18%*	2	-
Between 3 and 4 years	-	-	700	*34%*
Between 4 and 5 years	1,000	*26%*	-	-
> 5 years	1,100	*29%*	-	-
Nominal value of borrowings	**3,864**	***100%***	**2,099**	***100%***

a. As of December 31, 2016, short-term borrowings (with a maturity period of less than one year) mainly included Vivendi SA's bonds for €750 million, maturing in March 2017, commercial papers for €100 million (whose average remaining period is less than one month), as well as bank overdrafts for €77 million.

As of December 31, 2016, the average "economic" term of the group's financial debt, calculated based on the assumption that the available medium term credit lines may be used to redeem group borrowings with the shortest term, was 5.3 years (compared to 4.6 years at year-end 2015).

As of December 31, 2016, the future undiscounted cash flows related to borrowings and other financial liabilities amounted to €4,289 million (compared to a carrying value of €4,081 million) and are presented in Note 22.1 within the group's contractual minimum future payments schedule.

[12] In the bonds issued in May 2016 and November 2016, Bolloré Group was carved out of the change-of-control provision.
[13] Relates to Financial Net Debt as defined by Vivendi.
[14] Relates to EBITDA as defined by Vivendi, plus dividends received from unconsolidated companies.

19.5 Interest rate risk management

Vivendi's interest rate risk management seeks to reduce its net exposure to interest rate increases. Therefore, Vivendi uses pay-floating and pay-fixed interest rate swaps. These instruments thus enable the group to manage and reduce volatility for future cash flows related to interest payments on borrowings. Considering the fixed/floating rate hedging instruments set up, an unfavorable change of 1% in the interest rates would have a cumulative impact of -€2 million on net earnings.

Breakdown by nature of interest rate

(in millions of euros)	December 31, 2016		December 31, 2015	
Fixed interest rate	3,639	*94%*	2,002	*95%*
Floating interest rate	225	*6%*	97	*5%*
Nominal value of borrowings before hedging	**3,864**	***100%***	**2,099**	***100%***
Pay-fixed interest rate swaps	450		*450*	
Pay-floating interest rate swaps	*(450)*		*(1,450)*	
Net position at fixed interest rate	***-***		***(1,000)***	
Fixed interest rate	3,639	*94%*	1,002	*48%*
Floating interest rate	225	*6%*	1,097	*52%*
Nominal value of borrowings after hedging	**3,864**	***100%***	**2,099**	***100%***

In December 2016, the pay-floating interest rate swaps with a notional amount of €1,000 million were unwound at their maturity date. As of December 31, 2016, Vivendi SA's contracts only included the pay-floating interest rate swaps with a notional amount of €450 million, as well as pay-fixed interest rate swaps for the same amount. These swaps, qualified as economic hedges, will mature in March 2017. The fair value on the Statement of Financial Position of these swaps was as follows:

	December 31, 2016		December 31, 2015	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities
Pay-fixed interest rate swaps	-	(5)	-	(9)
Pay-floating interest rate swaps	17	-	49	-
	17	**(5)**	**49**	**(9)**
Breakdown by accounting category of rate hedging instruments				
Fair Value Hedge	-	-	19	-
Economic Hedging (a)	17	(5)	30	(9)

a. The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.

19.6 Foreign currency risk management

Breakdown by currency

(in millions of euros)	December 31, 2016		December 31, 2015	
Euro - EUR	3,777	*98%*	2,052	*98%*
US dollar - USD	1	-	-	-
Other	86	*2%*	47	*2%*
Nominal value of borrowings before hedging	**3,864**	***100%***	**2,099**	***100%***
Currency swaps USD	*379*		*799*	
Other currency swaps	*125*		*(126)*	
Net total of hedging instruments (a)	***504***		***673***	
Euro - EUR	4,281	*111%*	2,725	*130%*
US dollar - USD	(378)	*-10%*	(799)	*-38%*
Other	(39)	*-1%*	173	*8%*
Nominal value of borrowings after hedging	**3,864**	***100%***	**2,099**	***100%***

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

Foreign currency risk

The group's foreign currency risk management is centralized by Vivendi SA's Financing and Treasury Department and primarily seeks to hedge budget exposures (at an 80% level) resulting from monetary flows generated by operations performed in currencies other than the euro as well as from external firm commitments (at a 100% level), primarily relating to the acquisition of editorial content (e.g., sports, audiovisual and film rights) and certain capital expenditures (e.g., set-top boxes), realized in currencies other than the euro. Most of the hedging instruments are foreign currency swaps or forward contracts that have a maturity period of less than one year. Considering the foreign currency hedging instruments set up, an unfavorable and uniform euro change of 1% against all foreign currencies in position as of December 31, 2016, would have a non-significant cumulative impact on net earnings (below €1 million). In addition, the group may hedge foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities. Moreover, due to their non-significant nature, net exposures related to subsidiaries' net working capital (internal flows of royalties as well as external purchases) are generally not hedged. The associated risks are settled at the end of each month by translating the amounts into the functional currency of the relevant operating entities.

The principal currencies hedged by the group are US dollars (USD) and British pounds (GBP). To hedge against a possible depreciation of its net investment in certain subsidiaries in the United Kingdom due to an unfavorable change in GBP, Vivendi set up a hedge using forward contracts for a notional amount of £832 million, or €984 million at forward rate. From an accounting perspective, these hedge instruments were considered as net investment hedges.

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

	December 31, 2016						
	Notional amounts					Fair value	
(in millions of euros)	**Total**	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(1,338)	(92)	(179)	(1,007)	(60)	16	(2)
Purchases against the euro	1,816	267	88	1,236	225	18	(19)
Other	-	175	(160)	(19)	4	14	-
	478	**350**	**(251)**	**210**	**169**	**48**	**(21)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(62)	(17)	(28)	(8)	(9)	-	-
Purchases against the euro	46	28	-	-	18	3	-
Other	-	28	(28)	-	-	2	-
	(16)	**39**	**(56)**	**(8)**	**9**	**5**	**-**
Fair Value Hedge							
Sales against the euro	(241)	(75)	(151)	(15)	-	5	(2)
Purchases against the euro	292	239	-	52	1	14	(2)
Other	-	147	(132)	(19)	4	12	-
	51	**311**	**(283)**	**18**	**5**	**31**	**(4)**
Net Investment Hedge							
Sales against the euro	(984)	-	-	(984)	-	11	-
	(984)	**-**	**-**	**(984)**	**-**	**11**	**-**
Economic Hedging (a)							
Sales against the euro	(51)	-	-	-	(51)	-	-
Purchases against the euro	1,478	-	88	1,184	206	1	(17)
	1,427	**-**	**88**	**1,184**	**155**	**1**	**(17)**

(in millions of euros)	December 31, 2015						
	Notional amounts					Fair value	
	Total	USD	PLN	GBP	Other	Assets	Liabilities
Sales against the euro	(1,535)	(55)	(290)	(1,159)	(31)	18	(2)
Purchases against the euro	2,212	651	70	1,377	114	16	(37)
Other	-	198	(118)	(13)	(67)	5	(1)
	677	**794**	**(338)**	**205**	**16**	**39**	**(40)**
Breakdown by accounting category of foreign currency hedging instruments							
Cash Flow Hedge							
Sales against the euro	(53)	(4)	(35)	-	(14)	-	-
Purchases against the euro	48	47	-	-	1	2	-
Other	-	24	(24)	-	-	1	(1)
	(5)	**67**	**(59)**	**-**	**(13)**	**3**	**(1)**
Fair Value Hedge							
Sales against the euro	(325)	(51)	(255)	(18)	(1)	6	(2)
Purchases against the euro	333	312	-	21	-	11	(2)
Other	-	106	(94)	(8)	(4)	4	-
	8	**367**	**(349)**	**(5)**	**(5)**	**21**	**(4)**
Net Investment Hedge							
Sales against the euro	(1,141)	-	-	(1,141)	-	12	-
	(1,141)	**-**	**-**	**(1,141)**	**-**	**12**	**-**
Economic Hedging (a)							
Sales against the euro	(17)	-	-	-	(17)	-	-
Purchases against the euro	1,832	292	70	1,356	114	3	(35)
Other	-	68	-	(5)	(63)	-	-
	1,815	**360**	**70**	**1,351**	**34**	**3**	**(35)**

a. The economic hedging instruments relate to derivative financial instruments which are not eligible for hedge accounting pursuant to IAS 39.

19.7 Derivative financial instruments

Value on the Statement of Financial Position

(in millions of euros)	Note	December 31, 2016		December 31, 2015	
		Assets	Liabilities	Assets	Liabilities
Interest rate risk management	19.5	17	(5)	49	(9)
Foreign currency risk management	19.6	48	(21)	39	(40)
Other (a)		14	(119)	27	(483)
Derivative financial instruments		**79**	**(145)**	**115**	**(532)**
Deduction of current derivative financial instruments		(62)	26	(47)	521
Non-current derivative financial instruments		**17**	**(119)**	**68**	**(11)**

a. As of December 31, 2016, other derivative financial instruments primarily included the fair value of the options (-€119 million) pursuant to which Banijay Group and Lov Banijay may redeem their borrowings in shares (please refer to Note 2.3). As of December 31, 2015, they included the fair value of the collar hedge (-€483 million) denominated in USD of Vivendi's interest in Activision Blizzard; this instrument was unwound on January 13, 2016 (please refer to Note 2.8).

Unrealized gains and losses recognized directly in equity

(in millions of euros)	Cash Flow Hedge		Net Investment Hedge	Total
	Interest rate risk management	Foreign currency risk management		
Balance as of December 31, 2014	**24**	**3**	**(50)**	**(23)**
Charges and income directly recognized in equity	-	(3)	(66)	(69)
Items to be reclassified to profit or loss	(11)	1	-	(10)
Tax effect	-	1	-	1
Other	-	(1)	-	(1)
Balance as of December 31, 2015	**13**	**1**	**(116)**	**(102)**
Charges and income directly recognized in equity	-	-	155	155
Items to be reclassified to profit or loss	(11)	3	-	(8)
Tax effect	-	(1)	-	(1)
Other	-	-	-	-
Balance as of December 31, 2016	**2**	**3**	**39**	**44**

19.8 Credit ratings

As of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016), Vivendi's credit ratings were as follows:

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

Note 20 Consolidated Cash Flow Statement

20.1 Adjustments

(in millions of euros)	Note	Year ended December 31, 2016	Year ended December 31, 2015
Items related to operating activities with no cash impact			
Amortization and depreciation of intangible and tangible assets	3	555	716
Change in provision, net		(49)	(53)
Other non-cash items from EBIT		3	(2)
Other			
Reversal of reserve related to the Liberty Media litigation in the United States	23	(240)	-
Other income from EBIT	4	(661)	(745)
Other charges from EBIT	4	185	45
Proceeds from sales of property, plant, equipment and intangible assets		4	1
Adjustments		**(203)**	**(38)**

20.2 Investing and financing activities with no cash impact

In December 2016, Vivendi received 1.9 million Telefonica shares pursuant to a dividend payment in shares, representing a value of €15 million.

