I- 2018 Financial Report

Preliminary comments:

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

The Consolidated Financial Statements for the year ended December 31, 2018 have been audited and certified by the statutory auditors without qualified opinion. The statutory auditors' report on the Consolidated Financial Statements is included in the preamble to the Financial Statements.

1 Earnings analysis: group and business segments

Preliminary comments:

Change of accounting standards

In 2018, Vivendi applied two new accounting standards:

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

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

Non-GAAP measures

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

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

- *the difference between EBITA and EBIT consists of the amortization of intangible assets acquired through business combinations, the impairment of goodwill and other intangibles acquired through business combinations, the income from equity affiliates - operational, as well as other charges and income related to transactions with shareowners;*
- *income from operations is calculated as EBITA, as presented in the Adjusted Statement of Earnings, before share-based compensation costs and special items, due to their unusual nature and particular significance; and*
- *adjusted net income includes the following items: EBITA; income from equity affiliates; interest (corresponding to interest expense on borrowings net of interest income earned on cash and cash equivalents); income from investments (including dividends and interest received from unconsolidated companies); and taxes and non-controlling interests related to these items. It does not include the following items: amortization of intangible assets acquired through business combinations and related to equity affiliates; impairment losses on goodwill and other intangible assets acquired through business combinations; other charges and income related to transactions with shareowners; other financial charges and income; earnings from discontinued operations; provisions for income taxes and adjustments attributable to non-controlling interests; non-recurring tax items (in particular the changes in deferred tax assets pursuant to Vivendi SA's Tax Group and the Consolidated Global Profit Tax Systems and the reversal of tax liabilities related to risks extinguished over the period).*

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

1.1 Consolidated Statement of Earnings

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

In millions of euros, except per share amounts.

* non-GAAP measures.

1.2 Analysis of the Consolidated Statement of Earnings

1.2.1 Revenues

In 2018, Vivendi's **revenues** amounted to €13,932 million, compared to €12,518 million in 2017, an increase of €1,414 million (+11.3%), notably as a result of the consolidation of Havas (+€1,108 million). At constant currency and perimeter[1], Vivendi's revenues increased by 4.9% compared to 2017. For the second year in a row, Universal Music Group's revenues increased by 10.0%[2] and Canal+ Group's revenues were stable.

For the second half of 2018, at constant currency and perimeter, Vivendi's revenues increased by 5.7% compared to the second half of 2017, an improvement compared to the first half of 2018 (+3.9% compared to the first half of 2017), mainly driven by Universal Music Group (+12.8% for the second half, compared to +6.8% for the first half).

For the fourth quarter of 2018, at constant currency and perimeter, Vivendi's revenue growth was +5.6% compared to the fourth quarter of 2017, as opposed to +3.3% for the first quarter of 2018, +4.6% for the second quarter, and +5.7% for the third quarter (for quarterly revenues by business segment, please refer to the appendix to the Financial Report).

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

1.2.2 Operating results

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

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

Depreciation and amortization of tangible and intangible assets are included either in the cost of revenues or in selling, general and administrative expenses. Depreciation and amortization, excluding amortization of intangible assets acquired through business combinations, amounted to €340 million (compared to €337 million in 2017), and notably related to Canal+ Group's set-top boxes, as well as Studiocanal's catalogs, films and television programs.

Income from operations amounted to €1,439 million, compared to €1,098 million in 2017, an increase of €341 million (+31.0%), notably resulting from the consolidation of Havas (+€123 million). At constant currency and perimeter, income from operations increased by €250 million (+22.7%) driven by the growth of Universal Music Group (+€177 million) and Canal+ Group (+€78 million), which continues its recovery in France.

