UNIVERSAL

UNIVERSAL MUSIC GROUP

Universal Music Group N.V.

(a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands with its statutory seat in Amsterdam, the Netherlands and its registered address in Hilversum, the Netherlands)

Admission to listing and trading of all ordinary shares on Euronext Amsterdam

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This prospectus (this ***Prospectus***) has been prepared in connection with the Distribution (as defined below) and the first admission to listing and trading (the ***Admission***) of all of the ordinary shares (the ***Shares***) in the share capital of Universal Music Group B.V. (to be converted to a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands prior to the Admission) (the ***Company***) on Euronext Amsterdam, a regulated market operated by Euronext Amsterdam N.V. (***Euronext Amsterdam***).

The shareholders of Universal Music Group, Inc. (***UMGI***) and Universal International Music B.V. (***UIM***), Vivendi SE (***Vivendi***), Concerto Investment B.V. (***Concerto***) and Scherzo Investment B.V. (***Scherzo***) (Concerto and Scherzo hereafter collectively referred to as the ***Tencent-led Consortium*** and together with Vivendi, the ***Restructuring Shareholders***) contributed their shares held in UMGI and UIM, representing all of the issued capital of both UMGI and UIM, to the Company in exchange for newly issued shares in the Company, as a consequence whereof the Company became the sole holding company of the Group (as defined below) (the ***Restructure***). The Restructure was completed on February 26, 2021.

Capitalized terms used but not otherwise defined in this Prospectus are defined in Section 17 (*Definitions and Glossary*).

Vivendi shall make a distribution in kind of the majority of the issued and outstanding shares that it holds in the share capital of the Company (the ***Distribution***). On September 23, 2021 (the ***Distribution Date***), Vivendi shall distribute up to 60% of the Shares to the Vivendi Shareholders (as defined in this Prospectus) pursuant to the Distribution (the ***Distribution Shares***). Each Vivendi Shareholder will receive one (1) Share for each one (1) share which it holds in Vivendi on September 22, 2021 (the ***Distribution Record Date***) as part of the Distribution (the ***Allocation Ratio***), subject to adjustment of the Allocation Ratio (the ***Adjustment of the Allocation Ratio***). Approval of the Distribution by the Vivendi Shareholders was obtained at the annual general meeting of Vivendi Shareholders held on June 22, 2021 (the ***Vivendi AGM***).

The Distribution Shares will constitute up to 60% of the issued and outstanding Shares of the Company upon the Distribution Date. Following the Distribution: (i) Vivendi will hold such number of Shares, representing approximately 10% of the issued and outstanding share capital of the Company; (ii) Concerto will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company; (iii) Scherzo will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company; (iv) Pershing Square Holdings, Ltd., Pershing Square L.P., Pershing Square International Ltd. and PS VII Master, L.P. (together, the ***Pershing Entities***) will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company and (v) it is expected that the Bolloré Entities will hold such number of Shares, representing 18% of the issued and outstanding share capital of the Company.

Investing in the Shares involves substantial risks and uncertainties. An investor is exposed to the risk to lose all or part of his or her investment. Before any investment in the Shares, an investor must read this entire document and in particular Section 1 (*Risk Factors*).

Prior to the Admission, there has been no public market for the Shares. Application has been made to list all of the Shares under the symbol “UMG” on Euronext Amsterdam. Trading in the Shares on an “as-if-and-when-delivered” basis on Euronext Amsterdam is expected to start on or about September 21, 2021 (the ***First Trading Date***). BNP Paribas, Crédit Agricole Corporate and Investment Bank, Morgan Stanley, Natixis and Société Générale are acting as joint financial advisors (in such and any other capacity, the ***Lead Financial Advisors***). Banque Hottinguer, Messier et Associés, CIC, Rothschild, Bank of America, ING, Intesa Sanpaolo S.p.A., Lazard, Mizuho Securities and Banco Santander are acting as financial co-advisors (in such and any other capacity, the ***Financial Co-Advisors***). Bank of China and Goldman Sachs Bank Europe SE are acting as other financial advisors (in such and any other capacity, the ***Other Financial Advisors*** and, together with the Lead Financial Advisors and the Financial Co-Advisors, the ***Lead Equity Capital Markets Advisors***). The Lead Equity Capital Markets Advisors and the Listing and Paying Agent (as defined herein) are acting exclusively for the Company and/or Vivendi and no one else in connection with the Admission and Distribution. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Admission and Distribution and will not be responsible to anyone other than the Company and Vivendi for providing the protections afforded to their respective clients nor for giving advice in relation to the Admission and Distribution or any transaction or arrangement referred to herein. The Lead Equity Capital Markets Advisors are acting only in respect of the Admission and Distribution.

Allotment, delivery and settlement of the Distribution Shares (***Settlement***) to the Vivendi Shareholders is expected to take place on or about September 23, 2021 through the book-entry systems of Euroclear France. For more information on the Distribution, see Section 14 (*The Distribution*).

This Prospectus constitutes a prospectus for the purposes of Article 3 of Regulation (EU) 2017/1129 (the ***Prospectus Regulation***) and has been prepared in accordance with the Prospectus Regulation. This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the ***AFM***), as competent authority under the Prospectus Regulation. The AFM only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

Prospectus dated September 14, 2021

Lead Financial Advisors

BNP Paribas
Crédit Agricole CIB
Morgan Stanley
Natixis
Société Générale

Financial Co-Advisors

Banque Hottinguer
Messier et Associés
CIC
Rothschild
ING
Intesa Sanpaolo S.p.A.
Bank of America
Lazard
Mizuho Securities
Banco Santander

Other Financial Advisors

Bank of China
Goldman Sachs Bank Europe SE

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(A) SUMMARY OF THE PROSPECTUS

INTRODUCTION AND WARNINGS

Warning. The summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to the prospectus (the ***Prospectus***) prepared in connection with the Distribution (as defined below) and the first admission to listing and trading (the ***Admission***) of all of the ordinary shares (the ***Shares***) in the share capital of Universal Music Group B.V. (to be converted to a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands prior to the Admission) (the ***Company***) on Euronext Amsterdam, a regulated market operated by Euronext Amsterdam N.V. (***Euronext Amsterdam***).

The shareholders of Universal Music Group, Inc (***UMGI***) and Universal International Music B.V. (***UIM***), Vivendi SE (***Vivendi***), Concerto Investment B.V. (***Concerto***) and Scherzo Investment B.V. (***Scherzo***) (Concerto and Scherzo hereafter collectively referred to as the ***Tencent-led Consortium*** and together with Vivendi, the ***Restructuring Shareholders***) contributed their shares held in UMGI and UIM, representing all of the issued capital of both UMGI and UIM, to the Company in exchange for newly issued shares in the Company, as a consequence whereof the Company became the sole holding company of the Group (the ***Restructure***). The Restructure was completed on February 26, 2021. Vivendi shall make a distribution in kind of the majority of the issued and outstanding shares that it holds in the share capital of the Company (the ***Distribution***). On September 23, 2021 (the ***Distribution Date***), Vivendi shall distribute up to 60% of the Shares to the Vivendi Shareholders (as defined in this Prospectus) pursuant to the Distribution (the ***Distribution Shares***).

Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by any potential investor. Any potential investor could lose all or part of its invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

The Prospectus was approved on September 14, 2021 by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the ***AFM***), as competent authority under Regulation (EU) 2017/1129, with its head office at Vijzelgracht 50 1017 HS, Amsterdam, and telephone number: +31(0)20-797 2000.

KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Domicile and legal form. The Company is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with the name Universal Music Group B.V. The commercial name is "Universal Music". In accordance with applicable law, the Company has undertaken to convert to a public company (*naamloze vennootschap*) prior to the Admission. The Company's statutory seat is in Hilversum, the Netherlands (and will, upon the conversion of the Company to a public company (*naamloze vennootschap*) be in Amsterdam, the Netherlands). The registered office address of the Company is 's-Gravelandseweg 80, 1217 EW Hilversum, the Netherlands. The telephone number of the Company is +31 (0) 88 62 61 500. The Company is registered with the trade register of the Chamber of Commerce of the Netherlands (*Kamer van Koophandel*) under number 81106661. Its legal entity identifier is 724500GJBUL3D9TW9Y18.

Principal Activities. The Company is the holding company of the Universal Music Group (together with the Company, ***UMG*** or the ***Group***). UMG is a driving force in the global music industry, with revenues of €7.2 billion in the year ended December 31, 2019 and €7.4 billion in the year ended December 31, 2020. UMG, operating in more than 60 territories, is home to the greatest local and international artists, spanning all genres and generations including ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, James Brown, Bon Jovi, Neil Diamond, Marvin Gaye, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Luciano Pavarotti, Queen, The Rolling Stones, Frank Sinatra, U2, Amy Winehouse and Stevie Wonder, as well as many of the biggest artists today, such as J Balvin, Justin Bieber, Luke Bryan, Lewis Capaldi, J. Cole, Daddy Yankee, Drake, Billie Eilish, Eminem, Selena Gomez, Ariana Grande, Imagine Dragons, Lady Gaga, Kendrick Lamar, Lang Lang, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Gregory Porter, Olivia Rodrigo, Sam Smith, Taylor Swift, Carrie Underwood, Keith Urban and The Weeknd. UMG has three main operating businesses: recorded music, music publishing and merchandising. The recorded music business is dedicated to the discovery and development of artists, marketing and promoting their music across a wide array of formats and platforms. UMG is also expanding into other areas such as live events, livestreaming, sponsorship, film and television and podcasts. The music publishing business discovers and develops songwriters and owns and administers the copyright for musical compositions used in recordings, public performances and related uses, such as films, television programs and advertisements. The merchandising business produces and sells artist-branded and other branded products. These products are marketed through multiple sales channels, including fashion retail, concert touring and retail stores and direct-to-consumer online sales. UMG's activities also extend to other areas, such as brand rights management.

Major Shareholders. As at the date of the Prospectus, Vivendi, the Bolloré Entities, the Tencent-led Consortium and the Pershing Entities (together, the ***Existing Shareholders***) beneficially hold 100% of the Company's issued ordinary share capital. The following table sets forth the shareholders of the Company which, to the Company's knowledge as of September 8, 2021 and based on the number of shares and voting rights comprising the share capital of Vivendi published on September 1, 2021, will directly or indirectly have a notifiable interest in the Company's capital and voting rights within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (***DFSA***) (i) immediately prior to the Distribution (as defined below) and (ii) immediately following the Distribution.

	Shares to be owned immediately prior to the Distribution		**Shares to be owned immediately following the Distribution**	
	Amount	*%*	*Amount*	*%*
Vivendi[1]	1,269,268,713	70%	c. 183,582,493	c.10.12% [7]
Concerto[2].........................	181,324,116	10%	181,324,116	10%
Scherzo[2]	181,324,116	10%	181,324,116	10%
Pershing Entities jointly[3] ..	181,324,115	10%	181,324,115	10%
Bolloré Entities jointly[4][5].	100	0%	326,507,033	18.01%
Société Générale[6]	0	0%	59,556,315	3.28%

(1) Vivendi's shares have been listed on Euronext Paris since 1995. No shareholder is controlling Vivendi within the meaning of article L.233-3 of the French commercial code. Vivendi's major shareholder is Bolloré Group (through the Bolloré Entities, Vincent Bolloré and Cyrille Bolloré), representing jointly 29.46% of the share capital, 29.73% of the theoretical voting rights and 30.34% of the exercisable voting rights of Vivendi as of August 31, 2021, representing an indirect interest of 20.62% in the Shares of the Company.

(2) Concerto LLC indirectly controls Concerto and Scherzo.

(3) Pershing Entities refers collectively to entities advised by, or affiliated with, Pershing Square Capital Management, L.P. William A. Ackman controls Pershing Square Capital Management, L.P.

(4) Bolloré Entities collectively refers to Compagnie de Cornouaille and Compagnie de l'Odet. For more information, see Section 12.11. Compagnie de Cornouaille is controlled by Compagnie de l'Odet, itself controlled by Sofibol, which is controlled at the highest level by Bolloré Participations SE. Bolloré Participations SE is controlled by Vincent Bolloré, who holds, directly and indirectly 92.55% of the share capital, 72.20% of the theoretical voting rights and 93.60% of the exercisable voting rights of Compagnie de l'Odet.

(5) This percentage only reflects the shares held by the Bolloré Entities and does not take into account the Vivendi shares directly held by M. Vincent Bolloré and M. Cyrille Bolloré, which represent together less than 0.01% of the total share capital and voting rights of Vivendi.

(6) On August 24, 2021, the French Autorité des Marchés Financiers reported that, on August 19, 2021, Société Générale had crossed the threshold of 5% of the share capital and voting rights of Vivendi. On September 7, 2021, Vivendi was informed by Société Générale that, on September 2 and September 6, 2021, it had crossed the statutory threshold of 5.5% of the share capital and voting rights of Vivendi and that it held 59,556,315 shares in Vivendi, representing 5.37% of the share capital and 5.21% of the voting rights of Vivendi as of August 31, 2021, representing an indirect interest of 3.76% in the Shares of the Company .

(7) These figures include an estimate of the number of Shares to be transferred by Vivendi to the relevant Corporate Executives pursuant to an award by Vivendi to a limited number of senior managers of UMG, including certain of the Corporate Executives. The number of Shares to be transferred to the relevant Corporate Executive will only be determinable closer to the date of listing and may vary depending upon the expected trading price of the Shares, and the number of shares will be reduced to cover any required local payroll and income withholding, and market capitalization of the Company. For more information, see Section 12.6.

Key executive directors. Sir Lucian Grainge CBE is the Chairman and Chief Executive Officer of the Company, and Vincent Vallejo is the Deputy Chief Executive Officer of the Company.

Independent auditors. Ernst & Young et Autres (EY), an independent registered public audit firm with its address at Tour First, TSA 14444, 92037 Paris-La Défense Cedex, France. The auditors signing the auditor's reports on behalf of Ernst & Young et Autres are members of the Compagnie régionale des Commissaires aux Comptes de Versailles et du Centre. Deloitte & Associés (Deloitte), an independent registered public audit firm with its address at 6, place de la Pyramide, 92908 Paris-la Défense Cedex, France. The auditors signing the auditor's reports on behalf of Deloitte & Associés are members of the Compagnie régionale des Commissaires aux Comptes de Versailles et du Centre.

What is the key financial information regarding the issuer?

With regard to the financial information as at and for the financial years ended December 31, 2018, 2019 and 2020 presented in the Prospectus, references to Universal Music Group, UMG or the Group refer to UMGI and UIM collectively, and each of their respective subsidiaries, unless otherwise indicated. The Prospectus includes the combined financial statements of Universal Music Group as at and for the years ended December 31, 2018, 2019 and 2020 (together, the ***Combined Financial Statements***) and the unaudited consolidated condensed interim financial statements for the Company as at and for the six-month period ended June 30, 2021 (the ***Interim Financial Statements*** and, together with the Combined Financial Statements the ***UMG Financial Statements***). There are no qualifications in the auditors' report on the Combined Financial Statements, and no qualifications in the auditors' review report on the Interim Financial Statements included in the Prospectus. The Joint Auditors' report includes on the Combined Financial Statements the following emphasis of matter paragraph, titled “Emphasis of matter”: *We draw attention to the Note "Basis of preparation of the Combined Financial Statements", in Section "Accounting conventions used when preparing the Combined Financial Statements". Our opinion is not modified in respect of this matter*. This ‘Emphasis of matter” has been noted by the Joint Auditors in view of the fact that combined financial statements are less common than consolidated financial statements and, taking into account that they comprise accounts of two different companies (as opposed to an aggregate consolidated position of a parent company and its subsidiaries as is the case for consolidated accounts) are more complex than consolidated financial statements. Therefore, the Joint Auditors deemed it necessary and helpful to include an emphasis of matter paragraph in their Report on the Combined Financial Statements to draw readers’ attention to the basis of preparation of these accounts, which basis is described in the relevant notes to the Combined Financials Statements.

Summary combined / consolidated statements of profit or loss

	Year ended December 31			**6 months ended June 30**	
	2020	**2019**	**2018**	**2021**	**2020**
		Audited		*Unaudited*	
			(€ millions)		
Revenues	**7,432**	**7,159**	**6,023**	**3,831**	**3,459**
Cost of revenues	(3,917)	(3,818)	(3,110)	(2,047)	(1,820)
Selling, general and administrative expenses	(2,265)	(2,276)	(2,062)	(1,090)	(1,104)
Restructuring charges	(20)	(24)	(29)	(9)	(8)
Impairment losses on intangible assets acquired through business combinations	-	-	-	-	-
Income from equity affiliates - operational	(9)	(2)	(1)	(1)	(11)
Earnings before interest and income taxes (EBIT)	**1,221**	**1,039**	**821**	**684**	**516**
Interest	(15)	14	27	(9)	(6)
Income from investments	-	-	1	-	-
Other financial income	603	174	333	105	453
Other financial charges	(28)	(57)	(29)	(183)	(13)
	560	**131**	**332**	**(87)**	**434**
Earnings before provision for income taxes	**1,781**	**1,170**	**1,153**	**597**	**950**
Provision for income taxes	(412)	(195)	(251)	(144)	(214)
Earnings from continuing operations	1,369	**975**	**902**	**453**	736
Earnings from discontinued operations	-	-	-	-	-
Earnings	**1,369**	**975**	**902**	**453**	**736**
of which					
Earnings attributable to shareowners	**1,366**	**972**	**897**	**452**	**735**
Non-controlling interests	3	3	5	1	1

Summary combined / consolidated statements of financial position

	As at December 31			**As at June 30**	
	2020	**2019**	**2018**	**2021**	**2020**
		Audited		*Unaudited*	
			(€ millions)		
Non-current assets	**8,000**	**6,055**	**4,749**	**7,808**	**6,849**
Current assets	**2,987**	**2,775**	**3,248**	**2,865**	**2,748**
Total assets	**10,987**	**8,830**	**7,997**	**10,673**	**9,597**
Total equity	**1,432**	**2,984**	**3,077**	**1,487**	**1,253**
Non-current liabilities	4,830	1,713	1,138	2,308	4,114
Current liabilities	4,725	4,133	3,782	6,878	4,230
Total liabilities	**9,555**	**5,846**	**4,920**	**9,186**	**8,344**
TOTAL EQUITY AND LIABILITIES	**10,987**	**8,830**	**7,997**	**10,673**	**9,597**

Summary combined / consolidated statements of cash flows

	Year ended December 31			6 months ended June 30	
	2020	**2019**	**2018**	**2021**	**2020**
		Audited		*Unaudited*	
			(€ millions)		
Net cash provided by operating activities..........	**(3)**	**685**	**747**	**309**	**76**
Net cash provided by/(used for) investing activities	**(46)**	**(129)**	**(111)**	**29**	**(37)**
Net cash provided by/(used for) financing activities	**217**	**(1,076)**	**(2,387)**	**(584)**	**85**
Foreign currency translation adjustments of continuing operations	(35)	(8)	(19)	6	(20)
Change in cash and cash equivalents and shareowners loans	**133**	**(528)**	**(1,770)**	**(240)**	**104**
Cash and cash equivalents and shareowners loans..........					
At beginning of the period..........	**1,008**	**1,536**	**3,306**	**1,141**	**1,008**
At end of the period..........	**1,141**	**1,008**	**1,536**	**901**	**1,112**
of which Shareowners loans					
At beginning of the period..........	**672**	**1,260**	**3,059**	**815**	**672**
At end of the period..........	**815**	**672**	**1,260**	**146**	**695**
of which Cash and cash equivalent					
At beginning of the period..........	**336**	**276**	**247**	**326**	**336**
At end of the period..........	**326**	**336**	**276**	**755**	**417**

Other Key Financial Information

KPIs. The table below sets out the Group's key performance indicators (***KPIs***), which the Group monitors to track the financial and operating performance of its business. Certain of these KPIs are not defined in the International Financial Reporting Standards issued by the International Accounting Standards Board and as endorsed by the EU (***IFRS***).

	Year ended December 31			6 months ended June 30	
	2020	**2019**	**2018**	**2021**	**2020**
		Audited		*Unaudited*	
			(€ millions, unless otherwise indicated)		
EBITA[(1)]	**1,329**	**1,124**	**902**	**753**	**567**
EBITA margin[(2)]	**17.9%**	**15.7%**	**15.0%**	**19.7%**	**16.4%**
EBITDA[(3)]	**1,487**	**1,267**	**979**	**822**	**649**
EBITDA margin[(4)]	**20.0%**	**17.7%**	**16.3%**	**21.5%**	**18.8%**

(1) To calculate EBITA, the accounting impact of the following items is excluded from the income from EBIT: (i) the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired; (ii) impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired; and (iii) other income and charges related to transactions with shareowners (except when directly recognized in equity).

(2) EBITA margin represents EBITA as a percentage of revenues. EBITA margin is unaudited.

(3) To calculate EBITDA, the accounting impact of the following items is excluded from the income from EBIT: (i) the depreciation of tangible, intangible and right of use assets; (ii) gains/(losses) on the sale of tangible, intangible and right of use assets; (iii) the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired; (iv) impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired; (v) income from equity affiliates having similar operating activities; and (vi) restructuring charges, and other non-recurring items.

(4) EBITDA margin represents EBITDA as a percentage of revenues. EBITDA margin is unaudited.

What are the key risks that are specific to the issuer?

Any investment in the Shares is associated with risks. Prior to any investment decision, it is important to carefully analyse the risk factors considered relevant to the future development of the Group and the Shares. The below are the key risks relating to the Company that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In making the selection, the Group has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs, the potential impact which the materialisation of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialise:

- UMG may be unable to compete successfully in the highly competitive industry and markets in which it operates and UMG's business may be adversely affected if UMG fails to identify, attract, sign and retain successful recording artists and songwriters or by the absence of superstar releases.
- If streaming and subscription adoption or revenue fail to grow or grow less rapidly than UMG anticipates, UMG's business may be adversely affected.
- UMG relies on digital service providers for the online distribution and marketing of its music on the basis of contractual terms that are subject to change.
- UMG's results of operations may be adversely affected if it is unable to compete successfully in the evolving markets in which it operates or is unable to execute its business strategy.
- Technological advancements are rapidly changing the marketplace in which UMG competes and the nature of UMG's competition.
- UMG operates in many jurisdictions around the world and therefore, is subject to a variety of trends, developments and limitations in those jurisdictions, which could affect it adversely.
- UMG's ability to operate effectively could be impaired if it fails to attract and retain its executive officers and other key personnel.
- The success of UMG's business is dependent on the existence and maintenance of its intellectual property rights and challenges in obtaining, maintaining, protecting and enforcing UMG's intellectual property rights and involvement in intellectual property litigation could adversely affect its business, operating results and financial condition.
- Piracy continues to adversely impact UMG's business and content protection is a key focus of UMG's business.
- UMG's business is subject to a variety of European, US and other supranational or domestic laws, rules, policies and other obligations regarding data protection.
- A significant portion of UMG's revenues are subject to regulation either by government entities or by local third-party collecting societies throughout the world and rates on other income streams may be set by governmental proceedings or be subject to legislative intervention, which may limit its profitability.
- Changes in laws and regulations, including those relating to intellectual property rights, may have an adverse effect on UMG's business.

KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Type, class and ISIN. The Shares are ordinary shares, created under and in accordance with the laws of the Netherlands, with a nominal value of €10.00 each in the share capital of the Company. Application has been made to list all of the Shares under the ticker symbol "UMG" on Euronext Amsterdam under ISIN Code NL0015000IY2.

Currency, denomination, par value and number of securities. The Shares are denominated in and will trade in euro. Immediately prior to the Distribution, the authorized share capital of the Company shall amount to €27,000,000,000, divided into 2,700,000,000 Shares with a nominal value of €10.00 each. The issued share capital of the Company immediately prior to the Distribution is expected to amount to €18,132,411,600, divided into 1,813,241,160 Shares with a nominal value of €10.00 each.

Rights attached to the Shares. Shortly prior to Admission, the articles of association of the Company will be amended and fully restated. Reference to the ***Articles of Association*** hereafter will be to the Company's articles of association as they will read after such amendment and restatement. Each Share confers its holder the right to cast one vote at the Company's general meeting, being the corporate body or, where the context so requires, the physical meeting (the ***General Meeting***). There are no restrictions on voting rights. The Shares carry dividend rights.

Rank of securities in the issuer's capital structure in the event of insolvency. The Shares do not carry any rights in respect to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The Shares, which includes the Distribution Shares, will rank *pari passu* in all respects.

Restrictions on the free transferability of the securities. There are no restrictions on the transferability of the Shares in the Articles of Association or under Dutch law. However, the offering of Shares to persons located or resident in, or who are citizens of, or who have a registered address in certain countries, and the transfer of Shares into certain jurisdictions, may be subject to specific regulations or restrictions.

Dividend or pay-out policy. The Company plans, as from the Admission, to annually declare and pay dividends to all holders of the Shares on a *pro rata* basis in two semi-annual instalments, in the aggregate amount of no less than 50% of the Company's net profits realized during the relevant financial year, subject to agreed non-cash items. The Company intends to pay an interim dividend in the fourth quarter of each financial year, after the publication of the half-year figures of the Company, and a final dividend in the second quarter of the following financial year, to be paid following approval of the Company's financial statements at its annual General Meeting.

On July 28, 2021, the Board resolved to make a distribution for an amount in cash of €362,648,232 to all Shareholders by way of an interim dividend distribution at the charge of the Company's current profits in the current financial year that started on January 1, 2021, provided that in the event that after adoption of the annual accounts for the financial year of the Company that started on January 1, 2021, the Company's profits shall appear to be less than the amount of such interim dividend distribution, the balance shall be deemed to have been a distribution from the Company's freely distributable reserves. With regard to such distribution: (i) the ex-dividend date will be October 25, 2021; (ii) the record date will be October 26, 2021; and (iii) the payment date will be October 28, 2021.

Where will the securities be traded?

Application has been made for the admission to listing and trading of all of the Shares (***Admission***) under the symbol "UMG" on Euronext Amsterdam. Trading on an "as-if-and-when-delivered" basis in the Shares on Euronext Amsterdam is expected to commence at 9.00 (Central European Time (***CET***)) on or around September 21, 2021 (the ***First Trading Date***). Prior to being admitted to trading on Euronext Amsterdam, there has been no public trading market for the Shares.

What are the key risks that are specific to the securities?

The key risks relating to the Distribution and the Shares are:

- The Existing Shareholders will continue to hold a significant minority stake in the Company and may have conflicts of interest with other Shareholders.
- An active trading market on Euronext Amsterdam may not develop.
- The Company may issue additional Shares or other equity securities without Shareholder approval, which would dilute Shareholder ownership interests and may depress the market price of the Shares.

KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

Timetable. Subject to acceleration or extension of the timetable by the Company and Vivendi for, or withdrawal of, the Admission and the Distribution, the timetable below lists the expected key days for the Admission and the Distribution:

Event	Time (CET) and date
Distribution	
Resolution of Vivendi's management board to distribute an exceptional interim dividend in kind	September 14, 2021
Euronext Amsterdam notice announcing the Reference Price for the Shares	September 20, 2021
Distribution ex-Date in respect of Distribution of Distribution Shares	September 21, 2021
Admission	September 21, 2021
Commencement of trading under the ticker symbol "UMG" on an "if-and-when-delivered" (conditional upon delivery) basis	September 21, 2021
Distribution Record Date in respect of Distribution of Distribution Shares	September 22, 2021
Payment of the Distribution (delivery and book-entry of the Distribution Shares allocated pursuant to the Distribution)	September 23, 2021
Distribution Settlement	September 23, 2021

The Company and Vivendi reserve the right to adjust the dates, times and periods given in the timetable and throughout the Prospectus.

Lead Equity Capital Markets Advisors. BNP Paribas, Crédit Agricole Corporate and Investment Bank, Morgan Stanley, Natixis and Société Générale are acting as lead financial advisors (in such and any other capacity, the ***Lead Financial Advisors***). Banque Hottinguer, Messier et Associés, CIC, Rothschild, Bank of America, ING, Intesa Sanpaolo S.p.A., Lazard, Mizuho Securities and Banco Santander are acting as financial co-advisors (in such and any other capacity, the ***Financial Co-Advisors***). Bank of China and Goldman Sachs Bank Europe SE are acting as other financial advisors (in such and any other capacity, the ***Other Financial Advisors*** and, together with the Lead

Financial Advisors and the Financial Co-Advisors, ***the Lead Equity Capital Markets Advisors***). The Lead Equity Capital Markets Advisors are acting only in respect of the Admission and Distribution.

Distribution Allocation Ratio. Subject to adjustment of the Allocation Ratio (the ***Adjustment of the Allocation Ratio***), each Vivendi Shareholder will receive one (1) Share for each one (1) share which it holds in Vivendi on September 22, 2021 (the ***Distribution Record Date***) as part of the Distribution (the ***Allocation Ratio***).

Distribution Delivery. Subject to acceleration or extension of the timetable for the Distribution, the Distribution is expected to be implemented and settled on September 23, 2021 (the ***Distribution Date***) through the book entry facilities of Euroclear France in accordance with Euroclear France's normal procedures applicable to equity securities (the ***Distribution Settlement***).

Listing and Paying Agent. BNP Paribas is the Listing Agent and BNP Paribas Securities Services is the Paying and Settlement Agent with respect to the Shares on Euronext.

Dilution. There shall be no dilution of the shareholdings of the Existing Shareholders pursuant to the Distribution, however, the shareholding of Vivendi will be reduced from 70% to approximately 10% as a result of the Distribution.

Estimated expenses related to the Admission: The maximum amount of expenses to be paid in relation to the Admission and Distribution cannot precisely be estimated as of the date of this Prospectus, however, the maximum amount expenses will in any case remain limited to a maximum of 0.5% of the total amount of the Distribution.

Estimated expenses charged to the investors. No expenses or fees will be charged by the Company or Vivendi to Vivendi Shareholders in relation to the Admission and the Distribution. However, the beneficiaries of the Distribution would be required to pay, as appropriate, to their authorized financial intermediary or to Vivendi, through the Listing and Paying Agent, the social withholdings and/or the non-final withholding tax or the withholding tax payable in respect of the Distribution.

Why is this prospectus being produced?

Reasons for the Admission. Prior to the date of the Prospectus, financial analysts highlighted that Vivendi's stock market price per share was approximately 10% to 30% lower than the sum of all of Vivendi's businesses divided by its number of shares. For a number of years, Vivendi's leading institutional shareholders have been seeking a spin-off from or a distribution of UMG by Vivendi to reduce such conglomerate discount and to allow for a valuation of UMG, and for UMG to further develop, on a stand-alone basis. The transactions resulting in 20% of the share capital of UMG now being held by the Tencent-led Consortium led Vivendi's management board to conclude that the time was ripe for a distribution of up to 60% of UMG's share capital to the Vivendi Shareholders, which resulted in Vivendi's pursuance of the Distribution. Whilst the Company will not receive any proceeds from the Admission, it believes that the Admission is well aligned to the Company's continued growth ambitions and will help to maximise shareholder value over time, including by addressing the conglomerate discount highlighted by financial analysts in relation to Vivendi's stock market price per share. In addition, the Company and Vivendi believe that the Admission is also a significant step and presents a new opportunity to the Company which will allow it to broaden artist opportunities and enrich experiences for music fans, further promoting a thriving music and entertainment industry and further solidifying UMG's position as an industry leader. The Admission is expected to further increase the Company's profile with the music and entertainment industry, investors, business partners and customers, brand recognition and credibility. The Admission is also expected to provide additional financial flexibility and diversity through access to capital markets.

Net proceeds. No proceeds shall be raised pursuant to Admission and the Distribution.

Most material conflicts of interest pertaining to the Admission and the Distribution. Certain of the Lead Equity Capital Markets Advisors and/or their affiliates are, or have been, engaged and may in the future engage in commercial banking, investment banking and financial advisory (including in the context of the Admission and Distribution) and ancillary activities in the ordinary course of their business with the Group and/or Vivendi, other Existing Shareholders or any parties related to or competing with any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. In particular, some of the Lead Equity Capital Markets Advisors and/or their affiliates have taken an active part or takes an active part to Vivendi and UMG's financing (see for example a description of the syndicated bank credit facility mentioned in Section 16.5.3 (*Facilities Agreement*)) and are long-standing partners to Vivendi. Additionally, the Lead Equity Capital Markets Advisors may, in the ordinary course of their business, and in the future, effect transactions for their own account or the account of customers, and make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments on behalf of themselves or their customers. Such investments and securities activities may involve long or short positions in the Company's and/or Vivendi's securities. As a result of acting in the capacities described above, the Lead Equity Capital Markets Advisors and their affiliates may have interests that may not be aligned, or could potentially conflict, with the interests of investors in the Shares or with the interests of the Company or the Group.

1. RISK FACTORS

Any investment in the Shares is subject to a number of risks. Investors should carefully consider the risk factors included below, UMG's business and the industry in which it operates, together with all other information contained in this Prospectus.

The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Group's business, financial condition, results of operations and prospects. The price of the Shares could decline and an investor might lose part or all of its investment upon the occurrence of any such event.

All of these risk factors and events are contingencies that may or may not occur. The Group may face a number of these risks described below simultaneously and some risks described below may be interdependent where indicated with a cross-reference. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential negative impact to the Group's business, financial condition, results of operations and prospects. While the risk factors below have been divided into categories, some risk factors could belong in more than one category and prospective investors should carefully consider all of the risk factors set out in this section.

The below is what the Company believes are the material risks and uncertainties concerning the Group's business and industry, and the Shares that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In making the selection, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact which the materialization of the risk could have on the Group's business, financial condition, results of operations and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialize: Although the Company believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business and industry, and the Shares, they are not the only risks and uncertainties relating to the Group and the Shares. Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial could, individually or cumulatively, prove to be important and may have a significant negative impact on the Group's business, financial condition, results of operations and prospects and the price of the Shares may decline and investors could lose all or part of their investment.

Any investment in the Shares is associated with risks. Prior to any investment decision, it is important to carefully analyze the risk factors considered relevant to the future development of the Group and the Shares. Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to any Shares. Furthermore, before making an investment decision with respect to any Shares, prospective investors should consult their own professional adviser and carefully review the risks associated with an investment in the Shares and consider such an investment decision in light of their personal circumstances.

1.1 Risks Related to UMG's Business and Industry

1.1.1 UMG may be unable to compete successfully in the highly competitive industry and markets in which it operates and UMG's business may be adversely affected if UMG fails to identify, attract, sign and retain successful recording artists and songwriters or by the absence of superstar releases.

The industry in which UMG operates is highly competitive, influenced by consumer preferences and rapidly evolving. UMG's competitive position is dependent on identifying, attracting, signing and retaining recording artists who are or will become commercially successful, who have long-term potential, whose music is well received, whose subsequent music is demanded by consumers and whose music will continue to generate sales as part of its catalog for years to come. Competition among record companies for such talent is intense. UMG is also dependent on signing and retaining songwriters who are capable of writing songs that will be the popular hits of today and the classics of tomorrow. For example, in 2020, UMG's artists took four of the year's top five spots in the Spotify global charts (Drake, J. Balvin, Juice WRLD and The Weeknd), released the number one song of the year (*Blinding Lights* by The Weeknd) and took two spots in the top three album rankings (*After Hours* by The Weeknd and *Hollywood's Bleeding* by Post Malone). UMG's competitive position is dependent on its continuing ability to attract and develop such recording artists and songwriters whose work can achieve a high degree of popularity and thereafter, continue to create music and songs to retain, engage and expand their fan base. With regard to development of recording artists and songwriters, UMG believes that traditional, high-touch, full-service label deals with its portfolio of world-renowned labels, provide the most long-term value to an artist and greatly increase the commercial success, consumer base and longevity potential for artists at every stage of their careers. These deals provide for the full suite of professional expertise and global resources of a major label, including a comprehensive approach to content creation, organic artist development, timing, marketing, promotion, financial investment, and forward planning.

UMG's recorded music business is to a large extent dependent on technological developments in order to remain competitive, including access to, selection and viability of new technologies, and UMG's recorded music business is subject to potential pressure from competitors as a result of technological developments modifying the nature of UMG's competition. If UMG is unable to remain competitive as a result of technological developments, this could have a material adverse effect on UMG's business, prospects, financial condition and results of operations. See Section 1.1.5 (*Technological advancements are rapidly changing the marketplace in which UMG competes and the nature of UMG's competition*).

UMG's business may be adversely affected if it is unable to sign successful recording artists or songwriters. Signing, retaining and successfully developing artists is highly competitive, requires substantial human and capital resources, and can be dependent on consumer preferences that are rapidly and continuously changing. UMG uses external sources of data provided by streaming platforms or other external providers. Limitations to access of such data could adversely impact UMG's capability of identifying future talents and therefore negatively affect its business. While UMG is required to devote significant time and investment to these activities, the returns on these activities are influenced by a number of factors, including factors outside of the control of UMG, and are uncertain at the time of investment. To the extent that the expected returns from these activities fail to materialize or are not in line with expectations, this may negatively impact UMG's operating and financial performance and prospects.

UMG's competitors may become more successful at signing, marketing and promoting recording artists, for example if UMG's competitors increase the amounts they spend to discover, or to market and promote, recording artists and songwriters or reduce the prices of their music in an effort to expand market share, which may adversely impact UMG's business, financial condition, results of operations and prospects.

UMG's business, prospects, financial condition and results of operations may be adversely affected if it is unable to identify, attract, sign and retain such recording artists and songwriters on terms that are economically viable to it. UMG's financial results may also be affected by the absence of superstar recording artist releases during a particular period via a negative impact on physical sales, download volumes and UMG's share of digital platform subscription streaming revenues, which may result in a decrease in UMG's revenues from these income streams and an adverse impact on UMG's business, financial condition, results of operations and prospects.

1.1.2 If streaming and subscription adoption or revenue fail to grow or grow less rapidly than UMG anticipates, UMG's business may be adversely affected.

Revenues from subscription music services are important to UMG because they offset declines in downloads and physical sales and represent a growing area of UMG's recorded music business. According to the IFPI Global Music Report 2021 issued by the International Federation of the Phonographic Industry (***IFPI***), an organization that represents the interests of the recording industry worldwide, subscription music services and ad-supported streaming revenues accounted for approximately 62.1% of global recorded music revenues in 2020, approximately a 19.9% increase as compared to 2019. In 2020, UMG generated €3,833 million of revenue from subscription music services and ad-supported streaming, as compared to €3,325 million in 2019. There can be no assurance that this growth pattern will persist or that digital revenue will continue to grow at a rate sufficient to offset and exceed declines in downloads and physical sales. Consumption formats in the music industry are susceptible to technological advancements and changing consumer preferences around how music is accessed, as illustrated in recent years by the global decline in revenue derived from downloads and CD sales. See Section 1.1.5 (*Technological advancements are rapidly changing the marketplace in which UMG competes and the nature of UMG's competition*). These, and other factors, may in the future negatively impact subscription and ad-supported streaming, for example where newer formats become more popular with consumers. Additionally, technology around streaming manipulation, fraud and hacking is becoming increasingly refined and subscription streaming services are particularly vulnerable which could undermine consumer confidence and cause revenue loss.

If UMG's subscription or streaming revenue fails to grow, grows less rapidly than it has over the past several years or declines, UMG's recorded music business may experience reduced levels of revenue and operating income. Additionally, slower growth in streaming adoption or revenue is also likely to have a negative impact on UMG's music publishing business, which generates a significant portion of its revenue from sales and other uses of recorded music. Both of these may adversely impact UMG's business, prospects, financial condition and results of operations.

1.1.3 UMG relies on digital service providers for the online distribution and marketing of its music on the basis of contractual terms that are subject to change.

UMG derives an increasing portion of its revenues from the distribution of music through digital distribution channels and partners with several hundred music services around the world and, in 2020, the top 50 music services accounted for 95% of UMG's digital revenue for 2020. In 2020, 65% of UMG's overall revenue was derived from digital channels.

UMG currently enters into relatively short-term agreements with digital music streaming services. There can be no assurance that UMG will be able to renew or enter into new agreements with any digital music service. The terms of these agreements, including the rates that UMG receives pursuant to them and the basis for calculation of those rates, may change as a result of changes in the industry or changes in the law, or for other reasons. Decreases in rates or changes to other terms of agreements with digital music streaming services could adversely impact UMG's business, prospects, financial condition and results of operations.

UMG's music is also promoted by the digital music services on playlists curated by such services or generated from their algorithms (or a combination of both). Any unfavorable changes made by such service providers to their algorithms or to the terms on which they market or promote UMG's music could adversely affect UMG's business, prospects, financial condition and results of operations.

1.1.4 UMG's results of operations may be adversely affected if it is unable to compete successfully in the evolving markets in which it operates or is unable to execute its business strategy.

UMG expects to increase revenues and cash flow through a business strategy which requires it to, among other things, continue to maximize the long-term value of its music by expanding the licensing partners with which UMG works and diversifying its revenue streams by partnering with an increasing array of new businesses that benefit from the use of music content to engage consumers. UMG's strategy includes efforts to grow revenues from new digital platforms, including fitness and video games, and through business arrangements with non-traditional partners, including social media platforms. For example, in 2017, UMG became the first major music company to sign a deal with Facebook. UMG has the largest portfolio of fitness technology agreements of any music company, including with Peloton and Apple's Fitness+, and in 2021, licensed its catalog to Equinox Media, LLC's Variis digital fitness app. The success of these initiatives relies on adequate third-party support and requires UMG to accurately forecast and keep up with technological developments and consumer preferences relating to platforms and may require UMG to implement new business models or adapt to new distribution platforms. If UMG is unable to implement its strategy successfully or properly react to changes in consumer preference, its financial condition, results of operations and cash flows could be adversely affected.

1.1.5 Technological advancements are rapidly changing the marketplace in which UMG competes and the nature of UMG's competition.

The industries in which UMG operates are subject to rapid and significant changes in technology and are characterized by the frequent introduction of new products and services and use of technology in new ways, as demonstrated by the resulting global increase in streaming revenues over the past five years, coupled with a converse decline in downloads and CD sales. Technological advancements are also modifying the nature of UMG's competition and bringing new challenges. The uses of technology are constantly evolving, and it may not be possible to foresee the ways in which technology could be used in, and to disrupt, the music industry, for example through the use of artificial intelligence and non-fungible tokens. Technological advancements may also be used to manipulate and adversely impact the reach of UMG's digital content to its consumers and, as mentioned above, technology around streaming manipulation, fraud and hacking is becoming increasingly advanced.

Adapting to, and competing with, rapid technological advancements requires substantial investment of time and resources; however, such investment does not guarantee UMG's success in developing, implementing, transitioning to, competing with, utilizing or defending against new technology. Any failure by UMG to accurately anticipate customers' changing needs and emerging technological trends could significantly harm UMG's competitive positioning and results of operations. If UMG is not successful in adapting to or competing and keeping up with new technology, UMG's business, prospects, financial condition and results of operations could be adversely affected.

In addition, UMG's competitors may in the future be able to innovate or adjust faster than UMG can, and new technologies may increase competitive pressure by enabling UMG's competitors to offer superior services or be more attractive to artists and songwriters. Such developments could make UMG's value proposition less compelling, which could have a material adverse effect on UMG's business, prospects, financial condition and results of operations.

1.1.6 UMG operates in many jurisdictions around the world and therefore is subject to a variety of trends, developments and limitations in those jurisdictions, which could affect it adversely.

UMG has offices engaged in recorded music, music publishing, merchandising and audiovisual content in more than 60 territories around the world. UMG's local presences have become increasingly important as the popularity of music originating from a country's own language and culture is very significant, and more countries around the world have developed legitimate business models to monetize music. In addition, UMG's business model is increasingly focused on developing business in new high-growth music markets. For example, in 2020, UMG strengthened its global presence through new activities and key partnerships in Israel, Morocco, Vietnam, Senegal, Cameroon, Nigeria, Italy, India, Indonesia, Thailand and South Korea. However, if UMG's music does not continue to have appeal in various countries, UMG's results of operations could be adversely impacted and its investments in new jurisdictions could fail to generate returns for UMG in line with expectations. Additionally, UMG may not be successful in identifying and signing the most promising artists in these markets, which may negatively impact UMG's competitive position in these geographies, its prospects and its ability to generate returns in these markets.

In countries in which the Group currently conducts, or may in the future conduct, its businesses, the Group's operations, growth strategy and development may be negatively impacted as a result of less developed digital, internet and mobile network infrastructure. The Group's success, particularly streaming revenues, depend on the continued development and use of internet by consumers to access music as well as increasing high-speed internet and smart-phone penetration. If internet access or smart phone penetration in these markets develops slower than expected, or is stalled, the Group's growth strategy could be adversely affected.

Further, depending on the customs and norms in various markets, UMG's presence in and generation of revenues from other countries may require UMG to accept longer accounts receivable settlement cycles and may subject UMG to difficulties in collecting its accounts receivables. UMG is also subject to restrictions on repatriation of capital in several jurisdictions in which it operates. For more information, see Section 1.3.6 (*Export and import control laws and regulations, tariffs and trade barriers could have an adverse effect on UMG's business*) below. Additionally, as a result of its global presence, UMG is subject to challenges in the global economic environment, as a result of political instability in jurisdictions where it is present as well as recessionary trends, inflation and instability in the financial markets in jurisdictions where it is present.

Any failure of UMG to adequately respond to the needs of its operations in various jurisdictions, its inability to appeal to consumers in various countries or the restrictions on UMG's business due to customs, norms and policies in various jurisdictions may adversely impact UMG's business, prospects, financial condition and results of operations.

1.1.7 UMG faces competition for the attention of its consumers given the constantly evolving entertainment options that are available.

A significant portion of UMG's revenue comes from the production and distribution of audio and audiovisual recordings. The success of UMG's content depends primarily upon its acceptance by the public and on consumer tastes and preferences, which change over time and are difficult to predict. The market for these products is highly competitive and competing products are often released into the marketplace at the same time. To remain competitive, UMG constantly seeks new platforms to engage different demographics of consumers around the world. The commercial success of audio and audiovisual recordings depends on several variable factors, including the quality and acceptance of competing offerings released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities and general economic conditions and other tangible and intangible factors, all of which can change quickly and in unforeseeable ways.

The recorded music business faces competition for consumer attention from other forms of entertainment and leisure activities, such as cable and satellite television, on-demand television, motion pictures, podcasts and video games and user-generated content in physical and digital formats. UMG may face competition in the future from the development of any number of new forms of entertainment and leisure activities. Although new platforms and means of entertainment provide opportunities for UMG to engage its customers, such initiatives may not be successful or offset constantly changing consumer preferences or cycling preferences between different forms of entertainment.

If UMG's recorded music business unsuccessfully competes against other existing or new forms of entertainment and leisure activities, or produces and distributes audio and audiovisual recordings without broad consumer appeal, that may adversely impact UMG's business, prospects, financial condition and results of operations.

1.1.8 In addition to competition from traditional music industry players, new entrants into the music industry, artists choosing not to sign with labels and the evolving role of intermediaries may increase competition and impact UMG's ability to sign artists.

UMG faces competition from traditional music industry players as well as new entrants, including investment funds whose investment thesis includes making acquisitions of collections of musical compositions, or "catalog acquisitions". UMG's competitors may launch aggressive promotional campaigns and other marketing activities, or they may pay higher than market rates to attract new talent and increase their market share. In response, in order to stay competitive, UMG may be required to make additional investments and incur significant additional expenditures. If UMG is unable to compete successfully in the changing competitive landscape, UMG may lose market share, worsen its business prospects and financial condition and its results of operations may be materially and adversely affected.

In addition, changing business practices, particularly due to the emergence of new technologies and access to a global network of consumers, has and could further result in artists choosing to make content available to consumers directly without being affiliated with a label or an intermediary, or could result in music services playing some of the roles that UMG has traditionally played. In this regard, UMG also competes with certain of the music distribution platforms who distribute the works of artists and songwriters without the involvement of labels or intermediaries.

These and other changes in the market could also result in modifications to the ways in which UMG contracts with its artists and to the revenue generated from those relationships. It is not possible to predict all the ways in which the music industry could change, and UMG may not be able to effectively adapt to all of these changes and become less competitive. As a result, changing business practices and disintermediation could have an adverse impact on UMG's business, prospects, financial condition and results of operations.

1.1.9 UMG's ability to operate effectively could be impaired if it fails to attract and retain its executive officers and other key personnel.

UMG's success depends, in part, upon the continuing contributions of its executive officers and key operational and creative personnel, led by its Chairman and Chief Executive Officer, Sir Lucian Grainge. These executive officers and key personnel possess significant experience within the music industry and their established personal connections and relationships in the music industry are important to the Group's operations. UMG competes with other music and entertainment companies, record labels, digital service providers, technology companies and other companies for top talent, including executive officers and other key personnel.

If the Group were to unexpectedly lose a member of the Group's key management, its business, financial condition, results of operations and prospects could be materially adversely affected. Although all of UMG's executive officers have employment agreements with UMG, UMG cannot guarantee that key personnel, including executive officers, will remain in UMG's employment or that it will be able to attract and retain qualified personnel in the future, at a reasonable cost, to replace any departing key personnel, which may disrupt its business and operations and could adversely impact UMG's business, prospects, financial condition and results of operations.

1.1.10 Where UMG acquires, combines with or invests in other businesses or joint ventures, UMG will face risks inherent in such transactions.

UMG has in the past completed and, as part of its business strategy, will continue, from time to time, to consider strategic transactions, which could involve acquisitions, combinations or dispositions of businesses or assets, or strategic alliances or joint ventures with companies engaged in music entertainment, entertainment, investing or other businesses. For example, in March 2019, UMG acquired the remaining rights in Ingrooves Music Group (***Ingrooves***), a global music distribution company that provides marketing and rights management services for independent labels and artists. Ingrooves subsequently acquired a leading South African independent distributor, based on chart performance, Electromode, allowing UMG to enhance its digital, distribution and marketing services footprint across the continent and in December 2018, UMG acquired 100% of the share capital in Epic Rights, thereby further expanding UMG's merchandising business. However, there can be no assurance that UMG will continue to be able to identify and invest in suitable operations or assets. In addition, any such investment could be material, be difficult to implement, disrupt its business or change its business profile, focus or strategy significantly.

UMG may not be successful in addressing any risks or problems encountered in connection with any strategic transactions. UMG cannot assure that if it makes any future acquisitions, investments, strategic alliances or joint ventures or enters into any business combination that they will be completed in a timely manner, or at all, that they will be structured or financed in a way that will enhance its creditworthiness or that they will meet its strategic objectives or otherwise be successful. In addition, if any new business in which UMG invests or which it attempts to develop does not progress as planned, it may not recover the funds and resources it has expended, and this could have a negative impact on its business, prospects, financial condition and results of operations.

Additionally, UMG has made investments into joint ventures with third parties in certain jurisdictions and it may in the future enter into additional such joint ventures as a means of conducting its business in various jurisdictions.

While UMG seeks to ensure that it has appropriate control when entering into joint ventures, in the future UMG may not be able to fully control the operations and the assets of its joint ventures as other investors in the joint venture may have or require certain rights under the terms of the joint venture, and therefore, UMG may not be able to unilaterally make significant decisions or take timely actions with respect to its joint ventures. UMG's inability to take decisive unilateral action in respect to its joint ventures could have a material adverse impact on its business, prospects, financial condition and results of operations.

1.1.11 UMG has engaged in substantial restructuring and re-organization activities in the past and may need to implement further restructurings and re-organizations in the future and its restructuring and re-organization efforts may not be successful or generate expected cost savings.

UMG's business has been, and may continue to be, impacted by significant ongoing changes in the entertainment industry. In response, it has sought, and will continue to actively seek, to adapt its operations and cost structure to the changing economics of the industry. For example, while physical sales are still significant in some markets, music consumption has shifted from an ownership model, whereby consumers purchase vinyl or CDs, to an access model that includes subscription and ad-supported streaming formats. UMG has shifted and continues to shift resources from its physical sales channels to efforts focused on digital channels, emerging technologies and other new revenue streams, and it continues its efforts to reduce overhead and manage its variable and fixed-cost structure. UMG now has entered into agreements and partnerships with every major digital music service launched in the last decade, including Amazon, Apple, Spotify, YouTube and many others and was one of the earliest supporters of digital streaming and subscription services, all of which required substantial internal restructuring activities in order to adapt to the shift from a focus on physical channels to a focus on digital channels.

UMG may be required to implement further restructuring activities, make additions or other changes to its management or workforce based on other cost reduction measures or changes in the markets and industry in which it competes, including the evolving skill sets required from its employees. UMG's inability to structure its operations based on evolving market conditions could impact its business. Restructuring activities can also create unanticipated consequences and negative impacts on its business, and UMG cannot be certain that any ongoing or future restructuring efforts will be successful or generate expected cost savings. If UMG were to unsuccessfully implement restructuring and re-organization plans, that could adversely impact UMG's business, prospects, financial condition and results of operations.

1.1.12 Unfavorable currency exchange rate fluctuations could adversely affect UMG's results of operations.

A significant portion of UMG's assets, liabilities, revenues and costs are denominated in currencies other than Euros, in particular US Dollars. To prepare its UMG Financial Statements, UMG must translate those assets, liabilities, revenues and expenses into Euros from such currencies at then-applicable exchange rates. Consequently, increases and decreases in the value of the Euro as compared to such other currencies will affect the amount of these items in its UMG Financial Statements, even if their value has not changed in their original currency. These translations could result in significant changes to its results of operations from period to period. In addition, exchange rate fluctuations could cause its expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

From time to time, UMG enters into foreign exchange contracts to hedge the risk of unfavorable foreign currency exchange rate movements. However, these hedging strategies may not fully eliminate the exchange rate risk and currency volatility to which it is exposed. While UMG seeks to hedge currency transaction risks by offsetting opposing cash flows (natural hedging) and uses derivative hedges, UMG's efforts to do so may not be successful or opportunities to do so may not be readily available and such risks may have a material adverse effect on UMG's business, prospects, financial condition and results of operations.

1.1.13 UMG's results of operations, cash flows and financial condition have been and may continue to be adversely impacted by the COVID-19 pandemic or the state of the global economy as a whole.

Certain of the measures taken by regional and national governments, including, stay-at-home orders and limitations on indoor and outdoor gatherings have negatively affected UMG's business. For example, the extended pause over live concert tours adversely impacted UMG's sale of tour merchandise which resulted in a decline in revenue from UMG's merchandising business in 2020. UMG's merchandising segment has, in 2020 compared to 2019, decreased by 40.3%. UMG's merchandising segment relies on vendors outside of the United States and therefore, faces risks inherent in purchasing from foreign suppliers, including the COVID-19 pandemic on the supply chain. The limitations on live concert touring have also adversely impacted music publishing performance revenues. The stay-at-home orders also resulted in the cessation of or significant delay in the production of motion pictures and television programs, which negatively affected licensing revenue in UMG's recorded music business and synchronization revenue in its music publishing business. It has been widely reported that early in the COVID-19 pandemic, advertisers temporarily reduced their advertising spend. This resulted in a corresponding initial decline in ad-supported streaming revenue in UMG's recorded music business and, to a lesser extent, recorded music licensing revenue and music publishing synchronization, performance and mechanical ad-supported streaming revenue. UMG's physical sales rely in part on distribution and retailing of CDs or vinyl through major retail chains and local shops. Shops closures and stay at home orders negatively affected physical sales of music through major retail chains and local shops, and any future measures, whether globally or in specific countries, may continue to have a negative effect on these sales channels.

Notwithstanding recent developments with respect to vaccines for COVID-19, given the global scale, severity and duration of the COVID-19 pandemic, its trajectory is difficult to predict. The COVID-19 pandemic is expected to continue to materially and adversely affect the global economy, creating risk around the timing and collectability of UMG's accounts receivable and possibly leading to a decline in consumer discretionary spending which, in turn, could have a negative impact on UMG's results of operations, cash flows and financial condition. Stay-at-home and shelter-in-place orders, business closures, travel restrictions, supply chain disruptions, employee illness or quarantines, and other extended periods of interruption to its business have resulted and could continue to result in disruptions to UMG's operations. Any worsening of the COVID-19 pandemic, ineffectiveness of the vaccination efforts or the spread of any new variants of the coronavirus could result in additional material adverse impact on its business, financial condition, results of operations and prospects. To the extent the COVID-19 pandemic adversely affects UMG's business, prospects, results of operations, cash flows or financial condition, it may also have the effect of heightening other risks described in this Section 1.

A significant portion of UMG's revenues relies on consumers spending discretionary funds on leisure activities, such as music subscriptions, CDs, vinyl albums and artist merchandise. The state of the economy as a whole, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, unemployment and the impact of the COVID-19 pandemic are all factors that relate to the prevailing macroeconomic conditions and affect UMG's business. Economic growth and consumer confidence are important for UMG's growth and strategy. In 2020, UMG's merchandising revenues were down 39.6% at constant currency and perimeter compared to 2019 due to the impact of the COVID-19 pandemic on both touring and retail activity, which cut off access for consumers to purchase these products at their usual retail points. As such, UMG's eCommerce business grew significantly in 2020, but could not fully offset the loss of touring and retail merchandise sales. UMG was able to further offset the negative impact of the COVID-19 pandemic with a significant increase in subscription and streaming revenues. UMG also generated some incremental revenue from its work on more than 100 live performances by artists worldwide that streamed on more than a dozen platforms. However, any decrease in global economic growth or slowdown in certain fast-growing markets could negatively affect the Group's results of operations going forward.

In the event that the COVID-19 pandemic and its related effects continue on an extended basis globally, UMG would continue to look for ways to evolve and develop its business in an effort to off-set the associated negative effects and avoid a material negative impact to its business. However, in view of the fact that the COVID-19 pandemic had a direct impact on UMG's business and certain of its revenue sources, UMG still considers this risk factor to be a material item.

1.2 Risks Related to Intellectual Property, Data Security and Information Technology

1.2.1 The success of UMG's business is dependent on the existence and maintenance of its intellectual property rights and challenges in obtaining, maintaining, protecting and enforcing UMG's intellectual property rights and involvement in intellectual property litigation could adversely affect its business, operating results and financial condition.

The success of UMG's business depends on its ability to obtain, maintain, protect and enforce its trademarks, copyrights and other intellectual property rights around the world. UMG's intellectual property rights, as well as its ability to enforce its intellectual property rights depend on the laws and regulations of the many jurisdictions in which it conducts business, which are not consistent across jurisdictions. In order to obtain, maintain, protect and enforce its intellectual property rights, UMG takes a variety of measures, including, if necessary, litigation or proceedings before governmental authorities and administrative bodies. For example, on July 31, 2018, a complaint for copyright infringement was filed by UMG Recordings, Inc. and Universal Music Publishing Group (***UMPG***) (along with the other major labels and publishers including Sony Music Entertainment and Warner Music Group) against, amongst others, Cox Communications, an Internet access and service provider, for knowingly inducing and supporting copyright infringement by its customers. UMG also has a content protection unit tasked with leading and coordinating take downs of content that infringes its intellectual property rights.

However, these measures can be expensive and time-consuming and, in some instances, can be ineffective such that, despite such measures, third parties may be able to obtain and use UMG's intellectual property without its permission, and there is no guarantee that UMG will be able to successfully obtain, protect, maintain or enforce its intellectual property rights in every instance. The inability to obtain, maintain, protect or enforce its intellectual property rights could harm UMG's brand or brand recognition and adversely affect its business, prospects, financial condition and results of operations.

In addition, if UMG is alleged to have infringed, misappropriated or otherwise violated the intellectual property rights of a third party (even where such claims are without merit), any litigation to defend the claim could be costly and would divert the time and resources of management, regardless of the merits of the claim and whether the claim is settled out of court or determined in its favor. There can be no assurance that UMG would prevail in any such litigation. If UMG were to lose a litigation relating to intellectual property, in addition to the potential reputational damage, it could be forced to pay monetary damages, to obtain a license, or to cease using certain intellectual property or technologies. For example, on February 5, 2019, a class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who have to date requested the termination of alleged transfers of US copyright to UMG pursuant to Section 203 of the Copyright Act, which allows, under certain conditions, an author who has contractually transferred the US copyright rights to his or her work to a third party to terminate such grant after 35 years. While a class has not been certified in this case, and UMG believes it has valid defenses to the claims, the complainant seeks to have the court recognize the purported termination of certain alleged grants by the artists involved in the litigation and also alleges copyright infringement, alleging that UMG continued to use certain recordings after the purported termination dates. To the extent that UMG is unable to successfully defend these claims, amongst other things, it may face damages claims from the relevant artists.

Additionally, artists signed by UMG may seek to challenge and dispute the scope of intellectual property rights under their contracts entered into with UMG, including potential disputes as to the application and effect of technological developments and new formats to access music. In this regard, see Section 1.3.3 (*UMG is and could become involved in a number of lawsuits, which could negatively affect UMG's results of operations, financial condition and reputation*).

Any of the foregoing may cause UMG to suffer economic loss and reputational damage, which would adversely affect UMG's business, prospects, financial condition and results of operations.

1.2.2 Piracy continues to adversely impact UMG's business and content protection is a key focus of UMG's business.

Technological advances and the conversion of music into digital formats have made it easy to create, transmit and "share" high-quality unauthorized copies of music in a manner that does not provide an economic return for UMG. This includes "stream-ripping" to access UMG's music illegally through the internet, whether by download or streaming (including by illegal "stream-ripping"). In a 2021 IFPI survey of 43,000 internet users aged 16 to 64 across 21 countries, 40% admitted using illegal stream-ripping services, the leading form of music piracy. Organized industrial piracy may also lead to decreased revenues. The impact of piracy on legitimate music revenues and subscriptions is hard to quantify, but UMG believes that illegal file sharing and other forms of unauthorized activity, including stream manipulation, have a substantial negative impact on music revenues. If UMG is not entirely successful in its content protection efforts, whether as a result of challenges in obtaining appropriate relief via the judicial process or challenges in its efforts to lobby governments to enact and enforce stronger legal penalties for copyright infringement or a failure to develop effective means of protecting and enforcing its intellectual property rights, its business, prospects, financial condition and results of operations may suffer.

1.2.3 UMG's business is subject to a variety of European, US and other supranational and domestic laws, rules, policies and other obligations regarding data protection.

UMG is subject to laws, regulations, rules, and other obligations governing privacy, data protection, direct marketing, and cybersecurity in jurisdictions around the world. These laws impose restrictions on the way UMG and its counterparties may collect, use, retain, secure, disclose, and transfer personal information. These laws may shape, for example, how UMG engages in eCommerce transactions or other transactions with consumers; how it operates its online properties; how UMG engages in direct and behavioral advertising, email marketing, mobile marketing, and social media activities; and UMG's internal operations in areas such as employment and how it transfers data among its subsidiaries. Further, UMG makes statements about its use and disclosure of personal information through its privacy policies, information on its websites and press statements. UMG may also have contractual obligations regarding the use of personal information with its counterparties.

Privacy, data protection, direct marketing, and cybersecurity are the subject of intense media, political, and regulatory scrutiny. Several jurisdictions in which UMG is active have recently passed laws in these areas, and other jurisdictions are considering imposing additional restrictions. These laws, and the ways in which authorities interpret and enforce them, continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing requirements may cause UMG to incur substantial costs, change its business practices, modify its product and service offerings, and forego other business opportunities.

For example, UMG is subject to extensive European regulations on privacy, information security and data protection, the main and most relevant of which relate to the collection, protection and use of personal and business data, consumer credit data and other information and the provision of credit ratings, including Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation) (the ***GDPR***), the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications) and national laws implementing each of them. Additionally, UMG is subject to the UK GDPR (the retained EU law version of the GDPR) and the United Kingdom's Data Protection Act 2018. The GDPR, which has applied since May 25, 2018, is directly applicable in all member states of the European Economic Area (the ***Member States***). The GDPR has increased both the number, and restrictive nature, of the obligations binding on the UMG for the collection, storage and processing of personal data. In particular, the GDPR establishes a tiered approach to penalties for breach, which enables the relevant authorities to impose fines for some infringements of up to €20 million, or 4% of annual worldwide turnover.

In the United States, UMG is subject to overlapping federal and state laws governing privacy, data protection and security. For example, state data breach notification laws or consumer protection laws generally mandate the rules that must be followed in the event of the unauthorized disclosure of personal information. One of the most significant state privacy laws, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, establishes actionable rights for stipulated parties relating to data handled by covered entities such as UMG, as well as obligations on covered entities relating to privacy disclosures, data handling, and more. The Commonwealth of Virginia has a similar law coming into force at the start of 2023, and other states may be following suit. Moreover, UMG is also subject to regulatory authorities, such as the Federal Trade Commission (***FTC***), and self-regulatory requirements, such as the Payment Card Industry Data Security Standard (***PCI DSS***). The FTC is authorized to enforce prohibitions on "unfair or deceptive acts or practices," to include a company's violations of its own privacy policies or commitments, or security or privacy practices that the FTC deems fundamentally "unfair". The PCI DSS are a set of payment-related data security requirements the violation of which can result in fines or restrictions on the ability to process transactions. Generally distinct from state privacy laws, some state laws also impose separate requirements regarding the handling of payment card information.

Noncompliance, or even allegations of noncompliance, with these laws or UMG's public statements or contracts in these areas, could lead government entities, supervisory authorities or private actors to institute investigations into or proceedings against UMG. These investigations or proceedings may entail legal costs and reputational harm, and if defense of such proceedings is unsuccessful even in part, UMG may face significant penalties, liability, or ongoing monitoring or audit requirements.

Additionally, any perceived or actual failure by UMG, including its third-party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws could cause customers to lose trust in UMG, reduce UMG's ability to attract and retain customers, artists and other business relationships and counterparties and result in litigation or other actions being brought against UMG. Lastly, if third parties that UMG works with, such as UMG's suppliers, violate applicable laws or UMG's policies, such violations may also put the information in UMG's database at risk and could in turn have an adverse impact on UMG's business, prospects, financial condition and results of operations.

1.2.4 UMG's operations are dependent on its information technology and information systems, and any disruption to the Group's IT system or failures in the Group's IT systems could adversely impact the Group's operations.

The integrity, reliability and operational performance of UMG's information technology (***IT***) infrastructure and technology network are critical to its operations. UMG relies upon the capacity, reliability, and security of its IT hardware and software infrastructure and its ability to expand and update this infrastructure in response to changing needs.

Certain elements of the IT systems infrastructure on which UMG depends are outsourced to third parties. The services and functions provided by these third parties are critical to the Group's business and include (but are not limited to) storage, data processing and network.

The availability of UMG's IT platforms and other services may be interrupted by damage or disruption to the Group's or the Group's third-party service providers' IT systems, which may be caused by, for example hardware or software defects, human error, unauthorized access, fire, power loss, natural hazards, the impact of war and terrorism, disasters or similarly disruptive events, as well as planned upgrades and improvements which may be subject to developmental delay or fail to be effective. Additionally, UMG may be subject to cyber-attacks, including phishing, malware, and ransomware. While no such attack has had a material adverse effect on its business in the past, there can be no assurance with regard to potential future attacks and UMG's systems may be vulnerable to damage from such attacks.

While UMG has in place business continuity procedures, there can be no assurance that these will be fully successful in preventing all disruptions to the availability of UMG's IT platforms or other services. To the extent the Group outsources its business continuity or disaster recovery operations, it is at risk of the vendor's unresponsiveness in the event of breakdowns in the Group's systems, which could cause delays in recovering service.

Furthermore, performance issues, system interruptions or other failures in the Group's IT systems could expose the Group to potential liability to pay damages as well as reputational harm, additional operating expenses to remediate the IT failures and exposure to other losses or other liabilities, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, UMG receives certain personal information about its customers and potential customers, and it also receives personal information concerning its employees, artists and vendors. In addition, UMG maintains sensitive confidential business information of itself and, in some cases, counterparties. It also holds intellectual property rights including rights in music recordings and compositions, and further including not-yet-released music. Further, UMG relies on its computer systems and those of service providers for its operations. No computer system is immune from attacks or other incidents, and UMG's system may be vulnerable to, or may have suffered unknown, security breaches by computer hackers and others that attempt to penetrate or otherwise defeat the security measures that it has in place. A compromise of its security systems that results in the loss or exposure of confidential information, including not-yet-released music or personal information, and that compromises the integrity of UMG's information, causes UMG's systems to operate in a way that UMG does not intend or affects the availability of such systems or information for use, may lead to operational disruptions and significant expenditures to address the incident. In addition, any vulnerabilities found in UMG's systems, the loss of competitively sensitive information, theft of funds, reputational harm, litigation and investigations, legal expenses, liability, penalties, or the imposition of ongoing monitoring or audit requirements may also lead to operational disruptions and/or significant expenditures. Any of the foregoing may adversely impact UMG's business, prospects, financial condition and results of operations.

While UMG maintains what it considers to be an appropriate level of insurance against some of these risks, UMG's insurance coverage may not cover all of the costs and liabilities it incurs as the result of any such interruptions or failures of its IT systems, and if its business continuity and/or disaster recovery plans do not effectively and timely resolve issues resulting from a cyber-attack, UMG may suffer material adverse effects on its business.

1.2.5 UMG faces a potential loss of certain catalog titles to the extent that those recording artists have a right to recapture recordings under the US Copyright Act.

The US Copyright Act of 1976, as amended (the ***US Copyright Act***), provides authors (or their heirs) a right to terminate transfers of US copyrights (i.e., licenses or assignments of rights in their copyrighted works) in certain circumstances. This right does not apply to works that are "works made for hire." Since the enactment of the Sound Recordings Act of 1971, which first accorded federal copyright protection for sound recordings in the US, the vast majority of UMG's agreements with recording artists provide that such recording artists render services under a work-made-for-hire relationship. A termination right exists under the US Copyright Act for transfers of US rights in musical compositions that similarly are not "works made for hire." If any of UMG's commercially available sound recordings created after February 15, 1972 were determined not to be "works made for hire," then the recording artists (or their heirs) could have the right to terminate the US federal copyright rights they granted to it, generally during a five-year period starting at the end of 35 years from the date of release of a recording under a post-1977 license or assignment (or, in the case of a pre-1978 grant in a pre-1978 recording, generally during a five-year period starting at the end of 56 years from the date of copyright). For example, on February 5, 2019, a purported class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who had requested the termination of certain alleged grants of US copyrights to UMG pursuant to Section 203 of the US Copyright Act. See Section 11.14 (*Litigation*).

Any right of artists to terminate the copyright rights granted to UMG may adversely impact UMG's business, prospects, financial condition and results of operations.

1.3 Legal, Regulatory and Tax Risks

1.3.1 A significant portion of UMG's revenues are subject to regulation either by government entities or by local third-party collecting societies throughout the world and rates on other income streams may be set by governmental proceedings or be subject to legislative intervention, which may limit its profitability.

Mechanical royalties and performance royalties (on both physical and digital sales) are two of the main sources of income to UMG's music publishing business, accounting for under 13% of UMG's revenue in 2020, and mechanical royalties are an expense for its recorded music business, accounting for 1.1% of UMG's revenue in 2020. In the United States, mechanical royalty rates are set every five years pursuant to an administrative process under the US Copyright Act, unless rates are determined through industry negotiations, and performance royalty rates are determined by negotiations with performing rights organizations, which in the US include American Society of Composers, Authors and Publishers, (***ASCAP***), Broadcast Music, Inc. (***BMI***) and the Society of European Stage Authors and Composers (***SESAC***). ASCAP and BMI are subject to a consent decree rate-setting process if negotiations are unsuccessful. The Antitrust Division of the Department of Justice (the ***DOJ***) has previously reviewed UMG's consent decrees with ASCAP and BMI and, while in January 2021, the DOJ announced that it would take no further action to modify or terminate such decrees, there is no guarantee that the DOJ will not choose to review such decrees in the future. Changes to the mechanical royalty rate, the performance royalty rates or consent decrees governing the US performing rights organizations could potentially impact the profitability of UMG's music publishing business.

Outside of the United States, mechanical and performance royalty rates are typically negotiated on an industry-wide basis (or for multi-territorial online licensing, on a repertoire-specific basis but still necessarily in partnership with collecting societies as rights holders) and may be subject to mandatory collecting regimes. In most territories outside the United States, mechanical royalties are based on a percentage of wholesale prices for physical product and based on a percentage of consumer prices for digital formats. The mechanical and performance royalty rates set pursuant to such processes may adversely affect UMG by limiting its ability to increase the profitability of its music publishing and/or recorded music businesses.

The performance royalty rates received by UMG's recorded music business in the United States for webcasting and satellite radio are set every five years by an administrative process under the US Copyright Act unless rates are determined through industry negotiations. In most jurisdictions outside the United States, UMG's recorded music business receives payment for the public performance and broadcast of its sound recordings via collecting societies, with rates generally set by industry agreement or rate setting tribunal. In certain jurisdictions, governments either have, are proposing or face certain pressure to introduce legislation which may introduce and/or extend mandatory collective licensing and direct remuneration claims for certain rights, such as (but not limited to) the introduction of an additional remuneration right for performers for the so-called "making available" of sound recordings on digital services.

As revenues continue to shift from physical to diversified distribution channels, it is important that UMG receives fair value for all of the uses of its intellectual property as its business model now depends upon multiple revenue streams from multiple sources. To the extent that the rates set for recorded music and music publishing income sources through collecting societies or legally prescribed rate-setting processes are set at levels which are not favorable or economically viable for UMG, this could have an adverse impact on its business, prospects, financial condition and results of operations.

1.3.2 Changes in laws and regulations, including those relating to intellectual property rights, may have an adverse effect on UMG's business.

UMG's intellectual property rights, particularly copyrights, are very important to UMG's business. UMG's business is subject to a variety of laws and regulations in jurisdictions around the world, including those relating to intellectual property, content regulation, user privacy, data protection and consumer protection, among others. In addition, various governments currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters that could directly or indirectly affect UMG's business and operations, the ownership of UMG's content assets or UMG's ability to maintain, protect or enforce its intellectual property rights. For example, the UK Parliamentary Select Committee on Digital, Culture, Media and Sport issued its advisory report on July 15, 2021, as part of an inquiry to examine "what economic impact music streaming is having on artists, record labels and the sustainability of the wider music industry". The report recommended to the UK government a number of actions to regulate music companies, including on issues related to artist and songwriter compensation, which could hinder or add cost to the companies' operations. UMG's business is also impacted by laws and regulations of the various jurisdictions in which UMG, or its partners, operate, including quotas, tax regimes, currency restrictions and data protection regimes.

UMG could also be adversely affected by new laws and regulations, by the threat that additional laws or regulations may be forthcoming and by changes in existing laws or changes in interpretation of existing laws by courts and regulators. For example, legislation has been introduced in California that would amend California Labor Code Section 2855 (Section 2855) such that UMG's ability to recover damages from artists that fail to deliver on their contractually promised recordings after more than seven years may be hindered. Changes in the area of copyright law, in particular, could directly or indirectly affect UMG's operations, the ownership of UMG's content assets or UMG's ability to maintain, protect or enforce its intellectual property rights.

Litigation and proceedings before governmental authorities, whether or not UMG is involved in such proceedings, may serve as precedents that adversely impact UMG's operations, ownership of content assets or intellectual property rights. UMG could incur substantial costs to comply with new or modified laws and regulations or substantial penalties or other liabilities if it fails to comply. UMG could also be required by such laws to change or limit certain of its business practices, which could impact its ability to generate revenues.

Furthermore, laws in various jurisdictions differ from each other in significant respects, and the enforcement of such laws can be inconsistent and unpredictable. This could impact UMG's ability to operate its business in various jurisdictions and undertake activities that UMG believes is beneficial to its business. For example, the European Union (EU) adopted the Directive on Copyright in the Digital Single Market (the Copyright Directive) to modernize EU copyright rules. The Copyright Directive includes a number of relevant provisions, including Article 17, which clarifies the EU copyright safe harbor requiring Online Content Sharing Service Providers (OCSSPs or online platforms that host user-generated content) to employ "effective and proportionate" measures to prevent unauthorized use of copyrighted materials. The EU's Member States must implement the Copyright Directive via enactment of domestic legislation. While some Member States (such as France, the Netherlands, Hungary, Denmark and Malta) are implementing the Copyright Directive's Article 17 faithfully to the legislative intent, other Member States are considering (and, in the case of Germany, have implemented) legislation that differs significantly from the Copyright Directive in letter and spirit – and which would not only undo the benefit of Article 17 but also potentially disrupt existing licensing models.

Any of the foregoing may adversely impact UMG's business, prospects, financial condition and results of operations.

1.3.3 UMG is and could become involved in a number of lawsuits, which could negatively affect UMG's results of operations, financial condition and reputation.

UMG is and could become involved in a number of lawsuits, disputes or investigations initiated by consumers, business partners, competitors, artists, governmental entities, tax authorities and third parties. Such lawsuits, disputes or investigations may relate to, *inter alia*, copyright infringement, contractual disputes, employment disputes, antitrust and tax disputes. For example, on February 5, 2019, a purported class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who had requested the termination of certain alleged grants of US copyrights to UMG pursuant to Section 203 of the US Copyright Act. See Section 11.14 (*Litigation*).

In some of these cases, if UMG fails to negotiate amicable settlement, it may be ordered to pay damages or financial penalties. UMG recognizes a provision each time a risk is identified, is likely to materialize and is either quantifiable or can be estimated with reasonable accuracy. In addition to the legal proceedings which UMG is currently involved in, it could become involved in litigation in the future that could have an adverse impact on UMG's business, prospects, financial condition and results of operations.

1.3.4 Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

Given the footprint of the Group's operations globally, the Group is subject to complex tax laws and regulations in the various countries where it operates. It is subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of its operations and its corporate structure. Adverse developments in applicable tax laws or regulations, or any change in the position by the relevant authorities regarding the application, administration or interpretation of any applicable tax laws or regulations, could subject the Group to additional or increased tax payments, and in turn have a material adverse effect on the Group's business, financial condition and results of operations. In this regard, the fast-paced development of the global digital economy has led, and may lead, to public authorities adapting, or considering to adapt, tax regimes applicable to the Group, which could further subject the Group to changes in tax legislation in the countries where it operates. Given the international nature of the Group's operations, the Group is particularly impacted by changes to regulations relating to transfer pricing and withholding tax on the repatriation of funds.