In 2015, Vivendi made the following non-cash transactions:

- swap with Telefonica of a 4.5% interest in Telefonica Brasil in exchange for 8.24% of Telecom Italia ordinary shares in June 2015. The value of the interest in Telecom Italia amounted to €1,265 million;
- swap of a 3.5% interest in Telefonica Brasil in exchange for 46 million Telefonica shares (i.e., a 0.95% interest) in September 2015. The value of the interest in Telefonica amounted to €538 million; and
- Vivendi received 1.4 million Telefonica shares pursuant to a dividend payment in shares made in December 2015, representing a value of €16 million.

Note 21 Related parties

Vivendi's related parties are the corporate officers, who are members of Vivendi's Supervisory and Management Boards, and other related parties including;

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

21.1 Corporate officers

Supervisory Board

The Supervisory Board is currently comprised of 14 members, including an employee shareholder representative and an employee representative. It is made up of six women, i.e. a ratio of 46% (in accordance with Law n°2011-103 of January 27, 2011, the employee representative is not taken into account for the calculation of this percentage). In 2015 and 2016, the composition of the Supervisory Board has changed as follows:

- on April 17, 2015, Vivendi's General Shareholders' Meeting approved the appointments of Mr. Tarak Ben Ammar and Mr. Dominique Delport;
- on April 21, 2016, Vivendi's General Shareholders' Meeting approved the appointment of Ms. Cathia Lawson-Hall; and
- on May 11, 2016, the Supervisory Board co-opted Mr. Yannick Bolloré, Chairman and Chief Executive Officer of Havas Group. This co-option will be submitted to the next General Shareholders' Meeting to be held on April 25, 2017 for ratification.

For 2016, the compensation of the Chairman of the Supervisory Board was set at €400,000, including attendance fees for €60,000. With respect to fiscal year 2015, pursuant to the approval by the Supervisory Board on February 18, 2016, the annual compensation of the Chairman of the Supervisory Board was set at €340,000 and remains subject to the same performance conditions used to calculate the variable compensation of the Management Board members. In addition, he received a fixed annual attendance fee of €60,000.

The gross amount of directors' fees paid to the other members of the Supervisory Board with respect to fiscal year 2016 was an aggregate amount of €1,207,500 (compared to €1,191,666 in 2015).

Moreover, at its meeting held on September 2, 2015, Vivendi's Supervisory Board authorized the Management Board to enter into an agreement with Mr. Dominique Delport, a member of Vivendi's Supervisory Board, for a five-year period starting October 1, 2015. Pursuant to the terms of this services contract, Mr. Dominique Delport provides assistance and advice regarding the creation and use of new digital contents as part of the development of Vivendi Content and Dailymotion. Total annual fees were set at a fixed amount of €300,000, which may be increased, if applicable, by a variable amount of up to €200,000. Vivendi paid €300,000 for 2016 with respect to the fixed compensation under this contract (compared to €75,000 in 2015 on a *pro rata temporis* basis). He did not receive any variable compensation with respect to fiscal years 2015 and 2016. In addition, pursuant to the terms of the agreement, Mr. Delport benefits from a long-term incentive plan, as described in Note 18.

Management Board

The Management Board is currently comprised of five members. It was comprised of three members until November 10, 2015.

In 2016, the gross compensation paid by the group to the five members of the Management Board amounted to €7.7 million (compared to €4.7 million paid in 2015 *pro rata* to their term of office). This amount included:

- fixed compensation of €4.5 million (compared to €2.5 million *pro rata* to their term of office);
- variable compensation of €3.1 million paid in 2016 with respect to fiscal year 2015 to the five members of the Management Board *pro rata* to their term of office (compared to €2.2 million paid in 2015 with respect to fiscal year 2014 to the three members of the Management Board *pro rata* to their term of office); and
- benefits in kind.

Moreover, on February 23, 2017, the Supervisory Board approved the variable compensation of the members of the Management Board, to be paid in 2017 for an aggregate amount of €3.4 million.

The charge recorded by Vivendi with respect to equity-settled share-based compensation plans granted to the members of the Management Board amounted to €2.0 million in 2016 (compared to €1.9 million in 2015).

The Supervisory Board, at its meeting held on February 23, 2017, confirmed that the performance criteria applying to the growth rate of rights under the group defined benefit supplemental pension plan had been met with respect to fiscal year 2016. The charge recorded by Vivendi

with respect to the vested rights under the pension commitments in favor of the Management Board members amounted to €6.4 million (compared to 4.1 million in 2015). The amount of net pension obligations toward the members of the Management Board amounted to €62.4 million as of December 31, 2016 (compared to €21.2 million as of December 31, 2015).

The Chairman of the Management Board, Mr. Arnaud de Puyfontaine, has renounced his employment contract. In accordance with the provisions approved by the General Shareholders' Meeting held on April 17, 2015, he was granted a severance package in the event of a forced departure and subject to the satisfaction of performance conditions.

Chapter 3 of the Annual Report contains a detailed description of the compensation policy, setting out the principles and criteria for determining, distributing and attributing the fixed, variable and exceptional components of the overall compensation and the benefits of any kind attributable to Vivendi SA's corporate officers in connection with their term of office. This chapter also contains the details of the fixed, variable and exceptional components of their compensation and the benefits of any kind that have been paid or attributed to the corporate officers with respect to fiscal year 2016.

21.2 Other related parties

Vivendi's other related parties are companies over which Vivendi exercises a significant influence (i.e., primarily Telecom Italia, Banijay Group and Vevo: please refer to Note 11), and companies in which Vivendi's corporate officers or their close relatives hold significant voting rights. They notably included:

- Bolloré Group and its subsidiaries, directly or indirectly controlled by Mr. Vincent Bolloré, Chairman of Vivendi's Supervisory Board, and his family;
- Havas Group and its subsidiaries, 60% held by Bolloré Group and whose Chairman and Chief Executive Officer is Mr. Yannick Bolloré, a member of Vivendi's Supervisory Board;
- Quinta Communications Group, held by Mr. Tarak Ben Ammar, a member of Vivendi's Supervisory Board; and
- Groupe Nuxe, controlled by Ms. Aliza Jabès, a member of Vivendi's Supervisory Board.

Bolloré Group

In 2016, Vivendi paid an interim dividend of €196 million to Bolloré Group with respect to fiscal year 2015 and the balance of the dividend with respect to fiscal year 2015 of €196 million. In 2015, Vivendi paid a dividend of €196 million to Bolloré Group with respect to fiscal year 2014, and an interim dividend of €196 million with respect to fiscal year 2015.

On October 7, 2016, Bolloré Group crossed the 20% thresholds of Vivendi's share capital and voting rights after having entered a stock borrowing agreement in respect of 34.7 million Vivendi shares (2.7% of the share capital) maturing on June 25, 2019, and the acquisition of call options that enable Bolloré Group to purchase at any time until June 25, 2019, 34.7 million additional shares (2.7% of the share capital). As of that date, taking into account the 34.7 million call options, Bolloré Group held 265.8 million Vivendi shares, representing 288.2 million voting rights, i.e., 20.66% of the share capital and 21.99% of the net voting rights.

In accordance with applicable laws and regulations, and as published by the *Autorité des marchés financiers* (AMF) on October 14, 2016 (reference code 216C2355), Bolloré Group made the following declaration of its intentions *vis-a-vis* Vivendi for the next six months:

- the crossing of the 20% shareholding and voting rights thresholds resulted from the conclusion of an agreement for the temporary acquisition of Vivendi shares on the one hand, and the purchase of call options on Vivendi shares on the other, with both transactions having been financed from Bolloré Group's own funds;
- the declarant has not entered into any agreement establishing a concerted action with respect to Vivendi;
- the declarant contemplates continuing to purchase Vivendi shares depending primarily on market opportunities;
- without the intent of gaining control, the foreseeable change in its voting rights, all of which will double by April 20, 2017 (except for those on borrowed shares), could put the declarant in a position to determine decisions at General Shareholders' Meetings;
- the investment in Vivendi reflects Bolloré Group's confidence in Vivendi's capacity to develop and its willingness to support Vivendi in its strategy;
- with regard to the transactions referred to in Article 223-17 I, 6° of the AMF's General Regulations (*Règlement Général*), the declarant plans to explore with Vivendi synergies or possible rapprochements between their respective activities in the field of media and communication;
- the declarant holds 34,700,000 call options that enables it to acquire at any time until June 25, 2019, 34,700,000 Vivendi shares, and it plans to exercise them based, in particular, on market conditions;
- the declarant is party to a temporary sale agreement, as borrower, in respect of 34,700,000 Vivendi shares carrying an equal amount of voting rights; the declarant is not a party to any other temporary sale agreement; and
- the declarant plans to request additional appointments to the company's Supervisory Board.

As of January 9, 2017, Bolloré Group held 20.65% of Vivendi's share capital and 24.70% of the voting rights (265.8 million Vivendi shares, representing 335.3 million voting rights).