EBITA amounted to €1,288 million, compared to €969 million in 2017, an increase of €319 million (+33.0%), notably resulting from the consolidation of Havas (+€104 million). At constant currency and perimeter, EBITA increased by €240 million (+24.7%), driven by the growth of Universal Music Group (+€168 million) and Canal+ Group (+€98 million), which continues its recovery in France. In addition, EBITA included:

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

For a detailed analysis of income from operations and EBITA by business segment, please refer to Section 1.3 below.

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

- **amortization and depreciation of intangible assets acquired through business combinations** for €113 million, compared to €124 million in 2017, a €11 million improvement;
- **the reversal of reserve** related to the Securities Class Action litigation in the United States, which represented a net profit of €27 million for the first half of 2017. As a reminder, on April 6, 2017, Vivendi announced that it had entered into an agreement to settle the remaining claims still in dispute with certain class plaintiffs for $26 million, which together with the judgments previously entered, resolved the entire litigation for an aggregate amount of $78 million; and

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

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

- **income from equity affiliates – operational**, which was a profit of €7 million, compared to a profit of €146 million in 2017. This decrease of €139 million resulted from the reclassification in 2018 of Vivendi's share of Telecom Italia's net earnings (€122 million) in "income from equity affiliates - non-operational", to account for the decrease of Vivendi's influence over Telecom Italia in 2018 (please refer below and to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2018). In 2017, this amount primarily included Vivendi's share of Telecom Italia's net earnings, calculated based on the financial information publicly disclosed by Telecom Italia, which represented a profit of €144 million.

1.2.3 Income from equity affiliates - non-operational

Income from equity affiliates - non-operational amounted to a profit of €122 million, compared to nil in 2017. In 2018, this amount related to Vivendi's share of Telecom Italia's net earnings, calculated based on the financial information publicly disclosed by Telecom Italia[3]. In 2017, the share of Telecom Italia's net earnings (€144 million) was recorded as "income from equity affiliates - operational" (please refer above and to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2018).

1.2.4 Financial results

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

- interest expense on borrowings amounted to €64 million, compared to €68 million in 2017. This change notably reflected the decrease in the average interest rate on borrowings to 1.39% (compared to 1.60% in 2017), partially offset by the increase in the average outstanding borrowings to €4.6 billion (compared to €4.3 billion in 2017); and
- interest income earned on the investment of cash surpluses amounted to €17 million, compared to €15 million in 2017. This change reflected the increase in the average interest rate on cash investments to 0.50% (compared to 0.40% in 2017), partially offset by the decrease in the average outstanding cash investments to €3.4 billion (compared to €3.7 billion in 2017).

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

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

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

1.2.5 Provision for income taxes

In 2018, **provision for income taxes reported to adjusted net income** was a net charge of €253 million, compared to a net income of €195 million in 2017, representing an unfavorable change of €448 million. In 2017, the tax net income reported to adjusted net income notably included (i) a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement, and (ii) the current tax income of €25 million, corresponding to moratorium interest, relating to the refund to Vivendi SA and its subsidiaries of the amounts paid under the 3% tax on dividend distributions, following the decision of the French Constitutional Council dated October 6, 2017, where it was ruled that this tax contribution was unconstitutional (please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2018).

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[3] On November 8, 2018 (Financial Statements for the first nine months of 2018) and on March 6, 2018 (Financial Statements for the year ended December 31, 2017): please refer to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2018.

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

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

In 2018, **provision for income taxes reported to net income** was a net charge of €357 million, compared to a net income of €355 million in 2017. In 2017, the tax net income reported to net income notably included (i) a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement, as well as (ii) a current tax income of €243 million corresponding to the refund to Vivendi SA (€207 million principal and €24 million moratorium interest) and to its subsidiaries (€11 million principal and €1 million moratorium interest) of the amounts paid under the 3% tax on dividend distributions, following the decision of the French Constitutional Council dated October 6, 2017, where it was ruled that this tax contribution was unconstitutional (please refer to Note 6 to the Consolidated Financial Statements for the year ended December 31, 2018).