In addition, the Group often relies on generally available interpretations of applicable tax laws and regulations including interpretations made by the relevant tax authorities and courts of law. There cannot be certainty that the relevant tax authorities or courts agree with the Group's interpretation of these laws or, as the case may be, that such tax authorities or courts do not depart from the generally available interpretations of applicable tax laws and regulations on which the Group often relies. If the Group's tax positions are challenged by relevant tax authorities, the potential imposition of additional or increased taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could in turn increase the Group's costs of operations or the Group's effective tax rate and have a negative effect on the Group's business, financial condition and results of operations.

1.3.5 The Group may be subject to scrutiny under antitrust and competition laws

UMG may be subject to scrutiny in the countries and regions where it operates by various government and regulatory agencies such as the Antitrust Division of the DOJ, the European Commission, under US and EU law and regulation, and other foreign laws and regulations, including antitrust and competition laws. These and other government agencies, entities and individuals have jurisdiction to consider whether UMG's business practices violate applicable antitrust or competition laws of the countries and regions in which UMG operates. UMG's licensing agreements, including with streaming services, satellite radio, and web-based services may be subject to regulatory scrutiny and might be the subject of regulatory action or antitrust litigation.

In this regard, in August 2019, UMG received a notice of investigation from State Administration for Market Regulation (***SAMR***), the enforcement arm of the Chinese Government in charge of investigating market competition, monopolies and intellectual property, stating that it was opening an anti-monopoly investigation into music licensing in the territory. An adverse finding against UMG could result in financial penalties as well as other measures, which may materially and adversely affect UMG's business, financial condition, results of operations and prospects in China.

Any such actions, claims or investigations, even if without foundation, may be very expensive to defend or respond to, involve negative publicity and substantial diversion of management time and effort, and could result in reputational harm, significant judgments against the Group, or require the Group to change its business practices, which may materially and adversely affect its business, financial condition, results of operations and prospects.

1.3.6 Export and import control laws and regulations, tariffs and trade barriers could have an adverse effect on UMG's business.

UMG has offices in more than 60 territories around the world and exports music and merchandise from country to country. UMG's exports not only include physical exports, such as vinyl, CDs and merchandise, including apparel, but also digital trade and is subject to a variety of export control and import laws and regulations and trade and tariff regulations. Compliance with export control and import laws and regulations may create delays in the introduction of UMG's music and merchandise in international markets, resulting in a loss of opportunities and increase costs due to import and export duties and tariffs.

Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws, sanctions and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations, could also result in decreased ability to export UMG's music and merchandise to consumers. Any limitation on UMG's ability to export its music or merchandise could materially adversely affect its business, prospects, financial position and results of operations.

1.3.7 Exposure to United Kingdom political developments, including the effect of its withdrawal from the European Union, could be costly and difficult to comply with and could seriously harm UMG's business.

UMG has operations in the United Kingdom involved in identifying, signing and retaining recording artists. The United Kingdom's withdrawal from the European Union has created significant uncertainty about the long-term future relationship between the United Kingdom and the European Union. It has also had, and may in the future have, a material adverse effect on global economic conditions and the stability of global financial markets and could reduce global market liquidity and restrict the ability of market participants to operate in financial markets in the United Kingdom or Europe. Lack of clarity about the future relationship between the United Kingdom and the European Union, and the laws and regulations that may apply, including with respect to aspects of laws and regulations which were not covered by the EU-UK Trade and Cooperation Agreement, could adversely affect UMG's business, prospects, financial condition and results of operations.

1.4 Risks related to the Distribution and Admission

1.4.1 The combined post- Distribution value of UMG and Vivendi Shares may not equal or exceed the aggregate pre- Distribution value of Vivendi Shares.

After the Distribution, Vivendi Shares will continue to be traded on Euronext Paris. The Shares will be traded under the symbol "UMG" on Euronext Amsterdam. The Company has no current plans to apply for listing on any additional stock exchanges. As a result of the Distribution, Vivendi expects the trading prices of Vivendi Shares at market open on September 21, 2021 to be lower than the trading prices at market close on September 20, 2021, because the trading prices will no longer reflect the value of the UMG Shares which will commence trading on Euronext Amsterdam as of such date on an if-and-when-delivered basis. There can be no assurance that the aggregate market value of the Vivendi Shares and the Shares following the Distribution will be higher than, equal to, or lower than the market value of Vivendi Shares if the Distribution did not occur. This means, for example, that the combined trading prices of one Vivendi Share and one Share after Euronext Paris opens on the First Trading Date may be higher than, equal to, or less than the trading price of one Vivendi Share up to September 20, 2021. In addition, following the close of business on September 21, 2021, but before the commencement of trading on September 22, 2021, Vivendi Shares will reflect an ownership interest solely in Vivendi and will not include the right to receive any Shares in the Distribution, but may not yet accurately reflect the value of such Vivendi Shares excluding the Shares.

1.4.2 UMG may not achieve some or all of the expected benefits of the Admission, and the Admission and Distribution may adversely affect its business.

UMG may not be able to achieve the full strategic and financial benefits expected to result from the Admission, or such benefits may be delayed or not occur at all. The Admission is expected to provide the following benefits, among others:

- enhanced strategic and management focus;

- distinct investment identity;
- more efficient allocation of capital; and
- direct access to capital markets; and alignment of incentives with performance objectives.

The Company may not achieve these and other anticipated benefits for a variety of reasons, including, among others:

- the execution of the Admission and Distribution may distract from other strategic initiatives;
- following the Admission and Distribution, UMG may be more susceptible to market fluctuations and other adverse events than if it had remained a part of the Vivendi Group;
- the costs associated with being an independent publicly listed company; and
- the other actions required to separate UMG's from the Vivendi Group could disrupt operations.

Additionally, as a separate public company, UMG will be a smaller and less diversified group than the Vivendi Group, and there is a possibility it may not have access to financial and other resources comparable to those available to the Vivendi Group prior to the Distribution. UMG cannot predict the effect that the Admission and Distribution will have on its relationship with partners, employees or other stakeholders, including its relationship with recording artists and songwriters. Furthermore, as a less diversified group, UMG may be more likely to be negatively impacted by changes in global market conditions, regulatory reforms, and other industry factors, which could have a material adverse effect on its business, prospects, financial condition, and results of operations. If UMG is unable to achieve some or all of the benefits expected to result from the Admission and Distribution, or if such benefits are delayed, its business, prospects, financial condition and results of operations could be adversely affected.

1.4.3 UMG's accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which the Company will be subject following the Admission and Distribution.

UMG's financial results were previously included within the consolidated results of Vivendi, and UMG's reporting and control systems were appropriate for those of a subsidiary of a public company. Additionally, as a Dutch company with ordinary shares listed on Euronext Amsterdam, the Company will be required to comply with the reporting requirements of Directive 2004/109/EC (as amended by Directive 2013/50/EU) as transposed into Dutch law, including the preparation of annual and half yearly financial statements in accordance with IFRS. The Company will also be subject to the ongoing disclosure requirements of Regulation (EU) No 596/2014 of the European Parliament and the Council (the ***Market Abuse Regulation***). These and other obligations will place significant demands on UMG's management, administrative and operational resources, including accounting and information technology resources, which it had previously not been required to meet independently.

To comply with these requirements, UMG is, and may be, required to upgrade its systems, including computer hardware infrastructure, implement additional financial and management controls, reporting systems and procedures and hire additional accounting, finance and information technology staff. To the extent that the upgrades made by UMG to its financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion are not successful, UMG's ability to comply with its financial reporting requirements and other rules that apply to reporting companies could be impaired. In addition to the potential reputation damage, any failure to achieve and maintain effective internal controls could have a material adverse effect on UMG's business, prospects, financial condition and results of operations.

1.4.4 The transitional services Vivendi has agreed to provide UMG may not be sufficient for its needs. In addition, UMG may fail to have necessary systems and services in place when certain of the Transition and Services Agreement expires.

In connection with the Admission and Distribution, UMG intends to enter into a transition and services agreement (the ***Transition and Services Agreement***) with Vivendi. See Section 13.3 (*Major Shareholders*) and Section 12.14 (*Related Party Transactions and Agreements*). The Transition and Services Agreement will provide for the performance of key business services by the Vivendi Group for UMG's benefit for a period of time after the completion of the Admission and Distribution, including in relation to treasury related services and applications. These services may not be sufficient to meet UMG's needs and the terms of such services may not be equal to or better than the terms UMG may have received from unaffiliated third parties, including its ability to obtain redress.

UMG will rely on the Vivendi Group to satisfy its obligations under the Transition and Services Agreement. If the Vivendi Group is unable to satisfy its obligations under the Transition and Services Agreement, UMG could incur operational difficulties or losses. If UMG does not have in place its own systems and services, or if UMG does not have agreements with other providers of these services once the Transition and Services Agreement expires, it may not be able to operate its business effectively and this may have an adverse effect on its business, financial condition, and results of operations. In addition, after the Transition and Services Agreement expires, UMG may not be able to obtain these services at as favorable prices or on as favorable terms as they were obtained under the Transition and Services Agreement.

1.5 Risks Related to the Shares

1.5.1 The Existing Shareholders will continue to hold a significant minority stake in the Company and may have conflicts of interest with other Shareholders.

Upon the implementation of the Distribution, Vivendi will own Shares representing c.10% of the Company's issued and outstanding Shares, Concerto will own Shares representing 10% of the Company's issued and outstanding Shares, Scherzo will own Shares representing 10% the Company's issued and outstanding Shares, the Pershing Entities will own Shares, representing 10% of the Company's issued and outstanding Shares and it is expected that the Bolloré Entities will own Shares representing 18% of the Company's issued and outstanding Shares.

In addition, the Bolloré Entities and the Restructuring Shareholders have entered into an agreement in respect of inter alia the appointment of Non-Executive Directors and the Dividend Policy of the Company, dated September 8, 2021 (the ***Relationship Agreement***), which the Company signed for acknowledgement and agreement with certain provisions. Under the Relationship Agreement, the Tencent-led Consortium has the right to maintain up to two Non-Executive Directors on the Board until the annual General Meeting to be held in 2024, subject to it holding a certain minimum interest.

Furthermore, the Bolloré Entities and the Restructuring Shareholders have agreed upon the dividend policy as set out in Section 5 (*Dividend Policy*) (the ***Dividend Policy***) and to comply with the Dividend Policy as further set out in the Relationship Agreement.

For the purposes of forming and exercising, to the extent possible, a common view and vote on the items on the agenda of any General Meeting in connection with the subjects included in and obligations of the Parties under the Relationship Agreement in relation to the Dividend Policy and maintaining two Non-Executive Directors designated by the Tencent-led Consortium, the Bolloré Entities and the Restructuring Shareholders will, as from the Admission, consult with each other prior to each General Meeting.

For more information see Section 12.11 (Relationship Agreement).

In light of the above, the Existing Shareholders may, individually or collectively, exert a substantial influence on actions requiring a Shareholder vote, potentially in a manner that is not supported by other Shareholders. If one or more Existing Shareholders purchases any additional Shares in the public market or in privately negotiated transactions following the closing of the Distribution, their shareholding and influence on the Company's affairs would increase.

Specifically, the significant ownership of the Existing Shareholders may, individually or collectively: (i) delay or deter a change of control of the Company (including deterring a third party from making a takeover offer for the Company); (ii) deprive Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company; or (iii) affect the liquidity of the Shares, each of which could have a material adverse effect on the trading volume and market price of the Shares. This could be the case if investors determine that the stock is not as attractive due to high concentration of ownership and degree of influence by the Existing Shareholders, as a result of which demand for the Shares may be reduced.

1.5.2 An active trading market on Euronext Amsterdam may not develop.

Until trading on Euronext Amsterdam commences on an "as-if-and-when-delivered" basis, which is expected on September 21, 2021, but is subject to acceleration, extension and Settlement taking place, there is no public trading market for the Shares. UMG can give no assurance that an active trading market for the Shares will develop after the Distribution or, if it does develop, that it will be sustained or liquid, in particular given that the free float will be approximately 42% of the issued ordinary share capital of the Company following the implementation of the Distribution. If such a market fails to develop or is not sustained, the liquidity and trading price of the Shares could be adversely affected, as well as increase their price volatility. Even if such market develops or is sustained, the market price for the Shares may fall below the Reference Price, perhaps substantially. As a result of fluctuations in the market price of the Shares, investors may not be able to sell their Shares at or above the Reference Price, or at all.

1.5.3 The Company may issue additional Shares or other equity securities without Shareholder approval, which would dilute Shareholder ownership interests and may depress the market price of the Shares.

After Admission, 1,813,241,160 Shares will be issued and outstanding. Subject to Dutch law the Articles of Association will authorize the Company to issue Shares and rights relating to the Shares for such consideration and on such terms and conditions as established by the Board in its sole discretion, whether in connection with future acquisitions or otherwise. Shareholders would receive advance notice of any issuance of additional Shares or other equity through regulatory filings. Any Shares issued, could dilute the percentage ownership held by the Shareholders.

The Company's issuance of additional Shares or other equity securities of equal or senior rank would have the following effects:

- the Company's existing Shareholders' proportionate ownership interest in the Company will decrease;
- the amount of cash available per Share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding Share may be diminished; and
- the market price of Shares may decline.

1.5.4 Future offerings of debt or equity securities by the Company may adversely affect the market price of the Shares.

In the future, the Company may attempt to obtain financing or to further increase its capital resources by issuing additional Shares or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or preferred shares. Future acquisitions could require substantial additional capital in excess of cash from operations. The Company may obtain the capital required for acquisitions through a combination of additional issuances of equity, corporate indebtedness and/or cash from operations.

Issuing additional Shares or other equity securities or securities convertible into equity may dilute the economic and voting rights of existing Shareholders or reduce the market price of the Shares or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of the Company's available assets prior to the holders of the Shares. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit the Company's ability to pay dividends to the holders of the Shares. The Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond the Company's control, which may adversely affect the amount, timing and nature of the Company's future offerings.

1.5.5 Risks relating to future sales or transfers of the Company's shares by shareholders.

Following completion of the Distribution, the Restructuring Shareholders and the Pershing Entities will beneficially own approximately 40% of the issued ordinary share capital of the Company in aggregate. Additionally, it is expected that the Bolloré Entities will beneficially own 18% of the issued and outstanding share capital of the Company after the Distribution. The Existing Shareholders will not be subject to lock-up arrangements post the Distribution.

The issue or sale of a substantial number of Shares by the Group, the Existing Shareholders or the Directors in the public market, or the perception that these sales may occur, may depress the market price of the Shares. Furthermore, a sale of Shares by any Director could be perceived as a lack of confidence in the performance and prospects of the Group and could cause the market price of the Shares to decline. In addition, any such sales could impair the Group's ability to raise capital through the issuance of equity securities in the future.

1.5.6 Shareholders in the US and other jurisdictions outside of the Netherlands may not be able to participate in future equity offerings.

The securities laws of certain jurisdictions outside the EU may, however, restrict UMG's ability to allow participation by Shareholders in future offerings. In particular, Shareholder residents in the US may not be entitled to exercise their rights with respect to future equity offerings of the Company, unless either the Shares and any other securities that are offered and sold are registered under the US Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. UMG cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable Shareholder residents in the US or other non-EU Shareholders to exercise their pre-emption rights or, if available, that UMG will utilise any such exemption.

1.5.7 Overseas shareholders may be subject to exchange rate risk.

The Shares are priced in euros and will be quoted and traded in the euro currency. In addition, any dividends the Group may pay will be declared and paid in euro denominations. Accordingly, investor residents outside the Eurozone are subject to risks arising from adverse movements in the value of the respective investor's reference currency against the euro, as well as additional transaction costs in converting the euro into the respective investor's reference currency, which may materially reduce the value of the Shares, as well as that of any dividends paid. Investors whose reference currency is a currency other than the euro are therefore urged to consult their financial advisers.

1.5.8 The market price of the Shares may be volatile, which could cause the value of the Shares to decline.

Even if a trading market develops, the market price of the Shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in the Shares may fluctuate and cause significant price variations to occur. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market and political conditions (including as a result of the COVID-19 pandemic), could reduce the market price of the Shares in spite of its operating performance. If UMG is unable to operate as profitably as investors expect, the market price of Shares will likely decline when it becomes apparent that the market expectations may not be realized. In addition, UMG's results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in UMG's quarterly or annual results of operations; operating results of other companies in the same industry; additions or further departures of key management personnel; changes in UMG's earnings estimates (if provided) or failure to meet analysts' earnings estimates; publication of research reports about UMG's industry; litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting UMG's business; adverse market reaction to any indebtedness UMG may incur or securities it may issue in the future; changes in market valuations of similar companies or speculation in the press or the investment community with respect to UMG or its industry; investors shorting UMG shares; negative media coverage; adverse announcements by UMG or others and developments affecting UMG, announcements by UMG's competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments; actions by institutional shareholders; the possible effects of war, terrorism and other hostilities; adverse weather conditions; changes in general conditions in the economy or the financial markets or other developments affecting the music industry; and increases in market interest rates that may lead investors in the Shares to demand a higher yield, and in response the market price of the Shares could decrease significantly.

These broad market and industry factors may decrease the market price of the Shares, regardless of UMG's actual operating performance. The stock market in general has, from time to time, experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class-action litigation has often been instituted against such companies. Such litigation, if instituted against UMG, could result in substantial costs, a material negative impact on UMG's liquidity, negative impact on UMG's reputation and a diversion of UMG's management's attention and resources.

1.5.9 No assurance can be given that the Company will pay or declare dividends.

There can be no assurance that the Company will pay or declare dividends in the future in accordance with its dividend policy. The determination of the Board as to whether to resolve upon a dividend will depend upon many factors, including UMG's future revenue, financial conditions, general economic and business conditions, earnings, corporate strategy, the capital required by the Company's operating subsidiaries to conduct their business, legal requirements to which the Company is subject, and prospectus and such other factors deemed relevant by the Board.

On July 28, 2021, the Board resolved to make a distribution for an amount in cash of €362,648,232 to all Shareholders by way of an interim dividend distribution at the charge of the Company's current profits in the current financial year that started on January 1, 2021, provided that in the event that after adoption of the annual accounts for the financial year of the Company that started on January 1, 2021, the Company's profits shall appear to be less than the amount of such interim dividend distribution, the balance shall be deemed to have been a distribution from the Company's freely distributable reserves. With regard to such distribution: (i) the ex-dividend date will be October 25, 2021; (ii) the record date will be October 26, 2021; and (iii) the payment date will be October 28, 2021. However, there can be no assurances that the Group's performance will allow for such interim dividend or facilitate adherence to the dividend policy or any increase in the pay-out ratio and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this section of the Prospectus were to occur. In addition, subject to Dutch law and the Articles of Association, the Board may resolve to make an interim distribution of profits, provided that it appears from an interim statement of financial position signed by the Board that the Company's equity does not fall below the sum of called-up and paid-in share capital and any statutory reserves.

1.5.10 As UMG is organized under the laws of the Netherlands as a public company, the ability of its Shareholders in certain countries other than the Netherlands, in particular in the US, to bring an action against UMG may be limited under law.

It may be difficult or impossible for investors to effect service of process within the US upon such persons or UMG or to enforce against them in US courts a judgment obtained in such courts.

In addition, there is doubt as to the enforceability, in the Netherlands, of original actions or actions for enforcement based on the federal or state securities laws of the US or judgments of US courts, including judgments based on the civil liability provisions of the US federal or state securities laws. The US and the Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. A judgment rendered by a court in the US will not be recognized and enforced by the Dutch courts; however, if a person has obtained a final judgment without appeal in such a matter rendered by a court in the US that is enforceable in the US and such person files his or her claim with the competent Dutch court, the Dutch court will recognize and give effect to such foreign judgment insofar as it finds that (i) the jurisdiction of the US court has been based on grounds which are internationally acceptable, (ii) proper legal procedures have been observed, (iii) the judgment does not contravene Dutch public policy and (iv) the judgment is not irreconcilable with a judgment of a Dutch court or an earlier judgment of a foreign court that is capable of being recognized in the Netherlands.

1.5.11 If securities or industry analysts do not publish research or reports about UMG's business or industry, or if such analysts (if any) change their recommendations regarding the Shares adversely, the market price and trading volumes of the Shares could decline.

The trading market for the Shares may be influenced by the research and reports that securities or industry analysts publish about UMG's business or industry. If securities or industry analysts do not publish or cease to publish research or reports about UMG's business or industry, UMG could lose visibility in the financial markets, which could cause the market price or trading volume of the Shares to decline. Also, if one or more of the analysts covering UMG's business or industry recommends selling Shares, or if negative research is published on the industry or geographic markets UMG serves, the market price of the Shares could decline.

2. IMPORTANT INFORMATION

2.1 General

Prospective investors are expressly advised that an investment in the Shares entails certain risks and that they should therefore read and carefully review the content of this Prospectus, including all information incorporated by reference in this Prospectus. A prospective investor should not invest in the Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Shares will perform under changing conditions, the resulting effects on the value of the Shares and the impact this investment will have on its overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Shares.

The validity of this Prospectus shall expire on the Settlement Date or 12 months after its approval by the AFM on September 14, 2021, whichever occurs earlier. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply upon the expiry of the validity period of this Prospectus.

This Prospectus has been approved by the AFM as competent authority under the Prospectus Regulation. The AFM has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. This Prospectus should not be considered as a recommendation by the Company or Vivendi, or any of their respective affiliates or representatives that any recipient of this Prospectus should invest in the Shares. Prior to making any decision whether to purchase Shares, prospective investors should read the whole of this Prospectus and, in particular, Section 1 (*Risk Factors*), and not just rely on key information or information summarized within it. Each prospective investor should consult his own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Shares, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to purchase the Shares. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore prospective investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus.

In making an investment decision, prospective investors must rely on their own assessment of the Company, the Shares and the terms of the Distribution and Admission, the information contained in, or incorporated by reference into, terms of this Prospectus and any supplement to this Prospectus, should such supplement be published, within the meaning of Article 23 of the Prospectus Regulation, including the merits and risks involved, and the risk factors described in this Prospectus. For the avoidance of doubt, prospective investors may not rely on any other registration statements, prospectuses or other offer documents published by shareholders of the Company when assessing the Company, the Shares and the terms of the Distribution and Admission. Any acquisition of the Shares should be based on the assessments that the investor in question may deem necessary, including the legal basis and consequences of the Distribution and Admission, and including possible tax consequences that may apply, before deciding whether or not to invest in the Shares.

No person has been authorized to give any information or to make any representations in connection with the Distribution and Admission, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company, the Lead Equity Capital Markets Advisors, Vivendi, the Listing and Paying Agent or any of their respective affiliates or representatives.

Each of the Lead Equity Capital Markets Advisors and the Listing and Paying Agent is acting exclusively for the Company and no one else in connection with the Admission. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Admission and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Admission or any transaction or arrangement referred to herein.

Certain of the Lead Equity Capital Markets Advisors and/or their affiliates are, or have been, engaged and may in the future engage in commercial banking, investment banking and financial advisory (including in the context of the Admission and Distribution) and ancillary activities in the ordinary course of their business with the Group and/or Vivendi, other Existing Shareholders or any parties related to or competing with any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. In particular, some of the Lead Equity Capital Markets Advisors and/or their affiliates have taken an active part or takes an active part to Vivendi and UMG's financing (see for example a description of the syndicated bank credit facility mentioned in Section 16.5.3 (*Facilities Agreement*)) and are long-standing partners to Vivendi. Additionally, the Lead Equity Capital Markets Advisors may, in the ordinary course of their business, and in the future, effect transactions for their own account or the account of customers, and make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments on behalf of themselves or their customers. Such investments and securities activities may involve long or short positions in the Company's and/or Vivendi's securities. As a result of acting in the capacities described above, the Lead Equity Capital Markets Advisors and their affiliates may have interests that may not be aligned, or could potentially conflict, with the interests of investors in the Shares or with the interests of the Company or the Group.

Each person receiving this Prospectus acknowledges that: (i) such person has not relied on the Lead Equity Capital Markets Advisors or any person affiliated with the Lead Equity Capital Markets Advisors in connection with any investigation of the accuracy of any information contained in this Prospectus; and (ii) it has relied only on the information in this Prospectus, and no person has been authorized to give any information or to make any representation concerning the Company or the Shares (other than as contained herein and information given by the Company's duly authorized officers and employees in connection with investors' examination of the Company and the terms of the Distribution and the Admission) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company.

2.2 Supplements

The information in this Prospectus is current as of the date printed on the front of the cover, unless expressly stated otherwise. Without prejudice to the Company's obligation to publish supplements to this Prospectus when legally required, the delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the Group's business or affairs since the date hereof or that the information contained in this Prospectus is correct as of any time since its date. If a significant new factor or a material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Shares arises or is noted between the date of this Prospectus and Settlement, a supplement to this Prospectus will be published. The obligation to supplement this Prospectus shall cease to apply upon the earlier of: (i) the First Trading Date; or (ii) the expiry of the validity period of this Prospectus. Any supplement to this Prospectus will be subject to approval by the AFM and will be made public in accordance with the relevant rules under the Prospectus Regulation. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any supplement shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

2.3 Responsibility Statement

The Company accepts responsibility for the information contained in this Prospectus. The Company declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import.

None of the Lead Equity Capital Markets Advisors nor the Listing and Paying Agent nor any of their respective affiliates or respective directors, officers or employees or any other person makes any representation or warranty, express or implied, as to, or assumes any responsibility for, the accuracy or completeness or fairness of the information in this Prospectus or incorporated by reference herein, and nothing in this Prospectus or incorporated herein by reference is, or shall be relied upon as, a promise or representation by the Lead Equity Capital Markets Advisors, the Listing and Paying Agent or any of their respective affiliates or respective directors, officers or employees or any other person, whether as to the past or the future.

None of the Lead Equity Capital Markets Advisors nor the Listing and Paying Agent accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with UMG, the Distribution, or the Shares. Accordingly, each of the Lead Equity Capital Markets Advisors and the Listing and Paying Agent disclaims, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

2.4 Notice to Prospective Investors

2.4.1 No offering is being made to any person in any jurisdiction.

This Prospectus may not be used for, or in connection with, and does not constitute, or form part of, an offer by, or invitation by or on behalf of, the Company, Vivendi, any of the Lead Capital Markets Equity Advisors or any representative of the Company or Vivendi or a Lead Capital Markets Advisor, to purchase any securities or an offer to sell or issue, or the solicitation to buy securities by any person in any jurisdiction. The distribution of this Prospectus may be restricted by law in certain jurisdictions. Neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

2.4.2 Notice to Prospective Investors in the United States

This Prospectus does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States. The Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The Shares have not been approved or disapproved by the US Securities and Exchange Commission (the ***SEC***), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

2.5 Presentation of Financial Information

2.5.1 Financial information

This Prospectus includes the audited Combined Financial Statements and unaudited Interim Financial Statements.

With regard to the financial information as at and for the financial years ended December 31, 2018, 2019 and 2020 presented in the Prospectus, references to Universal Music Group, UMG or the Group refer to UMGI and UIM, collectively, and each of their respective subsidiaries, unless otherwise indicated.

The Company was incorporated on December 4, 2020 for the purpose of the Restructure and, prior to the Restructure, conducted no operations other than activities preparatory to the Restructure. Accordingly, there is no historical financial information for the Company for the financial years ended December 31, 2018, 2019 and 2020. Because the Company is a holding company and UMGI and UIM conducted, and continues to conduct, all business operations presented in this Prospectus over and during the financial years ended December 31, 2018, 2019 and 2020, the Company is of the view that, in accordance with Article 6(1) of the Prospectus Regulation, the combined Financial Statements of Universal Music Group as of and for the financial years ended December 31, 2018, 2019 and 2020 provide the information required to be presented with regard to the Company's financial years ended December 31, 2018, 2019 and 2020 so that prospective investors may make an informed investment decision to purchase Shares. The Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (***IFRS***). The Combined Financial Statements have been audited by Ernst & Young et Autres (***EY***) and Deloitte & Associés (***Deloitte*** and, together with EY, the ***Joint Auditors***), independent auditors of Universal Music Group. The Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting and reviewed by the Joint Auditors.

The Joint Auditors' report on the Combined Financial Statements includes the following emphasis of matter paragraph:

> *Emphasis of matter*
>
> *We draw attention to the Note* "*Basis of preparation of the Combined Financial Statements*"*, in Section* "*Accounting conventions used when preparing the Combined Financial Statements*"*. Our opinion is not modified in respect of this matter*.

The aforementioned note is set out in full at page F-59 of this Prospectus. This 'Emphasis of matter" has been noted by the Joint Auditors in view of the fact that combined financial statements are less common than consolidated financial statements and, taking into account that they comprise accounts of two different companies (as opposed to an aggregate consolidated position of a parent company and its subsidiaries as is the case for consolidated accounts) are more complex than consolidated financial statements. Therefore, the Joint Auditors deemed it necessary and helpful to include an emphasis of matter paragraph in their Report on the Combined Financial Statements to draw readers' attention to the basis of preparation of these accounts, which basis is described in the relevant notes to the Combined Financials Statements.

The aforementioned Combined Financial Statements of Universal Music Group, the Interim Financial Statements and the related auditors' report are included in this Prospectus beginning on page F-1.

Financial information presented in parentheses in the tables in this Prospectus denotes the negative of such number presented. In respect of financial data set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

2.5.2 Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognized under IFRS, including EBIT, EBITA, EBITA margin, EBITDA, EBITDA margin and Net Working Capital.

Definitions of these financial measures, along with reconciliations of the measures, as applicable, to the Group's historical financial information appears in Section 7 (*Selected Financial Information*).

These financial measures are the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Group believes that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for profit or loss or any other measure as an indicator of the Group's performance, or as an alternative to cash generated from operating activities as a measure of liquidity. Further explanation of the relevance of each of the non-IFRS measures, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in Section 7 (*Selected Financial Information*). The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The non-IFRS measures have not been audited or reviewed.

2.5.3 Currency Presentation

Unless otherwise indicated, all references in this Prospectus to "€", "euro" or "EUR" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended. All references to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. All references to "$", "US$", "USD" or "US dollars" are to the lawful currency of the United States.

2.5.4 Rounding

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages have been rounded and accordingly may not add up to 100%.

2.6 Market, Economic and Industry Data

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets. Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, using underlying data from independent third parties. The Company obtained market data used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications (in particular by reports and publications the International Federation of the Phonographic Industry (***IFPI***), Nielsen Corporation and Music & Copyright). Any such estimations and forecasts are subject to inherent risks and uncertainties. The availability of market information differs significantly between countries. In particular, actual results could be impacted by future events which cannot be predicted or controlled, including, without limitation, changes in business strategies, the development of future products and services, changes in market and industry conditions, the outcome of contingencies, changes in management, changes in law, regulations or individual countries' policies.

The Company confirms that all third-party data contained in this Prospectus which has been sourced from a third party, being those instances where the source has been stated, has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Certain other statistical or market-related data has been estimated by management based on reliable third-party sources, where possible, including those referred to above or based on data generated in-house by the Group. Although management believes its estimates regarding markets, market sizes, market shares, market positions and other industry data to be reasonable, these estimates have not been verified by any independent sources, and the Company cannot assure prospective investors as to the accuracy of these estimates or that a third party using different methods to assemble, analyze or compute market data would obtain the same results. Management's estimates are subject to risks and uncertainties and are subject to change based on various factors. The Company does not intend, and does not assume any obligation, to update the industry or market data set forth herein, other than as required by Article 23 of the Prospectus Regulation.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurance as to the accuracy or completeness of market data contained in this Prospectus that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus and estimates and assumptions based on that information are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 1 (*Risk Factors*) and elsewhere in this Prospectus.

2.7 Incorporated by Reference

The Articles of Association are incorporated in this Prospectus by reference and, as such, form part of this Prospectus.

The Articles of Association can be obtained in electronic form from the Company's website (https://universalmusic.com/Universal_Music_Group_N.V._-_Articles_of_Association). Prospective investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus.

No other documents or information, including the contents of the Company's website (www.universalmusic.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus. Other than the information incorporated by reference into this Prospectus, the contents of the Company's website (www.universalmusic.com) or of websites accessible from hyperlinks on that website have not been scrutinized or approved by the AFM.

2.8 Definitions and Glossary

Certain terms used in this Prospectus, including all capitalized terms and certain technical and other items, are defined and explained in Section 17 (*Definitions and Glossary*).

2.9 Enforceability of Judgments

The ability of Shareholders in certain countries other than the Netherlands, in particular in the United States, to bring an action against the Company may be limited under applicable law. Prior to the Distribution, Company will be converted to a public company under the laws of the Netherlands and will have its registered office in Hilversum, the Netherlands.

The majority of the Directors are resident of countries other than the United States. All or a substantial proportion of the assets of these individuals are located outside the United States. The Group's assets are located outside the United States. As a result, it may not be possible or it may be difficult for investors to effect service of process within the United States upon the Group or such persons, or to enforce against them in US courts a judgment obtained in such courts, including judgments predicated on the civil liability provisions of US federal securities laws or the securities laws of any state or territory within the United States.

The United States and the Netherlands currently do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. In addition, the countries of residence of the Directors and of the Company's employees may also not have a treaty providing for the reciprocal recognition and enforcement of judgments. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon US securities laws, would not be enforceable in the Netherlands. Accordingly, a final judgment for payment rendered by a court in the United States, whether or not predicated solely upon US securities laws, will not be recognized and enforced by the Dutch courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by a court in the United States which is enforceable in the United States and files his claim with the competent Dutch court, the Dutch court will generally give binding effect to such foreign judgment insofar as it finds that (i) the jurisdiction of the US court has been based on a ground of jurisdiction that is generally acceptable according to international standards, (ii) the judgment by the US court was rendered in legal proceedings that comply with the standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*) and (iii) the judgment by the US court is not incompatible with a decision rendered between the same parties by a Dutch court, or with a previous decision rendered between the same parties by a foreign court in a dispute that concerns the same subject and is based on the same cause, provided that the previous decision qualifies for acknowledgement in the Netherlands and except to the extent that the foreign judgment contravenes Dutch public policy (*openbare orde*). It is uncertain whether this practice extends to default judgments as well. Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a US court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of US courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

3. FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, under Section 8 (*Operating and Financial Review*) and Section 11 (*Business Description*). Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "aim," "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "would," "could," "should," "continue," or the negative thereof, other variations thereon or similar expressions. Other forward-looking statements can be identified by the context in which the statements are made.

Although management believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are based on management's current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results, performance, achievements or developments to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. Some of the factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those discussed in Section 1 (Risk Factors) and include, among others:

- general economic, political and market conditions, market risk and investor behavior;
- UMG's ability to operate in the highly competitive industry and markets in which it operates;
- the impact of complex regulatory regimes;
- UMG's ability to develop, manage and protect its IT and information systems, including outsourced IT systems;
- UMG's ability to adapt to new technology and services;
- the impact of regulation in the areas of privacy, information security and data protection and UMG's ability to prevent unauthorized disclosure of data;
- UMG's ability to maintain compliance with anti-corruption and anti-money laundering laws and regulations and economic sanctions programs;
- the effectiveness of UMG's risk management policies and procedures;
- the impact of the international expansion of UMG's operations;
- UMG's ability to attract, integrate, manage and retain qualified personnel or key employees;
- the impact of litigation, governmental or regulatory investigations and other claims;
- the adequacy of UMG's insurance coverage;
- UMG's ability to protect its intellectual property rights;
- the impact of labor disputes or work stoppages;
- the impact of changes in tax laws or challenges to UMG's tax position; and
- the global expansion and (continued) effects of the COVID-19 pandemic to and within a large number of countries.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. Investors are urged to read the Sections of this Prospectus entitled Section 1 (*Risk Factors*), Section 8 (*Operating and Financial Review*) and Section 11 (*Business Description*) for a more complete discussion of the factors that could affect the Company's future performance and the industry in which it operates.

Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus and are expressly qualified in their entirety by the cautionary statements included in this Prospectus. Without prejudice to its obligations under Dutch law in relation to disclosure and on-going information, the Company and Vivendi undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

4. REASONS FOR THE DISTRIBUTION AND USE OF PROCEEDS

4.1 Reasons for the Distribution

Prior to the date of the Prospectus, financial analysts highlighted that Vivendi's stock market price per share was approximately 10% to 30% lower than the sum of all of Vivendi's businesses divided by its number of shares. For a number of years, Vivendi's leading institutional shareholders have been seeking a spin-off from or a distribution of UMG by Vivendi to reduce such conglomerate discount and to allow for a valuation of UMG, and for UMG to further develop, on a stand-alone basis.

The 99.98% and 99.88% positive votes, respectively, at the March 29, 2021 Vivendi's extraordinary shareholders meeting approving an amendment to Vivendi's bylaws allowing a dividend to be paid in kind and June 22, 2021 Vivendi's annual general shareholder's meeting approving the Distribution confirmed the high interest from Vivendi Shareholders to have direct access to UMG's shares and reduce such conglomerate discount. Prior to considering a favorable response to this request, Vivendi's management board wished to obtain a fair value for UMG to better serve the interests of Vivendi Shareholders and therefore support the fulfilment of Vivendi's development plan to become a global leader in content, media and communications.

The transactions, closed in March 2020 and January 2021 respectively, which resulted in 20% of the share capital of the Company being acquired by the Tencent-led Consortium on the basis of an enterprise value of €30 billion for 100% of UMG led Vivendi's management board to conclude that the time was ripe for a distribution of up to 60% of the Company's share capital to the Vivendi Shareholders, which resulted in Vivendi's pursuance of the Distribution. Such distribution aims at emphasizing the valuation of, on the one hand, UMG on a stand-alone basis and, on the other hand, Vivendi's other subsidiaries and activities. That goal can only be fully achieved by admitting the Distribution Shares to trading on a regulated stock market as a result of the Distribution.

Whilst the Company will not receive any proceeds from the Admission, it believes that the Admission is well aligned to the Company's continued growth ambitions and will help to maximize shareholder value over time, including by addressing the aforementioned conglomerate discount highlighted by financial analysts in relation to Vivendi's stock market price per share. In addition, Vivendi and the Company believe that the Distribution and Admission is also a significant step for UMG and presents a new opportunity to UMG, which will allow it to broaden artist opportunities and enrich experiences for music fans, further promoting a thriving music and entertainment industry and further solidifying UMG's position as an industry leader. The Admission is expected to further increase the Company's profile with the music and entertainment industry, investors, business partners and customers, brand recognition and credibility. The Admission is also expected to provide additional financial flexibility and diversity to UMG through access to capital markets. For illustrative purposes, based on the recent acquisition of a 10% stake in the Company by the Pershing Entities, implemented over two tranches, the market capitalization of the Company would be approximately €33 billion on the First Trading Date.

4.2 Proceeds of the Distribution

No proceeds shall be raised pursuant to the Admission and the Distribution due to its character of a distribution to Vivendi Shareholders.

4.3 Use of Proceeds

No proceeds shall be raised pursuant to the Admission and the Distribution.

5. DIVIDEND POLICY

5.1 General

Pursuant to Dutch law and the Articles of Association, the distribution of profits will take place following the adoption of the Company's financial statements by the General Meeting, from which the Company will determine whether such distribution is permitted. Distribution of profits shall be made after the adoption of the financial statements from which it appears that the distribution is allowed. The Company may only make distributions to the extent the Company's equity exceeds the sum of the paid-up and called-up part of its issued capital and the reserves which must be maintained by law. Distributions shall be made pro rata to the respective shareholdings.

5.2 Entitlement to Dividends

All Shares, including the Distribution Shares, are equally entitled to dividends and other distributions, if and when declared.

5.3 Dividend Policy and History

The Company plans, as from the Admission, to annually declare and pay dividends to all holders of the Shares on a *pro rata* basis in two semi-annual instalments, in the aggregate amount of no less than 50% of the Company's net profits realized during the relevant financial year, subject to agreed non-cash items. The dividend payments by the Company shall equal in the aggregate an amount of no less than 50% of the amount calculated as follows:

(i) consolidated net profits of the most recent audited consolidated financial statements of the Company as of December 31st, prepared in accordance with IFRS and certified by a firm of independent public accountants of internationally recognized standing,

plus

(ii) (a) any loss arising on any change in fair value of any intangible assets, tangible assets or financial assets, (b) any amortization or impairment of intangible assets, (c) share based compensation expenses, (d) net losses related to non-consolidated companies consolidated under the equity method deducted, (e) net losses related to minority interest, (f) net provisions for inventories, (g) any unrealized loss related to derivative financial instruments; and

minus

(iii) (h) any gain arising on any change in fair value of any intangible assets, tangible assets or financial assets, (i) any unrealized gain related to derivative financial instruments, (j) income or reversal related to share based compensation, (k) net profits related to non-consolidated companies consolidated under the equity method and (l) net profits related to minority interest.

The Company intends to pay an interim dividend in the fourth quarter of each financial year, after the publication of the half-year figures of the Company, and a final dividend in the second quarter of the following financial year, to be paid following approval of the Company's financial statements at its annual General Meeting.

On July 28, 2021, the Board resolved to make a distribution for an amount in cash of €362,648,232 to all Shareholders by way of an interim dividend distribution at the charge of the Company's current profits in the current financial year that started on January 1, 2021, provided that in the event that after adoption of the annual accounts for the financial year of the Company that started on January 1, 2021, the Company's profits shall appear to be less than the amount of such interim dividend distribution, the balance shall be deemed to have been a distribution from the Company's freely distributable reserves. With regard to such distribution: (i) the ex-dividend date will be October 25, 2021; (ii) the record date will be October 26, 2021; and (iii) the payment date will be October 28, 2021.

There can be no assurances that in any given year a dividend will be paid. The determination of the Board as to whether to resolve upon a dividend will depend upon many factors, including UMG's future revenue, financial conditions, general economic and business conditions, earnings, corporate strategy, the capital required by the Company's operating subsidiaries to conduct their business, legal requirements to which the Company is subject, and prospects and such other factors deemed relevant by the Board. In addition, subject to Dutch law and the Articles of Association, the Board may resolve to make an interim distribution of profits, provided that it appears from an interim statement of financial position signed by the Board that the Company's equity does not fall below the sum of called-up and paid-in share capital and any statutory reserves. There can be no assurances that the Group's performance will facilitate adherence to the dividend policy or any increase in the pay-out ratio and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to occur (See Section 1 (*Risk Factors*) and Section 1 (*Risk Factors*), Section 1.5.9 (*No assurance can be given that the Company will pay or declare dividends*)). Furthermore, the Company's dividend policy is subject to change as the Board may revisit the Company's dividend policy from time to time.

The Company was incorporated on December 4, 2020 and paid dividends of €422 million on April 29, 2021, which is the only dividend which it has paid since its date of incorporation.

Each of UMGI, UIM and the Company paid dividends in each of the periods covered by the Combined Financial Statements and the Interim Financial Statements as follows:

	EUR (millions)			
	2021	**2020**	**2019**	**2018**
UMGI	-	-	758	735
UIM	-	283	244	246
UMG or the Company	422	-	-	

5.4 Dividend Ranking

All Shares, including the Distribution Shares, rank equally in all respects and will be eligible for any dividend distribution that may be declared on the Shares in the future.

5.5 Manner and Time of Dividend Payments

Payment of any dividend on the Shares in cash will be made in euro. Any dividends on the Shares that are paid to the Shareholders through Euroclear France, the French centralized securities custody and administration system, will be credited automatically to the Shareholders' accounts without the need for the Shareholder to present documentation proving ownership of the Shares. The Board may set a record date for dividend and other distributions. In relation to dividend distributions, there are no restrictions under Dutch law in respect of holders of Shares who are non-residents of the Netherlands. However, see Section 15 (*Taxation*) for a discussion of certain aspects of taxation of dividends paid on the Shares.

Payment of dividends on the Shares not held through Euroclear France will be made directly to the relevant shareholder using the information contained in the Company's shareholders' register and records.

The date on which dividends and other distributions shall be payable shall be announced in accordance with applicable law and published on the Company's website. Distributions shall be payable on the date determined by the Board.

5.6 Uncollected Dividends

Distributions which have not been claimed upon the expiry of five years and one day after the date when they became payable will be forfeited to the Company and will be carried to the reserves.

5.7 Taxation of Dividends

Dividends paid on the Shares may be subject to withholding tax in the Netherlands. See Section 15 (*Taxation*) for a discussion of certain aspects of taxation of dividends paid on the Shares.

6. CAPITALISATION AND INDEBTEDNESS

6.1 Capitalisation

The table below sets out the capitalization of the Group as at June 30, 2021.

Investors should read this table in conjunction with Section 7 (*Selected Financial Information*) and Section 8 (*Operating and Financial Review*).

	As at June 30, 2021
	Unaudited
	€ millions
Total current debt (including current portion of non-current debt)[(1)]	**2,917**
Guaranteed	2,914
Secured	-
Unguaranteed/unsecured	3
Total non-current debt (excluding current portion of non-current debt)[(2)]	**1**
Guaranteed	-
Secured	-
Unguaranteed/unsecured	1
Shareholder's equity[(3)]	**1,487**
Share capital	33,000
Legal reserve(s)	-
Other reserves	(31,513)
Total	**4,405**

Notes

(1) Guaranteed debt consists of Vivendi borrowings (€2,368 million) and credit lines drawn by UMGI (€546 million). For more information, see note 12 of the unaudited Interim Financial Statements.

(2) Unguaranteed/unsecured consists of bank overdrafts (€2 million) and other (€2 million). For more information, see note 12 of the unaudited Interim Financial Statements.

(3) For more information, see the Statement of Changes in Equity and Note 13 of the unaudited Interim Financial Statements.

There has been no material change in the Company's capitalization since June 30, 2021.

6.2 Indebtedness

The table below sets out the net indebtedness of the Company.

Investors should read this table in conjunction with Section 7 (*Selected Financial Information*) and Section 8 (*Operating and Financial Review*).

	As at June 30, 2021
	Unaudited
	€ millions
A. Cash	454
B. Cash equivalents	301
C. Other current financial assets	146
D. Liquidity (A + B + C)	**901**

	As at June 30, 2021
	Unaudited
	€ millions
E. Current Financial debt (including debt instruments, but excluding current portion of non-curr financial debt)	2,917
F. Current portion of non-current financial debt	-
G. Current financial indebtedness (E + F)	**2,917**
H. Net current financial indebtedness (G - D)	**2,016**
I. Non-current financial debt (excluding current portion and debt instruments)	1
J. Debt instruments	-
K. Non-current trade and other payables	-
L. Non-current financial indebtedness (I + J + K)	**1**
M. Total financial indebtedness (H + L)	**2,017**

Note: For all figures in the table above, please see note 12 of the unaudited Interim Financial Information for more information. As of June 30, 2021, the Company has no indirect indebtedness and no contingent indebtedness.

In the context of the planned Distribution and Admission, UMG entered into a Facilities Agreement concerning a five-year €3 billion syndicated bank credit facility, comprising: a revolving credit facility of €2 billion and a term loan of €1 billion. UMG's ability to draw on these bank credit facilities was conditional upon its strict ring fencing from Vivendi, in particular the termination of UMG's cash pooling agreement with Vivendi, UMGI's inability to draw on Vivendi's bilateral credit facilities, and the repayment of UIM's intra-group debt from Vivendi. On July 7, 2021, Vivendi and UMG completely separated their cash pooling and financing arrangements.

Since 2020, UMGI has been an additional borrower under five of Vivendi's eight bilateral credit facilities up to the aggregate limit of €750 million as of December 31, 2020, which was reduced to €450 million as of June 30, 2021. As of June 30, 2021, three of these credit facilities were drawn by UMG for €216 million.

In addition, UMGI had its own credit facilities maturing in 2021 for an aggregate amount of $570 million (or €470 million) as of June 30, 2021, including a committed credit facility of €247 million maturing in September 2021. As of June 30, 2021, UMGI had drawn on these credit facilities for an amount of €330 million, and on July 7, 2021, it repaid and cancelled them.

The Facilities Agreement provides for: (i) a syndicated revolving bank credit facility of €2 billion (drawings made in euros for the Company and in US dollars for UMGI) for a five-year period, with two one-year extension options, and (ii) a term loan of €1 billion maturing in October 2026. As mentioned above, the ability for the Company to draw on these bank credit facilities was conditional upon its strict ring fencing from Vivendi. On July 7, 2021, Vivendi and UMG completely separated their cash pooling and financing arrangements after the following transactions were implemented:

- the termination of Universal Music Group Treasury S.A.S.'s cash pooling agreement with Vivendi, with Vivendi returning the deposited amount of €146 million as of June 30, 2021;
- the repayment by UMGI of its drawings on Vivendi's bilateral bank credit facilities for €216 million as of June 30, 2021; and
- the repayment by UIM of its intra-group borrowing from Vivendi, for €2,368 million. Further details in relation to this amount are provided at Section 8.9.10 (*Facilities Agreement and repayment of Vivendi Loan Agreements*).

On July 7, 2021, to finance the repayment of UIM's intra-group borrowing from Vivendi, the Company drew on its term loan of €1 billion, as well as on the revolving credit facility for €1.24 billion. In addition, UMGI drew on the same credit facility for $500 million (or €416 million).

For more information on the Facilities Agreement, see section 16.5.3 (*Facilities Agreement*).

7. SELECTED FINANCIAL INFORMATION

Prospective investors should read this Section 7 (Selected Financial Information) in conjunction with Section 8 (Operating and Financial Review) and Section 18 (Historical Financial Information) and additional financial information contained elsewhere in this Prospectus. Prospective investors should read the entire Prospectus and not just rely on the information contained in this section.

The financial information set forth below is extracted or derived from, and should be read in conjunction with, the audited Combined Financial Statements and the unaudited Interim Financial Statements. The Combined Financial Statements have been prepared in accordance with IFRS as endorsed in the EU and the Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Combined Financial Statements have been audited by the Joint Auditors. The Interim Financial Statements have been reviewed by the Joint Auditors.

Where financial information in the following tables is labelled "audited", this means that it has been extracted from the Combined Financial Statements. The label "unaudited" is used in the following tables to indicate financial information that was taken from the above-mentioned Interim Financial Statements.

7.1 Summary combined / consolidated statements of profit or loss

	6 months ended June 30		Year ended December 31		
	2021	**2020**	**2020**	**2019**	**2018**
	Unaudited			*Audited*	
			(€ millions)		
Revenues	**3,831**	**3,459**	**7,432**	**7,159**	**6,023**
Cost of revenues	(2,047)	(1,820)	(3,917)	(3,818)	(3,110)
Selling, general and administrative expenses	(1,090)	(1,104)	(2,265)	(2,276)	(2,062)
Restructuring charges	(9)	(8)	(20)	(24)	(29)
Impairment losses on intangible assets acquired through business combinations	-	-	-	-	-
Income from equity affiliates - operational	(1)	(11)	(9)	(2)	(1)
Earnings before interest and income taxes (*EBIT*)	**684**	**516**	**1,221**	**1,039**	**821**
Interest	(9)	(6)	(15)	14	27
Income from investments	-	-	-	-	1
Other financial income	105	453	603	174	333
Other financial charges	(183)	(13)	(28)	(57)	(29)
	(87)	**434**	**560**	**131**	**332**
Earnings before provision for income taxes	**597**	**950**	**1,781**	**1,170**	**1,153**
Provision for income taxes	(144)	(214)	(412)	(195)	(251)
Earnings from continuing operations	**453**	**736**	**1,369**	**975**	**902**
Earnings from discontinued operations	-	-	-	-	-
Earnings	**453**	**736**	**1,369**	**975**	**902**
of which					
Earnings attributable to shareowners	**452**	**735**	**1,366**	**972**	**897**
Non-controlling interests	1	1	3	3	5

7.2 Summary combined / consolidated statements of financial position

	As at June 30		As at December 31		
	2021	**2020**	**2020**	**2019**	**2018**
	Unaudited		*Audited*		
			(€ millions)		
ASSETS					
Goodwill	1,386	1,466	1,369	1,488	1,378
Non-current content assets	3,523	2,451	3,512	2,269	1,808
Other intangible assets	-	1	1	1	1
Property, plant and equipment	247	268	254	267	262
Rights-of-use relating to leases	406	434	416	472	-
Investments in equity affiliates	95	76	72	88	97
Non-current financial assets	1,782	1,733	1,962	1,103	873
Deferred tax assets	369	420	414	367	330
Non-current assets	**7,808**	**6,849**	**8,000**	**6,055**	**4,749**
Current assets					
Inventories	85	81	79	90	84
Current tax receivables	3	2	1	-	-
Current content assets	729	575	677	591	601
Trade accounts receivable and other	1,112	949	1,088	1,058	997
Current financial assets	35	29	1	28	30
Shareowners loans	146	695	815	672	1,260
Cash and cash equivalents	755	417	326	336	276
Current assets	**2,865**	**2,748**	**2,987**	**2,775**	**3,248**
TOTAL ASSETS	**10,673**	**9,597**	**10,987**	**8,830**	**7,997**
EQUITY AND LIABILITIES					
Share Capital	18,132	-	-	-	-
Additional paid-in capital	14,868	-	-	-	-
Combined retained earnings	(31,513)	1,253	1,432	2,981	3.074
of which earnings attributable to Vivendi shareowners	452	735	1,366	972	897
Non-controlling interests	-	-	-	3	3
Total equity	**1,487**	**1,253**	**1,432**	**2,984**	**3,077**
Non-current provisions	342	371	335	437	370
Long-term borrowings and other financial liabilities	1	1	1	1	1
Shareowners borrowings	-	2,368	2,368	-	-
Deferred tax liabilities	774	797	828	659	608
Long-term lease liabilities	440	470	447	510	-
Other non-current liabilities	751	107	851	106	159
Non-current liabilities	**2,308**	**4,114**	**4,830**	**1,713**	**1,138**
Current provisions	98	99	137	63	79
Short-term borrowings and other financial liabilities	549	196	640	15	17
Short-term borrowings with Vivendi SE	2,368	-	-	-	-
Trade accounts payable and other	3,741	3,819	3,843	3,981	3,638
Short-term lease liabilities	78	85	78	86	-

	As at June 30		As at December 31		
	2021	2020	2020	2019	2018
	Unaudited			Audited	
			(€ millions)		
Current tax payables	44	31	27	(12)	48
Current liabilities	**6,878**	**4,230**	**4,725**	**4,133**	**3,782**
Total liabilities	**9,186**	**8,344**	**9,555**	**5,846**	**4,920**
TOTAL EQUITY AND LIABILITIES	**10,673**	**9,597**	**10,987**	**8,830**	**7,997**

7.3 Summary combined / consolidated statements of cash flows

	6 months ended June 30		Year ended December 31		
	2021	2020	2020	2019	2018
	Unaudited			Audited	
			(€ millions)		
Operating activities					
EBIT	684	516	1,221	1,039	821
Adjustments[1]	88	94	213	201	106
Content investments, net[2]	(173)	(352)	(1,517)	(465)	(161)
Gross cash provided by operating activities before income tax paid	**599**	**258**	**(83)**	**775**	**766**
Other changes in net working capital	(172)	(118)	287	82	179
Net cash provided by operating activities before income tax paid	**427**	**140**	**204**	**857**	**945**
Income tax (paid)/received, net	(118)	(64)	(207)	(172)	(198)
Net cash provided by operating activities	**309**	**76**	**(3)**	**685**	**747**
Investing activities					
Capital expenditures	(23)	(37)	(66)	(75)	(110)
Purchases of consolidated companies, after acquired cash	(2)	(1)	(4)	(50)	(12)
Investments in equity affiliates	(23)	(1)	(2)	-	-
Increase in financial assets	(47)	-	(3)	(13)	(12)
Investments	**(95)**	**(39)**	**(75)**	**(138)**	**(134)**
Proceeds from sales of property, plant, equipment and intangible assets	5	-	-	3	-
Proceeds from sales of consolidated companies, after divested cash	117	-	11	(2)	1
Disposal of equity affiliates	-	1	1	-	-
Decrease in financial assets	-	-	15	6	19
Divestitures	**122**	**1**	**27**	**7**	**20**
Dividends received from equity affiliates	1	-	2	2	2
Dividends received from unconsolidated companies	1	1	-	-	1
Net cash provided by/(used for) investing activities	**29**	**(37)**	**(46)**	**(129)**	**(111)**
Financing activities					
Distributions to shareowners	(422)	-	(283)	(1,002)	(981)
Other transactions with shareowners	-	(11)	(11)	-	(1,414)

	6 months ended June 30		Year ended December 31		
	2021	2020	2020	2019	2018
	Unaudited		*Audited*		
			(€ millions)		
Dividends paid by consolidated companies to their non-controlling interests	(1)	(3)	(5)	(5)	(5)
Transactions with shareowners	**(423)**	**(14)**	**(299)**	**(1,007)**	**(2,400)**
Principal payment on short-term borrowings	-	-	-	-	(57)
Other changes in short-term borrowings and other financial liabilities	(103)	149	625	2	46
Interest paid, net	(9)	(6)	(15)	14	27
Other cash items related to financial activities	(9)	(1)	(3)	(2)	(3)
Transactions on borrowings and other financial liabilities	**(121)**	**142**	**607**	**14**	**13**
Repayment of lease liabilities and related interest expenses	(40)	**(43)**	(91)	(83)	-
Net cash provided by/(used for) financing activities	**(584)**	**85**	**217**	**(1,076)**	**(2,387)**
Foreign currency translation adjustments of continuing operations	6	(20)	(35)	(8)	(19)
Change in cash and cash equivalents and shareowners loans	**(240)**	**104**	**133**	**(528)**	**(1,770)**
Cash and cash equivalents and shareowners loans					
At beginning of the period	**1,141**	**1,008**	**1,008**	**1,536**	**3,306**
At end of the period	**901**	**1,112**	**1,141**	**1,008**	**1,536**
of which Shareowners loans					
At beginning of the period	**815**	**672**	**672**	**1,260**	**3,059**
At end of the period	**146**	**695**	**815**	**672**	**1,260**
of which Cash and cash equivalent					
At beginning of the period	**326**	**336**	**336**	**276**	**247**
At end of the period	**755**	**417**	**326**	**336**	**276**

Note

(1) Adjustments relate to: (i) amortization and depreciation of intangible and tangible assets; (ii) change in provision, net; (iii) operational income from equity affiliates; (iv) and proceeds from sales of property, plant, equipment and intangible assets.

(2) Content investments, net is comprised of net music content advances and catalog investments, net, which is split as follows for the periods provided: (i) 6 months ended June 30, 2021: (a) net music content advances - €130 million; and (b) catalog investments, net - €43 million; (ii) 6 months ended June 30, 2020: (a) net music content advances - €266 million; and (b) catalog investments, net - €86 million; (iii) year ended December 31, 2020: (a) net music content advances - €588 million; and (b) catalog investments, net - €929 million; (iv) year ended December 31, 2019: (a) net music content advances - €192 million; and (b) catalog investments, net - €273 million; and (v) year ended December 31, 2018: (a) net music content advances - €121 million; and (b) catalog investments, net - €40 million.

7.4 Other financial data

The Group considers the following metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Group believes that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. The Group believes the following metrics are useful in evaluating the Group's operating performance:

	For the 6 months ended June 30		For the year ended December 31		
	2021	2020	2020	2019	2018
	Unaudited		*Audited*		
	(€ millions, unless otherwise indicated)				
EBITA(1)	753	567	1,329	1,124	902
EBITA margin(2)	19.7%	16.4%	17.9%	15.7%	15.0%
EBITDA(3)	822	649	1,487	1,267	979
EBITDA margin(4)	21.5%	18.8%	20.0%	17.7%	16.3%

Notes

(1) To calculate EBITA, the accounting impact of the following items is excluded from the income from EBIT: (i) the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired; (ii) impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired; and (iii) other income and charges related to transactions with shareowners (except when directly recognized in equity).

(2) EBITA margin represents EBITA as a percentage of revenues. EBITA margin is unaudited.

(3) To calculate EBITDA, the accounting impact of the following items is excluded from the income from EBIT: (i) the depreciation of tangible, intangible and right of use assets; (ii) gains/(losses) on the sale of tangible, intangible and right of use assets; (iii) the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired; (iv) impairment losses on goodwill, other intangibles acquired through business combinations and other rights catalogs acquired; (v) income from equity affiliates having similar operating activities; and (vi) restructuring charges, and other non-recurring items.

(4) EBITDA margin represents EBITDA as a percentage of revenues. EBITDA margin is unaudited.

7.5 Selected Non-IFRS Financial Measures

Certain of the KPIs tracked by UMG and certain financial measures included in this Prospectus are not defined or recognized under IFRS, including EBITA, EBITA margin, EBITDA and EBITDA margin. Definitions of these non-IFRS metrics, as well as reconciliations to the nearest IFRS figures, are provided below. UMG uses these metrics, in addition to IFRS measures, to help evaluate growth trends, establish budgets and assess operational performance and efficiencies in relation to UMG. UMG considers that these metrics, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business of the Group. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the UMG's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or loss after tax or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. UMG does not regard these non-IFRS financial measures as a substitute for, or superior to, the equivalent measures that are calculated in accordance with IFRS. The non-IFRS financial measures presented in this Prospectus may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

7.5.1 EBITA and EBITA margin

UMG defines EBITA as EBIT, excluding amortization of intangible assets, impairment losses on intangible assets and other charges and income. UMG considers EBITA to be a relevant measure to assess the performance of its operating segments as reported in the segment data. It enables UMG to compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or by acquisitions.

EBITA margin is calculated as EBITA as a percentage of revenues and is used by UMG as a supplemental measure of operating performance.

7.5.2 EBITDA and EBITDA margin

UMG defines EBITDA as EBIT, excluding amortization of intangible assets, impairment losses on intangible assets, other charges and income, restructuring charges, sale of tangible and intangible assets, right-of-use – depreciation of tangible assets, depreciation and other non-recurring items. UMG considers this adjusted EBITDA metric to be a relevant measure 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, which can differ across different companies. This metric will be referred to as "EBITDA" throughout the Prospectus for the sake of readability.

EBITDA margin is calculated as EBITDA as a percentage of revenues and is used by UMG as a supplemental measure of operating performance.

7.5.3 EBIT

UMG defines EBIT, as earnings, excluding taxes, interest, income from investments, and other financial income or expenses. EBIT is shown on the face of the Statement of Earnings. UMG considers EBIT to be a relevant measure to assess performance of its operating activities and before any gains or losses on its equity holdings. EBIT is further elaborated upon at Note 3 to the Combined Financial Statements page F-89 of this Prospectus.

7.5.4 Net Working Capital

UMG defines net working capital, as the sum of inventories, trade accounts and other receivables, trade accounts and other payables (including royalty payables) and other non-current liabilities. Net Working Capital excludes any content investments. UMG considers Net Working Capital to be a relevant measure to assess the movement in its working capital assets and operational efficiency. Net Working Capital is shown on the face of the Statement of Cash Flows included in the Combined Financial Statements at pages F-9 and F-66 of this Prospectus.

7.6 Reconciliations of selected non-IFRS measures to IFRS

The following table defines and presents a reconciliation of EBIT to EBITA to EBITDA and EBITDA margin.

	6 months ended June 30,		**Year ended December 31,**		
	2021	**2020**	**2020**	**2019**	**2018**
	Unaudited		*Audited*		
	(€ millions, unless otherwise indicated)				
Earnings before provision for income taxes....	597	950	1,781	1,170	1,153
Other financial charges	183	13	28	57	29
Other financial income..	(105)	(453)	(603)	(174)	(333)
Income from investments....................................	-	-	-	-	(1)
Interest	9	6	15	(14)	(27)
EBIT..	**684**	**516**	**1,221**	**1,039**	**821**
Adjustments...					
Amortization of intangible assets	69	51	108	85	80
Impairment losses on intangible assets	-	-	-	-	-
Other charges and income..................................	-	-	-	-	1
EBITA..	**753**	**567**	**1,329**	**1,124**	**902**
Revenues...	3,831	3,459	7,432	7,159	6,023
EBITA margin (%)[(1)]	**19.7%**	**16.4%**	**17.9%**	**15.7%**	**15.0%**

EBITA	753	567	1,329	1,124	902
Adjustments...					
Restructuring charges (a)	9	8	20	24	29
Sale of tangible and intangible assets..................	(3)	1	1	-	1
Right-of-use - Depreciation of tangible assets[(2)] .	34	35	69	64	-
Depreciation...	32	28	59	53	46

Other non-recurring items including income from equity affiliates	(3)	10	9	2	1
EBITDA	**822**	**649**	**1,487**	**1,267**	**979**
Revenues	3,831	3,459	7,432	7,159	6,023
EBITDA margin (%)[(3)]	**21.5%**	**18.8%**	**20.0%**	**17.7%**	**16.3%**

Notes

(1) EBITA margin is unaudited.

(2) Due to the adoption of IFRS 16 in January 2019, these measures are non-comparable for 2018 and further years.

(3) EBITDA margin is unaudited.

7.7 Non-Current and content assets by segment

The below table provides an overview of the Group's non-current and content assets by segment, as well as its corporate center, for the periods indicated.

	6 months ended June 30		Year ended December 31		
	2021	2020	2020	2019	2018
	(€ millions, unless otherwise indicated)				
	(unaudited)		*(audited)*		
Recorded music					
Non-current assets					
Goodwill	608	639	601	647	574
Non-current content assets	1,676	1,453	1,663	1,356	983
Property, plant and equipment	128	147	137	136	129
Right-of-use relating to leases	248	289	256	315	-
Content assets					
Music catalogs and publishing rights	1,012	1,010	1,026	985	813
Advances to artists and repertoire owners	1,019	729	941	653	448
of which non-current	664	443	637	371	171
of which current	335	286	304	282	277
Merchandising contracts and artist services	-	-	-	-	-
Content assets, net	**2,031**	**1,739**	**1,967**	**1,638**	**1,261**
Current content assets, net	355	286	304	282	278
Non current content assets, net	1,676	1,453	1,663	1,356	983
Music publishing					
Non-current assets					
Goodwill	680	731	674	740	721
Non-current content assets	1,749	900	1,747	832	812
Property, plant and equipment	24	22	23	22	17
Right-of-use relating to leases	28	9	30	10	-
Content assets					
Music catalogs and publishing rights	1,310	615	1,304	609	551
Advances to artists and repertoire owners	768	530	781	488	444
of which non-current	439	285	443	223	261
of which current	329	245	338	265	183
Merchandising contracts and artist services	-	-	-	-	-
Content assets, net	**2,079**	**1,145**	**2,086**	**1,097**	**995**
Current content assets, net	329	245	338	265	183
Non current content assets, net	1,749	900	1,747	832	812
Merchandising					
Non-current assets					

Goodwill	98	96	94	101	83
Non-current content assets	98	98	102	81	13
Property, plant and equipment	-	-	-	-	-
Right-of-use relating to leases	-	1	-	-	-
Content assets					
Music catalogs and publishing rights	-	-	-	-	-
Advances to artists and repertoire owners	143	142	137	125	153
of which non-current	98	98	102	81	13
of which current	45	44	35	44	140
Merchandising contracts and artist services	-	-	-	-	-
Content assets, net	**143**	**142**	**136**	**125**	**153**
Current content assets, net	45	44	35	44	140
Non current content assets, net	98	98	102	81	13
Corporate center					
Non-current assets					
Goodwill	-	-	-	-	-
Non-current content assets	-	-	-	-	-
Property, plant and equipment	95	99	94	109	116
Right-of-use relating to leases	130	135	130	147	-
Content assets					
Music catalogs and publishing rights	-	-	-	-	-
Advances to artists and repertoire owners	-	-	-	-	-
Merchandising contracts and artist services	-	-	-	-	-
Content assets, net	-	-	-	-	-
Current content assets, net	-	-	-	-	-
Non current content assets, net	-	-	-	-	-
Total					
Non-current assets					
Goodwill	1,386	1,466	1,369	1,488	1,378
Non-current content assets	3,523	2,451	3,512	2,269	1,808
Property, plant and equipment	247	268	254	267	262
Right-of-use relating to leases	406	434	416	472	-
Content assets					
Music catalogs and publishing rights	2,322	1,625	2,330	1,594	1,364
Advances to artists and repertoire owners	1,930	1,401	1,859	1,266	1,045
of which non-current	1,201	827	1,182	675	444
of which current	729	575	677	591	601
Merchandising contracts and artist services	-	-	-	-	-
Content assets, net	**4,252**	**3,026**	**4,189**	**2,860**	**2,409**
Current content assets, net	729	575	677	591	601
Non current content assets, net	3,523	2,451	3,512	2,269	1,808

8. OPERATING AND FINANCIAL REVIEW

This Section 8 (Operating and Financial Review) should be read in conjunction with Section 2.5 (Presentation of Financial Information), Section 7 (Selected Financial Information), Section 9 (UMG Profit Forecast), Section 10 (Industry Overview), Section 11 (Business Description) and Section 18 (Historical Financial Information). Prospective investors should read the entire document and not just rely on the information set out below. Except as stated otherwise, the financial information considered in this Section 8 (Operating and Financial Review) is extracted from the financial information set out in Section 18 (Historical Financial Information) or from UMG's internal financial reporting.

The following discussion of UMG's results of operations and financial condition contains forward-looking statements that are based on assumptions and estimates and are subject to known and unknown risks and uncertainties. Prospective investors should read Section 3 (Forward-looking Statements) for a discussion of the risks and uncertainties related to these statements. UMG's actual results and the timing of events could differ materially from those that are discussed or implied in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Section 1 (Risk Factors), and Section 2.5 (Presentation of Financial Information). In addition, certain industry issues also affect UMG's results of operations and are described in Section 9 (UMG Profit Forecast) and Section 10 (Industry Overview). Neither UMG's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forward-looking financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking financial information.

8.1 Overview

According to Music & Copyright, based on revenue, UMG is a world leader in music-based entertainment, with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content through offices in more than 60 territories, covering approximately 200 markets. Featuring the most comprehensive catalog of recordings and songs across every musical genre, UMG identifies and develops artists and produces and distributes the most critically acclaimed and commercially successful music in the world. Committed to artistry, innovation and entrepreneurship, UMG fosters the development of services, platforms and business models in order to broaden artistic and commercial opportunities for its artists and create new experiences for fans.

8.2 Components of UMG's Operating Results

8.2.1 Recorded Music Operations

UMG's recorded music business primarily consists of the discovery and development of recording artists and the related marketing, promotion, distribution, sale and licensing of music created by such recording artists. UMG's activities have also extended to other areas, such as live events, sponsorship and film and television.

UMG's roster of recording artists includes major global superstars such as J Balvin, Justin Bieber, Luke Bryan, Lewis Capaldi, J. Cole, Daddy Yankee, Drake, Billie Eilish, Eminem, Selena Gomez, Ariana Grande, Imagine Dragons, Lady Gaga, Kendrick Lamar, Lang Lang, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Gregory Porter, Olivia Rodrigo, Sam Smith, Taylor Swift, Carrie Underwood, Keith Urban and The Weeknd and successful local artists such as Celeste, Mabel and Stormzy in the UK, Slimane and Vitaa in France, Capital Bra, Sarah Connor and Helene Fischer in Germany, backnumber and King & Prince in Japan, and Karol G and Sebastián Yatra in Latin America.

UMG's catalog includes timeless performers such as ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, James Brown, Bon Jovi, Neil Diamond, Marvin Gaye, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Luciano Pavarotti, Queen, The Rolling Stones, Frank Sinatra, U2, Amy Winehouse and Stevie Wonder.

UMG's diverse range of labels helps the business consistently cater to changing consumer trends. Its major record labels and label groups include Capitol Music Group, Interscope Geffen A&M, Republic Records, Island Records, Motown Records, Def Jam Recordings, Universal Music Group Nashville, Universal Music Latin Entertainment, EMI Records and Polydor, and its classical and jazz labels are Blue Note Records, Decca, Deutsche Grammophon and Verve Label Group.

With a diverse range of labels, UMG operates offices in more than 60 territories across approximately 200 markets, where markets may be defined by a number of factors, including language and dialects – more than any other recorded music company in the world. UMG has licensed local and global streaming platforms to help establish legal music markets in countries that have not traditionally been major markets for recorded music sales, such as the BRIC countries (Brazil, Russia, India and China), Latin America, Africa, the Middle East, Southeast Asia and Eastern Europe. These partnerships have led to greater investment in developing local talent and have helped make music more accessible to fans.

UMG employs a comprehensive approach to marketing and promoting its artists, which combines global planning and execution with a robust network of local presence around the world.

UMG's recorded music business' distribution operations includes entering into agreements with digital music services to make its music available to users. UMG also sells its physical recorded music products through a variety of different retail and wholesale outlets including music specialty stores, general entertainment specialty stores, supermarkets, mass merchants and discounters, independent retailers and other traditional retailers.

UMG believes existing and new digital businesses will be a significant source of growth and will provide new opportunities to successfully monetize its assets and create new revenue streams. The proportion of digital revenues attributable to each distribution channel varies by region and proportions may change as the introduction of new technologies continues. As one of the world's largest music entertainment companies, UMG believes it is well positioned to take advantage of growth in digital distribution and emerging technologies such as social media, digital health and fitness and gaming to maximize the value of its assets.

UMG has diversified its revenues beyond its traditional businesses by entering into expanded-rights deals with recording artists in order to partner with such artists in other aspects of their careers. Under these agreements, UMG provides services to and participates in recording artists' activities outside the traditional recorded music business such as touring, merchandising and sponsorships. UMG believes that entering into expanded-rights deals and enhancing its artist services capabilities in areas such as merchandising, VIP ticketing, fan clubs, concert promotion and management has permitted UMG to diversify revenue streams and capitalize on other revenue opportunities.

Recorded music revenues are derived from three main sources:

- *Digital*: UMG enters into license agreements with digital music services to make its music and audio-visual content available for access in digital formats (e.g., streaming and downloads). Streaming services stream UMG's music on an ad-supported or paid subscription basis. Downloading services sell downloads of UMG's music on a per-album or per-track basis. UMG currently partners with a broad range of digital music services that are both established and emerging in the market;

- *Physical*: UMG sells its physical recorded music products (principally CDs, vinyl, DVDs and Blu-Ray discs) through a variety of different retail and wholesale outlets through traditional retail distribution both in store and online, through online physical retailers and direct to customers through UMG online websites; and

- *Licensing and other*: UMG enters into licensing agreements to license the use of sound recordings in combination with visual images such as in films or television programs, television commercials and video games; UMG as rightsholder also receives royalties if sound recordings are performed publicly through broadcast of music on television, radio and cable, and in public spaces such as shops, workplaces, restaurants, bars and clubs. UMG partners with artists to provide services to and participate in recording artists' activities outside the traditional recorded music business such as touring, and sponsorships. Revenues are earned for participation in expanded rights, including sponsorship, fan clubs, artist websites, touring, concert promotion, ticketing and artist and brand management. UMG also develops and produces music-based audio-visual content, including music documentaries, feature films, musicals, music-based television series and reality shows which are licensed for broadcast.

The principal costs associated with its recorded music business are as follows:

- *A&R costs*: the costs associated with (i) paying royalties to recording artists, producers, songwriters, third party repertoire owners, other copyright holders and trade unions; (ii) signing and developing recording artists; and (iii) creating master recordings in the studio;

- *Product costs*: the costs to manufacture, package and distribute products to wholesale and retail distribution outlets, as well as the costs related to its artist services business;

- *Selling and marketing expenses*: the costs associated with the promotion and marketing of recording artists and music, including costs to produce music videos for promotional purposes and artist tour support; and

- *General and administrative expenses*: the costs associated with general overhead, depreciation and amortizations and other administrative expenses.

The revenue sources and principal costs mentioned above were applicable to each of the years covered by the Combined Financial Statements.

8.2.2 Music Publishing Operations

UMPG believes that it is one of the world's largest and fastest-growing major music publishing companies, acquiring and administering rights to musical compositions (as opposed to recordings) and licensing those musical compositions for use in a variety of formats. UMPG licenses musical compositions for use in sound recordings, films, television, advertisements, video games, concerts and in other public performances. It also licenses compositions for use in printed sheet music and song folios. UMPG owns and controls a vast catalog of original music and arrangements and its focus is to offer this music for use in films, television, advertising and new media industries. Based on its extensive administration of its catalog to the vast majority of studios, UMPG is a leader in working with film and television studios, worldwide brands and digital service providers to effectuate their licensing goals.

UMPG's global publishing catalog contains close to four million owned and administered titles, including some of the world's most popular songs from major songwriters and artists such as ABBA, Adele, The Beach Boys, Beastie Boys, The Bee Gees, Irving Berlin, Leonard Bernstein, Justin Bieber, Benny Blanco, Mariah Carey, Coldplay, Neil Diamond, Dua Lipa, Bob Dylan, Billie Eilish, Eminem, Future, Billy Joel, Elton John/Bernie Taupin, Alicia Keys, Kendrick Lamar, Dave Matthews, Pearl Jam, Post Malone, Britney Spears, Harry Styles, Taylor Swift, Justin Timberlake, U2 and many more.

In 2020, UMPG signed partnerships with numerous songwriters and artists ranging from legendary talent to today's superstars and promising names: Taylor Swift, Kendrick Lamar, Megan Thee Stallion, Brandi Carlile, Kenny Chesney, Luke Combs, Bad Bunny, Andrew Lloyd Webber, Van Halen, Louis Bell, Dave Cobb, Billy Walsh, Lil Mosey and Rina Sawayama, among many others. The company also reached a historically significant deal to acquire the iconic song catalog of Bob Dylan.

Music publishing revenues are derived from five main sources:

- *Performance*: the rightsholder receives revenues if the musical composition is performed publicly through broadcast of music on television, radio, live performance at a concert or other venue (e.g., arena concerts and nightclubs) and in public spaces such as bars, restaurants, hotels and retailers;

- *Digital*: the rightsholder receives revenues with respect to musical compositions distributed through audio and video streaming services, download services, social networks and other digital music services;

- *Mechanical*: the rightsholder receives revenues with respect to musical compositions embodied in recordings sold in any physical format or configuration such as CDs, vinyl and DVDs;

- *Synchronization*: the rightsholder receives revenues for the right to use the musical composition in combination with visual images such as in films or television programs, television commercials and video games as well as from other uses such as in toys or novelty items and merchandise; and

- *Other*: the rightsholder receives revenues for use in sheet music and other uses.