Related-party transactions

(in millions of euros)	2016	2015
Assets		
Non-current content assets	1	-
Property, plant and equipment	1	-
Non-current financial assets	254	-
Of which Banijay Group and Lov Banijay bonds	*245*	-
Trade accounts receivable and other	27	37
Of which Banijay Group (a)	*2*	-
Havas Group (b)	*2*	*1*
Telecom Italia	*2*	-
Liabilities		
Non-current financial liabilities	119	-
Of which Banijay Group and Lov Banijay	*119*	-
Trade accounts payable and other	31	13
Of which Banijay Group (a)	*6*	-
Havas Group (b)	*20*	*3*
Bolloré Group	*2*	*3*
Statement of earnings		
Operating income	171	156
Of which Banijay Group (a)	*3*	-
Havas Group (b)	*5*	*3*
Telecom Italia	*7*	*7*
Operating expenses	(160)	(61)
Of which Banijay Group (a)	*(64)*	-
Havas Group (b)	*(49)*	*(25)*
Bolloré Group	*(9)*	*(9)*
Off-balance sheet contractual obligations, net	250	-
Of which Banijay Group (a)	*232*	-
Advertising transactions		
Of which advertising sales realized via Havas' agencies (b)	*88*	*99*
media costs realized via Havas' agencies (b)	*(63)*	*(74)*

The following constitutes complementary information about certain related-party transactions.

a. Vivendi and its subsidiaries entered into production and program purchase agreements with certain of Banijay Group's subsidiaries, on an arm's-length basis.

b. Certain Havas Group's subsidiaries render operating services to Vivendi and its subsidiaries on an arm's-length basis. Regarding Canal+ Group:
   - as part of their advertising campaigns, customers of Havas Group entered into transactions with Canal+ Group through media agencies for an aggregate amount of €84 million in 2016 (€95 million in 2015);
   - as part of the advertising campaigns promoting Canal+, Canalsat and Canalplay, Canal+ Group entered into transactions with major media companies through Havas Group and its media agencies for €59 million in 2016 (€72 million in 2015);
   - non-media and production services, broadcasting rights and fees were realized by Havas Group and its subsidiaries for €21 million in 2016 (€13 million in 2015); and
   - Havas Group and its subsidiaries designed and developed advertising campaigns promoting Canal+ Group for €13 million in 2016 (€11 million in 2015).

In addition, certain subsidiaries of the group entered into the following contracts with related parties, which represent non-significant amounts for Vivendi:

- on October 8, 2015, Studiocanal and Quinta Communications entered into an agreement to sell video, TV and Video-on-demand exploitation rights in France and in other French-speaking territories for 28 movies. The initial term of this contract is five years;
- on October 18, 2016, L'Olympia and Laboratoire Nuxe SAS (Groupe Nuxe) entered into a one-year partnership agreement; and
- on November 28, 2016, Studio+ and Telecom Italia launched the first global offer of short premium series for mobiles in Italy.

Note 22 Contractual obligations and other commitments

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

- contracts entered into, which relate to the group's business operations, such as content commitments (please refer to Note 10.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including finance leases, off-balance sheet operating leases and subleases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to the group's consolidation scope contracted through 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 resulting from shareholders' agreements and collateral and pledges granted to third parties over Vivendi's assets;
- commitments related to the group's financing: undrawn confirmed bank credit facilities as well as the management of interest rate, foreign currency and liquidity risks (please refer to Note 19); and
- contingent assets and liabilities related to litigation in which Vivendi and/or its subsidiaries are either plaintiff or defendant (please refer to Note 23).

22.1 Contractual obligations and commercial commitments

		Minimum future payments as of December 31, 2016				Total minimum future payments as of December 31, 2015
		Total	Payments due in			
(in millions of euros)	Note		2017	2018 - 2021	After 2021	
Borrowings and other financial liabilities		4,289	1,195	1,928	1,166	3,145
Content liabilities	10.2	2,643	2,604	37	2	2,589
Consolidated statement of financial position items		**6,932**	**3,799**	**1,965**	**1,168**	**5,734**
Contractual content commitments	10.2	6,235	2,492	3,607	136	6,622
Commercial commitments		824	87	509	228	1,040
Operating leases and subleases		659	116	354	189	680
Net commitments not recorded in the Consolidated Statement of Financial Position		**7,718**	**2,695**	**4,470**	**553**	**8,342**
Contractual obligations and commercial commitments		**14,650**	**6,494**	**6,435**	**1,721**	**14,076**

Off-balance sheet commercial commitments

	Minimum future payments as of December 31, 2016				Total minimum future payments as of December 31, 2015
	Total	Due in			
(in millions of euros)		2017	2018 - 2021	After 2021	
Satellite transponders	570	105	317	148	605
Investment commitments	162	71	91	-	64
Other	769	237	451	81	553
Given commitments	**1,501**	**413**	**859**	**229**	**1,222**
Satellite transponders	(169)	(77)	(92)	-	(144)
Other (a)	(508)	(249)	(258)	(1)	(38)
Received commitments	**(677)**	**(326)**	**(350)**	**(1)**	**(182)**
Net total	**824**	**87**	**509**	**228**	**1,040**

a. Notably includes minimum guarantees to be received by the group as part of distribution agreements entered into with third parties. In addition, Canal+ Group entered into the following distribution agreements in respect of Canal channels:
   - on July 22, 2016, an agreement was entered into with Orange to offer the "Famille by Canal" bouquet of channels to Orange's fiber-optic subscribers, starting October 6, 2016; and
   - on September 26, 2016, an agreement was entered into with Free to offer the "TV by Canal Panorama" bouquet of channels to Free's triple-play subscribers, starting October 1, 2016.

   The variable amounts of these commitments, which are based on the number of subscribers, cannot be reliably determined and are not reported in either the Statement of Financial Position or in the commitments. They are instead recorded as an expense or income in the period in which they were incurred.

Off-balance sheet operating leases and subleases

(in millions of euros)	Minimum future leases as of December 31, 2016				Total minimum future leases as of December 31, 2015
	Total	Due in			
		2017	2018 - 2021	After 2021	
Buildings	669	124	356	189	701
Other	4	2	2	-	1
Leases	**673**	**126**	**358**	**189**	**702**
Buildings	(14)	(10)	(4)	-	(22)
Subleases	**(14)**	**(10)**	**(4)**	**-**	**(22)**
Net total	**659**	**116**	**354**	**189**	**680**

In addition, in October 2015, Universal Music Group entered into an agreement for lease with respect to the off-plan office space of approximately 15,000 m² located in the King's Cross area in London. The lease is expected to be signed upon delivery of the premises in 2017 for a 15-year period.

22.2 Other commitments given or received relating to operations

Given commitments amounted to a cumulative amount of €67 million (compared to €68 million as of December 31, 2015). In addition, Vivendi grants guarantees in various forms to financial institutions or third parties on behalf of its subsidiaries in the course of their operations.

Received commitments amounted to a cumulative amount of €13 million (compared to €11 million as of December 31, 2015).

22.3 Share purchase and sale commitments

In connection with the purchase or sale of operations and financial assets, Vivendi has granted or received commitments to purchase or sell securities:

- Orange was granted a put option on its remaining 10% interest in Dailymotion, exercisable within two months following the General Shareholders' Meeting held to approve Dailymotion's Financial Statements for the year ended December 31, 2016. At the end of this period, Vivendi will have a call option, exercisable within two months;
- Vivendi and the minority shareholders of Radionomy Group were granted call options and put options, respectively, on the interest held by the minority shareholders. The call options are exercisable by Vivendi in June 2018. At the end of this period, the minority shareholders will have put options, exercisable the following month;
- Vivendi subscribed to bonds redeemable in shares or cash issued by Banijay Group and Lov Banijay (please refer to Note 2.3);
- Vivendi has committed to the Brazilian Competition Authority (CADE) to sell its Telefonica shares upon maturity. This commitment remains in force as long as Vivendi simultaneously holds shares of Telefonica and Telecom Italia, provided that these two companies operate in the Brazilian telecom market; and
- liquidity rights in respect of the strategic partnership between Canal+ Group, ITI and TVN described in Note 22.5 below.

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

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

Ref.	Context	Characteristics (nature and amount)	Expiry
	Contingent liabilities		
	Acquisition of the companies that own and manage all Paddington Bear intellectual property rights, except for the publishing rights (June 2016)	Capped earn-outs (please refer to Note 2.7).	2022
	Sale of GVT (May 2015)	Representations and warranties, limited to specifically identified tax matters, capped at BRL 180 million.	-
	Sale of the 20% interest in SFR to Numericable-SFR (February 2015)	Commitments undertaken in connection with the sale (please refer to Note 6.5).	-
(a)	Sale of Maroc Telecom group (May 2014)	Commitments undertaken in connection with the sale.	-
(b)	Sale of Activision Blizzard (October 2013)	- Unlimited general guarantees; and - Tax guarantees capped at $200 million, under certain circumstances.	- -
	Merger of Cyfra+ and "n" platforms (November 2012)	Reciprocal guarantees in favor of TVN, not implemented and expired on July 1, 2015: - PLN 1 billion in the event of a breach of any representation or warranty or covenants; and - PLN 300 million in the event of a breach of specific representation or warranty.	2015
(c)	Acquisition of Bolloré Group's channels (September 2012)	Commitments undertaken, in connection with the authorization of the acquisition, with: - the French Competition Authority; and - the French Broadcasting Authority.	2017
	Divestiture of PTC shares (December 2010)	Commitments undertaken in order to end litigation over the share ownership of PTC: - Guarantees given to the Law Debenture Trust Company (LDTC), for an amount up to 18.4% for the first €125 million, 46% between €125 million and €288 million, and 50% thereafter; and - Guarantee given to Poltel Investment's (Elektrim) administrator.	- -
(d)	Canal+ Group's pay-TV activities in France (January 2007-July 2017)	Approval of the acquisition of TPS and CanalSatellite subject to compliance with injunctions ordered by the French Competition Authority.	2017
	Divestiture of PSG (June 2006)	Unlimited specific guarantees.	2018
	Divestiture of UMG manufacturing and distribution operations (May 2005)	Various commitments for manufacturing and distribution services, expired at the end of January 2017.	2017
	NBC Universal transaction (May 2004) and subsequent amendments (2005 - 2010)	- Breaches of tax representations; and - Obligation to cover the Most Favored Nation provisions.	- -
(e)	Sale of real estate assets (June 2002)	Autonomous first demand guarantees given to Nexity, capped at €150 million in total (tax and decennial guarantees).	2017
	Other contingent liabilities	Cumulated amount of €10 million (unchanged compared to December 31, 2015).	-
	Contingent assets		
	Acquisition of the companies that own and manage all Paddington Bear intellectual property rights, except for the publishing rights (June 2016)	General and specific guarantees (including tax matters and guarantees related to the intellectual property).	2023
	Merger of Cyfra+ and "n" platform (November 2012)	Reciprocal guarantees in favor of TVN, not implemented and expired on July, 1, 2015: - PLN 1 billion in the event of a breach of any representation or warranty or covenants; - PLN 300 million in the event of a breach of specific representation or warranty; and - PLN 145 million related to Neovision's unutilized tax losses carried forward.	2015
	Acquisition of 40% of N-Vision (November 2012)	Guarantees made by ITI, not implemented and expired in March 2016, capped at approximately €277 million for specific guarantees (including tax matters, free and full ownership of shares sold, authorizations/approvals for the exercise of the activity).	2016
(c)	Acquisition of Bolloré Group's channels (September 2012)	Guarantees capped at €120 million.	2017
	Acquisition of EMI Recorded Music (September 2012)	- Commitments relating to full pension obligations in the United Kingdom assumed by Citi; and - Guarantees relating to losses stemming from taxes and litigation claims, in particular those related to pension obligations in the United Kingdom.	- -
	Acquisition of Kinowelt (April 2008)	Specific guarantees, notably on film rights granted by the sellers.	-
	Other contingent assets	Cumulated amount of €113 million (compared to €114 million as of December 31, 2015).	-