Excluding the two non-recurring favorable impacts, the provision for income taxes reported to net income in 2017 would have been a net charge of €297 million, compared to a net charge of €357 million in 2018, i.e., an unfavorable change of €60 million. In addition to the explanatory reasons for the increase in the tax charge reported to adjusted net income, in 2018, this increase in the tax charge reported to net income included, the deferred tax charge relating to the revaluation through profit or loss of the interests in Spotify and Tencent Music for an aggregate amount of -€72 million, in accordance with the new accounting standard IFRS 9, applicable since January 1, 2018. In 2017, provision for income taxes also included a net deferred tax income of €79 million following the change of the corporate federal tax rate applicable in the United States since January 1, 2018. This also included a deferred tax charge of -€119 million corresponding to the write-off of deferred tax assets related to losses carried forward by Havas, primarily in France. In addition, the deferred tax savings relating to Vivendi SA's Tax Group System were almost stable (a charge of €2 million in 2018, compared to an income of €3 million in 2017).

1.2.6 Non-controlling interests

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

1.2.7 Earnings attributable to Vivendi SA shareowners

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

1.2.8 Adjusted net income

(in millions of euros)	Year ended December 31, 2018	Year ended December 31, 2017	% Change
Revenues	**13,932**	**12,518**	**+ 11.3%**
Income from operations	**1,439**	**1,098**	**+ 31.0%**
EBITA	**1,288**	**969**	**+ 33.0%**
Income from equity affiliates - operational	7	205	
Income from equity affiliates - non-operational	182	-	
Interest	(47)	(53)	
Income from investments	20	29	
Adjusted earnings from continuing operations before provision for income taxes	1,450	1,150	+ 26.1%
Provision for income taxes	(253)	195	
Adjusted net income before non-controlling interests	1,197	1,345	
Non-controlling interests	(40)	(45)	
Adjusted net income	**1,157**	**1,300**	**- 11.1%**

In 2018, **adjusted net income** was a profit of €1,157 million (or €0.92 per share - basic), compared to €1,300 million in 2017 (or €1.04 per share - basic), a decrease of €143 million (-11.1%). The growth in EBITA (+€319 million), resulting from the consolidation of Havas and the performance of Universal Music Group and Canal+ Group, was offset by the correlative increase of provision for income taxes (-€448 million). In 2017, the tax net income reported to adjusted net income notably included a current tax income of €409 million recorded following the litigation relating to the Consolidated Global Profit Tax System of 2011, where Vivendi SA secured a favorable settlement. This also included the current tax income of €25 million corresponding to moratorium interest relating to the refund received by Vivendi SA and its subsidiaries of the amounts paid under the 3% tax on dividend distributions. Excluding these two non-recurring favorable tax impacts, the adjusted net income would have been a profit of €866 million in 2017, compared to a profit of €1,157 million in 2018, i.e., an increase of €291 million (+33.6%).

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

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

a. As reported in the Consolidated Statement of Earnings.

Adjusted net income per share

	2018 Basic	2018 Diluted	2017 Basic	2017 Diluted	
Adjusted net income (in millions of euros)	1,157	1,157	1,300	1,254	(a)
Number of shares (in millions)					
Weighted average number of shares outstanding (b)	1,263.5	1,263.5	1,252.7	1,252.7	
Potential dilutive effects related to share-based compensation	-	5.1	-	4.8	
Adjusted weighted average number of shares	1,263.5	1,268.6	1,252.7	1,257.5	
Adjusted net income per share (in euros)	**0.92**	**0.91**	**1.04**	**1.00**	

a. Corresponded only to the impact for Vivendi of Telecom Italia's dilutive instruments, calculated based on the financial information publicly disclosed by Telecom Italia with a three-month reporting lag (please refer to Note 11.2 to the Consolidated Financial Statements for the year ended December 31, 2018).