The principal costs associated with UMG's music publishing business are as follows:

- *A&R costs*: costs associated with (i) paying royalties to songwriters, co-publishers and other copyright holders in connection with income generated from the uses of their works and (ii) signing and developing songwriters; and

- *Selling and marketing, general overhead and other administrative expenses*: costs associated with selling and marketing, general overhead, depreciation and amortization and other administrative expenses.

The revenue sources and principal costs mentioned above were applicable to each of the years covered by the Combined Financial Statements.

8.2.3 Merchandising

Bravado is UMG's wholly owned, global, full-service merchandise and brand-management company that represents the merchandising rights of new and established artists as well as longstanding and more recent entertainment brands and properties. Bravado provides an end-to-end merchandising ecosystem including creative design, production and distribution for its clients. It utilizes UMG's global network to provide services including sales, licensing, branding, marketing, eCommerce and creative resources to its clients, as well as to devise innovative cultural and retail experiences for fans throughout the world. Bravado's merchandise is sold globally through various channels including in-store retailers, online retailers, direct-to-consumer, limited-edition retail experiences and artist tours. It also licenses rights to an extensive global network of third-party licensees.

Merchandise revenues are derived from the following sources:

- *Touring Income*: sales of physical merchandise product (usually tour specific) direct to consumers at venues during tours;

- *Concession Income*: sales of physical merchandise product direct to consumers at concessions within venues. Right to sell at concession is not limited to specific tours but usually encompasses all events at the venue;

- *Retail*: sales of physical merchandise product to wholesalers and retailers;

- *Licensing*: fees receivable from third party licensees for the use of the Company's merchandising rights in products sold by the licensee (or further sub-licensed); and

- *eCommerce / Direct to Consumer*: sales of physical merchandise product through an online DtoC channel.

The principal costs associated with UMG's Merchandising business are as follows:

- *A&R costs*: the costs associated with paying royalties to artists and other rights holders;

- *Product costs*: the costs to manufacture, package and distribute products for sale at venues, to wholesale and retail distribution outlets or online through DtoC channels as well as fees paid to venues; and

- *General and administrative expenses*: the costs associated with general overhead, depreciation and amortizations and other administrative expenses.

The revenue sources and principal costs mentioned above were applicable to each of the years covered by the Combined Financial Statements.

8.3 Prospects and Outlook

As part of its business plan, the Company has established certain ambitions and targets, including those set out below, which it will monitor its performance against to measure operational and managerial performance on a Group-wide level. The below financial ambitions and targets are the Company's internal targets for revenue growth, EBITDA and EBITDA margin. EBITDA and EBITDA margin are defined in Section 7.5 (*Selected Non-IFRS Financial Measures*). The Group has not defined, and does not intend to define, medium -term and these financial ambitions and targets should not be read as indicating that the Company is targeting such metrics for any particular financial year. The Group's actual results may vary from the targets and ambitions set out below and those variations may be material. The Group's ability to achieve the below financial ambitions and targets is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and upon assumptions with respect to future business decisions that are subject to change. Many of these business, economic and competitive uncertainties and contingencies are described in Section 1 of this Prospectus entitled "Risk Factors". The Company does not intend to publish revised financial ambitions and targets to reflect events or circumstances existing or arising after the date of this Prospectus or to reflect the occurrence of unanticipated events. The financial ambitions and targets set out below should not be regarded as a representation by the Company or any other person that the Company will achieve these ambitions and targets in any time period. Readers are cautioned not to place undue reliance on these financial ambitions and targets.

Subject to the above and assuming anticipated market conditions and anticipated macro-economic conditions, the Company has developed the following medium-term targets for purposes of measuring operational and managerial performance on a Group-wide level:

- Revenue compound annual growth rate in the high single digits. While the achievement of this targeted revenue growth rate may be influenced by market and macro-economic conditions, it is principally based on UMG's ability to continue to successfully develop and break new artists and market and promote established artists, the targeted release of high quality music content by UMG's artists and UMG's ability to continue and expand its partnerships with digital music services; and

- EBITDA margin in the mid-twenties. This targeted EBITDA margin is principally based on UMG's targeted revenue growth described above, coupled with continued cost-control measures expected to be applied by the Group.

8.4 Factors Affecting Results of Operations and Comparability

8.4.1 Consumer spending patterns and macro trends, including the impact of the COVID-19 pandemic

A significant portion of UMG's revenues relies on consumers spending discretionary funds on leisure activities, such as music subscriptions, CDs, vinyl albums and artist merchandise. The state of the economy as a whole, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, unemployment and the impact of the COVID-19 pandemic are all factors that relate to the prevailing macroeconomic conditions and affect UMG's business. Economic growth and consumer confidence are important for UMG's growth and strategy. In 2020, UMG's merchandising revenues were down 39.6% at constant currency and perimeter compared to 2019 due to the impact of the COVID-19 pandemic on both touring and retail activity, which cut off access for consumers to purchase these products at their usual retail points. As such, UMG's eCommerce business grew significantly in 2020, but could not fully offset the loss of touring and retail merchandise sales. UMG was able to further offset the negative impact of COVID-19 with a significant increase in subscription and streaming revenues. UMG also generated some incremental revenue from its work on more than 100 live performances by artists worldwide that streamed on more than a dozen platforms. However, any decrease in global economic growth or slowdown in certain fast-growing markets could negatively affect the Group's results of operations going forward.

8.4.2 Foreign exchange exposure

A significant portion of UMG's assets, liabilities, revenues and costs are denominated in currencies other than Euros. To prepare its UMG Financial Statements, UMG must translate those assets, liabilities, revenues and expenses into Euros from such currencies at then-applicable exchange rates. Consequently, increases and decreases in the value of the Euro as compared to such other currencies will affect the amount of these items in its UMG Financial Statements, even if their value has not changed in their original currency. These translations could result in significant changes to its results of operations from period to period. In addition, exchange rate fluctuations could cause its expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

8.4.3 Recorded music portfolio

A portion of UMG's financial performance has depended, and will in the future depend, on its ability to sign and break new artists and consumer acceptance of new music content from both new and established artists. However, a significant portion of UMG's revenue each year also comes from catalog music (content older than three years). In 2020, catalog content accounted for 54% of UMG's recorded music digital and physical revenue, while frontline revenue represented 46% of recorded music revenue. Recorded music revenues grew by 6.7% at constant currency and perimeter thanks mainly to the growth in subscription and streaming revenues, which more than offset the 6.0% decline in physical sales compared to 2019 and the 19.0% decline in download sales. Recorded music best sellers for 2020 included new releases from The Weeknd, Lil Baby, Pop Smoke, BTS, Justin Bieber, King & Prince, Taylor Swift and Juice WRLD, as well as continued sales from Billie Eilish and Post Malone.

UMG has a global publishing catalog containing close to four million owned and administered titles, including some of the world's most popular songs. The success and timing of new releases may vary and future financial performance may therefore not be consistent on a quarterly or annual basis.

8.4.4 Technological advancements and new trends

UMG's financial performance has depended and will continue to depend on its ability to adapt to and incorporate technological advancements and new trends in the music industry. While physical sales are still significant in some markets, music consumption has shifted from an ownership model, whereby consumers purchase vinyl or CDs, to an access model that includes subscription and ad-supported streaming formats. UMG believes that streaming has and will continue to revolutionize the experience for consumers and transform the industry.

The growth of subscription and ad-supported streaming depends upon the growth and health of the global music market. The emergence of subscription-based and ad-supported streaming services has also made it possible for UMG to monetize legal music consumption in markets that were previously dominated by piracy. UMG has agreements and partnerships with every major digital music service launched in the last decade, including Amazon, Apple, Spotify, YouTube and many others and was one of the earliest supporters of digital streaming and subscription services, demonstrating its innovation and its ability to lead a transformation of the music industry. For example, in July 2020 UMG announced a new multi-year global licensing agreement with Spotify and in February 2021, UMG reached a new partnership agreement with TikTok, enabling fair compensation for UMG's recording artists and songwriters while adding new data analysis and marketing tool features. As technology continues to advance, UMG's success incorporating advancements and adapting to new trends may vary and affect its financial performance on an annual basis.

8.4.5 Acquisitions (Epic Rights and Ingrooves)

In March 2019, UMG acquired the remaining rights in Ingrooves Music Group (Ingrooves). Prior to that date Ingrooves was accounted for as an equity investment and accounted for under the equity method. Ingrooves is a global music distribution company that provides marketing and rights management services for independent labels and artists.

In December 2018, UMG acquired 100% of the share capital in Epic Rights. Epic Rights is a boutique merchandise and branding Company.

The results from those companies were fully consolidated from the acquisition dates.

Where comparisons between financial periods are provided at "constant perimeter" which varies from "constant currency", this reflects the impact of significant acquisitions, including the: (i) acquisition of the remaining interest in Ingrooves Music Group by UMG in March 2019; and (ii) the acquisition of 100% of the share capital in Epic Rights by UMG in December 2018.

8.4.6 Impact of IFRS 16

IFRS 16 (Leases) introduces a single, on balance sheet lease accounting model for lessees. IFRS 16 establishes that lessees shall recognize in the consolidated balance sheet a financial liability for the present value of the payments to be made over the remaining life of the lease agreement and a right of use asset for the underlying asset, which is measured based on the amount of the associated liability, to which the initial direct costs incurred are added. Additionally, the recognition criteria for lease expenses has changed. Lease expenses are now recorded as a depreciation charge for the lease asset and as a financial expense for the lease liability.

IFRS 16 became effective for periods beginning on or after January 1, 2019 and replaces the previous accounting standard, IAS 17 (Leases), including related interpretations. UMG Financial Statements for 2019 and 2020 give effect to the entry into force of IFRS 16. The comparative information presented for 2018 has not been restated and therefore continues to be shown under IAS 17 'Leases.'

The Group has applied exemptions for short-term leases and leases of low value items to exclude initial direct costs form the measurement of the right-of-use assets at the date of initial application. The Group has chosen to adopt the simplified modified retrospective approach to transition and will not restate comparative amounts for the year prior to first adoption.

The Group's lease portfolio within the scope of IFRS 16 consists of real estate leases for which UMG is the lessee.

8.5 Adoption of New Accounting Policies

With retrospective effect as from January 1, 2019, UMG applied the accounting standard IFRS 16 – Lease without restating comparative periods in the Combined Financial Statements.

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

- IFRS 15 – Revenues from Contracts with Customers: in accordance with IFRS 15, as from 2017, UMG applied this change of accounting standard to revenues; and
- IFRS 9 – Financial Instruments: in accordance with IFRS 9, as from 2018, UMG applied this change of accounting standard to the 2019 Statement of Earnings and Statement of Comprehensive Income and restating its opening balance sheet as of January 1, 2018.

8.6 Key Accounting Policies

8.6.1 Revenue

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

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

(a) *Intellectual property licensing (musical works)*

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

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

(b) *Analysis of the Agent/Principal relationship in sales transactions involving a third party*

If the nature of the entity's undertaking is a performance obligation to provide the specified goods or services itself, then the entity acts on its own behalf and it is "principal" in the sale transaction: it accounts for revenue the gross amount of consideration to which it expects to be entitled in exchange for the goods or services provided, and the commission due to the third-party as cost of revenues. If the entity arranges for a third-party to provide the goods or services specified in the contract, then it recognizes as revenues the net amount of consideration to which it expects to be entitled in exchange for the goods or services provided. In the licensing of intellectual property between UMG and digital service providers, UMG acts as principal in the vast majority of all transactions and acts in an agent capacity in an very small number of transactions, which transactions in an agent capacity account for an immaterial percentage of UMG's revenues.

(c) *Revenue recognition by business segment*

(i) *Recorded music*

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

(ii) *Physical sales of recorded music (CDs. DVDs and Vinyl).*

These intellectual property licenses are static licenses transferring to the customer a right to use UMG’s recordings as they exist at the point in time at which the license is granted, i.e., on the physical device sold. Revenues from the physical sales of recorded music, net of a provision for estimated returns and rebates, if any, are accounted for, either: (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales.

(iii) *Digital sales of recorded music, via downloading or streaming by subscription or free of charge.*

These intellectual property licenses are generally dynamic licenses providing a right to access the entire catalog of recorded music as it exists throughout the license period considering potential add-ons to, or withdrawals from, the catalog during that period. The consideration paid by the digital platform is variable in the form of a sales-based or a usage-based royalty. Revenues are then accounted for when these subsequent sales or usages occur. Revenues from digital sales of recorded music, for which UMG has sufficient, accurate, and reliable data from digital platforms, are recognized at the end of the month in which the sale or usage is made by the end customer. If such data is not available, revenues are recognized when the digital platform notifies UMG of the sale or usage by the end customer.

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

(iv) *Music publishing*.

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

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

(v) *Merchandising*.

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

8.6.2 Goodwill and business combinations

(a) *Business combinations from January 1, 2009*

Pursuant to IFRS 1, UMG elected not to restate business combinations that occurred prior to January 1, 2016. Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

- the identifiable assets acquired, and the liabilities assumed are recognized at their fair value on the acquisition date; and

- non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This option is available on a transaction-by-transaction basis.

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

- 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

- 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.

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

- on the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;

- contingent consideration in a business combination is recorded at fair value on the acquisition date, and any subsequent adjustment occurring after the purchase price allocation period is recognized in the Statements of Earnings;

- acquisition-related costs are recognized as expenses when incurred;

- in the event of the acquisition of an additional interest in a subsidiary, UMG recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to UMG shareowners; and

- goodwill is not amortized.

8.6.3 Royalty advances and content assets

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

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

Music rights and catalogs include music catalogs, artists' contracts and music publishing rights acquired. The annual review of the value of the intangible assets, undertaken by UMG at year-end 2016 led to a change in the amortization method of music rights and catalogs as from January 1, 2017, which notably resulted in an extension of the amortization period from 15 to 20 years.

UMG presents expenses and cash considerations paid which are linked to content assets (whether directly when paid to an artist or by destination in the case of a catalog acquisition) as operating expenses and cashflows in its statement of comprehensive income and statement of cash flows, respectively. UMG believes this presentation is relevant for readers of its financial statements as it consistently reports the cost of using music recordings to generate revenue in its recorded music and publishing segments, regardless of the timing or beneficiaries of payments which have been made to provide UMG with the right to use the music recordings. The impact of this presentation is disclosed in UMG's combined statement of cash flows.

8.6.4 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 five to ten years. Maintenance, minor upgrades, and enhancement costs are expensed as they are incurred.

8.6.5 Leases

UMG applies IFRS 16 with retrospective effect as from January 1, 2019 without restating comparative periods in the Combined Financial Statements.

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

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

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

- analyzing operating leases for which contractual obligations were disclosed as off-balance sheet commitments until December 31, 2018;
- assessing the lease term that relates to the non-cancellable period of the lease, and taking into account all options to extend the lease which UMG is reasonably certain to exercise and all options to terminate the lease which UMG is reasonably certain not to exercise. UMG determined that real estate lease terms in France are generally nine years; and
- estimating the incremental borrowing rate as of January 1, 2019 of each lease contract, taking into account their residual lease term at this date and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

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

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

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

After initial recognition, the liability is:

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

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

- the lease liability;
- the initial direct costs (incremental costs of obtaining the lease);
- payments made prior to the commencement date less lease incentives received from the lessor;

- dismantling and restoration costs (measured and recognized in accordance with IAS 37); and
- the amortization period used is the lease term.

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

8.6.6 Asset impairment

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

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

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

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

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

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

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

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

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

8.6.7 *Financial assets*

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

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

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

(a) *Financial assets at fair value*

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

Financial assets at fair value through other comprehensive income include:

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

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

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

(b) *Financial assets at amortized cost*

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

(c) *Impairment of financial assets*

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

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

8.6.8 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.

8.6.9 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.

8.6.10 Other liabilities

(a) *Provisions*

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

(b) *Employee benefit plans*

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

(c) *Defined contribution plans*

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

(d) *Defined benefit plans*

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

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

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

- the service cost is included in selling, general and administrative expenses. It comprises current service cost, past service cost resulting from a plan amendment or a curtailment, immediately recognized in profit and loss, and gains and losses on settlement;

- the financial component, recorded in other financial charges and income, consists of the undiscounting of the obligation, less the expected return on plan assets determined using the discount rate retained for the valuation of the benefit obligation; and

- the remeasurements of the net defined benefit liability (asset), recognized in items of other comprehensive income not reclassified as profit and loss, mainly consist of actuarial gains and losses, i.e., changes in the present value of the defined benefit obligation and plan assets resulting from changes in actuarial assumptions and experience adjustments (representing the differences between the expected effect of some actuarial assumptions applied to previous valuations and the effective impact).

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

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

8.6.11 Deferred taxes

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

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

- deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

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

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

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

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

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

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

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

8.6.12 Share-based compensation

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

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

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.

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

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

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

(a) *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.

(b) *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.

8.7 Results of Operations

The table below presents UMG's results of operations for the periods indicated which has been extracted without material adjustment from the historical financial information set out in Section 18 (*Historical Financial Information*).

	6 months ended June 30,		**Year ended December 31,**		
	2021	**2020**	**2020**	**2019**	**2018**
	(€ millions, unless otherwise indicated)				
	(Unaudited)			*(Audited)*	
Revenues	**3,831**	**3,459**	**7,432**	**7,159**	**6,023**
Cost of revenues	(2,047)	(1,820)	(3,917)	(3,818)	(3,110)
Selling, general and administrative expenses	(1,090)	(1,104)	(2,265)	(2,276)	(2,062)
Restructuring charges	(9)	(8)	(20)	(24)	(29)
Impairment losses on intangible assets acquired through business combinations	-	-	-	-	-
Income from equity affiliates – operational	(1)	(11)	(9)	(2)	(1)
Earnings before interest and income taxes (*EBIT*)	**684**	**516**	**1,221**	**1,039**	**821**
Interest	(9)	(6)	(15)	14	27
Income from investments	-	-	-	-	1
Other financial income	105	453	603	174	333
Other financial charges	(183)	(13)	(28)	(57)	(29)
	(87)	**434**	**560**	**131**	**332**
Earnings before provision for income taxes	**597**	**950**	**1,781**	**1,170**	**1,153**
Provision for income taxes	(144)	(214)	(412)	(195)	(251)
Earnings from continuing operations	**453**	**736**	**1,369**	**975**	**902**
Earnings from discontinued operations	-	-	-	-	-
Earnings	**453**	**736**	**1,369**	**975**	**902**
Of which					
Earnings attributable to shareowners	**452**	**735**	**1,366**	**972**	**897**
Non-controlling interests	1	1	3	3	5

Six Months Ended June 30, 2021 Compared with Six Months Ended June 30, 2020; Twelve Months Ended December 2020 Compared with Twelve Months Ended December 2019 and 2018.

8.7.1 Total Revenues

Total revenues increased by €372 million, or 10.8% (17.3% at constant currency and 17.3% at constant currency and constant perimeter), to €3,831 million for the six months ended June 30, 2021 from €3,459 million for the six months ended June 30, 2020. The increase is due to the growth in subscription and streaming and stronger physical sales, while the prior year was impacted by initial lockdown restrictions in response to the COVID-19 pandemic. Prior to intersegment eliminations, recorded music and music publishing revenues represented 82% and 15% and 80% and 17% of total revenue for the six months ended June 30, 2021 and June 30, 2020, respectively.

Total revenues increased by €273 million, or 3.8% (5.1% at constant currency and 4.7% at constant currency and perimeter), to €7,432 million for the fiscal year ended December 31, 2020 from €7,159 million for the fiscal year ended December 31, 2019. This increase was driven by the increase of streaming and subscription revenue. UMG's merchandising revenues were down 39.6% at constant currency and perimeter compared to 2019 due to the impact of the COVID-19 pandemic on both touring and retail activity, which cut off access for consumers to purchase these products at their usual retail points. As such, UMG's eCommerce business grew significantly in 2020, but could not fully offset the loss of touring and retail merchandise sales. UMG was able to further offset the negative impact of COVID-19 with a significant increase in subscription and streaming revenues. UMG also generated some incremental revenue from its work on more than 100 live performances by artists worldwide that streamed on more than a dozen platforms.

Total revenues increased by €1,136 million, or 18.9% (15.6% at constant currency and 14% at constant currency and perimeter), to €7,159 million for the fiscal year ended December 31, 2019 from €6,023 million for the fiscal year ended December 31, 2018. The increase was mainly due to the growth of streaming and subscription revenue, as well as favorable foreign exchange movements.

8.7.2 Cost of Revenues

Cost of revenues include royalties/copyrights to artists and songwriters, A&R, product, selling and distribution costs, as well as related overheads.

Cost of revenues increased by €227 million, or 12.5%, to €2,047 million for the six months ended June 30, 2021 from €1,820 million for the six months ended June 30, 2020. The increase is in line with the growth in revenues.

Cost of revenues increased by €99 million, or 2.6%, to €3,917 million for the fiscal year ended December 31, 2020 from €3,818 million for the fiscal year ended December 31, 2019 and increased by €708 million, or 22.8%, to €3,818 million for the fiscal year ended December 31, 2019 from €3,110 million for the fiscal year ended December 31, 2018, in line with the greater level of sales.

8.7.3 Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily include salaries and employee benefits, consulting and service fees, marketing and promotion costs, insurance costs, travel and entertainment expenses, administrative department costs, provisions for receivables and other operating expenses. Selling, general and administrative expenses decreased by €14 million, or -1.3%, to €1,090 million for the six months ended June 30, 2021 from €1,104 million for the six months ended June 30, 2020. The decrease is due to the favorable impact of changes in foreign exchange.

Selling, general and administrative expenses decreased by €11 million, or 0.5%, to €2,265 million for the fiscal year ended December 31, 2020 from €2,276 million for the fiscal year ended December 31, 2019 as a consequence of the COVID-19 pandemic impact on travel and entertainment expenses and marketing costs.

Selling, general and administrative expenses increased by €214 million, or 10.4%, to €2,276 million for the fiscal year ended December 31, 2019 from €2,062 million for the fiscal year ended December 31, 2018, as a consequence of increased headcount and activity driven increase in marketing spend.

8.7.4 Earnings before interest and income taxes (EBIT)

Total EBIT increased by €168 million, or 32.6%, to €684 million for the six months ended June 30, 2021 from €516 million for the six months ended June 30, 2020. The increase is due to the growth in revenues.

Total EBIT increased by €182 million, or 17.5%, to €1,221 million for the fiscal year ended December 31, 2020 from €1,039 million for the fiscal year ended December 31, 2019. The increase is due to the increase in revenues and cost containment in light of the COVID-19 pandemic. Amortization increased by €24 million on the higher balance of intangible assets following catalog acquisitions during 2019 and 2020. Depreciation increased by €6 million on the higher balance of tangible assets following asset additions during 2019 and 2020. Depreciation on right-of-use assets increased by €5 million on new leases entered into during 2019 and 2020. Other non-recurring items increased by €7 million due to greater losses from equity investments.

Total EBIT increased by €218 million, or 26.6%, to €1,039 million for the fiscal year ended December 31, 2019 from €821 million for the fiscal year ended December 31, 2018 as a result of the increase in revenues and despite higher selling, general and administrative costs driven by increased marketing expenses, and overhead costs. Amortization increased by €5 million largely driven by unfavorable foreign currency movements. Depreciation increased by €7 million on the higher balance of tangible assets following asset additions during 2018 and 2019. Depreciation on right-of-use assets was reported for the first time in 2019 following the adoption of IFRS 16. Previously, costs in relation to operating leases were reported within EBITDA.

8.7.5 Earnings

Total earnings decreased by €283 million, or -38.5%, to €453 million for the six months ended June 30, 2021 from €736 million for the six months ended June 30, 2020. The decrease is due to the decrease in net financial income on a lower fair value of the interests in Spotify and other equity holdings and despite the increase in earnings before interest and income taxes (EBIT). The Group’s interest in Spotify had a carrying value of €1,475 million as at June 30, 2021, when compared to €1,486 million as at June 30, 2020, whereas the Group’s interest in Tencent Music Entertainment had a carrying value of €156 million as at June 30, 2021 when compared to €146 million as at June 30, 2020.

Total earnings increased by €394 million, or 40.4%, to €1,369 million for the fiscal year ended December 31, 2020 from €975 million for the fiscal year ended December 31, 2019. The increase is due to an overall increase in earnings before interest and income taxes (EBIT), net financial income, including the change in fair value of the interests in Spotify and other equity holdings, despite an increased provision for income taxes and earnings from continuing operations. The Group’s interest in Spotify had a carrying value of €1,669 million as at December 31, 2020, when compared to €871 million as at December 31, 2019, whereas the Group’s interest in Tencent Music Entertainment had a carrying value of €193 million as at December 31, 2020 when compared to €129 million as at December 31, 2019.

Total earnings increased by €73 million, or 8.1%, to €975 million for the fiscal year ended December 31, 2019 from €902 million for the fiscal year ended December 31, 2018. The increase was due to an overall increase in earnings before interest and income taxes (EBIT) despite the decrease of the net financial income on a lower fair value of the interests in Spotify and other equity holdings and a lower provision for income taxes. The Group’s interest in Spotify had a carrying value of €871 million as at December 31, 2019, when compared to €647 million as at December 31, 2018, whereas the Group’s interest in Tencent Music Entertainment had a carrying value of €129 million as at December 31, 2019 when compared to €142 million as at December 31, 2018.

8.7.6 EBITDA and EBITA

EBITDA increased by €173 million, or 26.6% (31.8% at constant currency and 31.8% at constant currency and perimeter), to €822 million for the six months ended June 30, 2021 from €649 million for the six months ended June 30, 2020. EBITA increased by €186 million, or 32.8% (37.7% at constant currency and 37.7% at constant currency and perimeter), to €753 million for the six months ended June 30, 2021 from €567 million for the six months ended June 30, 2020. The increase is due to the growth in revenues.

EBITDA increased by €220 million, or 17.4% (19% at constant currency and 19% at constant currency and perimeter), to €1,487 million for the fiscal year ended December 31, 2020 from €1,267 million for the fiscal year ended December 31, 2019. EBITA increased by €205 million, or 18.2% (20.1% at constant currency and 20.1% at constant currency and perimeter), to €1,329 million for the fiscal year ended December 31, 2020 from €1,124 million for the fiscal year ended December 31, 2019. The increase is due to the increase in revenues and cost containment in light of the COVID-19 pandemic.

EBITDA increased by €288 million, or 29.4%, to €1,267 million for the fiscal year ended December 31, 2019 from €979 million for the fiscal year ended December 31, 2018. EBITA increased by €222 million, or 24.6% (21.8% at constant currency and 22.3% at constant currency and perimeter), to €1,124 million for the fiscal year ended December 31, 2019 from €902 million for the fiscal year ended December 31, 2018. The increase is as a result of the increase in revenues despite higher selling, general and administrative costs driven by increased marketing expenses and overhead costs. In addition, following the adoption of IFRS 16, lease costs previously reported within EBITDA were reported as depreciation of right-of-use assets.

8.7.7 Earnings before provision for income taxes

Earnings before provision for incomes taxes decreased by €353 million, or -37.2%, to €597 million for the six months ended June 30, 2021 from €950 million for the six months ended June 30, 2020. The decrease is due to the decrease in net financial income on a change in fair value of the interests in Spotify and other equity holdings and despite the increase in earnings before interest and income taxes (EBIT). The Group's interest in Spotify had a carrying value of €1,475 million as at June 30, 2021, when compared to €1,486 million as at June 30, 2020, whereas the Group's interest in Tencent Music Entertainment had a carrying value of €156 million as at June 30, 2021 when compared to €146 million as at June 30, 2020.

Earnings before provision for incomes taxes increased by €611 million, or 52.2%, to €1,781 million for the fiscal year ended December 31, 2020 from €1,170 million for the fiscal year ended December 31, 2019. The increase is due to the increase in EBITA and improved financial income driven by the favorable change in fair value of the interests in Spotify. The Group's interest in Spotify had a carrying value of €1,669 million as at December 31, 2020, when compared to €871 million as at December 31, 2019.

Earnings before provision for incomes taxes increased by €17 million, or 1.5%, to €1,170 million for the fiscal year ended December 31, 2019 from €1,153 million for the fiscal year ended December 31, 2018. The increase is as a result of the increase in EBITA, partly offset by unfavorable financial income driven by the unfavorable change in fair value of the interests in Spotify. The Group's interest in Spotify had a carrying value of €871 million as at December 31, 2019, when compared to €647 million as at December 31, 2018.

8.8 Segmental analysis

8.8.1 Revenue and EBITDA

(a) *Recorded music*

Globally, recorded music revenues increased by €366 million, or 13.2% (20% at constant currency and 20% at constant currency and constant perimeter), to €3,137 million for the six months ended June 30, 2021 from €2,771 million for the six months ended June 30, 2020. Recorded music EBITDA increased by €159 million, or 26.9%, to €749 million for the six months ended June 30, 2021 from €590 million for the six months ended June 30, 2020. The increase is due to the growth in subscription and streaming and stronger physical sales, while the prior year was impacted by initial lockdown restrictions in response to the COVID-19 pandemic.

Globally, recorded music revenues increased by €333 million, or 5.9% (7.2% at constant currency and 6.7% at constant currency and perimeter), to €5,967 million for the fiscal year ended December 31, 2020 from €5,634 million for the fiscal year ended December 31, 2019. Recorded music EBITDA increased by €204 million, or 17.6%, to €1,360 million for the fiscal year ended December 31, 2020 from €1,156 million for the fiscal year ended December 31, 2019. The overall increase in recorded music revenue was primarily driven by the growth in streaming and subscription revenue which more than offset the decline in physical and download sales.

Globally, recorded music revenues increased by €806 million, or 16.7% (13.4% at constant currency and 11.6% at constant currency and perimeter), to €5,634 million for the fiscal year ended December 31, 2019 from €4,828 million for the fiscal year ended December 31, 2018. Recorded music EBITDA increased by €283 million, or 32.4%, to €1,156 million for the fiscal year ended December 31, 2019 from €873 million for the fiscal year ended December 31, 2018. The overall increase in recorded music revenue was primarily driven by the growth in streaming and subscription revenue and the release driven improvement in physical sales, which more than offset the continued decline in download sales. Revenue also benefitted from favorable foreign exchange movements.

(b) *Music publishing*

Globally, music publishing revenues decreased by €9 million, or -1.6% (3.9% at constant currency and 3.9% at constant currency and constant perimeter), to €564 million for the six months ended June 30, 2021 from €573 million for the six months ended June 30, 2020. The decrease when comparing these two periods is due to the receipt of a digital royalty claim in relation to a past copyright infringement by a digital service provider in the first half of 2020 which resulted in the six months ended June 30, 2020 being comparatively higher than the six months ended June 30, 2021. Excluding this digital royalty claim, music publishing revenues grew by 6.8% due to growth in subscription and streaming income. Likewise, music publishing EBITDA increased by €2 million, or 1.5%, to €134 million for the six months ended June 30, 2021 from €132 million for the six months ended June 30, 2020.

Globally, music publishing revenues increased by €134 million, or 12.7% (14.4% at constant currency and 14.4% at constant currency and perimeter), to €1,186 million for the fiscal year ended December 31, 2020 from €1,052 million for the fiscal year ended December 31, 2019. Music publishing EBITDA increased by €19 million, or 7.6%, to €269 million for the fiscal year ended December 31, 2020 from €250 million for the fiscal year ended December 31, 2019. The overall increase in music publishing revenue was primarily driven by increased subscription and streaming revenues as well as the receipt of a digital royalty claim in relation to a past copyright infringement by a digital service provider.

Globally, music publishing revenues increased by €111 million, or 11.8% (9.2% at constant currency and 9.2% at constant currency and perimeter), to €1,052 million for the fiscal year ended December 31, 2019 from €941 million for the fiscal year ended December 31, 2018. Music publishing EBITDA increased by €36 million, or 16.8%, to €250 million for the fiscal year ended December 31, 2019 from €214 million for the fiscal year ended December 31, 2018. The overall increase in music publishing revenue was primarily driven by increased subscription and streaming revenues.

(c) *Merchandising*

Merchandising revenues increased by €17 million, or 14.0% (22.2% at constant currency and 22.2% at constant currency and perimeter), to €138 million for the six months ended June 30, 2021 from €121 million for the six months ended June 30, 2020. The increase is due to growth in retail and direct-to-consumer activity and despite the continued impact of the COVID-19 pandemic on touring activity. Merchandising EBITDA decreased by €1 million to negligible for the six months ended June 30, 2021 from €1 million for the six months ended June 30, 2020. This immaterial decrease is due to higher costs of revenue.

Merchandising revenues decreased by €197 million, or 40.3% (39.6% at constant currency and 39.6% at constant currency and perimeter), to €292 million for the fiscal year ended December 31, 2020 from €489 million for the fiscal year ended December 31, 2019. Merchandising EBITDA decreased by €4 million, or 16%, to €21 million for the fiscal year ended December 31, 2020 from €25 million for the fiscal year ended December 31, 2019. This decrease was due to the impact of the COVID-19 pandemic on both touring and retail activity.

Merchandising revenues increased by €216 million, or 79.1% (73.7% at constant currency and 73.7% at constant currency and perimeter), to €489 million for the fiscal year ended December 31, 2019 from €273 million for the fiscal year ended December 31, 2018. Merchandising EBITDA increased by €10 million, or 66.7%, to €25 million for the fiscal year ended December 31, 2019 from €15 million for the fiscal year ended December 31, 2018. This increase was driven by higher touring revenue due to a strong touring roster and growth in retail and direct-to consumer sales driven by the success of key artists including Billie Eilish, The Rolling Stones and Taylor Swift. Revenues also benefited from the acquisition of Epic Rights at the end of 2018.

8.8.2 Recorded music Revenue by Geographical Location

Recorded music revenues in North America increased by €158 million, or 11.3% (23% at constant currency and 23% at constant currency and perimeter), to €1,554 million for the six months ended June 30, 2021 from €1,396 million for the six months ended June 30, 2020. Recorded music revenues in North America increased by €304 million, or 11.5% (12.7% at constant currency and 11.4% at constant currency and perimeter), to €2,940 million for the fiscal year ended December 31, 2020 from €2,636 million for the fiscal year ended December 31, 2019. Recorded music revenues in North America increased by €412 million, or 18.5% (12.6% at constant currency and 8.7% at constant currency and perimeter), to €2,636 million for the fiscal year ended December 31, 2019 from €2,224 million for the fiscal year ended December 31, 2018. The primary driver was the increase in streaming and subscription revenues. Between 2018 and 2019, revenues also benefited from favorable foreign exchange movements and the acquisition of Ingrooves.

Recorded music revenues in Europe increased by €82 million, or 9.8% (10.3% at constant currency and 10.3% at constant currency and perimeter), to €920 million for the six months ended June 30, 2021 from €838 million for the six months ended June 30, 2020. Recorded music revenues in Europe increased by €47 million, or 2.7% (3.6% at constant currency and 3.6% at constant currency and perimeter), to €1,789 million for the fiscal year ended December 31, 2020 from €1,742 million for the fiscal year ended December 31, 2019. Recorded music revenues in Europe increased by €162 million, or 10.3% (10.1% at constant currency and 10.1% at constant currency and perimeter), to €1,742 million for the fiscal year ended December 31, 2019 from €1,580 million for the fiscal year ended December 31, 2018. The primary driver was the increase in streaming and subscription revenues.

Recorded music revenues in Asia increased by €46 million, or 12.0% (18.8% at constant currency and 18.8% at constant currency and perimeter), to €428 million for the six months ended June 30, 2021 from €382 million for the six months ended June 30, 2020. Recorded music revenues in Asia increased by €30 million, or 3.9% (3.5% at constant currency and 3.5% at constant currency and perimeter), to €801 million for the fiscal year ended December 31, 2020 from €771 million for the fiscal year ended December 31, 2019. Recorded music revenues in Asia increased by €153 million, or 24.8% (18.5% at constant currency and 18.5% at constant currency and perimeter), to €771 million for the fiscal year ended December 31, 2019 from €618 million for the fiscal year ended December 31, 2018. The primary driver was the increase in streaming and subscription revenues.

Recorded music revenues in Latin America increased by €12 million, or 12.6% (27.7% at constant currency and 27.7% at constant currency and perimeter), to €107 million for the six months ended June 30, 2021 from €95 million for the six months ended June 30, 2020, primarily due to the growth in subscription and streaming income. Revenues in Latin America decreased by €3 million, or -1.6% (an increase of 15.5% at constant currency and an increase of 15.5% at constant currency and perimeter), to €181 million for the fiscal year ended December 31, 2020 from €184 million for the fiscal year ended December 31, 2019, driven by unfavorable foreign exchange. Recorded music revenues in Latin America increased by €31 million, or 20.3% (25.5% at constant currency and 25.5% at constant currency and perimeter), to €184 million for the fiscal year ended December 31, 2019 from €153 million for the fiscal year ended December 31, 2018, driven by the growth in streaming and subscription income.

Recorded music revenues in the rest of the world increased by €68 million, or 113.3% (78.4% at constant currency and 78.4% at constant currency and perimeter), to €128 million for the six months ended June 30, 2021 from €60 million for the six months ended June 30, 2020. Revenues in rest of the word decreased by €45 million, or 14.9% (13.6% at constant currency and 13.6% at constant currency and perimeter), to €256 million for the fiscal year ended December 31, 2020 from €301 million for the fiscal year ended December 31, 2019. Recorded music revenues in the rest of the word increased by €48 million, or 19.0% (20.4% at constant currency and 20.4% at constant currency and perimeter), to €301 million for the fiscal year ended December 31, 2019 from €253 million for the fiscal year ended December 31, 2018. The primary driver for these changes was the re-allocation of certain deals originally booked centrally to operating companies.

8.9 Financial Condition and Liquidity

8.9.1 Statement on Working Capital

In the opinion of the Company, UMG has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

8.9.2 Cash Flows

The following table summarizes UMG's cash flows.

	6 months ended June 30,		**Year ended December 31,**		
	2021	**2020**	**2020**	**2019**	**2018**
	(€ millions, unless otherwise indicated)				
	(Unaudited)		*(Audited)*		
Operating activities					
EBIT	684	516	1,221	1,039	821
Adjustments[1]	88	94	213	201	106
Content investments, net[2]	(173)	(352)	(1,517)	(465)	(161)
Gross cash provided by operating activities before income tax paid	**599**	**258**	**(83)**	**775**	**766**
Other changes in net working capital	(172)	(118)	287	82	179

Net cash provided by operating activities before income tax paid	**427**	**140**	**204**	**857**	**945**
Income tax (paid)/received, net	(118)	(64)	(207)	(172)	(198)
Net cash provided by operating activities	309	76	(3)	685	747
Investing activities					
Capital expenditures	(23)	(37)	(66)	(75)	(110)
Purchases of consolidated companies, after acquired cash	(2)	(1)	(4)	(50)	(12)
Investments in equity affiliates	(23)	(1)	(2)	-	-
Increase in financial assets	(47)	-	(3)	(13)	(12)
Investments	**(95)**	**(39)**	**(75)**	**(138)**	**(134)**
Proceeds from sales of property, plant, equipment and intangible assets	5	-	-	3	-
Proceeds from sales of consolidated companies, after divested cash	117	-	11	(2)	1
Disposal of equity affiliates	-	1	1	-	-
Decrease in financial assets	-	-	15	6	19
Divestitures	**122**	**1**	**27**	**7**	**20**
Dividends received from equity affiliates	1	-	2	2	2
Dividends received from unconsolidated companies	1	1	-	-	1
Net cash provided by/(used for) investing activities	**29**	**(37)**	**(46)**	**(129)**	**(111)**
Financing activities					
Distributions to shareowners	(422)	-	(283)	(1,002)	(981)
Other transactions with shareowners	-	(11)	(11)	-	(1,414)
Dividends paid by consolidated companies to their non-controlling interests	(1)	(3)	(5)	(5)	(5)
Transactions with shareowners	**(423)**	**(14)**	**(299)**	**(1,007)**	**(2,400)**
Principal payment on short-term borrowings	-	-	-	-	(57)
Other changes in short-term borrowings and other financial liabilities	(103)	149	625	2	46
Interest paid, net	(9)	(6)	(15)	14	27
Other cash items related to financial activities	(9)	(1)	(3)	(2)	(3)
Transactions on borrowings and other financial liabilities	**(121)**	**142**	**607**	**14**	**13**
Repayment of lease liabilities and related interest expenses	(40)	(43)	(91)	(83)	-
Net cash provided by/(used for) financing activities	**(584)**	**85**	**217**	**(1,076)**	**(2,387)**
Foreign currency translation adjustments of continuing operations	6	(20)	(35)	(8)	(19)
Change in cash and cash equivalents and shareowners loans	**(240)**	**104**	**133**	**(528)**	**(1,770)**
Cash and cash equivalents and shareowners loans					
At beginning of the period	**1,141**	**1,008**	**1,008**	**1,536**	**3,306**
At end of the period	**901**	**1,112**	**1,141**	**1,008**	**1,536**
of which Shareowners loans					
At beginning of the period	**815**	**672**	**672**	**1,260**	**3,059**
At end of the period	**146**	**695**	**815**	**672**	**1,260**
of which Cash and cash equivalent					

At beginning of the period	**326**	**336**	**336**	**276**	**247**
At end of the period	**755**	**417**	**326**	**336**	**276**

Note

(1) Adjustments relate to: (i) amortization and depreciation of intangible and tangible assets; (ii) change in provision, net; (iii) operational income from equity affiliates; (iv) and proceeds from sales of property, plant, equipment and intangible assets.

(2) Content investments, net is comprised of net music content advances and catalog investments, net, which is split as follows for the periods provided: (i) 6 months ended June 30, 2021: (a) net music content advances - €130 million; and (b) catalog investments, net - €43 million; (ii) 6 months ended June 30, 2020: (a) net music content advances - €266 million; and (b) catalog investments, net - €86 million; (iii) year ended December 31, 2020: (a) net music content advances - €588 million; and (b) catalog investments, net - €929 million; (iv) year ended December 31, 2019: (a) net music content advances - €192 million; and (b) catalog investments, net - €273 million; and (v) year ended December 31, 2018: (a) net music content advances - €121 million; and (b) catalog investments, net - €40 million.

8.9.3 Net cash provided by operating activities

Net cash provided by operating activities increased by €233 million, or 306.1%, to an inflow of €309 million for the six months ended June 30, 2021 from an inflow of €76 million for the six months ended June 30, 2020. The increase is primarily due to the €168 million improvement in EBIT and the €179 million decrease in net content investments due to lower net payments of artist advances and lower investment in catalog rights. This was partly offset by €54 million higher payment of taxes and €55 million unfavorable variance in Net Working Capital.

Net cash provided by operating activities decreased by €688 million, or 100.4%, to a negative €3 million for the fiscal year ended December 31, 2020 from €685 million for the fiscal year ended December 31, 2019. Net cash provided by operating activities was affected by a decrease of €858 million in gross cash provided by operating activities before income tax paid, which in turn, was affected by an increase of €1,052 million in content investments, net. The primary driving factors of these decreases were the increase in net content investments pursuant to significant catalog acquisitions and multi-year artist advances for €1,052 million despite the €182 million increase in EBIT, and the €205 million favorable change in working capital driven by the timing of digital license receipts received in advance.

Net cash provided by operating activities decreased by €62 million, or 8.3%, to €685 million for the fiscal year ended December 31, 2019 from €747 million for the fiscal year ended December 31, 2018. The decrease is due to the increase in net content investments for €304 million following the acquisition of catalog rights, the €97 million unfavorable change in working capital and despite the €218 million increase in EBIT. The €95 million increase in adjustments is driven by the €64 million impact on right of use asset depreciation following the implementation of IFRS16.

8.9.4 Net cash provided by / (used for) investing activities

Net cash provided by / (used for) investing activities increased by €66 million, or 177.8%, to an inflow of €29 million for the six months ended June 30, 2021 from an outflow of €37 million for the six months ended June 30, 2020. The increase is due primarily to the €117 million higher proceeds on disposal of consolidated companies that included the disposal of UMG's interest in Alamo Records LLC and despite the €56 million higher investments in the period.

Net cash provided by / (used for) investing activities decreased by €83 million, or 64.3%, to an outflow of €46 million for the fiscal year ended December 31, 2020 from an outflow of €129 million for the fiscal year ended December 31, 2019. Net cash provided by / (used for) investing activities benefitted from the €63 million decrease in investment due to €46 million decrease in purchase of consolidated companies, after acquired cash. Capital expenditures also decreased by €9 million.

Net cash provided by / (used for) investing activities increased by €18 million, or 16.2%, to an outflow of €129 million for the fiscal year ended December 31, 2019 from an outflow of €111 million for the fiscal year ended December 31, 2018. This change was primarily caused by €35 million lower capital expenditure (that in 2018 included significant spend on leasehold improvements) and €13 million lower proceeds from the disposal of financial assets and despite €38 million greater purchases of consolidated companies after acquired cash.

8.9.5 *Net cash provided by / (used for) financing activities*

Net cash provided by / (used for) financing activities decreased by €669 million, or -787.1%, to an outflow of €584 million for the six months ended June 30, 2021 from an inflow of €85 million for the six months ended June 30, 2020. The decrease is primarily due to the €422 million increase in dividends paid to shareholders and the €252 million unfavorable movement in other changes in short-term borrowings and other financial liabilities as a result of a reduction in borrowings entered into directly by UMGI.

Net cash provided by financing activities increased by €1,293 million, or 120.2%, to an inflow of €217 million for the fiscal year ended December 31, 2020 from an outflow of €1,076 million for the fiscal year ended December 31, 2019. Net cash provided by financing activities was affected by a decrease in transactions with shareowners of €708 million. In turn, transactions with shareowners were affected by a decrease in distributions to shareowners of €719 million. Transactions on borrowings and other financial liabilities also increased by €593 million, due to an increase of other changes in short-term borrowings and other financial liabilities of €623 million as a result of additional borrowings entered into directly by UMGI.

Net cash used for by financing activities decreased by €1,311 million, or 54.9%, to an outflow of €1,076 million for the fiscal year ended December 31, 2019 from an outflow of €2,387 million for the fiscal year ended December 31, 2018. This change was as a result of a decrease in transactions with shareowners of €1,393 million driven by the €1,414 million share capital reduction of Universal Music Group S.A.S (***UMG S.A.S***) in 2018.

8.9.6 *Cash and cash equivalents and shareowner loans*

Cash and cash equivalents and shareowner loans decreased by €240 million, or 21.0%, to €901 million for the six months ended June 30, 2021 from €1,141 million as at December 31, 2020. The decrease is due to the €584 million net cash used for financing activities predominately driven by the €422 million dividends paid to shareholders and the €103 million reduction in short-term borrowings and other financial liabilities as a result of a reduction in borrowings entered into directly by UMGI. This was partly compensated by the €309 million net cash provided by operating activities.

Cash and cash equivalents and shareowner loans increased by €133 million, or 13.2%, to €1,141 million for the fiscal year ended December 31, 2020 from €1,008 million for the fiscal year ended December 31, 2019. The increase was due to an inflow of €217 million from financing activities partly offset by the €46 million outflow from investing activities. Financing activities included the €625 million increase in short-term borrowings and other financial liabilities as a result of an increase in borrowings entered into directly by UMGI, partly offset by the €283 million dividends paid to shareholders.

Cash and cash equivalents and shareowner loans decreased by €528 million, or 34.4%, to €1,008 million for the fiscal year ended December 31, 2019 from €1,536 million for the fiscal year ended December 31, 2018. The decrease was due to an outflow of €1,076 million from financing activities driven by the €1,002 million dividends paid to shareholders and despite the €685 million inflow from operating activities.

8.9.7 *Borrowing and Commitments*

The table below presents a breakdown of UMG's interest-bearing liabilities as at the dates indicated.

	June 30, 2021			**December 31, 2020**			**December 31, 2019**			**December 31, 2018**		
	Total	Long-term	Short-term	Total	Long-term	Short-term	Total	Long-term	Short-term	Total	Long-term	Short-term
	(€ millions, unless otherwise indicated)											
Shareowners borrowings (a)	2,368	-	2,368	2,368	2,368	-	-	-	-	-	-	-
Credit lines drawn by UMGI (b)	546	-	546	635	-	635	-	-	-	-	-	-
Bank overdrafts	2	-	2	5	-	5	14	-	14	17	-	17
Other..................................	2	1	1	1	1	-	1	1	-	1	1	-
Borrowings at amortized cost	**2,918**	**1**	**2,917**	**3,009**	**2,369**	**640**	**15**	**1**	**14**	**18**	**1**	**17**
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings and other financial liabilities	**2,918**	**1**	**2,917**	**3,009**	**2,369**	**640**	**15**	**1**	**14**	**18**	**1**	**17**

The table below sets forth the maturity structure of UMG's financial debt as at June 30, 2021.

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
				Audited			
				(€ millions, unless otherwise indicated)			
Shareowners borrowings ..	2,368	-	-	-	-	-	2,368
Credit lines	546	-	-	-	-	-	546
Bank overdrafts	2	-	-	-	-	-	2
Other................................	1	1	-	-	-	-	1
Total	**2,917**	**1**	-	-	-	-	**2,918**

8.9.8 *Borrowings at amortized cost*

(a) *Long-Term*

Long-term borrowings at amortized cost decreased by €2,368 million to €1 million as at June 30, 2021 from €2,369 million as at December 31, 2020. The decrease is due to the move of the borrowings from long-term to short-term in anticipation of settlement of a series of transactions implemented to separate Vivendi's and UMG's cash pooling and financing arrangements on July 7, 2021 (for more information, see Section 6.2 (*Indebtedness*)).

Long-term borrowings at amortized costs increased by €2,368 million to €2,369 million for the fiscal year ended December 31, 2020 from €1 million for the fiscal year ended December 31, 2019. The increase was due to an increase in shareowners' borrowings of €2,368 million, which was part of the reorganisation to properly align the perimeter of UMG whereby subsidiaries directly owned by Vivendi (through UMG S.A.S.) were sold to UMG after which UMG S.A.S. was dissolved with universal transmission of its property to Vivendi. For more information, please see notes 14 and 15 of the audited Combined Financial Statements and Section 12.14.5 (*Reorganisation of UMG perimeter*) below.

Long-term borrowings at amortized costs remained at €1 million for the fiscal year ended December 31, 2019 from the fiscal year ended December 31, 2018.

(b) *Short-Term*

Short-term borrowings at amortized cost increased by €2,277 million to €2,917 million as at June 30, 2021 from €640 million as at December 31, 2020. The increase is predominately due to the move of borrowings from long-term to short-term in anticipation of settlement of a series of transactions implemented to separate Vivendi's and UMG's cash pooling and financing arrangements on July 7, 2021 (for more information, see Section 6.2 (*Indebtedness*)).

Short-term borrowings at amortized costs increased by €626 million to €640 million for the fiscal year ended December 31, 2020 from €14 million for the fiscal year ended December 31, 2019. The increase was due to an increase in credit lines drawn by UMGI of €635 million, which was primarily used to finance acquisitions of collections of music compositions (or "catalog acquisitions") in the US.

Short-term borrowings at amortized costs remained broadly stable, decreasing by €3 million to €14 million for the fiscal year ended December 31, 2019 from €17 million for the fiscal year ended December 31, 2018.

8.9.9 *Borrowings and other financial liabilities*

Borrowings and other financial liabilities decreased by €91 million to €2,918 million as at June 30, 2021 from €3,009 million as at December 31, 2020. The decrease is due to a reduction in the credit lines drawn by UMGI.

Borrowings and other financial liabilities by increased by €2,094 million to €3,009 million for the fiscal year ended December 31, 2020 from €15 million for the fiscal year ended December 31, 2019. The increase was due to an increase in borrowings at amortized costs of €3,000 million, which was primarily driven by an €2,368 million increase in shareowners borrowings and a €626 million increase in credit lines drawn by UMGI.

Borrowings and other financial liabilities by remained broadly stable, decreasing by €3 million to €15 million for the fiscal year ended December 31, 2019 from €18 million for the fiscal year ended December 31, 2018.

8.9.10 Facilities Agreement and repayment of Vivendi Loan Agreements

For information about UMG's Facilities Agreement, see Section 16.5 (*Material Contracts*).

In connection with the carve-out of the treasury function of the Group from Vivendi's treasury function in anticipation of the Distribution (the ***Treasury Carve-Out***), certain loan agreements entered into between Vivendi, as lender, and UIM, as borrower, were repaid by the Company on behalf of UIM on July 7, 2021. Following draw-down of an amount of €2,240 million by the Company under the Facilities Agreement on July 7, 2021, the following amounts were repaid by the Company on behalf of UIM to Vivendi:

- an aggregate amount of €388,655,596.11 (including accrued interest until July 7, 2021), under a loan agreement entered into by UIM and Vivendi on May 3, 2021, pursuant to which this loan agreement was repaid in full;
- an aggregate amount of €858,733,383.20 (including accrued interest until July 7, 2021), under a loan agreement entered into by UIM and Vivendi on May 6, 2021, pursuant to which this loan agreement was repaid in full; and
- an aggregate amount of €1,120,846,460.45 (including accrued interest until July 7, 2021), under a loan agreement entered into by UIM and Vivendi on May 13, 2021, pursuant to which this loan agreement was repaid in full.

(collectively, the ***Vivendi Loan Agreements***).

Following the aforementioned repayments in full of the Vivendi Loan Agreements, the Vivendi Loan Agreements ceased to exist and the Group no longer owes any amounts to Vivendi or the Vivendi Group pursuant to any shareholder loans.

In connection with the repayment of the Vivendi Loan Agreements by the Company on behalf of UIM, the Company and UIM entered into an revolving credit facility intercompany loan agreement (the ***RCF Intercompany Loan Agreement***) and a term loan intercompany agreement (the ***Term Loan Intercompany Agreement***) on July 7, 2021, whereby the Company, as lender, lent an amount to UIM, as borrower, in an amount equal to the aggregate of the amounts outstanding under the Vivendi Loan Agreements. The lent amount under the RCF Intercompany Loan Agreement is subject to an interest rate of EURIBOR 1 month +1.13% (1.13% for the first interest period). The lent amount under the Term Loan Intercompany Agreement is subject to an interest rate of interest rate of EURIBOR 3 months +1.03% (1.03% for the first interest period).

At present, the Company does not require any additional borrowings for the conduct of its business and operations, however, to the extent that the need for the Company to put in place additional funding arises in the future, for example for opportunistic investments, the Company will consider this on a case by case basis and seek to procure borrowings on appropriate terms.

8.9.11 Quantitative and Qualitative Disclosures about Market Risks

For a description of UMG's management of market, interest rate, foreign exchange, capital and liquidity risks, see "*Risk management and derivative financial instruments*" in Section 18 (*Historical Financial Information*).

8.9.12 Critical Accounting Policies and Estimates

For a description of UMG's critical accounting judgments and key sources of estimation uncertainty, see "*Critical accounting judgments and key sources of estimation uncertainty*" in Section 18 (*Historical Financial Information*).

9. UMG PROFIT FORECAST

The discussion of forecasts presented below includes forward-looking statements that have been prepared by the Company's management and represent, to the best of the Company's management's knowledge and opinion, the Company's expected developments. They are based on the Company's management's current beliefs, expectations, assumptions and the business plan of the Company and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from what is provided below. No assurance can be given that what is described below will occur, continue or be achieved. These forward-looking statements involve assessments about matters that are inherently uncertain and actual results may differ for a variety of reasons including those described in Section 1 (Risk Factors) and Section 3 (Forward-Looking Statements) of this Prospectus. No assurance can be given that actual results will track those described in the forward-looking statements set out below. The forecasts included in this section cancel and replace all the provisional information previously disclosed by Vivendi and/or the Company that may be attributable to the business activities carried out by the Group. The forecast set out below is based on data, assumptions and estimates considered reasonable by the Company as at the date of this Prospectus. These data and assumptions may change or be modified due to the uncertainties related in particular to the economic, financial, accounting, competitive, regulatory and tax environment or to other factors that the Company may not be aware of as at the date of this Prospectus. Furthermore, the occurrence of one or more risks described in Section 1 (Risk Factors) could have an impact on the Company's business, financial condition, results or outlook and could therefore adversely affect these forecasts. Consequently, the Company makes no commitment and gives no guarantee that it will meet the forecasts set out in this section.

9.1 Forecasts for the year ending December 31, 2021

Subject to the assumptions described below and assuming anticipated market conditions and anticipated macro-economic conditions, the Company believes that it will achieve the following for the year ending December 31, 2021:

- a revenue growth rate above 10% when compared to Group's revenue for the year ended December 31, 2020 (at constant currency and perimeter); and
- an EBITDA growth rate above 20% when compared to the Group's EBITDA for the year ended December 31, 2020.

9.2 Assumptions

The Company's forecasts in this section of the Prospectus have been prepared on a basis which is: (i) comparable with the historical financial information of the Company included in the Combined Financial Statements and the Interim Financial Statements and taking into consideration the adjustments made to determine the KPIs; and (ii) consistent with the accounting policies applied by the Company for the preparation of the Combined Financial Statements and the Interim Financial Statements.

The EBITDA growth rate forecast has been subject to a report by EY and Deloitte, as independent auditors of UMG, and is based on the following main assumptions regarding factors indicated below.

The Company's forecasts are mainly provided on the basis of: (i) the Company's results for the six months ending June 30, 2021 as set out in the Interim Financial Statements, management's monitoring and initial evaluation of the progress of the Company's operations since June 30, 2021 up to the date of this Prospectus and, subject to the factors set out below, management's expectations regarding the trajectory and progress of the Company's operations for the remainder of the period up to December 31, 2021; (ii) management's expected trajectory of the Group's recurring and relatively predictable revenues from its streaming and publishing segments; (iii) the Company's analysis of recent subscription numbers received from digital service providers; and (iv) the Company's analysis and views of the strength of its labels and artists content to be released during the remainder of the year ending December 31, 2021.

Factors that are outside of the control of the Company and its management:

- any material changes to the macro-economic, legislative and regulatory environment of the Group when compared to those in effect during the year ended December 31, 2020. Additionally, the Group was not able, and in the future would not be able, to control the impact of the COVID-19 pandemic in the various markets where it operates, including the impact it has had, and may continue to have, on the music industry;

- developments in relation to the music industry and market in which the Group operates which are in line with the market trends assumed, the most material trends of which are:
  - the continued growth of subscription music services and ad-supported music services, which, according to IFPI, accounted for approximately 62.1% of global recorded music revenues in 2020; and
  - the continued global music-market development, which has undergone significant growth in recent years, in large part as a result of growth in the digital consumption of music-based entertainment, driven by technological innovation and consumer consumption trends and facilitated by the music industry's adoption of new technologies, formats and monetization models; and
- while the Company is not currently aware of any changes which it considers to be material at present, any material changes in the accounting principles for the Company for the year ended December 31, 2021 required to be applied by the Company when compared to the principles applied in the Company's Combined Financial Statements and Interim Financial Statements;

Factors that are partially or wholly within the control of the Company and its management:

- the schedule and timing of release of content by UMG's labels and artists during the remainder of the year ending December 31, 2021;
- UMG's continued and planned efforts at marketing and promoting the content of its artists' during the remainder of the year ending December 31, 2021;
- the continuation of UMG's partnerships with digital music services; and
- UMG's cost of revenues and other expenses being higher for the year ending December 31, 2021 when compared to the year ended December 31, 2020.

9.3 Universal Music Group's Independent Auditors' report on the Universal Music Group's profit forecast for the year ending December 31, 2021

DELOITTE & ASSOCIES
6, place de la Pyramide
92908 Paris–La Défense Cedex

S.A.S. au capital de € 2 188 160
572 028 041 RCS Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Universal Music Group

Universal Music Group's Independent Auditors' report on the Universal Music Group's profit forecast for the year ending December 31, 2021

To the board of directors of Universal Music Group,

In our capacity as independent auditors of your company and upon your request, we hereby report to you on the profit forecast (EBITDA growth rate forecast compared to the year ended December 31, 2020) of Universal Music Group for the year ending 31 December 2021 set out in section 9 "UMG Profit Forecast" of the prospectus dated September 14, 2021 prepared for the first admission to listing and trading of all the ordinary shares of Universal Music Group on Euronext Amsterdam (the Prospectus).

It is your responsibility to compile the profit forecast, together with the material assumptions upon which it is based, in accordance with the requirements of Regulation (EU) 2017/1129 supplemented by Commission Delegated Regulation (EU) 2019/980 and ESMA's guidelines on profit forecast.

It is our responsibility to express an opinion, based on our work as to the proper compilation of this forecast on the basis stated.

We performed the work that we deemed necessary according to the professional guidance issued by the French Institute of Statutory Auditors ("CNCC") applicable to such engagement. Our work included an assessment of the procedures undertaken by management to compile the profit forecast as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by Universal Music Group for the preparation of the historical financial information for the year ended 31 December 2020. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the profit forecast has been properly compiled on the basis stated.

Since profit forecast, by nature, is uncertain and may differ significantly from actual results, we do not express an opinion as to whether the actual results reported will correspond to those shown in the profit forecast.

In our opinion:

- the profit forecast has been properly compiled on the basis stated; and

- that basis of accounting used for the profit forecast is consistent with the accounting policies of Universal Music Group for the preparation of its combined financial statements for the year ended 31 December 2020.

This report has been issued solely in connection with the Prospectus and cannot be used for any other purpose.

Paris-La Défense, September 14, 2021

The Independent Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Géraldine Segond	Claire Pajona

10. INDUSTRY OVERVIEW

The information presented in this section contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets. Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, using underlying data from independent third parties. For more information, see Section 2.6 (Market, Economic and Industry Data).

10.1 Introduction and overview

Music is Universal. Like nothing else, it entertains, inspires and thrills. Music is central to culture and it is the soundtrack to peoples' lives.

Today, great things are happening in music. There are new artists and musical trends and as well as new ways of discovering older music. There is increased penetration by digital music services, expansion of music services to new markets and new music-based products. Around the globe, fans are connecting with music in new and engaging ways and, as a result, enjoying more music than ever before.

The music entertainment industry, which now includes not only recorded music and music publishing businesses but also other business lines such as merchandising and music-based audio-visual content is dynamic, growing and global. The industry has grown significantly in recent years, predominantly due to a growth in the digital consumption of music-based entertainment driven by technological innovation and consumer consumption trends and made possible by the industry's adoption of new technologies, formats and monetization models.

Even with its strong growth in recent years, UMG believes streaming is still in the early stages of global penetration and there remains a substantial opportunity for further expansion driven by growth in the number of paid subscribers of digital streaming services, including in established streaming markets which still have room for meaningfully increased adoption. Similarly, in new, high growth markets, the continuing migration of consumers online provides potential for significant growth of ad-supported streaming. This trend is also driven by continued technological innovation across devices and formats, such as voice-controlled speakers, connected cars, intersections with social media and gaming, audio-visual product evolution, which is deepening fans' engagement and consumption of music. These are also early days of the expansion of streaming music licensing into new lifestyle categories such as digital health and fitness, which have considerable potential for growth.

Newer music markets (particularly in Latin America, China, Africa, India and Southeast Asia) are also beginning to contribute more significantly to revenue growth. Latin America has been the fastest-growing region in terms of global music revenue for the past six years and global music revenue in Asia (excluding Japan, its largest market) grew by 30% in 2020 as compared to 2019 revenue. Also, in a marker of its increasing significance in the global music industry, for the first time Africa and the Middle East was listed as its own region in the IFPI Global Music Report 2021.

Combining new technologies with music's inherent ability to unite people across national borders, geographic boundaries, generations, and languages with new technologies opens a world of possibilities. Music is, indeed, Universal.

10.2 UMG's Industry

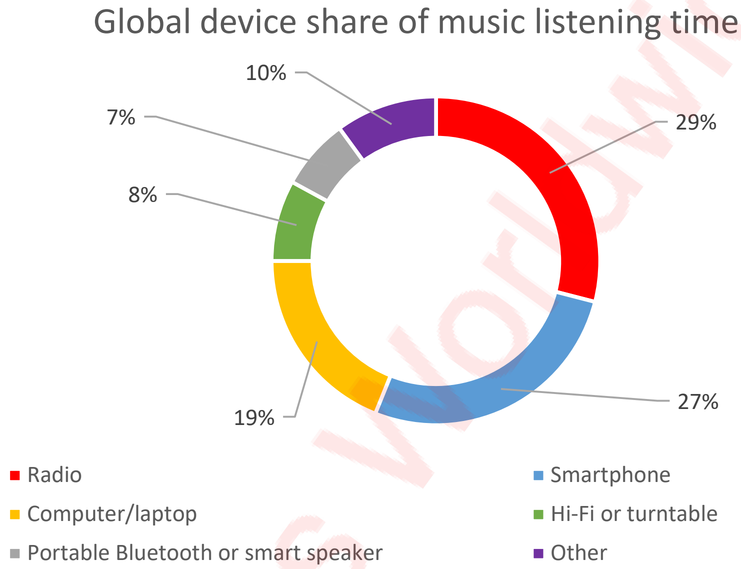
The role of record labels is to identify, partner with and develop artists to help them achieve creative and commercial success in a highly competitive environment. Labels find and develop new talent, fund and support the creative process of making music and connecting artists with fans, authorize use of music by hundreds of platforms, and use digital technology to provide data insights and protect the value of artists' content.

Labels are the primary "investor" in artists, and through their investment, labels support the broader music ecosystem through a virtuous cycle of reinvestment. Labels bear the financial risk in the release and promotion of new recordings as any upfront advances paid to artists and the costs of marketing and promoting any recordings or content are not recouped by the labels if the project is not commercially successful. If the project is successful, the profits are shared between artist and the label, which reinvests into new talent and the creation of more music.

10.2.1 Consumer Trends and Demographics

With new artists, musical trends and ways of discovering older music—combined with increased penetration of digital music services, mobile handset devices, expansion of music services in new markets and new music-based products—UMG believes there are more fans engaging with music and in more ways than at any point in the history of the music industry. Despite the pandemic's impact (see Section 10.3.5 (*Initial Impact of the COVID-19 pandemic*)), this trend continued in 2020, as listening to music is often associated with daily life activities, such as being in the car, relaxing at, or working from home. Across all ages and geographies, growth continues through increased engagement, notably through streaming subscriptions. An IFPI global survey of 2019 reported that only 2.5% of those surveyed find music to be "unimportant."

According to IFPI's Global Listening Report, global consumers spent 18 hours listening to music each week in 2019. Demographic trends and digital music penetration have been key factors in driving growth in music consumption. In 2020, Smartphones were the device on which people listen to most music and comprised more than one-third (36.9%) of all music listening time across all age groups, an increase of 27.2% compared to 2019. Smartphones were followed by music listening on computers (20.1%), on the radio (14.2%), on a music system / hi-fi or turntable (8.4%), with portable bluetooth speakers or smart speakers comprising 7.9% of all music listening in 2020. Additionally, in the physical sales space, vinyl revenues grew for the 14th consecutive year in 2020, and it was the number one selling physical music format in 17 countries (up from 10 in 2019).



Source: IFPI

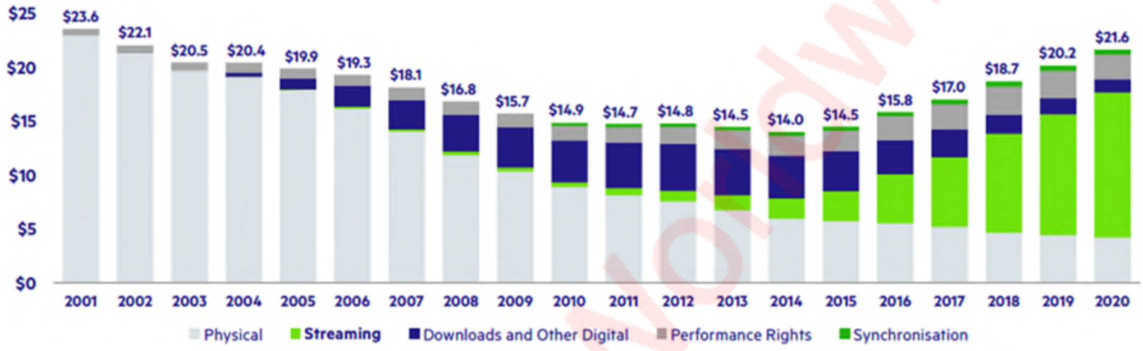
The smartphone is the device of choice for music listening among younger people—who are typically early adopters of new technologies, including music-enabled devices. Over half of the music listening time (51%) of people aged 16 to 24 years was on a smartphone in 2020. In addition, slightly under half (48%) of all 16- through 64-year-olds globally said that they would prefer to use their smartphone for music listening than any other device in 2020. In rapidly developing markets the figures were even higher: in Brazil, 58% preferred their smartphone to any other music listening device; in Mexico the figure was 62%, in India 65%, and in South Korea and China 71%. Amongst 16- to 24-year-olds, the figure was 69% globally. The increasing penetration of music streaming globally is driven by younger people: 93% of 16- to 24-year-olds used licensed audio streaming services such as Spotify and Apple Music in 2020. New short form video formats that emerged over the last two years, such as TikTok, have proved very popular as venues for music consumption, particularly amongst younger demographics. While one-in-four 16- to 64-year-olds said that they used TikTok on a daily basis in 2020, the figure was 50% amongst 16- to 24-year-olds. TikTok users said that more than two-thirds of all content they viewed on the service had music as a central part of the video. Older social media services like Facebook and Instagram were also popular venues for music, and 25% of all 16- to 64-year-olds said Facebook was the social media service they used the most for music. Members of older demographic groups also increased their engagement with music streaming at a rapid pace in 2020. Among 35- to 64-year-olds globally, 75% enjoyed streaming in 2020, and this group showed the highest rate of growth of use of streaming services across all age groups. While older demographics tend to prefer listening to music on the radio or through physical media, such as on CDs or vinyl, there is an increasing use of personal voice assistants among 35- to 64-year olds.

Consumer trends also show increasing engagement across music genres and languages as the music market is becoming ever more global. The export of K-Pop into Western markets and the global influence of top American, British and Latin artists are strong indicators of this trend, but the influence of artists in newer music markets in Asia, Africa and the Middle East beyond their geographies due to digital formats also reveals increasing cultural exchanges through music. The analysis of music consumption by geography also reveals a variety of genres consumed within each country.

Music's influence permeates beyond audio, as evidenced by the disproportionate popularity musicians and artists have across social media. According to the Recording Industry Association of America (***RIAA***), as of April 2021, six out of the top ten most followed accounts on Twitter belong to musicians, as do five out of the top ten on Instagram and seven out of the top ten on Facebook. In fact, as of April 2021, six of the top 10 influencers across any category on social media were UMG artists, according to Visual Capitalist. It also permeates across formats, as YouTube figures show that the majority of videos that have achieved more than one billion lifetime views as well as 23 of the 30 most watched videos of all-time belong to musicians. IFPI reports that 77% of people used YouTube for music in the past month and 3.5 hours are spent listening to music via video streaming each week.

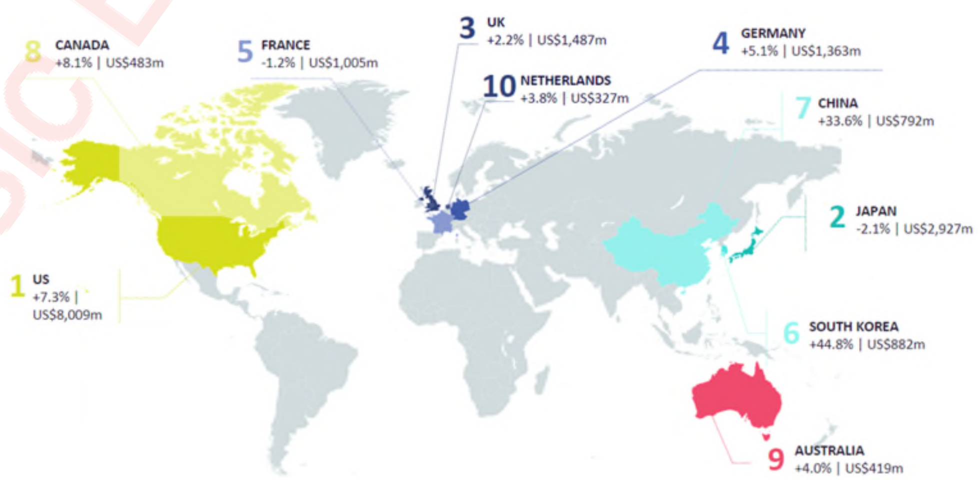
10.2.2 Recorded Music

The IFPI Global Music Report 2021 notes that the recorded music industry generated US$21.6 billion in global revenue in 2020, having grown by 7.4% in 2020, marking the sixth consecutive year of growth.



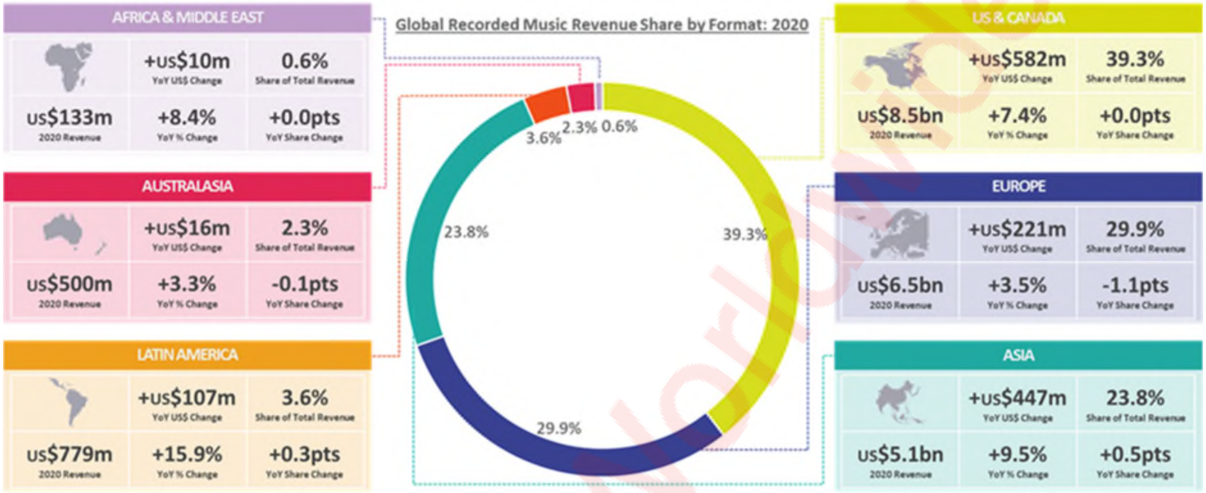
IFPI measures the recorded music industry on a global scale based on five revenue categories: streaming, downloads and other digital (excluding streaming), physical, synchronization and performance rights. Streaming is the largest of these categories, generating US$13.4 billion of revenue in 2020, representing 62% of global recorded music revenue. Within streaming, subscription audio streams generated approximately 74.9% of revenue, or US$9.9 billion, with the remainder of streaming revenue coming from ad-supported streams with 26% of revenue, or US$3.5 billion. Social media and video platform revenues grew 53% in 2020, primarily due to technology innovation but with music at its core. Overall, streaming grew by 19.9% in 2020 as compared to 2019. Physical represented approximately 19% of global recorded music revenue in 2020, with growth in formats such as vinyl partially offsetting declines in CD sales. Japan, in particular, accounts for a high percentage of physical sales and CD prices can be in the US$30 equivalent range. Performance rights revenue represents the use of recorded music by broadcasters and public venues and represented approximately 11% of global recorded music revenue in 2020. Downloads and other digital revenue represented approximately 6% of global recorded music revenue in 2020. Synchronization revenue is generated from the use of recorded music in advertising, film, video games and television content, and represented 2% of global recorded music revenue in 2020.

From a geographical standpoint, the largest markets for recorded music in 2020 were the United States, Japan, the United Kingdom, Germany, France, South Korea, China, Canada, Australia and the Netherlands. The graphic below sets out the top ten markets and their respective revenue growth for 2020.



Source: IFPI

While all regions across the world reported growth in the past year, newer music markets drove the increase in recorded music revenues, with high-double digit rates. Latin America (+15.9% at US$0.78 billion) was the fastest-growing region for the sixth consecutive year with Brazil, its largest market, growing close to 25% year over year. It was followed by Asia (+9.5% at US$5.1 billion), where the annual growth rate excluding Japan reached 30%, led by South Korea (+45%); and Africa & Middle East (+8.4% at US$0.13 billion) where Middle East and North Africa grew by 38%. The US and Canada, the world's largest region for recorded music, reported a robust 7.4% growth at US$8.5 billion, with the US (+7%) providing a greater contribution to global revenue growth than any other country. Europe (US$6.5 billion), where the UK (+2% at US$1.5 billion), Germany (+ 5.1% at US$1.4 billion) and France (- 1.2% at US$1 billion) account for 59% of revenues, and Australasia (US$0.5 billion) each grew by more than 3%. Japan, where physical still constitutes more than 60% of revenues and was therefore more severely impacted by pandemic store closures, saw a -2.1% decline in 2020.



Source: IFPI

10.2.3 Music Publishing

Music publishing involves the acquisition of rights to, and the licensing of, musical compositions (as opposed to sound recordings) from songwriters, composers or other rights holders. According to Music & Copyright, the music publishing industry generated US$5.9 billion in global revenue in 2020, representing an approximate 5.2% increase from US$5.6 billion in 2019. Music publishing revenues are classified by Music & Copyright as coming from four main royalty sources: digital; mechanical; performance; and synchronization.

Digital revenue is generated through the licensing of recorded music in various digital formats and by the digital performance of musical compositions to the general public, including through streaming and download services

Mechanical constitutes the sale of recorded music in various physical formats, including vinyl, CDs and DVDs.