The accompanying notes are an integral part of the contingent assets and liabilities described above.

a. The main terms of the Maroc Telecom group sale were as follows:
   - Vivendi provided certain customary representations and warranties to Etisalat relating to SPT (the holding company of Maroc Telecom group), Maroc Telecom and its subsidiaries. Vivendi also granted a number of specific guarantees;

- the amount of compensation payable by Vivendi in respect of indemnifiable losses incurred by Maroc Telecom or one of its subsidiaries was determined in proportion to the percentage of ownership held indirectly by Vivendi in the relevant company on the closing date (i.e., 53% for Maroc Telecom);
- Vivendi's overall obligation to indemnify was capped at 50% of the initial sale price, with such threshold increased to 100% in respect of claims related to SPT;
- the commitments to indemnify provided by Vivendi under these guarantees, other than those in respect of taxes and SPT, in effect for a 24-month period, expired in May 2016. Claims for tax-related indemnities must be made by January 15, 2018. The indemnity in respect of SPT remains in effect until the end of a four-year period following the closing date (May 14, 2018); and
- to guarantee the payment of any specific indemnity amounts referenced above, Vivendi delivered a bank guarantee with an expiration date of February 15, 2018, to Etisalat in the amount of €247 million. This amount has since been reduced to €9 million.

Vivendi has agreed to counter-guarantee SFR for any amount that could be claimed by Etisalat or any third party other than Etisalat in relation to the sale of its interest in Maroc Telecom:

- with respect to the sale agreement entered into with Etisalat, this commitment will expire upon termination of Etisalat's right to make a claim against Vivendi and SFR, i.e., May 14, 2018; and
- this commitment, which also covers any amount that SFR may be required to pay to any third-party other than Etisalat, will expire in the absence of any request from Numericable Group within the applicable statutes of limitations.

b. As part of the sale of 88% of Vivendi's interest in Activision Blizzard, which was completed on October 11, 2013 (the "Closing Date"), Vivendi, ASAC II LP, and Activision Blizzard gave certain reciprocal commitments customary for this type of transaction (representations, warranties and covenants). Vivendi, ASAC II LP, and Activision Blizzard undertook to indemnify each other against any losses stemming from any breach of their respective commitments. Such indemnification is unlimited as to time and amount.

   In addition, Vivendi has agreed to indemnify Activision Blizzard with respect to any tax or other liabilities of Amber Holding Subsidiary Co. ("Amber"), the Vivendi subsidiary acquired by Activision Blizzard, relating to periods preceding the Closing Date. Such indemnification is unlimited as to time and amount. Tax attributes (mainly net operating loss) held by Amber and assumed by Activision Blizzard were estimated at more than $700 million, which represent a potential future tax benefit of approximately $245 million. Vivendi agreed to indemnify Activision Blizzard, under certain circumstances, with respect to these tax attributes, subject to a cap of $200 million limited to fiscal years ending on or prior to December 31, 2016.

   As a reminder, as part of the creation of Activision Blizzard in July 2008, Activision and Vivendi entered into customary agreements for this type of transaction, including tax sharing and indemnity agreements.

c. On July 23, 2012, as part of the French Competition Authority's approval of the acquisition of the Direct 8 and Direct Star channels (renamed C8 and CStar, respectively), Vivendi and Canal+ Group gave certain commitments. These commitments provide for restrictions on the acquisition of rights for American movies and television series from certain American studios and for French movies, the separate negotiation of certain rights for pay-TV and free-to-air movies and television series, limitations on the acquisition by C8 and CStar of French catalog movies from Studiocanal, and the transfer of rights to broadcast major sports events on free-to-air channels through a competitive bidding process. These commitments are made for a five-year period and are renewable once if the French Competition Authority, after having performed a competition analysis, deems it necessary. In addition, on September 18, 2012, the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel*) approved the acquisition of these channels, subject to certain commitments relating to broadcasting, investment obligations and transfer rights.

   On December 23, 2013, the French Council of State annulled, with a delayed effect as from July 1, 2014, the French Competition Authority's approval of the acquisition of the Direct 8 and Direct Star channels (renamed C8 and CStar, respectively), which had been approved on July 23, 2012. On January 15, 2014, Vivendi and Canal+ Group submitted a new notification to the French Competition Authority. On April 2, 2014, the French Competition Authority reapproved the transaction, subject to compliance with commitments given by Vivendi and Canal+ Group. These commitments are similar to the ones contained in the previous 2012 authorization except for an additional commitment relating to the acquisition of broadcasting rights covering second and third exhibition windows for French films. All commitments are binding for a period of five years starting July 23, 2012. In 2017, the French Competition Authority will have the opportunity to request a renewal of these commitments for the same duration, if deemed necessary, after a new competitive analysis.

d. On August 30, 2006, the merger between TPS and the Canal+ Group was authorized, in accordance with the merger control regulations, pursuant to a decision of the French Minister of Economy, Finance and Industry, subject to Vivendi and Canal+ Group complying with certain undertakings for a maximum period of six years, with the exception of those commitments concerning the availability of channels and Video-on-demand (VOD), which could not exceed five years.

   On October 28, 2009, the French Competition Authority opened an enquiry in respect of the implementation of certain undertakings given by Canal+ Group in connection with the merger of Canalsatellite and TPS.

   On December 21, 2012, the French Council of State decided to reduce the €30 million fine previously imposed on Canal+ Group by the French Competition Authority to €27 million and the transaction was once again cleared, subject to compliance with 33 injunctions.

Canal+ Group has implemented a number of these injunctions, some since July 23, 2012 and others since October 23, 2012. The injunctions mainly focus on:

- Acquisition of movie rights:
  - by limiting the duration of output deals with American studios to three years, requiring separate agreements for different types of rights (e.g., first pay-TV window, second pay-TV window, series) and prohibiting output deals for French films; and
  - by the Canal+ Group divesting its interest in Orange Cinema Series – OCS SNC or by adopting measures limiting its influence over Orange Cinema Series – OCS SNC. On February 4, 2013, at the request of Multithématiques and to comply with the injunction ordered by the French Competition Authority on July 23, 2012, the members of Orange Cinema Series - OCS SNC's Board of Directors resigned from their positions. As a result, Multithématiques appointed by letter with an effective date of February 4, 2013, two independent representatives with no affiliation to Multithématiques to the Board of Directors of Orange Cinema Series - OCS SNC.
- Distribution of pay-TV special-interest channels:
  - by the distribution of a minimum number of independent channels, the distribution of any channel holding premium rights, and by drafting a model distribution deal relating to independent channels included in the Canalsat offer;
  - by the obligation to promote, in a transparent and separate manner, the distribution of exclusive independent channels on each owned platform serving more than 500,000 subscribers; and
  - by making all its own movie channels distributed by Canal+ Group (Ciné+ channels) available to third-party distributors (unbundling).
- Video-on-demand (VOD) and subscription video-on-demand (SVOD):
  - by separating contracts entered into for the purchase of VOD and SVOD rights on a non-exclusive basis, and not combining them with rights purchased for linear distribution on pay-TV;
  - by offering Studiocanal's VOD and SVOD rights to any interested operator; and
  - by forbidding exclusive distribution deals for the benefit of Canal+ Group's VOD and SVOD offers on Internet Service Providers platforms.

These injunctions are imposed for a period of five years and are renewable once. At the end of the five-year period, the French Competition Authority will review the competition situation to determine whether the injunctions should be kept in place. If market conditions have changed significantly, Canal+ Group will be able to request that these injunctions be lifted or partially or totally revised. An independent trustee, proposed by Canal+ Group and approved by the French Competition Authority on September 25, 2012, will be responsible for monitoring the implementation of the injunctions.

e. In connection with the sale of real estate assets in June 2002 to Nexity, Vivendi granted two autonomous first demand guarantees, one for €40 million and one for €110 million, to several subsidiaries of Nexity (SAS Nexim 1 to 6). The guarantees are effective until June 30, 2017.

Several guarantees given during prior years in connection with asset acquisitions or disposals have expired. However, the time periods or statute of limitations of certain guarantees relating, among other things, to employees, environment and tax liabilities, in consideration of share ownership, or given notably in connection with the winding-up of certain businesses or the dissolution of entities are still in effect. To the best of Vivendi's knowledge, no material claims for indemnification against such liabilities have been made to date.

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

22.5 Shareholders' agreements

Under existing shareholders' or investors' agreements (primarily those relating to nc+), Vivendi holds certain rights (e.g., pre-emptive rights and priority rights) that give it control over the capital structure of consolidated companies that are partially owned by minority shareholders. Conversely, Vivendi has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

In addition, pursuant to other shareholders' agreements or the bylaws of other consolidated entities, equity affiliates or unconsolidated interests, Vivendi or its subsidiaries have given or received certain rights (pre-emptive and other rights) entitling them to maintain their rights as shareholder.

Strategic partnership among Canal+ Group, ITI and TVN

The key liquidity rights provided at the level of nc+ under the strategic partnership formed in November 2012 in relation to television services in Poland are as follows:

- Canal+ Group has a call option to acquire TVN's 32% interest in nc+ at market value, which is exercisable during the three-month period beginning November 30, 2016; and
- in the event that Canal+ Group does not exercise its call option, TVN has liquidity rights in the form of an initial public offering of its interest in nc+.

In addition, in compliance with Article L. 225-100-3 of the French Commercial Code, it is hereby stated that certain rights and obligations of Vivendi under existing shareholders' agreements (nc+) may be amended or terminated in the event of a change in control of Vivendi or a tender offer for Vivendi's shares. These shareholders' agreements are subject to confidentiality provisions.

22.6 Collaterals and pledges

As of December 31, 2016 and 2015, no material asset in Vivendi's Statement of Financial Position was subject to a pledge or mortgage for the benefit of third parties.

