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Société Européenne

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Vivendi SE's statutory auditors' report on the review of Universal Music Group's
Unaudited Consolidated Condensed Financial Statements

March 31, 2021

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S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

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

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March 31, 2021

To the Management Board of Vivendi SE,

Introduction

At your request and in our capacity as statutory auditors of Vivendi SE, we have reviewed the accompanying Unaudited Consolidated Condensed Financial Statements ("Financial Statements") of Universal Music Group ("UMG") as at March 31, 2021 prepared in the context of a partial divestiture by Vivendi SE of its music business.

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

Universal Music Group'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 Unaudited Consolidated Condensed 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 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 Unaudited Consolidated Condensed Financial Statements.

Emphasis of matter

Without modifying our conclusion, we draw your attention to:

The note "Basis of preparation of the Unaudited Consolidated Condensed Financial Statements" which explains that the Financial Statements of Universal Music Group for the first three months of 2021 ended March 31, 2021 "do not represent a full set of financial statements with regards to IFRS as adopted by the European Union (EU) and IFRS as published by the International Accounting Standards Board (IASB). Under these accounting standards, only a complete set of financial statements comprising explanatory notes with comparative financial information including a statement of compliance of these accounting standards, give a true and fair view of the assets and liabilities of the financial position of UMG for the first three months of 2021, and of the results of its operations for the period then ended".

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.

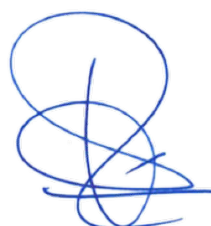
Paris-La Défense, May 10, 2021

The Statutory Auditors

ERNST & YOUNG et Autres

Deloitte & Associés

Claire PAJONA



Thierry QUERON



Géraldine SEGOND



UNIVERSAL MUSIC GROUP

Monday, May 10, 2021

Unaudited Consolidated Condensed Statements of:

- Earnings;**
- Comprehensive Income;**
- Financial Position;**
- Cash Flows; and**
- Changes in Equity**

for the first quarter ended March 31, 2021.

Unaudited Consolidated Condensed Statement of Earnings

(in millions of euros)	First Quarter ended March 31,		Year ended
	2021	2020	December 31, 2020
Revenues	1,809	1,769	7,432
Cost of revenues	(949)	(932)	(3,917)
Selling, general and administrative expenses	(531)	(582)	(2,265)
Restructuring charges	(5)	(4)	(20)
Impairment losses on intangible assets acquired through business combinations	-	-	-
Income from equity affiliates - operational	(2)	(3)	(9)
Earnings before interest and income taxes (EBIT)	322	248	1,221
Interest	(4)	(2)	(15)
Income from investments	-	-	-
Other financial income	1	7	603
Other financial charges	(155)	(109)	(28)
	(158)	(104)	560
Earnings before provision for income taxes	164	144	1,781
Provision for income taxes	(28)	(54)	(412)
Earnings from continuing operations	136	90	1,369
Earnings from discontinued operations	-	-	-
Earnings	136	90	1,369
Of which			
Earnings attributable to shareowners	135	89	1,366
Non-controlling interests	1	1	3

Unaudited Consolidated Condensed Statement of Comprehensive Income

(in millions of euros)	First Quarter ended March 31,		Year ended
	2021	2020	December 31, 2020
Earnings	136	90	1,369
Actuarial gains/(losses) related to employee defined benefit plans, net	-	25	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	-	25	8
Foreign currency translation adjustments	66	42	(194)
Comprehensive income from equity affiliates, net	2	1	(6)
Other impacts, net	-	-	-
Items to be subsequently reclassified to profit or loss	68	43	(200)
Charges and income directly recognized in equity	68	68	(192)
Total comprehensive income	204	158	1,177
Of which			
Total comprehensive income attributable to shareowners	204	157	1,175
Total comprehensive income attributable to non-controlling interests	-	1	2