Performance revenue is generated through the performance of the song to the general public, including through:

- Broadcast of musical compositions on television, radio and cable
- Live performance at a concert or other venue (e.g., arena concerts, nightclubs)
- Broadcast of musical compositions at sporting events, restaurants or bars
- Performance of musical compositions in staged theatrical productions

Synchronization revenue is generated through the use of the musical composition in combination with visual images, including through:

- Films or television programs
- Television commercials
- Video games
- Merchandising, toys or novelty items

Other smaller forms of music publishing revenue include the licensing of copyrights for use in printed sheet music.

10.3 Global Recorded Music Industry Revenues

UMG believes the following trends will continue to drive growth in the recorded music industry:

10.3.1 Streaming Still in Early Stages of Global Penetration

The IFPI Global Music Report 2021 recorded global streaming revenue at US$13.4 billion for 2020, representing 19.9% year-on-year growth from the 2019 figure of US$11.2 billion. The increase from 2019 to 2020 was the second highest annual value growth in the streaming format. Streaming is divided into two main categories; subscription streaming, whereby users pay a subscription allowing advertisement-free access to the relevant platform; or ad-supported streaming, which provides users access to certain features of the platform at no cost, but with the regular advertisement served to the user. Numerous digital distribution platforms offer both types to their users. Across the categories, streaming revenues grew at a CAGR of 41.3% from US$2.8 billion in 2010 to US$13.4 billion in 2020. Per-capita music spend remains below its peak in the United States, which, according to JP Morgan Research, was in 1999 when the nominal and inflation adjusted recorded music revenue per capita was $81, as compared to $24 in 2014 and $37 in 2020. UMG estimates that the potential to further monetize digital music streaming extends globally, including both developed markets (such as South Korea, Germany and the United States) and high-growth markets (such as Brazil, Mexico, China, India and Russia).

According to the IFPI Global Music Report 2021, global paid music streaming subscribers totaled 443 million at the end of 2020. While this represents an increase of 30% from 341 million at year-end 2019, it still represents only approximately 12% of the 3.6 billion smartphone users globally in 2020, according to Statista. It also represents a small fraction of the user base for large, globally scaled digital services such as Facebook, which reported 2.9 billion monthly users across its services as of June 30, 2021, and YouTube, which reported 1.8 billion unique logged-in monthly users as of May 2018. Global audio consumption continues to increase, and in 2020, consumption increased from 1.8 trillion streams in 2019 to 2.2 trillion streams in 2020, according to Billboard's 2020 year-end Report. According to Nielsen, as of July 2020, 51% of adults in the US (calculated across four demographic cohorts-Generation Z, Millennials, Generation X and Baby Boomers) reported that they are spending more time with music during the COVID-19 pandemic. Further, according to Nielsen, 56% of adults in the US who added an entertainment subscription during the COVID-19 pandemic added a music streaming subscription, and 87% of those who added a music streaming subscription intend to keep the subscription after the pandemic passes. According to a 2021 IFPI study, just under half (49%) of those aged 16 through 64 said they listened to music streaming services when they exercise (the equivalent figure was 76% amongst 16- to 24-year-olds). According to internal UMG estimates, in the first quarter of 2021, 41% of global music subscribers were under age 35, as compared to 39% in the first quarter of 2018.

The potential of global paid streaming subscriber growth is demonstrated by the penetration rates in early adopter markets where there still remains growth potential. According to Midia, approximately 45% of the population in Sweden, where Spotify was founded, was estimated to use a paid music subscription in 2021. This compares to lower rates of approximately 38%, 24% and 4% for the United States, other developed markets[1] and high growth markets[2], respectively. Paid music subscription adoption in the United States continues to increase and has grown from a 9% to a 21% to a 38% music subscriber penetration rate in 2015, 2017 and 2020, respectively. High growth markets, such as China, are also rapidly growing, with Midia reporting China with a 3.7% penetration rate in 2019, as compared to 0.4% and 2.0% in 2015 and 2017, respectively. China represents a

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[1] Other developed markets include Norway, Denmark, United Kingdom, Canada, Switzerland, Netherlands, Ireland, Australia, Finland, Germany, France, South Korea, Austria, Spain and Italy.

[2] High growth markets include Argentina, Mexico, Brazil, Taiwan, Russia, Poland, Colombia, China, Philippines, Thailand, Indonesia and India.

substantial growth market for the recorded music industry. Digital music monetization models, including paid streaming and virtual gifting (the purchase of a digital, non-durable, non-physical item, such as an emoji, that is delivered to another person often during a live karaoke performance), created the foundation for the recorded music industry to overcome piracy and generate revenue in China. Despite its substantial population, China was only the world's seventh-largest music market in 2020, according to IFPI, having only broken into the top 10 in 2017.

There also remains substantial opportunity in newer markets, such as Brazil and India, where smartphone penetration and the percentage of paid music subscribers is lower when compared to developed markets. For example, according to Statista, smartphone penetration for Brazil and India as at the end of 2020 was estimated at 67% and 42%, respectively, compared to 85% in the United States. Approximately 0.4% of the population in India and 9.6% of the population in Brazil was estimated to be paid music subscribers in 2020.

The landscape of digital music services is fragmented and highly competitive, with a number of large, well-funded technology companies competing for subscribers on a global scale, and with stand-alone music services broadening competition at global, regional and local levels. The four largest global players in the music subscription space are Amazon, Apple, Spotify and YouTube. Other global players include Deezer, Napster, Soundcloud and Tidal. Regional and local players have become increasingly important as the music business has continued its expansion, especially into new, high-growth markets. Companies advancing competition at regional and local levels include Boomplay, ByteDance, Netease, Pandora, RecoChoku, Tencent Music Entertainment and Yandex, among many others. As the digital service market continues to expand and grow, its competitive profile is becoming more diverse and dynamic.

10.3.2 Technology Enables Innovation and Presents Additional Opportunities

Technological innovation has helped facilitate the expansion of music listening across locations, including homes, offices and cars, as well as across devices, including smartphones, tablets, wearables, digital dashboards, gaming consoles, smart speakers, exercise equipment, personal computers and connected TVs (***CTVs***). These technologies represent advancements that are deepening listener engagement and driving further growth in music consumption.

10.3.3 Device Innovation

According to Nielsen, as of July 2020, US consumers listened to music across an average of 3.7 devices per month. UMG believes that the use of multiple devices is expanding listening hours by bringing music into more facets of consumers' lives, and the different consumption modes these devices enable are also broadening the base of music to which consumers are exposed, and diversifying and deepening consumer's relationship with music. The music that consumers listen to during a commute may be different than the music they listen to while they exercise, and different still than the music they play through a smart speaker while cooking a meal. Smart speakers enable consumers to access music more readily by using their voices. The global smart speaker market grew by 58% in 2020, accounting for 154 million units shipped over the course of 2020, according to Omdia's latest Smart Speakers 2020 report. The global install base for smart speakers rose to 338.9 million devices in 2020, up 138 million units from 2019, and is forecasted to rise to 512 million devices in 2021, according to Omdia's latest Smart Speakers 2020 report. Smart speaker adoption increased during the COVID-19 pandemic, with about 94 million people in the U.S. estimated to own at least one smart speaker in 2021, up from 76 million in 2020, according to data from Edison Research. Smart speakers are fueling further growth in streaming, by converting more casual listeners into paid subscribers, drawn in by music as a critical application for these devices. According to Nielsen, in 2020, 61% of US consumers who use a smart speaker weekly to listen to music currently pay for a subscription as well.

10.3.4 Format and Monetization Model Innovation

Short-form music and music-based video content has grown rapidly, driven by the growth of global social video applications such as TikTok, which features short videos often set to music. According to Sensor Tower, TikTok was the most downloaded and highest grossing non-game app globally in the first half of 2021, reaching nearly 383 million first-time installs. TikTok passed 3 billion installs globally in 2021 from across the App Store and Google Play (including the iOS version of its Chinese release, Douyin, and excluding third-party Android marketplaces), which Sensor Tower says makes it the first non-Facebook owned app to achieve this. Such applications have the potential for mass adoption, illustrating the opportunity for additional platforms of scale to be created to the benefit of the music entertainment industry. These platforms enable incremental consumption of music appealing to varied, and often younger, audiences. From a recording artist's perspective, these platforms have the potential to rewrite the path to stardom. Short-form music and music-based video content have also become increasingly popular on social media platforms such as Facebook, Instagram and YouTube (through its recent introduction of "Shorts"), further illustrating the growing number of potential pathways through which recording artists may gain consumer exposure and grow connections with their fans.

10.3.5 Initial Impact of the COVID-19 pandemic

Globally, the recorded music industry continued to grow during 2020, despite the impact of COVID-19. While lower when compared to pre-Covid-19 levels of recent years, the 2020 growth of 7.4% globally was the sixth consecutive year of increasing revenues in the recorded music industry, driven primarily by increased revenues in paid subscription streaming, which off-set decreases in physical revenues, performance rights revenues and synchronization revenues.

While there was an initial decrease in streaming consumption as a result of COVID-19 as traditional streaming occasions such as the commuting and going to the gym became less relevant, there was a shift in consumers behavior to steadier streaming consumption throughout the day resulting in an overall increase in streaming consumption for 2020. It has been widely reported that early in the COVID-19 pandemic, advertisers temporarily reduced their advertising spend, resulting in an initial corresponding decline in ad-supported streaming revenue, although this format did recover to double digit growth in the second half of 2020. The increased paid streaming revenues provided the music industry with a level of resilience to off-set the direct effects of COVID-19.

The direct effects of COVID-19, including stay-at-home orders, limitations on indoor and outdoor gatherings, cancellation of concerts and live events and closure of physical points of sale, resulted in declining rates of revenues in the performance rights and physical sales formats, including merchandising sold at concerts and live events. Stay at home orders also resulted in the cessation of, or significant delay in, the production of motion pictures and television programs, resulting in a decrease in global synchronization revenues, with the largest part of the impact being seen in the US, UK, Japan and France.

UMG expects that the continuing impact of the COVID-19 pandemic on the music industry and the markets in which it operates will depend largely on future developments, including the duration and spread of the pandemic and the effectiveness of vaccine distribution efforts globally, which are not possible to be predict at this stage.

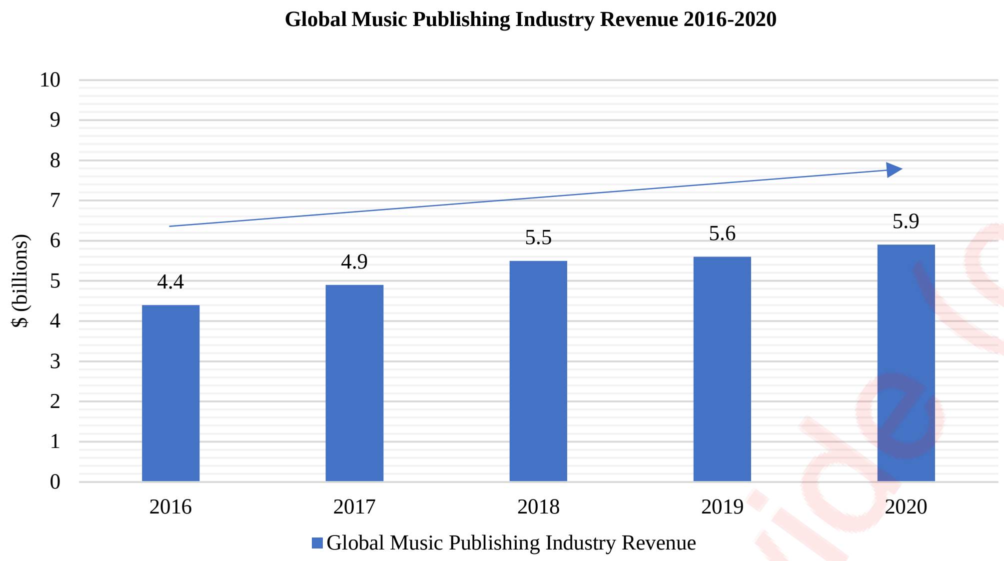
10.4 Global Music Publishing Industry Revenues

The music publishing business has a diverse set of revenue sources, which in turn are experiencing a wide variety of drivers and trends, the main categories of which are set out in 10.2.3 (*Music Publishing*) above. Music & Copyright calculated that global music publishing revenue grew 5.2% in 2020, to US$5.9 billion from US$5.6 billion in 2019. The growth rate was up on the 2.2% rise in 2019 reported by Music & Copyright.

Historically, performance revenue generated the biggest share of revenue for music publishers. However, digital took the lead in 2018 and the gap between the two has widened in the two subsequent years (Music & Copyright defines digital revenue as including all revenue generated through the licensing of recorded music in various digital formats and by the digital performance of musical compositions to the general public). Music & Copyright has estimated that total publisher revenue from digital grew 35.6%, to US$3.2bn from US$2.4bn in 2019. The digital share of total revenue increased, to 54.5% from 42.3%. Digital revenue growth is driven by the global growth in subscription and streaming revenue.

Although digital revenue registered a sharp rise, the increase in the digital share was also tied to the drop in performance revenue. Music & Copyright estimates that measures introduced around the world to limit the spread of the COVID-19 virus was the main reason performance revenue (revenue generated through the performance of a song to the general public) slipped 29.7% last year, to US$1.2 billion from US$1.7 billion in 2019. Subsequently, the performance share was down, to 19.9% from 29.8%. Aside from the pandemic-driven decline seen in 2020, the underlying trends in performance revenue are positive.

Music & Copyright estimates that synchronization accounted for approximately 17% of global music publishing revenue in 2020, down from 18.5% in 2019. Synchronization revenue was also impacted by COVID-19, as TV, film and TV commercial production was halted in the early part of the pandemic. Mechanical revenues from traditional physical music formats (e.g., CDs, DVDs, vinyl), which accounted for approximately 7% of global music publishing revenue in 2020, have continued to fall, while digital revenues have grown to more than offset this decline.



Source: Music & Copyright

10.5 Regulation and Selected Regulatory Developments

10.5.1 Overview

Given its global scale and operations in more than 60 territories and across approximately 200 markets, UMG is subject to various regulations through its business activities.

10.5.1.1 Regulations related to intellectual property

In its countries of operation, UMG is required to comply with the various regulations relating to intellectual property, including copyright.

In the United States, UMG is subject to the United States Copyright Act of 1976 (***US Copyright Act***). The US Copyright Act creates the framework for protecting original works of authorship under US law and grants to the US Copyright Office the administrative duties required to implement the law. The US Copyright Act sets out a series of works that, where the necessary requirements are met, can be protected. Of most relevance to UMG, these include musical works, audio-visual works, sound recordings, derivative works, compilations, and more. Owners of copyrights have exclusive rights over the copyright, and copyright owners can bring infringement lawsuits in the US federal courts. US law generally provides for a typology of rights similar to European law, with the exception that the US law includes enhanced damages in the event of deliberate infringement, the range of such damages being directly set by the US Copyright Act (statutory damages). In addition to the US Copyright Act, a number of other US laws regulate the liability of online technical platforms for infringing content. These include the Digital Millennium Copyright Act (***DMCA***) and, to a lesser extent, the Music Modernization Act (***MMA)***. In the US, it also includes the protections afforded under certain state laws.

In the United States, copyright protection for works created as "works made for hire" (e.g. works of employees or certain specially commissioned works) on or after January 1, 1978 generally lasts for 95 years from first publication or 120 years from creation, whichever expires first. The period of copyright protection for works created on or after January 1, 1978 that are not "works made for hire" lasts for the life of the author plus 70 years. Works created and published or registered in the United States prior to January 1, 1978 generally enjoy copyright protection for 95 years, subject to compliance with certain statutory provisions including notice and renewal. Additionally, the Music Modernization Act extended federal protection in the US to sound recordings created prior to February 15, 1972. The duration of protection for such sound recordings varies based on the year of publication, with all such sound recordings receiving protection for at least 95 years, and sound recordings published between January 1, 1957 and February 15, 1972 receiving copyright protection until February 15, 2067.

In the United States, mechanical royalty rates are set every five years pursuant to an administrative process under the US Copyright Act, unless rates are determined through industry negotiations, and performance royalty rates are determined by negotiations with performing rights organizations, which in the United States include American Society of Composers, Authors and Publishers, (***ASCAP***), Broadcast Music, Inc. (***BMI***) and the Society of European Stage Authors and Composers (***SESAC***). ASCAP and BMI are subject to a consent decree rate-setting process if negotiations are unsuccessful. Outside of the United States, mechanical and performance royalty rates are typically negotiated on an industry-wide basis (or for multi-territorial online licensing, on a repertoire-specific basis but still necessarily in partnership with collecting societies as rightsholders) and may be subject to mandatory collecting regimes. In most territories outside the United States, mechanical royalties are based on a percentage of wholesale prices for physical product and based on a percentage of consumer prices for digital formats. The performance royalty rates received by UMG's recorded music business in the United States for webcasting and satellite radio are set every five years by an administrative process under the US Copyright Act unless rates are determined through industry negotiations. In most jurisdictions outside the United States, UMG's recorded music business receives payment for the public performance and broadcast of its sound recordings via collecting societies, with rates generally set by industry agreement or rate setting tribunal. In certain jurisdictions, governments either have, are proposing or face certain pressure to introduce legislation which may introduce and/or extend mandatory collective licensing and direct remuneration claims for certain rights.

In the European Union, numerous secondary legislation texts have been adopted to approximate the national laws of the Member States of the European Union in the field of intellectual property. More specifically, within the European Union, Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001, as well as Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights and Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market, harmonized certain aspects of copyright rights in the information society. The term of copyright in the European Union for musical compositions in all Member States lasts for the life of the author plus 70 years. In the European Union, the term of copyright for sound recordings lasts for 70 years from the date of release in respect of sound recordings that were still in copyright on November 1, 2013 and for 50 years from date of release in respect of sound recordings the copyright in which had expired by that date. The European Union also harmonized the copyright term for joint musical works. In the case of a musical composition with words that is protected by copyright on or after November 1, 2013, Member States of the European Union are required to calculate the life of the author plus 70 years term from the date of death of the last surviving author of the lyrics and the composer of the musical composition, provided that both contributions were specifically created for the musical composition.

Due to its global presence, UMG is subject to various local regulations in each of the countries and markets where it operates. While there may be similarities between local regulations and the regulations applicable in the United States and the European Union, their specifications, interpretation and application by local market players and local authorities may require UMG to cater for bespoke solutions and provisions in the applicable contracts which it enters into in these countries and markets, as applicable. In addition, while UMG's intellectual property generally receives some degree of copyright protection in each of the jurisdictions where it operates, UMG operates in a number of countries where copyright regulations and case law are relatively new, subject to change and may be inadequate.

10.5.1.2 Personal data regulations

In the course of its business, UMG collects and processes information that is subject to data protection laws and regulations in the Unites States, Europe and in other regions where UMG operates.

In the United States, UMG is subject to overlapping federal and state laws governing privacy, data protection and security. For example, state data breach notification laws or consumer protection laws generally mandate the rules that must be followed in the event of the unauthorized disclosure of personal information. One of the most significant state privacy laws, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, establishes actionable rights for stipulated parties relating to data handled by covered entities such as UMG, as well as obligations on covered entities relating to privacy disclosures, data handling, and more. The Commonwealth of Virginia has a similar law coming into force at the start of 2023, and other states may be following suit with similar laws. Moreover, UMG is also subject to regulatory authorities, such as the Federal Trade Commission (***FTC***), and self-regulatory requirements, such as the Payment Card Industry Data Security Standard (***PCI DSS***). Though some of its authority to impose financial penalties was recently eroded by the recent Supreme Court decision in AMG Capital Management, LLC v. Federal Trade Commission (2021), the FTC is authorized by the Federal Trade Commission Act to enforce prohibitions on "unfair or deceptive acts or practices," to include a company's violations of its own privacy policies or commitments, or security or privacy practices that the FTC deems fundamentally "unfair". The PCI DSS are a set of payment-related data security requirements the violation of which can result in fines or restrictions on the ability to process transactions. Generally distinct from state privacy laws, some state laws also impose separate requirements regarding the handling of payment card information.

In Europe, Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (***GDPR***) applies. The GDPR applies, among others, to the processing of personal data in the context of the activities of an establishment of a controller or a processor in the European Union, regardless of whether the processing takes place in the European Union or not. The GDPR also applies to companies established outside of the European Union that process personal data about EU data subjects. The GDPR protects the processing of "personal data", which is defined as any information relating to an identified or identifiable natural person.

The GDPR has introduced significant requirements for data controllers and processors in relation to processing activities, including, without limitation, the processing of special categories of data, profiling and automated decision making, and additional rights for data subjects, and transparency, data minimization, accuracy, storage limitation, security and confidentiality. In addition, the GDPR requires notification of data breaches to the supervisory authority and to data subjects and requires certain companies, under certain conditions, to appoint a Data Protection Officer. Depending on the nature and gravity of the breach, non-compliance with the provisions of the GDPR may result in penalties of up to €10 million or 2% of the previous year's worldwide turnover, whichever is greater, or €20 million or 4% of annual worldwide revenue, whichever is higher. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (such as the request to cease the processing). The GDPR offers European Union Member States the possibility to adopt local specificities.

Similar sets of privacy, data protection, and cybersecurity rules will also apply in most other jurisdictions in which the UMG carries out business, subjecting UMG to similar laws and regulations relating to data privacy in other countries outside of the United States and Europe.

10.5.2 Developments

As mentioned previously, applicable laws in various jurisdictions differ from each other in significant respects, and the enforcement of such laws can be inconsistent and unpredictable. This could impact UMG's ability to operate its business in various jurisdictions and undertake activities that UMG believes is beneficial to its business. For example, the European Union (***EU***) adopted the Directive on Copyright in the Digital Single Market (or the ***Copyright Directive***) to modernize EU copyright rules. The Copyright Directive includes a number of relevant provisions, including Article 17, which clarifies the EU copyright safe harbor requiring Online Content Sharing Service Providers (OCSSPs or online platforms that host user-generated content) to employ "effective and proportionate" measures to prevent unauthorized use of copyrighted materials. The EU's Member States must implement the Copyright Directive via enactment of domestic legislation. While some Member States (such as France, the Netherlands, Hungary and Denmark) are implementing the Copyright Directive's Article 17 faithfully to the legislative intent, other Member States are considering legislation (and in the case of Germany, have implemented legislation) that differs significantly from the Copyright Directive in letter and spirit – and which would not only undo the benefit of Article 17 but also potentially disrupt existing licensing models.

10.6 Competitive Landscape

The recorded music industry is highly competitive and is rapidly evolving, influenced by consumer preferences. The competitive strength and profitability of recorded music companies depends on their ability to attract, develop and promote recording artists, the public's acceptance of those artists and the success of their recordings. UMG competes with other major recorded music companies for creative talent that includes both new and established artists. Additionally, UMG faces competition from independent labels and, to a lesser extent, from certain distribution platforms and financial investors. Based on the Company's analysis of a number of sources in the United States (Billboard), Japan (Oricon), United Kingdom (The Official Charts Company), Germany (GFK) and France (SNEP), 100% of breakthrough artists in 2020 (defined as an artist hitting gold for the first time and being in the country's top 50 chart), were signed to a label, many of which were represented by a UMG label. The music industry also competes with apps, video games and films for consumer leisure spending.

For almost 10 years the global recorded music industry has comprised three major record companies, UMG, Sony Music Entertainment and Warner Music Group, with a higher number of mid-sized and smaller players, including independent recorded music companies, accounting for the remaining recorded music revenues. In 2020, Universal Music Group was the global market leader, followed by Sony Music Entertainment and Warner Music Group. According to Music & Copyright, the three major record companies accounted for 68.6% of global recorded music revenues in 2020. UMG is also the market leader in four of the top 5 recorded music markets internationally (the United States, the United Kingdom, Germany and France). UMG is the second-largest recorded music label in Japan.

Similarly, the music publishing industry is highly competitive. For 2020, Music & Copyright recorded Sony Music Publishing as the market leader in music publishing, UMPG as the second-largest music publisher and Warner Chappell Music being the third largest music publisher. However, UMPG is the market leader in France, Italy, the United States, Belgium, Netherlands, Sweden, Brazil, Australia, Hong Kong, Argentina and South Africa. UMPG is the second-largest music publisher in the United Kingdom, Germany, Spain and Mexico. As with the recorded music industry, there are many mid-sized and smaller players in the industry that account for the remaining revenue, including many individual songwriters who publish their own works. According to Music and Copyright, the three major music publishing companies accounted for 58.7% of global music publishing revenues in 2020.

In music merchandising and music based visual entertainment, the Company believes it is the market leader based on revenue and client/catalog size and scope.

As the music industry evolves, traditional players compete with one another and compete with new entrants, including investment funds and financial investors who are once again entering the industry.

Additionally, the emergence of new technologies and increased accessibility to a global network of consumers may create further competition within the industry as this can result in artists choosing to make content available to consumers directly without being affiliated with a label or an intermediary.

11. BUSINESS DESCRIPTION

Investors should read this Section 11 (Business Description) in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Section 8 (Operating and Financial Review). Where stated, financial information in this section has been extracted from Section 18 (Historical Financial Information).

11.1 The Company

UMG is a world leader in music entertainment based on revenue, engaged in three main operating businesses: recorded music; music publishing; and merchandising.

UMG's recorded music business discovers and develops artists, supports the creation of audio and audio-visual content by artists, and markets, distributes, sells and licenses such content to consumers across a wide array of formats and platforms. UMG owns and administers the copyright to the audio and audio-visual recordings created by the artists signed to UMG's labels and generates revenue from the physical sales of such content in the form of CDs and records, and from the distribution of such content to digital music streaming and subscription platforms, and to consumers of recorded music using other platforms and formats, including films, television and video games.

The music publishing business discovers and develops composers and songwriters and owns and administers the copyright to the musical and lyrical compositions created by such composers and songwriters, which is licensed for use in recordings, public performances and for related uses, such as in films and advertisements. UMG's music publishing business generates royalty revenue from the licensing of musical and lyrical compositions.

UMG's merchandising business produces and sells artist-branded products as well as other branded products. UMG has also expanded into other businesses such as film and television (including production of film and television shows) as well as other segments that are linked to its music business, including organizing live events, livestreaming, brand partnerships and sponsorships, and podcasts. In addition to being successful at revenue generation in their own right, these operations also contribute to the growth of UMG's recorded music and music publishing businesses, primarily by increasing visibility and reach of UMG's artists and music and through royalties earned on the use of UMG's catalog of recorded music and compositions in these other businesses.

UMG's revenue profile is geographically diverse and becoming more so with the emergence of legitimate monetization opportunities in many new music markets around the world. In 2020, revenues from the industry's Top 5 global music markets (US, Japan, UK, Germany and France) accounted for 75% of UMG revenue, while other global markets represented 25% of total company revenue. UMG's revenue is also diverse from a business model standpoint. While streaming and subscription revenue is commonly looked at as the main driver of music industry performance, these revenue streams account for only 59% of UMG's total company revenue in 2020.

UMG's recorded music business operates in more countries and markets than any other recorded music company. With a diverse range of labels, UMG's recorded music business has offices in more than 60 territories and is present across approximately 200 markets, where markets may be defined by a number of factors, including language and dialects. UMG is the world's largest recorded music company (based on revenue) and the largest recorded music company in major music markets including the United States, the United Kingdom, France and Germany. Its major record labels and groups include Capitol Music Group, Interscope Geffen A&M, Republic Records, Island Records, Motown Records, Def Jam Recordings, Universal Music Group Nashville, Universal Music Latin Entertainment, EMI Records, Polydor, Blue Note Records, Decca, Deutsche Grammophon and Verve, among others. Artists signed to UMG as part of its recorded music business span all genres and generations and include the greatest artists of all time: ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, James Brown, Bon Jovi, Neil Diamond, Marvin Gaye, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Luciano Pavarotti, Queen, The Rolling Stones, Frank Sinatra, U2, Amy Winehouse and Stevie Wonder, as well as many of the biggest artists today, such as J Balvin, Justin Bieber, Luke Bryan, Lewis Capaldi, J. Cole, Daddy Yankee, Drake, Billie Eilish, Eminem, Selena Gomez, Ariana Grande, Imagine Dragons, Lady Gaga, Kendrick Lamar, Lang Lang, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Gregory Porter, Olivia Rodrigo, Sam Smith, Taylor Swift, Carrie Underwood, Keith Urban and The Weeknd.

As a result of having such a broad array of frontline labels, label venture partners and label services, as well as the diversification of revenue streams, UMG is not reliant on one artist, or on a small number of artists, to generate revenue in any given year. In fact, no single artist accounted for more than 1%, and the top 50 artists only accounted for 23%, of UMG's recorded music revenue in 2020.

In addition to this artist diversification, UMG has strong and reliable revenue flows from its catalog (defined as content older than three years), which accounted for 54% of recorded music digital and physical revenue in 2020, while frontline product (content less than three years old) accounted for 46% of recorded music revenue.

UMG's recorded music business is also geographically diverse. In 2020, North America accounted for 49% of UMG's recorded music revenue, with Europe at 30%, Asia 14%, Latin America 3% and the rest of the world at 4%.

UMG's Universal Music Publishing Group (***UMPG***) controls the publishing rights to a global catalog containing close to four million owned and administered compositions, including several of the world's most popular songs. Major songwriters whose works are part of UMPG's catalog include ABBA, Adele, The Beach Boys, Beastie Boys, The Bee Gees, Irving Berlin, Leonard Bernstein, Justin Bieber, Benny Blanco, Mariah Carey, Coldplay, Neil Diamond, Dua Lipa, Bob Dylan, Billie Eilish, Eminem, Future, Billy Joel, Elton John/Bernie Taupin, Alicia Keys, Kendrick Lamar, Dave Matthews, Pearl Jam, Post Malone, Britney Spears, Harry Styles, Taylor Swift, Justin Timberlake, U2 and many more.

UMG's relationships span the largest collection of artists of any company in the world. Successful relationships in one area of UMG's business can also translate into broader sets of rights, as well as expanded relationships in other areas of the company's operations. In addition, this broad network of artists allows UMG to more effectively partner with digital service providers, provides UMG with the most comprehensive view of technological trends across the industry, and elevates UMG as the early partner of choice for helping to develop industry business models for new service offerings, such as fitness, spatial audio, in-car audio, meditation and learning/play.

This coverage universe provides UMG with extensive consumer data, which, along with the Group's investment in analytics, allows UMG to draw deep insights and action plans, benefiting UMG's artists as well as the Group, and further differentiating UMG as the partner of choice for artists at every stage of their careers. UMG's industry-leading, in terms of scope, data, analytics, engineering, and modeling, combined with the company's network of content inventory and partner channels, have made the company an attractive media and advertising partner for some of the world's biggest brands.

UMG's industry-leading position, in terms of market share, best-in-class artist development and continuous re-investment in its business creates a virtuous cycle that benefits the company and its artists over time, which UMG believes puts its competitive position in a "category of one". UMG's success in adding new content, by breaking new artists, expanding its relationships with established artists and broadening its portfolio through its artist and label services business, further increases its importance to its retail partners and consumers. This leads to additional data and further insights into a broader set of consumer behaviors, which then helps better inform UMG's decision making around artist investment and development, again, furthering UMG's appeal to new artists and generating financial benefit to both UMG and its artists.

11.2 Artist-Centric Focus and Commitment

Artists and songwriters are at the center of everything UMG does. UMG is focused on the long-term development of artists and songwriters and the company is built to serve their unique needs for each stage of their careers. UMG has consistently demonstrated the value it represents to an artist's success. Producing and marketing music successfully requires significant upfront investment and involves collaborating with the best writers and producers. UMG invests more money and expertise through its staff of industry specialists than any other recorded music company in signing and developing talent. Combining these investments and expertise with UMG's excellence in marketing and in promoting artists globally, enables UMG to consistently lead the industry in breaking artists. UMG has also strategically expanded the revenue streams of its artists from film, television, theater, merchandise, touring, ticketing and sponsorship. As a result, several iconic artists, including Daddy Yankee, Taylor Swift, The Rolling Stones and Elton John, among many others, recently signed (or re-signed) with UMG, solidifying the company's position as their preferred partner.

In a crowded marketplace, where approximately 60,000 new recordings are uploaded daily to Spotify, it has become harder than ever for an artist to break-through in a sea of music content. Doing so requires the professional expertise and resources of a major label, including a comprehensive approach to content creation, organic artist development, timing, marketing, promotion, financial investment, and forward planning. For this reason, UMG believes that traditional, high-touch, full-service label deals with its portfolio of world-renowned labels provide the most long-term value to an artist and greatly increase the commercial success, consumer base and longevity potential for artists at every stage of their careers.

To work with the broadest set of artists, UMG offers a wide spectrum of services to meet the needs of independent labels, artists and entrepreneurs at every stage of their development, providing them with resources from global distribution, insights, data and marketing tools to fully staffed promotion, marketing and artist development teams, both regionally and globally. Through Virgin Music Artist & Label Services, as well as Ingrooves, UMG appeals to the broadest set of artists globally, and when mutually beneficial, can upstream artists into a more traditional, high-touch, full-service frontline label deal. For example Zoe Wees, a new German singer-songwriter who was originally released through Universal Music Germany's artist services division, is now co-signed directly to Universal Music Germany and Capitol Records UK, where she has generated more than 500 million streams ahead of her debut album release, due in late 2021.

11.3 Role in Development of New Services and Consumer Offerings

UMG plays an active role in promoting the continued development of new digital services and consumer offerings in order to support a competitive, healthy and increasingly global market. UMG has agreements with several hundred global and local digital service providers around the world, establishing legal consumption of music in markets with high levels of piracy that previously didn't have legitimate commercial outlets, including the high-growth BRIC countries (Brazil, Russia, India and China), Latin America, Africa, the Middle East, Eastern Europe and Southeast Asia. These partnerships have made music more accessible to fans around the world, offering a free-to-use option for consumers as an alternative to pirated content, with additional upsell opportunities created.

11.4 True Global Infrastructure

UMG operates in more countries and markets than any other recorded music company. With a diverse range of labels, UMG's recorded music business has offices in more than 60 territories and is present across approximately 200 markets. UMG's physical presence in all of these territories, rather than relying on outsourced distribution or other business models, is critical to its continued growth and a key differentiator of the UMG approach. This enables UMG to better understand, and engage with, local artist and label communities and identify the key elements for success in each jurisdiction. UMG believes that its sustained investment and commitment to local music communities, including its established networks of artists, producers and creative executives, has given it a significant advantage in high growth markets as they have developed monetizable forms of music consumption.

In order to best understand and be effective in each individual market and region, many of which have hugely diverse populations, dialects and cultures, UMG is reliant on its local, dynamic executive teams throughout each territory. These teams have been able to help build and contribute to the entire music ecosystem in the countries in which they operate, establishing UMG as a key stakeholder and trusted partner within each market.

The local relationships and deep, broad experience of these management teams has also allowed UMG to expand the suite of services available to offer artists, labels, partners and clients, including artist and talent management, live booking and event promotions, brand and influencer partnerships, merchandising, music and brand licensing and other forms of Non-Recorded Income (***NRI***). The ability to offer these non-traditional services enables UMG to attract the best talent in each territory, which has resulted in a series of high-profile marquee artist signings around the world.

A decade ago, when the industry revenue was in decline, other companies in the music industry attempted to save costs by closing local offices in smaller music markets and outsourcing distribution of their content. On the contrary, UMG continued to invest in local A&R, signing and developing local talent, and growing its networks in markets around the world. In recent years, UMG has established new offices in Cameroon, Côte d'Ivoire, Israel, Kenya, Morocco, Nigeria, Senegal and Vietnam and expects to add operations in other markets in the near future.

During the past five years, UMG has taken a holistic approach to expanding operations across Africa, opening new divisions in Nigeria, as well as becoming the first major music company to establish divisions in Kenya, Côte d'Ivoire, Senegal, Cameroon and Morocco, alongside UMG's longstanding operations in South Africa. UMG has also led the industry in signing landmark licensing deals with local services and platform partners in order to ensure that music from UMG's artists reaches audiences throughout Africa. UMG has introduced and launched both established and new label brands into the continent including Def Jam Africa, Motown and Afroforce1, while partnering with some of Africa's most innovative, acclaimed and entrepreneurial talent such as Nigeria's Aristokrat Group. Most recently, Ingrooves Music Group's acquisition of leading South African independent distributor, based on chart performance, Electromode allowed UMG to enhance its digital, distribution and marketing services footprint across the continent.

In Asia, UMG expanded its domestic operations within mainland China: opening a new UMPG publishing division, signing a series of innovative licensing agreements with new partners and platforms and launching several new label brands in order to attract new artist talent, drive new forms of income and revenue and increase the opportunities for Chinese talent to reach new audiences abroad. In 2019, UMG became the first major music company to enhance UMG's regional presence by opening a new regional Southeast Asia headquarters in Singapore. This shift allowed the company to better position itself among key partners, stakeholders and brands, while also introducing a series of new, respected international labels into the market in order to attract the best artist talent from the region and capitalize on the growing regional popularity of genres including hip-hop and dance (Def Jam SEA, Astralwerks Asia, Island Records Philippines, Big Hit / HYBE, Red Records among others).

UMG's foresight to establish itself early in these territories, before they emerged as high-growth music markets, has better positioned the Group to benefit from the legitimate music economies that streaming has now begun to establish, replacing years of piracy-based music consumption with commercial opportunities. Using its strong relationships with several hundred local, regional and global digital service providers, UMG is actively working to break new domestic artists in markets around the world, as well as help those artists achieve regional and global success. At the same time, UMG actively works to expand the fan base of its roster of artists from more developed music markets, introducing them to new audiences in markets that did not previously have a clear path to monetization. As a result, domestic and global stars, as well as fans around the world, are benefitting from UMG's physical presence in all of these territories.

11.5 Social Responsibility

UMG's social responsibility program is centered around creating a more sustainable future with a focus on supporting culture and its creators, its employees and local communities. Initially formulated as part of Vivendi's Creation for the Future program, UMG's work aligns with the United Nations Sustainable Development Goals (***SDGs***), and UMG has adopted the recommendations of the Task Force on Climate Related Financial Disclosures. In addition, UMG's All Together Now philanthropy program supports its employees' good works, particularly across education and health & well-being – and especially related to music and the arts. In parallel, UMG's Task Force for Meaningful Change (***TFMC***) works to support marginalized communities in the ongoing fight for equality, justice and inclusion. UMG continued, and will continue, those commitments as it started building its own environmental, social, governance (***ESG***) roadmaps in anticipation of the Admission and Distribution. With Board oversight, this process will continue into 2022. UMG intends to put in place a UMG-specific framework for action that directs its activities towards building a sustainable future, with a particular focus on the well-being of: creators of music and the arts; its people and communities; and the environment.

11.6 UMG History

Home to recordings stretching back more than a century to 1898, the predecessor to UMG began in 1924 with the founding of Music Corporation of America (***MCA***), a music and talent agency, and expanded significantly over the last century through a series of acquisitions and through organic growth, eventually becoming the world's largest music and entertainment company that it is today, based on revenue.

In 1962, MCA acquired Decca Records, becoming home to music, film and television operations, with MCA subsequently being acquired by Japan's Matsushita Electric Co. in 1990. Five years later, Seagram Company Ltd. acquired 80% of MCA from Matsushita and the following year renamed MCA's movie segment Universal Pictures and relaunched its music segment as Universal Music Group.

In May 1998, Seagram acquired PolyGram, a joint venture between Phillips and Siemens that owned music labels including Polydor, Phonogram, Deutsche Grammophon, Island Records, Def Jam Recordings, A+M Records, London Recordings, Mercury Records, Fontana and Verve. A year later, Polygram was merged with UMG.

In 2000, Vivendi acquired Seagram, and gained full ownership of UMG in 2006 after buying the 20% stake still held by Matsushita. A year later, in 2007, UMG expanded its music publishing operations with the acquisition of the BMG Music Publishing catalog.

In 2012, UMG acquired EMI Music, the recorded music division of the EMI Group, including record labels Angel, Astralwerks, Blue Note, Capitol, Capitol Latin, Capitol Records Nashville, EMI Classics, EMI CMG, EMI Records, EMI Records Nashville, Manhattan, Parlophone (which was subsequently divested), Virgin Classics and Virgin Records.

UMG has also expanded outside of recorded music and music publishing. In 2007, UMG acquired Sanctuary, a merchandising, live agency and artist management business, most of which was subsequently divested. The merchandising arm of Sanctuary eventually became UMG's merchandising division, Bravado. In 2014, UMG acquired Eagle Rock Entertainment, enhancing the company's presence in audio-visual content. In 2019, UMG further expanded its merchandising business with the addition of Epic Rights.

In March 2020, Vivendi completed the sale of a 10% stake in UMG to a Tencent-led Consortium. In addition, a separate agreement was entered into on March 31, 2020, granting Tencent Music Entertainment an option to acquire a minority interest in the share capital of the UMG's subsidiary that owns its operations in Greater China. The Tencent-led Consortium, after exercising its call option, acquired an additional 10% stake in the Company from Vivendi in January 2021.

In February 2021, as part of the Restructure, the shareholders of UMGI and UIM, being Vivendi, Concerto and Scherzo contributed their shares held in UMGI and UIM, representing all of the issued capital of both UMGI and UIM, to the Company in exchange for newly issued shares in the Company, as a consequence whereof the Company became the sole holding company of the Group.

More recently, following (i) the execution of definitive agreements between Pershing Square Tontine Holdings Ltd (***Tontine***) and Vivendi on June 20, 2021 and (ii) the assignment agreement entered into between Tontine, Pershing Square Holdings, Ltd., Pershing Square L.P., Pershing Square International Ltd. and PS VII Master, L.P. (together the ***Pershing Entities***) on July 18, 2021 (and notified to Vivendi on the same date), the Pershing Entities assigned the share purchase agreement to Pershing Square Holdings, Ltd. and completed the acquisition of a 7.09% stake in the Company from Vivendi on August 10, 2021 for an aggregate purchase price of US$2.8 billion, and subsequent acquisition of a 2.91% stake in the Company from Vivendi on September 9, 2021 for an aggregate purchase price of US$1.15 billion.

11.7 Competitive Strengths

11.7.1 Industry-Leading Artist Development, Marketing and Promotion Creates Premier Roster of New and Established Talent

UMG's core competency remains the discovery of superstar talent and the development, marketing and promotion of artists. The process of identifying and developing artists has evolved and improved with the addition of data and analytics, and the performance of UMG's labels and their ability to achieve new milestones in a competitive market has only increased.

This has resulted in UMG's recordings and recording artists topping charts regularly, and in 2020, UMG's and its artist's key achievements included:

- Four of the Top 5 artists of the year on Spotify globally (Drake, J Balvin, Juice WRLD and The Weeknd);
- The No. 1 song of the year (The Weeknd's "Blinding Lights") on Spotify globally;
- Two of the top 3 albums streamed on Spotify globally (The Weeknd's After Hours and Post Malone's Hollywood's Bleeding);
- Four of the Top 5 most-streamed artists of the decade on Spotify;
- Artist and Songwriter of the Year on Apple Music (Lil Baby and Taylor Swift);
- Four of the top 5 songs on the Billboard 2020 year-end chart from UMPG songwriters;
- J Balvin was the most-streamed artist on Deezer (for the third consecutive year);
- Karol G was the most-streamed female Latin artist globally;

- Based on data from Media Rating Council (formerly Nielsen Music) (MRC), all of the Top 6 albums of the year in the US were created by UMG artists (Lil Baby, Taylor Swift, Pop Smoke, The Weeknd, Juice WRLD and Post Malone);
- As per MRC, UMG artists also had the Top 3 biggest debut weeks in the US with Taylor Swift, Juice WRLD and The Weeknd;
- Based on date from the Official Charts Company (OCC), 13 of the Top 20 artist albums in the UK in 2020, including the number 1 album (Lewis Capaldi's Divinely Uninspired to a Hellish Extent);
- As per OCC, four of the Top 5 most-streamed artists (Drake, Eminem, Taylor Swift and Juice Wrld) in the UK and the No. 1 single in the UK (The Weeknd's "Blinding Lights");
- OCC data named EMI Records as the UK's No. 1 record company;
- According to IFPI, all ten of the Top 10 global artists (with one of the Top 10 artists, UMG had only a portion of the rights);
- Based on GfK Entertainment's Official Charts, five of 2020's Top 10 albums In Germany (Sarah Connor's Herz Kraft Werke, Die Ärzte's Hell, Metallica's S&M 2, Kerstin Ott's Ich muss Dir was sagen, and Bonez MC's Hollywood); and
- Six of the Top 10 albums of 2020 in France including the number 1 and number 2 albums (Versus by Vitaa/Slimane and Les Derniers Salopards by Maes).

Additionally, in the first half of 2021, UMG artists held the number one spot on Spotify global chart for 20 of the first 26 weeks, with Olivia Rodrigo's "driver's license" and "Good 4 U", and Justin Bieber's "Peaches". UMPG also represents all of the top five artists/songwriters on Spotify's top historical artist chart.

11.7.2 Leading Depth and Breadth of Catalog

UMG believes that it has the most comprehensive catalog of recorded music in the world. UMG's recorded music catalog of over three million recordings includes a wide array of timeless performers such as ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, Neil Diamond, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Queen, The Rolling Stones, Frank Sinatra, U2 and Amy Winehouse. UMG's recorded digital and physical music revenue for the year ended December 31, 2020, included 54% from catalog releases reinforcing the strength of UMGs recorded music catalog and further developing monetization potential.

11.7.3 Industry's fastest-growing major publishing business

UMG believes that UMPG is one of the world's largest and fastest growing of the major music publishing companies, acquiring and administering rights to musical compositions (as opposed to recordings) and licensing those musical compositions for use in a variety of formats. As a trusted partner to its songwriters and clients, UMPG offers artists a focus on innovation, a dedicated global team of experts working on the ground in major music markets across the world, and UMPG Window, an advanced platform and technology through which songwriters and clients are provided real-time information on earnings, royalty and copyright data. UMPG has a world-class team with local representation spanning 52 offices across 42 territories.

UMPG global teams focus on discovering, signing and developing regional talent, and creating unique opportunities for success. Equally valuable, UMPG's physical presence is crucial in maintaining relationships with collection societies around the world. Localized teams ensure every piece of generated income is accounted for and collected on behalf of songwriters and copyright holders.

UMPG and UMG have the ability to create synergies and leverage each other's relationships with artists, as many popular artists, including J Balvin, Bastille, The Beach Boys, Bee Gees, Justin Bieber, Blackbear, Bon Jovi, DaBaby, Billie Eilish, Florence & The Machine, Selena Gomez, Ariana Grande, Halsey, Elton John, Kendrick Lamar, Adam Levine of Maroon 5, Lil Baby, Post Malone, Shawn Mendes, Nicki Minaj, Taylor Swift, U2, and Sebastian Yatra, among others. At the same time, UMPG also has artists and songwriters (e.g., Coldplay, Harry Styles and Justin Timberlake) that are signed only to UMPG demonstrating the scope of UMPG's catalog and its ability to diversify and work with artists that work with other companies for their recordings.

As a result of UMPG's innovative and comprehensive approach, UMG's publishing revenues have grown by 26% between 2018 and 2020.

11.7.4 Global presence with local expertise around the world

As UMG has continued to expand its operations around the world, it has invested in dedicated local expertise, artist and repertoire (***A&R***), marketing and management teams that truly understand the music ecosystem of each region where UMG is present reinforcing its commitment to the success of local talent. As a result, UMG is considered a key stakeholder and trusted partner in the world's most exciting and rapidly evolving markets. UMG has offices in more than 60 territories worldwide and is present in approximately 200 markets around the world. In recent years, UMG has established new offices in Cameroon, Côte d'Ivoire, Israel, Kenya, Morocco, Nigeria, Senegal and Vietnam and expect to rollout in other markets in the near future. This enables UMG to better understand and engage with local artist and label communities and identify the key elements for success in each jurisdiction. UMG takes a holistic approach when expanding its operations in a new region, by opening new offices on the ground, hiring local teams, partnering with local services and platforms and signing artists from that region in order to reach audiences in that region.

11.7.5 Capabilities in data and analytics complemented by scale

Data has proven to be key in maximizing success in the music industry. UMG has made on-going strategic investment into data and analytics over the past few years, including by building a world-class analytics infrastructure based on cloud technology.

UMG's data and analytics team consists of strategic analysts, data scientists, and front-end/back-end coders who work to develop algorithms to help UMG spot talent faster than its competition and find its audience in the most efficient manner. UMG has also developed methods to identify tracks that are popular among distinct audience clusters allowing UMG to tailor its marketing initiatives to the target audience, maximizing its reach and conversion. UMG's data scientists have developed a proprietary marketing mix model and a framework for testing causal effect to help it optimize its marketing channel mix as well as the creative used to activate on these channels.

Universal Music Artists, an iOS/Android application launched in 2019, is a tool designed by UMG with the artist in mind. It allows artists and their management to see the location of their fans by country and city (helping them in planning tours and other engagement), identify tracks that work best with specific audiences and the social posts that drive the most engagement. While digital service providers may be able to provide data directly to UMG's artists, only UMG is able to provide a cross-platform and global view of the performance of an artist's recording whereby enabling labels and artists to make informed commercial decisions and optimize the impact of marketing campaigns.

11.7.6 Deeply experienced, inventive and entrepreneurial creative leadership

The creative executives at UMG are some of the most experienced, inventive and highly entrepreneurial in today's industry with an unmatched track record of artist successes around the world.

Among their talents, the team of leaders assembled by UMG Chairman and Chief Executive Officer Sir Lucian Grainge are expert at developing artists' careers. Sir Lucian's own history as a talent scout, label head and international executive informs the way he recruits and develops his creative executive leadership. Sir Lucian has spent his entire career in the music industry and has signed and guided the careers of some the world's most successful recording artists and songwriters.

Sir Lucian's focus on promoting a creative and entrepreneurial culture is evident in UMG's record-breaking global and regional artist successes, as well as by the team of creative executives he has built. For example:

- Interscope Geffen A&M Records Chairman and CEO John Janick founded the record company Fueled By Ramen while he was in college - then sold that label to a major music company - and has been with Interscope for nearly a decade. He was named Variety's "Hitmakers Exec of the Year" in 2018 and in 2020, led Interscope to be named as "Top Label" on Billboard's year-end charts for the first time since 2013.

- Monte and Avery Lipman, the Chairman and CEO of Republic Records and President and Chief Operating Officer, respectively, founded that label in 1995, which was later brought into the

Universal Music Group family. In 2019, Republic Records was named Billboard's "Top Label" for the fourth time in five years.

- Executive Vice President Michele Anthony, who joined UMG in 2013, has enormous depth of experience working with labels and artists through a career in label management, artist management and entertainment law. At UMG, her responsibilities include helping manage UMG's US labels and overseeing Universal Music Canada, the global catalog division Universal Music Enterprises, as well as the company's global brand partnerships.

- Andrew Kronfeld, UMG's Executive Vice President, Marketing, first joined UMG 30 years ago and manages the interaction and coordination of artist repertoire around the world, having previously served as President of Global Marketing for UMG's international division.

- Richelle Parham, UMG's President of Global E-Commerce and Business Development, oversees the company's global e-commerce strategy and business development across its labels, music publishing company, operating units and territories. She possesses more than 25 years of global strategy and marketing experience at companies including eBay and Visa and has a proven track record of leading high-performing business and marketing teams, creatively utilizing strategic and analytical decision-making expertise to successfully drive key business performance.

- David Joseph, Chairman and CEO of Universal Music UK and Ireland, joined UMG in 1998 and has been in his current role since 2008. In this role, he oversees all divisions of the company in those countries including the labels Capitol, Decca, Island, Polydor and EMI alongside the world's most famous recording studios, Abbey Road.

- Frank Briegmann, Chairman & CEO of Central Europe & Deutsche Grammophon, joined UMG in 2004. He is responsible for Universal Music Group's operations in Germany, Austria, Italy, Switzerland, Benelux, the Scandinavian Countries, Eastern Europe and Western Balkans, which together UMG believes is the world's most diverse music region in terms of consumption and business models, as well as the Deutsche Grammophon label.

- Naoshi Fujikura, President and CEO of Universal Music Japan, is one of the leading architects of streaming growth in Japan and has been with UMG for nearly 30 years.

- Adam Granite, UMG's Chief Executive Officer, Africa, Middle East and Asia, has more than 20 years of experience in the music business, overseeing international expansion in new music markets.

- Jesus Lopez, Chairman/CEO, Universal Music Latin America & Iberian Peninsula, has worked with the greatest Latin artists for nearly four decades and is credited with shaping the Latin music industry today.

11.7.7 Strong financial position with track record of revenue growth, margin expansion and significant cash flow generation.

In the current digital media environment, global music industry revenues have continuously been growing since 2015. From 2018 to 2020, UMG has grown revenues by 23%, driven by strong chart performance and focused effort to expand catalog sales, as well as positive industry trends and notably the growing penetration of digital streaming across the globe. Over the same period, UMG has grown EBITDA by 52%, which has led to margin expansion of 3.7 percentage points over the period. This was driven by the revenue growth, revenue mix, operating leverage, and expense savings, and partially helped by lower marketing spend in 2020 related to the COVID-19 pandemic as well as the change in presentation of lease expenses following the adoption of IFRS 16 in 2019. While net cash provided by operating activities in 2020 was significantly lower in 2020 than in 2019, this was due to investments which the Company believes will have strong returns and will help UMG's financial and operational profile going forward and shows that even in a year of heavy investment, the business has the ability to remain cash-flow positive without outside financing.

Further, the continued growth of paid subscription streaming revenue provides more resilient recurring revenues for UMG, with streaming and music publishing representing over 67.5% of UMG's revenues in 2020. As the recorded music industry has transitioned from a physical and digital ownership model, to paid subscription and advertising based streaming models, UMG's revenues have reflected this shift. In recorded music, 64% of UMG's 2020 revenues came from streaming and subscription, which figure was 59% and 54% in 2019 and 2018, respectively.

UMG believes its financial profile provides a strong foundation for its continued growth.

11.7.8 Leading relationship with platforms.

UMG believes it has a strong position in the digital music ecosystem through a track record of industry leadership in pioneering new deals, major partnerships and key technology agreements. This includes developing new consumer categories into important business segments and providing critical support to entrepreneurs around the world who are creating the next generation of innovative products and services that will continue to diversify the industry.

While a number of digital service providers compete with each other in the music industry around the world, they all seek to work closely with UMG, the largest supplier of content to all of the digital service providers. This is because UMG's artist content is a key driver of customer acquisition for all of these platforms. UMG's world-renowned catalog, which is continuously growing through UMG's proven ability to develop and break new artists, makes UMG an important customer acquisition partner for platforms. In the first half of 2021, 66% of industry-wide streams were catalog, according to the MRC Data 2021 Mid-Year Report.

UMG has agreements and partnerships with every major digital music service launched in the last decade, including Amazon, Apple, Pandora, Spotify, YouTube and others and was one of the earliest supporters of digital streaming and subscription services displaying its capability for innovation and the ability to lead a transformation of the music industry.

UMG's landmark agreement with Facebook in 2017 represented the first time a music company has licensed its catalog for use with videos and other social features on a social media platform and remains a milestone for unlocking value for recording artists and record labels through social media. UMG reached a new partnership agreement with TikTok in February 2021, providing TikTok users access to UMG's entire recorded music and publishing catalog of song clips, thus enabling equitable compensation for recording artists and songwriters while adding new data analysis and marketing tool features.

By aggressively supporting and partnering with new music services around the world, UMG is expanding the ability of audiences in territories covered by such services to access its catalog of music. For example, UMG's agreements with Tencent Music Entertainment, which includes a multi-year license to Tencent Music Entertainment.

The result of UMG's leadership position, as well as its willingness to embrace new business partners and spearhead the development of new business models around the world, has resulted in an expanded market for music consumption and monetization, benefiting artists, fans, platform partners and music companies.

11.7.9 Leading position in music-based audio-visual content.

UMG is the global leader in music-based audio-visual content, based on the volume of award-winning content it is producing and selling, and the demand for this content continues to increase at a rapid pace. UMG is focused on creating new content from existing content and rights, creating new media formats and capturing live events. From premium long-form content including music documentaries, feature films, musicals, music-based television series and reality shows, to short-form content such as live event streaming, premium music videos, viral content, behind-the-scenes footage and podcasts, UMG is working to accelerate the monetization of audio and video assets. In 2020, UMG's artists featured in tens of thousands of hours of videos, and UMG content enjoyed over four trillion minutes of cumulative watch time on YouTube.

UMG participation in audio-visual projects ranges from the development and production of content to the financial investment in projects developed by external production partners. UMG's audio-visual projects are distributed through theatrical distribution partners which have included A24, Abramorama, Altitude Film Distribution, CBS Films, HanWay Films and StudioCanal, and digital distribution partners including Apple TV+, Amazon Prime Video, HBO, Netflix and Showtime. UMG operates two audio-visual divisions, Polygram Entertainment, that develops and produces premium film and television content, and Mercury Studios, which develops, produces, sells, promotes and digitally distributes film, television, short-form and podcast content as well as home video/DVD. UMG also oversees audio-visual divisions within labels such as Interscope Record's Interscope Films and Republic Record's Federal Films.

UMG's audio-visual work includes projects from directors including Alison Elwood, Asif Kapadia, Frank Marshall, Roger Ross Williams, Ron Howard, Spike Jonez and Todd Haynes. UMG has been involved in the creation of a variety of audio-visual content, including award-winning film and television projects such as AMY (A24), The Apollo (HBO), The Bee Gees (HBO), Beastie Boys Story (Apple TV+), Billie Eilish: The World's a Little Blurry (AppleTV+), Jonas Brother's Chasing Happiness (Amazon), The Go-Go's (Showtime), Hitsville: The Making of Motown (Showtime), Miles Davis: The Birth of Cool (Netflix), Pavarotti (CBS Films), That Little Ol' Band from Texas (Netflix) and NBCs Zoey's Extraordinary Playlist.

11.8 UMG Growth Strategies

UMG has multi-faceted growth strategies, including:

11.8.1 Continuing to sign and develop the industry's top new artists and songwriters.

Discovering, developing, breaking and retaining new recording artists and songwriters who will achieve long-term success is a critical component of UMG's global strategy. UMG does this successfully through an "artist-first" approach. Developing artists is at the core of every initiative at UMG. By combining its unrivalled regional executive teams with dedicated resources and best-in-class services and technology for artists, UMG fosters long-term partnerships with artists, driving success for the next generation of independent labels and artists.

UMG plans to capitalize on its industry-leading A&R capabilities, based on chart performance, to sign talented recording artists and songwriters who will generate meaningful revenues and increase the enduring value of its catalog across genres and geographies. In addition to the creative expertise of its teams and labels in identifying and marketing artists, UMG uses the comprehensive data and insights derived from its current portfolio to help inform the potential of new artists, help the labels identify the best platforms and formats to reach a new artist's audience and steer them towards realizing their full artistic potential and achieving commercial success.

UMG believes it offers the broadest options for artists as they look to enter into a label deal. For example, UMG is increasing its efforts to provide independent artists and entrepreneurs with the most powerful, global resources available such as UMG's marketing and distribution company, Ingrooves, and UMG's recently launched Virgin Music Label & Artist Services – a new global network delivering premium and flexible artist and label services to the industry's most dynamic entrepreneurs and independent talent worldwide. Virgin Music Label & Artist Services enables UMG to offer bespoke service packages to artists by allowing them to pick and choose which services they would like to utilize.

11.8.2 Retain and expand relationships with established artists.

Beyond being the partner of choice in recorded music and music publishing, UMG has expanded its business with its established artists with whom it has partnered for many years to include offerings such as merchandising, branding and sponsorship, film and television production and eCommerce. UMG plans to continue to expand its relationship with its existing roster of artists.

For example, in 2018, The Rolling Stones and UMG announced an expansive worldwide agreement that will allow UMG to use all of the band's recorded music and audio-visual catalog for future projects with UMG providing archival support for the band's physical assets, musical instruments and equipment and global merchandising and brand management services to the band. This agreement expanded the collaboration between The Rolling Stones and UMG after a decade of partnership. Additionally, in 2018, Rocket Entertainment, a company co-founded by Elton John, and UMG announced a new agreement to provide Elton John with UMG's resources and expertise across recorded music, music publishing and licensing rights, including services relating to merchandising, branding and retail licensing and provides UMG with the publishing rights to Elton John's entire song writing catalog and the ability to bring Elton John's recorded music and songwriting to new generations of fans. This partnership reflects UMG's evolution from recorded music and music publishing business to a global media and entertainment company with a unique combination of global reach, creative and commercial expertise and renowned marketing and promotional support. Other recent examples include UMG's expanded partnerships with Taylor Swift, U2, J. Balvin and Eminem.

The growing scope of UMG's artist deals reflects UMG's value proposition to established artists and UMG plans to continue to expand its relationships with key artist partners as an avenue for continued growth of UMG's business.

11.8.3 Network of relationships is key differentiator in attracting and retaining artists and other clients.

The power of UMG's network of relationships is a key differentiator that helps UMG build its roster of artists, songwriters and other client relationships. Whether for music distribution, publishing administration, or other rights partnerships, UMG has positioned itself as the partner of choice for a wide variety of high-quality partners (including leading music and entertainment companies, artist representatives, consumer brands and others) seeking to work with a music company on any of a range of music-related activities.

In recorded music, UMG has deep, long-term partnerships with independent record labels including Concord, Roc Nation, Big Machine and Quality Control, among many others. These relationships are mutually beneficial, capitalizing on UMG's global infrastructure to build and reach the broadest set of music fans.

Among music publishers, UMPG has positioned itself as a leading rights administrator for the world's most prominent film and TV studios, including Warner Bros., NBC Universal, Disney, HBO, Dreamworks, MGM, Paramount, Lionsgate, Viacom, STX and many more.

Through these relationships, UMG both looks to broaden opportunities for its current artists (e.g. in the audiovisual space) and seeks to identify new artist talent to broaden the scope of its A&R capability.

11.8.4 Expanding eCommerce and direct-to-consumer businesses.

UMG believes there is significant opportunity to use consumer data and insights to expand its eCommerce business and its direct-to-consumer sales in all of its business segments. UMG is well positioned to reach music fans through multiple touch-points based on the artists they follow and the platforms and websites they use. Music fans have historically been willing to spend more on their artists than the average customer; however, as download sales decreased and were replaced by paid subscription streaming services, the spend difference between fans and average customers flattened. UMG's growth strategy and expansion of its direct-to-consumer efforts aims to address this discrepancy and includes the following elements:

- *Expanded eCommerce ecosystem*: reach fans through websites and music and other platforms where they already spend time;
- *Product design and development*: create leading music merchandise to both drive and fulfill demand;
- *Drop strategy*: elevated experiences around product drops to capture audience and build artist-fan engagement;
- *Marketing strategy*: effective global media strategies to reach existing fans and appeal to new consumers; and
- *Audience development*: building long-term relationships with music fans, yielding loyalty and increasing the lifetime value of a consumer.

The elements of this strategy are dynamic, including pricing, supply chain and audience outreach as UMG is responsive to new data and insights and advancement of technology.

11.8.5 Supporting innovation and expanding into new product offerings.

UMG is a key promotor of innovation across the digital ecosystem through partnerships in new product categories and through proactive efforts to cause its partners to evolve and innovate.

UMG maximizes opportunities to introduce new products, services and revenue streams in various segments spanning voice, fitness, social media gaming, live streaming, brand partnerships, start-ups and other categories.

- *Voice*: Universal was a launch partner for Amazon's voice-activated music service in 2016 and since then has played a key role in expanding voice-activated music to hundreds of millions of smart speakers globally through Amazon, Apple, Google and many more partners.
- *Fitness*: Starting with Peloton, a partnership inaugurated in 2017, UMG has been the industry leader in crafting new licensing models for integrating music within the thriving digital fitness category, which in 2021 has an estimated market size of $10 billion according to 360 Research

Reports, entering into nearly a dozen new agreements in 2020 with a diverse range of newer services.

- *Social Media*: Starting in 2017 with UMG's landmark commercial partnership with Facebook, UMG has accelerated its leadership position through innovative new agreements with other social media players, including agreements with TikTok and SNAP in 2021. As an indication of UMG's success in the segment social media segment, which, according to Zenith Media, has a market size of $135 billion in 2021, UMG's artists routinely hold the top spots on the RIAA's ranking of recording artists by social media following on Facebook, Instagram and Twitter (all six of the top six as of March 27, 2021).

- *Gaming:* UMG has experimented with harnessing mass audience engagement in the video game segment, which, according to Research and Markets, has a market size of $170 billion in 2021, including with Marshmello's industry-first virtual Fortnite concert in 2019. Since then, UMG has continued to innovate with projects that include J Balvin's Halloween 2020 event in Fortnite and Post Malone's performance in the Pokémon 25 event in 2021.

- *Livestreaming*: UMG has executed hundreds of livestream music events with dozens of partners since the onset of the Covid-19 pandemic. A recently announced co-venture between UMG, Big Hit Entertainment and YG Entertainment to expand VenewLive, a livestreaming platform that was launched in 2019 and uses digital technology to provide immersive concert experiences, is indicative of UMG's focus on developing opportunities within the category.

- *Brands*: UMG has entered into multi-year global sponsorships with leading brands including American Airlines, Citibank, Lenovo, Marriott, Microsoft and Pokémon. In 2021, UMG partnered with LEGO in an innovative collaboration that resulted in the launch of VIDIYO, a music video maker for children that uses a combination of LEGO elements, minifigures, music and augmented reality. Additionally, UMG has focused on creating consumer product partnerships between its artists and other recognizable brands, for example, Burton and the National Football League.

UMG consistently enhances established relationships on an ongoing basis. For example, UMG entered into a music video remastering agreement with YouTube in 2019, a content development agreement for higher-quality audio and spatial audio with Amazon in 2020 that resulted in the launch of a premium-priced subscription service and the launch on Facebook in 2020 of premium music videos. UMG consistently supports and enables the launch of new technologies. For example, UMG entered into a landmark industry agreement with Dolby to collaborate on the development of Atmos Music, a world-class spatial audio format that empowers artists and producers to create three-dimensional soundscapes and fill a room with instrumental music and vocals.

In addition, digital goods is an area of recent focus by UMG, which encompasses a number of emerging virtual product opportunities including non-fungible tokens, an area of active experimentation. Music-based non-fungible tokens from The Weeknd, Zedd and Eminem were highlights among a number of successful UMG artist drops earlier this year, executed with Nifty Gateway, a non-fungible tokens marketplace.

UMG intends to continue to expand its business to bring innovative music-based products and services to its consumers.

11.8.6 Invest in new music markets and continue to sign and develop local artists.

Local A&R, especially in newer markets is valuable as the next global hit can come from any part of the world, as shown by the global explosion of reggaeton from Latin America and the popularity of K-pop outside of Korea and Asia.

According to IFPI, in 2020, while the top five markets (the US, U.K., France, Germany and Japan) accounted for 68% of global music industry revenues, markets outside of the top five (led by South Korea, China, Brazil and Russia) accounted for more than 30% of global revenues for the first time. UMG is committed to shaping culture through artistry and is responsive to the needs and ambitions of local talent. UMG provides artists and labels of all sizes with different opportunities, services and routes into the global music market expanding UMG's success and visibility across all major markets and continents.

UMG's A&R teams sign and identify artists with the potential to scale up from local success, to regional and eventually international success. In 2020, 60% of UMG's total revenues came from local repertoires in their own countries. UMG's expansion strategy in Africa, Asia, Europe and MENA is already bearing fruit. In 2020, UMG's international labels in the US, U.K., France, Germany and across other major markets, partnered with and simultaneously released music from artists in Nigeria, South Africa, Turkey, India, China, Thailand, Japan and Korea amongst others.

The launch of the historic hip-hop label Def Jam Recordings in Southeast Asia in 2019 includes dedicated local Def Jam labels and resources in; Indonesia, Malaysia, The Philippines, Singapore, Thailand and Vietnam, which has bolstered both the brand across the region, helped reinforce the growing popularity of hip-hop in the region, and stimulated a swell of established and exciting next-generation artist signing with UMG.

In India, over the course of the last three years, UMG has led the evolution of domestic Indian music with a series of strategic label launches (VYRL Originals and Mass Appeal India), combined with increased A&R focus in original Indian non-film music and artist development. Over the past decade, India has witnessed a phenomenal growth in the consumption of music, thanks in part to the penetration of smart phones, access to hi-speed, low-cost internet and proliferation of streaming platforms, which has increased the interest and popularity of new music and genres. UMG recently partnered with one of India's leading Punjabi language labels, Desi Melodies. The popularity of Punjabi language music and other regional dialects has increased rapidly across India and South-Asia, and throughout the global Indian diaspora (the world's largest at 17.5 million people), finding dedicated new audiences in the US, U.K., Canada and Australia.

This is a strategy that has been mirrored elsewhere, and UMG expects to continue to use, throughout the rest of Asia, MENA, Europe and Latin America as UMG looks to increase the popularity of its local artists amongst new audiences around the world.

11.8.7 Increase digital footprint and promote competition by partnering with local digital players and expanding global streaming partnerships into new markets.

With nearly one-fourth of 2020's global paid music subscriber share attributable to regional and local services, many of them in newer markets, UMG is focused on unlocking growth in digital streaming and subscription in newer markets.

- UMG's landmark agreement in 2018 with Africa's leading digital music service Boomplay was expanded to encompass 47 countries across the continent in 2021, as an example of UMG's leadership in market development.

- In March 2019, UMG acquired the remaining rights in Ingrooves, UMG's marketing and distribution company, that provides marketing and rights management services for independent labels and artists.

- Another example is UMG's agreements with Tencent Music Entertainment, which includes a multi-year license to Tencent Music Entertainment.

- UMG has also licensed NetEase Cloud Music, a leading interactive music streaming service provider in China. NetEase's subscribers will be able to access music-on-demand from UMG's full roster of artists, catalog and distributed labels, and there is a focus on increasing the scope of premium offerings and experiences available to music fans in China via NetEase Cloud Music.

- UMG has extended its partnership network across India, Asia, Africa, Latin America and other strategically important, fast-growth markets. These include an exclusive global licensing deal with Desi Melodies, India's leading Punjabi language label, and the acquisition of Electromode, a leading South African independent distributor based on chart performance. Other examples include label, artist and management partnerships with the likes of: Big Hit Entertainment/HYBE (Korea), Aristokrat Group (Nigeria), IAM (Thailand), Wonderland Records (Indonesia), Metales Preciosos (Spain), Times Records /Hãng Đĩa Thời Đại (Vietnam) & TR Entertainment (Korea) amongst others.

- UMG's total footprint of several hundred digital music service providers enables it to bring its music to consumers in every corner of the globe as well as adapt its content to local markets and culture.

While the Company believes that it is well placed and appropriately equipped to pursue these growth strategies successfully, the Company's pursuit of these strategies may be influenced by a number of factors, including the potential materialization of one or more of the risk factors set out Section 1 (*Risk Factors*), 1.1 (*Risks Related to UMG's Business and Industry*) to 1.3 (*Legal, Regulatory and Tax Risks*), and the manner in which the Company responds to any such materialization of such risk factors.

11.9 Recorded music

UMG's recorded music business operates in more territories and markets than any other recorded music company. With a diverse range of labels, UMG's recorded music business has offices in more than 60 territories and is present across approximately 200 markets - where markets may be defined by a number of factors including language and dialects - and UMG is the leader in many major music markets, including the United States, the United Kingdom, France and Germany. UMG's best-selling artists include major global superstars such as J Balvin, Justin Bieber, Luke Bryan, Lewis Capaldi, J. Cole, Daddy Yankee, Drake, Billie Eilish, Eminem, Selena Gomez, Ariana Grande, Imagine Dragons, Lady Gaga, Kendrick Lamar, Lang Lang, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Gregory Porter, Olivia Rodrigo, Sam Smith, Taylor Swift, Carrie Underwood, Keith Urban and The Weeknd, as well as successful local artists including Celeste, Mabel and Stormzy in the UK, Slimane and Vitaa in France, Capital Bra, Sarah Connor and Helene Fischer in Germany, backnumber and King & Prince in Japan, and Karol G and Sebastián Yatra in Latin America.

UMG's recorded music segment derives its revenues from the commercial exploitation of recorded music. Sales from prior years' releases reinforce UMG's recorded music revenues each year. UMG has a comprehensive catalog of recorded music and its catalog includes timeless performers such as ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, James Brown, Bon Jovi, Neil Diamond, Marvin Gaye, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Luciano Pavarotti, Queen, The Rolling Stones, Frank Sinatra, U2, Amy Winehouse and Stevie Wonder.

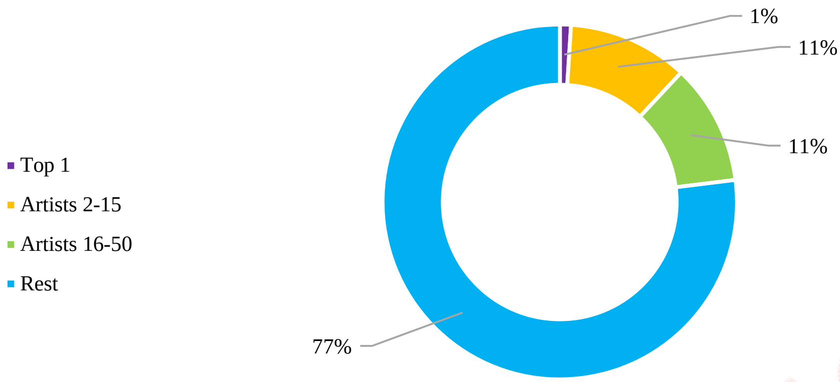
UMG's recorded music business is focused on the discovery and development of recording artists and the creation, marketing, promotion, distribution, sales and licensing of audio and audio-visual content. This business is conducted principally through UMG's major record labels, including Capitol Music Group, Interscope Geffen A&M, Republic Records, Island Records, Motown Records, Def Jam Recordings, Universal Music Group Nashville, Universal Music Latin Entertainment, EMI Records and Polydor, and its classical and jazz labels, Blue Note Records, Decca, Deutsche Grammophon and Verve Label Group.

In addition to its own major record labels, UMG has also entered into multi-year, worldwide partnerships with Roc Nation, Disney, Concord, Big Machine and other label venture partners that allow UMG to physically and digitally distribute releases from its partners' frontline labels.

UMG's recorded music business also includes Virgin Music Label & Artist Services, which offers premium and flexible artist and label services around the world to entrepreneurs and independent talent, including global distribution, insights, data and marketing tools to fully staffed promotion, marketing and artist development teams both regionally and globally. This new model for global distribution and label services, combining UMG's experienced regional executive teams with dedicated resources and innovative services and technology, fosters long-term partnerships and is the best path to success for entrepreneurs, independent labels and artists.

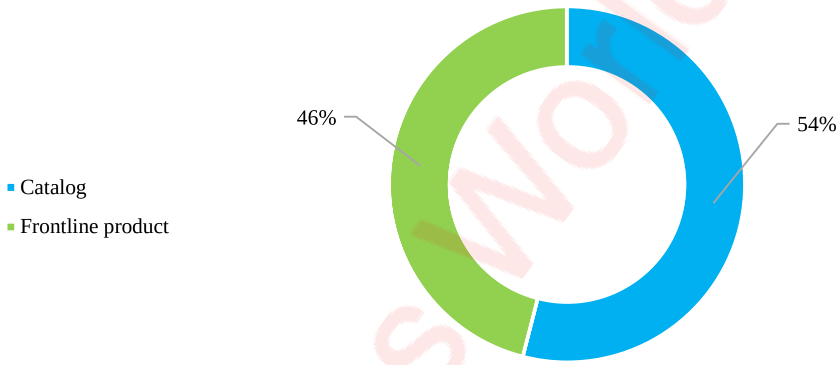
As a result of having such a broad array of frontline labels, label venture partners and label services, as well as the diversification of revenue streams, UMG is not reliant on one artist, or on a small number of artists, to generate revenue in any given year. In fact, no single artist accounted for more than 1%, and the top 50 artists only accounted for 23%, of UMG's recorded music revenue in 2020.

UMG's Recorded Music Revenue per Artists in 2020



In addition to this artist diversification, UMG has strong and reliable revenue flows from its catalog (defined as content older than three years), which accounted for 54% of recorded music digital and physical revenue in 2020, while frontline product (content less than three years old) accounted for 46% of recorded music revenue.

UMG's Recorded Music Revenue Split in 2020: Catalog v Frontline



As the recorded music industry has transitioned from a physical and digital ownership model, to paid subscription and advertising based streaming models, UMG's revenues have reflected this shift. In recorded music, 64% of UMG's 2020 revenues came from streaming and subscription, which figure was 59% and 54% in 2019 and 2018, respectively. Ad-supported revenues in particular, which are at-scale, growing rapidly and mostly complementary to our subscription streaming model were 66% (compared to 58% in the first half of 2020) from social and video, and 34% from ad-supported streaming.

Subscription and streaming revenues are generated through partnerships where UMG's content is distributed via global, regional and local digital service providers, including Spotify, Apple Music, YouTube, Amazon, Tencent Music Entertainment and NetEase. Physical sales, consisting primarily of CDs and vinyl albums, continued to account for 16% of UMG's recorded music revenue in 2020. While CD sales have continued to decline as the industry continues its transition to digital streaming, vinyl album sales have seen a resurgence, as fans appreciate the sound quality and the collectability value and pride in physical ownership.

UMG has continued to diversify its business activities and revenues by expanding into areas such as film and television, live and livestreamed events, sponsorship, and podcasts, with a primary focus on audio-visual content.

In the audio-visual space, UMG is focused on creating new content from existing content and rights, capturing live events and creating new media formats. From long-form content including music documentaries, feature films, musicals, music-based television series and reality shows, to short-form content including live event streaming, viral content, behind-the-scenes footage and podcasts, UMG is working to accelerate the monetization of audio and video assets. In 2020, UMG re-engaged fans and introduced its catalog of music to new audiences through award-winning film and television productions including Polygram Entertainment's The Apollo, The Bee Gees, Beastie Boys Story, The Go-Go's and Zoey's Extraordinary Playlist, along with Mercury Studio's That Little Ol' Band From Texas.