Note 23 Litigation

In the normal course of its business, Vivendi is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these Legal Proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can reasonably be quantified or estimated, in which case, the amount of the provision represents Vivendi's best estimate of the risk, provided that Vivendi may, at any time, reassess such risk if events occur during such proceedings. As of December 31, 2016, provisions recorded by Vivendi for all claims and litigation amounted to €286 million, compared to €1,222 million as of December 31, 2015 (please refer to Note 16).

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature (including any pending or threatened proceedings in which it is a defendant), which may have or have had in the previous 12 months a material effect on the company and on its group's financial position, profit, business and property, other than those described herein.

The status of proceedings disclosed hereunder is described as of February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016).

Securities Class Action in the United States

Since July 18, 2002, sixteen claims have been filed against Vivendi and Messrs. Jean-Marie Messier and Guillaume Hannezo in the United States District Court for the Southern District of New York and in the United States District Court for the Central District of California. On September 30, 2002, the New York court decided to consolidate these claims under its jurisdiction into a single action entitled *In re Vivendi Universal S.A. Securities Litigation*.

The plaintiffs allege that, between October 30, 2000 and August 14, 2002, the defendants violated certain provisions of the US Securities Act of 1933 and US Securities Exchange Act of 1934, particularly with regard to financial communications. On January 7, 2003, the plaintiffs filed a consolidated class action suit that may benefit potential groups of shareholders.

On March 22, 2007, the Court decided, concerning the procedure for certification of the potential claimants as a class ("class certification"), that persons from the United States, France, England and the Netherlands who purchased or acquired shares or American Depositary Receipts (ADRs) of Vivendi (formerly Vivendi Universal SA) between October 30, 2000 and August 14, 2002, could be included in the class.

Following the class certification decision of March 22, 2007, a number of individual cases were filed against Vivendi on the same grounds as the class action. On December 14, 2007, the judge issued an order consolidating the individual actions with the securities class action for purposes of discovery. On March 2, 2009, the Court deconsolidated the Liberty Media action from the class action. On August 12, 2009, the Court issued an order deconsolidating the individual actions from the class action.

On January 29, 2010, the jury returned its verdict. It found that 57 statements made by Vivendi between October 30, 2000 and August 14, 2002, were materially false or misleading and were made in violation of Section 10(b) of the Securities Exchange Act of 1934. Plaintiffs had alleged that those statements were false and misleading because they failed to disclose the existence of an alleged "liquidity risk" which reached its peak in December 2001. However, the jury concluded that neither Mr. Jean-Marie Messier nor Mr. Guillaume Hannezo were liable for the alleged misstatements. As part of its verdict, the jury found that the price of Vivendi's shares was artificially inflated on each

day of the class period in an amount between €0.15 and €11.00 per ordinary share and USD 0.13 and USD 10.00 per ADR, depending on the date of purchase of each ordinary share or ADR. Those figures represent approximately half the amounts sought by the plaintiffs in the class action. The jury also concluded that the inflation of the Vivendi share price fell to zero in the three weeks following the September 11, 2001, tragedy, as well as on stock exchange holidays on the Paris or New York markets (12 days) during the class period.

On June 24, 2010, the US Supreme Court, in a very clear statement, ruled, in the Morrison v. National Australia Bank case, that American securities law only applies to "the purchase or sale of a security listed on an American stock exchange", and to "the purchase or sale of any other security in the United States.

In a decision dated February 17, 2011 and issued on February 22, 2011, the Court, in applying the "Morrison" decision, confirmed Vivendi's position by dismissing the claims of all purchasers of Vivendi's ordinary shares on the Paris stock exchange and limited the case to claims of French, American, British and Dutch purchasers of Vivendi's ADRs on the New York Stock Exchange. The Court denied Vivendi's post-trial motions challenging the jury's verdict. The Court also declined to enter a final judgment, as had been requested by the plaintiffs, saying that to do so would be premature and that the process of examining individual shareholder claims must take place before a final judgment could be issued. On March 8, 2011, the plaintiffs filed a petition before the Second Circuit Court of Appeals seeking to appeal the decision rendered on February 17, 2011. On July 20, 2011, the Court of Appeals denied the petition and dismissed the claims of purchasers who acquired their shares on the Paris stock exchange.

In a decision dated January 27, 2012 and issued on February 1, 2012, the Court, in applying the "Morrison" decision, also dismissed the claims of the individual plaintiffs who purchased ordinary shares of the company on the Paris stock exchange.

On July 5, 2012, the Court denied a request by the plaintiffs to expand the class to nationalities other than those covered by the certification decision dated March 22, 2007.

The claims process commenced on December 10, 2012, with the sending of a notice to shareholders who may be part of the class. Recipients of the notice had until August 7, 2013 to file a claim form and submit documentation evidencing the validity of their claim. These claims have been processed and verified by an independent claims administrator and by the parties. Vivendi has the right to challenge the merits of these claims. On November 10, 2014, at Vivendi's initiative, the parties filed a mutually agreed upon proposed order requesting the Court to enter a partial final judgment on the January 29, 2010 jury verdict, covering a substantial portion of the claims. Certain large claims were excluded from this proposed judgment order while Vivendi continued to analyze whether to challenge the validity of those claims. On December 23, 2014, the Court entered the partial judgment. Vivendi filed its Notice of Appeal with the Second Circuit Court of Appeals on January 21, 2015, and the plaintiffs cross-appealed. This appeal was heard on March 3, 2016.

On August 11, 2015, the Court issued a decision whereby it excluded the claims filed by Southeastern Asset Management (SAM), concluding that Vivendi proved that SAM did not make investment decisions based on Vivendi's supposedly fraudulent statements ("lack of reliance"). On April 25, 2016, the Court issued a similar decision, under which it has excluded claims filed by Capital Guardian.

On July 14, 2016, the Court entered a final judgment covering the remaining claims whose validity had not been challenged and which were not included in the partial judgment entered on December 23, 2014. Vivendi has appealed against this final judgment and the plaintiffs have cross-appealed, challenging the final judgment as well as the summary judgment decisions rendered by the Court concerning the claims of SAM and Capital Guardian.

On September 27, 2016, the Second Circuit Court of Appeals affirmed the District Court's decision. The Court of Appeals rejected, however, the plaintiffs' arguments in their cross-appeal seeking to expand the class of plaintiffs and the scope of their claims. Vivendi filed a petition for rehearing with the Second Circuit Court of Appeals. This petition was denied on November 10, 2016.

On the basis of the verdict rendered on January 29, 2010, and following an assessment of the matters set forth above, together with support from studies conducted by companies specializing in the calculation of class action damages and in accordance with the accounting principles described in Notes 1.3.1 (Use of Estimates) and 1.3.8 (Provisions), Vivendi made a provision on December 31, 2009, in an amount of €550 million in respect of the damages that Vivendi might have to pay to plaintiffs. Vivendi re-examined the amount of the reserve related to the Securities class action litigation in the United States, given the decision of the District Court for the Southern District of New York on February 17, 2011, which followed the US Supreme Court's decision on June 24, 2010 in the "Morrison" case. Using the same methodology and the same valuation experts as in 2009, Vivendi re-examined the amount of the reserve and set it at €100 million as of December 31, 2010, in respect of the damages, if any, that Vivendi might have to pay solely to shareholders who have purchased ADRs in the United States. Consequently, as of December 31, 2010, Vivendi recognized a €450 million reversal of reserve.

Vivendi considers that this provision and the assumptions on which it is based may require further amendment as the proceedings progress and, consequently, the amount of damages that Vivendi might have to pay to the plaintiffs could differ from the current estimate. As is permitted by current accounting standards, no details are given of the assumptions on which this estimate is based, because their disclosure at this stage of the proceedings could be prejudicial to Vivendi.

Complaint of Liberty Media Corporation

On March 28, 2003, Liberty Media Corporation and certain of its affiliates filed suit against Vivendi and Messrs. Jean-Marie Messier and Guillaume Hannezo in the District Court for the Southern District of New York for claims arising out of the agreement entered into by Vivendi and Liberty Media relating to the formation of Vivendi Universal Entertainment in May 2002. The plaintiffs allege that the defendants violated certain provisions of the US Securities Exchange Act of 1934 and breached certain contractual representations and warranties. The case had been consolidated with the securities class action for pre-trial purposes but was subsequently deconsolidated on March 2, 2009. The judge granted Liberty Media's request that they be permitted to avail themselves of the verdict rendered by the securities class action jury with respect to Vivendi's liability (theory of "collateral estoppel").

The Liberty Media jury returned its verdict on June 25, 2012. It found Vivendi liable to Liberty Media for making certain false or misleading statements and for breaching several representations and warranties contained in the parties' agreement and awarded damages to Liberty Media in the amount of €765 million. Vivendi filed certain post-trial motions challenging the jury's verdict, including motions requesting that the Court set aside the jury's verdict for lack of evidence and order a new trial.

On January 9, 2013, the Court confirmed the jury's verdict. It also awarded Liberty Media pre-judgment interest accruing from December 16, 2001 until the date of the entry of judgment, using the average rate of return on one-year US Treasury bills. On January 17, 2013, the Court entered a final judgment in the total amount of €945 million, including pre-judgment interest, but stayed its execution while it considered two pending post-trial motions, which were denied on February 12, 2013.

On February 15, 2013, Vivendi filed with the Court a Notice of Appeal against the judgment awarded, for which it believed it had strong arguments. On March 13, 2013, Vivendi filed a motion in the Second Circuit Court of Appeals requesting that the Court stay the Liberty Media appeal until the class action judgment was entered so that the two appeals can be heard simultaneously. On April 4, 2013, the Court of Appeals issued an Order granting Vivendi's motion, agreeing to hear the Liberty Media case together with the class action.

On February 23 2016, the parties entered into a settlement agreement pursuant to which Vivendi agreed to pay Liberty Media $775 million (€705 million) in return for the exchange of mutual releases of all claims related to this matter and the dismissal of all appeals before the Second Circuit. The parties notified the Court of this settlement agreement. This agreement resulted in the recording of a reversal of provision in the amount of €240 million in Vivendi's Financial Statements as of March 31, 2016. This settlement should not be construed as a concession by Vivendi of the validity of any of Liberty Media's claims, or as an admission of any wrongdoing by Vivendi. Rather, despite the jury's verdict, Vivendi is convinced that it did not commit any wrongdoing and that this matter has been resolved on terms that it believes are in the interest of both the company and its shareholders.