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

1.3 Analysis of revenues and operating results by business segment

(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
	Year ended December 31,				
Revenues					
Universal Music Group	6,023	5,673	+6.2%	+10.0%	+10.0%
Canal+ Group	5,166	5,198	-0.6%	-0.3%	-0.3%
Havas	2,319	1,211	na	na	na
Gameloft	293	320	-8.3%	-5.1%	-5.1%
Vivendi Village	123	109	+12.6%	+13.1%	+11.5%
New Initiatives	66	51	+30.5%	+30.5%	+30.5%
Elimination of intersegment transactions	(58)	(44)			
Total Vivendi	**13,932**	**12,518**	**+11.3%**	**+14.1%**	**+4.9%**
Income from operations					
Universal Music Group	946	798	+18.4%	+22.1%	+22.1%
Canal+ Group	429	349	+23.1%	+22.4%	+22.4%
Havas	258	135	na	na	na
Gameloft	4	10	-60.4%	-56.4%	-56.4%
Vivendi Village	(9)	(6)			
New Initiatives	(79)	(87)			
Corporate	(110)	(101)			
Total Vivendi	**1,439**	**1,098**	**+31.0%**	**+33.9%**	**+22.7%**
EBITA					
Universal Music Group	902	761	+18.4%	+22.1%	+22.1%
Canal+ Group	400	300	+33.6%	+32.8%	+32.8%
Havas	215	111	na	na	na
Gameloft	2	4	-55.8%	-41.9%	-41.9%
Vivendi Village	(9)	(18)			
New Initiatives	(99)	(92)			
Corporate	(123)	(97)			
Total Vivendi	**1,288**	**969**	**+33.0%**	**+36.1%**	**+24.7%**

na: not applicable.

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

1.3.1 Universal Music Group (UMG)

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

a. Mainly included download sales.

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

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

In 2018, Universal Music Group's (UMG) revenues amounted to €6,023 million, up 10.0% at constant currency and perimeter compared to 2017 (+6.2% on an actual basis).

Recorded music revenues grew by 9.8% at constant currency and perimeter thanks to the growth in subscription and streaming revenues (+37.3%), driven by the increase in subscribers and a stronger market share, which more than offset the continued decline in both download (-23.5%) and physical (-16.1%) sales.

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

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

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

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

Driven by the growth in revenues, UMG's income from operations amounted to €946 million, up 22.1% at constant currency and perimeter compared to 2017 (+18.4% on an actual basis), and UMG's EBITA amounted to €902 million, up 22.1% at constant currency and perimeter compared to 2017 (+18.4% on an actual basis).

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

1.3.3 Canal+ Group

	Year ended December 31,				
(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter
TV in Mainland France (a)	3,137	3,249	-3.4%	-3.4%	-3.4%
International TV	1,567	1,482	+5.7%	+6.8%	+6.8%
Studiocanal	462	467	-1.2%	-0.6%	-0.6%
Revenues	**5,166**	**5,198**	**-0.6%**	**-0.3%**	**-0.3%**
Income from operations	**429**	**349**	**+23.1%**	**+22.4%**	**+22.4%**
Income from operations margin	*8.3%*	*6.7%*	*+1.6 pts*		
Income/(charges) related to share-based compensation plans	(3)	(6)			
Other special items excluded from income from operations	2	6			
EBITA before restructuring charges	**428**	**349**	**+22.6%**	**+21.8%**	**+21.8%**
Restructuring charges	(28)	(49)			
EBITA	**400**	**300**	**+33.6%**	**+32.8%**	**+32.8%**
EBITA margin	*7.7%*	*5.8%*	*+1.9 pts*		