UMG consistently enhances established relationships on an ongoing basis, including through important ancillary agreements for additional services and offerings. A few examples of these ancillary agreements include a "first of its kind" music video remastering agreement with YouTube in 2019, a content development agreement for higher-quality audio and spatial audio with Amazon in 2020 that resulted in the launch of a premium-priced subscription service and the launch on Facebook in 2020 of premium music videos. UMG consistently supports and enables the launch of new technologies. For example, UMG entered into a landmark industry agreement with Dolby to collaborate on the development of Atmos Music, a world-class spatial audio format that empowers artists and producers to create three-dimensional soundscapes and fill a room with instrumental music and vocals. Additionally, UMG has taken a leadership position in expanding the music business to encompass important new opportunities in digital health and fitness. UMG has completed nearly a dozen recorded music license agreements in the category in 2020 and no music company has a larger portfolio of fitness technology partners.

Focusing on the next wave of industry transformation, UMG is elevating its role as industry leader in promoting entrepreneurship through the efforts of digital innovation programs, including Abbey Road Red and Capitol360's gBeta Music-Tech, and through its Accelerator Engagement Network, a growing incubation program spanning 12 accelerator partners located in key entrepreneurial centers around the world. Since its founding in 2017, UMG's Accelerator Engagement Network has supported the mentorship of over 120 music-technology startups that have collectively raised over US$130 million in funding. Among these, there are numerous award-winning, marketplace-impacting disruptors working to transform the music industry in a wide variety of ways. Beyond engagement directly with music technology startups, UMG is working to seed entrepreneurship at the earliest stages, having hosted 25 innovation challenges and hackathons over the past several years, which have yielded more than 215 working prototypes.

11.9.1 Research and Development

UMG maximizes opportunities for new products, services and revenue streams by partnering with both established and newer digital businesses. It advances initiatives in sectors such as automotive, gaming, education, fitness, digital merchandise, health and wellness, virtual reality/augmented reality/cross reality and various other categories. UMG's research and development efforts enable it to evolve underlying assets and metadata, and advance production processes to refine and scale new formats. UMG works with partners to create new product definitions and standards and consults with its partners on the architecture of content delivery systems to power new consumer experiences.

UMG also brings research and development to optimize existing revenue streams, including in-house development of innovative marketing methodologies and tools and development of new business processes to improve internal operations and more effectively partner with technology companies and UMG licensees. UMG also maintains a dedicated global catalog team that works closely with all UMG labels, territories and operating companies, maximizing revenues by focusing on strategic marketing initiatives and brand management to create new opportunities in both existing and new technologies. The UMG catalog team leverages data to reach current fans and develop new generations of fans and new sources of revenues. In order to further develop its catalog audience, UMG has developed an expertise in areas including streaming platform consumption analysis, audience growth and engagement, playlist curation, eCommerce, consumer research and content creation.

In addition, UMG uses research and development to employ data that was previously unavailable, for both its core business operations as well as to provide more transparency to its artists and creative partners and help them understand consumer engagement. In 2019, UMG launched its "Universal Music Artists" mobile application that provides comprehensive analytics to its artists and their management teams based on aggregated data from major streaming services and social media platforms around the world. In 2020, UMG launched a "Royalty Statement Portal," which is available to artists signed to UMG's recorded music labels in the US, as well as its publishers and songwriters and allows them to view their earnings by work title, accounting periods, territory, digital service provider, income source, income group, income type, local/international and other classifications.

11.9.2 Artist and Repertoire

Artist discovery and development is at the core of all functions at UMG's recorded music business and UMG's A&R team is responsible for identifying and developing talent. For decades, UMG has been building a track record of identifying and breaking new recording artists, who have the potential to become both artistically and commercially successful, and to attract and connect with a fan base that will support their long-term careers.

UMG's A&R expertise differentiates it from its competitors and has led to UMG's long-term success. UMG's strength in A&R is attributable to the experience of its global team of A&R executives along with the longstanding reputation of UMG, its labels and their employees, and the understanding and appreciation for this critical role by UMG's label executives. UMG's A&R function also relies on the relationships between UMG's labels and executives with artists, artist managers, legal, independent labels and other music communities.

Traditionally, artist discovery was driven entirely by the knowledge and intuition of an experienced A&R professional. Today, while this remains the primary driver, this is also guided by data analysis and predictive modeling allowing UMG to apply data science to validate the intuition of its A&R professionals. This is also true for repertoire creation, as both experience and data are critical elements of matching songs and artists. UMG has invested in developing technology, tools and data analytics expertise to further expand its A&R capabilities and remain a leader in this dynamic industry.

Around the world, UMG's labels identify and sign talent across all music genres, including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, K-Pop, J-Pop, alternative, blues and many others. With a roster of recording artists performing in various languages throughout the world, UMG has an ongoing commitment to developing local talent aimed at achieving domestic, regional and global success.

11.9.3 Multiple Label Structure

UMG believes there is significant benefit to operating multiple major frontline labels in major markets around the world. This is why UMG has developed, acquired, revitalized its label brands, and continues to invest in all of them. Each label has its own unique culture. This unique culture comes from both the history of the label, the label's management team and employees and the artists that have been a part of the label family over the years. Having multiple labels allows UMG to maximize the entrepreneurial environment that each label thrives on. Each label takes a different approach to what they look for in the artists they sign and how they develop, market and promote and partner with an artist. Additionally, different labels may have different genre focuses or may resonate different among different demographics. UMG believes this structure means every artist can find the right label fit within the Universal Music Group family of labels.

This multiple label structure creates some level of competition even amongst UMG labels. UMG believes that this healthy competition is what ultimately drives innovation and keeps the labels continuously evolving to stay on the cutting edge of industry trends. This structure also has the benefit of alleviating certain short-term performance pressure from any individual label. By knowing that different UMG labels will as a whole have a continuous flow of significant new content being released, each individual label can take a more long-term approach to artist development, and not feel pressured to rush content into the market before it is ready from an artist development standpoint.

While this multiple-label structure provides these benefits to each label, they also benefit from being collectively part of Universal Music Group as a whole. UMG negotiates with demand side platforms, aggregates data and analytics and shares best practices and certain back-office functions at a company-wide level. This system allows UMG to benefit from its scale while still operating with the advantage of a quick moving, innovative, entrepreneurial company.

11.9.4 UMG's Exclusive Recording Agreements with Artists

UMG believes that traditional, high-touch, full-service label deals with its leading, based on market share, portfolio of world-renowned labels provide the most long-term value to an artist and greatly increase the commercial success, consumer base and longevity potential for artists at every stage of their careers. These deals provide for the full suite of professional expertise and global resources of a major label, including a comprehensive approach to content creation, organic artist development, timing, marketing, promotion, financial investment, and forward planning.

UMG's exclusive recording agreements establish and define the commercial relationship between each recording artist and the relevant UMG record label. UMG's recording agreements with artists typically include exclusivity for a certain term, an option for UMG to extend the term of the agreement, the territories of distribution (which usually is worldwide), minimum product commitments by UMG, ownership of copyrights in the recordings, recording royalties payable to the artist, mechanical royalties, marketing and promotion commitments, creative approval rights, representations and warranties, related indemnities, audit rights, and so-called rights of first negotiation and matching rights in the artist's music publishing and merchandising rights.

Except in certain circumstances relating to specific territories, genres or certain unusually competitive situations, UMG's recording agreements typically grant UMG ownership of the copyrights in and to the recordings, videos, artwork, and other intellectual property created during the exclusive term of the agreement. United States copyright law permits authors or their estates to terminate an assignment or license of copyright (for the United States only) after a set period of time in certain circumstances. See Section 1.2.5 (*UMG faces a potential loss of catalog to the extent that its recording artists have a right to recapture rights in their recordings under the US Copyright Act*).

The form of exclusive recording agreements that UMG typically uses constantly evolves to adapt to current marketplace trends. For many years, UMG has entered into expanded-rights deals, contemporaneously with the signing of the exclusive recording agreement, in which UMG participates financially in areas such as touring, merchandising, sponsorship and endorsements, fan clubs, acting, and book publishing, where UMG's investment of time, money, resources, and expertise has contributed to the artist's success.

11.9.5 Marketing and Promotion

UMG has a comprehensive approach to marketing and promoting its artists that combines global planning and execution with robust local presence around the world. UMG's centralized team utilizes an internal media team, creative and innovation hubs, as well as expertise in worldwide commercial marketing and tactics. UMG's centralized teams in key jurisdictions allow UMG to, *inter alia*, coordinate cohesive marketing plans throughout different geographies, provide geographic support through regional hubs and connect artists around the world and throughout various regions. UMG's regional and country-specific marketing teams have the local expertise and relationships necessary to create the best opportunities for fans to engage with UMG's artists, while respecting local culture and consumer behavior. By blending a global macro approach to marketing, which maximizes efficiency and cost savings, with local expertise and execution in each market around the world, UMG best serves the interests of its artists and fans and creates the opportunity for commercial success and sustained engagement.

11.9.6 Sales and Digital Distribution

UMG's recorded music business generates revenues both from releases of new and established artists and its existing catalog of recordings. UMG's revenues are generated from digital formats, including streaming and downloads, as well as from sale of CDs and vinyl.

UMG enters into agreements with digital music service providers to make its music available to access or purchase in digital formats (e.g., streaming and downloads). UMG then provides digital assets for its music to these services. Streaming services' customers are able to access UMG's music on an ad-supported or paid subscription basis. Downloading services allow their customers to pay to download UMG's music on a per-album or per-track basis.

UMG's agreements with digital service providers establish the fees for distribution of UMG's music, which vary based on the service. UMG typically receives accounting from the digital service providers on a monthly basis, detailing the distribution activity, with payments rendered on a monthly basis. UMG currently partners with a broad range of digital music service providers that range from established to newer service providers and from global to regional and local service providers, including Amazon, Apple, Deezer, Facebook, KKBox, LINE, Pandora, Spotify, Tencent Music Entertainment and YouTube. UMG is continuously seeking to develop and grow its digital business by partnering with new service providers.

UMG sells its physical recorded music products through a variety of different retail and wholesale outlets including music specialty stores, general entertainment specialty stores, supermarkets, mass merchants and discounters, independent retailers and other traditional retailers. Although some of its retailers are specialized, many of its customers offer a substantial range of products other than music. Sales may be made through traditional retail distribution both in store and online (such as Best Buy, Target, HMV, Media Markt, Fnac), through online physical retailers (such as amazon.com) and directly to customers through UMG's online websites. UMG's sale and return policies conform to wholesaler and retailer requirements, applicable laws and regulations, territory and customer-specific negotiations and industry practice. UMG attempts to minimize the return of unsold product by working with retailers to manage inventory and stock-keeping unit counts as well as by monitoring shipments and sell-through data.

11.10 Music Publishing

UMPG believes that it is one of the world's largest and fastest-growing major music publishing companies, acquiring and administering rights to musical compositions (as opposed to recordings) and licensing those musical compositions for use in a variety of formats. UMPG has 51 offices in 41 countries and licenses musical compositions for use in sound recordings, films, television, advertisements, video games, concerts and in other public performances. It also licenses compositions for use in printed sheet music and song folios. UMPG owns and controls a vast catalog of original music and arrangements and offers this for use in films, television, advertising and new media industries. UMPG is a leader in licensing musical compositions to film/TV studios, major brands and digital service providers for use in their content and products.

UMPG's global publishing catalog contains close to four million owned and administered titles, including some of the world's most popular songs from major songwriters and artists such as ABBA, Adele, Axwell & Ingrosso, J Balvin, The Beach Boys, Beastie Boys, The Bee Gees, Irving Berlin, Leonard Bernstein, Justin Bieber, Benny Blanco, Chris Brown, Mariah Carey, Brandi Carlile, Kenny Chesney, Coldplay, DaBaby, Jason Derulo, Neil Diamond, Disclosure, Dua Lipa, Bob Dylan, Billie Eilish, Eminem, Gloria and Emilio Estefan, Florence + the Machine, Future, Selena Gomez, Ariana Grande, Al Green, Josh Groban, Halsey, Jimi Hendrix, H.E.R., Imagine Dragons, Carly Rae Jepsen, Billy Joel, Elton John/Bernie Taupin, Jonas Brothers, Alicia Keys, Kendrick Lamar, Lil Baby, Lil Yachty, Linkin Park, Logic, Demi Lovato, the Mamas & the Papas, Steve Mac, Maroon 5, Dave Matthews, Megan Thee Stallion, Shawn Mendes, Metallica, Miguel, Nicki Minaj, Maren Morris, Mumford & Sons, Pearl Jam, Post Malone, Quavo, Otis Redding, R.E.M., Red Hot Chili Peppers, Rex Orange County, Rosalía, Carly Simon, Britney Spears, Stax (East Memphis Music), Harry Styles, Taylor Swift, SZA, Shania Twain, Justin Timberlake, U2, Keith Urban, Jack White, and Zedd. UMPG also administers catalogs for the world's most prominent film and TV studios, including Warner Bros., NBC Universal, Disney, HBO, Dreamworks, MGM, Paramount, Lionsgate, Viacom, and STX.

In 2020, UMPG entered into deals with numerous songwriters and artists ranging from legendary talent to today's superstars and promising names, such as Taylor Swift, Kendrick Lamar, Megan Thee Stallion, Brandi Carlile, Kenny Chesney, Luke Combs, Bad Bunny, Andrew Lloyd Webber, Van Halen, Louis Bell, Dave Cobb, Billy Walsh, Lil Mosey and Rina Sawayama. UMG has also reached a historically significant deal, acquiring the iconic song catalog of Bob Dylan.

UMPG offers a technologically leading royalty platform and administration services to songwriters. It also offers songwriters, UMPG Window, an advanced platform and technology through which songwriters and clients are provided real-time information on earnings, royalty and copyright data. This advanced system reflects UMPG's longstanding commitment to transparency, integrity and trust. Launched in January 2020, UMPG Window uses the latest in cloud-indexing technology to provide comprehensive views of where, when and how songs are consumed around the world. UMPG Window also features: one-click, no-fee advances; international royalty 'pipeline' income views; society registration information, status, and full copyright details on all works; comprehensive Film and TV information for works used and royalties earned; and numerous other powerful tools to help songwriters and clients.

Music publishers generally receive royalties pursuant to licenses concerning various rights, including public performance, digital, mechanical, synchronization, and print, amongst others. In the United States, music publishers collect and administer mechanical royalties, and statutory rates are established pursuant to the US Copyright Act for the royalty rates applicable to musical compositions for sale and licensing of certain audio-only recordings embodying those musical compositions. In the United States, public performance income is administered and collected by music publishers and their performing rights organizations, and in some countries outside of the United States, collection, administration and allocation of both mechanical and performance income are undertaken and regulated by governmental or quasi-governmental authorities. Throughout the world, both synchronization and lyrics license are generally subject to negotiation with a prospective licensee and music publishers pay a contractually required percentage of income derived from such licenses to the songwriters or their designated payees.

UMPG acquires copyrights or portions of copyrights or administration rights from songwriters or other third-party holders of rights in musical compositions. In either case, typically, the grantor of rights retains a right to receive a percentage of revenues collected. As an owner and administrator of musical compositions, UMPG promotes the use of those musical compositions to record labels and artists both within the UMG record group and to record labels outside of UMG. For example, UMPG encourages recording artists to record and include its musical compositions on their recordings, to offer opportunities to include its musical compositions in filmed entertainment, advertisements and digital media, and to advocate for the use of its musical compositions in live stage productions.

In the United States, mechanical royalties are collected directly by music publishers from recorded music companies, and in some instances via The Harry Fox Agency, a non-exclusive licensing agent affiliated with SESAC. Outside the United States, mechanical royalties are collected directly by music publishers or from local collecting societies, and UMG has local infrastructure to enable administration and collection of licensing revenue in 35 countries. Once mechanical royalties reach the publisher, a percentage of those royalties are paid or credited to the writer or other rightsholder of the copyright in accordance with the underlying rights agreement. Mechanical royalties are currently paid at a rate of 9.1 cents per song in the United States for physical formats (e.g., CDs and vinyl albums) and permanent digital downloads (recordings in excess of five minutes attract a higher rate). There are also rates set for interactive streaming and non-permanent downloads based on a formula that takes into account revenues paid by consumers or advertisers with certain minimum royalties that may apply depending on the type of service. The current US statutory mechanical rates will remain in effect through December 31, 2022, although they were recently remanded to the Copyright Royalty Board for further review. In most other territories, mechanical royalties are based on a percentage of wholesale prices for physical formats but based on a similar payment structure as in the United States for digital distribution.

Throughout the world, performance royalties are collected by publishers directly or on behalf of music publishers and songwriters by performance rights organizations and collecting societies. Key performing rights organizations and collecting societies include ASCAP, SESAC, GMR and BMI in the United States, Mechanical-Copyright Protection Society and The Performing Right Society in the United Kingdom, The German Copyright Society in Germany and the Japanese Society for Rights of Authors, Composers and Publishers in Japan. These societies pay a percentage (which is unique to each country) of the performance royalties to the copyright owner(s) or administrators (i.e., the publisher(s)), and a percentage directly to the songwriter(s), of the composition.

11.11 Merchandising

Bravado is UMG's wholly owned, global, full-service merchandise and brand-management company that represents the merchandising rights of new and established artists as well as longstanding and more recent entertainment brands and properties. Bravado provides an end-to-end merchandising ecosystem including creative design, production and distribution for its clients. It utilizes UMG's global network to provide services including sales, licensing, branding, marketing, eCommerce and creative resources to its clients, as well as to devise innovative cultural and retail experiences for fans throughout the world. Bravado's merchandise is sold globally through various channels including in-store retailers, online retailers, direct-to-consumer, limited-edition retail experiences and artist tours. It also licenses rights to an extensive global network of third-party licensees.

Bravado's roster is comprised of artists signed to labels within UMG as well as artists who have recording agreements outside of the company, and in 2020, Bravado's roster comprised over 250 artists. The agreements that Bravado signs with its clients provide for usage rights of the client's name and likeness across product categories and distribution channels. In return, clients receive a royalty or a share of proceeds for all items sold. Most agreements provide Bravado with exclusive global rights, although some have regional and product restrictions. The roster of clients for whom Bravado provides merchandising services includes Aerosmith, Ariana Grande, Billie Eilish, Blackpink, Bob Marley, Elton John, Guns N' Roses, Justin Bieber, Kiss, Lady Gaga, Queen, Selena Gomez, Taylor Swift, The Rolling Stones, Shawn Mendes, The Weeknd and The Who, among others. A number of these artists, including Taylor Swift, The Weeknd, Lady Gaga and The Rolling Stones, among many others, are also signed across other UMG segments, such as UMPG, allowing for synergies and increased opportunities for artists.

With core capabilities in product design, global production and distribution, Bravado has an in-house creative development team that designs products that are consistent with the client's vision and that connect with fans. Production is completed with various manufacturing partners around the world.

Bravado's primary distribution channels are retail, online/direct-to-consumer and artist tours. Retail sales are primarily made through traditional brick-and-mortar retailers across the world including Hot Topic, Target, Primark, H&M, Inditex, Urban Outfitters, and Zara, among others.

Bravado's online distribution channels, primarily through artist's webstores, have been the company's fastest growing sales channels. From marketing and promotions to fulfillment and customer service, Bravado manages artist and brand webstores and continues to innovate and evolve to grow costumer engagement. This channel has grown significantly over the past few years through campaigns such as limited-edition merchandise drops and other unique offerings that engage fans as they continue to shift to purchasing online. In addition to artist stores, Bravado also sells through a handful of third-party platforms such as Amazon and JD.

Bravado also oversees the development and sales of merchandise products for artist tours. Bravado designs, produces and manages the merchandise at venues around the world. This channel suffered significantly during the Covid-19 pandemic but has historically been a very meaningful portion of Bravado's overall business.

In addition to its core business of creating, producing and distributing merchandise, Bravado also works with key third party partners on licensing opportunities for clients. These are opportunities to expand client brands beyond apparel and to connect UMG's clients with some of the world's best brands in categories including home products, beverage and alcohol, beauty and fragrance and other consumer packaged goods.

11.12 Branding

UMG's brand-marketing segment, Universal Music Group For Brands, is a global team of experts who utilize the resources and reach of UMG to accelerate brand partners' businesses in more than 70 countries and enter into global partnerships with popular companies such as Coca Cola, Pokémon, MLS / FIFA World Cup, Samsung and Adidas. Strategic and consultative, the business creates branded content, sonic branding, events and live experiences, social activations and media sales solutions unique to the marketplace, across various industries, including media, technology, consumer goods, auto, banking, hospitality, luxury and telecommunications.

Universal Music Group For Brands helps its clients define strategies to improve their voice in music and culture, increase audience reach and build brand awareness and differentiation to drive long-lasting engagement with customers and fans. Its targeted approach to brand marketing delivers measurable results and brings together fans, brands and culture.

11.13 Intellectual Property

The success of UMG's business depends on its ability to protect and enforce its vast selection of intellectual property rights, including copyrights and trademarks. UMG protects its intellectual property under patent, trade secret, trademark, and copyright laws through a combination of intellectual property registration, employee or third-party assignment and nondisclosure agreements, other contractual restrictions, technological measures, and other methods. See Section 11.9.4 (*UMG's Exclusive Recording Agreements with Artists*) for a description of the terms generally applicable between UMG and recording artists, which govern, amongst other things relevant intellectual property rights.

11.13.1 Copyrights

UMG's business, like that of other companies involved in the music entertainment industry, depends on its ability to maintain rights in sound recordings and musical compositions through copyright protection. In the United States, copyright protection for works created as "works made for hire" (e.g. works of employees or certain specially commissioned works) on or after January 1, 1978 generally lasts for 95 years from first publication or 120 years from creation, whichever expires first. The period of copyright protection for works created on or after January 1, 1978 that are not "works made for hire" lasts for the life of the author plus 70 years. Works created and published or registered in the United States prior to January 1, 1978 generally enjoy copyright protection for 95 years, subject to compliance with certain statutory provisions including notice and renewal. Additionally, the Music Modernization Act extended federal protection in the US to sound recordings created prior to February 15, 1972. The duration of protection for such sound recordings varies based on the year of publication, with all such sound recordings receiving protection for at least 95 years, and sound recordings published between January 1, 1957 and February 15, 1972 receiving copyright protection until February 15, 2067. See Section 1.2.5 (*UMG faces a potential loss of certain catalog titles to the extent that those recording artists have a right to recapture recordings under the US Copyright Act*).

The term of copyright in the European Union for musical compositions in all Member States lasts for the life of the author plus 70 years. In the European Union, the term of copyright for sound recordings lasts for 70 years from the date of release in respect of sound recordings that were still in copyright on November 1, 2013 and for 50 years from date of release in respect of sound recordings the copyright in which had expired by that date. The European Union also harmonized the copyright term for joint musical works. In the case of a musical composition with words that is protected by copyright on or after November 1, 2013, Member States of the European Union are required to calculate the life of the author plus 70 years term from the date of death of the last surviving author of the lyrics and the composer of the musical composition, provided that both contributions were specifically created for the musical composition.

UMG is largely dependent on legislation in each territory in which it operates to protect its rights against unauthorized reproduction, distribution, public performance or rental. In all territories where UMG operates, its intellectual property receives some degree of copyright protection, although the extent of effective protection varies widely. In a number of developing countries, the protection of copyright remains inadequate.

Technological changes have focused attention on the need for new legislation that will adequately protect the rights of producers. UMG actively lobbies in favor of industry efforts to increase copyright protection and support the efforts of organizations such as RIAA, IFPI, National Music Publishers' Association, International Confederation of Music Publishers and the World Intellectual Property Organization.

11.13.2 Trademarks

UMG considers its trademarks to be valuable assets to its business. The major trademarks owned by or licensed to UMG include A&M, ABBA, Abbey Road, Blue Note, Bravado, Def Jam Recordings, Capitol, Casablanca, Decca, Deutsche Grammophon, Eagle Rock, EMI, Geffen, Interscope, Island, London, Mercury, MCA, Motown, Now That's What I Call Music (outside of the European Economic Area and Switzerland), Polydor, Polygram, Republic, Universal Music, Verve and Virgin. Although UMG cannot be assured that its trademark applications, even for major trademarks, will be approved, UMG endeavors to register its major trademarks in every country where it believes the protection of these trademarks is important for its business. UMG also uses certain trademarks pursuant to license agreements entered into with the owner of the trademarks. The duration of UMG's licenses relating to Virgin and Def Jam Recordings is perpetual and the earliest termination date for UMG's license relating to Universal Music is 2029, but may be terminated under certain limited circumstances, including its material breach of the license agreement and certain events of insolvency. UMG actively monitors and seeks to protect against activities that might infringe, dilute or otherwise harm its trademarks.

11.14 Litigation

11.14.1 John Waite and Joe Ely against UMG Recordings, Inc.

On February 5, 2019, a class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who have to date requested the termination of alleged transfers of US copyright to UMG pursuant to Section 203 of the Copyright Act, which allows, under certain conditions, an author who has contractually transferred the US copyright rights to his or her work to a third party to terminate such grant after 35 years. While a class has not been certified in this case, and UMG believes it has valid defenses to the claims, the complainant seeks to have the court recognize the purported termination of certain alleged grants by the artists involved in the litigation and also alleges copyright infringement, alleging that UMG continued to use certain recordings after the purported termination dates. To the extent that UMG is unable to successfully defend these claims, amongst other things, it may face damages claims from the relevant artists.

11.14.2 UMG Recordings, Inc. and UMPG (along with the other major labels and publishers) against Cox Communications, Inc. and CoxCom LLC

On July 31, 2018, a complaint for copyright infringement was filed by UMG Recordings, Inc. and UMPG (along with the other major labels and publishers including Sony Music Entertainment and Warner Music Group) against Cox Communications, an Internet access and service provider, and its parent company CoxCom, for knowingly inducing and supporting copyright infringement by its customers, contrary to the provisions of the Digital Millennium Copyright Act, which requires an Internet service provider to implement a termination policy against its repeat infringing customers. At the end of the trial, which took place in December 2019, the jury awarded the plaintiffs US$1 billion in damages. Cox Communications filed a motion to reduce the jury's damages award, as well as for judgment as a matter of law on the plaintiffs' infringement claims. The court denied that motion and entered judgment. Defendants bonded the judgment and the matter is currently on appeal.

11.14.3 SAMR Investigation

In August 2019, UMG received a notice of investigation from SAMR, the enforcement arm of the Chinese Government in charge of investigating market competition, monopolies and intellectual property, stating that it was opening an anti-monopoly investigation into licensing activities in that jurisdiction. An adverse finding against UMG could result in financial penalties as well as other measures.

11.14.4 David Marks against UMG

In May 2021, David Marks, a former member of The Beach Boys, filed a putative class action against UMG in federal court in California, purporting to represent a nationwide class of recording artists as to whom he alleges UMG has underpaid royalties derived from streaming activity outside the United States. An adverse ruling could result in monetary, injunctive or other equitable relief.

11.14.5 Other Matters

In addition to the matters discussed above, UMG is involved in various litigation and regulatory proceedings arising in the normal course of business. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, UMG establishes an accrual. In the current pending proceedings, the amount of accrual is not material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (i) the results of ongoing discovery; (ii) uncertain damage theories and demands; (iii) a less than complete factual record; (iv) uncertainty concerning legal theories and their resolution by courts or regulators; and (v) the unpredictable nature of the opposing party and its demands. However, UMG cannot predict with certainty the outcome of any litigation or the potential for future litigation. As such, UMG continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. Regardless of the outcome, litigation could have an adverse impact on UMG, including UMG's brand value, because of defense costs, diversion of management resources and other factors, and it could have a material effect on UMG's results of operations for a given reporting period.

Provisions recorded by the Group for all claims and litigation were €4 million as of December 31, 2020, €12 million as of December 31, 2019 and €15 million as of December 31, 2018.

12. BOARD AND EMPLOYEES

12.1 General

This section gives an overview of the material information concerning the Board, the Corporate Executives and the Group's employees and a brief overview of certain provisions of Dutch law, the Company's articles of association (the ***Articles of Association***) and its Board Rules (as defined in Section 1.3.2 (*Board Rules*)), in each case as it will be constituted and in force prior to and following Settlement.

This overview does not purport to give a complete overview and is qualified in its entirety by Dutch law as in force on the date of this Prospectus, the Articles of Association and the Board Rules as they will be in effect ultimately on Admission. This overview does not constitute legal advice regarding those matters and should not be regarded as such. The full text of the Articles of Association is incorporated by reference in this Prospectus and will be available free of charge in the governing Dutch language thereof (and an unofficial English translation) at the offices of the Company during business hours and in electronic form on the Company's website (https://universalmusic.com/Universal_Music_Group_N.V._-_Articles_of_Association). The full text of the Board Rules in the English language will be available in electronic form on the Company's website (https://investors.universalmusic.com/governance).

12.2 Management Structure

The Company has a one-tier board structure (the ***Board***) comprising of executive and non-executive directors (the ***Executive Directors*** and ***Non-Executive Directors*** and each of them a ***Director***). The Executive Directors are primarily responsible for all day-to-day operations of the Company. The Non-Executive Directors supervise (i) the Executive Directors' policy and performance of duties and (ii) the Company's general affairs and its business, and render advice and direction to the Executive Directors. The Directors furthermore perform any duties allocated to them under or pursuant to the law or the Articles of Association. Each Director has a duty to the Company to properly perform the duties assigned to each Director and to act in its corporate interest. Under Dutch law, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees.

12.3 The Board

12.3.1 Powers, Responsibility and Function

The Board is the executive and supervisory body of the Company. It is entrusted with the management of the Company, it supervises the general course of affairs in the Company and the business affiliated with the Company and is responsible for the continuity of the Company. The Board is accountable for these matters to the Company's general meeting (the ***General Meeting***).

The Board's responsibilities include, among other things, developing a view on long-term value creation by the Company, determining the Company's strategy and risk management policy, appointing and dismissing the senior internal auditor, annual assessment of the way in which the internal audit function fulfils its responsibility and approving the audit plan drawn up by the internal audit function, ensuring compliance with legislation and regulations and the corporate governance structure of the Company, publishing the corporate structure of the Company and any other information required under the Dutch Civil Code (*Burgerlijk Wetboek*) (***Dutch Civil Code***).

The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited by law or by the Articles of Association. Pursuant to the Articles of Association, the Board may allocate its duties and powers among the Directors pursuant to the Board Rules or otherwise in writing, provided that the following duties and powers may not be allocated to the Executive Directors: (i) supervising the performance of the Executive Directors, (ii) making a nomination for the appointment of Directors, (iii) determining an Executive Director's remuneration and (iv) instructing an auditor to audit the financial statements. Regardless of an allocation of tasks, all members of the Board remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in case of Non-Executive Directors).

Pursuant to the Articles of Association, the Company is represented by the Board. Any Executive Director shall also be authorized to represent the Company (see Section 12.12 (*Conflicts of Interest and Related Party Transactions*). Furthermore, pursuant to the Articles of Association, the Board may appoint officers with general or limited power to represent the Company subject to the restrictions imposed on him or to grant one or more persons such titles as it sees fit. In addition, the Articles of Association provide that the Board may determine pursuant to the Board Rules or otherwise in writing that one or more Directors can lawfully adopt resolutions concerning matters belonging to their duties within the meaning of Section 2:129a(3) of the Dutch Civil Code.

Dutch law provides that resolutions of the Board involving major changes in the Company's identity or character are subject to the approval of the General Meeting (see Section 12.3.7 (*Board Resolutions Requiring Prior Approval*)).

12.3.2 Board Rules

Prior to Settlement and pursuant to the Articles of Association, the Board shall adopt rules and regulations dealing with its internal organization, the manner in which decisions are taken, any quorum requirements, the composition, duties and organization of committees and any other matters concerning the Board, the Executive Directors, the Non-Executive Directors and committees established by the Board (the ***Board Rules***).

12.3.3 Composition, Appointment, Term of Appointment and Dismissal of the Board

The Articles of Association provide that the Board shall consist of one or more Executive Directors and one or more Non-Executive Directors. The number of Executive Directors and the number of Non-Executive Directors shall be determined by the Board. As of Admission, the number of Directors shall be ten, comprising of two Executive Directors and eight Non-Executive Directors, as more fully set out in Section 12.3.9.

The Board shall grant titles to Directors. The Board shall designate a Non-Executive Director as chairman of the board (the ***Chairman of the Board***), who shall ensure the proper functioning of the Board as a whole and the Board may designate a Non-Executive Director as vice-chairman (the ***Vice Chairman of the Board***). The Board shall be supported by a company secretary (the ***Company Secretary***) to be appointed and dismissed by the Board from outside its members. The Company Secretary as at Admission shall be Jeffrey Harleston, the General Counsel and Executive Vice President of Business & Legal Affairs. In addition, the Board shall appoint one of its Executive Directors as chief executive Officer (the ***Chief Executive Officer*** or ***CEO***) and the Board shall have one Executive Director to support the CEO (the ***Deputy Chief Executive Officer*** or ***Deputy CEO***).

The Directors are appointed by the General Meeting at the non-binding nomination of the Board. A nomination by the Board shall state whether a person is nominated for appointment as Executive Director or Non-Executive Director. The person so nominated is appointed by a resolution adopted by the General Meeting with a simple majority of the votes cast.

A Director shall be appointed for a maximum period of two years, provided, however, that his or her term of office shall lapse immediately after the close of the first annual General Meeting held in the second year after his or her appointment. A Director may be reappointed with due observance of the preceding sentence. At the proposal of the Board, the General Meeting may resolve to deviate from the maximum period of two years. The Articles of Association provide that each Non-Executive Director may be in office for a period of not more than twelve years, unless at the proposal of the Board the General Meeting resolves otherwise. A Director's term of office shall lapse in accordance with the retirement schedule drawn up by the Board.

The General Meeting may at all times suspend or dismiss any Director. The Board may at all times suspend an Executive Director. A suspension may be extended one or more times but may not last longer than three months in aggregate. If at the end of that period, no decision has been taken on the termination of the suspension or on dismissal, the suspension shall end. A suspension can be terminated by the General Meeting at any time.

The independency of Non-Executive Directors in accordance with the Dutch Corporate Governance Code is assessed prior to their appointment on the Board and, thereafter, annually.

12.3.4 Diversity

Until recently, pursuant to Dutch law, certain large Dutch companies had to pursue a policy of having at least 30% of the seats on the board of directors to be held by men and at least 30% of those seats to be held by women. This legislation ceased to have effect on January 1, 2020. However, on February 11, 2021 the bill to amend Book 2 of the Dutch Civil Code was submitted to the Senate (*Eerste Kamer*) and the Dutch House of Representatives (*Tweede Kamer*) in connection with balancing the ratio of men to women on the management board and supervisory board of large companies. On the basis hereof, the appointment of a supervisory board member to a listed public limited company is void in the event that the supervisory board does not consist of men and, respectively, women for at least one-third of the number of members and the appointment of the supervisory board member in question does not lead to a more balanced ratio between the number of men and women in the supervisory board. It is proposed to apply the rule accordingly to non-executive directors of a listed company with a one-tier board. Should this bill be passed, the Company must meet the applicable gender diversity targets. If the Company does not do so, the Company will be required to explain in its annual report or in the report of the board of directors (*bestuursverslag*): (i) why the seats are not allocated in a well-balanced manner; (ii) how the Company has attempted to achieve a well-balanced allocation; and (iii) how the Company aims to achieve a well-balanced allocation in the future.

The Company qualifies as a "large Dutch Company" for purposes of the diversity policy regime.

12.3.5 Limitation on non-executive positions

Pursuant to Dutch law, there are limitations to the number of supervisory or non-executive positions persons can hold on the boards of directors of large Dutch companies. The Company qualifies as a "large Dutch Company".

A person cannot be appointed as a managing or executive director of a "large Dutch company" if: (i) he/she already holds a supervisory or non-executive position at more than two other "large" Dutch public or private companies or "large" Dutch foundations; or (ii) if he/she is the chair of the supervisory board or one-tier board of directors of another "large" Dutch public or private company or "large" Dutch foundation. Also, a person cannot be appointed as a supervisory director or non-executive director of a "large Dutch company" if he/she already holds a supervisory position or non-executive position at five or more other "large" Dutch public or private companies or Dutch foundations, whereby the position of chair of the supervisory board or one-tier board of directors of another "large" Dutch company is counted twice. The term "large Dutch company" applies to any Dutch company or Dutch foundation that at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than €20 million; (ii) its net turnover in the applicable year is more than €40 million; and (iii) the average number of employees in the applicable fiscal year is at least 250. An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

As at the date of this Prospectus, the Company meets these requirements, as: (i) none of the Executive Directors holds any other supervisory position with a large Dutch company; and (ii) none of the Non-Executive Executive Directors holds a supervisory position with five or more large Dutch companies.

12.3.6 Decision-making and Approvals of the Board

The Board shall hold meetings on a regular basis at a time to be determined by the Board and whenever one or more of its Directors have requested a meeting.

In a meeting of the Board, each Director is entitled to cast one vote. A Director may grant a written proxy to another Director (if in office) to represent him/her at a meeting. Resolutions of the Board shall be adopted by a simple majority of the votes cast by Directors present or represented at the meeting, provided that Directors who have a conflict of interest shall not take part in the voting. In case of a tie of votes, the Chairman of the Board shall have the casting vote. The Board may in principle pass resolutions only if at least the majority of the Board is present or represented, provided that directors who have a conflict of interest shall not be taken into account when calculating this quorum.

The Board will ensure that the Company does not enter into any transactions with a value in excess of €300 million that relate to:

- disposals, sales or acquisitions of all or a portion of investments in any company, business or group created or to be created, whatever its legal form;
- any proposal or approach to a third party concerning a significant transaction involving the Company or any of its subsidiaries; and
- any financing activity (including, amongst others, bank loans, overdrafts, vendor financing, asset securitisation programmes, pension funds and transactions involving joint ventures and minority interests) and the ranting of guarantees and security rights,

without the prior approval of the Board.

The Board may also adopt resolutions outside a meeting, in writing or otherwise, provided that such resolutions are recorded in writing or otherwise and that none of the Directors entitled to vote objects to this manner of decision-making.

12.3.7 Board Resolutions Requiring Prior Approval

12.3.7.1 Prior Approval of the General Meeting

Pursuant to Dutch law, resolutions of the Board concerning a material change in the identity or character of the Company or its business are subject to the approval of the General Meeting. Such changes include in any event:

- the transfer the enterprise or practically the entire enterprise to a third party;
- the conclusion or cancellation of any long-lasting cooperation by the Company or a subsidiary (*dochtermaatschappij*) with any other legal person or company, or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or cancellation thereof is of material importance to the Company; and
- the acquisition or disposal of participating interest in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto according to the latest adopted financial statements, by the Company or a subsidiary.

The absence of approval of the General Meeting does not affect the authority of the Board to represent the Company in dealings with third parties.

12.3.8 Committees

The Board remains accountable for the performance and affairs of the Company. As at the date of the Prospectus, the Board has appointed from amongst its Non-Executive Directors three committees to assist it to discharge its duties: an audit committee (the ***Audit Committee***), a remuneration committee (the ***Remuneration Committee***), and a nomination committee (the ***Nomination Committee***). Unless, disclosed otherwise the members of each committee are independent pursuant to the Dutch Corporate Governance Code. The Board may appoint additional committees from time to time, as it deems necessary and appropriate to carry out its responsibilities and oversight function.

(a) *Audit Committee*

According to its rules, the Audit Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems and shall prepare resolutions of the Board in relation thereto.

The Audit Committee consists of at least three Non-Executive Directors appointed by the Board, the majority of whom, including the chair of the Audit Committee, are independent Non-Executive Directors. The Audit Committee may not be chaired by the Chairman of the Board or by a former Executive Director. At the date of this Prospectus, the Audit Committee comprises: Luc Van Os (chairman of the Audit Committee), Anna Jones and Cathia Lawson-Hall. At least one member of the Audit Committee has competence in accounting and/or auditing. The members as a whole shall have competence relevant to the sector in which the Company is operating. The Audit Committee shall hold at least four meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Audit Committee. The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, outside the presence of the Executive Directors.

The Chief Financial Officer, the Director in charge of Company's financial affairs, the internal auditor (if present) and the external auditor shall attend the Audit Committee meetings, unless the Audit Committee determines otherwise. The Audit Committee shall decide whether and, if so, when the Chairman of the Board shall attend its meetings.

In short, the Audit Committee's main responsibilities include, among others: (i) supervising and monitoring, and discussing with and advising the Board on, the effectiveness of the design and operation of the internal risk management and control systems and supervising the effect of the code of conduct; (ii) supervising the submission of financial information by the Company; (iii) supervising the compliance with recommendations and observations of the Company's internal and external auditor; (iv) supervising the functioning of the internal audit department (if present); (v) supervising the Company's tax policy; (vi) supervising the financing of the Company; (vii) supervising the applications of information and communication technology, including risks relating to cybersecurity; (viii) maintaining frequent contact and supervising the relationship with the external auditor; (ix) implementing the procedure for the selection of a statutory auditor and submitting a recommendation to the Non-Executive Directors for the (re)appointment or dismissal of a statutory auditor by the General Meeting; (x) informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process; (xi) monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity; (xii) determining whether, and if so, how the external auditor shall be involved in the content and publication of financial reports other than the financial statements; (xiii) issuing a recommendation on the appointment and dismissal of the senior internal auditor (if present); (xiv) if there is no separate department for the internal audit function, issuing a recommendation to the Board whether adequate alternative measures have been taken; (xv) submitting a proposal to the Board for the external auditor's engagement to audit the financial statements; and (xvi) approving the financial statements, the annual budget and major capital expenditures of the Company.

The Audit Committee shall have the power, without the Board's approval and at the Company's expense, to engage any independent legal counsel and other advisors as it deems necessary or appropriate and shall have the sole authority to approve such firms' fees and other retention terms.

(b) *Remuneration Committee*

According to its rules, the Remuneration Committee advises the Board in relation to its responsibilities and shall prepare resolutions of the Board in relation thereto.

The Remuneration Committee consists of at least three Non-Executive Directors appointed by the Board, the majority of whom are independent Non-Executive Directors. The Remuneration Committee may not be chaired by the Chairman of the Board or by a former Executive Director. At the date of this Prospectus, the Remuneration Committee comprises: Anna Jones (chairwoman of the Remuneration Committee), Judy Craymer CBE, Antoine Fievet, Margaret Frerejean-Taittinger, Cathia Lawson-Hall and James Mitchell. The Remuneration Committee shall hold at least two meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Remuneration Committee.

In short, the Remuneration Committee's main responsibilities include, among other things: (i) every four years, submitting a proposal to the Board for the remuneration policy to be pursued; (ii) preparing the Board's decision-making regarding the determination of remuneration of the individual Executive Directors and of the individual Non-Executive Directors; and (iii) annually preparing the remuneration report to be tabled at the General Meeting.

The Remuneration Committee shall have the power, without the Board's approval and at the Company's expense, to appoint, compensate and oversee the work of any outside advisor to assist the Remuneration Committee in connection with its responsibilities.

(c) *Nomination Committee*

According to its rules, the Nomination Committee advises the Board in relation to its responsibilities and shall prepare resolutions of the Board in relation thereto.

The Nomination Committee consists of at least three Non-Executive Directors appointed by the Board, the majority of whom are independent Non-Executive Directors. At the date of this Prospectus, the Nomination Committee comprises: Margaret Frerejean-Taittinger (chairwoman of the Nomination Committee), Judy Craymer, James Mitchell and Luc van Os. The Nomination Committee shall hold at least two meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Nomination Committee.

In short, the Nomination Committee's main responsibilities include, among other things: (i) drawing up selection criteria and appointment procedures for the Directors; (ii) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors; (iii) periodically assessing the functioning of individual Directors and the Board as a whole, and reporting on this to the Board; (iv) making recommendations for appointments and reappointments; and (v) supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

The Nomination Committee shall have the power, without the Board's approval and at the Company's expense, to appoint, compensate and oversee the work of any outside advisor to assist the Nomination Committee in connection with its responsibilities.

(d) *Market Disclosure Committee*

The Company has established a market disclosure committee in order to ensure timely and accurate disclosure of all information that is required to be so disclosed to the market to meet the legal and regulatory obligations and requirements arising from the listing of the Company's securities on Euronext Amsterdam, including the Market Abuse Regulation.

The market disclosure committee will meet at such times as shall be necessary or appropriate, as determined by the chair of the market disclosure committee or, in his or her absence, by any other member of the market disclosure committee. The market disclosure committee is not a committee of the Board. It must have at least four members. Members of the market disclosure committee are appointed by the Board.

12.3.9 Composition of the Board

As at Admission, the Board shall be comprised of the following Directors, with a term that will end at the annual General Meeting to be held in 2024, which is the first annual General Meeting to be held after two full years following the Distribution Date.

Name	Age	Position	Member from	Term
Sir Lucian Grainge	61	Chairman & Chief Executive Officer and Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Vincent Vallejo	60	Deputy Chief Executive Officer, Corporate and Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Judy Craymer	63	Chairman of the Board and Independent Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Antoine Fievet	57	Vice Chairman of the Board and Independent Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Anna Jones	46	Independent Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Cathia Lawson-Hall	50	Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
James Mitchell	47	Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Luc Van Os	55	Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Margaret Frerejean-Taittinger	36	Independent Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024
Manning Doherty	48	Non-Executive Director	September 20, 2021	Until Annual General Meeting to be held in 2024

12.3.10 Biographical Details of the Executive Directors

Sir Lucian Grainge (Chairman & Chief Executive Officer)

Sir Lucian Grainge has spent his entire career in the music industry and has signed and worked with many worldwide stars, including ABBA, Jay Z, Elton John, Katy Perry, Queen, Rihanna, The Rolling Stones, Sam Smith, U2 and Amy Winehouse, among many others. Over the span of four decades, he has not only pioneered new approaches to the signing and development of the world's most successful recording artists and songwriters but he has consistently championed the development of innovative business models and partnerships with a wide range of technology and media partners around the world. He has transformed UMG into the most successful company in the history of the music industry, both competitively and financially, and his vision and leadership is widely recognized as having returned the entire industry to growth after many years of decline. In 2011, he led UMG's successful acquisition of the recorded music assets of the legendary British music company EMI, revitalizing its iconic Capitol Records, and, in the process, further strengthening UMG's position as the global leader in music.

A native of London, Sir Lucian was bestowed with a knighthood in 2016 by Her Majesty Queen Elizabeth II in the Queen's 90th Birthday Honours list for accomplishments in the music industry and leadership through its challenging times, contributions to British business and inward investment, as well as his development of innovative business models, technology and media partnerships that have expanded UMG's global presence.

He serves on the board of Northeastern University in Boston, Massachusetts.

Vincent Vallejo (Deputy CEO, Corporate)

Based at the Company's corporate headquarters in Hilversum, Netherlands and reporting to UMG's Chairman and Chief Executive Officer Sir Lucian Grainge, Vincent Vallejo is leading a number of corporate initiatives related to the Company's proposed listing on the Euronext NV in Amsterdam. Vallejo has worked closely across UMG matters since joining Vivendi in 1998, most recently as SVP, Audit & Special Projects. Prior to joining Vivendi, Vallejo held positions at AGF-ALLIANZ France (Deputy CFO) and Ernst & Young Paris and Madrid. He received an MBA from Montpellier University and a Master of Science from Cornell-Essec, Cergy-Pontoise, France.

12.3.11 Biographical Details of the Non-Executive Directors

Judy Craymer (Chairman of the Board and Independent Non-Executive Director)

Judy Craymer is an award-winning producer who has extensive experience in the theatre, film, television and music industries. She originated the idea of MAMMA MIA! and co-founded Littlestar Services Ltd. in 1996 with Benny Andersson, Björn Ulvaeus and Richard East to produce the musical in London. Since then, she has produced 50 productions of MAMMA MIA! in 16 languages around the world, in addition to numerous other hit productions. In 2008, she produced MAMMA MIA! THE MOVIE, which went on to become the highest-grossing live-action musical of all time. Ten years later, she produced MAMMA MIA! HERE WE GO AGAIN which at that time became the most successful live-action musical movie sequel of all time. She graduated from the Guildhall School of Music & Drama in 1977 and in 2006 was awarded an Honorary Fellowship. In the Queen's Birthday Honours list of 2007, Craymer was honored with an MBE for her contribution to the music industry and in 2020, she was awarded a CBE for her services to theatre and charity.

Antoine Fievet (Vice Chairman of the Board and Independent Non-Executive Director)

Antoine Fievet is the Chairman and CEO of the Bel Group, a world leader in branded cheese and a major player in the healthy snack market with 33 production sites and a distribution network spanning nearly 120 countries. His three decades of professional experience include 20 years as Bel Group's CEO, where he has additionally served as Chairman since 2009. Under Fievet's leadership, Bel Group adopted concrete actions to address sustainable agriculture, healthy food, responsible packaging, the fight against climate change and product accessibility. Fievet received a graduate degree from Université Paris II Panthéon Assas and an undergraduate degree from Institut Supérieur de Gestion.

Anna Jones (Independent Non-Executive Director)

Anna Jones is the CEO and co-founder of AllBright, the global women's network and members' club founded in 2017 to connect, upskill and inspire professional women. She has more than 15 years of experience in leadership roles with broad and deep expertise in content, digital disruption, strategic growth and business transformation. Prior to founding AllBright, Jones served as CEO of Hearst Magazines U.K. from 2014 to 2017, where she oversaw 24 media brands that together formed a network of content and experiences across multiple platforms that reached a quarter of all U.K. adults. As Hearst Magazines U.K.'s Chief Operating Officer from 2011 to 2014, she had strategic and operational responsibility for the business overall, following the acquisition and integration of Hachette Filipacchi in 2011. Jones has additionally served on the board of the Creative Industries Federation, a national membership organisation for the public arts, cultural education and creative industries, from 2015 to 2019. She holds a Bachelor of Arts degree in International Business Management from Newcastle University.

Cathia Lawson-Hall (Non-Executive Director)

Cathia Lawson-Hall is Head of Coverage and Investment Banking for Africa for Société Générale, where she oversees the overall relationship and strategic consulting with governments, large corporates and financial institutions in Africa. Previously, she serves as Managing Director, Co-Head of Debt Capital Markets for corporates in France, Belgium and Luxembourg. Lawson-Hall joined Société Générale in 1999 as a financial analyst covering the telecommunications and media sectors before moving into financial consulting. She has more than 25 years of experience in financial services, starting as a corporate finance professor at the University of Paris-Dauphine. Lawson-Hall is the founding member of the acquisition committee of African Modern and Contemporary Art at the Centre Georges Pompidou in Paris. Lawson-Hall holds a Master's degree and a postgraduate degree (DEA) in Finance from Paris Dauphine University in France.

James Mitchell (Non-Executive Director)

James Mitchell is Senior Executive Vice President and Chief Strategy Officer of Tencent Holdings Limited (HKEX:0700), where he has worked since July 2011. James Mitchell has also served as the Chairman and Non-Executive director of the board of China Literature Limited (HKEX: 0772) since June 2017. He is also a director of certain other listed companies including Frontier Developments Plc (AIM: FDEV), NIO Inc. (NYSE: NIO) and Tencent Music Entertainment Group (NYSE: TME). He also holds directorships in various unlisted companies. Prior to joining Tencent, Mr. Mitchell was a managing director at Goldman Sachs. He received a Bachelor of Arts degree from Oxford University and holds a Chartered Financial Analyst Certification.

Luc Van Os (Non-Executive Director)

Luc Van Os is co-owner of Misset Uitgeverij, a B2B publisher of multimedia brands for the agricultural sector based in Doetenchem, Netherlands, and he previously served for 12 years as chief executive officer of Hearst Netherlands and its predecessors, home to titles including Harper's Bazaar, Elle, Quote and Cosmopolitan. Prior to serving as CEO, he held different leadership roles at Hearst and its predecessors, Hachette Filipacchi Media and Quote Media. Under his leadership, Hearst became the largest upscale magazine publisher in the Netherlands. Van Os additionally serves as Chairman of the Supervisory Board at Audax Group, a distribution and retail company based in Gilze, Netherlands, and he is a member of the Supervisory Board of de Mediafederatie, the national association of media companies and publishers in the Netherlands. Additionally, he is a member of the Supervisory Board of VNO-NCW, the national employers association in the Netherlands.

Margaret Frerejean-Taittinger (Independent Non-Executive Director)

Margaret Frerejean-Taittinger is the International Development Manager for the MICHELIN Guide, the renowned restaurant rating system that publishes its yearly selections in over 30 countries. In this role, she builds partnerships with destinations around the world to promote their unique culinary assets. Prior to Michelin, she served as the Director of Communications and Marketing for Laboratories Surface-Paris, a beauty company that specializes in cosmeceutical skincare. Before joining Laboratories Surface-Paris, Frerejean-Taittinger spent eight years in the International Development field, addressing cross-sector challenges to sustainable development with a focus on education and microfinance in East Africa. She holds a Master of Development Practice from L'Institut d'Etudes Politiques de Paris (Sciences Po), where she graduated Summa Cum Laude.

Manning Doherty (Non-Executive Director)

Manning Doherty is Senior Vice President of GIC Pte Ltd., Singapore's sovereign wealth fund, where he sits in the Integrated Strategies Group that primarily focuses on public and private debt and equity investments globally. Doherty is a bilingual investment professional, whose career spans senior roles in equity research, private equity and special situation investment and monitoring in Asia and the U.S. Prior to GIC, he served as Managing Director of Mount Kellett Capital from 2011 to 2015 and Managing Director of Oaktree Capital Management from 2006 to 2011. Doherty has specialized knowledge in providing strategic review to develop adjacent business lines; improvement of KPI monitoring and decision making; broadening Company contacts across industry; and the evaluation of strategic M&A and corporate finance actions. He holds an MBA from The Wharton School at the University of Pennsylvania, where he also earned a Master's degree in International Studies from the Lauder Institute. He also holds a Bachelor of Arts degree from Queen's University in Kingston, Ontario in Canada.

12.3.12 Further Information Relating to the Directors

At the date of this Prospectus, the Directors have not, in the previous five years:

- been convicted of any fraudulent offences;

- as a member of the administrative, management or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with any bankruptcy, receivership or liquidation of such company;
- as a member of the administrative, management, or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with that company being put into administration;
- been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

12.4 Corporate Executives

12.4.1 Introduction

The Group is managed by corporate executives (the ***Corporate Executives***). The current Corporate Executives consists of nine key members, each of whom oversees a specific aspect of the business. The persons set forth below are the current members of the Corporate Executives.

Name	**Age**	**Position**
Sir Lucian Grainge	61	Chairman & Chief Executive Officer
Philippe Flageul	57	Executive Vice President, Controller
Jody Gerson	60	Chairman & CEO for Universal Music Publishing Group
Jeffrey Harleston	60	General Counsel and Executive Vice President of Business & Legal Affairs
Eric Hutcherson	52	Executive Vice President, Chief People and Inclusion Officer
Boyd Muir	62	Executive Vice President, Chief Financial Officer and President of Operations
Michael Nash	64	Executive Vice President of Digital Strategy
Will Tanous	51	Executive Vice President, Chief Administrative Officer
Vincent Vallejo	60	Deputy Chief Executive Officer, Corporate

For information in respect of the members of the Corporate Executives who will also be members of the Board, including Sir Lucian Grainge and Vincent Vallejo, see Section 12.3.10 (*Biographical Details of the Executive* Directors).

Set out below are brief summaries of the biographies of the remaining members of the Corporate Executives:

Philippe Flageul (Executive Vice President, Controller)

Philippe Flageul is responsible for overseeing many aspects of UMG's finance operations, including accounting, tax, treasury, risk management and IT and supply chain finance. He also oversees UMG's global procurement. Flageul joined UMG is 2015 from Bolloré Group, where he worked for more than two decades as CFO of the industrial division and Chairman of IER. Philippe holds an MBA from EDHEC.

Jody Gerson (Chairman & CEO for Universal Music Publishing Group)

With more than three decades of experience, Jody Gerson is one of music's most respected, accomplished executives and creative authorities. She is the first female chairman of a global music company and the first woman to be named CEO of a major music publisher. Since joining UMPG in 2015, Gerson transformed the company into the industry's most sought-after home to songwriters evidenced by her signing and work with the Bee Gees, Elton John, Carly Simon, Prince, Taylor Swift, Billie Eilish, Rosalia, Alicia Keys, Coldplay, Justin Bieber, Jack White, SZA, Post Malone, Quavo, Ariana Grande, H.E.R., Harry Styles, Maren Morris and more. Prior to UMPG, Gerson served as Co-President of Sony/ATV Music Publishing. Gerson is the cofounder of She Is The Music, a non-profit championing equality and inclusion for women. She serves on boards of the USC Annenberg Inclusion Initiative, Rock & Roll Hall of Fame, the National Music Publishers Association and The Archer School for Girls.

***Jeffrey Harleston* (General Counsel and Executive Vice President, Business & Legal Affairs)**

Jeffery Harleston is responsible for globally overseeing all business transactions, contracts, and litigation. He is additionally responsible for the development of corporate policies, including the coordination of the Company's government relations, trade and anti-piracy activities, to ensure a unified strategy across the Company's divisions. Harleston, who joined UMG in 1993 at MCA, is co-chairman of UMG's Task Force for Meaningful Change, where he leads a group of influential executives from across the Company to focus on issues regarding inclusion and social justice. He is also currently serving as interim Chairman & CEO of Def Jam Recordings. Harleston serves on the boards of SoundExchange and the Recording Industry Association of America (RIAA) and received a B.A. in Political Science from Williams College and his J.D. from the University of California, Berkeley School of Law.

Eric Hutcherson (Executive Vice President, Chief People and Inclusion Officer)

With a focus on people, culture and inclusion, Eric Hutcherson leads a global team across UMG's record labels, publishing division and operating companies to align talent functions, amplify the Company's entrepreneurial-based culture, accelerate diversity and inclusion across all levels and territories, attract, retain and develop talent, accelerate the Company's social justice initiatives and build on UMG's successful track-record of driving innovation by recruiting employees who bring new ideas, perspectives and skillsets. Prior to joining UMG, he was EVP, Chief Human Resources Officer of the National Basketball Association (NBA) where he managed a team that drove the NBA's global workforce strategy. Hutcherson earned a bachelor's degree in Political Science from New York University and a master's degree in Sports Management and Administration from the University of Massachusetts-Amherst.

Boyd Muir (Executive Vice President, Chief Financial Officer and President of Operations)

Working seamlessly across the corporate and creative aspects of UMG's operations, Boyd Muir is responsible for overseeing many of UMG's corporate operations including global finance. Muir leads the strategic physical-to-digital reshaping of the Company's businesses, and he has played a key role in several of UMG's most prominent acquisitions, including Sanctuary Group and V2 Music Group, as well as the Company's successful acquisition of EMI, Ingrooves Music Group and Epic Rights, among others. Muir joined UMG in 1994 and previously served as Chief Financial Officer for Universal Music Group International, the division which managed UMG's businesses in more than 50 countries.

Michael Nash (Executive Vice President of Digital Strategy)

Michael Nash oversees UMG's digital business development activities around the world, managing the relationships with the Company's largest digital partners. Nash has worked at the forefront of media and technology convergence for his entire career as an executive, entrepreneur and producer. Before joining UMG in 2015, Nash served as a strategic advisor to Warner Music Group (WMG), as well as several digital media startups and new technology companies. Prior to that, he served as the Company's Executive Vice President of Digital Strategy and Business Development where he oversaw new media projects, strategic relationships and business development activities worldwide. Prior to WMG, Nash was the Executive Director of the Madison Project, the music industry's first digital distribution trial, and he was the founding CEO of Inscape, an interactive entertainment and games publishing joint venture between WMG and HBO.

Will Tanous (Executive Vice President, Chief Administrative Officer)

Will Tanous plays a key role in the development of the Company's business strategy, overseeing several major strategic and corporate endeavors, as well as managing worldwide external and internal communications, global public policy, investor and government relations, event functions and social responsibility. Prior to joining UMG in 2013, Tanous served as Executive Vice President of Communications & Marketing for Warner Music Group where he was central in all of the Company's major corporate initiatives, including: the sale of WMG to

Access Industries, Inc.; WMG's initial public offering on the New York Stock Exchange in 2005; and the sale of WMG by Time Warner Inc. to a private equity consortium. He serves on the board of the Recording Industry Association of America and is a graduate of Georgetown University in Washington D.C.

12.4.2 Further Information Relating to the Corporate Executives

At the date of this Prospectus, the Corporate Executives have not, in the previous five years:

- been convicted of any fraudulent offences;
- as a member of the administrative, management or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with any bankruptcy, receivership or liquidation of such company;
- as a member of the administrative, management, or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with that company being put into administration;
- been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

12.5 General information about the Directors and Corporate Executives

The table below sets out the names of all companies and partnerships of which an Executive Director, Non-Executive Director or a Corporate Executive has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, other than a subsidiary of the Company.

Name	Current directorships / partnerships	Past directorships / partnerships
Sir Lucian Grainge	Northeastern University	American Friends of the Royal Foundation Lionsgate Entertainment Corporation
Vincent Vallejo	Esri France	Boulogne Studios EURL Groupe Canal+ L'Olympia Radionomy Group BV Watchever Group Radionomy Group SA WINAMP SA
Judy Craymer	Judy Craymer Limited Judy Craymer Productions Limited Judy Pictures Limited VF London Limited VF Productions Limited VF (Licensed Productions) Limited Littlestar Services Limited Littlestar Services (Europe) Limited Littlestar (Licensing) Limited Littlestar Services (USA Tour 2) Inc Littlestar Services (Broadway) Inc Littlestar Films Limited Littlestar 2Up Limited Mamma Mia! Broadway Limited Partnership Mamma Mia! (USA Tour 2) Limited Partnership	Littlestar Services (Australia) Limited Littlestar Services (Canada) Limited Littlestar Services (USA Tour) Limited Mamma Mia! Las Vegas Limited Partnership Littlestar Services (Las Vegas) Inc
Antoine Fievet	Unibel SA Bonduelle SCA CITEO SCI MORI GINKGO	-

	Groupement Forestier de la Croix d’Urbay	
Anna Jones	AllBright Ltd UN Women UK	Hearst Magazines UK Telecom Italia Creative Industries Federation Comag Press and Periodical Association Board
Cathia Lawson-Hall	Agence Francaise De Developpement (AFD) Vivendi Société Générale Côte D’Ivoire France Nigeria Investment Club (FNIC)	Société Générale Bénin - Togo
James Mitchell	Riot Games Inc CITIC Capital Holdings Limited Miniclip Group SA and its SPVs including ICI(J) Ltd Supercell Oy. And its SPVs including: Halti S.A. Inari S.à r.l. Nilakka S.à r.l. Lokka S.à r.l. Flipkart Limited Frontier Developments plc China Literature Limited Skydance Media LLC NIO Inc. Tencent Music Entertainment Group PhonePe Private Limited SPVs of Tencent-led Consortium, including: Concerto HK2 Company Limited Scherzo HK2 Company Limited	Yixin Group Limited
Luc Van Os	Doorakkeren B.V. Audax Groep B.V. Magazine Media Association (branche organisatie) De MediaFederatie (branche organisatie) VNO NCW	Hearst Burda Publ Gmbh. (Germany) Hearst Independent Media (Russia) International Publication Holding B. V. Hearst Magazines Netherlands B.V
Margaret Frerejean-Taittinger	French Bloom	-
Manning Doherty	Pure Salmon BBAM Azure Sky Investment Limited	Mimosa Green Investment Pte. Ltd. Clear Turquoise Investment Pte. Ltd. Hammerhead Investment Pte Ltd Burgundy Wheel Investment Pte. Ltd. Tangy Orange Investment Pte Ltd Sunny Yellow Investment Pte Ltd Pastel Pink Investment Pte. Ltd. Evening Gold Investment Pte. Ltd. Dusky Maroon Investment Pte Ltd Cerulean Bay Investment Pte Ltd Kakapo Investment Pte Ltd Pure Magenta Investment Pte. Ltd. Iris White Investment Pte. Ltd. Crossbones Investment Pte Ltd GIC Blue Holdings Pte. Ltd. Amber Red Investment Pte. Ltd. Crimson White Investment Pte.Ltd. Royal Violet Investment Pte. Ltd. Coral Blue Investment Pte.Ltd. Omega Red Investment Pte. Ltd. Purple Green Investment Pte.Ltd. Twilight Silver Investment Pte. Ltd.

Boyd Muir	Vevo, LLC Dakia UMusic Hospitality, LLC	-
Philippe Flageul	-	-
Jody Gerson	Archer School for Girls (trustee) She is the Music National Music Publisher's Association	TJ Martell Foundation MusiCares City of Hope
Jeffrey Harleston	SoundExchange Rhythm & Blues Foundation Recording Industry Association of America Williams College Harvard-Westlake School MusicCares TJ Martell Foundation UCLA Herb Albert School of Music National Museum of African American Music	-
Eric Hutcherson	Covenant House International USC Annenberg School of Communications and Journalism	The Hun School of Princeton Covenant House NY Young People's Chorus
Michael Nash	Vevo, LLC SongLily, Inc	-
Will Tanous	Dakia Umusic Hospitality, LLC Recording Industry Association of America	-

12.6 Equity Holdings of Directors and Corporate Executives

As of the date of this Prospectus, the Existing Shareholders are the only Shareholders of the Company and neither the Directors nor the Corporate Executives hold any Shares in the Company.

In connection with the Distribution, the Directors and the Corporate Executives, to the extent that they hold shares in Vivendi, will, in accordance with the Allocation Ratio and similar to all other Vivendi Shareholders, receive one Share for every one (1) Vivendi share which they hold as of the Distribution Record Date. This assumes that no Adjustment of the Allocation Ratio has occurred, and each Vivendi Shareholder will be allotted one (1) Share for one (1) share which it holds in Vivendi on the Distribution Record Date.

The following sets forth each Director's and Corporate Executives' shareholdings in Vivendi as at the date of this Prospectus and expected shareholdings in the Company immediately after the Distribution.

Name	Number of shares in Vivendi held as at the date of this Prospectus	Expected number of Shares in the Company to be held immediately after the Distribution(1)
Directors		
Sir Lucian Grainge	13,187	13,187
Vincent Vallejo	91,770	91,770
Judy Craymer	-	-
Antoine Fievet	-	-
Anna Jones	-	-
Cathia Lawson-Hall	2,356	2,356
James Mitchell	-	-
Luc Van Os	105	105
Margaret Frerejean-Taittinger	-	-
Manning Doherty	-	-
Corporate Executives		
Philippe Flageul	8,000	8,000
Jody Gerson	18,422	165,717(2)
Jeffrey Harleston	4,564	196,688(2)
Eric Hutcherson	-	-

Boyd Muir	72,989	207,625(3)
Michael Nash	5,173	5,173
Will Tanous	9,947	202,071(2)

Notes

(1) Assuming that no Adjustment of the Allocation Ratio has occurred, and each Vivendi Shareholder will be allotted one (1) Share for one (1) share which it holds in Vivendi on the Distribution Record Date.

(2) These figures include an estimate of the number of Shares to be transferred by Vivendi to the relevant Corporate Executives pursuant to an award by Vivendi to a limited number of senior managers of UMG, including certain of the Corporate Executives, which award was satisfied in part in cash paid by Vivendi and/or a portion is to be satisfied in Shares in UMG to be transferred by Vivendi, which awards related, amongst other things, to the Admission and the Tencent-led Consortium's acquisition of its interest in UMG. The number of Shares to be transferred to the relevant Corporate Executive will only be determinable closer to the date of listing and may vary depending upon the expected trading price of the Shares, and the number of shares will be reduced to cover any required local payroll and income withholding, and market capitalization of the Company. Such transfer is expected to take place on or after the date of listing. The Shares to be transferred will be subject to a one year holding period.

(3) A number of Shares is expected to be delivered by UMG to Boyd Muir on or immediately after the Admission pursuant to a recognition award granted whereby he will receive an award of Shares which settle over three years, one third of which shall be settled on or after the Admission, whereafter a further third is expected to settle on the first anniversary of the Admission and the final third is expected to settle on the second anniversary of the Admission. The number of Shares to be delivered will only be determinable closer to the date of listing and may vary depending upon the expected trading price of the Shares and the number of shares will be reduced to cover any required local payroll and income withholding, however, the total number of Shares to be granted and delivered over the three year period is estimated to be 403,908, 134,636 Shares of which are estimated be delivered to Boyd Muir as the first third of this award (which is reflected in the table above). In addition, Boyd Muir was granted a number of Shares pursuant to the award by Vivendi (related, amongst other things, to the Admission and the Tencent-led Consortium's acquisition of its interest in UMG) to a limited number of senior managers of UMG, which award was satisfied in part in cash paid by Vivendi and/or a portion is to be satisfied in Shares in UMG to be transferred by Vivendi. The number of Shares to be transferred to Boyd Muir will only be determinable closer to the date of listing and may vary depending upon the expected trading price of the Shares, and the number of shares will be reduced to cover any required local payroll and income withholding, and market capitalization of the Company. Such transfer is estimated to comprise 201,955 Shares; however, such transfer shall only take place on the first anniversary of the date of listing. See Section 12.7.3(b)(iii) for further details in this regard.

12.7 Remuneration

12.7.1 Board remuneration

Every four years, the Remuneration Committee shall submit a clear and understandable proposal to the Board concerning the remuneration policy to be pursued with regard to Directors, which will be submitted to the General Meeting for adoption as required by law. The remuneration policy is expected to be adopted by the General Meeting at the proposal of the Board on September 20, 2021. A resolution to adopt the remuneration policy requires a simple majority of the votes cast. Pursuant to the Articles of Association, remuneration of the Executive Directors shall be determined by the Board with observance of the remuneration policy adopted by the General Meeting. The Executive Directors shall not participate in the deliberations and decision-making on this. The remuneration of the Non-Executive Directors shall be determined by the Board, with observance of the remuneration policy adopted by the General Meeting. A proposal with respect to remuneration schemes in the form of shares or rights to subscribe for shares shall be submitted by the Board to the General Meeting for its approval.

12.7.2 Remuneration components for the Executive Directors and Chief Financial Officer

Pursuant to the Company's remuneration policy, the remuneration of the Executive Directors and the Chief Financial Officer generally consists of the following components, excluding current employment contract terms that might deviate from the remuneration policy, providing for an appropriate balance between fixed and variable remuneration over the short- and longer-term, which is directly linked to business performance and shareholder value-creating and supporting the Company's strategy, its long-term interests and its sustainability:

- a fixed base salary. Base salaries are reviewed annually in the context of inflation and/or company performance;
- a pension contribution and other benefits such as life assurance and private medical insurance that are additional to the fixed base salary;

- a short-term variable annual cash bonus. Bonuses are determined by the Remuneration Committee on the basis of individual performance and the Company's performance against financial, strategic and risk-related measures; and

- the Company has not yet established a long-term incentive plan, but its intention is to introduce a share-based long-term incentive plan following the Admission. An overview of the high-level principles of the proposed long-term incentive plan is set out in Section 12.8.3 (*UMG Equity Inventive Plan*).

Section 12.7.3 (*Current terms of Board members and the Chief Financial Officer*) contains an overview of the terms and conditions of the Chief Financial Officer and of the Non-Executive and Executive members of the Board as per the date of the Prospectus.

12.7.3 Current terms of Board members and the Chief Financial Officer

(a) *Non-Executive Directors*

The initial terms in office of the Non-Executive Directors are referred to in Section 12.3.9 (*Composition of the Board*). The Nomination Committee periodically assesses the skills represented on the Board and determines whether these meet the Company’s needs.

The fee structure for Non-Executive Directors has been designed to ensure that the Company attracts, retains and appropriately compensates a diverse and internationally experienced board of Non-Executive Directors. On and from Admission, each independent Non-Executive Director shall be entitled to a fee of:

- €90,000 per annum for performing their role as a Non-Executive Director;

- €20,000 per annum being payable for membership of a Board committee;

- €10,000 per annum for performing the role of chair of a Board committee; and

- €50,000 per annum for performing the role of Chairman of the Board.

Remuneration is reviewed annually and is not linked to the price of the Shares or the Company’s performance.

The fees for the Non-Executive Directors are benchmarked against Euronext Amsterdam listed companies, using publicly disclosed data and considering the relative size, scale and complexity of the Company’s activities.

Each Non-Executive Director is also entitled to reimbursement of reasonable expenses incurred in connection with the attendance of Board and Board committee meetings.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company’s bonus or pension schemes.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

(b) *Executive Directors and Chief Financial Officer*

The remuneration for the Executive Directors and the Chief Financial Officer includes the elements set out below. Where applicable, the below sets out US$ remuneration in Euros based on the US$/€ exchange rate as of June 1, 2021, being 0.82, therefore certain of the amounts below have been subject to conversion and rounding and may vary in accordance with movements in the US$/€ exchange rate.

(i) *Annual base pay*

In accordance with the remuneration policy, the annual base pay is paid bi-weekly for Sir Lucian Grainge and Boyd Muir; monthly for Vincent Vallejo in cash on a net basis i.e. all tax and social security contributions are deducted from this amount. Inflation, personal and Company performance are the drivers for any salary increases and the base salary is set at a level to ensure the Company can attract and retain talent of the required caliber. Sir

Lucian receives an annual base salary of €12,860,000, whereas Vincent Vallejo and Boyd Muir each receive an annual base salary of €960,000 and €1,731,000, respectively.

The Non-Executive Directors review the fixed base salaries of the Executive Directors and Chief Financial Officer annually and may increase the fixed base salary levels for the Executive Directors and Chief Financial Officer as appropriate based on the terms of the employment agreements of the Executive Directors and Chief Financial Officers. In making its decision, the Non-Executive Directors with advice from the Remuneration Committee, take into account global, regional, local and relevant industry practice as well as an individual's contribution and affordability for the Company. A number of factors may be taken into account during the review process, including personal performance, the scope and nature of the role, competing businesses in the industry and local economic indicators such as inflation and labor market changes to ensure the remuneration is fair, sensible and competitive. In preparation of the review process, the Remuneration Committee considers data from comparator companies, bearing in mind the size of the business, its complexity and its geographic footprint. Given that the Executive Directors and Chief Financial Officer have fixed term employment contracts which set forth salary increases, if any, during the fixed term, there is no requirement to increase the fixed base salary on an annual basis, other than as may be obligated pursuant to the terms of the employment contract. Sir Lucian's current fixed term contract extends through December 31, 2023. Boyd Muir's current fixed term contract extends through June 30, 2024. Vincent Vallejo's current fixed term contract extends through September 30, 2023.

(ii) *Short-term variable annual cash bonus*

Sir Lucian Grainge, Vincent Vallejo and Boyd Muir are eligible to participate in an annual bonus plan. The awards are made fully in cash and are subject to specific financial and non-financial targets set annually by the Board of Directors and are in line with the Company's remuneration policy.

Sir Lucian is entitled to receive: (i) an annual cash bonus in an amount equal to 1% of UMG's EBITA for the relevant financial year; and (ii) a contingent cash bonus of €8,575,000 per annum, subject to UMG meeting specific financial and non-financial targets. Subject to the achievement of specific financial and non-financial targets: (i) Vincent Vallejo and Boyd Muir are eligible for a target bonuses of 50% of annual base salary and €1,637,000, respectively, with a minimum payout of 0% and a maximum payout potential of two times the target bonus amount.

Performance against targets, as set at the beginning of the fiscal year, is based on verifiable financial results and metrics that are reviewed by the Company's auditors. For targets which are more qualitative in nature, the Remuneration Committee considers supporting evidence and discusses the extent to which those goals have been achieved together with the Human Resources department.

(iii) *Admission related bonuses*

In connection with the Admission and Distribution, Sir Lucian Grainge will receive a transaction bonus paid by Vivendi in an amount equal to the product of (i) US$150,000,000 plus 1% of the implied value of 100% of the equity of UMG in excess of USD $30 billion; and (ii) the percentage of UMG Shares which are transferred by Vivendi pursuant to the Distribution. This bonus is expected to be paid before October 20, 2021. Sir Lucian received a payment from Vivendi in the amount of €17,530,000 in February 2021 in relation to the Tencent-led Consortium acquiring an additional 10% of the Shares in the Company. In addition, in September 2021, he will receive a payment from Vivendi in relation to the Pershing Entities acquiring their 7.09% and 2.91% interests in the Company.

Vincent Vallejo will receive a recognition award of €800,000 from UMG as a cash payment at the end of the month after Admission, as well as a similar €800,000 cash payment in April 2022.

In connection with the Admission, Boyd Muir will receive the following two equity based payments: (i) from UMG: a recognition award to be made in Shares with an equivalent value of €12,281,000 (vesting *pro rata* over a period of three years); and (ii) from Vivendi: a recognition award to be made in Shares with an equivalent value of €6,140,000 (to be settled one year post the Admission), subject to UMG's market capitalization being €30 billion as at Admission, with the possibility of an additional payment of up to €1,535,000 if the market capitalization of UMG at the time of the Admission exceeds €40 billion. The number of Shares to be transferred by Vivendi is pursuant to an award by Vivendi to a limited number of senior managers of UMG, including certain of the Corporate Executives, which award was satisfied in part in cash and a portion is to be satisfied in Shares in UMG, which awards related, amongst other things, to the Admission and the Tencent-led Consortium's acquisition of its interest in UMG.

(iv) *Pension contribution and other fringe benefits*

Sir Lucian Grainge, Vincent Vallejo and Boyd Muir are entitled to receive employer pension contributions or a cash retirement allowance in lieu of pension contributions, in the amounts of 20% of annual base salary (total potential maximum of €262,000), €20,000 and 20% of annual base salary, respectively. In addition, each of Sir Lucian, Vincent Vallejo and Boyd Muir are entitled to employer paid life insurance and international health insurance for themselves and each of their families.

Sir Lucian is entitled to an annual housing allowance of €418,200. For such time as he is located in the Netherlands, Vincent Vallejo is entitled to be reimbursed the rental of his residence of choice, subject to reasonable limitations as to the type of residence. For such time as he is located in the US, Boyd Muir is entitled to receive a housing allowance of €254,000.