Trial of Vivendi's Former Officers in Paris

In October 2002, the financial department of the Paris Public Prosecutor's office (*Parquet de Paris*) launched an investigation into the publication of allegedly false or misleading information regarding the financial situation and forecasts of the company and the publication of allegedly untrue or inaccurate financial statements for the fiscal years 2000 and 2001. Additional charges were brought in this investigation relating to purchases by the company of its own shares between September 1, 2001 and December 31, 2001. Vivendi joined the proceedings as a civil party.

The trial took place from June 2 to June 25, 2010, before the 11th Chamber of the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*), following which the Public Prosecutor asked the Court to drop the charges against the defendants. On January 21, 2011, the Court rendered its judgment, in which it confirmed the previous recognition of Vivendi as a civil party. Messrs. Jean Marie Messier, Guillaume Hannezo, Edgar Bronfman Jr. and Eric Licoys received suspended sentences and fines. Messrs. Jean Marie Messier and Guillaume Hannezo were also ordered to pay damages to shareholders who are entitled to reparation as civil parties. The former Vivendi Officers as well as some civil parties appealed the decision. The appeal proceedings were held from October 28 to November 26, 2013, before the Paris Court of Appeal. The Public Prosecutor requested a 20-month suspended prison sentence and a fine of €150,000 for Mr. Jean-Marie Messier for misuse of corporate assets and dissemination of false or misleading information, a 10-month suspended prison sentence and a fine of €850,000 for Mr. Guillaume Hannezo for insider trading, and a 10-month suspended prison sentence and a fine of €5 million for Mr. Edgar Bronfman Jr. for insider trading. On May 19, 2014, the Paris Court of Appeal rendered its judgment. Regarding the acts determined by the lower criminal court to constitute the dissemination of false or misleading information, the Court held that these acts did not meet the criteria for such an offense. The Court upheld the conviction against Jean-Marie Messier for misuse of corporate assets and he received a 10-month suspended sentence and a €50,000 fine. The Court also upheld the convictions against Messrs. Hannezo and Bronfman for insider trading and they received fines in the amount of €850,000 (of which €425,000 is suspended) and €5 million (of which €2.5 million is suspended), respectively. Finally, the Court set aside the lower court's order for the payment of damages (€10 per share) to certain shareholders and former shareholders of Vivendi (the "civil action"). With regard to Vivendi, the Court upheld the validity of its status as a civil party to the proceedings, exonerated it from any responsibility and voided the demand for damages brought against it by certain shareholders or former shareholders. An appeal has been filed with the French Supreme Court (*Cour de Cassation*) by certain of the defendants and some civil parties.

LBBW et al. against Vivendi

On March 4, 2011, 26 institutional investors from Germany, Canada, Luxemburg, Ireland, Italy, Sweden, Belgium and Austria filed a complaint against Vivendi with the Paris Commercial Court seeking to obtain damages for losses they allegedly incurred as a result of four financial communications issued by Vivendi in October and December 2000, September 2001 and April 2002. Subsequently, on April 5 and April 23, 2012, two similar complaints were filed against Vivendi: the first one by a US pension fund, the Public Employee Retirement System of Idaho, and the other by six German and British institutional investors. Lastly, on August 8, 2012, the British Columbia Investment Management Corporation also filed a complaint against Vivendi based on the same grounds. On January 7, 2015, the Paris Commercial Court appointed a "third party" responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

California State Teachers Retirement System et al. against Vivendi and Mr. Jean-Marie Messier

On April 27, 2012, 67 institutional foreign investors filed a complaint against Vivendi and Mr. Jean-Marie Messier before the Paris Commercial Court seeking damages for losses they allegedly incurred as a result of the financial communications made by Vivendi and its former CEO, between 2000 and 2002. On June 7 and September 5 and 6, 2012, 26 new plaintiffs joined these proceedings. In November 2012 and March 2014, 12 plaintiffs withdrew from these proceedings. On January 7, 2015, the Commercial Court of Paris appointed a "third party" responsible for checking the standing of the claimants and reviewing the documentation provided by them to evidence their alleged holding of the securities. These proceedings are continuing.

Calling of the guarantee issued by Anjou Patrimoine to Unibail

Unibail has called its indemnification guarantee issued by Anjou Patrimoine (a former subsidiary of Vivendi) in connection with the sale of the CNIT offices in 1999. On July 3, 2007, the High Court of Nanterre (Tribunal de grande instance de Nanterre) ordered Anjou Patrimoine to indemnify Unibail for a tax liability arising from the creation of offices and rejected all other claims. On October 31, 2008, the Versailles Court of Appeal reversed the High Court's ruling, denied all of Unibail's claims and ordered it to reimburse Anjou Patrimoine for all sums paid under the first decision. On November 27, 2008, Unibail appealed this decision. On September 11, 2013, the French Supreme Court reversed the October 31, 2008 ruling of the Versailles Court of Appeal and remanded the case to the Paris Court of Appeal. The hearing was held on April 2, 2015. The Paris Court of Appeal rendered its decision on June 4, 2015. It ordered Anjou Patrimoine to pay approximately €5 million for building code related improvements. However, it denied all of Unibail's other claims. Unibail filed an appeal against the judgment of the Paris Court of Appeal, which was notified to Anjou Patrimoine on September 14, 2015. On October 13, 2016, French Supreme Court denied the appeal.

Vivendi Deutschland against FIG

Further to a claim filed by CGIS BIM (a former subsidiary of Vivendi) against FIG to obtain the release of part of a payment remaining due pursuant to a buildings sale contract, FIG obtained, on May 29, 2008, the annulment of the sale following a judgment of the Berlin Court of Appeal, which overruled a judgment rendered by the Berlin High Court. CGIS BIM was ordered to repurchase the buildings and to pay damages. Vivendi delivered a guarantee so as to pursue settlement negotiations. As no settlement was reached, on September 3, 2008, CGIS BIM challenged the validity of the reasoning of the judgment. On April 23, 2009, the Regional Berlin Court issued a decision setting aside the judgment of the Berlin Court of Appeal dated May 29, 2008. On June 12, 2009, FIG appealed that decision. On December 16, 2010, the Berlin Court of Appeal rejected FIG's appeal and confirmed the decision of the Regional Berlin Court in April 2009, which decided in CGISBIM's favor and confirmed the invalidity of the reasoning of the judgment and therefore overruled the order for CGIS BIM to repurchase the building and pay damages and interest. This decision is now final. In parallel, FIG filed a second claim for additional damages in the Berlin Regional Court which was served on CGIS BIM on March 3, 2009. On June 19, 2013, the Berlin Regional Court ordered CGIS BIM to pay FIG the sum of €3.9 million together with interest from February 27, 2009. CGIS BIM has appealed this decision.

Mediaset against Vivendi

On April 8, 2016, Vivendi entered into a strategic partnership agreement with Mediaset. This agreement provided for a swap of a 3.5% interest in Vivendi in exchange for a 3.5% interest in Mediaset and 100% of the share capital of the pay-TV company Mediaset Premium, a subsidiary of Mediaset.

Vivendi's purchase of Mediaset Premium was based on financial assumptions provided by Mediaset to Vivendi in March 2016. These assumptions raised some questions within Vivendi, which were communicated to Mediaset. The agreement signed on April 8, 2016 was subsequently subject to a "due diligence review" carried out by the audit firm Deloitte, as contractually agreed. It became clear from this audit and from Vivendi's analyses that the figures provided by Mediaset prior to signing were not realistic and were founded on an artificially-inflated base.

While Vivendi and Mediaset had been in discussions for several weeks in an effort to find an alternative transaction structure to the one provided for in the April 8, 2016 agreement, Mediaset terminated these discussions on July 26, 2016 by publicly releasing the proposal

Vivendi submitted to it. This proposal consisted of a swap of 3.5% of Vivendi's share capital in exchange for 20% of Mediaset Premium's share capital and 3.5% of Mediaset's share capital and, for the balance, the issuance by Mediaset to Vivendi of bonds convertible into Mediaset shares.

Subsequently, in separate filings made on August 10, 2016 and August 22, 2016, respectively, Mediaset together with its affiliate RTI, and Fininvest, Mediaset's majority shareholder, sued Vivendi before the Milan Court seeking to obtain specific performance of the April 8, 2016 agreement and the related shareholders' agreement. In particular, it is alleged that Vivendi has not filed its notification to the European Commission with respect to the transaction and thus has blocked the lifting of the last condition precedent to the completion of the transaction. Vivendi maintains that despite its timely completion of the pre-notification process with the Commission, the Commission would not accept a formal filing while the parties were discussing their differences. Mediaset, RTI and Fininvest are also seeking compensation from Vivendi for damages allegedly suffered by them, namely the damage caused by the delay in the performance of the agreement, for Mediaset and RTI, and of the shareholders' agreement envisaged to be signed, for Fininvest (estimated by each of the three parties at €50 million per month of delay starting July 25, 2016). Fininvest is also seeking compensation for the alleged damage linked to the change in the Mediaset share price between July 25 and August 2, 2016 plus the harm done to the decision-making procedures of Fininvest and to its image (total estimated damages of €570 million). The first hearing before the Milan Commercial Court will be held on March 21, 2017.

In addition, on October 5, 2016, Mediaset and RTI served Vivendi with a new complaint seeking an ex parte sequestration against 3.5% of Vivendi's share capital. The Milan Court denied the ex parte request and scheduled a hearing for November 23, 2016 in the presence of both parties. On November 18, 2016, Mediaset withdrew its sequestration request in light of the information, which was publicly available, provided by Vivendi in its defense pleadings.

Following Vivendi's entry into the share capital of Mediaset through open market purchases of shares, on December 13, 2016, Fininvest stated that it had filed a complaint against Vivendi for market manipulation with the Milan public prosecutor's office and the Consob (the Italian financial markets regulator). In addition, on December 21, 2016, the AGCOM (the Italian telecommunications authority) opened an investigation into the compatibility between the increase in Vivendi's holdings in Mediaset's share capital and its position as a shareholder of Telecom Italia under Italian media regulations.

Vivendi categorically denies all of the allegations made by Mediaset and its controlling shareholder as well as the corresponding demands, which it considers unfounded, and will assert its rights before the court.