Pay-TV subscribers (in thousands)			
Self-distributed individual subscribers in Mainland France	4,733	4,950	-217
Canal customers *via* wholesale partnerships (b)	3,093	3,117	-24
International individual subscribers	7,831	6,948	+883
Africa	*4,110*	*3,458*	*+652*
Poland	*2,194*	*2,171*	*+23*
Overseas	*583*	*530*	*+53*
Vietnam	*884*	*789*	*+95*
Myanmar (Burma)	*60*	*-*	*+60*
Total Canal+ Group individual subscribers	**15,657**	**15,015**	**+642**
Collective subscribers	591	579	+12
Total Canal+ Group subscribers	**16,248**	**15,594**	**+654**
Mainland France Pay-TV			
Churn rate (over a 12-month rolling period) (c)	13.6%	15.8%	-2.2 pts
Net ARPU *Premium* (in euros) (d)	44.8	45.5	-€0.7
Net ARPU (in euros) (e)	45.4	45.7	-€0.3

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

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

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

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

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

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

At the end of December 2018, Canal+ Group's overall subscriber portfolio (individual and collective subscribers in France and internationally) stood at 16.2 million, compared to 15.6 million at the end of December 2017, representing net growth of 654,000 subscribers.

Revenues from television operations in mainland France decreased slightly (-3.4% at constant currency and perimeter) due to the decline in the individual subscriber base (7.8 million, compared to 8.1 million at the end of December 2017), despite a positive change in the churn rate, which decreased by 2.2 points over the year to 13.6%. This decline was due in particular to the drop in Canalplay's subscriber base and the termination of the Canalsat offer in favor of the new Canal offers and subscriptions via wholesale partnerships with telecom operators.

However, the Canal+ channel's individual subscriber base recorded a net year-on-year increase in subscribers of 251,000. Including collective subscriptions, the total subscriber portfolio in mainland France reached 8.3 million.

International operations delivered a strong increase in revenues of 6.8% at constant currency and perimeter, primarily due to the very strong growth in the individual subscriber base (+883,000 year-on-year) to which all the territories contributed, without exception.

Studiocanal's revenues amounted to €462 million, a slight year-on-year decrease (-0.6% at constant currency and perimeter) due to an unfavorable 2017 comparable basis (particularly with the worldwide success of *Paddington 2*) and despite significant growth in TV operations and increased catalog revenues.

In France, Studiocanal was the second largest French film distributor in 2018 with more than 10 million theater tickets sold, thanks in particular to the success of *Sink or Swim* (4.3 million tickets sold), *Mia and the White Lion* (1.4 million tickets sold), and *In Safe Hands* (0.8 million tickets sold) during the fourth quarter.

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

EBITA before restructuring charges amounted to €428 million, up nearly €80 million year-on-year. EBITA after restructuring charges amounted to €400 million, compared to €300 million in 2017 (+32.8% at constant currency and perimeter). This strong EBITA growth was notably due to the cost savings plan initiated in 2016, the significant improvement in mainland France and sustained international development.

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

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

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

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

1.3.4 Havas

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

	Year ended December 31,		12-month pro forma data		
(in millions of euros)	2018	2017 (a)	2017	% Change	% Change at constant currency and perimeter
Revenues	2,319	1,211	2,374	-2.3%	+0.5%
Net revenues (b)	**2,195**	**1,151**	**2,259**	**-2.8%**	**+0.1%**
Income from operations	**258**	**135**	**254**	**+1.8%**	-
Income from operations/net revenues	*11.8%*	*11.7%*	*11.2%*	*+0,6 pts*	
Income/(charges) related to share-based compensation plans	(12)	(3)	(10)		
Other special items excluded from income from operations	(1)	(6)	(8)		
EBITA before restructuring charges	**245**	**126**	**236**	**+3.8%**	**+1.9%**
Restructuring charges	(30)	(15)	(24)		
EBITA	**215**	**111**	**212**	**+1.7%**	**-0.7%**
EBITA/net revenues	*9.8%*	*9.6%*	*9.4%*	*+0,4 pts*	
Net revenues by geographic area					
Europe	1,109	575	1,123	-1.2%	-1.4%
Of which France	*438*	*226*	*452*	*-3.1%*	*-3.4%*
United Kingdom	*261*	*123*	*242*	*+8.1%*	*+4.8%*
North America	766	391	789	-2.9%	+1.3%
Asia Pacific and Africa	192	111	201	-4.9%	-
Latin America	128	74	146	-12.7%	+5.8%
	2,195	**1,151**	**2,259**	**-2.8%**	**+0.1%**