Sir Lucian is entitled to the use of a car, with a driver, for business and reasonable private use. Additionally, Sir Lucian is provided with the use of a chartered or private aircraft for business purposes, subject to requiring prior approval for any such usage in excess of €410,000 per annum. Vincent Vallejo is entitled to the use of a car for business and reasonable private use. In lieu of a company car, Boyd Muir receives an annual car allowance of €22,500.

To the extent that Vincent Vallejo remains employed by the Company on February 1, 2023, he will receive payment of a retention bonus of €800,000.

In the event of termination or non-renewal of employment, Boyd Muir is entitled to repatriation for himself and his family to the United Kingdom.

Sir Lucian is entitled to tax equalization between the US and the UK (his home country) and UMG covers the taxes in relation to his housing allowance and usage of aircraft for business purposes. The Company covers taxes for social assistance measures (housing, car, insurance) for Vincent Vallejo while he is in the Netherlands. The Company covers taxes for Boyd Muir's housing allowance and tax equalization between the US and the UK (his home country).

(v) *Long-term variable incentive plan*

Long-term incentives are designed to incentivize the delivery of sustainable long-term grown and provide alignment with shareholders. Following Admission, each of Sir Lucian Grainge, Vincent Vallejo and Boyd Muir will be entitled to participate in such long-term incentive plans as the Company may establish for its executives.

(vi) *Termination policy*

The employment contract of Sir Lucian Grainge may be terminated by him on not less than 3 months' notice or by the Company without cause without prior notice. The employment contract of Vincent Vallejo may be terminated by: (i) him on not less than three months' prior notice; or (ii) the Company on not less than six months' prior notice. The employment contract of Boyd Muir may be terminated by the Company without cause without prior notice.

In the event of termination by the Company without cause, or non-renewal of employment Sir Lucian and Boyd Muir shall be paid two years' salary, target bonus, pension contributions, car allowance, tax equalization and health and welfare benefits in a lump sum in exchange for a release of claims against the Company, and Vincent Vallejo shall be paid salary, contractually agreed exceptional premiums, his retention bonus and other bonuses in a lump sum for the period remaining on his initial two and half year fixed term agreement.

(vii) *Restrictive covenants*

Sir Lucian Grainge and Boyd Muir are subject to confidentiality undertakings without limitation in time and to non-solicitation provisions (in respect of clients and employees) for a period of 12 months after the termination of their employment with the Company. Sir Lucian is also subject to a non-competition provision for a period of 12 months after the termination of his employment with the Company.

(viii) *Other*

The Company arranges for, and pays, directors' and officers' liability insurance for Sir Lucian Grainge, Vincent Vallejo and Boyd Muir.

As at the date of this Prospectus, neither the Company nor Vivendi have provided any personal loans, advances or guarantees to Sir Lucian, Vincent Vallejo or Boyd Muir.

The remuneration payable to the Executive Directors and the Chief Financial Officer, as described above, is in all cases subject to any applicable regulatory requirements.

12.7.4 Executive Directors' Remuneration for the financial year ended December 31, 2020

The remuneration for the Executive Directors and the Chief Financial Officer for the financial year ended December 31, 2020 was as follows:

Executive Director(1)	Base salary	Cash Bonus	Equity(2)	Pension contributions	Fringe benefits	Total
			(in € thousands)			
Sir Lucian Grainge	€13,563	€35,450(3)	€574	€281	€450(4)	€50,318
Boyd Muir	€1,854	€5,762(5)	€510	€369	€1,176(6)	€9,671

Notes

(1) For Sir Lucian and Boyd Muir, this table sets out US$ remuneration in Euros based on the average US$/€ exchange rate for 2020.

(2) Equity includes earnings from Vivendi's Performance Share Scheme Plan granted in 2015, 2017 and 2018.

(3) Sir Lucian cash bonus includes a one-time bonus of €15,523 paid by Vivendi in relation to the Tencent-led Consortium's acquisition of its stake in UMG, an annual bonus of €10,741 from UMG's annual short-term incentive program and a bi-weekly bonus (€9,186 annually) associated with a UMG contingent bonus per his contract terms.

(4) Sir Lucian fringe benefits include employer paid benefits and housing allowance (€447).

(5) Boyd Muir's cash bonus includes a one-time signing bonus of €66, a one-time bonus of €3,289 paid by Vivendi in relation to the Tencent-led Consortium's acquisition of its stake in UMG and an annual bonus of €2,407 from UMG's annual short-term incentive program.

(6) Boyd Muir's fringe benefits include employer paid benefits and other allowances, such as housing (€272), travel, car, school and tax equalization (€717).

12.7.5 Non-Executive Directors' Remuneration for the financial year ended December 31, 2020

As the Non-Executive Directors were appointed after December 31, 2020, no remuneration was paid to the Non-Executive Directors for the financial year ended December 31, 2020.

12.7.6 Corporate Executives remuneration for the financial year ended December 31, 2020

The following table describes the aggregate remuneration for the members of the Corporate Executives (other than the Executive Directors and the Chief Financial Officer) for their services as members of the management of the Company and its subsidiaries for the year ended December 31, 2020.

	Base salary	Cash bonus(2)	Equity(3)	Pension contributions(4)	Fringe benefits(5)	Total
			(in € thousands)			
Corporate Executives (1)	€8,222	€14,614	€647	€83	€1,027	€24,593

Notes

(1) Includes remuneration for Eric Hutcherson from his hire date of September 1, 2020 through December 31, 2020. Figures include actual earnings for the year ended December 31, 2020. This table sets out US$ remuneration in Euros based on the average US$/€ exchange rate for 2020.

(2) Includes incentive payments from UMG's annual bonus plans and other bonus plans.

(3) Includes earnings from Vivendi's Performance Share Scheme Plan granted in 2015, 2017 and 2018.

(4) Includes 401K company match and the non-elective company contributions.

(5) Includes employer paid benefits, relocation costs, housing and other allowances.

12.8 Vivendi Equity Incentive Plans

12.8.1 Vivendi Share Schemes

Certain members of the Company's Corporate Executives, including the Chairman & Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer, participated in the Vivendi Share Schemes prior to the date of this Prospectus.

The shares granted under the Vivendi Share Schemes vest over a defined period of time from granting (subject to certain acceleration provisions) and are subject to leaver provisions under which departure in specified circumstances may result in the non-vesting of a portion of those shares (such portion depending on the circumstances in which the relevant manager leaves).

The Vivendi Share Schemes represent historical arrangements established by Vivendi and the Company anticipates that in the future the Company will provide long-term incentivisation to senior employees by establishing a share-based long-term incentive plan, the details of which will be determined following the Admission. An overview of the high-level principles of the proposed long-term incentive plan is set out in Section 12.8.3 (*UMG Equity Incentive Plan*) below.

(a) *Vivendi Performance Share Scheme Plans*

The table below sets out details of the Vivendi Performance Share Scheme Plans in which the Executive Directors and the members of the Corporate Executives participate in as at the date of this Prospectus:

Name	Plan Year	Number of Vivendi Shares Granted	Grant Date	Vesting Date	Vesting Rate	Settlement Date
Sir Lucian Grainge						
	2017	30,000	Feb 23, 2017	Feb 24, 2020	75%	Feb 25, 2022
	2018	30,000	May 17, 2018	May 18, 2021	75%	May 19, 2023
	2019	40,000	Feb 14, 2019	Feb 15, 2022	0% - 100%(1)	Feb 16, 2024
Vincent Vallejo						
	2019	7,500	Feb 14, 2019	Feb 15, 2022	0% - 100%(1)	Feb 16, 2024
	2020	7,500	Feb 13, 2020	Feb 13, 2023	0% - 100%(1)	Feb 14, 2025
Boyd Muir						
	2017	15,000	Feb 23, 2017	Feb 24, 2020	75%	Feb 25, 2022
	2018	13,500	May 17, 2018	May 18, 2021	75%	May 19, 2023
	2019	18,000	Feb 14, 2019	Feb 15, 2022	0% - 100%(1)	Feb 16, 2024
	2020	20,000	Feb 13, 2020	Feb 13, 2023	0% - 100%(1)	Feb 14, 2025
Corporate Executives(2)						
	2017	53,250	Feb 23, 2017	Feb 24, 2020	75%	Feb 25, 2022
	2018	42,000	May 17, 2018	May 18, 2021	75%	May 19, 2023
	2019	56,000	Feb 14, 2019	Feb 15, 2022	0% - 100%(1)	Feb 16, 2024
	2020	56,500	Feb 13, 2020	Feb 13, 2023	0% - 100%(1)	Feb 14, 2025

Notes
(1) Final Vesting Rate will be determined on the Vesting Date.
(2) Other than the Executive Directors and Chief Financial Officer.

(b) *Vivendi Opus Share Scheme Plan*

The table below sets out details of Vivendi Opus Share Scheme Plan in which Vincent Vallejo participates in as at the date of this Prospectus. No other Executive Directors or Corporate Executives participate in this scheme as at the date of this Prospectus:

Name	Plan Year	Number of Vivendi Shares Granted	Grant Date	Vesting Date
Vincent Vallejo				
	2017	135.39	July 25, 2017	June 1, 2022
	2018	113.83	July 19, 2018	June 1, 2023
	2019	104.24	July 17, 2019	June 1, 2024
	2020	132.90	July 21, 2020	June 1, 2025

12.8.2 *Effect of Distribution on Vivendi Employee Share Schemes*

In connection with the Distribution, any Vivendi equity awards held by Directors, Corporate Executives and employees of the Group will be treated as follows:

- Vivendi Stock Options

All outstanding Vivendi Stock Options were granted on April 17, 2012, at an exercise price of €11.76 per share, are fully vested and will expire on April 17, 2022. Directors, Corporate Executives and employees of the Group holding these Vivendi stock options can either:

(i) exercise the Vivendi Stock Options and sell the Vivendi shares prior to September 21, 2021 (the expected ex-dividend date in relation to the Distribution), before the Distribution impact on the Vivendi share price; or

(ii) exercise them so that they receive shares in Vivendi before September 21, 2021 and the corresponding Vivendi shares would entitle the relevant holder to receive one Share for each Vivendi share held in the context of the Distribution, subject to any Adjustment of the Allocation Ratio.

If the Vivendi Stock Options are not exercised before September 21, 2021, the Vivendi shares resulting from any subsequent exercise will not participate in the Distribution.

- Vivendi Performance Shares

Performance shares granted during 2017 and 2018 have already vested and been measured against the relevant 3-year Vivendi performance criteria. The resulting earned Vivendi shares will be settled with UMG employees during the year ending December 31, 2022 and December 31, 2023, respectively, based on the original settlement dates under these schemes. These performance awards will not participate in the Distribution or otherwise be adjusted pursuant to the Distribution.

At their meeting on April 19, 2021, the management board of Vivendi approved an exception to allow any unvested performance shares granted to UMG employees to continue to vest after listing and Admission (provided that the relevant individuals remain employed by the Group until the original vesting date of the relevant Vivendi performance shares). Performance shares granted during 2019 and 2020 have not yet vested and will continue to be measured against the relevant 3-year Vivendi performance criteria. However, the relevant performance targets may be adjusted after the listing and Admission. The resulting earned Shares will be settled with UMG employees during the year ended December 31, 2024 and December 31, 2025, respectively, based on the original settlement dates under this scheme. These performance awards will not participate in the Distribution or otherwise be adjusted pursuant to the Distribution.

- Vivendi OPUS

It is expected that the 2017, 2018, 2019 and 2020 Vivendi OPUS Plans (excluding the Canada and USA Vivendi Opus Plans) will be paid out on their original settlement dates. The Vivendi shares held in these plans will receive the Distribution but, in accordance with the contractual arrangements governing these plans, it is expected that the resulting UMG Shares will be transferred to Société Générale S.A., the bank that has arranged these plans. An adjustment will be made to the indexation formula in these plans to reflect the transfer of value to Société Générale S.A. The adjustment will result in a "multiple" formula that follows both the Vivendi shares and UMG Shares going forward. At present, the adjustment of the Vivendi OPUS Plans remains subject to ongoing discussions with Société Générale S.A., the FCPE manager and the French regulators.

For the Vivendi OPUS Canada Plans, it is expected that the Vivendi OPUS Canada Plans will be fully redeemed prior to the Distribution being made.

For the Vivendi OPUS USA Plans, it is expected that the Vivendi OPUS USA Plans will either be fully redeemed prior to the Distribution being made or converted to a cash-settled instrument. The treatment of the Vivendi OPUS USA Plans remains subject to ongoing discussions with Société Générale S.A.

12.8.3 *UMG Equity Incentive Plan*

The Company intends to establish an equity-based long-term incentive plan (the ***Equity Incentive Plan***) as part of its remuneration arrangements, which Equity Incentive Plan is expected to be placed before the

Shareholders for approval at the first annual General Meeting of the Company after Admission. The purpose of establishing the Equity Incentive Plan is to ensure alignment of the interests of participating employees with those of Shareholders, promote enhanced employee engagement and performance and the creation of long-term sustainable value for the Group and its stakeholders.

Certain employees within the Group, including the Executive Directors and the Corporate Executives, will be eligible to participate in the Equity Incentive Plan. The Company currently intends that awards granted under the Equity Incentive Plan will have appropriate vesting periods and any such performance awards are expected to be made subject to the achievement of applicable conditions to be further determined by the Remuneration Committee. Further holding periods may apply following the vesting of awards under the Equity Incentive Plan. In order to ensure alignment of interests, certain key employees of the Group may be expected to meet minimum shareholding requirements to be established by the Company following Admission (to which shares acquired pursuant to the vested awards under the Equity Incentive Plan may contribute).

Awards under the Equity Incentive Plan will be subject to any applicable regulatory remuneration rules.

12.9 Board Liability, Insurance and Indemnity

Executive Directors and Non-Executive Directors may be liable, under Dutch law, for damages in the event of improper or negligent performance of their duties. They may be held liable for damages to the Company and to third parties for infringement of certain provisions of Dutch law or the Articles of Association. Such liability may be joint and several. In certain circumstances, they may also incur other specific civil and criminal liabilities.

Furthermore, the Articles of Association provide that the Company shall indemnify each current or former Director in any anticipated or pending action, suit, proceeding or investigation for any claim against that Director that such Director may derive from exercising his or her respective duties as a Director, for any and all:

- costs and expenses, including but not limited to substantiated attorneys' fees, reasonably incurred in relation to that Director's defences in the relevant action, suit, proceeding or investigation or a settlement thereof;

- liabilities, losses, damages, fines, penalties and other claims and/or financial effects of judgements against that Director, excluding any reputational damages and (other) immaterial damages; and

- payments by that Director and/or any other financial effects resulting from a settlement of such action, suit, proceeding or investigation, excluding any reputational damages and (other) immaterial damages, subject to prior written approval of such settlement by the Company (such approval not to be unreasonably withheld),

provided he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company or out of his or her mandate, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Any indemnification by the Company shall be made only upon a determination by the Board that the indemnification of the Director is proper under the circumstances because he or she had met the applicable standard of conduct set forth above.

A Director, current or former, shall not be entitled to any indemnification by the Company if and to the extent:

- a competent court, a judicial tribunal or, in case of an arbitration, an arbitrator or arbitral panel has established by final judgement that is not open to challenge or appeal, that the acts or omissions of the current or former Director can be considered intentional, wilfully reckless or seriously culpable, unless this would in the given circumstances be unacceptable according to the standards of reasonableness and fairness;

- the costs or the decrease in assets of the current or former Director are/is covered by an insurance and the insurer started payment of the costs or the decrease in assets; or

- the Company and/or a company in the Group brought the procedure in question up before the relevant court, judicial tribunal or, in case of an arbitration, arbitrator or arbitral panel, in which event he or she shall immediately repay any amount paid to him or her (in advance, as the case may be) by the Company.

Executive Directors, Non-Executive Directors and certain other members of the Company's senior management, to the extent they carry out responsibilities of the Board, are insured under a director's and officer's liability insurance policy taken out by the Company against damages resulting from their conduct when acting in their capacities as Directors or officers with coverage and terms customary for a publicly listed company of the size of the Company.

12.10 Shareholders' Agreement

The Restructuring Shareholders, the Pershing Entities, the Bolloré Entities and the Company are parties to a shareholders' agreement dated February 26, 2021, as amended on June 24, 2021 (the ***Shareholders Agreement***). The Shareholders Agreement contains *inter alia* arrangements between the Restructuring Shareholders, the Pershing Entities, the Bolloré Entities and the Company regarding corporate governance, share transfer restrictions, pre-emptive rights and drag along- and tag along rights. The Shareholders Agreement is governed by Dutch law and will, except for certain provisions in relation to, *inter alia*, registration rights, automatically terminate upon the occurrence of the Admission. Under the surviving provisions of the Shareholders Agreement with respect to registration rights, the relevant parties are entitled to customary United States demand and shelf registration rights (where a shareholder can demand the Company to file a registration statement) and 'piggyback' registration rights (where a shareholder is granted the right to register its unregistered stock to the extent that a registration is initiated by the Company) if the Company is registered under the relevant US securities laws and the reasonably equivalent or analogous rights under the applicable law of the jurisdiction in which the Company is listed. In connection with these rights, the Company is obliged to prepare and file a registration statement (or the equivalent document under the law of the jurisdiction where the Company is listed), will bear the expense of such preparation and filing (other than a selling shareholder's selling expenses) and will indemnify the selling shareholders for material misstatements or omissions in the registration statement (or equivalent document). The registration rights will continue for five years from the date of Admission or the earlier date on which, in the opinion of counsel, the share subject to the agreement may then be sold without registration in any 90-day period.

12.11 Relationship Agreement

On June 10, 2021, Compagnie de l'Odet and the Restructuring Shareholders entered into an agreement relating to the governance of the Company, as amended on July 31, 2021 (the ***Governance Agreement***), by virtue of which the Tencent-led Consortium, *inter alia*, approved the listing of the Company on Euronext Amsterdam (i.e. the Admission), subject to certain conditions set forth in the Governance Agreement.

On September 8, 2021, the Bolloré Entities and the Restructuring Shareholders entered into the Relationship Agreement as further described below, which superseded the Governance Agreement as per that same date, provided that certain provisions of the Governance Agreement regarding certain pre-Admission resolutions will cease to be applicable at the date of the Admission. The Company is not a Party to the Relationship Agreement, but has co-signed the Relationship Agreement for agreement and acknowledgement of certain provisions, including those regarding the orderly sale of block trades of 5% or more, fully marketed offerings of 5% or more (see "*Orderly market arrangements*" below) and the Dividend Policy.

To give effect to the arrangements as reflected in the Relationship Agreement, Compagnie de l'Odet and Compagnie de Cornouaille became direct shareholders of the Company shortly prior to the Admission through the transfer of 2 Shares from Vivendi to Compagnie de l'Odet and 98 Shares from Vivendi to Compagnie de Cornouaille, against payment of the fair market value as determined between Vivendi, Compagnie de l'Odet and Compagnie de Cornouaille.

Board composition and Dividend Policy

Two Non-Executive Directors have been appointed at the designation of the Tencent-led Consortium. Under the Relationship Agreement, the Tencent-led Consortium has the right to maintain up to two Non-Executive Directors on the Board until the annual General Meeting to be held in 2024, subject to it holding a certain minimum interest. Moreover, the Bolloré Entities and the Restructuring Shareholders (and, if applicable, their specified transferees that have executed an adherence letter to become a Party to the Relationship Agreement, together the ***Parties***) have agreed to vote in favor of the appointment of any individual designated by the Tencent-led Consortium in case one of the Non-Executive Directors appointed at the designation of the Tencent-led Consortium resigns, is otherwise dismissed or no longer serves as Non-Executive Director of the Company during its two-year mandate period starting as from the Admission and ending with the annual General Meeting to be held in 2024 and provided that the Tencent-led Consortium and their specified transferees collectively own at least 181,324,116 Shares (as adjusted appropriately to reflect any subdivision, combination, consolidation, reverse share split, reclassification of Shares and similar events of the share capital of the Company or any dividend or distribution in Shares that may have occurred after the date of the Relationship Agreement, the ***Threshold Stake***), all in accordance with the terms of the Relationship Agreement. Should at any time during the two-year mandate period ending with the annual General Meeting to be held in 2024, (i) the Tencent-led Consortium and their specified transferees collectively own in the aggregate less than the Threshold Stake, but still 50% or more of the Threshold Stake, the Tencent-led Consortium shall procure that one of the Non-Executive Directors appointed at the designation of the Tencent-led Consortium resigns and (ii) the Tencent-led Consortium and their specified transferees collectively own in the aggregate less than 50% of the Threshold Stake, the Tencent-led Consortium shall procure that all of the Non-Executive Directors appointed at the designation of the Tencent-led Consortium resign, in each case effective within two days following such event. For the avoidance of doubt, any subsequent appointment of a Non-Executive Director designated by the Tencent-led Consortium during the two-year mandate referred to above shall be for the period until the General Meeting to be held in 2024, unless otherwise agreed in writing between the Parties.

Furthermore, the Parties have agreed upon the Dividend Policy as set out in Section 5 (*Dividend Policy*) and to do such that is necessary in order to comply with the Dividend Policy as set out in the Relationship Agreement. The Parties have agreed to undertake to vote with all the Shares they own at the time of such vote, following the Admission, in favor of all distribution resolutions complying with the Dividend Policy and against any other dividend distribution proposal and agree that, to the extent required to give effect to the Dividend Policy, subject to applicable law, each of them shall use their rights as Shareholder to put a distribution on the agenda of the General Meeting that complies with the Dividend Policy and to vote in favor of such distribution. The Company signed for acknowledgement and agreement with the Dividend Policy as set out in the Relationship Agreement.

Consultation

For the purposes of forming and exercising, to the extent possible, a common view and vote on the items on the agenda of any General Meeting in connection with the subjects included in and obligations of the Parties under the Relationship Agreement in relation to the Dividend Policy and maintaining two Non-Executive Directors appointed at the designation of the Tencent-led Consortium, the Parties will, as from the Admission, consult with each other prior to each General Meeting.

Acting in concert

Each of the Bolloré Entities and the Restructuring Shareholders has acknowledged and agreed that the Dutch public offer rules as laid down in the DFSA shall become applicable to the Company and its shareholders as of the Admission. As the Bolloré Entities and the Restructuring Shareholders will continue to have a combined voting interest in the Company of more than 30% (prior to and) at the time of the Admission, and the Bolloré Entities and the Restructuring Shareholders have made the aforementioned agreements set out in the Relationship Agreement, the Restructuring Shareholders and the Bolloré Entities have acknowledged and agreed that they will, as concert parties (*in overleg handelende personen*) (each a ***Concert Party*** and together a ***Concert***), be deemed to jointly have a significant influence (*overwegende zeggenschap*, ***Significant Influence***) over the Company exclusively within the meaning of article 1:1 DFSA as per the time of the Admission. On this basis, the Bolloré Entities and the Restructuring Shareholders, as well as their ultimate controlling persons, benefit from the exemption from the Dutch mandatory offer requirement as laid down in article 5:71 sub 1(i) of the DFSA.

Each of the Parties shall notify the other Parties promptly if a third party obtains an interest or position in such Party (whether directly or indirectly) which allows this third party to exercise control over how such Party votes on its Shares.

For as long as the Parties are Concert Parties, none of the Parties shall and each Party shall procure that none of its direct or indirect shareholders, members or partners shall, do anything that creates a requirement for any of the Parties to jointly or individually make a public offer (*openbaar bod*) for any equity securities in the Company in accordance with the Dutch mandatory takeover rules or otherwise (the ***Mandatory Offer Prevention Obligation***).

In addition, for as long as the Parties are Concert Parties, each Party shall, upon the reasonable written request of another Party (provided that such requesting Party has not breached the Mandatory Offer Prevention

Obligation or any other provision of the Relationship Agreement), provide reasonable assistance to such requesting Party in legal proceedings initiated by a third party against such requesting Party alleging that such requesting Party is required to make a public offer for all Shares in accordance with the Dutch mandatory takeover rules.

Orderly market arrangements

Each of the Parties may freely dispose of its Shares, in whole or in part, in the open market or through a private sale or otherwise. Each of the Parties shall use reasonable commercial efforts to conduct any disposal of Shares in an orderly market manner.

Upon written request by any of the Parties, observing a reasonable notice period and subject to applicable law, the Company will provide reasonable cooperation and assistance in connection with an offering of 5% or more of all Shares by one or more Parties which entails the Company's involvement in the form of a management road show and/or the preparation of a prospectus or offering memorandum (a ***fully marketed offering***), as further set out in the Relationship Agreement. Such cooperation is limited to one fully marketed offering per 12-month period, provided that if for whatever reason any of the Parties elects not to participate in such fully marketed offering for which any other Party requested the Company's cooperation in a certain 12-month period, such non-participating Party shall be entitled to request the Company, in the same 12-month period as the first request was made, to provide cooperation with a second fully marketed offering in such 12-month period.

The Company shall also, upon written request by any of the Parties, observing a reasonable notice period and subject to applicable law, cooperate with the Parties to optimize any sale of a block of Shares of 5% or more of all Shares by such Party other than by way of a fully marketed offering as described above, including by providing reasonable access to management and an opportunity to perform a limited due diligence investigation by or on behalf of (a) a bookrunner or coordinator, (b) a reputable investment bank engaged to assist in such sale or (c) a bona fide, creditworthy potential purchaser of such Shares.

Information sharing

For as long as any of the Parties, directly or indirectly, holds at least 5% of all Shares, the Company shall, to the extent permitted by applicable law and upon timely request of such Party, share with such Party all financial and other information necessary in order for such Party to (i) complete any tax return, compilation or filing as required by applicable law or (ii) satisfy ongoing financial, audit or other reporting as required by applicable law. Each of the Parties shall observe appropriate confidentiality, as further set out in the Relationship Agreement.

Termination

Except for certain specific continuing provisions, the Relationship Agreement shall terminate immediately and be of no force and effect upon the earliest to occur of:

(a) if the Transaction is consummated: the earlier of (i) the fifth anniversary of the first day of the Admission or (ii) the date at which the Tencent-led Consortium and its specified transferees collectively own less than 50% of the Threshold Stake; or

(b) prior to the consummation of the Transaction: the earlier of (i) December 31, 2021 or (ii) a public announcement is made by Vivendi to abandon the Transaction; or

(c) mutual agreement of all Parties.

The Tencent-led Consortium may by written notice terminate immediately the relevant provisions of the Relationship Agreement in connection with the aforementioned subjects in relation to the Dividend Policy, maintaining two Non-Executive Directors appointed at the designation of the Tencent-led Consortium, the consultation prior to each General Meeting and acting in concert in case the Tencent-led Consortium determines in good faith that a breach of the Mandatory Offer Prevention Obligation by any Party other than the Tencent-led Consortium or any of its specified transferees has occurred or is imminent to occur, without prejudice to rights and obligations accrued and liability for breaches having occurred prior to such termination.

Vivendi or any of the Bolloré Entities may by written notice terminate immediately the relevant provisions of the Relationship Agreement in connection with the aforementioned subjects in relation to the Dividend Policy, maintaining two Non-Executive Directors appointed at the designation of the Tencent-led Consortium, the consultation prior to each General Meeting and acting in concert in case such party determines in good faith that a breach of the Mandatory Offer Prevention Obligation by any party of the Tencent-led Consortium or any of their specified transferees has occurred or is imminent to occur, without prejudice to rights and obligations accrued and liability for breaches having occurred prior to such termination.

Governing law

The Relationship Agreement is governed by Dutch law.

12.12 Conflicts of Interest and Related Party Transactions

In accordance with Dutch law, an Executive Director or Non-Executive Director shall not participate in any discussions and decision-making process if he or she has a direct or indirect personal interest conflicting with the interests of the Company (or in the event of being involved in a related party transaction within the meaning of Section 2:169 paragraph 4 Dutch Civil Code). If there is such personal conflict of interest in respect of all Directors (or in the event all Directors are involved in a related party transaction within the meaning of Section 2:169 paragraph 4 Dutch Civil Code), the decision shall nevertheless be taken by the Board.

Pursuant to the Board Rules, a Director having a conflict of interest shall immediately report any (potential) direct or indirect personal interest to the Chairman of the Board (and, in case of an Executive Director, also to the other Directors) and shall provide all relevant information, including information concerning his or her spouse, registered partner or other partner, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. In the event that the Chairman of the Board has a (potential) conflict of interest, the Chairman of the Board shall report such (potential) conflict of interest to the Vice- Chairman of the Board.

According to Dutch law, if a Director does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and such Director may be held liable by the Company. As a general rule, the existence of a (potential) conflict of interest does not affect the authority to represent the Company as described under Section 12.3.1 (*Powers, Responsibility and Function*). Furthermore, as a general rule, agreements and transactions entered into by a company cannot be annulled on the grounds that a decision of its board of directors was adopted with the participation of conflicted member(s) of the board of directors. However, under certain circumstances, a company may annul such an agreement or transaction if the counterparty misused the relevant conflict of interest.

Pursuant to the Board Rules, a Director shall in any event be deemed to have a conflict of interest, if

(a) he/she has a personal financial interest in a company with which the Company intends to enter into a transaction;

(b) he/she has a family law relationship (*familierechtelijke verhouding*) with a management board member of a company with which the Company intends to enter into a transaction;

(c) he/she is a member of the management or supervisory board of, or holds similar office with, a company with which the Company intends to enter into a transaction;

(d) under applicable law, including the rules of any exchange on which Shares may be listed, such conflict of interest exists or is deemed to exist; or

(e) the Board has ruled that such conflict of interest exists or is deemed to exist, without the Director concerned being present.

Dutch law stipulates that material transactions with related parties that are (a) not entered into in the ordinary course of business of the Company or (b) that are not concluded on normal market terms, require approval of the Board. Prior to Admission, the Board shall establish an internal procedure to periodically assess whether transactions are concluded in the ordinary course of business and on normal market terms. Directors that are involved in the related party transaction are prohibited from participating in the deliberations and voting on the matter. If, as a result, no Board resolution can be adopted, the Articles of Association provide that the resolution can nevertheless be adopted by the Board.

Such material transactions must be made public by the Company at the time the transaction is entered into. Transactions with related parties are considered material if (i) information on the transaction qualifies as inside information under the Market Abuse Regulation ((EU) No. 596/2014) (the ***Market Abuse Regulation*** or ***MAR***) and (ii) such transaction is entered into with one or more holders of shares in the Company representing at least 10% of issued share capital, or a member of the management board or supervisory board of the Company.

Transactions that are in itself non-material, but which are entered into with the same related party during the same financial year, are jointly considered material.

In addition, the Dutch Corporate Governance Code requires that transactions that are of a material significance to the Company and/or to legal or natural persons who hold at least 10% of the Shares are published in the management report of the Board.

The Company should not grant Directors any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Non-Executive Directors. No emission of loans should be granted.

12.13 Potential Conflicts of Interest of Directors and Corporate Executives

12.13.1 Directors

Other than as described below, no Director has a conflict of interest (actual or potential) between his or her duties to the Company and his or her private interests and/or other duties:

(a) as set out at Section 12.14.3 (*Arrangements with Ten Thousand Projects*), the Group has entered into certain agreements with Ten Thousand Projects or affiliates of Ten Thousand Projects, which was founded by Elliot Grainge, the son of Sir Lucian Grainge. While these matters could potentially result in a conflict of interests for Sir Lucian, (for example where he might potentially be less inclined to opine in a positive manner on a decision which could have a positive impact on UMG but a negative impact on Ten Thousand Projects given his familial relationship with Elliot Grainge), this relationship has been disclosed and appropriately addressed in accordance with the Group's policy on conflicts of interests with adequate safeguards put in place to address any potential conflict of interest; and

(b) James Mitchell and Manning Doherty (who were nominated for appointment as Directors by Concerto and Scherzo, which collectively hold an interest of more than 10% in the Company), and each of whom is therefore considered not independent for the purposes of the Dutch Governance Code. Since each of James Mitchell and Manning Doherty has been designated by Concerto and Scherzo, and the interests of the Tencent-led Consortium may not be aligned with the interests of the Company, a conflict of interest might arise. For example, a potential conflict of interest between the Company and each of James Mitchell and Manning Doherty could arise where a decision that aims to contribute to the long-term and sustainable success of the Company would impact the (short-term) share price of the Shares and thus the shareholding of the Tencent-led Consortium or James Mitchell and Manning Doherty may be less inclined to agree or express themselves in a positive manner in relation to a decision which could have a negative impact on the Tencent-led Consortium when compared to the other, independent, Non-Executive Directors that are not affiliated with the Tencent-led Consortium.

The Board does not expect that the circumstances described above will cause any of the Directors to have a conflict with the duties they owe to the Company. However, the Board Rules include arrangements to ensure that the Board will in each relevant situation handle and decide on any (potential) conflict of interest.

12.13.2 Corporate Executives

Other than as described below, none of the Corporate Executives have a conflict of interest (actual or potential) between his or her duties to the Company and his or her private interests and/or other duties:

(a) on September 27, 2017, UMPG entered into a worldwide administration agreement with Julian Swirsky, the son of Jody Gerson, covering certain musical compositions written by Julian Swirsky prior to the commencement of this worldwide administration agreement and songs delivered during the term of the agreement. Julian Swirsky is also employed as a Senior Vice President of A&R for Republic Records. In addition, Luke Swirsky, the son of Jody Gerson, has been an independent contractor to Republic Records since 2020. While these matters could potentially result in a conflict of interests for Jody Gerson (for example where she might potentially be less inclined to opine in a positive manner on decision which could have a positive impact on UMG but a negative impact on Julian Swirsky and/or Luke Swirsky given her familial relationship with each of them), each of these relationships have been disclosed and appropriately addressed in accordance with the Group's policy on conflicts of interests with adequate safeguards put in place to address any potential conflict of interest.

12.14 Related Party Transactions and Agreements

12.14.1 Related Party Transaction Policy

The Board shall draw up a related party transaction policy in accordance with Dutch law, for the purpose of providing a procedure that prevents related parties from taking advantage of their position and provide adequate protection for the interests of the Company and its stakeholders. A Director shall not participate in the discussions and/or decision-making process on a subject or transaction in the event of being involved in a related party transaction within the meaning of Section 2:169 paragraph 4 Dutch Civil Code. The related party transaction policy provides procedures for members of the Board to notify a potential related party transaction. Potential related party transactions shall be subject to review by the Board. The related party transaction policy stipulates when a transaction qualifies as a related party transaction. No such related party transactions shall be undertaken without the approval of the Board.

In the ordinary course of its business, from time to time, members of the Group enter into agreements with other companies within the Group relating to the rendering of intra-group services. Similarly, while Group formed part of the Vivendi Group, certain agreements between members of the Group and members of Vivendi Group were entered into. These agreements are negotiated and executed on an arm's length basis and on the basis that the terms of these transactions are comparable to those contracted with unrelated third-party suppliers and service providers. Details of related party transactions entered into by members of the Group during the period covered by the financial information included in this Prospectus and up to the date of this Prospectus include those described in Note 20 to the Combined Financial Statements and Note 13 to the Interim Financial Statements. In addition, the Group has participated in transactions with other related parties which are not included in Note 20 to the Combined Financial Statements and Note 13 to the Interim Financial Statements, including its shareholders, as described below:

12.14.2 Agreements with Vivendi in relation to the Distribution and separation of UMG from Vivendi

See Section 16.5 (*Material Contracts*) for details in relation to the Transition and Services Agreement. As noted in Section 12.11 (*Relationship Agreement*), the Company has signed the Relationship Agreement to acknowledge certain mattes set out therein. Further details in relation to the Relationship Agreement are set out in Section 12.11 (*Relationship Agreement*). Additionally, see Section 8.9.10 (*Facilities Agreement and repayment of Vivendi Loan Agreements*) for further details in relation to the repayment of the Vivendi Loan Agreements.

12.14.3 Arrangements with Ten Thousand Projects

UMG has entered into a number of arrangements with Ten Thousand Projects LLC (***Ten Thousand Projects***), or affiliates of Ten Thousand Projects, which was founded by Elliot Grainge, the son of Sir Lucian Grainge. These arrangements include:

- on October 1, 2019, UMPG entered into an administration agreement with Ten Thousand Music Publishing, LLC (***Ten Thousand Publishing***) covering all musical compositions written by songwriters signed by Ten Thousand Publishing and/or its affiliates. UMPG's administration rights continue during the term of this agreement, which continues until the later of September 30, 2022 or the end of the quarter in which Ten Thousand Publishing's royalty account has recouped all advances and costs. The total firm advance under this agreement is US$1,000,000 with a signing fund of up to US$1,500,000 per year for the first four contract years. Additionally, UMPG and Ten Thousand Publishing entered into a separate co-publishing agreement, effective as of October 1, 2019, covering those songs that are subject to an exclusive songwriter/co-publishing agreement between UMPG, Ten Thousand Publishing and Iann Dior. There are no advance payments under this agreement.

- on July 3, 2019, Capitol Music Group (a division of UMG Recordings Inc.) (***CMG***) and Ten Thousand Projects, entered into an assignment and assumption agreement in terms of which CMG assigned the rights, title and interest over certain audio and audio-visual recordings by the artist, Gnar, that are owned by CMG to Ten Thousand Projects. In exchange for the assignment to Ten Thousand Projects, CMG has the right to recoup Gnar's unrecouped balance that CMG was carrying in the amount of US$564,056.

- on October 27, 2016, Caroline Records (a division of UMG Recordings Inc.) (***Caroline***) and Ten Thousand Projects (then named Strainge Entertainment LLC) entered into a distribution agreement, which distribution agreement has been amended and restated a number of times and most recently on July 3, 2019, in terms of which Caroline has obtained the exclusive right to distribute certain audio and audio-visual recordings of Ten Thousand Projects (the ***Ten Thousand Projects Distribution Agreement***) globally. The Ten Thousand Projects Distribution Agreement is effective until March 31, 2022, subject to earlier termination in accordance with its terms or an extended term in relation to specific recordings as provided for in certain circumstances. Under the Ten Thousand Projects Distribution Agreement, Caroline is required to pay advances to Ten Thousand Records for costs incurred in connection with its A&R, marketing and promotion and overheads.

Pursuant to the arrangements with both Ten Thousand Projects and its affiliates, UMG received net revenues of approximately: (i) US$ 5,023,000 for the six-month period ending June 30, 2021; (ii) US$ 8,975,000 for the year ended December 31, 2020; (iii) US$ 6,683,000 for the year ended December 31, 2019; and (iv) US$ 9,650,000 for the year ended December 31, 2018. As of June 30, 2021, Ten Thousand Projects has yet to recoup an outstanding balance of US$ (1,128,000). UMG had outstanding balances of earnings payable to Ten Thousand Projects of: (i) US$ 5,557,000 as at December 31, 2020; (ii) US$ 1,198,000 as at December 31, 2019; and (iii) US$ 3,862,000 as at December 31, 2018.

12.14.4 Executive management compensation

In addition to the disclosure set out at Note 20.1 to the Combined Financial Statements, the aggregate compensation for the executive managers of the Company for the six month period ending June 30, 2021 was as follows:

	6 months ended June 30	
(*in millions of euros*)	2021	2020
Short-term employee benefits	90.3	70.1
Post-employment benefits	1.2	0.9
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	0.4	1.6
Executive management compensation	91.9	72.6

12.14.5 Reorganisation of UMG perimeter

Prior to completion of the Tencent-led Consortium's acquisition of its initial stake in UMG, an internal reorganisation of UMG was undertaken, starting in late 2019 and completing in March 2020 in order to properly align the perimeter of UMG whereby, amongst other things, subsidiaries directly owned by Vivendi (through UMG S.A.S) were sold to the Group after which UMG S.A.S was dissolved with universal transmission of its property to Vivendi. In addition to a number of internal transfers of entities and shares within the Group, this reorganisation included, amongst other things, the following steps:

- UMG S.A.S sold all of the shares in UMGT S.A.S to UIM for a cash consideration of c. €388.1 million on February 3, 2020, in connection with which UIM borrowed an amount of c. €388.1 million from Vivendi to satisfy the cash consideration of the aforementioned purchase. On February 3, 2020, UMG S.A.S lent an amount of c. €388.1 million to Vivendi under an existing cash pooling agreement;

- on February 6, 2020 Vivendi lent an amount of c. €857.5 million to UIM, to be used for the repayment of certain existing loans owed by the Group to UMG S.A.S and Vivendi;

- UMG S.A.S sold all of the shares in EMI Group Worldwide Holdings Ltd to UIM for a cash consideration of c. €1,119.5 million on February 13, 2020, in connection with which UIM borrowed an amount of c. €1,119.5 million from Vivendi on February 13, 2020 to satisfy the cash consideration of the aforementioned purchase. On February 13, 2020, UMG S.A.S lent an amount of c. €1,119.5 million to Vivendi under an existing cash pooling agreement;

- on March 19, 2020 UMG S.A.S was merged into Vivendi, whereby UMG S.A.S was dissolved without liquidation into Vivendi and all of the assets and liabilities of UMG S.A.S were transferred to Vivendi; and

- on March 26, 2020 Universal Music B.V. was merged into UIM.

The aforementioned arrangements were negotiated and executed on an arm's length basis and on the basis that the terms of these transactions are comparable to those contracted with unrelated third-party parties. Following draw-down under the Facilities Agreement, the outstanding balances of the aforementioned loans owing from the Group to Vivendi were repaid on July 7, 2021 and therefore ceased to exist. The Group no longer owes any amounts to Vivendi or the Vivendi Group pursuant to any shareholder loans.

12.15 Employees

As of December 31, 2020, UMG employed approximately 9,183 persons worldwide, including full- and part-time employees. As of such date, approximately 79 employees of UMG in the United States were subject to a collective bargaining agreement, although certain employees in its non-domestic companies were covered by national labor agreements.

As of June 30, 2021, UMG headcount was 9,370. The following table details the average numbers of UMG's employees by region for June 30, 2021, and 2020, and the years ended December 31, 2020, 2019 and 2018.

Headcount by Region	**As at June 30**				**As at December 31**					
	2021	**2021 (%)**	**2020**	**2020 (%)**	**2020**	**2020 (%)**	**2019**	**2019 (%)**	**2018**	**2018 (%)**
Africa	130	1%	105	1%	117	1%	96	221%	66	1%
Asia-Pacific	1,438	15%	1,362	15%	1,408	15%	1,293	15%	1,212	15%
Europe	3,910	42%	3,821	42%	3,828	42%	3,796	43%	3,632	43%
North America	3,502	38%	3,432	38%	3,448	38%	3,308	37%	3,052	37%
South and Central America	390	4%	378	4%	382	4%	372	4%	357	4%
Total	9,370	100%	9,098	100%	9,183	100%	8,865	100%	8,319	100%

The following table details the average numbers of UMG's headcount by function for June 30, 2021, and 2020, and the years ended December 31, 2020, 2019 and 2018.

Employees by function	**As at June 30**		**As at December 31**		
	2021	**2020**	**2020**	**2019**	**2018**
Music Recording	8,256	8,008	8,101	7,817	7,346
Music publishing	871	849	842	823	760
Merchandising	243	241	240	221	206
Other	0	0	0	4	7
Total	9,370	9,098	9,183	8,865	8,319

13. DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set out below is an overview of certain relevant information concerning the Company's share capital and of certain significant provisions of Dutch law and the Articles of Association. It is based on relevant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association as these will be in effect ultimately on Admission.

This overview does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in effect on the date of this Prospectus, the Articles of Association and the Board Rules, in each case as they will be in effect ultimately on Admission. The Articles of Association in the governing Dutch language (and an unofficial English translation) as well as the Board Rules in the English language are available on the Company's website (https://universalmusic.com/Universal_Music_Group_N.V._-_Articles_of_Association). See also Section 12.1 (*General*).

The Company is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with the name Universal Music Group B.V. The commercial name is "Universal Music". As part of the terms of the Admission and in accordance with applicable law, the Company has undertaken to convert to a public company (*naamloze vennootschap*) prior to the Admission. The Company's statutory seat is in Hilversum, the Netherlands (and will, upon the conversion, be in Amsterdam, the Netherlands). The telephone number of the Company is +31 (0) 88 62 61 500. The registered office address of the Company is 's-Gravelandseweg 80, 1217 EW Hilversum, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce of the Netherlands (*Kamer van Koophandel*) under number 81106661. Its legal entity identifier is 724500GJBUL3D9TW9Y18.

13.1 Corporate Objects

The Company's corporate objectives are included in article 4 of the Articles of Association.

The objects of the Company are:

(a) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

(b) to finance businesses and companies;

(c) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(d) to render advice and services to businesses and companies with which the Company forms a group and to third parties;

(e) to grant guarantees, to bind the Company and to pledge its assets for obligations of the Company, its group companies and/or third parties;

(f) to acquire alienate, manage and exploit registered property and items of property in general;

(g) to trade in currencies, securities and items of property in general;

(h) to develop and trade in patents, trademarks, licenses, know-how and other intellectual and industrial property rights; and

(i) to perform any and all activities of an industrial, financial or commercial nature,

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

13.2 Authorized, Issued and Outstanding Share Capital

The Shares are subject to and have been created under Dutch law.

Under Dutch law, a company's authorized share capital sets out the maximum amount and number of shares that it may issue without amending its articles of association.

The Articles of Association provide for an authorized share capital in an amount of €27,000,000,000 (twenty-seven billion euro), divided into 2,700,000,000 (two billion seven hundred million) Shares with a nominal value of €10.00 per Share.

As at the date of this Prospectus, the Company's issued share capital is fully paid up and held by the Existing Shareholders. The table below shows the expected number of issued and outstanding Shares immediately prior to the Distribution, which number shall not be altered by the Distribution.

	Number of Shares immediately prior to the Distribution
Shares	1,813,241,160

At the date of this Prospectus, the Company holds no Shares as treasury shares.

Following the Restructure, the Company had an issued share capital of 1,847,873,774 ordinary shares and one priority share, which issued share capital was reduced to 1,813,241,159 ordinary shares and one priority share on June 24, 2021. As noted above and in accordance with the Articles of Association, the issued share capital of the Company will be 1,813,241,160 Shares immediately prior to the Distribution, which number shall not be altered by the Distribution. For the avoidance of doubt, the issued share capital of the Company immediately prior to the Distribution will only be constituted of Shares, with no kind of priority share.

13.3 Major Shareholders

The following table sets forth the shareholders of the Company which, to the Company's knowledge as of September 8, 2021 and based on the number of shares and voting rights comprising the share capital of Vivendi published on September 1, 2021, will directly or indirectly have a notifiable interest in the Company's capital and voting rights within the meaning of the DFSA (i) immediately prior to the Distribution and (ii) immediately following the Distribution.

	Shares to be owned immediately prior to the Distribution		**Shares to be owned immediately following the Distribution**	
	Amount	*%*	*Amount*	*%*
Vivendi[1]	1,269,268,713	70%	c. 183,582,493	c.10.12% [7]
Concerto[2]	181,324,116	10%	181,324,116	10%
Scherzo[2]	181,324,116	10%	181,324,116	10%
Pershing Entities jointly[3]	181,324,115	10%	181,324,115	10%
Bolloré Entities jointly[4][5]	100	0%	326,507,033	18.01%
Société Générale[6]	0	0%	59,556,315	3.28%

(1) Vivendi's shares have been listed on Euronext Paris since 1995. No shareholder is controlling Vivendi within the meaning of article L.233-3 of the French commercial code. Vivendi's major shareholder is Bolloré Group (through the Bolloré Entities, Vincent Bolloré and Cyrille Bolloré), representing jointly 29.46% of the share capital, 29.73% of the theoretical voting rights and 30.34% of the exercisable voting rights of Vivendi as of August 31, 2021, representing an indirect interest of 20.62% in the Shares of the Company.

(2) Concerto LLC indirectly controls Concerto and Scherzo.

(3) Pershing Entities refers collectively to entities advised by, or affiliated with, Pershing Square Capital Management, L.P. William A. Ackman controls Pershing Square Capital Management, L.P.

(4) Bolloré Entities collectively refers to Compagnie de Cornouaille and Compagnie de l'Odet. For more information, see Section 12.11. Compagnie de Cornouaille is controlled by Compagnie de l'Odet, itself controlled by Sofibol, which is controlled at the highest level by Bolloré Participations SE. Bolloré Participations SE is controlled by Vincent Bolloré, who holds, directly and indirectly 92.55% of the share capital, 72.20% of the theoretical voting rights and 93.60% of the exercisable voting rights of Compagnie de l'Odet.

(5) This percentage only reflects the shares held by the Bolloré Entities and does not take into account the Vivendi shares directly held by M. Vincent Bolloré and M. Cyrille Bolloré, which represent together less than 0.01% of the total share capital and voting rights of Vivendi.

(6) On August 24, 2021, the French Autorité des Marchés Financiers reported that, on August 19, 2021, Société Générale had crossed the threshold of 5% of the share capital and voting rights of Vivendi. On September 7, 2021, Vivendi was informed by Société Générale that, on September 2 and September 6, 2021, it had crossed the statutory threshold of 5.5% of the share capital and voting rights of Vivendi and that it held 59,556,315 shares in Vivendi, representing 5.37% of the share capital and 5.21% of the voting rights of Vivendi as of August 31, 2021, representing an indirect interest of 3.76% in the Shares of the Company .

(7) These figures include an estimate of the number of Shares to be transferred by Vivendi to the relevant Corporate Executives pursuant to an award by Vivendi to a limited number of senior managers of UMG, including certain of the Corporate Executives. The number of Shares to be transferred to the relevant Corporate Executive will only be determinable closer to the date of listing and may vary depending upon the expected trading price of the Shares, and the number of shares will be reduced to cover any required local payroll and income withholding, and market capitalization of the Company. For more information, see Section 12.6.

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13.4 History of Share Capital

Other than the Shares issued upon the completion of the Restructure, which are held by the Existing Shareholders, the Company has not issued any Shares prior to the date of this Prospectus.

13.5 Form and Transfer of Shares

Upon Admission, the Company's issued share capital will be divided into 1,813,241,160 Shares. All Shares are in registered form (*op naam*) and are only available in the form of an entry in the Company's shareholders' register. No certificates (*aandeelbewijzen*) will be issued. The Shares are subject to the laws of the Netherlands.

On Distribution Date, Euroclear France will credit the Distribution Shares, as the case may be: (i) to the accounts of the financial intermediaries with respect to the Distribution Shares distributed to beneficiaries holding Vivendi shares in bearer form, or (ii) to the account of Euroclear France, with respect to the Distribution Shares distributed to beneficiaries holding Vivendi shares in registered form. The delivery mechanism of the Distribution Shares is further described in the Distribution Report.

Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear France. Euroclear France has its offices at 66 rue de la Victoire 75009 Paris, France.

13.6 The Company's Shareholders' Register

Subject to Dutch law and the Articles of Association, the Board must keep a shareholders' register. The Company's shareholders' register must be regularly updated. The shareholders' register may be kept in several copies and in several places.

Each Shareholder's name, address and further information as required by law or considered appropriate by the Board are recorded in the shareholders' register. Shareholders shall provide the Board with the necessary particulars in a timely fashion. Any consequences of not, or incorrectly, notifying such particulars will be the responsibility of the Shareholder concerned. The preceding sentences shall apply by analogy to holders of a right of usufruct or right of pledge on one or more Shares, with the exception of a holder of a right of pledge created without acknowledgement by or service of notice upon the Company.

If a Shareholder so requests, the Board shall provide the Shareholder, free of charge, with written evidence of the information in the shareholders' register concerning the Shares registered in the Shareholder's name. The preceding sentence shall apply by analogy to holders of a right of usufruct or right of pledge on one or more Shares, with the exception of a holder of a right of pledge created without acknowledgement by or service of notice upon the Company.

13.7 Issue of Shares and Pre-emptive Rights

The General Meeting is authorized to issue Shares or to grant rights to subscribe for Shares and to restrict and/or exclude statutory pre-emptive rights in relation to the issuance of Shares or the granting of rights to subscribe for Shares. The General Meeting may designate the Board competent to issue Shares (or grant rights to subscribe for Shares, but not to issue Shares to a person exercising a previously granted right to subscribe for Shares) and to determine the issue price and other conditions of the issue for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years). Such designation by the General Meeting must state the number of Shares that may be issued. The General Meeting shall, in addition to the Board, remain authorized to issue Shares if such is specifically stipulated in the resolution authorizing the Board to issue Shares. A resolution of the General Meeting to issue shares (or grant rights to subscribe for Shares, but not to issue Shares to a person exercising a previously granted right to subscribe for Shares) and a resolution to designate the Board thereto can only be adopted at the proposal of the Board. A resolution of the General Meeting to limit or exclude pre-emptive rights and a resolution to designate the Board thereto, can only be adopted at the proposal of the Board and shall require a majority of at least two-thirds of the votes cast if less than half of the issued capital of the Company is represented at the General Meeting. Shares may not be issued at less than their nominal value and must be fully paid-up upon issue. The designation of the Board by the General Meeting cannot be withdrawn unless determined otherwise at the time of designation. No resolution is required for the issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares. The Company may not subscribe for its own Shares.

Under Dutch law and the Articles of Association, each Shareholder has a pre-emptive right in proportion to the aggregate amount of its Shares upon the issue of Shares (or the granting of rights to subscribe for Shares).

This pre-emptive right does not apply to: (i) Shares issued to employees of the Company or a group company of the Company as referred to in Section 2:24b Dutch Civil Code, (ii) Shares that are issued against payment other than in cash; and (iii) Shares issued to a person exercising a previously granted right to subscribe for Shares.

The pre-emptive rights in respect of newly issued Shares or the granting of rights to subscribe for Shares may be restricted or excluded by a resolution of the General Meeting. Pre-emptive rights may also be limited or excluded by a resolution of the Board if the Board has been designated thereto by the General Meeting for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years), and the Board has also been designated to issue Shares.

13.8 Acquisition of Own Shares

The Company cannot subscribe for Shares in its own capital. Subject to Dutch law and the Articles of Association, the Company may acquire fully paid-up Shares either for no consideration or under universal title of succession, or if, (i) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any reserves to be maintained by Dutch law and/or the Articles of Association, (ii) the Company and its subsidiaries would thereafter not hold Shares or hold a pledge over Shares with an aggregate nominal value exceeding 50% of the Company's issued share capital and (iii) the Board has been authorized thereto by the General Meeting. Any acquisition by the Company of Shares that are not fully paid-up shall be null and void.

The General Meeting's authorisation to the Board to acquire own Shares is valid for a maximum of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares that may be repurchased, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. The authorisation by the General Meeting is not required if the Company repurchases fully paid-up Shares for the purpose of transferring these Shares to employees of the Company or a company that is a member of the Group under any applicable equity compensation plan, provided that those Shares are quoted on an official list of a stock exchange.

In calculating the amount of any distribution on Shares, Shares held by the Company shall be disregarded, unless such Shares are encumbered with a right of usufruct or right of pledge. For the computation of the profit distribution, the Shares held by the Company in its own capital shall not be included. The Board is authorized to dispose of the Company's own Shares held by it.

Furthermore, no voting rights may be exercised for any of the Shares held by the Company or its subsidiaries unless such Shares are subject to the right of usufruct or to a pledge in favor of a person other than the Company or its subsidiaries and the voting rights were vested in the pledgee or usufructuary before the Company or its subsidiaries acquired such Shares. The Company or its subsidiaries may not exercise voting rights in respect of Shares for which the Company or its subsidiaries have a right of usufruct or a pledge.

13.9 Transfer of Shares

A transfer of a share in the Company (not being, for the avoidance of doubt, a share held through the system of Euroclear France) or a restricted right thereto requires a deed of transfer drawn up for that purpose and the acknowledgment by the Company of the transfer in writing. Such acknowledgement is not required if the Company itself is a party to the transfer.

If a share is held in book-entry form, the transfer will be accepted by the intermediary concerned. If a registered Share is transferred for inclusion in book-entry form, the transfer will be accepted by the central institute, being Euroclear France.

There are no restrictions on the transferability of the Shares in the Articles of Association or under Dutch law. However, the offering of Shares to persons located or resident in, or who are citizens of, or who have a registered address in certain countries, and the transfer of Shares into certain jurisdictions, may be subject to specific regulations or restrictions.

13.10 Reduction of Share Capital

The General Meeting may, only upon a proposal of the Board, resolve to reduce the issued share capital by (i) cancelling Shares held by the Company itself or (ii) amending the Articles of Association to reduce the nominal value of the Shares. In either case, this reduction would be subject to provisions of Dutch law and the Articles of Association. Under Dutch law, a resolution of the General Meeting to reduce the number of Shares must designate the Shares to which the resolution applies and must lay down rules for the implementation of the resolution. A resolution to reduce the issued share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued capital of the Company is present or represented at the General Meeting.

Pursuant to Dutch law, a reduction of the nominal value of the shares without repayment and without release from the obligation to pay up the shares must be effectuated proportionally on shares of the same class (unless all shareholders concerned agree to a disproportionate reduction). A resolution that would result in a reduction of capital requires approval of the meeting of each group of holders of shares of the same class whose rights are prejudiced by the reduction. In addition, a reduction of share capital involves a two-month waiting period during which creditors have the right to object to a reduction of share capital under specified circumstances. Certain aspects of taxation of a reduction of share capital are described in Section 15 (*Taxation*) of this Prospectus.

13.11 Annual Financial Reporting and Interim Financial Reporting

The financial year of the Company coincides with the calendar year. Annually within the statutory period (which is currently four months after the end of the financial year), the Board prepares the annual financial reporting. Following Admission, the Company must prepare its financial statements in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (***DFSA***) and article 2:361 and article 2:392, paragraph 1 of the Dutch Civil Code, which means either under EU approved IFRS and subject to audit by a Dutch law accredited auditor. Furthermore, the Board must prepare a board report in accordance with article 2:391 Dutch Civil Code. The annual financial reporting comprising the financial statements, the responsibility statement, the board report, and other information required under Dutch law must be made publicly available in the Netherlands within four months of the end of the relevant accounting period and must simultaneously be filed with the AFM and be kept publicly available for at least 10 years. When the financial statements have been adopted by the Company's annual general meeting, they must be filed with the AFM within five days following adoption.

The financial statements must be accompanied by an independent auditors' report, a report by the Board and certain other information required under Dutch law and the Dutch Corporate Governance Code. All Directors sign the financial statements and if one of them does not so sign the financial statements, the reason for this omission must be stated. The Board must make the financial statements, the report by the Board and other information required under Dutch law available for inspection by the Shareholders and other persons entitled to attend and address the General Meetings at the offices of the Company from the day of the notice convening the annual General Meeting. The financial statements must be adopted by the General Meeting.

After the proposal to adopt the financial statements has been discussed, a proposal shall be made to the General Meeting, in connection with the financial statements and the statements made regarding them at the General Meeting, to discharge the Directors for their management and supervision in the last financial year.

Within three months after the end of the first six months of each financial year, the Board must prepare interim financial reporting, including interim financial statements and an interim board report, and make this publicly available and simultaneously file them with the AFM. The interim financial reporting must remain publicly available for at least 10 years. If the interim financial statements are audited or reviewed, the independent auditor's report or independent auditor's review report must be made publicly available together with the interim financial statements. If the interim financial statements are unaudited or unreviewed, the interim board report should state so.

13.12 Dividend and Other Distributions

13.12.1 General

Distribution of profits shall be made after the adoption of the financial statements from which it appears that the distribution is allowed. The Company may only make distributions to the extent the Company's equity exceeds the sum of its paid-up and called-up part of its issued capital and the reserves which must be maintained pursuant to the law. Distributions shall be made pro rata to the respective shareholdings. See Section 5 (*Dividend Policy*) for a more detailed description regarding dividends. The Board or the General Meeting, at the proposal of the Board, may resolve to make distributions from the share premium reserve or other distributable reserves maintained by the Company.

13.12.2 Right to reserve

The Board may determine which part of the profits shall be reserved, with due observance of the Company's policy on reserves and dividends. The Company may have a policy on reserves and dividends to be determined and amended by the Board. The General Meeting may resolve to distribute any part of the profits remaining after reservation. If the General Meeting does not resolve to distribute these profits in whole or in part, such profits (or any profits remaining after distribution) shall also be reserved.

13.12.3 Interim distribution

Subject to Dutch law and the Articles of Association of the Company, the Board may resolve to make an interim distribution of profits provided that it appears from an interim statement of assets and liabilities signed by the Board that the Company's equity exceeds the sum of its paid up and called up part of its issued capital and the reserves which must be maintained pursuant to the law.

13.12.4 Distribution in kind

The Board, or the General Meeting, at the proposal of the Board, may resolve that a distribution on Shares shall not be paid in whole or in part in cash but in kind or in the form of Shares (and with due observance of the Articles of Association), and may determine the conditions under which such option can be given to the shareholders. The General Meeting may only resolve to distribute to the Shareholders a dividend in kind or in the form of Shares at the proposal of the Board.

13.12.5 Profit ranking of the Shares

All of the Shares issued and outstanding on the day following the Distribution Date will rank equally and will be eligible for any profit or other payment that may be declared on the Shares.

13.12.6 Payment

Payment of any future dividend on Shares in cash will be made in euro or in another currency as determined by the Board. Any dividends on Shares that are paid to shareholders through Euroclear France will be automatically credited to the relevant shareholders' accounts. Payment of dividends on the Shares not held through Euroclear France will be made directly to the relevant shareholder using the information contained in the Company's shareholders' register and records. There are no restrictions in relation to the payment of dividends under Dutch law in respect of holders of Shares who are non-residents of the Netherlands. However, see Section 15 (*Taxation*) for a discussion of certain aspects of taxation of dividends paid on the Shares.

Payments of profit and other payments are announced in a notice by the Company and will be made on the date determined by the Board. Distributions which have not been claimed upon the expiry of five years and one day after the date when they became payable will be forfeited to the Company and will be carried to the reserves.

13.13 Exchange Controls and other Provisions relating to non-Dutch Shareholders

Under the Dutch law, subject to the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions, there are no exchange control restrictions on investments in, or payments on, Shares (except as to cash amounts). There are no special restrictions in the Articles of Association or Dutch law that limit the right of Shareholders who are not citizens or residents of the Netherlands to hold or vote Shares.

13.14 The General Meeting

13.14.1 Annual General Meetings

The annual General Meeting must be held within six months from the end of the preceding financial year of the Company. Other General Meetings shall be held as often as the Board deems necessary. The purpose of the annual General Meeting is to discuss, amongst other things, the annual report, the adoption of the financial statements, allocation of profits (including the proposal to distribute dividends), release of the Directors from liability for their performance of their duties, filling of any vacancies and other proposals brought up for discussion by the Board.

13.14.2 Extraordinary General Meetings

Extraordinary General Meetings may be held as often as the Board deems such necessary. In addition, Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital of the Company may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within eight weeks of the Shareholder(s) making such request, that/those Shareholder(s) will be authorized to request in summary proceedings a Dutch district court to convene a General Meeting. In any event, a General Meeting will be held to discuss any requisite measures within three months of it becoming apparent to the Board that the shareholders' equity of the Company has decreased to an amount equal to or lower than one-half of the issued and paid-up part of the capital.

13.14.3 Place of General Meetings

Pursuant to the Articles of Association, General Meetings will be held in Amsterdam, Rotterdam, Hilversum or Haarlemmermeer (including Schiphol Airport).

13.14.4 Convocation Notice and Agenda

A General Meeting can be convened by the Board by a convening notice, which pursuant to Dutch law must be given no later than the 42nd day before the date of the General Meeting. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for resolutions, the admission, participation and voting procedure, the record date, the address of the Company's website and such other information as may be required by Dutch law. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation.

The agenda for the annual General Meeting must contain certain subjects, including, among other things, the adoption of the Company's financial statements, the discussion of any substantial change in the Company's corporate governance structure and the allocation of the profit, insofar as this is at the disposal of the General Meeting. In addition, the agenda shall include such items as have been included therein by the Board or Shareholders (with due observance of Dutch law as described below). If the agenda of the General Meeting contains the item of granting discharge to the Executive Directors and Non-Executive Directors concerning the performance of their duties in the financial year in question, the matter of the discharge shall be mentioned on the agenda as separate items for the Executive Directors and the Non-Executive Directors, respectively.

Under Dutch law, one or more Shareholders representing solely or jointly at least 3% of the Company's issued and outstanding share capital in value are entitled to request to include items on the agenda of the General Meeting. The request (a) must be made in writing motivated and (b) must be received by the Company no later than the 60th calendar day before the date of the General Meeting. In accordance with the Dutch Corporate Governance Code, a Shareholder is expected to exercise the right of putting an item on the agenda only after consulting the Board in that respect. If one or more Shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, the Board may invoke a response time of a maximum of 180 days from the moment the Board is informed of the request. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

On May 1, 2021, a new legislative amendment to the Dutch Civil Code entered into force pursuant to which the Board may invoke a statutory cooling-off period of maximum 250 days (*wettelijke bedenktijd*).

For the Company this means that the new rules will apply in case:

- Shareholders requesting the Board to have the General Meeting consider proposal for the appointment, suspension or dismissal of one or more Directors, or a proposal for the amendment of one or more provisions in the Articles of Association relating thereto; or

- of a public offer for shares in the capital of the Company is announced or made without the bidder and the Company having been reached agreement about the offer; and

- only if the Board also considers such the relevant situation to be substantially contrary to the interests of the Company and its affiliated enterprises.

If the Board would invoke such cooling-off period, this causes the powers of the General Meeting to appoint, suspend or dismiss Directors (and to amend the Articles of Association in this respect) being suspended.

The Board must use the reflection period to obtain all necessary information for a careful determination of policy it wishes to pursue in the given situation. The Board shall thereby, in any event, consult those Shareholders that represent at least 3% of the issued capital at the time the cooling-off period is invoked and the works council. The position of these Shareholders and the works council shall, but only with their approval, be published on the Company's website. The Board shall report on the course of events and the policy that has been pursued since the cooling-off period was invoked. No later than one week after the last day of the cooling-off period, the Company shall have to publicly disclose the report. The report shall also be discussed at the first General Meeting after the expiry of the cooling-off period.

The cooling-off period has a maximum term of 250 days, calculated from:

- the day after the latest date on which Shareholders may request item to be placed on the agenda of the next General Meeting (which is 60 days before the day of the meeting);
- the day after the day on which the public offer is made; or
- the day the court in preliminary relief proceedings has granted authority to Shareholders holding at least 10% of the issued share capital to convoke a General Meeting.

All Shareholders who solely or jointly hold 3% of the issued share capital, may request the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) (the ***Enterprise Chamber***) to terminate the cooling-off period. The Enterprise Chamber must rule in favor of the request if the shareholders can demonstrate that:

- the Board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have concluded that the relevant proposal or hostile offer constituted a material conflict with the interests of our company and its business;
- the Board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making; or
- other defensive measures, having the same purpose, nature and scope as the cooling-off period, have been activated during the cooling-off period and have not since been terminated or suspended within a reasonable period at the relevant shareholders' (i.e., no 'stacking' of defensive measures).

Shareholders who individually or with other Shareholders, hold Shares that represent at least 1% of the issued and outstanding share capital or a market value of at least €250,000, may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting. The Company can only refuse disseminating such information, if received less than seven Business Days prior to the General Meeting, if the information gives or could give an incorrect of misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

13.14.5 Admission and Registration

Pursuant to the Articles of Association, the General Meeting shall be presided over by the Chairman of the Board or another Director designated for that purpose by the Board. If the Chairman of the Board is not present at the meeting and no other Director has been designated by the Board to preside over the General Meeting, the General Meeting itself shall appoint a chairperson. The chairperson will have all powers necessary to ensure the proper and orderly functioning of the General Meeting. Directors may attend a General Meeting. In these General Meetings, they have an advisory vote. The external auditor of the Company is also authorized to attend the General Meeting. The chairperson of the General Meeting may decide at his or her discretion to admit other persons to the General Meeting. Minutes of the meetings shall be prepared.

All Shareholders, and each usufructuary and pledgee to whom the right to vote on Shares accrues, are entitled, in person or represented by a proxy authorized in writing, to attend and address the General Meeting and exercise voting rights pro rata to their shareholding. Shareholders may exercise their rights, if they are the holders of Shares on the record date, which currently is the 28th day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting in writing at the address and by the date specified in the notice of the meeting. The convocation notice must then state the record date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights.

The Board may decide that persons entitled to attend and vote at General Meetings may cast their vote electronically or by post in a manner to be decided by the Board. Votes cast in accordance with the previous sentence rank as equal to votes cast at the General Meeting.

13.14.6 Voting Rights

Each Share confers the right on the holder to cast one vote at the General Meeting. The voting rights of the holders of Shares will rank *pari passu* with each other and with all other Shares. The chairperson of the General Meeting shall determine the manner of voting and whether voting may take place by acclamation, subject to certain restrictions under the Articles of Association. Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the part of the issued share capital that is present or represented at a General Meeting. Pursuant to the Articles of Association, no votes may be cast at a General Meeting in respect of Shares which are held by the Company or any subsidiary, nor in respect of Shares for which the Company or the subsidiary holds the depositary receipts. However, holders of a right of pledge or a right of usufruct on Shares held by the Company or a subsidiary are not excluded from voting, if the right of pledge or the usufruct was created before the Share belonged to the Company or the subsidiary. The Company or the subsidiary may not cast a vote in respect of a Share on which it holds a right of pledge or a right of usufruct.

In accordance with Dutch law, the Articles of Association provide that to the extent the law or the Articles of Association do not require a qualified majority, all resolutions of the General Meeting shall be adopted by a simple majority of the votes cast. Some matters require a qualified majority, if less than half of the issued capital of the Company is present or represented at the General Meeting.

The determination made by the chairperson of the General Meeting with regard to the results of a vote at a General Meeting shall be decisive. However, where the accuracy of the chairperson's determination is contested immediately after it has been made, a new vote shall take place if the majority of the General Meeting so requires or, where the original vote did not take place by response to a roll call or in writing, if any party with voting rights present at the General Meeting so requires.

The Board will keep a record of the resolutions passed at each General Meeting. The record shall be available at the offices of the Company for inspection by any person entitled to attend General Meetings and upon request a copy of or extract from the record will be provided to such person at no more than the cost price.

13.15 Identity of Shareholders

The Company may request from Euroclear France, admitted institutions, intermediaries, institutions abroad, and managers of investment institutions, to provide under the conditions provided for by applicable laws and regulations, the identification of the Shareholders that have an immediate or future right to vote at the General Meetings as well as the number of Shares held by each of the Shareholders and any restrictions applicable thereto. Such request may only be made during a period of 60 days up to the day on which the General Meeting will be held. No information will be given on Shareholders with an interest of less than 0.5% of the issued share capital. A Shareholder who, individually or together with other Shareholders, holds an interest of at least 10% of the issued share capital may request the Company to establish the identity of the Shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the General Meeting will be held.

13.16 Dissolution and Liquidation

The General Meeting may only resolve to dissolve the Company at the proposal of the Board. If a resolution to dissolve the Company is to be put to the General Meeting, this must in all cases be stated in the notice convening the General Meeting. If the General Meeting has resolved to dissolve the Company, the Directors will be charged with the liquidation of the business of the Company in accordance with Dutch law and the Articles of Association, unless the General Meeting has designated other liquidators. During liquidation, the provisions of the Articles of Association will remain in force as far as possible.

Any surplus remaining after settlement of all debts and liquidation costs will be distributed to the Shareholders in proportion to the nominal value of their shareholdings.

13.17 Amendment of Articles of Association

The General Meeting may only resolve to amend the Articles of Association at the proposal of the Board. A proposal to amend the Articles of Association must be included in the notice convening the General Meeting. A copy of the proposal containing the verbatim text of the proposed amendment must be available at the Company for inspection by every Shareholder and every holder of meeting rights until the end of the General Meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons holding meeting rights from the day it was deposited until the day of the meeting.

13.18 Dutch Financial Reporting Supervision Act

Pursuant to the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, ***FRSA***), the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt that the issuer's financial reporting meets such standards and (ii) recommend the issuer to make available further explanations. If the Company does not comply with such a request or recommendation, the AFM may request the Enterprise Chamber to order the Company to (A) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (B) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

13.19 Dutch Corporate Governance Code

The Dutch Corporate Governance Code, as amended, was published on December 8, 2016, entered into force on January 1, 2017, and finds its statutory basis in Book 2 of the Dutch Civil Code. The Dutch Corporate Governance Code applies to all companies which have their statutory seat in the Netherlands and which shares are listed on a regulated market (such as Euronext Amsterdam), a multilateral trading facility or a comparable system in a non-EEA member state. The Dutch Corporate Governance Code applies to the Company as the Company has its registered office in the Netherlands and its Shares will be listed on Euronext Amsterdam.

The Dutch Corporate Governance Code contains principles and best practice provisions for the Board, the Shareholders and the General Meeting, financial reporting, auditors, disclosure, compliance and enforcement standards, and is based on a "comply or explain" principle. Accordingly, the Company will be required to disclose in the report of the Board of Directors whether or not it is in compliance with the various principles and provisions of the Dutch Corporate Governance Code and, in the event that the Company deviates from a best practice provision in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its annual report in the report of the board of directors (*bestuursverslag*). A copy of the Dutch Corporate Governance Code can be found on www.mccg.nl.

The Company acknowledges the importance of good corporate governance. The Company fully endorses the underlying principles of the Dutch Corporate Governance Code and applies the Dutch Corporate Governance Code as the guiding principles for its corporate governance policy. The Company complies with relevant best practice provisions of the Dutch Corporate Governance Code, other than as detailed below. The deviations from the Dutch Corporate Governance Code are noted below (or in the case of any future deviation, subject to explanation thereof at the relevant time):

- **Best practice provisions 2.1.7 item (ii) of the Dutch Corporate Governance Code (independence of the supervisory board).**
  - Luc van Os was a member of the statutory management board of the Company as of December 4, 2020. As such, the Company does not comply with best practice provision 2.1.7 item (ii) of the Dutch Corporate Governance Code. Since the Directors, including Luc van Os, will be appointed for a two-year term, in principle this deviation continues for more than one financial year and is not of a temporary nature.
  - However, the Company deems that this deviation does not negatively impact the ability of Luc van Os to perform his duties independently and critically, whether at the Board or as member (chairperson) of the Audit Committee, given the short period that Luc van Os has been involved in the management of the Company prior to the, and primarily in preparation for, the Admission. As such, the Company believes that, from a practical perspective, it complies with best practice provision 2.7.1 item (ii) of the Dutch Corporate Governance Code.
- **Best practice provision 2.1.7 item (iii) of the Dutch Corporate Governance Code (independence of the supervisory board).**
  - Two Non-Executive Directors of the Company, being James Mitchell and Manning Doherty, have been appointed at the designation of the Tencent-led Consortium. As agreed upon in writing in the Relationship Agreement, and as elaborated on in Section 12.11 (Relationship Agreement), the Bolloré Entities and the Restructuring Shareholders have agreed to, as from the Admission, vote with all Shares they own at the time of such vote in order to procure that two Non-Executive Directors designated by the Tencent-led

consortium shall be appointed, subject to the Tencent-led Consortium holding a certain minimum interest. James Mitchell and Manning Doherty can be considered to be affiliated with or representing a Shareholder, or group of affiliated Shareholders, who directly or indirectly hold more than ten percent of the Shares and therefore, the Company does not comply with best practice provision 2.7.1 item (iii) of the Dutch Corporate Governance Code.

  - This deviation shall in principle continue for more than one financial year, however this deviation shall be of a temporary nature since James Mitchell and Manning Doherty shall be appointed for a two-year mandate period starting from the Admission and ending with the annual General Meeting to be held in 2024. Furthermore, the Tencent-led Consortium has committed to procure that the Non-Executive Directors appointed at the designation of the Tencent-led Consortium shall resign if the Tencent-led Consortium ceases to hold a certain minimum interest as described in more detail in Section 12.11 (*Relationship Agreement*) above.

- **Best practice provision 2.3.4 of the Dutch Corporate Governance Code.**

  - Luc van Os is the chairperson of the Audit Committee of the Company. Luc was a member of the statutory management board of the Company as of December 4, 2020. As such the Company does not comply with best practice provision 2.3.4 of the Dutch Corporate Governance Code in respect of the recommendation that the audit committee shall not be comprised of members that are former management board members. Reference is made to the explanation to the deviation of best practice provisions 2.1.7 item (ii) above.

  - The Audit Committee of the Company comprises of three non-executives of which Luc van Os and Catia Lawson-Hall are not independent within the meaning of the Dutch Corporate Governance Code and as such more than half of the Audit Committee is not independent within the meaning of the Dutch Corporate Governance Code. This deviation continues for more than one financial year and is not of a temporary nature since the appointment of Luc van Os has not been made for a specific period. However reference is made to the explanation to the deviation of best practice provision 2.1.7 item (ii) above, as a consequence of which the Company believes that the Audit Committee shall operate independently and critically and duly fulfil its duties under the Dutch Corporate Governance Code.

  - The Nomination Committee of the Company comprises of four non-executives of which Luc van Os and James Mitchell are not independent within the meaning of the Dutch Corporate Governance Code and as such more than half of the Nomination Committee not independent within the meaning of the Dutch Corporate Governance Code. This deviation continues for more than one financial year and is not of a temporary nature since the appointment of Luc van Os has not been made for a specific period. However, reference is made to the explanation to the deviation of best practice provision 2.1.7 item (ii) above, as a consequence of which the Company believes that the Nomination Committee shall operate independently and critically and duly fulfil its duties under the Dutch Corporate Governance Code.

13.20 Obligations of Shareholders to Make a Public Offer and Squeeze Out Proceedings

13.20.1 Public Offer

Pursuant to Section 5:70 of the DFSA, and in accordance with European Directive 2004/25/EC, any party, acting alone or in concert with others, that, directly or indirectly, acquires 30% or more of the Company's voting rights at the General Meeting will be obliged to launch a public takeover bid for all outstanding Shares. Under the DFSA, "persons with whom a party is acting in concert" has been defined as natural persons, legal persons or companies collaborating under a contract with the aim to acquire predominant control in a Dutch listed company or, if the target company is one of the collaborators, to frustrate the success of an announced public takeover bid for that company. The following categories of natural persons, legal persons or companies are deemed in any case to act in concert: (i) legal persons or companies which together form part of a group as referred to in Section 2:24b of the Dutch Civil Code; and (ii) natural persons, legal persons or companies and the undertakings controlled by these persons or companies.