Dynamo against Vivendi

On August 24, 2011, the Dynamo investment funds, former shareholders of GVT, filed a complaint against Vivendi before the Bovespa Arbitration Chamber (São Paulo stock exchange), seeking compensation amounting to the difference between the value of the shares sold by them before Vivendi's acquisition of GVT and BRL70.00 per share. According to Dynamo, the provision in GVT's bylaws providing for an increase in the per share purchase price when the 15% threshold is crossed (the "poison pill provision") should allegedly have applied to the acquisition by Vivendi. Vivendi, noting, first, that Dynamo had sold the vast majority of its stake in GVT before November 13, 2009 (the date on which Vivendi took control of GVT) and, second, that this poison pill provision was waived by a GVT General Shareholders' Meeting in the event of an acquisition by Vivendi or Telefonica, denies all of Dynamo's allegations. The arbitral tribunal's decision is expected in the second quarter of 2017.

Parabole Réunion

In July 2007, the group Parabole Réunion filed a legal action before the Paris Tribunal of First Instance following the termination of its rights to exclusively distribute the TPS channels in Reunion Island, Mayotte, Madagascar and Mauritius, and the degradation of the channels made available to it. Pursuant to a decision dated September 18, 2007, Canal+ Group was prohibited, under threat of a fine, from allowing the broadcast by third parties of these channels or replacement channels that have substituted these channels and was ordered to replace the TPS Foot channel in the event it is dropped. Canal+ Group appealed this decision. In a ruling dated June 19, 2008, the Paris Court of Appeal partially reversed the judgment and stated that these replacement channels were not to be granted exclusively if the channels were made available to third parties prior to the merger with TPS. Parabole Réunion was unsuccessful in its claims concerning the content of the channels in question. On September 19, 2008, Parabole Réunion appealed to the French Supreme Court. On November 10, 2009, the French Supreme Court dismissed the appeal brought by Parabole Réunion.

On September 24, 2012, Parabole Réunion filed a claim against Canal+ France, Canal+ Group and Canal+ Distribution before the enforcement magistrate of the Court of First Instance of Nanterre seeking enforcement of the fine imposed by the Paris Tribunal of First Instance and confirmed by the Court of Appeal (a request for such enforcement having been previously rejected by the enforcement magistrate of Nanterre, the Paris Court of Appeal and the French Supreme Court). On November 6, 2012, Parabole Réunion expanded its claim to cover the TPS Star, Cinecinema Classic, Cult and Star channels. On April 9, 2013, the enforcement magistrate dismissed in part Parabole Réunion's claim and declared the rest inadmissible. He took care to recall that Canal+ Group had no legal obligation with respect to the content or the maintaining of programming on channels made available to Parabole Réunion and held, after noting that production of the TPS Foot channel

had not stopped, that there was no need to replace this channel. Parabole Réunion filed a first appeal against this decision on April 11, 2013. On May 22, 2014, the Versailles Court of Appeal declared this appeal inadmissible due to Parabole Réunion's lack of representative capacity. On February 14, 2014, Parabole Réunion filed an appeal on points of law and filed a second appeal against the April 9, 2013 decision. On April 9, 2015, the French Supreme Court overturned the May 22, 2014 decision of the Versailles Court of Appeal in which the appeal filed by Parabole Réunion on April 11, 2013 was declared inadmissible. The case was remanded to the Paris Court of Appeal, brought before the Court by Parabole Réunion on April 23, 2015. On May 12, 2016, the Paris Court of Appeal upheld the decision of the Court of First Instance and dismissed all of Parabole Réunion's claims. On May 27, 2016, Parabole Réunion filed an appeal with the French Supreme Court against the judgment of the Paris Court of Appeal.

At the same time, on August 11, 2009, Parabole Réunion filed a complaint against Canal+ Group before the Paris Tribunal of First Instance, requesting that the Tribunal order Canal+ Group to make available a channel with a level of attractiveness similar to that of TPS Foot in 2006 and to pay damages. On April 26, 2012, Parabole Réunion filed a complaint against Canal+ France, Canal+ Group and Canal+ Distribution before the Paris Tribunal of First Instance asking the Tribunal to acknowledge the failure of the companies of the group to fulfill their contractual obligations to Parabole Réunion and their commitments to the Ministry of Economy. These two actions have been consolidated into a single action. On April 29, 2014, the Paris Tribunal of First Instance partially recognized the admissibility of Parabole Réunion's claim with respect to the period following June 19, 2008 and recognized the contractual liability of Canal+ Group due to the degradation of the quality of channels made available to Parabole Réunion. The Tribunal ordered an expert report on the damages suffered by Parabole Réunion, rejecting the assessment produced by the latter. On November 14, 2014, Canal+ Group appealed against the decision of the Paris Tribunal of First Instance. The court appointed expert issued its report on February 29, 2016 and the case was argued before the Paris Court of Appeal on January 28, 2016. On June 3, 2016, the Paris Court of Appeal upheld the April 29, 2014 decision of the Paris Tribunal of First Instance. Canal+ Group appealed to the French Supreme Court. In an order issued on October 25, 2016, the Pre-Trial Judge held that the April 29, 2014 decision in which Canal+ Group was ordered to compensate Parabole Réunion established in principle a debt of the latter, even if the assessment of its amount was still to be finalized. The Judge ordered Canal+ Group to pay the sum of €4 million as an advance. On January 17, 2017, the Paris Tribunal of First Instance ordered Canal+ Group to pay the sum of €37,720,000, with provisional enforceability.

Action brought by the French Competition Authority regarding Practices in the Pay-TV Sector

On January 9, 2009, further to its voluntary investigation and a complaint by Orange, the French Competition Authority sent Vivendi and Canal+ Group a notification of allegations. It alleges that Canal+ Group has abused its dominant position in certain Pay-TV markets and that Vivendi and Canal+ Group colluded with TF1 and M6, on the one hand, and with Lagardère, on the other. Vivendi and Canal+ Group have each denied these allegations.

On November 16, 2010, the French Competition Authority rendered a decision in which it dismissed the allegations of collusion, in respect of all parties, and certain other allegations, in respect of Canal+ Group. The French Competition Authority requested further investigation regarding fiber optic TV and catch-up TV, Canal+ Group's exclusive distribution rights on channels broadcast by the group and independent channels as well as the extension of exclusive rights on TF1, M6 and Lagardère channels to fiber optic and catch-up TV. On October 30, 2013, the French Competition Authority took over the investigation into these aspects of the case.

Canal+ Group against TF1, M6, and France Télévision

On December 9, 2013, Canal+ Group filed a complaint with the French Competition Authority against the practices of the TF1, M6 and France Télévision groups in the French-language film market. Canal+ Group accused them of inserting pre-emption rights into co-production contracts, in such a way as to discourage competition. The French Competition Authority is examining the case.

Canal+ Group against TF1, and TMC Régie

On June 12, 2013, Canal+ Group SA and Canal+ Régie filed a complaint with the French Competition Authority against the practices of TF1 and TMC Régie in the television advertising market. Canal+ Group SA and Canal+ Régie accused them of cross-promotion, having a single advertising division and refusing to promote the D8 channel during its launch. The French Competition Authority is examining the case.

Private Copying Levy Case

On February 5, 2014, a claim was filed with Court of First Instance of Nanterre by Copie France who is seeking compensation in respect of external hard drives used in connection with the G5 set-top boxes. Copie France claims that the external drive used by Canal+ is "dedicated" to the set-top box and therefore it should be treated as an integrated hard drive. Copie France therefore believes that the applicable amount of the compensation should be higher. Copie France subsequently expanded its claim, asserting that the amount of compensation applicable to the "multimedia hard drive" with 80 GB capacity should be also higher. On February 2, 2017, the parties entered into a settlement agreement putting an end to this litigation.

Aston France against Canal+ Group

On September 25, 2014, Aston notified the French Competition Authority about Canal+ Group's decision to stop selling its satellite subscription called "cards only" (enabling the reception of Canal+/Canalsat programs on Canal Ready-labeled satellite set-top boxes, manufactured and distributed by third parties, including Aston). In parallel, on September 30, 2014, Aston filed a request for injunctive relief against Canal+ Group before the Commercial Court of Paris, seeking a stay of the decision of the Canal+ Group to terminate the Canal Ready partnership agreement and thus stop the marketing of satellite subscriptions called "cards only". On October 17, 2014, the Paris Commercial Court issued an order denying Aston's requests. On November 4, 2014, Aston appealed this decision and, on January 15, 2015, the Paris Court of Appeal, ruling in chambers, granted its requests and suspended the decision of Canal+ Group to stop selling its "cards only" subscriptions until the French Competition Authority renders its decision on the merits of the case. The case is being examined by the French Competition Authority.

Pro D2

On July 8, 2015, Altice filed an application for interim measures and a referral on the merits with the French Competition Authority concerning the practices of Canal+ Group, Eurosport and the National Rugby League (the "NRL") during the allocation of Pro D2 broadcast rights. Altice is challenging the way the broadcasting rights to French Pro D2 Rugby for the 2015/2016 to 2019/2020 seasons were commercialized by the NRL during December 2014. The rights bidding process resulted in one portion of the rights being allocated to Eurosport and the other portion being allocated to Canal+ Group on April 3, 2015. On March 23, 2016 the French Competition Authority rejected Altice's request for interim measures and a referral on the merits.

Thirel against Canal+ Group

On December 23, 2015, Thirel filed a complaint against Canal+ Group seeking enforcement of a computer services contract, or, in the alternative, an order against Canal+ Group to pay damages. On June 8, 2016, the Paris Commercial Court issued its decision. It denied Thirel's request to have the contract enforced, but ordered Canal+ Group to pay €2.5 million in damages and interest in respect of the termination of the contract and €600,000 for unpaid invoices. Thirel did not appeal against the Court's ruling.

Harry Shearer and Century of Progress Productions against StudioCanal and Vivendi

A complaint was filed in California federal court against StudioCanal and Vivendi by Harry Shearer, through his company Century of Progress Productions, in his capacity as a creator, actor and composer of the film "This Is Spinal Tap", an American film produced and financed in 1984 by Embassy Pictures (StudioCanal is the successor to Embassy's rights). Mr. Shearer is seeking damages for breach of contractual obligations to provide exploitation accounts, fraud, and failure to exploit the film's trademark, and is also seeking attribution of the trademark. On February 8, 2017, Christopher Guest, Michael McKean and Rob Reiner, co-creators of the film, joined the proceedings.

Complaints against Music Industry Majors in the United States

Several complaints have been filed before the Federal Courts in New York and California against Universal Music Group and the other music industry majors for alleged anti-competitive practices in the context of sales of CDs and Internet music downloads. These complaints have been consolidated before the Federal Court in New York. The motion to dismiss filed by the defendants was granted by the Federal Court on October 9, 2008, but this decision was reversed by the Second Circuit Court of Appeals on January 13, 2010. The defendants filed a motion for rehearing which was denied. They filed a petition with the US Supreme Court which was rejected on January 10, 2011. The discovery process is underway.