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

b. Net revenues correspond to Havas's revenues less the pass-through costs rebilled to customers (please refer to Note 1.3.4.3 to the Consolidated Financial Statements for the year ended December 31, 2018)

Reflecting an excellent fourth quarter 2018, Havas's revenues amounted to €693 million, up 6.5% at constant currency and perimeter. Organic net revenue growth was 4.8% compared to the fourth quarter of 2017 (+6.7% excluding the impact of Arnold).

In 2018, Havas's revenues amounted to €2,319 million, up 0.5% at constant currency and perimeter compared to 2017 (pro forma). Net revenues amounted to €2,195 million (compared to €2,259 million in 2017 pro forma), up 0.1% organically (+1.9% excluding the impact of Arnold) and down 2.8% on an actual basis mainly due to negative currency effects.

With an organic growth of 2.7% in the second half of 2018, compared to -2.9% in the first half of 2018, Havas confirmed the net sequential improvement in organic net revenue growth. All its businesses (creative, health and wellness and media) contributed to this upturn.

In 2018, Havas increased its profitability. Havas's income from operations reached €258 million, compared to €254 million in 2017 (pro forma), a +0.6-point increase in the income from operations/net revenues margin to 11.8%. EBITA amounted to €215 million, compared to €212 million in 2017, representing an increase of +0.4 points in the EBITA/net revenues margin. EBITA before restructuring charges was up 3.8% compared to 2017 (+1.9% organically).

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

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

Latin America confirmed its recovery, driven by the media businesses.

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

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

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

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

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

Major awards won by Havas

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

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

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

Major account wins over the fourth quarter of 2018

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

1.3.5 Gameloft

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

In 2018, Gameloft's OTT revenues (sales of games on platforms such as Apple, Google, Microsoft and Amazon) which represents 72% of Gameloft's total revenues, were up 2.1% at constant currency. This increase partially offset the decline in the activity related to telecom operators, which is structurally in decline due to the gradual replacement of traditional mobile phones by smartphones, and the decrease in advertising sales. In 2018, Gameloft's revenues amounted to €293 million, down 5.1% at constant currency and perimeter.

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

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

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

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

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

1.3.6 Vivendi Village

	Year ended December 31,				
(in millions of euros)	2018	2017	% Change	% Change at constant currency	% Change at constant currency and perimeter (a)
Revenues	**123**	**109**	**+12.6%**	**+13.1%**	**+11.5%**
of which Vivendi Ticketing	*58*	*52*	*+9.9%*	*+11.1%*	*-4.0%*
Live	*34*	*18*	*+94.9%*	*+94.9%*	*+94.9%*
Income from operations	**(9)**	**(6)**			
Restructuring charges	(2)	(2)			
Income/(charges) related to share-based compensation plans	-	-			
Other special items excluded from income from operations	2	(10)			
EBITA	**(9)**	**(18)**			

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

In 2018, Vivendi Village's revenues amounted to €123 million, an increase of 12.6% (+ 11.5% at constant currency and perimeter) compared to 2017.

Ticketing revenues amounted to €58 million, up 9.9% compared to 2017 following the acquisition of Paylogic in April 2018. Vivendi Village now has a ticketing network with a strong presence in Continental Europe, the United Kingdom and the United States, which had a record year with more than 20 million tickets sold.