Unaudited Consolidated Condensed Statement of Financial Position

(in millions of euros)	March 31, 2021	December 31, 2020
ASSETS		
Goodwill	1,406	1,369
Non-current content assets	3,567	3,512
Other intangible assets	-	1
Property, plant and equipment	257	254
Rights-of-use relating to leases	416	416
Investments in equity affiliates	72	72
Non-current financial assets	1,767	1,962
Deferred tax assets	395	414
Non-current assets	7,880	8,000
Inventories	84	79
Current tax receivables	1	1
Current content assets	699	677
Trade accounts receivable and other	1,061	1,088
Current financial assets	5	1
Shareowners loans	764	815
Cash and cash equivalents	451	326
Current assets	3,065	2,987
TOTAL ASSETS	10,945	10,987
EQUITY AND LIABILITIES		
Share capital	18,479	na
Additional paid-in capital	14,521	na
Retained earnings	(31,365)	1,432
<i>of which earnings attributable to shareowners</i>	<i>135</i>	<i>1,366</i>
Non-controlling interests	-	-
Total equity	1,635	1,432
Non-current provisions	340	335
Long-term borrowings and other financial liabilities	1	1
Shareowners borrowings	2,368	2,368
Deferred tax liabilities	769	828
Long-term lease liabilities	451	447
Other non-current liabilities	743	851
Non-current liabilities	4,672	4,830
Current provisions	114	137
Short-term borrowings and other financial liabilities	862	640
Trade accounts payable and other	3,537	3,843
Short-term lease liabilities	81	78
Current tax payables	44	27
Current liabilities	4,638	4,725
Total liabilities	9,310	9,555
TOTAL EQUITY AND LIABILITIES	10,945	10,987

na: not applicable.

Unaudited Consolidated Condensed Statement of Cash Flows

(in millions of euros)	First Quarter ended March 31,		Year ended
	2021	2020	December 31, 2020
Operating activities			
EBIT	322	248	1,221
Adjustments	41	49	213
Content investments, net	(162)	(271)	(1,517)
Gross cash provided by operating activities before income tax paid	201	26	(83)
Other changes in net working capital	(270)	(244)	287
Net cash provided by operating activities before income tax paid	(69)	(218)	204
Income tax (paid)/received, net	(45)	(39)	(207)
Net cash provided by operating activities	(114)	(257)	(3)
Investing activities			
Capital expenditures	(11)	(20)	(66)
Purchases of consolidated companies, after acquired cash	(1)	-	(4)
Investments in equity affiliates	-	-	(2)
Increase in financial assets	(1)	1	(3)
Investments	(13)	(19)	(75)
Proceeds from sales of property, plant, equipment and intangible assets	-	-	-
Proceeds from sales of consolidated companies, after divested cash	19	1	11
Disposal of equity affiliates	-	-	1
Decrease in financial assets	-	-	15
Divestitures	19	1	27
Dividends received from equity affiliates	1	-	2
Dividends received from unconsolidated companies	-	-	-
Net cash provided by/(used for) investing activities	7	(18)	(46)
Financing activities			
Distributions to shareowners	-	-	(283)
Other transactions with shareowners	-	-	(11)
Dividends paid by consolidated companies to their non-controlling interests	(1)	(3)	(5)
Transactions with shareowners	(1)	(3)	(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	199	391	625
Interest paid, net	(4)	(2)	(15)
Other cash items related to financial activities	(3)	(1)	(3)
Transactions on borrowings and other financial liabilities	192	388	607
Repayment of lease liabilities and related interest expenses	(17)	(22)	(91)
Net cash provided by/(used for) financing activities	174	363	217
Foreign currency translation adjustments of continuing operations	8	(12)	(35)
Change in cash and cash equivalents and shareowners loans	75	76	133
Cash and cash equivalents and shareowners loans			
At beginning of the period	1,141	1,008	1,008
At end of the period	1,215	1,084	1,141
of which Shareowners loans			
At beginning of the period	815	672	672
At end of the period	764	664	815
of which Cash and cash equivalent			
At beginning of the period	326	336	336
At end of the period	451	420	326