Exceptions are made for, amongst others, Shareholders who, whether alone or acting in concert with others (i) have an interest of at least 30% of the Company's voting rights before the Shares are first admitted to trading on Euronext Amsterdam and who still have such an interest after such first admittance to trading, and (ii) reduce their holding to below 30% of the voting rights within 30 days of the acquisition of the controlling interest provided that (a) the reduction of their holding was not effected by a transfer of Shares to an exempted party and (b) during such period such Shareholders or group of Shareholders did not exercise their voting rights.

In addition, it is prohibited to launch a public takeover bid for shares of a listed company, such as the Shares, unless an offer document has been approved by the AFM. A public takeover bid may only be launched by way of publication of an approved offer document unless a company makes an offer for its shares. The public takeover bid rules are intended to ensure that in the event of a public takeover bid, among others, sufficient information will be made available to the holders of the shares, the holders of the shares will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period.

13.20.2 Squeeze out

Pursuant to Section 2:92a of the Dutch Civil Code, a Shareholder that, for its own account, holds at least 95% of the issued share capital of the Company may institute proceedings against the other Shareholders jointly for the transfer of their Shares to it. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority Shareholders in accordance with the provisions of the Dutch Code of Civil Procedure. The Enterprise Chamber may grant the claim for the squeeze out in relation to all minority Shareholders and will determine the price to be paid for the Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the Shares of the minority Shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the Shares must give written notice of the date and place of payment and the price to the holders of the Shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

In addition, pursuant to Section 2:359c of the Dutch Civil Code, following a public offer, a holder of at least 95% of the issued share capital and voting rights of the Company has the right to require the minority Shareholders to sell their Shares to it. Conversely, pursuant to Section 2:359d of the Dutch Civil Code, each minority Shareholder has the right to require the holder of at least 95% of the issued share capital and voting rights of the Company to subscribe for or purchase its Shares in such case. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. The Enterprise Chamber may grant the claim for the squeeze out in relation to all minority Shareholders and will determine the price to be paid for the Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the Shares of the minority Shareholders. In principle, the offer price is considered reasonable if at least 90% of the shares to which the offer related were acquired by the offeror.

13.21 Obligations of Shareholders, the Company and Directors to Notify Holdings of Shares and Voting Rights

13.21.1 Shareholders

Shareholders may be subject to notification obligations under the DFSA. Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

Pursuant to Chapter 5.3 of the DFSA, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Pursuant to a draft Dutch legislative proposal published for consultation on May 23, 2019 (the consultation period of which ended on July 4, 2021), a threshold of 2% may be added to this list, however, it is not yet clear if and when this change will enter into effect.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) Shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) Shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities or by a third party for such person's account; (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; (v) Shares which such person (directly or indirectly), or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire Shares; (vi) Shares which determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vii) Shares that must be acquired upon exercise of a put option by a counterparty; and (viii) Shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those Shares.

Controlled entities ("*gecontroleerde ondernemingen*" within the meaning of the DFSA) do not themselves have notification obligations under the DFSA as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the DFSA, including an individual. If a person who has a 3% or larger interest in the Company's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the DFSA will become applicable to such former controlled entity.

Special attribution rules apply to the attribution of Shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the Shares and/or voting rights.

For the same purpose, the following instruments qualify as "shares": (a) shares, (b) depositary receipts for shares (or negotiable instruments similar to such receipts), (c) negotiable instruments for acquiring the instruments under (a) or (b) (such as convertible bonds), and (d) options for acquiring the instruments under (a) or (b).

Furthermore, when calculating the percentage of capital interest a person is also considered to be in possession of Shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the Shares or any distributions associated therewith and which does not entitle such person to acquire any Shares, (ii) such person may be obliged to subscribe for or purchase Shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding Shares.

If a person's capital interest and/or voting rights reaches, exceeds or falls below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification in relation to the Company's issued and outstanding share capital or voting rights.

Every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing any of the abovementioned thresholds as a consequence of a different composition by means of an exchange or conversion into shares or the exercise of rights pursuant to an agreement to acquire voting rights, shall notify the AFM at the latest within four trading days after the date on which the holder knows or should have known that his interest reaches, exceeds or falls below a threshold.

13.21.2 The Company

Under the DFSA, the Company is required to notify the AFM promptly after Settlement of the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1% or more in the Company's issued and outstanding share capital or voting rights since the previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

13.21.3 Directors

Furthermore, pursuant to Section 5:48 DFSA, each Director must notify the AFM (a) immediately after Settlement the number of Shares he or she holds and the number of votes he or she is entitled to cast in respect of the Company's issued and outstanding share capital, and (b) subsequently of each change in the number of Shares he or she holds and of each change in the number of votes he or she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

If an Executive Director or Non-Executive Director has notified a transaction to the AFM under the DFSA as described under "— *Shareholders*", such notification is sufficient for purposes of the DFSA as described in this paragraph.

Furthermore, pursuant to the Market Abuse Regulation, persons discharging managerial responsibilities must notify the AFM and the Company of any transactions conducted for his or her own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. Persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation include: (a) directors; or (b) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Company.

In addition, pursuant to the Market Abuse Regulation and the regulations promulgated thereunder, certain persons who are closely associated with persons discharging managerial responsibilities, are also required to notify the AFM and the Company of any transactions conducted for their own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. The Market Abuse Regulation and the regulations promulgated thereunder cover, inter alia, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which are substantially equivalent to those of such a person.

These notification obligations under the Market Abuse Regulation apply when the total amount of the transactions conducted by a person discharging managerial responsibilities or a person closely associated to a person discharging managerial responsibilities reaches or exceeds the threshold of €5,000 within a calendar year (calculated without netting). When calculating whether the threshold is reached or exceeded, persons discharging managerial responsibilities must add any transactions conducted by persons closely associated with them to their own transactions and vice versa. The first transaction reaching or exceeding the threshold must be notified as set forth above. The notifications pursuant to the Market Abuse Regulation described above must be made to the AFM and the Company no later than the third Business Day following the relevant transaction date.

13.21.4 Public registry

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of and publishes all notifications made pursuant to the DFSA at its website (www.afm.nl). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

13.22 Short Positions

13.22.1 Net Short Position

Pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2% of the issued share capital of the Company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of the Company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. The notification shall be made no later than 15:30 CET on the following trading day.

13.22.2 Gross Short Position

Furthermore, each person holding a gross short position in relation to the issued share capital of the Company that reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the AFM.

If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the Company's issued share capital, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification in the public register of the AFM.

The AFM keeps a public register of the short selling notifications. Shareholders are advised to consult with their own legal advisors to determine whether any of the above short selling notification obligations apply to them.

13.22.3 Non-compliance with disclosure obligations

Non-compliance with these notification obligations is an economic offence (*economisch delict*) and may lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions. The AFM may impose administrative sanctions or a cease-and-desist order under penalty for non-compliance, and the publication thereof. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and vice versa, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed.

In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, or by one or more Shareholders who alone or together with others represent at least 3% of the issued and outstanding share capital of the Company or voting rights. The measures that the civil court may impose include:

- an order requiring the person with a duty to disclose to make the appropriate disclosure;
- suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;
- voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the General Meeting until the court makes a decision about such voiding; and
- an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring Shares or voting rights in the Company.

13.23 Market Abuse Rules

The regulatory framework on market abuse is laid down in the Market Abuse Directive (2014/57/EU) as implemented in Dutch law and the Market Abuse Regulation (no. 596/2014) which is directly applicable in the Netherlands.

Pursuant to the Market Abuse Regulation, no natural or legal person is permitted to: (a) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares, (b) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (c) unlawfully disclose inside information relating to the Shares or the Company. Furthermore, no person may engage in or attempt to engage in market manipulation.

Inside information is any information of a precise nature relating (directly or indirectly) to the Company, or to the Shares in the Company or other financial instruments, which information has not been made public and which, if it were made public, would be likely to have an effect on the price of the Shares or the other financial instruments or on the price of related derivative financial instruments (i.e. information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also deemed to be inside information.

The Company will be under an obligation to make any inside information public as soon as possible and in a manner that enables fast access and complete, correct and timely assessment of the information. However, the Company may defer the publication of inside information if it can guarantee the confidentiality of the information. Such deferral is only possible if the publication thereof could damage the Company's legitimate interests and if the deferral does not risk misleading the market. If the Company makes use of this deferral right, it needs to inform the AFM thereof as soon as that information is made public. Upon request of the AFM, a written explanation needs to be provided setting out why a delay of the publication was considered permitted. The Company is required to post and maintain on its website all inside information for a period of at least five years.

A person discharging managerial responsibilities is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of a half-yearly report or an annual report of the Company.

13.24 Non-compliance with the Market Abuse Rules

In accordance with the Market Abuse Regulation, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements. Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime (*misdrijf*) and could lead to the imposition of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the Market Abuse Regulation.

The Company has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by Directors and the Company's employees, which will be effective as at the First Trading Date.

The Company and any person acting on its behalf or on its account is obligated to draw up an insiders' list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

13.25 Transparency Directive

The Netherlands is the Company's home Member State for the purposes of Directive 2004/109/EC (as amended by Directive 2013/50/EU) as a consequence of which the Company will be subject to the DFSA in respect of certain on-going transparency and disclosure obligations.

14. THE DISTRIBUTION

14.1 The Distribution

14.1.1 Introduction

The Restructuring Shareholders contributed their shares held in UMGI and UIM, representing all of the issued capital of both UMGI and UIM, to the Company in exchange for newly issued shares in the Company, as a consequence whereof the Company became the sole holding company of the Group (the ***Restructure***). The Restructure was completed on February 26, 2021.

Concurrently with the Admission, Vivendi envisages to distribute the Distribution Shares as a special dividend in kind to the Vivendi Shareholders. All of the issued Shares of the Company, being 1,813,241,160 Shares, will be admitted to listing and trading on Euronext Amsterdam pursuant to the Admission. The Distribution Shares will constitute up to 60% of the issued and outstanding Shares on the Distribution Date. The Distribution Shares may constitute up to 1,087,944,696 Shares.

On March 29, 2021, Vivendi's extraordinary general meeting approved an amendment to Vivendi's by-laws to allow Vivendi's general shareholders meeting to decide, in the event of the distribution of dividends, reserves or premiums, that all or part of such distribution will be made by way of the delivery of assets in kind, including financial securities held by Vivendi. In the event of an interim dividend payment, this option would also be available to Vivendi's management board.

On June 22, 2021, Vivendi's general meeting approved, in addition to the distribution of an ordinary annual dividend of €0.60 per Vivendi share, the distribution of a special dividend in kind in the form of the Distribution Shares and listing with 99.9% voting in favor. At that time, the payment of such special dividend in kind remained subject to (i) the approval of the Prospectus by the AFM and (ii) Vivendi's management board decision to supplement such special dividend in kind with an interim dividend in kind (as described below).

On September 14, 2021, after the approval of the Prospectus by the AFM and the approval of the listing by Euronext Amsterdam, and subject to an interim statement of financial position certified by Vivendi's statutory auditors showing sufficient distributable earnings in the 2021 results, Vivendi's management board will decide to supplement the special dividend in kind approved by the Vivendi Shareholders with an interim dividend in kind.

Together, the special dividend in kind and the interim dividend in kind approved by the Vivendi's management board constitute the Distribution, which will be paid in a single transaction, in accordance with the Allocation Ratio.

Following the Distribution: (i) Vivendi will hold such number of Shares, representing approximately 10% of the issued and outstanding share capital of the Company; (ii) Concerto will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company; (iii) Scherzo will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company; (iv) the Pershing Entities will hold such number of Shares, representing 10% of the issued and outstanding share capital of the Company and (v) it is expected that the Bolloré Entities will hold such number of Shares, representing approximately 18% of the issued and outstanding share capital of the Company.

14.1.2 Expected Distribution Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Distribution, the timetable below sets forth certain expected key dates for the Distribution. See Section 14.1.3 (*Acceleration or Extension of the Distribution*).

Event	Time (CET) and date
Resolution of Vivendi's management board to distribute an exceptional interim dividend in kind	September 14, 2021
Euronext Amsterdam notice announcing the Reference Price for the Shares	September 20, 2021
Admission and Distribution ex-date in respect of Distribution of Distribution Shares	September 21, 2021
Commencement of trading under the ticker symbol "UMG" on an "if-and-when-delivered" (conditional upon delivery) basis	September 21, 2021
Distribution Record Date in respect of Distribution of Distribution Shares	September 22, 2021
Payment of the Distribution (delivery and book-entry of the Distribution Shares allocated pursuant to the Distribution) (***Distribution Date***)	September 23, 2021

The Company and Vivendi may adjust the dates, times and periods given in the timetable and throughout this Prospectus.

14.1.3 Acceleration or Extension of the Distribution

The Company and Vivendi may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If so decided, the Company will make this public through a press release, which will also be posted on the Company's website (www.universalmusic.com) or, regarding the Distribution, on Vivendi's website (www.vivendi.com). Any other material alterations will also be published through a press release that will be posted on the Company's website (www.universalmusic.com) or, regarding the Distribution, on Vivendi's website (www.vivendi.com) and (if required) in a supplement to this Prospectus that is subject to the approval of the AFM. Any extension of the timetable for the Distribution will be published in a press release at least three hours before 00:00 CET on the Distribution Date, provided that any extension will be for a minimum of one full day. Any acceleration of the timetable for the Distribution will be published in a press release at least three hours before the newly proposed Distribution Date. In any event, the Distribution Date will be at least within two Business Days of the Distribution Record Date.

14.1.4 Distribution Allocation Ratio

Subject to Adjustment of the Allocation Ratio (as defined below) by Vivendi's management board, each Vivendi Shareholder will be allotted one (1) Share for one (1) share which it holds in Vivendi on the Distribution Record Date (the ***Allocation Ratio***). The total number of Distribution Shares would be adjusted, upwards or downwards, if the total number of Vivendi shares entitled to the Distribution differed from Vivendi's expectations, without affecting the percentage of the Company's share capital distributed nor the Allocation Ratio.

The amount of the Distribution will be determined by multiplying the number of Distribution Shares by the opening price of the Shares on the regulated market of Euronext Amsterdam on the First Trading Date.

In the unlikely event that the amount of the Distribution would exceed the sum of (i) the €5,312 million approved by Vivendi's the general meeting of June 22, 2021 to be allocated to the accounts for the fiscal year ending December 31, 2020 as the special dividend in kind, and (ii) the €26,410 million Vivendi net earnings as of June 30, 2021, as shown in the interim statement of financial position certified by Vivendi's statutory auditors (the ***Ceiling***) (i.e. should the opening price of UMG shares on Euronext Amsterdam on Admission and Distribution ex-Date exceed €29.16 per Share resulting in a total market capitalization of UMG of €52.8 billion), Vivendi's management board would have full powers to reduce the number of Shares distributed so that the amount of the Distribution is equal to the Ceiling (the ***Adjustment of the Allocation Ratio***). In the event of Adjustment of the Allocation Ratio, the adjusted Allocation Ratio would be less than one (1) Share for one (1) Vivendi share.

Vivendi will issue a press release on the Admission and Distribution ex-Date, once the opening price of the Shares admitted to Euronext Amsterdam is known, to inform its shareholders of the final amount of the Distribution and confirm the final Allocation Ratio. In the event of Adjustment of the Allocation Ratio, the rights forming fractional shares shall neither be negotiable or transferable. If the number of Shares to which a Vivendi shareholder would be entitled by application of the Allocation Ratio does not correspond to a whole number of Shares, the Vivendi Shareholder will receive the number of Shares immediately below this number, plus a cash payment for the balance, the amount of which will be calculated based on opening price of the Shares on the regulated market of Euronext Amsterdam on the First Trading Date.

The Distribution of the Distribution Shares to the Vivendi Shareholders, according to the Allocation Ratio, will be effected via Euroclear France on the Distribution Date (expected to be September 23, 2021).

All Vivendi Shareholders whose Vivendi shares are registered in their name at the end of the trading day preceding the payment date, being September 22, 2021, (after taking into account orders executed during the day of September 21, 2021, even if the settlement-delivery of such orders occurs after such date) would be entitled to receive the Distribution. In the event of split ownership of shares, the beneficiary of the Distribution will be the legal owner (*nu-propriétaire*) unless otherwise agreed. The treasury shares held by Vivendi would not be entitled to the Distribution.

Other information on the Distribution relevant for the Vivendi Shareholders, in particular the impact of the Distribution on Vivendi's consolidated equity, net earnings and net financial debt, as well as the tax treatment of the Distribution for the Vivendi Shareholders, have been included in the Distribution Report, available on Vivendi's website.

14.1.5 Delivery, Clearing and Settlement

Each Vivendi Shareholder entitled to the Distribution holding Vivendi shares in directly registered form (*au nominatif pur*) will receive a letter per mail from Vivendi, through the Listing and Paying Agent, informing the Vivendi Shareholder of the terms and conditions for the allocation of Distribution Shares to be credited to an account opened in the Vivendi Shareholder's name in the Company's shareholders registers, which the Listing and Paying Agent will maintain. Payment of the Distribution will be made by way of an allocation on the Distribution Date of one (1) Share for each Vivendi share held, based on the Vivendi Share positions duly registered with Euroclear France at day-end closing on Distribution Record Date.

On the Distribution Date, Vivendi will credit Euroclear France with the total number of Distribution Shares corresponding to the number of Vivendi Shares registered at day-end closing on Distribution Record Date.

On the Distribution Date, Euroclear France will credit the Distribution Shares received from Vivendi as follows:

- to the accounts of the financial intermediaries with respect to Distribution Shares distributed to beneficiaries holding Vivendi Shares in bearer form (*au porteur*), or
- to the account of Euroclear France with respect to Distribution Shares distributed to beneficiaries holding Vivendi Shares in registered form. Euroclear France would be responsible for crediting these Distribution Shares (i) to the books of the financial intermediaries holding the accounts of holders of administered registered (*au nominatif administré*) shares, or (ii) to the Listing and Paying Agent, which has been appointed by Vivendi to hold the accounts of beneficiaries holding directly registered Vivendi shares.

The beneficiaries of the Distribution shall pay, as appropriate, to their authorized financial intermediary or to Vivendi, through the Listing and Paying Agent, the social contributions and/or the non-final flat-rate withholding or the withholding tax payable in respect of the Distribution. As applicable, the authorized financial intermediary responsible for maintaining the bearer or administered registered share accounts, or Vivendi, through the Listing and Paying Agent, which is responsible for maintaining the bearer share accounts, may sell the number of Distribution Shares necessary to pay the social security contributions and/or the withholding tax due in respect of the Distribution. As applicable, Vivendi Shareholders who wish to sell the Distribution Shares received in the context of the Distribution would need to contact their usual financial advisor and/or financial intermediary holding their account.

Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear France. Euroclear France has its offices at 66 rue de la Victoire 75009 Paris, France.

14.2 Listing and Trading

Prior to the Admission, there has been no public market for the Shares. Application has been made to list and admit all of the Shares to trading on Euronext Amsterdam under the symbol "UMG". The ISIN is NL0015000IY2 and the legal entity identifier is 724500GJBUL3D9TW9Y18.

Subject to acceleration or extension of the timetable for the Distribution or Admission, trading in the Shares on Euronext Amsterdam is expected to commence on Admission. Trading in the Shares before Settlement will take place on an 'as-if-and-when-delivered' basis.

14.3 Dilution and reduction of Vivendi's Shareholding

There shall be no dilution of the shareholdings of the Existing Shareholders pursuant to the Distribution.

The shareholding of Vivendi will be reduced from 70% to approximately 10% as a result of the Distribution. Prior to the Distribution, Vivendi was the majority shareholder of the Company, having first acquired an indirect interest in UMG in 2000, through the acquisition of Seagram (the then owner of UMG), whereafter Vivendi gained full ownership of UMG in 2006, following which Vivendi has subsequently sold 20% of the issued shares in UMG to the Tencent-led Consortium (the first tranche of 10% being in March 2020 and the second tranche of 10% being sold in January 2021) and more recently sold 10% of the issued shares in UMG to the Pershing Entities (the first tranche of 7.09% in August 2021 and the second tranche of 2.91% in September 2021). The business address of Vivendi is 42 avenue de Friedland, 75380 Paris Cedex 08, France.

14.4 Voting Rights

Each Share confers the right to cast one vote in the General Meeting, see Section 13.14.6 (*Voting Rights*). The voting rights of the holders of Shares will rank *pari passu* with each other and with all other Shares. Major shareholders, including the Existing Shareholders, do not have different voting rights.

14.5 Ranking and Dividends

The Distribution Shares will rank *pari passu* in all respects with the, at that time, outstanding Shares. The Shares will carry dividend rights as of the date of issue. See Section 5 (*Dividend Policy*).

14.6 Listing and Paying Agent

BNP Paribas is the Listing Agent and BNP Paribas Securities Services is the Paying and Settlement Agent with respect to the Shares on Euronext.

14.7 Expenses charged to investors

No expenses or fees will be charged by the Company or Vivendi to Vivendi Shareholders in relation to the Admission and the Distribution. However, the beneficiaries of the Distribution would be required to pay, as appropriate, to their authorized financial intermediary or to Vivendi, through BNP Paribas Securities Services, the social withholdings and/or the non-final withholding tax or the withholding tax payable in respect of the Distribution.

As the definitive amount of the Distribution will be determined, as described in Section 14.1.4 (*Distribution Allocation ratio*), by multiplying the number of Distribution Shares by the opening price of the Shares on the regulated market of Euronext Amsterdam on the First Trading Date, the maximum amount of expenses paid in relation to the Admission and Distribution cannot precisely be estimated as of the date of this Prospectus. However, the maximum amount expenses will in any case remain limited to a maximum of 0.5% of the total amount of the Distribution.

15. TAXATION

The statements summarize the current position and are intended as a general guide only. Prospective investors should be warned that the tax legislation of their country of citizenship, domicile or residency may have an impact on the income received from the Shares. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the Netherlands are strongly recommended to consult their own professional advisers.

15.1 Dutch taxation

This overview solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Shares and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the offer to a particular holder of Shares will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his or her own tax advisor for a full understanding of the tax consequences of the acquisition, ownership and disposal of Shares to such holder, including the applicability and effect of Dutch tax laws.

Where in this overview English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this overview the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This overview assumes that the Company will remain organized, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organizational structure or to the manner in which the Company conducts its business may invalidate the contents of this overview, which may not be updated to reflect any such change.

This overview is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The tax law upon which this overview is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this overview, which will not be updated to reflect such change.

The overview in this Dutch taxation section does not address the Dutch tax consequences for a holder of Shares who:

- is a person who may be deemed an owner of Shares for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law, such as Shares that are legally owned by a third party such as a trustee, foundation or similar entity or arrangement, which may under certain circumstances have to be allocated to the (deemed) settlor or, upon the death of such settlor, such settlor's beneficiaries in proportion to their entitlement to the estate of the settlor of such trust or similar arrangement (*afgezonderd particulier vermogen*);

- is, although in principle subject to Dutch corporation tax, in whole or in part, is either fully or partly exempt from Dutch corporation tax (e.g. pension funds) or specifically exempt from that tax in connection with income from Shares (e.g. due to the applicability of the participation exemption, *deelnemingsvrijstellling*);

- is a qualifying investment institution *(fiscale beleggingsinstelling*) or exempt investment institution (*vrijgestelde beleggingsinstelling*) as defined in the Dutch Corporation Tax Act 1969;

- owns or has acquired Shares in connection with the (former) membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or a management role;

- has a substantial interest in the Company or a deemed substantial interest in the Company for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person - either alone or, in the case of an individual, together with such individual's partner or any of such individual's relatives by blood or by marriage in the direct line (including foster-children) or of those of such individual's partner for Dutch tax purposes - owns or is deemed to own, directly or indirectly, 5% or more of the Shares or of any class of Shares, or rights to acquire, directly or indirectly, such an interest in the Shares or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Company, or (b) such person's Shares, rights to acquire Shares or profit participating certificates in the Company are held by such holder as part of a transaction that qualified for non-recognition of gain treatment; or

- is for Dutch tax purposes taxable as a corporate entity and resident of Aruba, Curaçao or Sint Maarten.

15.1.1 Dividend withholding tax

(a) *General*

The Company is generally required to withhold Dutch dividend withholding tax at a rate of 15% on dividends distributed by the Company, subject to possible relief under Dutch law or an applicable Dutch income tax treaty depending on a particular holder of Shares' individual circumstances.

The concept "dividends distributed by the Company" as used in this Dutch taxation paragraph includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;

- liquidation proceeds and proceeds of repurchase or redemption of Shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;

- the par value of Shares issued by the Company to a holder of Shares or an increase of the par value of Shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and

- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (zuivere winst), unless (a) the General Meeting of the Company's shareholders has resolved in advance to make such repayment and (b) the par value of the Shares concerned has been reduced by an equal amount by way of an amendment to the Company's articles of association.

15.1.2 Taxes on income and capital gains

Resident holders of Shares

A holder of Shares who is resident or deemed to be resident in the Netherlands for Dutch tax purposes is fully subject to Dutch income tax on benefits derived or deemed to be derived from or in connection with Shares if he is an individual or fully subject to Dutch corporation tax on benefits derived or deemed to be derived from or in connection with Shares if it is a corporate entity, or an entity, including an association, a partnership or a mutual fund, taxable as a corporate entity, as described in the overview below.

(a) *Individuals deriving profits or deemed to be deriving profits from an enterprise*

Any benefits derived or deemed to be derived from or in connection with Shares that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates up to 49.5%.

(b) *Individuals deriving benefits from miscellaneous activities*

Any benefits derived or deemed to be derived from or in connection with Shares that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 49.5%.

An individual may, *inter alia*, derive, or be deemed to derive, benefits from or in connection with Shares that are taxable as benefits from miscellaneous activities if such individual's investment activities go beyond regular active portfolio management.

(c) *Other individuals*

If a holder of Shares is an individual whose situation has not been described before in this Section (*Resident holders of Shares*), such individual will not be subject to income taxes on actual benefits derived from or in connection with Shares. Instead, such individual is generally taxed at a flat rate of 31% on deemed income from "savings and investments", which deemed income is determined on the basis of the value of such individual's Shares included in such individual's yield basis determined at the beginning of a calendar year (minus a tax-free threshold). The deemed income is determined on the basis of progressive rates starting from 1.9% up to 5.69% per annum of this yield basis.

(d) *Corporate entities*

Any benefits derived or deemed to be derived from or in connection with Shares that are held by a corporate entity, or an entity, including an association, a partnership or a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax, levied at a rate of 25% (15% over profits up to and including €245,000).

(e) *General*

A holder of Shares will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of Shares or the performance by the Company of its obligations under such documents or under the Shares.

Non-resident holders of Shares

(f) *Individuals*

If a holder of Shares is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, such individual will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with Shares, except if:

- such individual derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and such individual's Shares are attributable to such permanent establishment or permanent representative;

- such individual derives benefits or is deemed to derive benefits from or in connection with Shares that are taxable as benefits from miscellaneous activities performed in the Netherlands (as described under "Individuals deriving benefits from miscellaneous activities" above); or

- such individual derives profits pursuant to the entitlement to a share in the profits of an enterprise, other than as a holder of securities, which is effectively managed in the Netherlands and to which enterprise such individual's Shares are attributable.

(g) *Corporate entities*

If a holder of Shares is a corporate entity, or an entity including an association, a partnership or a mutual fund, taxable as a corporate entity, which is neither resident, nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with Shares, except if:

- it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and to which permanent establishment or permanent representative its Shares are attributable; or

- it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its Shares are attributable.

If one of the abovementioned conditions applies, any benefits derived or deemed to be derived from or in connection with Shares will generally be subject to Dutch corporation tax, levied at a rate of 25% (15% over profits up to and including €245,000).

(h) *General*

If a holder of Shares is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of Shares or the performance by the Company of its obligations under such documents or under the Shares.

15.1.3 Gift and inheritance taxes

Resident holders of Shares

Dutch gift tax may be due with respect to an acquisition of the Shares by way of a gift by a holder of Shares who is resident or deemed to be resident of the Netherlands at the time of the gift.

Dutch inheritance tax may be due with respect to an acquisition or deemed acquisition of the Shares by way of an inheritance or bequest on the death of a holder of Shares who is resident or deemed to be resident of the Netherlands.

For purposes of Dutch gift and inheritance tax, an individual with the Dutch nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or such individual's death. For purposes of Dutch gift tax, an individual not holding the Dutch nationality will be deemed to be resident of the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Non-resident holders of Shares

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of Shares by way of gift by, or upon the death of, a holder of Shares who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift of the Shares by an individual who at the date of the gift was not a resident nor a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, such holder of Shares becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of Shares made under a condition precedent is deemed to be made at the time the condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

15.1.4 Value added tax

No Dutch value added tax will be due by a holder of Shares as a result of or in connection with the subscription, issue, placement, allotment or delivery of Shares.

15.1.5 Registration taxes and duties

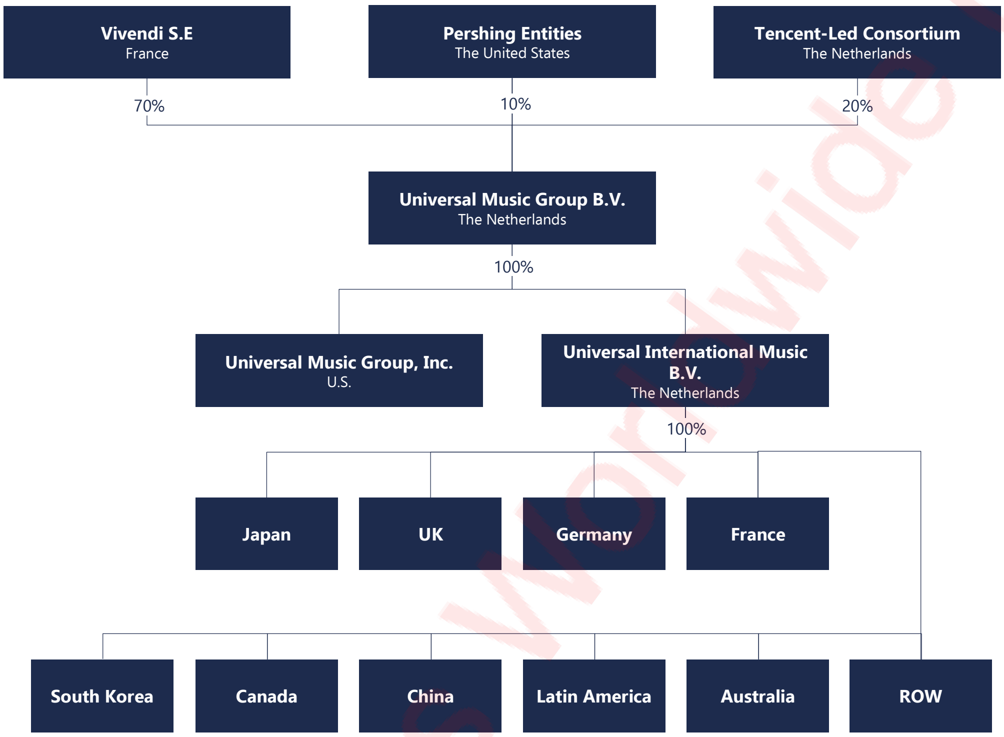
No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Shares, the performance by the Company of its obligations under such documents, or the transfer of Shares.

16. GENERAL INFORMATION ON THE COMPANY

16.1 Subsidiaries

The Company is the holding company of the Group.

The following structure chart illustrates the simplified structure of the Group as at the date of the Prospectus and immediately prior to the implementation of the Distribution.*



* Does not illustrate Bollore Entities, which hold 100 Shares in the Company, representing less than 0.00000006% of the Shares.

The following is a list of material subsidiaries, based on their contribution to the consolidated financial performance and/or position of the Group as at June 30, 2021.

Name	Country of incorporation	% of shares and voting rights held
Universal Music Group, Inc	United States	100
Universal Music Group Holding. Inc.	United States	100
UMG Recordings, Inc.	United States	100
Vevo, LLC	United States	49.2
Universal International Music B.V.	Netherlands	100
Universal Music Entertainment GmbH	Germany	100
Universal Music LLC	Japan	100
Universal Music France S.A.S.	France	100
Universal Music Holdings Ltd.	United Kingdom	100
EMI Group Worldwide Holding Ltd.	United Kingdom	100
Universal Music Group Treasury S.A.S.	France	100

16.2 Independent Auditors

The Combined Financial Statements, prepared in accordance with IFRS, have been jointly audited by EY and Deloitte, independent auditors. EY and Deloitte issued an independent auditors' report on the Combined Financial Statements and the report includes the following emphasis of matter paragraph, titled "Emphasis of matter": *Without modifying our conclusion, we draw attention to the Note "Basis of preparation of the Combined Financial Statements", in Section "Accounting conventions used when preparing the Combined Financial Statements". Our opinion is not modified in respect of this matter*. This 'Emphasis of matter" has been noted by the Joint Auditors in view of the fact that combined financial statements are less common than consolidated financial statements and, taking into account that they comprise accounts of two different companies (as opposed to an aggregate consolidated position of a parent company and its subsidiaries as is the case for consolidated accounts) are more complex than consolidated financial statements. Therefore, the Joint Auditors deemed it necessary and helpful to include an emphasis of matter paragraph in their Report on the Combined Financial Statements to draw readers' attention to the basis of preparation of these accounts, which basis is described in the relevant notes to the Combined Financials Statements.

The Interim Financial Statements, prepared in accordance with IAS 34, have been reviewed by EY and Deloitte, independent auditors. EY and Deloitte issued an independent auditor's review report on the Interim Financial Statements.

EY, with its address at Tour First, TSA 14444, 92037 Paris-La Défense Cedex, France. The auditors signing the auditor's reports on behalf of EY are members of the Compagnie régionale des Commissaires aux Comptes de Versailles et du Centre.

Deloitte, with its address at 6, place de la Pyramide, 92908 Paris-la Défense Cedex, France. The auditors signing the auditor's reports on behalf of Deloitte are members of the Compagnie régionale des Commissaires aux Comptes de Versailles et du Centre.

The Company has appointed Ernst & Young Accountants LLP, an independent registered public audit firm with its principal place of business at Boompjes 258, 3011 XZ Rotterdam, The Netherlands, as its statutory auditor starting with its financial statements as of and for the financial year ending December 31, 2021.

16.3 Properties

UMG owns studio and office facilities and leases certain facilities in the ordinary courses of business. It has offices in approximately 60 territories and has its corporate headquarters in Santa Monica, California.

16.4 Environment

The Company believes that the Group does not have any material environmental compliance costs or environmental liabilities.

16.5 Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (i) within two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, or (ii) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

16.5.1 Transition and Services Agreement

16.5.1.1 Introduction and services

Vivendi and the Company intends to enter into a transition and services agreement in connection with the Distribution (the ***Transition and Services Agreement***) in connection with the separation pursuant to the Distribution in terms of which Vivendi and its subsidiaries will provide to UMG, and UMG will provide to Vivendi and its subsidiaries, on an interim, transitional basis, various services, as applicable, including, but not limited to: (i) a limited selection of treasury related services and applications; (ii) a limited selection of accounting services and accounting software related services and applications; (iii) taxation related services; and (iv) certain employee related principles in connection with the Distribution.

16.5.1.2 Charges

The agreed-upon charges for such services are generally intended to allow the servicing party to charge a price comprised of costs and expenses, including reasonably allocable overhead expenses. The party receiving each transition service will be provided with reasonable information that supports the charges for the transition services being provided.

16.5.1.3 Term

Subject to certain exceptions where appropriate, the services will commence on the Distribution Date and will generally terminate no later than 12 months (or in certain cases, 18 months) following the Distribution Date. The receiving party may terminate any services by giving prior written notice to the provider of such services and paying any applicable wind-down charges.

16.5.1.4 Limitations

Subject to certain exceptions, the liabilities of each party under the Transition Services Agreement in respect of such party's provision of services will generally be limited to the aggregate charges actually paid or payable to such party under the Transition Services Agreement. The Transition Services Agreement provides that the provider of a service will not be liable to the recipient of such service for any indirect, incidental, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages.

16.5.2 Registration Rights Agreement

On June 20, 2021, the Company and Tontine entered into a registration rights agreement. In connection with the Pershing Entities acquiring their stake in the Company, this registration rights agreement was amended and restated on August 10, 2021, including, amongst other things, by the Pershing Entities becoming parties to the registration rights agreement (such amended and restated registration rights agreement, the ***Registration Rights Agreement***).

Pursuant to the Registration Rights Agreement, the Company granted the Pershing Entities certain rights, including:

Underwritten Resale Demand

- to the extent that the Company has already become subject to the periodic reporting requirements under the U.S. Securities Exchange Act of 1934 (the ***U.S. Exchange Act*** and the Company being referred to as a ***U.S. Registrant*** to the extent that it is subject to the U.S. Exchange Act reporting requirements), then the Pershing Entities shall be entitled to demand certain registration rights, including by requiring the Company to file certain registration documents with the United States Securities and Exchange Commission (the ***SEC***), for one or more SEC registered underwritten public offerings (an ***Underwritten Resale Demand***). In such event:
    - the Pershing Entities may select the lead underwriter(s) for any Underwritten Resale Demand, which lead underwriter(s) must be reasonably acceptable to the Company and the Company may select additional underwriter(s) which shall be reasonably acceptable to the Pershing Entities;
    - the Company has undertaken to use commercially reasonable efforts to file the relevant registration document with the SEC within prescribed reasonable time periods and to have the relevant registration document declared effective as promptly as practicable thereafter;
    - the Pershing Entities shall not exercise their rights for an Underwritten Resale Demand more than twice in any 12-month period and any underwritten offering pursuant to an Underwritten Resale Demand shall be for a minimum of gross proceeds to the Pershing Entities of US$250 million, unless the lead underwriter recommends a lesser amount; and
    - a registration demand from the Pershing Entities will only constitute an Underwritten Resale Demand if the Pershing Entities are able to register and sell at least 50% of the Pershing Entities' Shares.

Resale Shelf Registration and Piggyback Rights

- to the extent that the Company is a U.S. Registrant and the Pershing Entities are not permitted to sell all of their Shares under Rule 144 of the U.S. Securities Act of 1933 (the U.S. Securities Act) without regard to volume or manner of sale restrictions, the Pershing Entities shall be entitled to require the Company to file a shelf registration statement for the resale of the Pershing Entities' Shares. In such event the Company shall be required to use commercially reasonable efforts to file such registration statement within prescribed reasonable time periods and to have it declared effective (if necessary) as promptly as practicable thereafter;

- if the Company at any time proposes to register the resale of Shares by shareholders of the Company under the U.S. Securities Act (other than with respect to registrations (i) made in connection with a business combination or exchange offer pursuant to Forms S-4 or F-4, or (ii) solely registering Shares issued pursuant to an employee equity incentive plan) or to consummate an underwritten offering in which Shares of any other shareholder of the Company are included, the Pershing Entities will be provided with the opportunity to register or offer for sale such number of Shares as the Pershing Entities may request in writing (subject to certain reasonable limitations). The Company shall use its commercially reasonable efforts to cause all such Shares of the Pershing Entities to be included in the relevant registration document(s);

U.S. IPO Registration Demand

- to the extent that on or after January 1, 2023 the Company is not already a U.S. Registrant, then the Pershing Entities shall have the right to require the Company to register an underwritten offering to effect the sale of its Shares in the United States (a ***U.S. IPO Registration Demand***);

- a U.S. IPO Registration Demand must register a number of the Pershing Entities' Shares reasonably expected to result in gross proceeds of at least $500 million, unless the lead underwriter recommends a lesser amount.

- the Company shall select the underwriters for such offering (which shall be reasonably acceptable to the Pershing Entities) and shall determine the pertinent details of the structure of the offer, including whether to list on a stock exchange and on which exchange to list;

- the Company will use commercially reasonable efforts to file the relevant registration statement within 120 days from such demand and to have it declared effective as promptly as practicable thereafter;

- the Company may also include its own Shares as a primary offering in any offering pursuant to a U.S. IPO Registration Demand; and

- the Pershing Entities' right to make a U.S. IPO Registration Demand will permanently terminate at such time as the Pershing Entities hold fewer than 2.5% of the Company's issued and then-outstanding Shares.

Holdback Agreement

- If at any time the Company registers Shares under the U.S. Securities Act in an underwritten offering and the Pershing Entities have been provided an opportunity to participate but decline to do so, the Pershing Entities have undertaken not to sell, make any short sale, grant any option for the purchase of, or otherwise transfer Shares, without prior written consent of the Company, for a period designated by the Company in writing to the Pershing Entities (which period shall not begin more than ten days before the effectiveness of the applicable registration document and shall not exceed 90 days after the effective date of such). Upon request by the lead underwriter, the Pershing Entities shall also enter into lock-up agreements on customary terms.

Company's Right to Defer Registration

- If the filing of any registration document with respect to the Pershing Entities' Shares at any time would require the Company to make an "Adverse Disclosure" (as defined in the Registration Rights Agreement and relating to disclosure of material non-public information), the Company may delay the filing of such registration document for the shortest period of time (but in no event for more than 45 days) determined in good faith by the Company to be necessary.

Public Information Undertaking

To enable the Pershing Entities to use Rule 144 of the U.S. Securities Act for the resale of the Shares held thereby without registration, the Company shall:

- (x) in case the Company is not a U.S. Registrant, make and keep public information available, as those terms are understood and defined in Rule 144, or (y) in case the Company is a U.S. Registrant, use commercially reasonable efforts to file with the SEC all reports and other documents required to be filed by the Company under the Securities Act and Exchange Act; and

- furnish to the Pershing Entities, upon written request, a written statement by the Company as to its compliance with the public information requirements of Rule 144 and reporting requirements, if any, under the Securities Act and Exchange Act.

Termination

The Registration Rights Agreement, including the Pershing Entities' rights described above, will terminate on the later of: (i) August 9, 2025, and (ii) the date on which all Shares held by the Pershing Entities have been sold or all such Shares may be sold without volume and manner of sale restrictions pursuant to Rule 144 under the U.S. Securities Act.

Governing law

The Registration Rights Agreement is governed by the laws of the State of New York.

16.5.3 Facilities Agreement

On April 26, 2021, the Company as original borrower and original guarantor and UMGI as US borrower entered into a facilities agreement with, inter alia, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale, Banco Santander, S.A., Bank of America Europe Designated Activity Company, ING Bank N.V. Intesa SanPaolo S.p.A., Paris Branch, Mediobanca International (Luxembourg) S.A., Mizuho Bank, Ltd and Morgan Stanley Bank N.A. as mandated lead arrangers, the financial institutions named therein as original lenders and Crédit Agricole Corporate and Investment Bank as facility agent (such agreement as amended, amended and restated and/or replaced from time to time, the ***Facilities Agreement***). The Facilities Agreement is governed by French law.

The Facilities Agreement provides for borrowings up to an aggregate principal amount of €3 billion on a committed basis, comprising of €2 billion under the revolving credit facility in EUR or USD (including the swingline facility in EUR) and €1 billion under the term facility in EUR.

Subject to certain customary exceptions (including, a limit on the number of outstanding loans, minimum amounts and notice periods), the revolving credit facility loans may be borrowed, repaid and re-borrowed at any time. The borrowings under the revolving credit facility will be available to be used towards the general corporate purposes of the Group, including without limitation the refinancing of the intercompany loans outstanding between the Group and Vivendi and the repayment of existing bank debt by UMGI. The borrowings under the term loan facility will be available to be used towards the refinancing of the intercompany loans outstanding between the Group and Vivendi (for information about the intercompany loans outstanding between the Group and Vivendi, see Section 8.9.10 (*Facilities Agreement and repayment of Vivendi Loan Agreements*)). The borrowings under the swingline facility will be available to be used towards the general corporate purposes of the Group, including without limitation, the refinancing of any note or other instrument maturing under a euro commercial paper program of a member of the Group. The swingline facility is not independent of the revolving credit facility, it operates within the revolving credit facility as the revolving credit facility may be used by way of swingline facility loans.

16.5.3.1 Maturity and repayment

The revolving credit facility (including the swingline facility) matures on April 26, 2026 (being five years after the signing of the Facilities Agreement), subject to two one-year extension options (at the Company's request, subject to the lenders' discretion). The term facility matures on October 26, 2026. The Company shall repay the term loan in five yearly instalments beginning on October 26, 2022.

16.5.3.2 Interest rate and fees

The interest rate on the term loan facility and the revolving credit facility is the percentage rate per annum equal to the aggregate of the applicable margin and EURIBOR or in relation to any loan that is not in euro, LIBOR (subject to a zero floor) (or if LIBOR is not available for that currency, the reference rate used in the relevant interbank market for that currency as approved by the facility agent). The interest rate on the swingline facility for each day is the percentage rate per annum equal to the aggregate of €STR and EONIA €STR spread for that day and the applicable margin. The initial margin at the date of the Facilities Agreement was 0.45% per annum in respect of a revolving credit facility loan in euros, 0.55% per annum in respect of a revolving credit facility loan in USD, 0.45% per annum in respect of a swingline facility loan, and 0.80% per annum in respect of a term loan. The margin applicable to each of the term loan, revolving credit facility loan and the swingline facility loan shall be adjusted annually by reference to the leverage ratio as indicated in the most recent audited Combined Financial Statements of the Group. The Company may select an interest period of three or six months regarding a term loan, an interest period of one, three or six months regarding a revolving credit facility loan, and an interest period of not more than seven Business Days regarding a swingline facility loan.

A ticking fee is payable on the aggregate undrawn and uncanceled amount of the term facility from April 26, 2021 until the earlier of, the date of first utilization of the term loan, and July 26, 2021, of an amount equal to 20% of the then applicable margin for the term loan facility, and thereafter until the date of first utilization of the team loan, of an amount equal to 35% of the then applicable margin for the term loan facility (calculated on the basis of the actual number of days elapsed and a 360-day year).

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the revolving credit facility from April 26, 2021 until the earlier of the first utilization of the revolving credit facility, and July 26, 2021 of an amount equal to 20% of the then applicable margin for the revolving credit facility, and thereafter until the end of the availability period applicable to the revolving credit facility 35% of the then applicable margin for the revolving credit facility. The commitment fee is payable quarterly in arrears.

A utilization fee is payable on the amount of any loans drawn at a rate between 0.10% and 0.40%, depending on the percentage drawn against the revolving credit facility. The utilization fee is payable quarterly in arrears.

For each extension of the termination date of the revolving credit facility loan, an extension fee is payable of an amount equal to 0.025% of the lenders' extended commitments under the revolving credit facility.

Default interest is calculated as an additional 2% on the overdue amount.

Customary agency fees, documentation agent fees, syndication agent fees and swingline agent fees will also be payable to Crédit Agricole Corporate and Investment Bank (as swingline agent and facility agent), BNP Paribas (as documentation agent), and Natixis (as syndication agent) respectively.

16.5.3.3 Security

The Company irrevocably and unconditionally guarantees to the facility agent and lenders the payment in due time of the secured obligations of UMGI under the Facilities Agreement in an initial maximum principal amount of €2,000,000,000 increased by any interest, default interest, fees arising in connection therewith.

16.5.3.4 Covenants

For so long as the Company does not have a rating for its long term unsecured and non-credit enhanced debt obligations of at least BBB by S&P or Fitch or at least Baa2 by Moody's or a comparable rating from an internationally recognized credit rating agency located in a member country of the OECD, its leverage ratio shall be equal to or below 4.0x. The leverage ratio is the ratio of financial net debt of the Company and its subsidiaries to EBITDA (as defined in accordance with the Facilities Agreement) of the Company and its subsidiaries. As at the date of the Prospectus, the Company would not be in breach of this leverage ratio if it were to be measured on such date.

The Facilities Agreement contains a number of customary covenants which, among other things, restrict the ability of the Company and its subsidiaries to:

- create or incur security over any of its assets;
- make disposals;

- merge with other entities;
- change its business;
- enter into cash pooling agreements with Vivendi; and
- breach sanctions restrictions.

However, each of these covenants is subject to customary exceptions and qualifications, including for example liens arising by operation of law in the ordinary course of business, security interests arising out of title retention provisions in a supplier's terms and conditions, disposals with net proceeds of less than 10% of the content assets owned by the Group or if such threshold is exceeded, where 100% of the disposal proceeds are reinvested in content assets within 12 months.

The Facilities Agreement also contains customary affirmative covenants, including mandatory periodic reporting of financial information, notice upon the occurrence of events of default and certain other events (including conversion of the Company into a public company (*naamloze vennootschap*)), compliance with laws and the maintenance of certain insurance coverage. The borrower and guarantors must also ensure that their payment obligations under the facilities at all times rank at least *pari* passu with all their other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to companies generally.

There are customary prepayment requirements in the Facilities Agreement, including an individual right for each lender to be prepaid on a change of control (provided that if the Bolloré Entities and/or Vivendi alone or in concert, gain control of the Company following the Distribution, it shall not constitute a change of control). Further, the Facilities Agreement contains certain events of default (including for example, non-payment, breach of financial covenants, misrepresentation, insolvency), which are subject to customary materiality or other qualifications, exceptions and baskets.

16.5.4 Vivendi Counter Guarantee

In connection with the separation of the Group's treasury function from Vivendi's treasury function in anticipation of the Distribution, the Company and Vivendi entered into a counter guarantee on July 8, 2021 (the ***Vivendi Counter Guarantee***).

Under the Vivendi Counter Guarantee, the Company irrevocably and unconditionally undertook, from the date of the Distribution, to pay, as its own primary obligation, any amounts due and owing by Vivendi to any beneficiaries from time to time under certain guarantees and a surety which were previously provided by Vivendi on behalf of the Group, including:

- a letter of credit of US$6.384.423 to the benefit of AIG and certain affiliates of AIG, a part of which covers the employees of the Company
- guarantees provided to The Beatles, Yoko Ono, certain Apple entities, George Harrison and Richard Starkey, capped at £100,000,000, which provide security notably for royalty payments to the "Apple parties";
- guarantees provided to subsidiaries of the Company established in the United Kingdom under Section 479A of the UK Companies Act 2006 in connection with the application of certain audit exemptions, which guarantees cover all liabilities outstanding on the balance sheets of the subsidiary companies as of December 31, 2020, until such obligations are settled in full; and
- so-called 403 statements under Section 403 of Book 2 of the Dutch Civil Code in connection with the application of certain audit exemptions for the Dutch subsidiaries of the Company in respect of which the Company shall be liable until the moment of withdrawal of the 403 statements by Vivendi, until the moment of termination of the residual liability (*overblijvende aansprakelijkheid*) in accordance with Section 404 of Book 2 of the Dutch Civil Code; and
- a surety to PRI Pension Garanti established in Sweden, capped at SEK 60.000.000 and expiring on March 31, 2022.

16.5.5 Shareholders Agreement

The Shareholders Agreement is described at Section 12.10 (*Shareholders' Agreement*), however, this agreement will, except for certain provisions in relation to, *inter alia*, registration rights, automatically terminate upon the occurrence of the Admission.

16.5.6 Greater China Business Agreement

As part of the Tencent -led Consortium's acquisition of its stake in UMG, on March 31, 2020, UIM and Tencent Music Entertainment entered into an agreement (the ***Greater China Option Agreement***) pursuant to which UIM granted Tencent Music Entertainment the Call Option (defined below), which can be exercised at any point prior to April 1, 2022 (the ***Exercise Period***).

Amongst other things, UIM granted Tencent Music Entertainment a one-time right (the ***Call Option***) to acquire up to 25% (but no less than 20%) of the share capital of the holding company which controls UIM's Greater China operations (the ***Tencent Call Shares***). Subject to necessary approvals from relevant governmental authorities, Tencent Music Entertainment may exercise the Call Option during the Exercise Period. UIM and Tencent Music Entertainment shall agree on the purchase price for the Tencent Call Shares, which shall be based upon an agreed EBITDA multiple (and subject to certain adjustments).

16.6 Significant Change since June 30, 2021.

As at the date of the Prospectus, there have been no significant changes in the financial performance or in the financial position of the Group since June 30, 2021.

16.7 Litigation and arbitration proceedings

As disclosed at Section 11.14 (*Litigation*), the Group is party to various legal proceedings from time to time arising in the ordinary course of business. Save for those matters disclosed at Section 11.14 (*Litigation*), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or the Group is aware) during the previous 12 months which may have, or have had in the past, significant effects on the Company or the Group's financial position or profitability.

16.8 Corporate Resolutions

The Company will prior to the Admission obtain all necessary consents, approvals and authorizations in the Netherlands in connection with the Admission.

16.9 Options or Preferential Rights in respect of Shares

Save as disclosed in Section 12.6 (*Equity Holdings of Directors and Corporate Executives*), the Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Company.

16.10 No Incorporation of Website

Prospective Investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website, or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

16.11 Availability of Documents and Available Information

The Articles of Association, in Dutch, are available and can be obtained free of charge from the Company's website (https://investors.universalmusic.com/governance).

Subject to any applicable selling and transfer restrictions, copies of this Prospectus and any supplement to this Prospectus may be obtained free of charge from the Company's website (www.universalmusic.com) for a period of 10 years following the date of this Prospectus (or such other shorter period as may be allowed pursuant the Prospectus Regulation or other applicable law).

17. DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

Term	Definition
A&R	artist and repertoire
Adjustment of the Allocation Ratio	the adjustment of the Allocation Ratio to be decided by Vivendi's management board should the Distribution exceed the Ceiling
Admission	admission to listing and trading of the Shares on Euronext Amsterdam
AFM	the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
Allocation Ratio	the ratio of Distribution Shares to be received by each Vivendi Shareholder for each Share held on the Distribution Record Date
Articles of Association	the articles of association of the Company as they will read upon Admission after amendment of the existing articles of association
ASCAP	American Society of Composers, Authors and Publishers
Audit Committee	the audit committee of the Company
Beneficiaries	for purposes of Dutch income and corporate income tax, the beneficiaries of the Settlor
BMI	Broadcast Music, Inc.
Board	the board of directors of the Company, consisting of the Executive Directors and the Non-Executive Directors
Board Rules	the rules governing the Board's principles and best practices and further procedures of holding meetings, decision making and functioning of the Board, as amended from time to time
Bolloré Entities	Compagnie de Cornouaille, together with Compagnie de l'Odet
Business Day	one full day on which banks are generally open for business in the Netherlands
Caroline	Caroline Records
CEO* or *Chief Executive Officer	the chief executive officer of the Company
CET	Central European Time
Chairman of the Board	the Non-Executive Director that is appointed as chairman of the Board
CMG	Capitol Music Group

Term	Definition
Combined Financial Statements	the audited combined financial statements of Universal Music Group as at and for the years ended December 31, 2018, 2019 and 2020, included in this Prospectus
Compagnie de Cornouaille	Compagnie de Cornouaille SAS a simplified stock corporation (*société par actions simplifiée*)
Compagnie de l'Odet	Compagnie de l'Odet SE, a corporation (*société européenne*)
Company	Universal Music Group B.V. (to be converted to a public company (*naamloze vennootschap*) prior to the Admission)
Company Secretary	the company secretary of the Company, appointed and dismissed by the Board from outside its members
Concert and each party thereto a Concert Party	the Bolloré Entities and the Restructuring Shareholders, for the reasons described in Section 12.11 (*Relationship Agreement*).
Concerto	Concerto Investment B.V.
Copyright Directive	Directive on Copyright in the Digital Single Market adopted by the European Union
Corporate Executives	the members of the executive management team of the Group, comprising the individuals named in Section 12.4 (Corporate Executives).
COVID-19 pandemic	the global pandemic of a new strain of coronavirus, COVID-19
Deloitte	Deloitte & Associés
Deputy CEO **or** ***Deputy Chief Executive Officer***	an executive Director that is responsible for supporting the Chairman & Chief Executive Officer
DFSA	the Dutch Financial Supervision Act
Director	an Executive Directors or Non-Executive Directors on the Board
Distribution	the distribution of the Distribution Shares to the Vivendi Shareholders described in Section 14 (*The Distribution*).
Distribution Date	on or about September 23, 2021, or such other date as may be notified by the Company and Vivendi
Distribution ex-Date	on or about September 21, 2021, or such other date as may be notified by the Company and Vivendi
Distribution Record Date	on or about September 22, 2021, or such other date as may be notified by the Company and Vivendi

Term	Definition
Distribution Report	means the report on the special dividend in kind and on the special interim dividend in kind prepared by Vivendi and provided to its shareholders on May 12, 2021
Distribution Settlement	delivery of the Distribution Shares
Distribution Shares	up to 60% of the issued and outstanding shares held by Vivendi prior to the implementation of the Distribution in the capital of the Company, which shares shall be distributed to the Vivendi Shareholders pursuant to the Distribution
Dividend Policy	the dividend policy of the Company as set out in Section 5 (*Dividend Policy*)
DOJ	Department of Justice
Dutch Civil Code	Dutch Civil Code (*Burgerlijk Wetboek*)
Dutch Corporate Governance Code	Corporate Governance Code of the Netherlands
EEA	European Economic Area
Enterprise Chamber	the Enterprise Chamber of the Court of Appeal of Amsterdam
Equity Incentive Plan	the equity-based long term incentive plan intended to be established by the Company post Admission
EU	European Union
Euroclear France	Euroclear France S.A.
Euronext Amsterdam	a regulated market operated by Euronext Amsterdam N.V.
Executive Director	an executive member of the Board
Existing Shareholders	Vivendi, the Bolloré Entities, the Tencent-led Consortium and the Pershing Entities
EY	Ernst & Young et Autres
Facilities Agreement	the facilities agreement entered into on April 26, 2021, between the Company as original borrower and original guarantor and UMGI as US borrower entered into a facilities agreement with, inter alia, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale, Banco Santander, S.A., Bank of America Europe Designated Activity Company, ING Bank N.V. Intesa SanPaolo S.p.A., Paris Branch, Mediobanca International (Luxembourg) S.A., Mizuho Bank, Ltd and Morgan Stanley Bank N.A. as mandated lead arrangers, the financial institutions named therein as original lenders and Crédit Agricole Corporate and Investment Bank as facility agent

Term	Definition
Financial Co-Advisors	Banque Hottinguer, Messier et Associés, CIC, Rothschild, Bank of America, ING, Intesa Sanpaolo S.p.A., Lazard, Mizuho Securities and Banco Santander
First Trading Date	on or about September 21, 2021
FRSA	the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*)
FTC	the Federal Trade Commission
GDPR	the General Data Protection Regulation (Regulation (EU) 2016/679)
General Meeting	the Company's general meeting
Group or UMG	the Company and each of its subsidiaries from time to time
IFPI	International Federation of the Phonographic Industry
IFPI Global Music Report 2021	the Global Music Report 2021 issued by IFPI issued in March 2021
IFRS	International Financial Reporting Standards, as endorsed in the European Union
Ingrooves	Ingrooves Music Group
Interim Financial Statements	the interim financial statements for the Company for the six-month period ended June 30, 2021
ISIN	International Security Identification Number
Lead Equity Capital Markets Advisors	each of the Lead Financial Advisors, the Co-Advisors and the Other Financial Advisors
Lead Financial Advisors	BNP Paribas, Crédit Agricole Corporate and Investment Bank, Morgan Stanley, Natixis and Société Générale
Listing and Paying Agent	BNP Paribas is the Listing Agent and BNP Paribas Securities Services is the Paying and Settlement Agent with respect to the Shares on Euronext.
Mandatory Offer Prevention Obligation	has the meaning as given thereto in Section 12.11 (*Relationship Agreement*)
Market Abuse Regulation **or** ***MAR***	Regulation (EU) 596/2014
MCA	Music Corporation of America Inc.
Member State	a member state of the European Union
Nielsen	Nielsen Corporation
Nomination Committee	the nomination committee of the Company

Term	Definition
Non-Executive Director	a non-executive member of the Board
NRI	Non-Recorded Income
Other Financial Advisors	Bank of China and Goldman Sachs Bank Europe SE
Parties	has the meaning given thereto in Section 12.11 (*Relationship Agreement*)
PCI DSS	the Payment Card Industry Data Security Standard
Pershing Entities	collectively, Pershing Square Holdings, Ltd., Pershing Square L.P., Pershing Square International Ltd. and PS VII Master, L.P.
Prospectus	this document
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of the European Union of 14 June 2017
RCF Intercompany Loan Agreement	the revolving credit facility intercompany loan agreement entered into between the Company, as lender, and UIM, as borrower, on July 7, 2021, in connection with the repayment of the Vivendi Loan Agreements by the Company on behalf of UIM
Recording Funds	advances and recording costs
Reference Price	the technical reference price for the Shares, to be announced by Euronext Amsterdam
Relationship Agreement	the relationship agreement dated September 8, 2021 between Bolloré Entities and the Restructuring Shareholders
Remuneration Committee	the remuneration committee of the Company
Restructure	the contribution by the Restructuring Shareholders of all of the issued shares in the share capital of both UMGI and UIM to the Company in exchange for newly issued shares in the Company, as a consequence whereof the Company became the sole holding company of the Group, such restructure being completed on February 26, 2021
Restructuring Shareholders	Vivendi and the Tencent-led Consortium
RIAA	Recording Industry Association of America
SAMR	the State Administration for Market Regulation
Scherzo	Scherzo Investment B.V.
SEC	the US Securities and Exchange Commission
Section 2855	California Labor Code Section 2855

Term	Definition
SESAC	Society of European Stage Authors and Composers
Settlement..	delivery of the Distribution Shares
Settlor	for purposes of Dutch income and corporate income tax, the (deemed) settlor, grantor or similar originator
Shareholders	holders of Shares
Shareholders Agreement	has the meaning given thereto in Section 12.10 (*Shareholders' Agreement*)
Shares..	ordinary shares with a nominal value of €10.00 each in the capital of the Company
Significant Influence	has the meaning given thereto in Section 12.11 (*Relationship Agreement*)
Ten Thousand Projects Distribution Agreement...	the distribution agreement pursuant to which Caroline has obtained the exclusive right to distribute certain audio and audio-visual recordings of Ten Thousand Projects
Tencent-led Consortium	collectively, Concerto and Scherzo
Term Loan Intercompany Agreement...........	the term loan intercompany agreement entered into between the Company, as lender, and UIM, as borrower, on July 7, 2021, in connection with the repayment of the Vivendi Loan Agreements by the Company on behalf of UIM
Third Party..	for purposes of Dutch income and corporate income tax, a third party such as a trustee, foundation or similar entity or arrangement
Threshold Stake	has the meaning given thereto in Section 12.11 (*Relationship Agreement*)
Tontine	Pershing Square Tontine Holdings, Ltd.
Transaction	collectively, the Distribution and the Admission
Transition and Services Agreement	the Transition and Services Agreement intended to be entered into by UMG and Vivendi in connection with the Distribution
Treasury Carve-Out.......................................	the carve-out of the Group's treasury function from the treasury function of the Vivendi Group in anticipation of the Distribution
UIM..	Universal International Music B.V.
UMG Financial Statements...........................	the Combined Financial Statements and the Interim Financial Statements
UMG S.A.S...	Universal Music Group S.A.S
UMGI	Universal Music Group, Inc.

Term	Definition
UMPG	Universal Music Publishing Group
Universal Music Group	when referred to in the Combined Financial Statements means, collectively, UMGI and UIM, collectively, and each of their respective subsidiaries
US Copyright Act..	US Copyright Act of 1976, as amended
US Securities Act	the US Securities Act of 1933, as amended
Vice-Chairman of the Board..........................	the Non-Executive Director designated by the Board as its vice-chairman
Vivendi	Vivendi SE
Vivendi AGM	the annual general meeting of Vivendi Shareholders held on June 22, 2021
Vivendi Counter Guarantee	the counter guarantee entered into between the Company and Vivendi on July 8, 2021
Vivendi Loan Agreements	collectively: a loan agreement entered into by UIM and Vivendi on May 3, 2021 a loan agreement entered into by UIM and Vivendi on May 6, 2021 a loan agreement entered into by UIM and Vivendi on May 13, 2021
Vivendi Shareholders	any and all holders of any issued and outstanding ordinary share(s) in the capital of Vivendi on the Distribution Record Date

18. HISTORICAL FINANCIAL INFORMATION

The Company
Universal Music Group N.V.
's-Gravelandseweg 80
1217 EW Hilversum
The Netherlands

Legal Adviser to the Company
Freshfields Bruckhaus Deringer LLP

as to Dutch law
Strawinskylaan 10
1077 XZ Amsterdam
The Netherlands

as to US law
601 Lexington Ave
New York, NY 10022
United States

Legal Advisor to Vivendi

as to Dutch law
Loyens & Loeff N.V.
Parnassusweg 300
1081 LC Amsterdam
The Netherlands

as to French law
Cabinet Bompoint
48 Avenue Victor Hugo
75116 Paris
France

Lead Financial Advisors

BNP Paribas SA
16 Boulevard des Italiens
75009 Paris, France

Crédit Agricole Corporate and Investment Bank
12 place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Morgan Stanley Europe SE
Grosse Gallusstrasse 18
60312 Frankfurt, Germany

Natixis
30 avenue Pierre Mendès-France
75013 Paris

Société Générale
29 Boulevard Haussmann, 75009
Paris, France

Financial Co-Advisors

Banque HOTTINGUER
63 Rue de la Victoire
75009 Paris, France

Messier et Associés
73 rue de Miromesnil
75008 Paris, France

Crédit Industriel et Commercial S.A.
6 avenue de Provence
75009 Paris, France

Rothschild & Co
23 bis avenue de Messine
75008 Paris, France

Bank of America Europe DAC, Paris Branch
51 rue La Boétie 75008 Paris, France

ING Bank N.V.
Bijlmerdreef 106
1102 CT Amsterdam,
The Netherlands

Intesa Sanpaolo S.p.A.
Piazza S. Carlo 156
10121 Turin, Italy

Lazard SAS
175 boulevard Haussmann
75008 Paris, France

Mizuho Securities Europe GmbH
Taunustor 1, 60310 Frankfurt am
Main, Germany

Banco Santander, S.A.
Paseo de Pereda, 9-12
39004 Santander, Spain

Other Financial Advisors

Bank of China
23-25 avenue de la Grande Armée
75116 Paris, France

Goldman Sachs Bank Europe SE
Marienturm
Taunusanlage 9-10
60329 Frankfurt am Main,
Germany

Legal Adviser to the Lead Equity Capital Markets Advisors

as to Dutch law
Allen & Overy LLP
Apollolaan 15 1077 AB Amsterdam
The Netherlands

as to French law
Allen & Overy LLP
52, avenue Hoche, 75008 Paris
France

as to US law
Allen & Overy LLP
One Bishop Square London E1 6AD
United Kingdom

Listing Agent
BNP Paribas SA, Netherlands Branch
Herengracht 595
1017CE, Amsterdam,
The Netherlands

Settlement and Paying Agent
BNP Paribas Securities Services

3 rue d'Antin
75002 Paris, France

Independent Auditors to the Company

Ernst & Young et Autres
Tour First, TSA 14444, 92037
Paris-La Défense Cedex, France

Deloitte & Associés (Deloitte)
6, place de la Pyramide, 92908 Paris-la
Défense Cedex, France

ERNST & YOUNG et Autres
Tour First – TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Deloitte & Associés
6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de 2 188 160 €
572 028 041 RCS Nanterre

UNIVERSAL MUSIC GROUP B.V.

Private limited liability company

Gravelandseweg 80,

1217 EW - Hilversum - NETHERLANDS

Universal Music Group B.V.'s Independent Auditors' report on the review of the half-yearly unaudited consolidated condensed Financial Statements

July 28, 2021

To the Management Board of Universal Music Group B.V.,

Introduction

We have reviewed the accompanying half-yearly unaudited consolidated condensed Financial Statements ("Financial Statements") of Universal Music Group B.V. ("UMG") as at June 30, 2021.

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

UMG's Management is responsible for the preparation and presentation of these Financial Statements in accordance with the basis set out in the Basis of preparation of the Financial Statements.

Our responsibility is to express a conclusion on these Financial Statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, which applies to a review of interim financial information performed by the independent auditor of the entity. A review of interim Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Financial Statements are not prepared, in all material respects, in accordance with the basis set in the Basis of preparation of the Financial Statements and IAS 34 – standard of the IFRS relating to interim financial reporting, as published by the International Accounting Standard Board (IASB) and endorsed by the European Union.

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

Paris-La Défense, July 28, 2021

The Independent Auditors

ERNST & YOUNG et Autres	Deloitte & Associés
Claire PAJONA	Géraldine SEGOND

UNIVERSAL MUSIC GROUP

Half yearly unaudited* consolidated condensed financial statements

for the first-half year ended June 30, 2021

** The consolidated condensed financial statements for the half-year ended June 30, 2021 were subject to a limited review by UMG's independent auditors. The auditors' report follows the consolidated condensed financial statements.*

Unaudited consolidated condensed financial statements - June 30, 2021

Consolidated Condensed Statement of Earnings

(in millions of euros)	Note	Six months ended June 30, (unaudited) 2021	2020	Year ended December 31, 2020
Revenues	2	**3,831**	**3,459**	**7,432**
Cost of revenues		(2,047)	(1,820)	(3,917)
Selling, general and administrative expenses		(1,090)	(1,104)	(2,265)
Restructuring charges		(9)	(8)	(20)
Impairment losses on intangible assets acquired through business combinations	2	-	-	-
Income from equity affiliates - operational	10	(1)	(11)	(9)
Earnings before interest and income taxes (EBIT)		**684**	**516**	**1,221**
Interest	3	(9)	(6)	(15)
Income from investments	3	-	-	-
Other financial income	3	105	453	603
Other financial charges	3	(183)	(13)	(28)
		(87)	***434***	***560***
Earnings before provision for income taxes		**597**	**950**	**1,781**
Provision for income taxes	4	(144)	(214)	(412)
Earnings from continuing operations		453	736	1,369
Earnings from discontinued operations		-	-	-
Earnings		**453**	**736**	**1,369**
Of which				
Earnings attributable to shareowners		**452**	**735**	**1,366**
Non-controlling interests		1	1	3
Earnings per share	5			
Basic, earnings for the period attributable to ordinary equity holders of the parent		0.25	0.41	0.75
Diluted earnings for the period attributable to ordinary equity holders of the parent		0.25	0.41	0.75

Consolidated Condensed Statement of Comprehensive Income

(in millions of euros)	Note	For the six months ended June 30, (unaudited) 2021	2020	Year ended December 31, 2020
Earnings		**453**	**736**	**1,369**
Actuarial gains/(losses) related to employee defined benefit plans, net		-	1	6
Financial assets at fair value through other comprehensive income		-	-	2
Comprehensive income from equity affiliates, net		-	-	-
Items not subsequently reclassified to profit or loss		**-**	**1**	**8**
Foreign currency translation adjustments		24	(24)	(194)
Comprehensive income from equity affiliates, net	10	1	(1)	(6)
Other impacts, net		-	-	-
Items to be subsequently reclassified to profit or loss		**25**	**(25)**	**(200)**
Charges and income directly recognized in equity	6	**25**	**(24)**	**(192)**
Total comprehensive income		**478**	**712**	**1,177**
Of which				
Total comprehensive income attributable to shareowners		**477**	**711**	**1,174**
Total comprehensive income attributable to non-controlling interests		1	1	2

Consolidated Condensed Statement of Financial Position

(in millions of euros)	Note	June 30, 2021 (unaudited)	December 31, 2020
ASSETS			
Goodwill	7	1,386	1,369
Non-current content assets	8	3,523	3,512
Other intangible assets		-	1
Property, plant and equipment		247	254
Rights-of-use relating to leases	9	406	416
Investments in equity affiliates	10	95	72
Non-current financial assets	11	1,782	1,962
Deferred tax assets		369	414
Non-current assets		**7,808**	**8,000**
Inventories		85	79
Current tax receivables		3	1
Current content assets	8	729	677
Trade accounts receivable and other		1,112	1,088
Current financial assets		35	1
Cash and cash equivalents	12	901	1,141
Current assets		**2,865**	**2,987**
TOTAL ASSETS		**10,673**	**10,987**
EQUITY AND LIABILITIES			
Share capital		18,132	na
Additional paid-in capital		14,868	na
Retained earnings		(31,513)	1,432
Of which earnings attributable to shareowners		*452*	*1,366*
Non-controlling interests		-	-
Total equity	1, 13	**1,487**	**1,432**
Non-current provisions	14	342	335
Long-term borrowings and other financial liabilities	12	1	1
Shareowners borrowings	12,16	-	2,368
Deferred tax liabilities		774	828
Long-term lease liabilities		440	447
Other non-current liabilities		751	851
Non-current liabilities		**2,308**	**4,830**
Current provisions	14	98	137
Short-term borrowings and other financial liabilities	12	549	640
Short-term borrowings with Vivendi SE	12, 16	2,368	-
Trade accounts payable and other		3,741	3,843
Short-term lease liabilities	9	78	78
Current tax payables		44	27
Current liabilities		**6,878**	**4,725**
Total liabilities		**9,186**	**9,555**
TOTAL EQUITY AND LIABILITIES		**10,673**	**10,987**

na: not applicable

Consolidated Condensed Statement of Cash Flows

(in millions of euros)	Note	For the six months ended June 30, (unaudited) 2021	2020	For the year ended December 31, 2020
Operating activities				
EBIT		684	516	1,221
Adjustments		88	94	213
Content investments, net	8	(173)	(352)	(1,517)
Gross cash provided by operating activities before income tax paid		***599***	258	***(83)***
Other changes in net working capital		(172)	(118)	287
Net cash provided by operating activities before income tax paid		***427***	140	***204***
Income tax (paid)/received, net		(118)	(64)	(207)
Net cash provided by operating activities		**309**	76	**(3)**
Investing activities				
Capital expenditures		(23)	(37)	(66)
Purchases of consolidated companies, after acquired cash		(2)	(1)	(4)
Investments in equity affiliates	10	(23)	(1)	(2)
Increase in financial assets	11	(47)	-	(3)
Investments		***(95)***	***(39)***	***(75)***
Proceeds from sales of property, plant, equipment and intangible assets		5	-	-
Proceeds from sales of consolidated companies, after divested cash	3	117	-	11
Disposal of equity affiliates		-	1	1
Decrease in financial assets	11	-	-	15
Divestitures		***122***	***1***	***27***
Dividends received from equity affiliates	10	1	-	2
Dividends received from unconsolidated companies		1	1	-
Net cash provided by/(used for) investing activities		**29**	**(37)**	**(46)**
Financing activities				
Distributions to shareowners	13	(422)	-	(283)
Other transactions with shareowners		-	(11)	(11)
Dividends paid by consolidated companies to their non-controlling interests		(1)	(3)	(5)
Transactions with shareowners		***(423)***	***(14)***	***(299)***
Setting up of long-term borrowings and increase in other long-term financial liabilities		-	-	-
Principal payment on long-term borrowings and decrease in other long-term financial liabilities		-	-	-
Principal payment on short-term borrowings		-	-	-
Other changes in short-term borrowings and other financial liabilities	12	(103)	149	625
Interest paid, net		(9)	(6)	(15)
Other cash items related to financial activities		(9)	(1)	(3)
Transactions on borrowings and other financial liabilities		***(121)***	***142***	***607***
Repayment of lease liabilities and related interest expenses	3, 9	(40)	(43)	(91)
Net cash provided by/(used for) financing activities		**(584)**	**85**	**217**
Foreign currency translation adjustments of continuing operations		6	(20)	(35)
Change in cash and cash equivalents		**(240)**	**104**	**133**
Cash and cash equivalents				
At beginning of the period	12	**1,141**	1,008	1,008
At end of the period	12	**901**	1,112	1,141

Consolidated Condensed Statement of Changes in Equity

Six months ended June 30, 2021 (unaudited)

(in millions of euros, except number of shares)	Capital				Retained earnings and other			Total equity
	Number of shares (in thousands)	Share capital	Additional paid-in capital	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
BALANCE AS OF DECEMBER 31, 2020	**-**	**-**	**-**	**-**	**1,915**	**(483)**	**1,432**	**1,432**
Attributable to Universal Music Group	-	-	-	-	*1,914*	*(482)*	*1,432*	*1,432*
Attributable to non-controlling interests	-	-	-	-	*1*	*(1)*	-	-
Contributions by/distributions to shareowners	**1,813,241**	**18,132**	**14,868**	**33,000**	**(33,422)**	**-**	**(33,422)**	**(422)**
Dividends paid by UMG B.V. – Vivendi SE	-	-	-	-	*(338)*	-	*(338)*	*(338)*
Dividends paid by UMG B.V. – Concerto and Scherzo	-	-	-	-	*(84)*	-	*(84)*	*(84)*
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V. (refer Note 1)	*1,847,874*	*18,479*	*14,521*	*33,000*	*(33,000)*	-	*(33,000)*	-
Reduction in number of shares and effective capital contribution	*(34,633)*	*(346)*	*346*	-	-	-	-	-
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**1,813,241**	**18,132**	**14,868**	**33,000**	**(33,422)**	**-**	**(33,422)**	**(422)**
Contributions by (distributions to) non-controlling interests	-	-	-	-	(1)	-	(1)	(1)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	*(1)*	-	*(1)*	*(1)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**
Earnings	-	-	-	-	453	-	453	453
Charges and income directly recognized in equity	-	-	-	-	-	25	25	25
TOTAL COMPREHENSIVE INCOME (C)	**-**	**-**		**-**	**453**	**25**	**478**	**478**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	**1,813,241**	**18,132**	**14,868**	***33,000***	***(32,970)***	***25***	***(32,945)***	***55***
Attributable to Universal Music Group Shareowners	*1,813,241*	*18,132*	*14,868*	*33,000*	*(32,970)*	25	*(32,945)*	*55*
Attributable to non-controlling interests	-	-	-	-	-	-	-	-
BALANCE AS OF JUNE 30, 2021	**1,813,241**	**18,132**	**14,868**	**33,000**	**(31,055)**	**(458)**	**(31,513)**	**1,487**
Attributable to Universal Music Group Shareowners	1,813,241	18,132	14,868	33,000	(31,056)	(457)	(31,513)	1,487
Attributable to non-controlling interests	-	-	-	-	*1*	*(1)*	-	-

Six months ended June 30, 2020 (unaudited)

(in millions of euros, except number of shares)	Capital: Number of shares (in thousands)	Capital: Share capital	Capital: Additional paid-in capital	Capital: Subtotal	Retained earnings and other: Retained earnings	Retained earnings and other: Other comprehensive income	Retained earnings and other: Subtotal	Total equity
BALANCE AS OF DECEMBER 31, 2019	**-**	**-**	**-**	**-**	**3,275**	**(291)**	**2,984**	**2,984**
Attributable to Universal Music Group	-	-	-	-	*3,272*	*(290)*	*2,982*	*2,982*
Attributable to non-controlling interests	-	-	-	-	*3*	*(1)*	*2*	*2*
Contributions by/distributions to shareowners	**-**	**-**	**-**	**-**	**(2,428)**	**-**	**(2,428)**	**(2,428)**
Universal Music Group S.A.S. transferred to Vivendi SE	-	-	-	-	*(2,428)*	-	*(2,428)*	*(2,428)*
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	**-**	**-**	**-**	**-**	**(12)**	**-**	**(12)**	**(12)**
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**-**	**-**	**-**	**-**	**(2,440)**	**-**	**(2,440)**	**(2,440)**
Contributions by (distributions to) non-controlling interests	-	-	-	-	(3)	-	(3)	(3)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	*(3)*	-	*(3)*	*(3)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**	**(3)**
Earnings	-	-	-	-	736	-	736	736
Charges and income directly recognized in equity	-	-	-	-	-	(24)	(24)	(24)
TOTAL COMPREHENSIVE INCOME (C)	**-**	**-**	**-**	**-**	**736**	**(24)**	**712**	**712**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	**-**	**-**	**-**	**-**	***(1,707)***	***(24)***	***(1,731)***	***(1,731)***
Attributable to Universal Music Group Shareowners	-	-	-	-	*(1,705)*	(24)	*(1,729)*	*(1,729)*
Attributable to non-controlling interests	-	-	-	-	*(2)*	-	*(2)*	*(2)*
BALANCE AS OF JUNE 30, 2020	**-**	**-**	**-**	**-**	**1,568**	**(315)**	**1,253**	**1,253**
Attributable to Universal Music Group Shareowners	-	-	-	-	*1,567*	*(314)*	*1,253*	*1,253*
Attributable to non-controlling interests	-	-	-	-	*1*	*(1)*	-	-

Year ended December 31, 2020

(in millions of euros, except number of shares)

	Capital				Retained earnings and other			Total equity
	Number of shares (in thousands)	Share capital	Additional paid-in capital	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
BALANCE AS OF DECEMBER 31, 2019	**-**	**-**	**-**	**-**	**3,275**	**(291)**	**2,984**	**2,984**
Attributable to Universal Music Group	-	-	-	-	*3,272*	*(290)*	*2,982*	*2,982*
Attributable to non-controlling interests	-	-	-	-	*3*	*(1)*	*2*	*2*
Contributions by/distributions to shareowners	**-**	**-**	**-**	**-**	**(2,711)**	**-**	**(2,711)**	**(2,711)**
Universal Music Group S.A.S. transferred to Vivendi SE	-	-	-	-	*(2,428)*	-	*(2,428)*	*(2,428)*
Distribution by Universal International Music B.V. paid to shareowners					*(283)*	-	*(283)*	*(283)*
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	**-**	**-**	**-**	**-**	***(13)***	**-**	**(13)**	**(13)**
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	**-**	**-**	**-**	**-**	**(2,734)**	**-**	**(2,724)**	**(2,724)**
Contributions by (distributions to) non-controlling interests	-	-	-	-	(5)	-	(5)	(5)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	*(5)*	-	*(5)*	*(5)*
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	**-**	**-**	**-**	**-**	***(5)***	-	**(5)**	**(5)**
Earnings	-	-	-	-	1,369	-	1,369	1,369
Charges and income directly recognized in equity	-	-	-	-	-	(192)	(192)	(192)
TOTAL COMPREHENSIVE INCOME (C)	**-**	**-**		**-**	**1,369**	**(192)**	**1,177**	**1,177**
TOTAL CHANGES OVER THE PERIOD (A+B+C)	**-**	**-**	**-**	**-**	***(1,360)***	***(192)***	***(1,552)***	***(1,552)***
Attributable to Universal Music Group Shareowners	-	-	-	-	*(1,358)*	(192)	*(1,550)*	*(1,550)*
Attributable to non-controlling interests	-	-	-	-	*(2)*	-	*(2)*	*(2)*
BALANCE AS OF DECEMBER 31, 2020	**-**	**-**	**-**	**-**	**1,915**	**(483)**	**1,432**	**1,432**
Attributable to Universal Music Group Shareowners	-	-	-	-	1,914	*(482)*	*1,432*	*1,432*
Attributable to non-controlling interests	-	-	-	-	*1*	*(1)*	-	-

Notes to the Consolidated Condensed Financial Statements

Note 1 Accounting policies and valuation methods

1.1 Basis of preparation of the Unaudited Consolidated Condensed Financial Statements

The Unaudited Consolidated Condensed Financial Statements of Universal Music Group (as defined below) for the half-year ended June 30, 2021 have been prepared by Universal Music Group B.V. ("UMG B.V.").