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

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

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

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

1.3.7 New Initiatives

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

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

Since June 2017, Dailymotion has focused on premium content and has improved its video base. Its audience for premium content has almost doubled in the space of a year, reaching 2.2 billion views at the end of 2018, compared to 1.2 billion at the end of 2017. This strategy has enabled Dailymotion to enter into many partnerships with leading global publishers. In total, more than 300 agreements were concluded in 2018, including 100 in the United States and dozens in territories where Dailymotion previously had little presence (Korea, Vietnam, India). The audience in these new countries has grown significantly.

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

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

1.3.8 Corporate

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

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

2 Liquidity and capital resources

2.1 Liquidity and equity portfolio

Preliminary comments:

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

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

2.1.1 Changes in liquidity

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

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

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

- a €1,580 million inflow as part of the sale of Vivendi's 27.27% interest in Ubisoft at a price of €66 per share for an aggregate consideration of €2.0 billion (including €1,511 million received on March 23, 2018, €69 million received on October 3, 2018 and €429 million still to be received under the forward sale of the remainder of its interest which is expected to occur on March 5, 2019; please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2018);
- a €373 million inflow as part of the sale on the market of the Telefonica shares held by Vivendi in November and December 2018;
- a €267 million inflow received on July 12, 2018 as part of the sale of Vivendi's interest in Fnac Darty (please refer to Note 2.4 to the Consolidated Financial Statements for the year ended December 31, 2018); and
- net cash provided by operating activities (after income tax paid) for €1,187 million.

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

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

- On January 31, 2019, Vivendi completed the acquisition of 100% of Editis's share capital, representing an €833 million outflow, which includes the repayment of Editis's debt (please refer to Note 2.2 to the Consolidated Financial Statements for the year ended December 31, 2018);
- On February 11, 2019, pursuant to a decision of the Versailles Administrative Court of Appeal regarding the use of foreign tax receivables by Vivendi for the payment of the tax income in respect of the fiscal year ended December 31, 2012, Vivendi received a request for repayment from the tax authorities in the amount of €239 million. Vivendi has 30 days to satisfy this request (please refer to Note 6.1 to the Consolidated Financial Statements for the year ended December 31, 2018); and
- On March 5, 2019, Vivendi will receive €429 million under the forward sale of its remaining interest in Ubisoft (please refer to Note 2.3 to the Consolidated Financial Statements for the year ended December 31, 2018).

2.1.2 Equity portfolio

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

As of February 11, 2019 (the date of Vivendi's Management Board meeting that approved the Consolidated Financial Statements for the year ended December 31, 2018), the value of this portfolio was approximately €4.0 billion (before taxes).

2.2 Cash flow from operations analysis

Preliminary comment:

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

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

na: not applicable.

2.2.1 Changes in cash flow from operations (CFFO)

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

2.2.2 Cash flow from operations (CFFO) by business segment

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

na: not applicable.

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

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

In 2018, cash flow relating to income taxes was a €262 million net outflow (compared to a €471 million net inflow in 2017). In 2017, it notably included (i) a €346 million inflow received on April 18, 2017 as part of the litigation settlement relating to the tax credits utilized by Vivendi in fiscal year 2012, (ii) a €223 million inflow relating to the refund to Vivendi SA of the amounts paid with respect to the 3% tax on dividend distributions following the decision of the French Constitutional Council, dated October 6, 2017, where it was ruled that the tax contribution was unconstitutional, as well as (iii) a refund of tax installments paid in 2016 under the French Tax Group System for fiscal year 2016 (€136 million), and (iv) a €10 million inflow at Universal Music Group in the United Kingdom, relating to a litigation settlement.

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

2.2.4 Reconciliation of CFAIT to net cash provided by operating activities

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

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

2.3 Analysis of investing and financing activities

2.3.1 Investing activities

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

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

2.3.2 Financing activities

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

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

3 Outlook

Dividend

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

Outlook

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

4 Forward-Looking Statements

Cautionary note

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

5 Other Disclaimers

Unsponsored ADRs

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

Translation

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

II- Appendix to the Financial Report

Quarterly revenues by business segment

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

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

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

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