Unaudited Consolidated Condensed Statement of Changes in Equity

First Quarter ended March 31, 2021

	Capital				Retained earnings and other			Total equity
	Common shares		Additional paid-in capital	Subtotal	Retained earnings	Other comprehensive income	Subtotal	
	Number of shares (in thousands)	Share capital						
(in millions of euros, except number of shares)								
BALANCE AS OF DECEMBER 31, 2020	-	-	-	-	1,915	(483)	1,432	1,432
<i>Attributable to Universal Music Group</i>	-	-	-	-	1,914	(482)	1,432	1,432
<i>Attributable to non-controlling interests</i>	-	-	-	-	1	(1)	-	-
Contributions by/(distributions to) shareowners	1,847,874	18,479	14,521	33,000	(33,000)	-	(33,000)	-
<i>Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V.</i>	1,847,874	18,479	14,521	33,000	(33,000)	-	(33,000)	-
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)	1,847,874	18,479	14,521	33,000	(33,000)	-	(33,000)	-
Contributions by/(distributions to) non-controlling interests	-	-	-	-	(1)	-	(1)	(1)
<i>Dividends paid by subsidiaries to non-controlling interests</i>	-	-	-	-	(1)	-	(1)	(1)
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	-	-	-	-	(1)	-	(1)	(1)
Earnings	-	-	-	-	136	-	136	136
Charges and income directly recognized in equity	-	-	-	-	-	68	68	68
TOTAL COMPREHENSIVE INCOME (C)	-	-	-	-	136	68	204	204
TOTAL CHANGES OVER THE PERIOD (A+B+C)	1,847,874	18,479	14,521	33,000	(32,865)	68	(32,797)	203
<i>Attributable to Universal Music Group</i>	1,847,874	18,479	14,521	33,000	(32,865)	68	(32,797)	203
<i>Attributable to non-controlling interests</i>	-	-	-	-	-	-	-	-
BALANCE AS OF MARCH, 31, 2021	1,847,874	18,479	14,521	33,000	(30,950)	(415)	(31,365)	1,635
<i>Attributable to Universal Music Group</i>	1,847,874	18,479	14,521	33,000	(30,951)	(414)	(31,365)	1,635
<i>Attributable to non-controlling interests</i>	-	-	-	-	1	(1)	-	-

First Quarter ended March 31, 2020

(in millions of euros)

	Retained earnings and other		Total equity
	Retained earnings	Other comprehensive income	
BALANCE AS OF DECEMBER 31, 2019	3,275	(291)	2,984
Attributable to Universal Music Group	3,272	(290)	2,982
Attributable to non-controlling interests	3	(1)	2
Contributions by/(distributions to) shareowners	(2,428)	-	(2,428)
<i>Universal Music Group S.A.S. transferred to Vivendi SE</i>	<i>(2,428)</i>	<i>-</i>	<i>(2,428)</i>
CHANGES IN EQUITY ATTRIBUTABLE TO UNIVERSAL MUSIC GROUP (A)	(2,428)	-	(2,428)
Contributions by/(distributions to) non-controlling interests	(3)	-	(3)
<i>Dividends paid by subsidiaries to non-controlling interests</i>	<i>(3)</i>	<i>-</i>	<i>(3)</i>
CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (B)	(3)	-	(3)
Earnings	90	-	90
Charges and income directly recognized in equity	(1)	69	68
TOTAL COMPREHENSIVE INCOME (C)	89	69	158
TOTAL CHANGES OVER THE PERIOD (A+B+C)	(2,342)	69	(2,273)
<i>Attributable to Universal Music Group</i>	<i>(2,340)</i>	<i>69</i>	<i>(2,271)</i>
<i>Attributable to non-controlling interests</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>
BALANCE AS OF MARCH, 31, 2020	933	(222)	711
Attributable to Universal Music Group	932	(221)	711
Attributable to non-controlling interests	1	(1)	-

Year ended December 31, 2020

(in millions of euros)