Complaints against UMG regarding Royalties for Digital Downloads

Since 2011, as has been the case with other music industry majors, several purported class action complaints have been filed against UMG by recording artists generally seeking additional royalties for online sales of music downloads and master ringtones. On April 14, 2015, a global transaction terminating the litigation was entered into. This settlement transaction was formally approved by the Court on April 13, 2016.

Capitol Records and EMI Music Publishing against MP3tunes

On November 9, 2007, Capitol Record and EMI Music Publishing filed a joint complaint against MP3tunes and its founder, Michael Robertson, for copyright infringement on the sideload.com and mp3tunes.com websites. The trial was held in March 2014, and, on March 19, 2014, the jury returned a verdict favorable to EMI and Capital Records. It found the defendants liable for knowingly allowing the unauthorized content on the websites. On March 26, 2014, the jury awarded damages in the amount of $41 million. On October 30, 2014 the Court confirmed the verdict but entered judgment in the reduced amount of $12.2 million. The defendants appealed against the judgment and Capitol Records and EMI cross-appealed. On October 25, 2016, the Second Circuit Court of Appeals ruled in favor of the plaintiffs on several points of their cross-appeal and sent the case back to the trial court.

Mireille Porte against Interscope Records, Inc., Stefani Germanotta and Universal Music France

On July 11, 2013, the artist Mireille Porte (AKA "Orlan") filed a complaint against Interscope Records, Inc., Stefani Germanotta (AKA "Lady Gaga") and Universal Music France with the Paris Tribunal of First Instance for the alleged copyright infringement of several of Orlan's artistic works. On July 7, 2016, the Paris Tribunal of First Instance denied all of Mireille Porte's claims. Ms. Porter has filed an appeal against this decision.

James Clar against Rihanna Fenty, UMG Recordings, Inc. and Universal Music France

On June 13, 2014, the artist James Clar filed a complaint against Rihanna Fenty, UMG Recordings, Inc. and Universal Music France before the Paris Tribunal of First Instance (*Tribunal de Grande Instance de Paris*) for the alleged infringement of his work. On October 6, 2016, the Tribunal dismissed Mr. Clar's claims.

Reti Televisive Italiane (RTI) against Dailymotion

Since 2012, several legal actions have been filed by RTI against Dailymotion before the Civil Court of Rome. Similar to claims it has made against other major online video platforms, RTI is seeking damages for infringement of its neighboring rights (audiovisual production and broadcasting rights) and unfair competition as well as the removal of the contested content from the Dailymotion platform.

Sony Music and certain of its labels against Radionomy

On February 26, 2016, Sony Music and certain of its labels filed a complaint against Radionomy Group, BV, its subsidiaries, and Radionomy's CEO, for copyright infringement and unfair competition, alleging that they did not have the exploitation rights to content owned by Sony Music and its labels which was made available to users of the radionomy.com website. On December 2, 2016, the parties entered into an agreement putting an end to this litigation.

Note 24 Major consolidated entities or entities accounted for under the equity method

As of December 31, 2016, approximately 610 entities were consolidated or accounted for under the equity method (compared to approximately 520 entities as of December 31, 2015).

	Note	Country	December 31, 2016			December 31, 2015		
			Accounting Method	Voting Interest	Ownership Interest	Accounting Method	Voting Interest	Ownership Interest
Vivendi S.A.		**France**	**Parent company**			**Parent company**		
Universal Music Group, Inc.		**United States**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Universal Music Group Holdings, Inc.		United States	C	100%	*100%*	C	100%	*100%*
UMG Recordings, Inc.		United States	C	100%	*100%*	C	100%	*100%*
Vevo		United States	E	49.4%	*49.4%*	E	48.7%	*48.7%*
SIG 104		France	C	100%	*100%*	C	100%	*100%*
Universal International Music B.V.		Netherlands	C	100%	*100%*	C	100%	*100%*
Universal Music Entertainment GmbH		Germany	C	100%	*100%*	C	100%	*100%*
Universal Music LLC		Japan	C	100%	*100%*	C	100%	*100%*
Universal Music France S.A.S.		France	C	100%	*100%*	C	100%	*100%*
Universal Music Holdings Ltd.		United Kingdom	C	100%	*100%*	C	100%	*100%*
EMI Group Worldwide Holding Ltd.		United Kingdom	C	100%	*100%*	C	100%	*100%*
Groupe Canal+ S.A.		**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
Société d'Édition de Canal Plus		France	C	100%	*100%*	C	100%	*100%*
Multithématiques S.A.S.		France	C	100%	*100%*	C	100%	*100%*
Canal+ Overseas S.A.S.		France	C	100%	*100%*	C	100%	*100%*
C8 (formerly D8)		France	C	100%	*100%*	C	100%	*100%*
Studiocanal S.A.		France	C	100%	*100%*	C	100%	*100%*
ITI Neovision (nc+)		Poland	C	51%	*51%*	C	51%	*51%*
VSTV (a)		Vietnam	C	49%	*49%*	C	49%	*49%*
Gameloft S.E.	2.1	**France**	**C**	**100%**	***100%***	**-**	**-**	**-**
Gameloft Inc.		United States	C	100%	*100%*	-	-	-
Gameloft Inc. Divertissement		Canada	C	100%	*100%*	-	-	-
Gameloft Iberica S.A.		Spain	C	100%	*100%*	-	-	-
Gameloft Software Beijing Ltd.		China	C	100%	*100%*	-	-	-
Gameloft S. de R.L. de C.V.		Mexico	C	100%	*100%*	-	-	-
Vivendi Village S.A.S.		**France**	**C**	**100%**	***100%***	**C**	**100%**	***100%***
See Tickets		United Kingdom	C	100%	*100%*	C	100%	*100%*
Digitick		France	C	100%	*100%*	C	100%	*100%*
MyBestPro		France	C	100%	*94%*	C	100%	*91%*
Watchever Group		France	C	100%	*100%*	C	100%	*100%*
L'Olympia		France	C	100%	*100%*	C	100%	*100%*
Radionomy Group		Belgium	C	64%	*64%*	C	64%	*64%*
CanalOlympia		France	C	100%	*100%*	C	100%	*100%*
Paddington and Company Ltd.	2.7	United Kingdom	C	100%	*100%*	-	-	-
New Initiatives								
Dailymotion		France	C	90%	*90%*	C	90%	*90%*
Group Vivendi Africa		France	C	100%	*100%*	C	100%	*100%*
Vivendi Content		France	C	100%	*100%*	C	100%	*100%*
Studio+		France	C	100%	*100%*	C	100%	*100%*
Banijay Group	2.3	France	E	26.2%	*26.2%*	-	-	-
Boulogne Studios (Canal Factory)		France	C	100%	*100%*	C	100%	*100%*
Other equity affiliates								
Telecom Italia	2.2	Italia	E	23.9%	*17.2%*	E	21.4%	*15.0%*
Other								
Poltel Investment		Poland	C	100%	*100%*	C	100%	*100%*

C: consolidated; E: equity affiliates.

a. VSTV (Vietnam Satellite Digital Television Company Limited) is held 49% by Canal+ Group and 51% by VTV (the Vietnamese public television company). This company has been consolidated by Vivendi because Canal+ Group has both operational and financial control over it pursuant to a general delegation that was granted by the majority shareholder and pursuant to the company's bylaws.

Note 25 Statutory auditors fees

Fees paid by Vivendi SA in 2016 and 2015 to its statutory auditors and members of the statutory auditor firms (including fees related to discontinued operations in 2015, on a *prorata temporis* basis, if any) were as follows:

	KPMG S.A.				Ernst & Young et Autres				Total	
	Amount		Percentage		Amount		Percentage			
(in millions of euros)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statutory audit, certification, consolidated and individual financial statements audit										
Issuer	0.6	0.6	*21%*	*20%*	0.6	0.6	*10%*	*10%*	1.2	1.2
Fully consolidated subsidiaries	1.4	1.4	*48%*	*47%*	5.3	5.2	*84%*	*82%*	6.7	6.6
Other work and services directly related to the statutory audit										
Issuer	-	0.1	-	*3%*	-	0.2	-	*3%*	-	0.3
Fully consolidated subsidiaries	0.1	0.2	*3%*	*7%*	0.2	0.3	*3%*	*5%*	0.3	0.5
Subtotal	**2.1**	**2.3**	***72%***	***77%***	**6.1**	**6.3**	***97%***	***100%***	**8.2**	**8.6**
Other services provided by the network to fully consolidated subsidiaries										
Legal, tax and social matters	0.8	0.6	*28%*	*20%*	0.2	-	*3%*	-	1.0	0.6
Other	-	0.1	-	*3%*	-	-	-	-	-	0.1
Subtotal	**0.8**	**0.7**	***28%***	***23%***	**0.2**	**-**	***3%***	**-**	**1.0**	**0.7**
Total	**2.9**	**3.0**	***100%***	***100%***	**6.3**	**6.3**	***100%***	***100%***	**9.2**	**9.3**

Note 26 Audit exemptions for UMG subsidiaries in the United Kingdom

Vivendi S.A. has provided guarantees to the following UMG subsidiaries, incorporated in England and Wales, under the registered number indicated, in order for them to claim audit exemptions, with respect to fiscal year 2016, under section 479A of the UK Companies Act 2006.

Name	Company Number
Backcite Limited	02358972
EGW USD	08107589
E.M.I. Overseas Holdings Limited	00403200
EMI (IP) Limited	03984464
EMI Group (Newco) Limited	07800879
EMI Group Electronics Limited	00461611
EMI Group International Holdings Limited	01407770
EMI Group Worldwide	03158106
EMI Limited	00053317
EMI Recorded Music (Chile) Limited	07934340
EMI Records France Holdco Limited	06405604
Universal Music (UK) Holdings Limited	03383881

Name	Company Number
Universal Music Holdings (UK) Limited	00337803
Universal Music Leisure Limited	03384487
Universal Music Publishing MGB Holding UK Limited	05092413
Universal SRG Group Limited	00284340
Universal SRG Music Publishing Copyrights Limited	02873472
Universal SRG Studios Limited	03050388
V2 Music Group Limited	03205625
Virgin Music Group	02259349
Virgin Records Overseas Limited	00335444

Note 27 Subsequent events

No significant events occurred between the closing date and February 16, 2017 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2016).