On February 26, 2021, Vivendi and the consortium led by Tencent contributed their respective 80% and 20% shares in both UMG Inc. and UIM B.V. share capital to UMG B.V. Following this contribution, Vivendi and Tencent respectively own 80% and 20% of UMG B.V., which owns 100% of UIM B.V. and 100% of UMG Inc.

The Consolidated Condensed Financial Statements of UMG have been drawn up based on the accounting data of UMG B.V. and its subsidiaries for the half-year ended June 30, 2021. They are presented and have been prepared in accordance with IAS 34 – *Interim Financial Reporting* as endorsed by the European Union (EU) and published by the IASB, with mandatory application as of June 30, 2021.

Amendments to IFRS standards applicable as from January 1, 2021, had no material impact on UMG's Consolidated Condensed Financial Statements, notably the amendments to the IFRS 9 – *Financial* Instruments, IFRS 7 – *Financial Instruments: Disclosures*, and IFRS 16 – *Leases* standards which relate to the Interest Rate Benchmark Reform (Phase 2).

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

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

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

UMG B.V. is a private limited company having its official seat in the Netherlands, which since February 26, 2021, is subject to the provisions of the Dutch commercial company law that are applicable to it in the Netherlands.

Context

Sale of 20% of Universal Music Group's share capital to a Tencent-led consortium

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

- the purchase by this consortium of 10% of UMG's share capital, based on an enterprise value of €30 billion for 100% of UMG's share capital; and

- an option for this consortium to acquire, on the same valuation basis, an additional interest of up to 10% of UMG's share capital until January 15, 2021.

On March 31, 2020, Vivendi completed the sale of 10% of UMG's share capital to a Tencent-led consortium.

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

On January 29, 2021, Vivendi completed the sale of the additional 10% of UMG's share capital to a Tencent-led consortium, based on an enterprise value of €30 billion for 100% of UMG's share capital.

As from this date, the Tencent-led consortium owns 20% of UMG. In addition, a separate agreement was entered into on March 31, 2020, enabling Tencent Music Entertainment to acquire a minority interest in the share capital of the UMG's subsidiary that owns its operations China.

Planned sale of 10% of Universal Music Group's share capital to Pershing Square investment funds

On June 4, 2021, Vivendi and Pershing Square Tontine Holdings, Ltd. (PSTH) entered into discussions regarding the sale by Vivendi of 10% UMG's share capital to PSTH, prior to the distribution of 60% of UMG's share capital and its stock market listing.
This transaction would be based on an enterprise value of €35 billion for 100% of UMG's share capital, following the authorization given by Vivendi's shareholders at the General Shareholders' Meeting held on June 22, 2021, to distribute 60% of UMG's share capital and list the company.
On June 20, 2021, Vivendi announced that it had entered into an agreement with PSTH for the sale of 10% of the share capital of Universal Music Group B.V. (UMG B.V.). Closing of this transaction is subject to the non-exercise of withdrawal rights by PSTH shareholders and completion of U.S regulatory processes. The transaction was expected to be completed in the coming weeks, by September 15, 2021 at the latest.
On July 19, 2021, Pershing Square Tontine Holdings Ltd. (PSTH) informed Vivendi that it intends to assign its rights and obligations to acquire 10% of the share capital of Universal Music Group (UMG) under the agreements announced on June 20, 2021 to investment funds with significant economic interests or management positions held by Mr. William Ackman ("Pershing Square investment funds"). Vivendi decided to approve such request. The condition regarding the exercise by PSTH shareholders of their redemption rights is no longer applicable to the amended transaction, which will only be contingent on the approval of US regulatory authorizations.

The equity interest in UMG eventually acquired will now be between 5 and 10%. Should it be less than 10%, Vivendi intends to sell the shortfall to other investors before the distribution of 60% of the share capital of UMG to Vivendi's shareholders, the payment of which is expected to occur on September 23, 2021.

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

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

On February 26, 2021, Vivendi and the consortium led by Tencent contributed their respective 80% and 20% shares in both UIM B.V. and UMG Inc. to a unique holding UMG B.V., based on an equity value of €33 billion for 100% of UMG. This internal reorganization of the shareholding structure of UMG was scheduled as part of the agreement signed in December 2019 by Vivendi and the Tencent-led consortium, a prerequisite for the company's planned listing on the stock market. On March 29, 2021, a Vivendi Extraordinary Shareholders' Meeting was called to modify the company's by-laws and make this distribution in kind possible and pursue this project. Following the approval by 99.98% positive votes at the Vivendi's Extraordinary General Meeting of March

29, 2021, of an amendment to the company's by-laws, which now allows Vivendi to distribute dividends or interim dividends, reserves or premiums by way of the delivery of assets in kind, including financial securities.

On May 18, 2021, Vivendi announced that it will propose to set up a governance structure for Universal Music Group (UMG) N.V., which could be expected to list its shares on the Euronext Amsterdam stock exchange, consistent with the best policies and standards.

On June 22, 2021, in accordance with the recommendation of the *Autorité des marchés financiers* ("AMF", the French securities regulator) on the sale and acquisition of significant assets and of the AFEP-MEDEF Code, Vivendi's General Shareholders' Meeting was asked and issued a favorable opinion on the planned special distribution in kind of 60% of UMG's share capital to Vivendi's shareholders.

On June 22, 2021, the General Shareholders' Meeting approved in principle, the planned distribution of 60% of UMG and UMG N.V.'s listing on the Euronext Amsterdam stock exchange.

Scope of combination/consolidation

Until February 26, 2021, the arrangement that constituted the combined UMG group was not a legal entity in its own right and was made up of entities under the common control of Vivendi. Until this date, UMG's scope of combination principally comprised the entities held directly and indirectly by UMG Inc. and UIM B.V.

On February 26, 2021, Vivendi and the consortium led by Tencent contributed their respective 80% and 20% shares in both. UMG Inc. and UIM B.V. share capital to UMG B.V. based on an equity value of €33 billion for 100% of UMG. Following this contribution, Vivendi and the consortium led by Tencent respectively own 80% and 20% of UMG B.V. share capital, which owns 100% of UMG Inc. and 100% of UIM B.V. share capital without any change on UMG's scope of combination/consolidation.

The reorganization of its shareholding structure having no impact on UMG's scope of combination/consolidation, starting with the first quarter ended March 31, 2021, UMG's consolidated financial statements combine the same like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries in both the combined financial statements before this transaction and the consolidated financial statements after this transaction, in accordance with IFRS 10.B86(a).

Therefore, UMG's net equity remains unchanged before and after the contribution. As such, following the principle of continuity of financial statements, on February 26, 2021, in UMG B.V.'s consolidated financial statements, the contribution of €33 billion was directly recorded as an increase in equity attributable to UMG B.V. shareowners (€18.5 billion in share capital and €14.5 billion in additional paid-in capital), and the contribution of €33 billion was fully neutralized in UMG B.V.'s retained earnings.

The combination/consolidation scope is presented in Note 19 "List of combined entities".

Core Business

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

- The recorded music business discovers and develops recording artists, marketing and promoting their music across a wide array of formats and platforms. Its activities also extend to other areas, such as live events, sponsorship, film and television.

- The music publishing business discovers and develops songwriters and owns and administers the copyright for musical compositions used in recordings, public performances and related uses, such as films and advertisements.

- The merchandising business produces and sells artist-branded and other branded products through multiple sales channels, including fashion retail, concert touring and the Internet. Its activities also extend to other areas, such as brand rights management.

Accounting conventions used when preparing the historical combined financial statements

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

- the carrying amounts based on the subsidiary's contribution to the parent company's historical consolidated financial statements, after restating adjustments relating to the consolidation procedures and to the accounting for the business combination in which the parent acquired the subsidiary; or

- the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the options in IFRS 1 applied by the subsidiary may differ from those applied by the parent.

Pursuant to the option provided in IFRS 1, UMG's first IFRS combined financial statements were prepared by measuring its assets and liabilities at the carrying amounts, based on UMG's contribution to Vivendi's historical financial statements, after eliminating adjustments relating to its consolidation by the Vivendi Group and to the impacts of accounting for the business combinations pursuant to which Vivendi acquired interests in UMG Inc. and UIM B.V. and their subsidiaries. As of January 1, 2016, the net book value of the goodwill arising from Vivendi's acquisition of UMG in December 2000 (€3,756 million) as well as the related cumulative translation adjustment (CTA) as of December 31, 2016, 2017 and 2018 (+€177 million, -€328 million and -€156 million, respectively), and as of December 31, 2019 and 2020 (-€70 million and -€417 million, respectively) and as of June 30, 2020 and 2021 (-€119 million and -€387 million, respectively), were reversed through adjustments to retained earnings.

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

- the interest expense on a borrowing granted by VH I to UMG Inc.; and

- the related income tax effects, if any.

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

Regarding the treatment of the change from combined group to consolidated group, the requirement of IAS 33.64 is applicable. The new legal entity represents the combination for all periods presented, as if it has always existed. Combined Financial Statements become retrospectively Consolidated Financial Statements for all period presented.

Intercompany transactions between UMG and other Vivendi Group's entities

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

In accordance with IAS 24 – *Related Party Disclosures*, transactions between UMG and other Vivendi Group entities are presented in Note 16 "Related parties".

Earnings per share

Until February 26, 2021, as the combined group was not a legal entity, the number of shares outstanding was not determinable. Consequently, no earning per share data was presented.

Following the contribution by Vivendi and the consortium led by Tencent to UMG B.V on February 26, 2021, the number of shares outstanding is determinable.

In accordance with IAS 33.64, the number of ordinary or potential ordinary shares outstanding increasing as a result of the contribution, the calculation of basic and diluted earnings per share shall be adjusted retrospectively, for all periods presented. The calculation of earnings per share is presented in Note 5 "Earnings per share".

Translation of financial statements of foreign companies

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

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

1.2 Compliance with accounting standards

The Consolidated Condensed Financial Statements of UMG for the half-year ended June 30, 2021 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* as endorsed by the European Union (EU) and published by the IASB, with mandatory application as of June 30, 2021. As a result, the following provisions were applied:

- provisions for income taxes have been calculated on the basis of the estimated effective annual tax rate applied to pre-tax earnings; and
- compensation costs recorded for share-based compensation plans, employee benefits and profit-sharing have been included on a pro-rata basis of the estimated cost for the year, adjusted, if necessary, for any non-recurring events which occurred over the period.

Amendments to IFRS standards applicable as from January 1, 2021, had no material impact on UMG's Consolidated Condensed Financial Statements, notably the amendments to the IFRS 9 – *Financial* Instruments, IFRS 7 – *Financial Instruments: Disclosures*, and IFRS 16 – *Leases* standards which relate to the Interest Rate Benchmark Reform (Phase 2).

1.3 Presentation of the Consolidated Financial Statements

1.3.1 Consolidated condensed Statement of Earnings

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

The charges and income relating to financing activities consist of interest, income from investments, as well as other financial charges and income as presented in Note 3.

1.3.2 Consolidated condensed Statement of Cash Flows

Net cash provided by operating activities

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

Net cash used for investing activities

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

Net cash used for financing activities

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

1.3.3 Operating performance of each operating segment and the group

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

EBITA

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

- the amortization of intangible assets acquired through business combinations as well as other rights catalogs acquired;

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

EBITDA

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

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

EBIT

UMG defines EBIT, as earnings, excluding taxes, interest, income from investments, and other financial income or expenses. EBIT is shown on the face of the Statement of Earnings.

Cash Flow from Operations (CFFO)

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

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

Net Working Capital

UMG defines net working capital, as the movement in inventories, trade accounts and other receivables, trade accounts and other payables (including royalty payables) and other non-current liabilities. Net working capital excludes any content investments. Net Working Capital is shown on the face of the Statement of Cash Flows.

1.3.4 Consolidated Condensed 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.

1.4 Principles governing the preparation of the Consolidated Condensed Financial Statements

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

The Consolidated Condensed Financial Statements include the financial statements of UMG and its subsidiaries after eliminating intragroup items and transactions.

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

1.4.1 Use of estimates

The preparation of Consolidated Condensed 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 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 14);
- goodwill and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations (please refer to Note 7);
- goodwill, intangible assets with indefinite useful lives and assets in progress: assumptions relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates are updated annually (please refer to Note 7);
- UMG content assets: estimates of the future performance of beneficiaries who received advances are recognized in the Statement of Financial Position (please refer to Note 8);
- 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 Note 14);
- share-based compensation: assumptions are updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Note 15);
- lease liabilities and right-of-use assets, at the commencement date of each lease contract (please refer to Note 9):
  - assessing the lease term that relates to the non-cancellable period of the lease, taking into account all options to extend the lease that UMG is reasonably certain to exercise and all options to terminate the lease that UMG is reasonably certain not to exercise; and

- estimating the lessee's incremental borrowing rate, taking into account their residual lease term and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

- deferred taxes: estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Note 4); and
- certain financial instruments: valuation method at fair value is defined according to the three following classification levels (please refer to Note 11):
  - Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
  - Level 2: fair value measurement based on observable market data (other than quoted prices included under Level 1); and
  - Level 3: fair value measurement based on valuation techniques using inputs for the asset or liability that are not based on observable market data.

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

1.4.2 Principles of consolidation

For a list of UMG's major subsidiaries, joint ventures and associated entities, please refer to Note 19.

Consolidation

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

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

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

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

Accounting for joint arrangements

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

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

Joint arrangements are classified into two categories:

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

Equity accounting

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

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

1.4.3 Foreign currency translation

The Consolidated Condensed Financial Statements are presented in millions of euros. The presentation currency of UMG is the euro.

Foreign currency transactions

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

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro are translated into euros as follows: the 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, UMG elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2016. These foreign currency translation differences resulted from the translation into euros of the financial statements of subsidiaries that use foreign currencies as their functional currencies. Consequently, these adjustments are not applied to earnings on the subsequent divestiture of subsidiaries, joint ventures or associates whose functional currency is not the euro.

1.4.4 Revenues and associated costs

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

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

Intellectual property licensing (musical works)

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

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

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

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

1.4.4.1 Revenue recognition by business segment

Recorded Music

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

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

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

Revenues from the physical sales of recorded music, net of a provision for estimated returns (please refer to Note 1.4.4.2) and rebates, if any, are accounted for, either: (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales.

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

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

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

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

Music publishing

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

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

Merchandising

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

1.4.4.2 Other

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

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

Advertising costs are expensed when incurred.

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

1.4.5 Assets

1.4.5.1 Goodwill and business combinations

Pursuant to IFRS 1, UMG elected not to restate business combinations that occurred prior to January 1, 2016. Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

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

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

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

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

The measurement of non-controlling interests at fair value results in an increase in goodwill up to the extent attributable to these interests, thereby leading to the recognition of a "full goodwill". The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 7).

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

- on the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;
- contingent consideration in a business combination is recorded at fair value on the acquisition date, and any subsequent adjustment occurring after the purchase price allocation period is recognized in the Statements of Earnings;
- acquisition-related costs are recognized as expenses when incurred;

- in the event of the acquisition of an additional interest in a subsidiary, UMG recognizes the difference between the acquisition price and the carrying value of non-controlling interests acquired as a change in equity attributable to UMG shareowners; and
- goodwill is not amortized.

1.4.5.2 Content assets

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

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

1.4.5.3 Research and development costs

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

Cost of internal use software

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

1.4.5.4 Other intangible assets

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

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

1.4.5.5 Property, plant and equipment

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

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

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

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

UMG has elected not to apply the option available under IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2016.

1.4.5.6 Leases

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

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

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

Please refer to Note 10 'Leases' to UMG's Combined Financial Statements for the years ended December 31, 2020, 2019 and 2018. The determination of the lease liability as of January 1, 2019 was made by:

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

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

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

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

After initial recognition, the liability is:

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

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

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

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

1.4.5.7 Asset impairment

Each time events or changes in the economic environment indicate a risk of impairment of goodwill, other intangible assets, property, plant and equipment, and assets in progress, UMG re-examines the value of these assets. In addition, in accordance with applicable accounting standards, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an annual impairment test undertaken in the fourth quarter of each fiscal year. This impairment test is performed to compare the recoverable amount of each Cash Generating Unit (CGU) or, if necessary, group of CGUs to the carrying value of the corresponding assets (including goodwill). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. UMG operates through different media and content businesses. Each business offers different products and services that are marketed through various channels. CGUs are independently defined at each business level, corresponding to the group operating segments. For a description of UMG's CGUs and groups of CGUs, please refer to Note 7.

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

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

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

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

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

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

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

1.4.5.8 Financial assets

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

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

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

Financial assets at fair value

These include financial assets at fair value through other comprehensive income, derivative financial instruments with a positive value (please refer to Note 11) and other financial assets measured at fair value through profit or loss. Most of these financial assets are actively traded in organized financial markets, as their fair value is calculated by reference to the published market price at the period end. Fair value is estimated for financial assets which do not have a published market price on an active market. As a last resort, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market, the group values financial assets at historical cost, less any impairment losses.

Financial assets at fair value through other comprehensive income include:

- Unconsolidated companies that are not held for trading: UMG elected to classify these into the category "fair value through other comprehensive income". Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is transferred to retained earnings and never reclassified to profit or loss. Dividends and interest received from unconsolidated companies are recognized in profit or loss.
- Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in other ways, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is expensed in other financial charges and income.

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

Financial assets at amortized cost

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

Impairment of financial assets

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

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

1.4.5.9 Inventories

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

1.4.5.10 Trade accounts receivable

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

1.4.5.11 Cash and cash equivalents

The "cash and cash equivalents" category, defined in accordance with IAS 7, consists, on the one hand, of cash in banks and remunerated or unremunerated demand deposits which corresponds to cash, and, on the other hand monetary UCITS and other highly liquid investments with initial maturities of generally three months or less which correspond to cash equivalents.

Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets.

Moreover, the historical performances of the investments are monitored regularly to confirm their cash equivalents accounting classification.

1.4.6 Assets held for sale and discontinued operations

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

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

1.4.7 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.

Derivative financial instruments

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

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

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

Fair value hedge

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

Cash flow hedge

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

Net investment hedge

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

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

1.4.8 Other liabilities

Provisions

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

Employee benefit plans

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

Defined contribution plans

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

Defined benefit plans

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

Pension expenses and defined benefit obligations are calculated by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with UMG until retirement, expected changes in future compensation and an appropriate discount rate for each country in which UMG maintains a pension plan. The assumptions adopted, and the means of determining these assumptions, are presented in Note 17 of the 2020 Combined Financial Statements. A provision is recorded in the Statement of Financial Position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, and this includes past service costs and actuarial gains and losses.

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

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

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

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

1.4.9 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 group's Statement of Financial Position and Statement of Earnings.

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

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

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

Share-based compensation

With the aim of aligning the interests of executive management and employees of Vivendi and its subsidiaries, of which some UMG's 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 Vivendi's Management and Supervisory Boards. In addition, the definitive grant of stock options and performance shares is contingent upon the achievement of specific performance objectives set by Vivendi's Management and Supervisory Boards. Moreover, all granted plans are conditional upon active employment at the vesting date.

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.

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

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

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

Equity-settled instruments:

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

Cash-settled instruments:

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

1.5 Related parties

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

The transactions with subsidiaries over which UMG exercises control are eliminated within the intersegment transactions (a list of UMG's major consolidated entities is set out in Note 19). Moreover, commercial relationships among UMG subsidiaries, aggregated in operating segments, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties. A portion of the operating costs of Vivendi SE's headquarters is allocated to UMG.

1.6 Contractual obligations and contingent assets and liabilities

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

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

1.7 COVID-19 pandemic impacts

Although the COVID-19 pandemic is having a more significant impact on certain countries or businesses than others, in the first half of 2021, UMG has demonstrated resilience in adapting its activities to continue to best serve and entertain its customers, while reducing costs to preserve its margins.

UMG continually monitors the current and potential consequences of the crisis. It is difficult at this time to determine how it will impact UMG's results in 2021. UMG continues to make every effort to ensure the continuity of its activities, as well as to best serve and entertain its customers and audiences while complying with the guidelines of authorities in each country where it operates.

A review of the value of assets with an indefinite life, in particular the goodwill, was performed. Taking into account the performance achieved during the first half of the year, UMG did not identify any indications of a decrease in the recoverable amount compared to December 31, 2020.

Note 2 Segment data

Operating segment data

The group management evaluates the performance of its business segments and allocates necessary resources to them based on certain operating performance indicators (segment earnings and cash flow from operations). EBITDA and EBITA reflect the earnings of each business segment, as defined in Note 1.2.3 to the 2020 Combined Financial Statements.

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

Main aggregates of the Statement of Earnings

(in millions of euros)	Recorded music	Music publishing	Merchandis-ing and other	Corporate center	Elimination of interseg-ment trans-actions	**Total**
Six months ended 30 June 2021						
Revenues	3,137	564	138	-	(8)	**3,831**
EBITDA	749	134	-	(61)	-	**822**
EBITA	705	127	(1)	(78)	-	**753**
Six months ended 30 June 2020						
Revenues	2,771	573	121	-	(6)	**3,459**
EBITDA	590	132	1	(74)	-	**649**
EBITA	541	126	(0)	(100)	-	**567**
Year ended December 31, 2020						
Revenues	5,967	1,186	292	-	(13)	**7,432**
EBITDA	1,360	269	21	(163)	-	**1,487**
EBITA	1,259	257	19	(206)	-	**1,329**

Reconciliation of EBIT to EBITA and to EBITDA

	Six months ended June 30,		Year ended December 31,
(in millions of euros)	2021	2020	2020
EBIT (a)	**684**	**516**	**1,221**
Adjustments			
Amortization of intangible assets acquired through business combinations	69	51	108
Impairment losses on intangible assets acquired through business combinations	-	-	-
Other charges and income	-	-	-
EBITA	**753**	**567**	**1,329**
Adjustments			
Restructuring charges	9	8	20
Sale of tangible and intangible assets	(3)	1	1
Right-of-use - Depreciation of tangible assets	34	35	69
Depreciation	32	28	59
Other non-recurring items including income from equity affiliates	(3)	10	9
EBITDA	**822**	**649**	**1,487**

a. As reported in the consolidated condensed statement of earnings and as defined in Note 1.3.3

Recorded music revenues by geographic area

Recorded music revenues broken down by customer location:

	Six months ended June 30,				Year ended December 31,	
(in millions of euros)	2021		2020		2020	
North America	1,554	*50%*	1,396	*51%*	2,940	*49%*
Europe	920	*29%*	838	*30%*	1,789	*30%*
Asia	428	*14%*	382	*14%*	801	*14%*
Latin America	107	*3%*	95	*3%*	181	*3%*
Rest of the world	128	*4%*	60	*2%*	256	*4%*
Recorded music revenues	**3,137**	***100%***	**2,771**	***100%***	**5,967**	***100%***

Segment assets and liabilities

Segment assets by geographic area

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

(in millions of euros)	June 30, 2021		December 31, 2020	
North America	5,721	*60%*	5,669	*55%*
Europe	3,423	*36%*	4,214	*41%*
Asia/Pacific	314	*3%*	305	*3%*
Latin America	74	*1%*	46	*1%*
Rest of the world	14	-	12	-
Total segment assets	**9,546**	***100%***	**10,246**	***100%***

Segment liabilities

Segment liabilities include provisions, other non-current liabilities, short-term and long-term lease liabilities and trade accounts payable and other. Segment liabilities amounted to €5,450 million as of June 30, 2021, compared to €5,691 million as of December 31, 2020.

Note 3 Financial charges and income

Interest

(in millions of euros)	Six months ended June 30,		Year ended December 31,
(Charge)/Income	2021	2020	2020
Interest expense on borrowings net (a)	(11)	(9)	(20)
Interest income from cash, cash equivalents and investments	2	3	5
Interest	**(9)**	**(6)**	**(15)**

a. Notably included net interest expense on borrowings from Vivendi SE, please refer to Note 12.

Other financial income and charges

(in millions of euros)	Six months ended June 30, 2021	Six months ended June 30, 2020	Year ended December 31, 2020
Capital gain on financial investments (a)	102	449	591
Effect of undiscounting assets	-	-	-
Expected return on plan assets related to employee benefit plans	1	1	3
Foreign exchange gain	1	2	-
Other	1	1	9
Other financial income	**105**	**453**	**603**
Capital losses on financial investments (a)	(170)	-	-
Downside adjustment on financial investments	-	-	-
Effect of undiscounting liabilities	-	(1)	(1)
Interest cost related to employee benefit plans	(2)	(2)	(5)
Interest expenses on lease liabilities	(8)	(9)	(18)
Foreign exchange loss	-	-	-
Other	(3)	(2)	(4)
Other financial charges	**(183)**	**(14)**	**(28)**
Net total	**(78)**	**439**	**575**

a. Included the loss on revaluation of the interests in Spotify and Tencent Music Entertainment for a net amount of €(170) million (compared to a gain of €449 million for the first half-year 2020). Also included a gain on disposal of UMG's interest in Alamo Records LLC for €100 million.

Note 4 Income taxes

UMG's income tax expense recognized in the Statement of Earnings for the first half of 2021 was €144m compared to €214 million for the first half of 2020 and €412 million for the full year 2020. The deferred tax income related to the revaluation through profit or loss of the interests in Spotify and other equity holdings is an income of €30 million for the first half of 2021, compared to an expense of €(110) million for the first half of 2020 and €(142) million for the full year 2020.

Note 5 Earnings per share

UMG B.V's consolidated earnings per share is presented below.

Until February 26, 2021, as the combined group was not a legal entity, the number of shares outstanding was not determinable. Consequently, no earning per share data was presented.

Following the contribution by Vivendi and the consortium led by Tencent to UMG B.V on February 26, 2021, the number of shares outstanding is determinable.

In accordance with IAS 33.64, the number of ordinary or potential ordinary shares outstanding increasing as a result of the contribution, the calculation of basic and diluted earnings per share shall be adjusted retrospectively, for all periods presented.

(in millions of euros)	Six months ended June 30,			
	2021		2020	
Earnings attributable to UMG shareowners	Basic	Diluted	Basic	Diluted
Earnings from continuing operations	452	452	735	735
Earnings from discontinuing operations	-	-	-	-
Earnings	**452**	**452**	**735**	**735**
Number of shares (in millions)	Basic	Diluted	Basic	Diluted
Weighted average number of shares outstanding	1,813	1,813	1,813	1,813
Potential dilutive effects related to share-based compensation	-	-	-	-
Adjusted weighted average number of shares	**1,813**	**1,813**	**1,813**	**1,813**
Earnings per share (in euros)				
Earnings from continuing operations attributable to UMG shareowners per share	0.25	0.25	0.41	0.41
Earnings from discontinuing operations attributable to UMG shareowners per share	-	-	-	-
Earnings attributable to UMG shareowners per share	**0.25**	**0.25**	**0.41**	**0.41**

(in millions of euros)	Year ended December 31,					
	2020		2019		2018	
Earnings attributable to UMG shareowners	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings from continuing operations	1,366	1,366	972	972	897	897
Earnings from discontinuing operations	-	-	-	-	-	-
Earnings	**1,366**	**1,366**	**735**	**972**	**897**	**897**
Weighted average number of shares outstanding	1,813	1,813	1,813	1,813	1,813	1,813
Potential dilutive effects related to share-based compensation	-	-	-	-	-	-
Adjusted weighted average number of shares	**1,813**	**1,813**	**1,813**	**1,813**	**1,813**	**1,813**
Earnings per share (in euros)						
Earnings from continuing operations attributable to UMG shareowners per share	0.75	0.75	0.54	0.54	0.49	0.49
Earnings from discontinuing operations attributable to UMG shareowners per share	-	-	-	-	-	-
Earnings attributable to UMG shareowners per share	**0.75**	**0.75**	**0.54**	**0.54**	**0.49**	**0.49**

Note 6 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

	Items not subsequently reclassified to profit or loss		Items to be subsequently reclassified to profit or loss		
(in millions of euros)	Actuarial gains/(losses) related to employee defined benefit plans	Financial assets at fair value through other comprehen-sive income	Foreign currency translation adjustments	Other comprehensiv e income from equity affiliates, net	**Other comprehensive income**
Balance as of December 31, 2020	**(42)**	**(15)**	**(418)**	**(8)**	**(483)**
Charges and income directly recognized in equity	-	-	24	1	25
Items to be reclassified to profit or loss	-	-	-	-	-
Tax effect	-	-	-	-	-
Balance as of June 30, 2021	**(42)**	**(15)**	**(394)**	**(7)**	**(458)**

Note 7 Goodwill

(in millions of euros)	June 30, 2021	December 31, 2020
Goodwill, gross	1,468	1,451
Impairment losses	(82)	(82)
Goodwill	**1,386**	**1,369**

(in millions of euros)	June 30, 2021	December 31, 2020
Recorded Music	608	601
Publishing	680	674
Merchandising & Other	98	94
Closing balance	**1,386**	**1,369**

Changes in goodwill

(in millions of euros)	June 30, 2021	December 31, 2020
Opening balance	**1,369**	**1,488**
Impairment losses	-	-
Business combinations	2	7
Changes in foreign currency translation adjustments	15	(126)
Closing balance	**1,386**	**1,369**

UMG's financial reporting is managed at the level of operating segments consistent across the music industry (recorded music, music publishing, and merchandising).

Prior to February 26, 2021 Vivendi tested goodwill at the level of UMG. After the reorganization as disclosed in Note 1, UMG allocated goodwill in 2021 to groups of cash-generating units (sale of recorded music; exploitation of music publishing rights; merchandising) within UMG that are the lowest level within UMG at which goodwill is monitored for UMG's internal management purposes. Goodwill is therefore tested at the level of UMG's operating segments in 2021.

In 2019 and 2020, UMG was tested for impairment by comparing its carrying amount (including goodwill) with its recoverable amount. The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (Discounted Cash Flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions). For a description of the methods used for the impairment test, please refer to Note 1.4.5.1.

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

As of June 30, 2021, the Management assessed whether there was any indication that any of the cash generating units ("CGU") may have become impaired during the first half of 2021.

On March 31, 2020, Vivendi sold 10% of UMG's share capital to the Tencent-led consortium based on an enterprise value of €30 billion for 100% of UMG's share capital.

On January 29, 2021, Vivendi sold an additional 10% of UMG's share capital to the Tencent-led consortium based on the same enterprise value of €30 billion for 100% of UMG's share capital.

On July 19, 2021, Pershing Square Tontine Holdings Ltd. (PSTH) informed Vivendi that it intends to assign its rights and obligations to acquire 10% of the share capital of UMG B.V under the agreements announced on June 20, 2021 to investment funds with significant economic interests or management positions held by Mr. William Ackman. Vivendi has decided to approve such request. This transaction is based on an enterprise value of €35 billion for 100% of the UMG BV share capital.

Notwithstanding the uncertainties created by the COVID-19 pandemic, the Management concluded that there were no triggering events that would indicate any reduction in the value of any CGU or group of CGUs, compared to December 31, 2020 and that any limited decrease in operating performances of the Merchandising CGU in 2020 and the first half of 2021 is unlikely to be lasting and should not affect its long-term outlook. In addition, an annual impairment test of the carrying value of goodwill and other intangible assets will be performed during the fourth quarter of 2021.

Note 8 Content assets and commitments

Content assets

	June 30, 2021			December 31, 2020
(in millions of euros)	Content assets, gross	Accumulated amortization and impairment losses	Content assets	Content assets
Music catalogs and publishing rights	4,424	(2,102)	2,322	2,330
Advances to artists and repertoire owners	1,930	-	1,930	1,859
Merchandising contracts and artists services	21	(21)	-	-
Content assets	**6,375**	**(2,123)**	**4,252**	**4,189**
Deduction of current content assets	(729)	-	(729)	(677)
Non-current content assets	**5,646**	**(2,123)**	**3,523**	**3,512**

Contractual content commitments

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

(in millions of euros)	June 30, 2021	December 31, 2020
Music royalties to artists and repertoire owners	2,379	2,315
Creative talent and employment agreements and others	387	456
Total content liabilities	**2,766**	**2,771**

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.

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

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

Note 9 Leases

Rights-of-use relating to leases

As of June 30, 2021 the rights-of-use relating to leases amounted to €406 million (€416 million as of December 31, 2020) less the accumulated amortization and impairment losses for €365 million as of June 30, 2021 (€329 million as of December 31, 2020. These rights-of-use relate to real estate leases.

Changes in the rights-of-use

(in millions of euros)	June 30, 2021	December 31, 2020
Opening balance	**416**	**472**
Depreciation	(34)	(69)
Acquisitions/increase	24	39
Sales/decrease	-	-
Business combinations	-	-
Foreign currency translations and other	-	(26)
Closing balance	**406**	**416**

Maturity of lease liabilities

(in millions of euros)	June 30, 2021	December 31, 2020
Maturity		
< 1 year	78	78
Between 1 and 5 years	255	265
> 5 years	185	182
Lease liabilities	**518**	**525**

Lease-related expenses

The net lease-related expenses recorded in the Statement of Earnings amounted to €39 million for the first half of 2021 (compared to €45 million for the first half of 2020).

Note 10 Investments in equity affiliates

As of June 30, 2021 and December 31, 2020 the main company accounted for by Universal Music Group under the equity method was Vevo (a premium music video and entertainment platform).

(in millions of euros)	Voting interest June 30, 2021	Voting interest December 31, 2020	Net carrying value of equity affiliates June 30, 2021	Net carrying value of equity affiliates December 31, 2020
Vevo	49.2%	49.4%	62	62
Other	n/a	n/a	33	10
			95	**72**

Change in value of investments in equity affiliates

(in millions of euros)	June 30, 2021	December 31, 2020
Opening balance	**72**	**88**
Acquisitions	23	1
Business combinations	-	-
Income from equity affiliates	(1)	(9)
Change in other comprehensive income	1	(6)
Dividends received	-	(2)
Other	-	-
Closing balance	**95**	**72**

Note 11 Financial assets

(in millions of euros)	June 30, 2021			December 31, 2020		
	Total	Current	Non-current	Total	Current	Non-current
Financial assets at fair value through profit or loss						
Term deposits	-	-	-	-	-	-
Level 1 - Listed equity securities	1,631	-	1,631	1,862	-	1,862
Level 2						
Unlisted equity securities	43	-	43	43	-	43
Derivative financial instruments	19	-	19	-	-	-
Level 3 - Other financial assets	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income						
Level 1 - Listed equity securities	-	-	-	-	-	-
Level 2 - Unlisted equity securities	-	-	-	-	-	-
Level 3 - Unlisted equity securities	14	-	14	14	-	14
Financial assets at amortized cost	110	35	75	44	1	43
Financial assets	**1,817**	**35**	**1,782**	**1,963**	**1**	**1,962**

The three classification levels for the measurement of financial assets at fair value are defined in Note 1.4.1.

Listed equity portfolio

	June 30, 2021							
	Number of shares held	Ownership interest	Average purchase price (a)	Stock market price	Carrying value	Change in value over the period	Cumulative unrealized capital gain/(loss)	Sensitivity at +/-10 pts
	(in thousands)		(€/share)		(in millions of euros)			
Spotify (b)	6,487	3.35%	6.58	227.28	1,475	(195)	1,432	+147/147
Tencent Music Entertainment (c)	12,246	0.73%	na	12.77	156	(36)	156	+16/-16
Other	-	-	-	-	-	-	-	-
Total					**1,631**	**(231)**	**1,588**	

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

na: not applicable.

a. Includes acquisition fees and taxes.

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

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

Note 12 Cash position and borrowings

Cash position

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

(in millions of euros)	June 30, 2021	December 31, 2020
Loans to Vivendi SE	**146**	**815**
of which Universal Music Group Treasury with Vivendi	*146*	*815*
Cash and cash equivalents	**755**	**326**
of which cash equivalents	*301*	*220*
cash	*454*	*106*
Cash position	**901**	**1,141**

Borrowings and other financial liabilities

	June 30, 2021			December 31, 2020		
(in millions of euros)	Total	Long-term	Short-term	Total	Long-term	Short-term
Vivendi SE borrowings (a)	2,368	0	2,368	2,368	2,368	-
Credit lines drawn by UMG Inc. (b)	546	-	546	635	-	635
Bank overdrafts	2	-	2	5	-	5
Other	2	1	1	1	1	-
Borrowings at amortized cost	**2,918**	**1**	**2,917**	**3,009**	**2,369**	**640**
Derivative financial instruments	-	-	-	-	-	-
Borrowings and other financial liabilities	**2,918**	**1**	**2,917**	**3,009**	**2,369**	**640**

a. Corresponds to Universal International Music B.V.'s borrowing from Vivendi SE, to be settled on July 7, 2021, see below for more details.
b. Corresponds to credit lines drawn by UMG Inc. for €330 million (December 31, 2020: €213 million) on UMG Inc. credit lines and €216 million (December 31, 2020: €422 million) on Vivendi SE credit lines.
c. Refer to Note 17 for details on maturity of borrowings.

In the context of the planned distribution of 60% of UMG's share capital to Vivendi's shareholders and the listing of UMG's shares on the Euronext Amsterdam stock exchange, on March 24, 2021, UMG entered into an agreement concerning the setting up of a five-year €3 billion syndicated bank credit facility: a revolving credit facility of €2 billion and a term loan of €1 billion. UMG's ability to draw on these bank credit facilities was conditional upon its strict ring fencing from Vivendi, in particular the termination of UMG's cash pooling agreement with Vivendi, UMG Inc.'s inability to draw on Vivendi SE's bilateral credit facilities, and the repayment of UIM B.V.'s intra-group debt from Vivendi. On July 7, 2021, Vivendi and UMG completely separated their cash pooling and financing arrangements.

As a reminder, since 2020, UMG Inc. has been an additional borrower under five of Vivendi SE's eight bilateral credit facilities up to the aggregate limit of €750 million as of December 31, 2020, which was reduced to €450 million as of June 30, 2021. As of June 30, 2021, three of these credit facilities were drawn by UMG for €216 million.

In addition, UMG Inc. had its own credit facilities maturing in 2021 for an aggregate amount of $570 million, i.e., €470 million as of June 30, 2021, including a committed credit facility of €247 million maturing in September 2021. As of June 30, 2021, UMG Inc. had drawn on these credit facilities for an amount of €330 million, and on July 7, 2021, it repaid and cancelled them.

On March 24, 2021, UMG B.V. and UMG Inc. reached an agreement for a syndicated revolving bank credit facility of €2 billion (drawings made in euros for UMG B.V. and in US dollars for UMG Inc.) for a five-year period, with two one-year extension options.

On the same date, UMG B.V. entered into a term loan of €1 billion maturing in October 2026. The ability for UMG to draw on these bank credit facilities was conditional upon its strict ring fencing from Vivendi. On July 7, 2021, Vivendi and UMG completely separated their cash pooling and financing arrangements after the following transactions were implemented:

- the termination of UMGT S.A.S.'s cash pooling agreement with Vivendi SE, with Vivendi SE returning the deposited amount of €146 million as of June 30, 2021;
- the repayment by UMG Inc. of its drawings on Vivendi SE's bilateral bank credit facilities for €216 million as of June 30, 2021; and
- the repayment by UIM B.V. of its intra-group borrowing from Vivendi SE, for €2,368 million.

On July 7, 2021, to finance the repayment of UIM B.V.'s intra-group borrowing from Vivendi SE, UMG B.V. drew on its term loan of €1 billion, as well as on the revolving credit facility for €1.24 billion. In addition, UMG Inc. drew on the same credit facility for $500 million, i.e., €416 million.

UMG borrowings and intra-group investments with Vivendi

UMG's intra-group borrowings and deposit positions with Vivendi SE were as follows:

(in millions of euros)	July 7, 2021	June 30, 2021	December 31, 2020
Vivendi SE borrowings	-	(2,368)	(2,368)
Loans to Vivendi SE from UMG Treasury	-	146	815
Net total	**-**	**(2,222)**	**(1,553)**

Note 13 Equity

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

(in millions of euros)	June 30, 2021	December 31, 2020
Contributions by/distribution to shareowners	**422**	**2,711**
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V. (c)	-	-
Distribution by UMG B.V. paid to Vivendi SE (d)	*338*	-
Distribution by UMG B.V. paid to Concerto and Scherzo (d)	*84*	-
of which Universal Music Group S.A.S. transferred to Vivendi SE (a)	-	*2,428*
Distribution by Universal International Music B.V. paid to shareowners (b)	-	*283*
Changes in UMG ownership interest in subsidiaries that do not result in a loss of control	**-**	**13**
Changes in equity attributable to Universal Music Group	**422**	**2,724**

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

b. Dividends distributed by UIM BV to Vivendi SE for €255 million and to Concerto for €28 million on September 23, 2020.

c. As described in Note 1, on February 26, 2021, Vivendi and the consortium led by Tencent contributed their respective 80% and 20% shares in both UIM B.V. and UMG Inc. to UMG B.V. based on an equity value of €33 billion for 100% of UMG's share capital. Following this contribution, Vivendi and Tencent respectively own 80% and 20% of UMG B.V. which own 100% of UIM B.V. and 100% of UMG Inc. without any change on UMG's scope of combination/consolidation and without any change in total equity. Therefore, UMG's net equity remains unchanged before and after the contribution. As such, following the principle of continuity of financial statements, on February 26, 2021, in UMG B.V.'s consolidated financial statements, the contribution of €33 billion was directly recorded as an increase in equity attributable to UMG B.V. shareowners (€18.5 billion in share capital and €14.5 billion in additional paid-in capital), and the contribution of €33 billion was fully neutralized in UMG B.V.'s retained earnings.

d. Dividends distributed by UMG BV to Vivendi SE for €338 million and to Concerto and Scherzo for a combined €84 million on April 29, 2021.

Note 14 Provisions

(in millions of euros)	Note	June 30, 2021	December 31, 2020
Employee benefits (a)		255	258
Restructuring costs		9	11
Litigations	18	4	4
Other (b)		172	199
Provisions		**440**	**472**
Deduction of current provisions		(98)	(137)
Non-current provisions		**342**	**335**

a. Included deferred employee compensation as well as provisions for defined employee benefit plans, but excluded employee termination reserves recorded under restructuring costs.

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

Changes in provisions

(in millions of euros)	June 30, 2021	December 31, 2020
Opening balance	**472**	**500**
Addition	32	85
Utilization	(64)	(74)
Reversal	(8)	(43)
Business combinations	0	-
Divestitures, changes in foreign currency translation and other	8	4
Closing balance	**440**	**472**

Note 15 Share-based compensation plans

In 2021, no changes were made regarding UMG employee's participation in Vivendi's share-based compensation plans. No stock options of performance shares were granted in 2021 to UMG employees and senior executives in the first half-year of 2021.

Note 16 Related parties

UMG's related parties are the key executive managers and other related parties including:

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

For the reorganization in 2021 and the main transactions by shareholders reference is made to Note 1 Basis of preparation of the unaudited consolidated condensed financial statements. For UMG's borrowings to Vivendi reference is made to Note 12. UMG distributes its cash surpluses to shareowners through dividends and share capital reductions (please refer to Note 13).

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

(in millions of euros)	June 30, 2021	December 31, 2020
Assets		
Shareowners loans	146	815
Trade accounts receivable and other	46	61
Of which Vevo	*34*	*31*
Duzy Dom	*8*	*8*
Telecom Italia	-	-
Havas Group	*1*	*1*
ULive	-	-
Vivendi Corporate	*3*	*19*
Current financial assets	-	-
Of which Vivendi Corporate	-	-
Liabilities		
Shareowners borrowings	2,368	2,368
Non-operating liabilities	-	-
Of which Vivendi Corporate	-	-
Trade accounts payable and other	1	1
Of which Havas Group	-	*1*
Vivendi Corporate	*1*	-
Bolloré Group	-	-
Canal+ Group	-	-
Income tax payable	-	-
Of which Vivendi Corporate	-	-

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
Statement of earnings			
Operating income	112	81	191
Of which Vevo	*100*	*69*	*164*
Duzy Dom	*5*	*6*	*13*
Telecom Italia	*1*	*1*	*1*
Canal+ Group	*1*	-	*1*
Havas Group	*3*	*3*	*7*
Vivendi Corporate	-	*1*	*1*
Other	*2*	*1*	-
Financial income	(8)	(8)	(17)
Of which Vivendi Corporate	*(8)*	*(8)*	*(17)*
Operating expenses	(6)	(19)	(48)
Of which Havas Group	*(2)*	*(4)*	*(11)*
Canal+ Group	-	-	-
Vivendi Corporate	-	*(13)*	*(30)*
Bolloré Group	*(4)*	*(2)*	*(5)*
Vivendi Village	-	-	-
Banijay Group Holding	-	-	-
Ingrooves Music Group	-	-	*na*
Other	-	-	-

na: not applicable.

Services billed by Vivendi Corporate

(in millions of euros)	Six months ended June 30, 2021	2020	Year ended December 31, 2020
Management fees	-	(7)	(15)
Share-based compensation plans	(3)	(7)	(10)
Other	3	1	(10)
Services billed by Vivendi Corporate	**0**	**(13)**	**(35)**

Note 17 Contractual obligations and other commitments

Universal Music Group (UMG)'s material contractual obligations and contingent assets and liabilities include:

- certain contractual obligations relating to the group's business operations, such as content commitments (please refer to Note 8), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to UMG's consolidation scope made under acquisitions or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments under shareholders' agreements and collateral and pledges granted to third parties over UMG's assets;
- commitments related to UMG's financing: undrawn confirmed bank credit facilities as well as the management of interest rate, foreign currency and liquidity risks; and
- contingent assets and liabilities resulting from legal proceedings in which UMG and/or its subsidiaries are either plaintiff or defendant (please refer to Note 18).

Contractual obligations and commercial commitments

		Minimum future payments as of June 30, 2021				Total minimum future payments as of
			Payments due in			
(in millions of euros)	Note	Total	1 year	2-5 years	After 5 years	December 31, 2020
Borrowings and other financial liabilities	12	2,918	2,917	1	-	3,009
Lease liabilities	9	518	78	255	185	525
Content liabilities	8	2,766	2,531	233	2	2,771
Consolidated statement of financial position items		**6,202**	**5,526**	**489**	**187**	**6,305**
Contractual content commitments		1,501	745	723	33	1,337
Commercial commitments		(4,919)	(1,610)	(3,309)	-	(3,975)
Net off-balance sheet commitments		**(3,418)**	**(865)**	**(2,586)**	**33**	**(2,638)**
Operating leases and subleases		na	na	na	na	na
Total		**2,784**	**4,661**	**(2,097)**	**220**	**3,667**

na: not applicable.

Off-balance sheet commercial commitments

(in millions of euros)	Minimum future payments as of June 30, 2021				Total minimum future payments as of
		Due in			
	Total	1 year	2-5 years	After 5 years	December 31, 2020
Given commercial commitments	43	32	11	-	46
Received commercial commitments (a)	(4,962)	(1,642)	(3,320)	-	(4,021)
Net total	**(4,919)**	**(1,610)**	**(3,309)**	-	**(3,975)**

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

Note 18 Litigation

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

The costs which may result from these Legal Proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can reasonably be quantified or estimated, in which case, the amount of the provision represents UMG's best estimate of the risk and is based on a case-by-case assessment of the risk level, provided that UMG may, at any time, reassess such risk if events occur during such proceedings. Provisions recorded by UMG for all claims and litigation were €4m as of June 31, 2021 and €4 million as of December 31, 2020, (please refer to Note 14).

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 6 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 July 26, 2021.

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

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

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

However, Jane Petty sought to pursue the case. On April 16, 2020, she filed an application for class certification, and, on April 27, 2020, she filed a second amended complaint. On May 18, 2020, UMG filed a motion to dismiss, which was granted on March 29, 2021, for lack of the plaintiff's standing, thereby closing this case.

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

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

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

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

David Marks against UMG Recordings, Inc.

On May 13, 2021, David Marks, a former member of the Beach Boys, filed a class action lawsuit against UMG Recordings, Inc. in the U.S. District Court for the Central District of California for breach of contract and fraud. He alleges that UMG has understated the amount of royalties owed to him for streaming outside the United States. On July 7, 2021, UMG Recordings filed a motion to dismiss. On July 21, 2021, the plaintiff filed an amended complaint.

Note 19 List of consolidated entities

The number of legal entities consolidated or accounted for under the equity method by UMG is 470 as of June 30, 2021 (388 as of December 31, 2020). The major entities are presented in the table below.

		June 30, 2021		
	Country	Accounting Method	Voting Interest	Ownership Interest
Universal Music Group B.V.	Netherlands	C	*Parent entity – see Note 1*	
Universal Music Group, Inc.	United States	C	100%	*100%*
Universal Music Group Holdings, Inc.	United States	C	100%	*100%*
UMG Recordings, Inc.	United States	C	100%	*100%*
Vevo	United States	E	49.2%	*49.2%*
Universal International Music B.V.	Netherlands	C	100%	*100%*
Universal Music Entertainment GmbH	Germany	C	100%	*100%*
Universal Music LLC	Japan	C	100%	*100%*
Universal Music France S.A.S.	France	C	100%	*100%*
Universal Music Holdings Ltd.	United Kingdom	C	100%	*100%*
EMI Group Worldwide Holding Ltd.	United Kingdom	C	100%	*100%*
Universal Music Group Treasury S.A.S.	France	C	100%	*100%*

C: consolidated; E: equity affiliates.

Note 20 Subsequent events

The significant event that occurred between the closing date as of June 30, 2021 and July 28, 2021 (the date of UMG's Management Board meeting that approved the Consolidated condensed financial statements for the half-year ended June 30, 2021) was as follows:

On July 7, 2021, UMG entered into various treasury operations aimed at repaying its debt to Vivendi SE. Please refer to Note 12 for details.

DELOITTE & ASSOCIES
6, place de la Pyramide
92908 Paris–La Défense Cedex

S.A.S. au capital de € 2 188 160
572 028 041 RCS Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Universal Music Group

Years ended December 31, 2020, 2019 and 2018

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

To the Management Board of Vivendi SE,

Opinion

In our capacity as statutory auditors of Vivendi SE and in accordance with Regulation (EU) 2017/1129 completed with Commission Delegated Regulation (EU) 2019/980 in the context of the first admission to listing and trading of all the ordinary shares of Universal Music Group on Euronext Amsterdam, we have audited the combined financial statements of Universal Music Group ("UMG") prepared for the purpose of inclusion in the prospectus under International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with IFRS published by the International Accounting Standards Board (IASB) as at December 31, 2020, 2019 and 2018 (thereafter the « Combined Financial Statements »). These Combined Financial Statements comprise the combined statement of financial position as at December 31, 2020, 2019 and 2018, and the combined statement of earnings, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

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

These Combined Financial Statements were examined on March 1, 2021 by the Management Board of Vivendi SE, and approved on March 3, 2021 by two empowered members of the Management Board of Vivendi SE.

In our opinion, the accompanying Combined Financial Statements give a true and fair view of the combined financial position of UMG as at December 31, 2020, 2019 and 2018 and of its combined financial performance and combined cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with IFRS published by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Emphasis of matter

We draw attention to the Note "Basis of preparation of the Combined Financial Statements", in "Accounting conventions used when preparing the Combined Financial Statements" section. Our opinion is not modified in respect of this matter.

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

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

In preparing the Combined Financial Statements, management is responsible for assessing UMG's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate UMG or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Financial Statements.

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

- Identify and assess the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UMG's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UMG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause UMG to cease to continue as a going concern.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Paris-La Défense, September 13, 2021

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Thierry Quéron Géraldine Segond	Claire Pajona

UNIVERSAL MUSIC GROUP

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

Wednesday, March 03, 2021

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

Combined Statement of Earnings

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

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

Combined Statement of Comprehensive Income

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

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

Combined Statement of Financial Position

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

na: not applicable.

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

Combined Statement of Cash Flows

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

na: not applicable.

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

Combined Statements of Changes in Equity

Year ended December 31, 2020

(in millions of euros)

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

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

Year ended December 31, 2019

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

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

Year ended December 31, 2018

(in millions of euros, except number of shares)

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

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

Notes to the Combined Financial Statements

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

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

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

Basis of preparation of the Combined Financial Statements

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

They have been drawn up based on the accounting data of UMG Inc. and UIM B.V. and their respective subsidiaries for the fiscal years ended on December 31, 2020, 2019 and 2018, as approved, and compiled for the preparation of the Vivendi Group's Consolidated Financial Statements for the relevant fiscal years. UMG's Combined Financial Statements for the fiscal years ended December 31, 2020, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in accordance with IFRS published by the International Accounting Standards Board (IASB), with mandatory application as of December 31, 2020. Amendments to IFRS standards applicable as from January 1, 2020, had no material impact on UMG's Combined Financial Statements.

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

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

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

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

Context

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Minority interest in Universal Music Group's operations in China

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

Scope of combination

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

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

Core Business

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

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

Accounting conventions used when preparing the combined financial statements

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

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

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

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

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

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

Intercompany transactions between UMG and other Vivendi Group's entities

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

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

Earnings per share

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

Translation of financial statements of foreign companies

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

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

Note 1 Accounting policies and valuation methods

1.1 Compliance with accounting standards

The 2020 UMG's Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and in accordance with IFRS published by the International Accounting Standards Board (IASB) with mandatory application as of December 31, 2020.

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

1.2 Presentation of the Combined Financial Statements

1.2.1 Combined Statement of Earnings

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

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

1.2.2 Combined Statement of Cash Flows

Net cash provided by operating activities

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

Net cash used for investing activities

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

Net cash used for financing activities

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

1.2.3 Operating performance of each operating segment and the group

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

EBITA

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

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

EBITDA

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

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

Cash Flow from Operations (CFFO)

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

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

1.2.4 Combined Statement of Financial Position

Assets and liabilities that are expected to be realized, or intended for sale or consumption, within the entity's normal operating cycle (generally 12 months), are recorded as current assets or liabilities. If their maturity exceeds this period, they are recorded as non-current assets or liabilities. Moreover, certain reclassifications were made to the 2019 and 2018 Combined Statement of Financial Position to conform to the presentation of the 2020 and 2019 Combined Financial Statements.

1.3 Principles governing the preparation of the Combined Financial Statements

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

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

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

1.3.1 Use of estimates

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

The main estimates and assumptions relate to the measurement of:

- revenue: estimates of provisions for returns and price guarantees (please refer to Note 1.3.4.2);
- goodwill and other intangible assets: valuation methods used to identify intangible assets acquired through business combinations (please refer to Note 1.3.5.1);
- goodwill, intangible assets with indefinite useful lives and assets in progress: assumptions relating to impairment tests performed on each of the group's cash-generating units (CGUs), future cash flows and discount rates are updated annually (please refer to Notes 1.3.5.7 and 8);
- UMG content assets: estimates of the future performance of beneficiaries who received advances are recognized in the Statement of Financial Position (please refer to Notes 1.3.5.2 and 9);
- provisions: risk estimates, performed on an individual basis, noting that the occurrence of events during the course of procedures may lead to a risk reassessment at any time (please refer to Notes 1.3.8 and 16);

- employee benefits: assumptions are updated annually, such as the probability of employees remaining within the group until retirement, expected changes in future compensation, the discount rate and the inflation rate (please refer to Notes 1.3.8 and 17);
- share-based compensation: assumptions are updated annually, such as the estimated term, volatility and the estimated dividend yield (please refer to Notes 1.3.10 and 18);
- lease liabilities and right-of-use assets, at the commencement date of each lease contract (please refer to Notes 1.3.5.6 and 10):
  - assessing the lease term that relates to the non-cancellable period of the lease, taking into account all options to extend the lease that UMG is reasonably certain to exercise and all options to terminate the lease that UMG is reasonably certain not to exercise; and
  - estimating the lessee's incremental borrowing rate, taking into account their residual lease term and their duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.
- deferred taxes: estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and future tax results of the group (please refer to Notes 1.3.9 and 5); and
- certain financial instruments: valuation method at fair value is defined according to the three following classification levels (please refer to Notes 1.3.5.8, 1.3.7, 12 and 14):
  - Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
  - Level 2: fair value measurement based on observable market data (other than quoted prices included under Level 1); and
  - Level 3: fair value measurement based on valuation techniques using inputs for the asset or liability that are not based on observable market data.

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

1.3.2 Principles of combination

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

Consolidation

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

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

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

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

Accounting for joint arrangements

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

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

Joint arrangements are classified into two categories:

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

Equity accounting

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

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

1.3.3 Foreign currency translation

The Combined Financial Statements are presented in millions of euros. The presentation currency of UMG is the euro.

Foreign currency transactions

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

Financial statements denominated in a foreign currency

Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro are translated into euros as follows: the Combined Statement of Financial Position is translated at the exchange rate at the end of the period, and the Combined Statement of Earnings and the Combined Statement of Cash Flows are translated using average monthly exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in charges and income directly recognized in equity. In accordance with IFRS 1, UMG elected to reverse the accumulated foreign currency translation differences against retained earnings as of January 1, 2016. These foreign currency translation differences resulted from the translation into euros of the financial statements of subsidiaries that use foreign currencies as their functional currencies. Consequently, these adjustments are not applied to earnings on the subsequent divestiture of subsidiaries, joint ventures or associates whose functional currency is not the euro.

1.3.4 Revenues and associated costs

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

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

Intellectual property licensing (musical works)

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

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

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

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

1.3.4.1 Revenue recognition by business segment

Recorded Music

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

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

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

Revenues from the physical sales of recorded music, net of a provision for estimated returns (please refer to Note 1.3.4.2) and rebates, if any, are accounted for, either: (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales.

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

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

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

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

Music publishing

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

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

Merchandising

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

1.3.4.2 Other

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

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

Advertising costs are expensed when incurred.

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

1.3.5 Assets

1.3.5.1 Goodwill and business combinations

Business combinations from January 1, 2009

Pursuant to IFRS 1, UMG elected not to restate business combinations that occurred prior to January 1, 2016. Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

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

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

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

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

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

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

Business combinations prior to January 1, 2009

IFRS 3, as published by the IASB in March 2004, retained the acquisition method. However, its provisions differed from those of its revised standard in respect of the following main items:

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

1.3.5.2 Content assets

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

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

Music rights and catalogs include music catalogs, artists' contracts and music publishing rights acquired. The annual review of the value of the intangible assets, undertaken by UMG at year-end 2016 led to a change in the amortization method of music rights and catalogs as from January 1, 2017, which notably resulted in an extension of the amortization period from 15 to 20 years.

1.3.5.3 Research and development costs

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

Cost of internal use software

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

1.3.5.4 Other intangible assets

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

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

1.3.5.5 Property, plant and equipment

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

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

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

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

UMG has elected not to apply the option available under IFRS 1, involving the remeasurement of certain property, plant and equipment at their fair value as of January 1, 2016.

1.3.5.6 Leases

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

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

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

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

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

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

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

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

After initial recognition, the liability is:

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

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

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

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

1.3.5.7 Asset impairment

Each time events or changes in the economic environment indicate a risk of impairment of goodwill, other intangible assets, property, plant and equipment, and assets in progress, UMG re-examines the value of these assets. In addition, in accordance with applicable accounting standards, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an annual impairment test undertaken in the fourth quarter of each fiscal year. This impairment test is performed to compare the recoverable amount of each Cash Generating Unit (CGU) or, if necessary, group of CGUs to the carrying value of the corresponding assets (including goodwill). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. UMG operates through different media and content businesses. Each business offers different products and services that are marketed through various channels. CGUs are independently defined at each business level, corresponding to the group operating segments. For a description of UMG's CGUs and groups of CGUs, please refer to Note 8.

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

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

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

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

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

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

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

1.3.5.8 Financial assets

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

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

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

Financial assets at fair value

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

Financial assets at fair value through other comprehensive income include:

- Unconsolidated companies that are not held for trading: UMG elected to classify these into the category "fair value through other comprehensive income". Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected or removed from the Statement of Financial Position in another way, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is transferred to retained earnings and never reclassified to profit or loss. Dividends and interest received from unconsolidated companies are recognized in profit or loss.
- Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Unrealized gains and losses on financial assets at fair value through other comprehensive income are recognized in charges and income directly recognized in equity until the financial asset is sold, collected

or removed from the Statement of Financial Position in other ways, at which time the accumulated gain or loss previously reported in charges and income directly recognized in equity is expensed in other financial charges and income.

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

Financial assets at amortized cost

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

Impairment of financial assets

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

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

1.3.5.9 Inventories

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

1.3.5.10 Trade accounts receivable

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

1.3.5.11 Cash and cash equivalents

The "cash and cash equivalents" category, defined in accordance with IAS 7, consists, on the one hand, of cash in banks and remunerated or unremunerated demand deposits which corresponds to cash, and, on the other hand monetary UCITS and other highly liquid investments with initial maturities of generally three months or less which correspond to cash equivalents.

Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets.

Moreover, the historical performances of the investments are monitored regularly to confirm their cash equivalents accounting classification.

1.3.6 Assets held for sale and discontinued operations

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

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

1.3.7 Financial liabilities

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

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

Borrowings

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

Commitments to purchase non-controlling interests

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

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

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

Derivative financial instruments

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

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

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

Fair value hedge

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

Cash flow hedge

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

Net investment hedge

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

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

1.3.8 Other liabilities

Provisions

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

Employee benefit plans

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

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

1.3.9 Deferred taxes

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

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

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

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

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

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

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

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

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

1.3.10 Share-based compensation

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

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

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

Share-based compensation is recognized as a personnel cost at the fair value of the equity instruments granted. This expense is spread over the vesting period, i.e., three years for stock option plans and for performance share plans (two years for performance shares granted before June 24, 2014), and two years for Vivendi's bonus share plans, other than in specific cases.

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

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

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

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

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

1.4 Related parties

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

The transactions with subsidiaries over which UMG exercises control are eliminated within the intersegment transactions (a list of UMG's major consolidated entities is set out in Note 23). Moreover, commercial relationships among UMG subsidiaries, aggregated in operating segments, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties. A portion of the operating costs of Vivendi SE's headquarters is allocated to UMG.

1.5 Contractual obligations and contingent assets and liabilities

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

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

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

Among IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC and endorsed by the European Union as of the date of approval of these Combined Financial Statements, that are not yet effective, and which UMG has not elected for early adoption, the main standards which may have an impact on UMG are the amendments to the IFRS 9 – *Financial Instruments*, IFRS 7 – *Financial Instruments: Disclosures* and IFRS 16 – *Leases* standards which relate to the Interest Rate Benchmark Reform (Phase 2). These amendments which apply mandatorily from January 1, 2021, were issued by the IASB on August 27, 2020, endorsed by the EU on January 13, 2021, and published in the Official Journal of the EU on January 14, 2021.

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

Note 2 Segment data

2.1 Operating segment data

The group management evaluates the performance of its business segments and allocates necessary resources to them based on certain operating performance indicators (segment earnings and cash flow from operations). EBITDA and EBITA reflect the earnings of each business segment, as defined in Note 1.2.3.

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

Main aggregates of the Statement of Earnings

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

Reconciliation of EBIT to EBITA and to EBITDA

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

na: not applicable.

a. As reported in the Combined Statement of Earnings.

Recorded music revenues by geographic area

Recorded music revenues broken down by customer location:

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

2.2 Segment assets and liabilities

Segment assets by geographic area

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

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

Segment liabilities

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

Note 3 EBIT

Personnel costs and average employee numbers

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

Additional information on operating expenses

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

Levies

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

Note 4 Financial charges and income

Interest

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

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

Other financial income and charges

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

na: not applicable.

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

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

Note 5 Income taxes

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

Provision for income taxes

(in millions of euros)	Year ended December 31,		
(Charge)/Income	2020	2019	2018
Current			
United States	(105)	(50)	(81)
France	(17)	(27)	(18)
Rest of Europe	(61)	(7)	(49)
Rest of the world	(96)	(71)	(63)
	(279)	**(155)**	**(211)**
Deferred			
United States	7	22	38
France	2	(4)	1
Rest of Europe (a)	(144)	(61)	(81)
Rest of the world	2	3	2
	(133)	**(40)**	**(40)**
Provision for income taxes	**(412)**	**(195)**	**(251)**

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

Income tax paid

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

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

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

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

5.2 Effective tax rate

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

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

5.3 Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

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

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

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

Components of deferred tax assets and liabilities

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

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

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

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

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

5.4 Tax litigation

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

Note 6 Earnings per share

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

Note 7 Charges and income directly recognized in equity

Details of changes in equity related to other comprehensive income

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

a. Please refer to Note 17.

Note 8 Goodwill

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

8.1 Changes in goodwill

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

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

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

8.2 Goodwill impairment test

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

In 2018, 2019 and 2020, UMG was tested for impairment by comparing its carrying amount (including goodwill) with its recoverable amount. The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (Discounted Cash Flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions). For a description of the methods used for the impairment test, please refer to Note 1.3.5.7.

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

Presentation of key assumptions used for the determination of recoverable amounts

In 2018, the Management ensured that the recoverable amount exceeded the carrying value on the basis of market data only, as a business plan was not available at the time of the re-examination of the value of goodwill. To achieve the highest possible valuation for UMG, given the favorable change in the international music market, driven in particular by the strong development of subscription streaming services, Vivendi stated in 2018 that it is willing to sell up to 50% of UMG's share capital to one or more strategic partners and that such process could be completed within an 18-month timeframe.

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

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

Note 9 Content assets and commitments

9.1 Content assets

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

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

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

Changes in content assets

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

9.2 Contractual content commitments

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

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

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

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

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

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

na: not available.

Note 10 Leases

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

10.1 Rights-of-use relating to leases

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

Changes in the rights-of-use

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

10.2 Lease liabilities

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

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

Maturity of lease liabilities

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

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

10.3 Lease-related expenses

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

Note 11 Investments in equity affiliates

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

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

na: not applicable.

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

Change in value of investments in equity affiliates

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

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

Note 12 Financial assets

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

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

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

Listed equity portfolio

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

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

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

na: not applicable.

a. Includes acquisition fees and taxes.

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

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

Note 13 Net working capital

Changes in net working capital

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

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

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

a. Excludes content investments.

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

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

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

Trade accounts receivable and other

Credit risk

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

Trade accounts payable and other

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

Note 14 Cash position, borrowings and financial risk management

Cash position

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

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

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

Borrowings and other financial liabilities

Universal Music Group Inc. bank credit facilities

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

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

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

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

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

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

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

Investment risk and counterparty risk

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

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

UMG's foreign currency risk management is centralized by Vivendi SE's Financing and Treasury Department in order to obtain the benefits associated with internal hedging and to optimize the volume of external hedging issued from financial institutions. The foreign currency hedging instruments set up have non-significant notional amounts. In addition, Vivendi SE may hedge foreign currency exposure resulting from foreign-currency denominated financial assets and liabilities.
Moreover, due to their non-significant nature, net exposures related to UMG's net working capital (internal flows of royalties as well as external purchases) are generally not hedged. The associated risks are settled at the end of each month by translating the amounts into the functional currency of the relevant operating entities.

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

Note 15 Equity

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

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

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

Note 16 Provisions

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

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

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

Changes in provisions

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

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

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

Note 17 Employee benefits

17.1 Analysis of expenses related to employee benefit plans

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

	Year ended December 31,		
(in millions of euros)	2020	2019	2018
Employee defined contribution plans	36	34	29
Employee defined benefit plans	3	3	3
Employee benefit plans	**39**	**37**	**32**

17.2 Employee defined benefit plans

17.2.1 Assumptions used in the evaluation and sensitivity analysis

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

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

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

In weighted average

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

na: not applicable.

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

Assumptions used in accounting for pension benefits, by country

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

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

na: not applicable.

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

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

na: not applicable.

Allocation of pension plan assets

	December 31, 2020	December 31, 2019	December 31, 2018
Equity securities	4%	4%	5%
Debt securities	3%	2%	3%
Diversified funds	1%	1%	1%
Insurance contracts	88%	90%	88%
Real estate	-	-	-
Cash and other	4%	3%	3%
Total	**100%**	**100%**	**100%**

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

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

Cost evolution of post-retirement benefits

For the purpose of measuring post-retirement benefits, Vivendi assumed the annual growth in the per capita cost of covered health care benefits would slow down from 5.9% for the under 65 years of age and 65 years of age and older categories in 2020, to 4.6% in 2028 for these categories. In 2020, a one-percentage-point increase in the assumed cost evolution rates would have increased post-retirement benefit obligations by €2.2 million and the pre-tax expense by €0.1 million. Conversely, a one-percentage-point decrease in the assumed cost evolution rates would have decreased post-retirement benefit obligations by €1.9 million and the pre-tax expense by €0.1 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17.2.4 Benefits estimation and future payments

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

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

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

Note 18 Share-based compensation plans

18.1 Plans granted by Vivendi

18.1.1 Equity-settled instruments

Transactions relating to outstanding instruments that occurred in 2018, 2019 and 2020 were as follows:

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

na: not applicable.

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

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

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

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

Outstanding stock options as of December 31, 2020

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

Performance share plans

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

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

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

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

- Internal indicators (with a weighting of 70%):
  - the adjusted net income per share (50%) (compared to the group's earnings before interest and income taxes - EBIT (35%) in 2018); and
  - the group's cash flow from operations after interest and income tax paid - CFAIT (20%) (compared to 35% in 2018).
- External indicators (with a weighting of 30%) tied to changes in Vivendi's share price compared to the STOXX® Europe Media index (20%) and to the CAC 40 index (10%).

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

In 2020, the charge recognized with respect to all performance share plans amounted to €3 million, compared to €4 million in 2019 and €3 million in 2018.

18.1.2 Employee stock purchase and leveraged plans

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

On July 17, 2019 and July 19, 2018, Vivendi SE made capital increases through employee stock purchase plans and leveraged plans which gave UMG's employees and retirees an opportunity to subscribe for Vivendi shares.

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

The applied valuation assumptions were as follows:

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

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

Under the leveraged plan, 2,613 thousand shares were acquired in 2020 through a company mutual fund at a price of €16.554 per share (compared to 1,796 thousand shares were subscribed for in 2019 through a company mutual fund at a price of €21.106 per share and 1,847 thousand shares at a price of €19.327 in 2018). The leveraged plan entitles employees and retirees of UMG and its French and foreign subsidiaries to acquire Vivendi shares at a discounted price and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) equal to 10 shares for each subscribed share. A financial institution mandated by Vivendi hedges this transaction. In addition, 193 thousand shares were acquired for as part of an employee shareholding plan implemented for employees of the group's Japanese subsidiaries (compared to 151 thousand shares subscribed for in 2019 and 193 thousand shares subscribed for in 2018).
In 2020, the charge recognized with respect to the leveraged plan amounted to €6 million, compared to €1 million in 2019, and €1 million in 2018.

18.2 Dailymotion's long-term incentive plan

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

Note 19 Cash Flow Statement

19.1 Adjustments

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

19.2 Investing and financing activities with no cash impact

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

Note 20 Related parties

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

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

20.1 Executive management compensation

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

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

20.2 Other related-party transactions

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

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

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

na: not applicable.

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

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

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

20.3 Services billed by Vivendi Corporate

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

Note 21 Contractual obligations and other commitments

Universal Music Group (UMG)'s material contractual obligations and contingent assets and liabilities include:

- certain contractual obligations relating to the group's business operations, such as content commitments (please refer to Note 9.2), contractual obligations and commercial commitments recorded in the Statement of Financial Position, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments;
- commitments related to UMG's consolidation scope made under acquisitions or divestitures such as share purchase or sale commitments, contingent assets and liabilities subsequent to given or received commitments related to the divestiture or acquisition of shares, commitments under shareholders' agreements and collateral and pledges granted to third parties over UMG's assets;
- commitments related to UMG's financing: undrawn confirmed bank credit facilities as well as the management of interest rate, foreign currency and liquidity risks; and
- contingent assets and liabilities resulting from legal proceedings in which UMG and/or its subsidiaries are either plaintiff or defendant (please refer to Note 22).

21.1 Contractual obligations and commercial commitments

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

na: not applicable.

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

Off-balance sheet commercial commitments

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

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

21.2 Other commitments given or received relating to operations

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

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

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

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

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

Contingent liabilities

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

Contingent assets

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

21.4 Shareholders' agreements

Under existing shareholders' or investors' agreements, UMG holds certain rights (e.g., pre-emptive rights and rights of first offer) that give it control over the capital structure of its consolidated companies having minority shareholders. Conversely, UMG has granted similar rights to these other shareholders in the event that it sells its interests to third parties.

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

21.5 Collaterals and pledges

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

Note 22 Litigation

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

The costs which may result from these Legal Proceedings are only recognized as provisions when they are likely to be incurred and when the obligation can reasonably be quantified or estimated, in which case, the amount of the provision represents UMG's best estimate of the risk and is based on a case-by-case assessment of the risk level, provided that UMG may, at any time, reassess such risk if events occur during such proceedings. Provisions recorded by UMG for all claims and litigation were €4 million as of December 31, 2020, €12 million as of December 31, 2019 and €15 million as of December 31, 2018 (please refer to Note 16).

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

The status of proceedings disclosed hereunder is described as of March 1st, 2021.

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

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

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

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

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

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

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

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

Note 23 List of combined entities

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

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

C: consolidated; E: equity affiliates.

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