	Retained earnings and other		Total equity
	Retained earnings	Other comprehensive income	
BALANCE AS OF DECEMBER 31, 2019	3,275	(291)	2,984
<i>Attributable to Universal Music Group</i>	<i>3,272</i>	<i>(290)</i>	<i>2,982</i>
<i>Attributable to non-controlling interests</i>	<i>3</i>	<i>(1)</i>	<i>2</i>
Contributions by/(distributions to) shareowners	(2,711)	-	(2,711)
<i>of which Universal Music Group S.A.S. transferred to Vivendi SE</i>	<i>(2,428)</i>	<i>-</i>	<i>(2,428)</i>
<i>Distribution by Universal International Music B.V. paid to shareowners</i>	<i>(283)</i>	<i>-</i>	<i>(283)</i>
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)
<i>Dividends paid by subsidiaries to non-controlling interests</i>	<i>(5)</i>	<i>-</i>	<i>(5)</i>
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)
<i>Attributable to Universal Music Group</i>	<i>(1,358)</i>	<i>(192)</i>	<i>(1,550)</i>
<i>Attributable to non-controlling interests</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>
BALANCE AS OF DECEMBER 31, 2020	1,915	(483)	1,432
<i>Attributable to Universal Music Group</i>	<i>1,914</i>	<i>(482)</i>	<i>1,432</i>
<i>Attributable to non-controlling interests</i>	<i>1</i>	<i>(1)</i>	<i>-</i>

Note to the Consolidated Condensed 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 Consolidated condensed 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 May 10, 2021, at a meeting held at the headquarters of the company, the Board of Directors of UMG B.V. approved the Unaudited Consolidated Condensed Financial Statements for the three months ended March 31, 2021.

Basis of preparation of the Unaudited Consolidated Condensed Financial Statements

The Unaudited Consolidated Condensed Financial Statements (as defined below) of Universal Music Group (as defined below) for the first three months of 2021 have been prepared by Vivendi SE ("Vivendi") in its capacity as the controlling shareholder of Universal Music Group B.V. ("UMG B.V.") and its subsidiaries Universal Music Group Inc. ("UMG Inc.") and Universal International Music B.V. ("UIM B.V.") pursuant to Section 7.04. *Information and Inspection Rights*. of UMG B.V. Shareholders Agreement.

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. 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 Unaudited Consolidated Condensed Financial Statements comprise the Consolidated Condensed Statements of:

- Earnings;
- Comprehensive Income;
- Financial Position;
- Cash Flows; and
- Changes in Equity.

As such, the Consolidated Condensed Financial Statements of UMG for the first three months of 2021 do not represent a full set of financial statements with regards to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRS as published by the International Accounting Standards Board (IASB). Under these accounting standards, only a complete set of financial statements comprising explanatory notes with comparative financial information including a statement of compliance of these accounting standards, give a true and fair view of the assets and liabilities of the financial position of UMG for the first three months of 2021, and of the results of its operations for the period then ended.

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 first three months of 2021. Except as described above, 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 March 31, 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.

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).

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

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.

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.

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

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.

As part of the deal signed in December 2019, Vivendi and the consortium led by Tencent agreed upon a reorganization of the shareholding structure under a unique holding "UMG B.V.". 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.

On March 29, 2021, a Vivendi Extraordinary Shareholders' Meeting was called to modify the company's by-laws and make the principle of this distribution in kind possible and pursue this project. Following the approval by 99.98% positive votes at the 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, Vivendi will ask its shareholders at the Annual Shareholders' Meeting to be held on June 22, 2021, to adopt a position on the plan to make an exceptional distribution in kind in the form of UMG shares to its shareholders, with completion expected in fall 2021.

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/consolidation

Until February 25, 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 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 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.

The reorganization of the shareholding structure having no impact on UMG's scope of combination/consolidation, the Unaudited Consolidated Condensed Financial Statements of Universal Music Group 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). Hence, 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.

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 March 31, 2020 and 2021 (-€9 million and -€327 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 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.

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.